

Water Services Delivery Plan Assessment

Assessment Report – Southern Water Done Well

Te Kāwanatanga o Aotearoa
New Zealand Government



Internal Affairs
Te Tari Taiwhenua

Glossary and abbreviations

The table below sets out the abbreviations used in this report

	Abbreviation
Central Otago District Council	CODC
Council Controlled Organisation	CCO
Clutha District Council	CDC
Department of Internal Affairs	Department
Funds from operations	FFO
Gore District Council	GDC
Levels Of Service	LOS
Local Government Funding Agency	LGFA
Long-term Plan	LTP
Southern Water Done Well	SWDW
Water Services Delivery Plan	Plan
Water Services Entity	WSE
Wastewater treatment plant	WWTP
Water services council-controlled organisation	WSCCO

Assessment Cover Sheet

Background on council/s and engagement with the Department

Detail	Commentary
Councils involved in plan	Gore District Council, Central Otago District Council, and Clutha District Council
Number of connections	Drinking Water 23,849 Wastewater 21,817 Stormwater 25,519 (Page 15 of the Plan has residential connections as 71,294 this should be 19,294)
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • Following the enactment of the Preliminary Arrangements Act, CODC and CDC (alongside Waitaki, and Buller) initially undertook modelling led by Selwyn District Council to investigate the benefits of a joint CCO, first with 11, then with five councils. • Following this, a working group was tasked with assessing the merits of a regional Southland-Otago grouping consisting of Invercargill, Southland, Gore, Clutha Dunedin, Central Otago, Waitaki, and Queenstown Lakes councils and providing advice to elected members. The report from the group indicated there are significant benefits to regional aggregation, particularly for the smaller, rural councils. • On 27 January the Department attended a meeting with Chief Executives from CODC, CDC, GDC and Waitaki District Council to discuss pursuing a joint model. A Governance framework was put in place to advance the option and a request for support from DIA was requested due to lack of funding. • By mid-March 2025, CODC, CDC, GDC (alongside Waitaki District Council and Timaru District Council) had signed a commitment agreement to work together towards a joint CCO. All three councils consulted on a preferred option of a joint WSCCO. • Ahead of consultation, DIA provided SWDW with a benchmarking tool to enable these councils to compare expected prices with other similar sized councils across the country. • SWDW councils (including Waitaki) received significant opposition to their preferred option through public consultation. To support this, DIA shared versions of the Local Water Done Well “explainer” brochure. • DIA were asked to support financial modelling on a potential regional model comprising Timaru, Mackenzie, and the four SWDW

	Councils. On 8 July 2025, Waitaki District Council resolved to withdraw from SWDW and pursue an in-house business model. This required remodelling of the draft WSDP.
Feedback provided to council prior to submission on Draft Plan	<ul style="list-style-type: none"> On 23 June 2025, SWDW (including Waitaki) sent through parts D and E of the four-council draft WSDP for review. The feedback consisted of some clarifications but overall stated the combined financials demonstrated a financially sustainable model. On 25 July 2025, SWDW (now a three-council grouping) sent through a completed draft WSDP for DIA review. No material feedback was given, however the several areas DIA suggested were clarified and further detail added as the WSDP was finalised.
Engagement with council during review and assessment process	<ul style="list-style-type: none"> On 3 September 2025, the Department requested information from SWDW regarding non-compliances and expiring resource consents. On 12 September 2025, the SWDW project team provided a response to the queries. This further information allowed the Department to complete the assessment and has been noted in the following pages.
Other Background Comments	SWDW will also have oversight of rural mixed water schemes.

Assessment Summary

Section	Commentary
Confirmation of submission completeness checklist	Yes – all required components completed.
General Comment on Plan	<p>Under status quo water services delivery, each council is struggling to meet water standards and address backlog in investment in their respective water networks. The joint Plan submitted with the use of external support Morrison Low and a project team indicates a joint CCO is the best option to co-ordinate improved delivery and performance of all three councils water networks.</p> <p>The Consultation Document contained financial analysis completed 28 March 2025 by Morrison Low which concluded that a joint CCO model offered the best average charges for consumers compared with a single council WSCCO or retaining water services in house. This analysis included Waitaki District Council. It assumed that the councils in the joint CCO would retain all stranded costs. The analysis indicated all councils benefited from improved debt headroom under the joint model. Waitaki’s decisions to withdraw from SWDW in our assessment does not significantly alter the financial analysis of each model.</p> <p>The Plan noted the proposed joint WSCCO model will oversee the separation of mixed-use rural water schemes from drinking water schemes at a management and governance level. The financial information for mixed use rural water supply schemes has not been separated from drinking water schemes for the purposes of this WSDP. However, it is anticipated that the joint WSCCO will maintain financial separation of mixed-use rural schemes and drinking water schemes when it is established.</p> <p>The Plan does not assume price harmonisation but indicates this will be a decision for those Directors of the WSCCO in due course.</p>
Financial Sustainability Comment	The Plan is financially sustainable, as the revenue is sufficient to ensure the long-term investment in delivering water services; and it is financially able to meet all regulatory standards and requirements for the delivery of those water services. Actions outlined in the plan to achieve financially sustainable delivery of water services include focusing on efficiency and effectiveness, the tariff structure, use of Development Contributions, prioritisation of capital works, hardship policies, external funding and grants, increasing scale and encouraging others to join the WSCCO at a future date.
Revenue Sufficiency	The average projected charges for water services are \$1,763 in 2024/25 increasing to \$3,705 in 2033/34, representing an average annual increase of 11.2% over the 10 years. The first four years have significant price increases going from 32.9% in 2026/27 decreasing to 15.6% in 2027/28, 7.8% in 2028/29, and 0.8% in 2029/30. The Plan has projected operating surpluses (excluding capital revenues) for water services from 2027/28 onwards and a projected operating cash surplus every year. We recommend that affordability and pricing are monitored during implementation.

