

Water Services Delivery Plan Assessment

Assessment Report – Southland District Council

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
Asset Management Plan	AMP
Capital expenditure	Capex
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds From Operations	FFO
In-house Business Unit	IBU
Levels of Service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long Term Plan	LTP
National Infrastructure Funding and Financing	NIFF
Southland District Council	SDC
Water Services Council Controlled Organisation	WSCCO
Water Services Delivery Plan	Plan
Wastewater treatment plant	WWTP

Assessment Cover Sheet

Background on councils and engagement with the Department

Detail	Commentary
Councils involved in plan	Southland District Council
Number of connections	Drinking water: 8,425 Wastewater: 10,322 Stormwater: 11,081
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • SDC was involved in initial discussions with the Southland-Otago grouping which consisted of seven other Councils: Invercargill, Waitaki, Gore, Clutha, Dunedin, Central Otago and Queenstown-Lakes. A working group was tasked with assessing the merits of this regional grouping and providing advice to the elected members. The report from the group indicated there were significant benefits to regional aggregation, particularly for the smaller, rural councils. • SDC sought to engage with the Department and the Water Services Authority in November 2024, to raise concerns around a lack of certainty regarding the wastewater standards. • On 6 December 2024, SDC wrote to the Minister of Local Government indicating that the Council would seek an extension of 12 months for its Plan. The reasons given were primarily around clarity needed on wastewater standards, further work to be done on a joint model, and needing overall certainty on these matters for financial and operational projections. The Department responded on 17 January 2025 on behalf of the Minister to advise of the legislative requirements for an extension, and to advise we would likely not recommend the Minister accept a request from SDC due to the tools already available to them to submit an acceptable Plan. • On 10 February 2025, SDC formally requested an extension from the Minister, citing the same reasons as in December 2024. The Department recommended that the Minister did not accept the extension. The Minister wrote to the Mayor declining the request based on work already underway to support SDC. • SDC acted as a case study for NIFF in assessing cost efficiencies of the proposed wastewater standards. Through this process, NIFF advised SDC on

	<p>how to reflect any efficiencies resulting from the wastewater standards in their AMP.</p> <ul style="list-style-type: none"> • On 5 March 2025, through council resolution, the Council resolved to undertake public consultation on its proposed model for water service delivery. The preferred option was an adjusted status quo IBU model, with an alternative option being a single council WSCCO. • SDC consulted with their community from 2 April 2025 to 7 May 2025. 200 submissions were received, and 97.5% of respondents supported the adjusted status quo (IBU) model. • On 11 June 2025, SDC confirmed their decision of an IBU model. • SDC’s final Plan was submitted on 14 August 2025.
Feedback provided to council prior to submission on Draft Plan	SDC provided the Department with a draft Plan for review on 10 July 2025. The Department responded on 28 July 2025 with material feedback relating to the financial sustainability assessment. The Department’s feedback noted some areas where some further detail and clarification was needed for a full view on financial sustainability to be formed. We recommended these areas were addressed ahead of submission of SDC’s final Plan.
Engagement with council during review and assessment process	The Department did not seek further clarifications from SDC following receipt of their final Plan. The Department’s assessment team is satisfied that the areas identified in our feedback on the draft Plan have been sufficiently addressed in the final Plan to meet the legislative requirements.
Other Background Comments	N/A

Assessment Summary

Section	Commentary
Confirmation of submission completeness checklist	Yes – all required components completed.
General Comment on Plan	The Department’s assessment identified no issues regarding the financial position of SDC. The Plan is assessed as meeting the legislative requirements set out in section 13 of the Preliminary Arrangements Act.
Financial Sustainability Comment	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets the LOS, regulatory requirements and provides for growth. The actions required to achieve financially sustainable delivery of water services are outlined along with risks and constraints. The Plan builds in significant increases in revenue from rates, and the increases planned for the next two years are critical to the financial sustainability of the services.
Revenue Sufficiency	<p>The average charge per connection rises from \$1,769 to \$4,391 over the 10 years; an increase of 148%. As a percentage of median household income, charges rise from 2.1% to 4.8%. Projected water services revenues only just cover the projected costs of delivering water services. We note that if SDC maintains the planned revenue increases, and the risks outlined do not become reality, the Plan is financially sustainable. However, the risk of increased costs due to insufficient asset renewals may impose more operating costs and higher capital spending requirements.</p> <p>The operating cash surpluses increase from \$6.7m to \$26.2m per year over the 10 years. The operating cash surplus ratio ranges between 37% and 64.3%. Over the 10 years the projected operating deficit gets as low as \$6.5m, and peaks with a surplus of \$0.5m. We note that the age of the assets (with an average remaining life between 20-25 years) and the low level of surplus puts pressure on the borrowing capacity of the Council. The pressure on borrowing is alleviated by the capital spending profile which reduces with an average of \$32m to \$18.5m per year.</p>
Investment Sufficiency	The Plan demonstrates investment is sufficient to meet the requirements of growth, LOS and renewals. The asset sustainability ratio increases from 26% to 33%. While the Plan includes provisions for renewals, SDC does not have a high level of deferred renewals, so the bulk of the investment is not driven by age but instead driven by increasing regulatory requirements. The Plan is consistent with SDC’s AMPs and Infrastructure Strategy. The average asset life remaining is increasing due to expenditure on renewals and LOS projects.