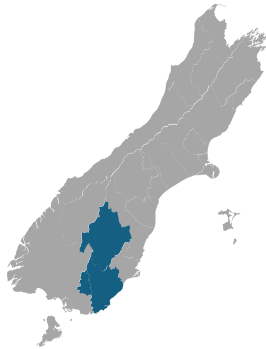
Section	Commentary
<i>Investment Sufficiency</i>	Total water services investment required over 10 years is \$560m. The Plan includes consideration of criticality, performance, age, and external factors (e.g. consents) of existing assets, deliverability, and affordability. The average life of assets is increasing due to expenditure levels for renewals and LOS projects. The forecasted renewals are based on asset age, meaning renewal expenditure may not match the depreciation in any given year, but may over a longer time frame. Over the 10 years the asset investment ratio ranges between 88% and 243%, and the asset consumption ratio increases from 53% to 60%.
<i>Financing Sufficiency</i>	The Plan complies with LGFA lending guidelines for water CCO's and the projected whole of council borrowing limits for CODC, CDC, and GDC. It indicates the CCO will use the five-year phase -in period to meet LGFA's FFO ratio guidelines forecasting cover for 2030/31 of 9.0%. guidelines. The net debt to operating revenue ranges between 362% and 411% over the 10 years. The CCO's borrowing headroom is sufficient to cover any unknown events or costs after 2030/31. We recommend discussing transitional arrangements and working closely with the LGFA to ensure financing coverage prior to this.
<i>Overall assessment recommendation</i>	The overall recommendation from the assessment phase is to accept the plan from GDC, CODC, and CDC.

Issues for discussion with Panel

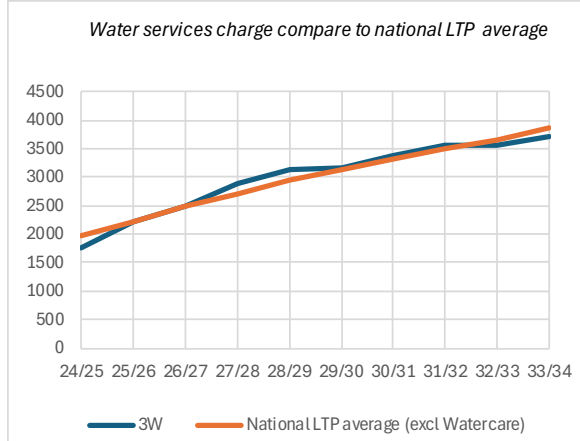
Issue	Description	Recommended treatment
Programme of work to ensure regulatory compliance	The Plan, as submitted to the Department, outlined several areas of non-compliance for drinking water and WWTP non-compliances. The Department requested and received additional information that confirms budgets have been allocated to address these.	We recommend monitoring the programme of work to achieve regulatory compliance.
Borrowing headroom under Free funds from operations metric	Borrowing headroom, when measured against a 500% debt to revenue ratio, exists throughout the modelling period. However, per LGFA guidance, under the FFO metric, the joint CCO will have borrowing headroom available from 2030/31 of \$0.8m increasing to \$39.3m in 2033/34.	We recommend monitoring the transitional arrangements with LGFA.
Delivery of capital work programme	The three councils delivered an average of 83% to 123% of their total investment over the last three years. Across the three councils, this represents \$42m per year in historic investment compared to the projected capital work programme in the Plan which indicates consistent delivery of \$55.8m per year. Renewal delivery averages 73% to 118%. The Plan outlines a capital programme for wastewater and drinking water, which is an increase in delivery.	We recommend monitoring the capital work programme and set up of the Project Management Office.
The price path of projected water services charges	Average residential two waters charges, as a percentage of median household income, increase from 1.9% in 2024/25 to 3.0% in 2033/34 in line with expectations. Average residential three waters charges under the joint CCO will increase by up to 110% in the period from 2024/25 to 2033/34. Much of this increase will occur before the establishment of the joint CCO, although prices will increase by approximately 15% in 2027/28.	We recommend monitoring the price path for the WSCCO during implementation.