<p><i>Financing Sufficiency</i></p>	<p>The Plan confirms that sufficient funding and financing can be secured to deliver water services. The projected borrowing for water services rises from \$67.8m to \$185.6m over 10 years. SDC has debt peaking at 141% of revenue with a debt limit of 175%, however, it has the capacity to obtain a credit rating and lift its borrowing capacity to 280%. The projected borrowings for water services are reasonable and SDC has adequate debt capacity to meet its medium-term needs. SDC has limited debt headroom under the current settings, but it does have the capacity to increase debt headroom by obtaining a credit rating.</p>
<p><i>Overall assessment recommendation</i></p>	<p>The overall recommendation from the assessment phase is to accept the plan from SDC.</p>

Topics for discussion with Panel

Issue	Description	Recommended treatment
<p>Delivery of capital programme and regulatory compliance projects</p>	<p>The Plan sets out a programme of capital projects that is similar to previous years but exceeds what SDC has historically achieved. It ranges between \$13m and \$33m per year, with consistent spending on renewals. Investment peaks are forecast for 2025/26 to 2028/29, particularly for wastewater and stormwater activities. These align with consent renewal and major compliance driven upgrades.</p> <p>Average total delivery against planned renewal investment since 2018 was 110%, with only 39% delivery of planned renewals in 2024/25, due to timing delays and procurement challenges. The delivery against planned total investment average since 2018 is 94%, with 74% delivered in 2024/25. SDC plans to improve its delivery performance by strengthening its internal project management capability, refining procurement processes, and sequencing projects to align with available capacity.</p>	<p>We recommend the delivery of the capital programme is monitored during implementation, in particular the projects required to achieve regulatory compliance.</p>
<p>Affordability and Pricing Strategy</p>	<p>The affordability of projected water services charges starts at 2.1% of median household income and rises to 4.8% over 10 years. This reflects that the average charge per connection rises from \$1,769 to \$4,391 over the 10 years; an increase of 148%. We note that projected water services revenues only just cover the projected costs of delivering water services.</p> <p>At 4.8% of median household income, this is higher than the Department’s guidance of 2.5% and puts Southland in the upper quartile of cost to median household income.</p>	<p>We recommend that SDC’s pricing strategy is monitored, to ensure that there is sufficient revenue to cover operating costs and that growth pays for growth while considering affordability for the community.</p>

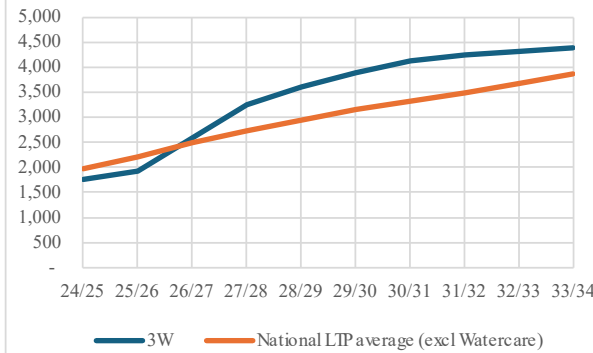
Council summary information

Summary information	Level
Current population	33,300
Drinking water connections	8,425
Wastewater connections	10,322
Stormwater connections	11,081
High growth council	No
10 year population growth	10.6%



Affordability and growth

Waterservices charge compare to national LTP average



Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	2.10%	4.80%	3.88%
Annual price increase	21.00%	2.00%	12.20%
DC collected per new connection (\$)	0	0	0

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	376%	438%	438%
FFO to debt	6.0%	8.6%	7.9%
Whole of Council net debt to revenue (approx)	60%	150%	124%

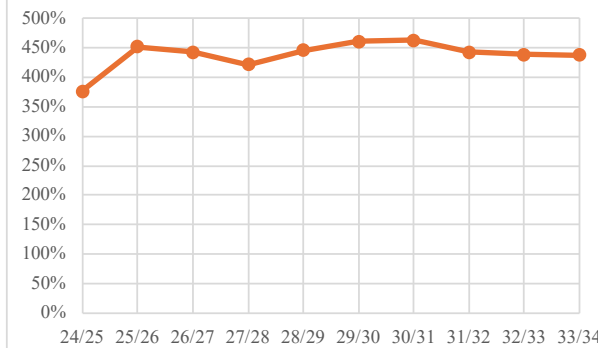
Assets, network and compliance

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	20,475	42,651	33,064
Total debt per connection (\$)	6,818	18,580	14,773
Operating costs per connection (\$)	772	1,105	931