Council summary information

Summary information	Level
Current population	58,230
Drinking water connections	23,849
Wastewater connections	21,817
Stormwater connections	25,519
High growth council	No
Population growth per year	0.30%



Affordability and growth



Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	2.00%	3.30%	2.93%
Annual price increase	32.90%	3.30%	11.20%
DC collected per new connection (\$)	N/A	N/A	7,855

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	394%	401%	385%
FFO to net debt	8.5%	9.9%	8.6%

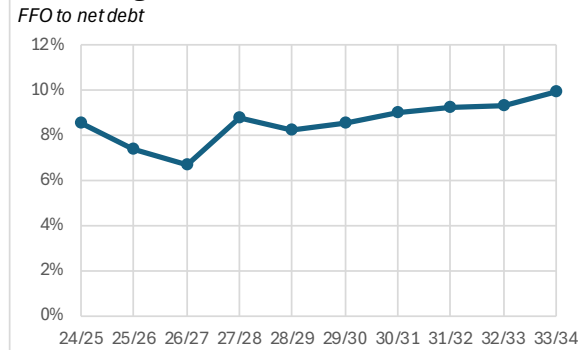
Assets, network and compliance

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	27,435	40,751	34,032
Total debt per connection (\$)	7,067	15,048	11,713
Operating costs per connection (\$)	833	1,526	1,378
Age of network (years)	DW	WW	SW
Average age outlined in plan	36	40	38

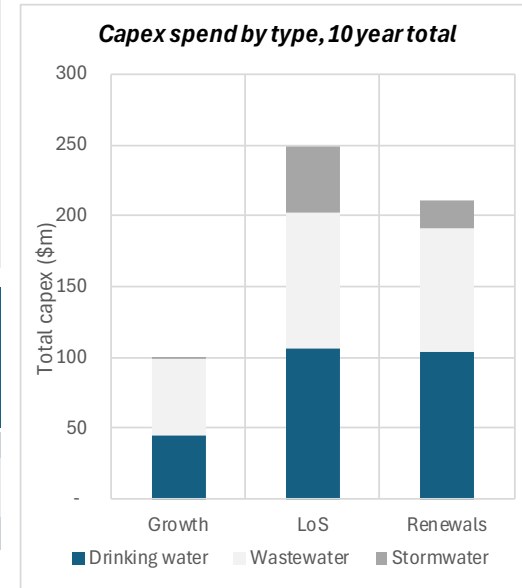
Network performance	Level
Level of service performance measures achieved	60%
Average water loss rate	25.2%
Average consumption (litres per person per day)	503

Compliance addressed in WSDP	
Drinking water compliance	Yes
Resource consent compliance	Yes

Financing



Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	45,429	106,348	104,435	256,212
Wastewater	53,974	95,504	86,874	236,352
Stormwater	199	47,558	18,988	66,745
Total 10 years	99,602	249,410	210,297	559,309



Assessment Report: Part A – Statement of financial sustainability, delivery model, implementation plan and assurance

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Delivery model and implementation				
Financially sustainable water services provision	This plan sets out a joint delivery model for CODC, CDC, and GDC's (the shareholding councils). It demonstrates that water services in the Central Otago, Clutha and Gore Districts will be delivered in a financially sustainable manner by a joint water services council-controlled organisation (the SWDW joint CCO). The Plan includes the establishment of the SWDW joint CCO on 1 July 2027.	The Plan is financially sustainable, as the revenue is sufficient to ensure the long-term investment in delivering water services; and it is financially able to meet all regulatory standards and requirements for the delivery of those water services.	Meets requirements	N/A
The proposed model to deliver water services	The Plan proposes a joint CCO model that will deliver drinking water, stormwater and wastewater services on behalf of CODC, CDC, and GDC.	The proposed model for the delivery of water services is clearly defined with the 3 councils transitioning from their current arrangements into the WSCCO from 1 July 2027. Governance is appropriately addressed in the Plan, and a Shareholder's Agreement (SHA) has been referred to. The organisational structure of the proposed water services CCO meets the requirements of the Act.	Meets requirements	N/A
Implementing the proposed service delivery model	This Plan will be delivered through the establishment of a joint CCO. The critical path for implementation is the establishment of a joint CCO and the legal transfer of all necessary assets, rights obligations, debt, and where possible, the transfer of existing staff to the joint CCO (across 2025/26 and 2026/27). Once this plan is accepted, CODC, CDC, and GDC are committed to implementing the proposed model with a go-live date of 1 July 2027.	The Plan includes a detailed Implementation Plan, sufficient to meet the requirements of section 13(2) of the Preliminary Arrangements Act.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Consultation and engagement undertaken	<p>Across the four councils, 1,072 valid submissions were received that selected a preferred option. Of these, 617 (57.5%) selected an In-house business unit (option 3). Notable support came from Clutha District resident submissions (308) and Waitaki District resident submissions (161) - no longer a member of SWDW.</p> <p>The joint CCO (Option 1) was supported by 287 (26.7%) of all submitters - excluding Waitaki (31.5%).</p> <p>The joint CCO was the preferred option for Central Otago district residents (144), while Gore District residents were evenly split between the joint CCO and an In-house Business Unit (34).</p>	Consultation was in accordance with the Preliminary Arrangements Act.	Meets requirements	N/A
Assurance and adoption of the plan				
Council resolution to adopt the Plan	<p>CODC resolved to adopt the plan during its Council meeting of 12 August 2025.</p> <p>CDC resolved to adopt the plan during its Council meeting of 13 August 2025.</p> <p>GDC resolved to adopt the plan during its Council meeting of 12 August 2025.</p>	N/A	Meets requirements	N/A
Certification of the Chief Executive of CODC, CDC, and GDC	The three Chief Executives have certified the Plan.	N/A	Meets requirements	N/A

Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Investment required in water services				
Serviced population and serviced areas	<p>SWDW will be responsible for managing:</p> <ul style="list-style-type: none"> • 3,161km of water reticulation, 24 urban water supplies, 27 WTPs and 10 rural water supplies. • 668km of wastewater reticulation, 22 urban wastewater schemes and 13 WWTPs. • and a stormwater reticulation of 234km and 25 township catchments. 	<p>CODC’s connected population is expected to require an additional 2,552 connections in the next 10 years. Cromwell area and Alexandra / Clyde networks are experiencing significant growth. LOS contain 19 service performance standards (57 across the three councils), with 60% being met by the councils.</p>	Meets requirements	N/A
Assessment of the current condition and lifespan of the water services network	<p>Assets have an average age of 36-40 years. Assets range 8% - 20% in poor or very poor condition.</p>	<p>Condition and criticality information is collected and used to plan the renewals programme.</p>	Meets requirements	N/A
Asset management approach	<p>The councils have detailed their delivery mechanisms, being a mix of internal and external contract partnerships for operations.</p> <p>As part of the establishment phase, SWDW will be developing and implementing an asset management policy, strategy and associated tools and frameworks.</p>	<p>Each council has detailed their existing arrangements. There is sufficient information provided on the future asset management approach which will be the responsibility of the CCO. The Plan had limited information about a prioritisation framework, criticality framework, LOS or strategy.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Statement of regulatory compliance</p>	<p>Most drinking water supplies are not compliant as shown in a detailed table on non-compliances, with commentary.</p> <p>There are nine boil water notices in place and a list of significant consents provided.</p> <p>A table of consent non-compliances includes two abatement notices for Clutha WWTP, four infringement notices for Clutha WWTP, one enforcement for Clutha drinking water.</p> <p>There are 34 consents due to expire in the next 10 years.</p> <p>The table of project requirements is based on 2024 LTP forecasts. The planned investment during the period addresses all the identified network performance issues disclosed, including renewing expiring consents.</p>	<p>The Plan submitted to the Department noted a significant level of non-compliances with DWQAR and WWTPs, in addition to consents set to expire within the next 10 years.</p> <p>Following clarification from the councils, SWDW has confirmed the consents due to expire over the duration of the Plan are being addressed through capital or operational expenditure, except one that will require minimal investment.</p> <p>There are several minor water take consents that do not have a LTP budget assigned to them. However, as the costs are expected to be minimal they will be reviewed closer to renewal dates. For the wastewater consents, the actual amount of capital investment required will be dependent on the final wastewater standards and the potential solutions that are available under those standards. As part of the transitional tasks and establishment of SWDW, it is expected that there will be a detailed review of existing capital programmes, compliance and consent status, and new wastewater standards. This will result in a revision of total capital budgets and a reprioritisation of some capital works.</p> <p>All anticipated future regulatory requirements are expected to be met based on the planned investment.</p>	<p>Meets requirements</p>	<p>Yes</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements</p>	<p>Capital expenditure is between \$48m and \$66m.</p> <p>There is a table highlighting significant capital projects included in the plan as well as the key drivers for investment for each water activity.</p> <p>The councils have identified the need for a prioritisation framework.</p> <p>Further detail is included in the significant capital projects section. However, there is no summary of capital project values provided, other than the details in the Financial Impact Statement.</p> <p>There is significant expenditure on LOS improvements and renewals through the plan duration.</p>	<p>The Plan highlights the need for re-prioritisation of the capital plan, with a focus on renewals and LOS expenditure.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Historical delivery against planned investment</p>	<p>The three councils delivered an average of 83% to 123% of their total investment over the last three years. Across the three councils, this represents \$42m per year in historic investment compared to the projected capital work programme in the Plan which indicates consistent delivery of \$55.8m per year. Renewal delivery averages 73% to 118%.</p> <p>The Plan also notes that a Project Management Office is to be established.</p>	<p>The Plan provides a significant capital programme for wastewater and drinking water, however it is an increase in delivery.</p> <p>During implementation we recommend monitoring the delivery of the capital programme and set up of the Project Management Office.</p>	<p>Meets requirements</p>	<p>N/A</p>

Assessment Report: Part C – Revenue and financing arrangements

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Revenue and charging arrangements				
Charging and billing arrangements	Current charges are clearly detailed. A tariff structure or revenue strategy has not been developed or agreed for the joint CCO at this stage. However, it is likely that the approach to setting fees and charges will be unchanged at the time of establishment, and that any new approach to setting charges will be implemented over time to minimize direct impacts on consumers.	Charging and billing arrangements are sufficiently outlined in the Plan and will be managed by each council until decisions on central billing are made.	Meets requirements	N/A
Water services revenue requirements and sources	<p>The joint CCO is anticipated to require \$101m of total operating funding by 2033/34. It also expects \$3m of development contributions in 2033/34. Current revenue sources are 90% through uniform targeted rates, which will likely be replaced with fixed charges under a new review, 5% through volumetric charges, and 5% through other user fees and charges which predominantly relate to connection fees and trade waste fees.</p> <p>Current water charges are weighted to residential consumers across all three waters. GDC 88.3% of revenue is from residential consumers; CDOC 80.3% and CDC 72.3%.</p>	<p>The Plan outlines the water services revenue requirements and sources. We note there is scope to increase volumetric charging in the future to commercial users in the future, as revenue is weighted by number of connections to residential users. Rebalancing revenue between residential and commercial users could be part of the CCO's new revenue strategy and tariff structure.</p> <p>Over the 10 years the Plan forecasts \$27.7m for Development Contributions which represents growth of \$10,855 per new connection and 27% capital investment. We recommend that the Development Contribution Policy is reviewed with the other charges.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Existing and projected commercial and industrial users' charges	Current non-residential charging is outlined in the plan. No projections have been completed for water charges for non-residential water consumers as charges for these consumers typically relate to water consumption, connection size, or entitlement to water units. The financial modelling assumes no change in the proportion of three waters revenue that will be derived from residential versus non-residential consumers.	The Plan provides details on existing and projected commercial and industrial user charges with relatively low revenue collection from commercial connections.	Meets requirements	N/A
The affordability of projected water services charges for communities	Average residential three waters charges, as a percentage of median household income, will increase from 2% in 2024/25 to 3.3% in 2033/34. Average residential three waters charges under the joint CCO model will increase by up to 110% in the period from 2024/25 to 2033/34. Much of this increase will occur before the establishment of the joint CCO, although prices will increase by approximately 15% in 2027/28.	The affordability of projected water services charges for communities aligns with the 2.5% guidance provided. We note the first four years of the Plan have significant price increases, the highest being a 32.9% increase. Also, each council plans to retain existing charges prior to decisions on harmonisation, and therefore affordability will differ between councils for a period. We recommend that affordability and pricing are monitored during implementation.	Meets requirements	Yes
Funding and financing arrangements				
Water services financing requirements and sources	By 2034, total water services borrowings are expected to reach \$402.7m. The joint WSE will determine its working capital requirements based on consideration of its billing cycle, and regular cash flow requirements. It is likely that the requirements will be between 1 – 3 months of annual expenditure. Projected borrowings remain within LGFA's FFO to debt covenants from 2030/31 and rely on LGFA's transitional arrangements prior to this date. The final financial strategy will be determined by the WSE's transitional board and Chief Executive. Modelling assumptions are clearly outlined on page 51.	The Plan indicates the CCO will use the five-year phase in period to meet LGFA's FFO ratio. The Plan forecasts a FFO cover for 2030/31 of 9% in line with LGFA's guidelines.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Internal borrowing arrangements	<p>Internal borrowing arrangements will not be available to the joint CCO in the future. All existing water debt, including internal loans, is intended to be transferred to the CCO on transfer date.</p> <p>Existing internal borrowing arrangements are clearly outlined in the plan.</p>	<p>The internal borrowing arrangements are clearly detailed in the Plan. Debt transfer for water services is based on prior agreement with the Department for the period ending 30 June 2022 as a base line. Further movement in water related debt is clearly identifiable by each council.</p>	<p>Meets requirements</p>	<p>N/A</p>
Determination of debt attributed to water services	<p>The Plan explains that for all three councils, three waters debt was previously agreed with the Department under the previous reform programme for the period ending 30 June 2022.</p> <p>Since this agreement, the movement in three waters debt has been determined based on movements disclosed in the funding impact statements for each of the water's activities. Debt movements from 30 June 2024 are based on projected actual results and projected financial performance and will be updated based on actual results.</p> <p>No adjustments are made to the transferring debt balances to provide for the repayment of additional, or lower, amounts of three waters debt.</p>	<p>The determination of debt attributed to water services from the participating councils is appropriate.</p>	<p>Meets requirements</p>	<p>N/A</p>
Insurance arrangements	<p>The existing insurance arrangements for the councils that will form the SWDW joint CCOE are outlined. It is expected that the joint CCO will seek to have existing insurance arrangements transferred from councils. They will also require additional insurances, including directors' and officers' indemnity insurance and business continuity insurance to manage revenue risk in the event of natural disaster.</p>	<p>The Plan details sufficient insurance arrangements. The Plan sets out current insurance cover for each council against replacement values.</p>	<p>Meets requirements</p>	<p>N/A</p>

Assessment Report: Part D – Financial sustainability assessment

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Financially sustainable water services provision				
Confirmation of financially sustainable delivery of water services by 30 June 2028	<p>The joint CCO generates sufficient revenue to provide operating surpluses and cash surpluses that ensure all operating costs are fully funded and the renewal of infrastructure is supported through depreciation recovery.</p> <p>SWDW will generate sufficient revenue to support financing costs and meet lending covenants for the level of debt that is required by the CCO.</p> <p>SWDW have planned for a level of investment in the network that is sufficient to meet known and anticipated regulatory compliance requirements and future growth.</p> <p>SWDW will be able to borrow sufficient funds to support delivery of that programme of work.</p>	The Plan is financially sustainable, as the revenue is sufficient to ensure the long-term investment in delivering water services; and it is financially able to meet all regulatory standards and requirements for the delivery of those water services.	Meets requirements	N/A
Actions required to achieve financially sustainable delivery of water services	<p>The joint CCO still presents the following affordability challenges that will need to be addressed:</p> <ul style="list-style-type: none"> • Water charges are still expected to increase by 110% between 2024/25 and 2033/34. • Affordability, when measured through total water charges as a percentage of household income, will deteriorate from 2% to 3.3% over the 10-years. • The WSCCO will take four years until it achieves full compliance with LGFA's FFO to debt lending covenants. Prior to this LGFA's transitional arrangements will be relied upon. 	Actions required to achieve financially sustainable delivery of water services were noted in the Plan.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Risks and constraints to achieving financially sustainable delivery of water services	Risks include capital cost inflation, capital programme expansion, unable to achieve efficiencies, affordability constraints and implementation risk.	Risks and constraints to achieving financially sustainable delivery of water services are stated in the Plan. and consistent with a water utility.	Meets requirements	N/A
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	<p>Projected revenue and expenditure for a joint CCO is shown from 2027/28, and of the combined councils prior to that. It shows the joint CCO generating operating surpluses from its first year, and an increasing proportion of its overall operating costs relating to financing costs as the CCO takes on more debt to fund its capital programme. Surpluses generated by the CCO are used to manage overall borrowing requirements, by funding capital works and repaying debt where appropriate.</p> <p>Opex to RV year 2024/5 of 1.8% increases to 2.2% with opex per connection doubling over ten years, opex expenses after inflation 2.5% indicate a compounding annual increase of 3.7%.</p>	<p>Projected water services revenues cover the projected costs of delivering water services from 2027/28.</p> <p>Opex costs are assessed as satisfactory.</p>	Meets requirements	N/A
Average projected charges for water services over 2024/25 to 2033/34	<p>On average residential prices will increase by 110% between 2024/25 and 2033/34, and prices as a percentage of household income will deteriorate from 2% to 3.3%.</p> <p>The average projected charges for water services are \$1,763 in 2024/25 increasing to \$3,705 in 2033/34, representing a 11.2% increase over the 10 years. The first four years have significant price increases and go from 32.9% down to 15.6% in 2027/28, decreasing to 7.8% in 2028/29, before dropping to 0.8% the following year.</p>	The SWDW provides the most affordable options for future water services delivery that is available to ratepayers in the serviced area. Affordability constraints would be considered by the WSCCO as part of its waiver policy.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected operating surpluses/(deficits) for water services	The projected operating surplus and deficit information for SWDW is presented from 2027/28 onwards. Prior to this date the information presented in the combined forecasts is for each of the constituent councils. The joint CCO maintains an operating surplus excluding capital revenues. By 2034 this operating surplus equates to 10% of total operating income, driven by the need to maintain a 9% FFO to debt ratio and to provide sufficient headroom to deal with large capital investment that is anticipated to be required beyond 2034.	The Plan shows projected operating surpluses (excluding capital revenues) for water services from 2027/28 onwards, aligning with the full recovery of depreciation.	Meets requirements	N/A
Projected operating cash surpluses for water services	Operating cash surpluses for the SWDW are from 2027/28 onwards. Prior to that, the financial information presented represents the combined projections for the constituent councils. The CCO returns cash surpluses upwards of 50% of its operating revenue, reflecting the need to manage a large capital programme. From 2031 to 2034, the CCO generates a modest amount of borrowing headroom, meaning cash surpluses generated during this time are surplus to capital funding requirements. However, this borrowing headroom is required to address anticipated investment needs beyond 2034 and provides a level of resilience to respond to increased costs for capital works, or an increased programme of work. Cash surpluses are generated to maintain a FFO to debt ratio of 9%.	Every year of the 10-year Plan has projected operating cash surpluses for water services. From 2027/28 the CCO returns cash surpluses upwards of 48% of its operating revenue, reflecting the need to manage a large capital programme. Cash surpluses provide additional headroom and by 2033/34 reach 60% of revenue.	Meets requirements	N/A

Assessment of investment sufficiency				
Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth	Investment planning approaches adopted by the constituent councils are consistent with the approach used for the development of their Long-Term Plans, Asset Management Plans and Infrastructure Strategy.	The Plan includes consideration of: <ul style="list-style-type: none"> criticality, performance, age, and external factors (e.g. consents) of existing assets. the market's ability to deliver capital works, and each council's ability to support that delivery. affordability constraints and funding envelopes. 	Meets requirements	N/A
Renewals requirements for water services	Planning for renewals investment includes consideration of age, criticality, risk, condition, and performance to varying degrees across the three councils. Asset Sustainability Ratio fluctuates between +31% and -31%.	An analysis of renewals indicates estimated under investment of \$140m over ten years however this is mitigated by a high level of service investment of \$249m for the same period, improved ACR ratio from 52.7% to 60% indicates improvement in asset condition across the network from the planned total investment. The forecasted renewals in the Plan are based on asset age, meaning renewal expenditure may not match the depreciation in any given year, but may be over a longer time frame.	Meets requirements	N/A
Total water services investment required over 10 years	The Plan includes \$560 million of total capital investment between 2024/25 to 2033/34. Planned investment included has been adopted from long term plans. No smoothing has been applied to the capital works programme. It is anticipated that the joint CCO will develop its own capital works programmes that reflect a smoother capital programme, having regard to the relative priority of projects identified by the constituent councils.	Total water services investment required over 10 years is \$560m. The asset investment ratio ranges between 88% and 243% over the 10 years. The asset consumption ratio increases from 52.6% to 60.0% over the 10 years.	Meets requirements	N/A

Average remaining useful life of network assets	Across the combined area, assets are on average 53% of the way through their remaining useful lives. The asset sustainability ratio increases from 52.6% to 60% over the 10 years. Planned network renewals are expected to be around 91% of the depreciation of assets through to 2034.	The asset average life remaining is increasing due to expenditure levels for renewals and LOS projects.	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	Financial analysis of the joint CCO indicates that SWDW can deliver financially sustainable water services to communities at a lower cost than would otherwise be able to be achieved by its constituent councils through in-house delivery models.	The Plan complies with all LGFA lending guidelines for CCOs using the five-year phase in period to meet the FFO ratio.	Meets requirements	N/A
Projected council borrowings against borrowing limits	Projected council borrowings against council borrowing limits are identified in graphs in Appendix One of the Plan. <ul style="list-style-type: none"> • GDC has a 280% limit and net debt to operating revenue reduces from 250% to about 113% by 2027/28. • CDC has a 280% limit and net debt to operating revenue reduces from 180% to about 129% by 2027/28. • CODC has a 280% limit and net debt to operating revenue reduces from forecast 203% to about 11% by 2027/28. 	Projected council borrowings against whole of council borrowing limits for CODC, CDC, and GDC are described.	Meets requirements	N/A

Projected water services borrowings against borrowing limits	<p>Projected three waters debt to revenue peaks around 411% through the joint CCO in 2033, less than the 500% limit, and modelled revenue only provides for modest amounts of headroom throughout the period.</p> <p>If additional borrowing headroom is required, this would have the likely impact of increasing overall charges to water consumers, as highlighted through the summarised results of sensitivity testing in Appendix Two.</p>	<p>The Plan indicates the CCO will use the five-year phase in period to meet LGFA's FFO ratio. The Plan forecasts a FFO cover for 2030/31 of 9.0% in line with LGFA's borrowing limits and guidelines.</p>	Meets requirements	N/A
Projected borrowings for water services	<p>Net Debt rises from \$168m in 2024/25 to \$406m in 2033/34. Over the ten years shown in the plan, debt increases by 141%, reflective of a significant programme of capital works. Growth in debt is broadly consistent throughout the period. Total lending for three waters activities remains below 400% of three waters revenue.</p>	<p>Projected borrowings for water services are clearly outlined in the plan. The net debt to operating revenue ranges between 362% and 411% over the 10 years.</p>	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	<p>Borrowing headroom, when measured against a 500% debt to revenue ratio, exists throughout the modelling period. However, per LGFA guidance the relevant lending covenants for a WSCCO will be an FFO to debt metric. Under an FFO metric, the joint CCO will have borrowing headroom available from 2030/31 of \$0.8m increasing to \$39.3m in 2033/34.</p>	<p>The CCO's borrowing headroom is sufficient to cover any unknown events or costs after 2030/31. We recommend discussing transitional arrangements with LGFA to ensure there is coverage prior to this.</p> <p>The joint CCO is not fully compliant with LGFA's FFO to debt lending covenant until 2030/31. A delay in meeting the FFO to debt lending covenant is consistent with LGFA guidance which indicates a transitional period can be relied upon to manage the affordability impacts of transition to a new CCO.</p>	Meets requirements	Yes
Free funds from operations	<p>FFO to Net Debt ratio for the SWDW joint CCO shows 8.5% in 2024/25 dropping to 6.7% in 2026/27 to account for establishment costs then rising to over 8% after 2027/28 but not achieving 9% until 2030/31. SWDW would be required to comply with an FFO to debt ratio of 9%, The joint CCO plans to take up to five years to be fully compliant with lending covenants to manage overall affordability.</p>	<p>Operating cash surpluses increase across the plan period reaching \$60.4m in year ten or 60% of revenue.</p> <p>The Plan indicates the CCO will use the five-year phase in period to meet LGFA's FFO ratio. The Plan forecasts a FFO cover for 2030/31 of 9.0% in line with LGFA's borrowing limits and guidelines. We recommend discussing transitional arrangements with the LGFA.</p>	Meets requirements	Yes

<p>Assessment of financing sufficiency</p>	<p>Financial analysis in the Plan indicates that the joint CCO can deliver financially sustainable water services to communities at a lower cost than would otherwise be able to be achieved by its constituent councils through in-house delivery models.</p>	<p>The Plan complies with all LGFA lending guidelines for CCOs using the five-year phase in period to meet the LGFA’s FFO ratio. We recommend discussing transitional arrangements with the LGFA.</p>	<p>Meets requirements</p>	<p>Yes</p>
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Assessment Report: Part E – Projected financial statements for water services

Section in Part E	Summary of content in Plan	Assessment Review Comment	Focus for panel
Projected funding impact statement	Projected funding impact statement has been provided at a combined level and for Stormwater, Drinking water and Wastewater.	Meets requirements	N/A
Projected statement of comprehensive revenue and expense	Projected statement of comprehensive revenue and expense has been provided at a combined level and for Stormwater, Drinking water and Wastewater.	Meets requirements	N/A
Projected statement of cashflows	The Plan includes projected statement of cashflows at a combined level and for Stormwater, Drinking water and Wastewater.	Meets requirements	N/A
Projected statement of financial position	The Plan includes projected statement of financial position at a combined level and for Stormwater, Drinking water and Wastewater.	Meets requirements	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 75

Projected statement of financial position

Water Services Delivery Plan page 77

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 58 -62

Financial measures: investment sufficiency

Water Services Delivery Plan pages 63 -67

Financial measures: financing sufficiency

Water Services Delivery Plan pages 68 - 72

Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
Additional disclosures to support Plan	<p>Appendix One presents high level disaggregated financial information for each of the three shareholding councils of the SWDW joint WSCCO, on the assumption that an in-house model is otherwise adopted. Specifically, it includes:</p> <ul style="list-style-type: none"> - Projected three waters revenue requirements should a joint WSCCO not proceed - Projected three waters borrowing requirements and three waters debt to revenue should a joint WSCCO not proceed. - Projected impact on household charges and affordability should a joint WSCCO not proceed - Projected borrowing capacity for councils pre and post transition to a joint WSCCO. <p>Appendix Two presents the sensitivity testing on five different scenarios.</p>	Meets requirements	N/A
Significant capital projects	Renewals programmes or other unspecified programmes of work have not been included. A total project value cut off has been applied, this is \$1 million for CDC and GDC, and \$2 million for CODC.	Meets requirements	N/A
Key issues, constraints, risks and assumptions	<p>Risks presented relate to the anticipated risks related to the successful implementation of that organisation.</p> <p>Operational risks, relating to the specific risks associated with ongoing water services delivery in each district, have been included in individual council risk registers.</p>	Meets requirements	N/A