Age of network (years)	DW	WW	SW
Average age outlined in plan	38	42	35

Financing

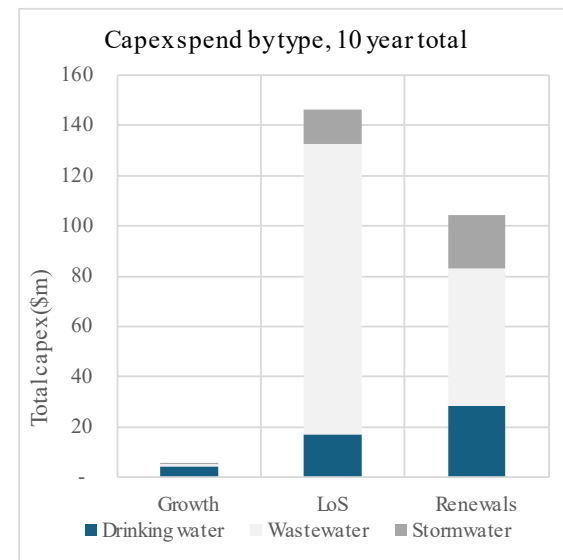
Net debt to operating revenue



Network performance	Level
Level of service performance measures achieved	Partial
Water loss rate	27%
Average consumption (litres per person per day)	307

Compliance addressed in the Plan	
Drinking water compliance	Yes
Resource consent compliance	Yes

Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	4,334	16,924	28,212	49,470
Wastewater	1,053	115,697	54,878	171,628
Stormwater	474	13,885	21,090	35,449
Total 10 years	5,861	146,506	104,180	256,547



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	The Plan outlines how the delivery of water services will be financially sustainable by 30 June 2028.	The Plan explains how the delivery of water services will be financially sustainable, and that revenue is sufficient to cover the long-term investment that meets the LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
The proposed model to deliver water services	<p>SDC will continue to own, govern, and operate water services internally under the adjusted status quo (IBU) delivery model. It preserves the Council’s borrowing headroom, maintains ring-fenced water activity finances, and allows targeted collaboration with other councils where this delivers measurable benefits.</p> <p>Under the proposed IBU model:</p> <ul style="list-style-type: none"> • SDC remains the asset owner for all water services infrastructure, with governance and strategic direction retained by elected members. • SDC directly manages operations across 12 drinking water schemes, 20 wastewater treatment schemes, and stormwater networks within designated urban areas. • Operational delivery is supported by in-house capability and contracted service providers, enabling flexibility and cost-effective service delivery in a large rural district. • Charges for water services are collected through targeted rates and volumetric user fees (where applicable). 	The Plan outlines the proposed model for delivery of water services clearly, with a 2025-2028 plan to meet the legislative requirements.	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Implementing the proposed service delivery model	<p>The following key milestones to achieve full ring-fencing and compliance with the legislation are stated in the Plan:</p> <ul style="list-style-type: none"> • Stage 1: Confirm plan and governance structures (July–August 2025); • Stage 2: Strengthen internal systems and capability (September–December 2025); • Stage 3: Refine financial systems and compliance tools (by June 2026); • Stage 4: Deliver on priority renewals and investment commitments (by June 2027); and • Stage 5: Demonstrate full compliance and strategic readiness (by June 2028). 	The Plan outlines an implementation plan as required by section 13(2) of the Preliminary Arrangements Act.	Meets requirements	N/A
Consultation and engagement undertaken	<p>SDC undertook a formal and comprehensive consultation process during April–May 2025 to determine the preferred model for future delivery of water services.</p> <p>A total of 200 submissions were received. Of these:</p> <ul style="list-style-type: none"> • 195 submissions (97.5%) supported the adjusted status quo (IBU) delivery model; and • five submissions (2.5%) favoured the establishment of a WSCCO. 	Consultation meets the requirements of Part 3 of the Preliminary Arrangements Act.	Meets requirements	N/A
Assurance and adoption of the plan				
Council resolution to adopt the Plan	SDC resolved on 11 June 2025 to proceed with the adjusted status quo (IBU) model as the preferred delivery model.	N/A	Meets requirements	N/A
Certification of the Chief Executive of Southland District Council	The Chief Executive certified the Plan on 14 August 2025.	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>SDC is responsible for managing:</p> <ul style="list-style-type: none"> • 12 water schemes serving 8,425 full connections; • seven rural water schemes; • 20 wastewater schemes serving 7,771 connections; and • a wide network of stormwater across approximately 30,000 square kilometres. <p>The current serviced population is 19,070 with limited growth. The projected serviced population is 19,600 in the next 30 years. Un-serviced areas are described.</p> <p>Some LOS and performance results are provided for 2023/24. As of 2024, SDC mostly meets its targets for managing water, wastewater, and stormwater. However, there are a few areas that need improvement:</p> <p>Wastewater: Some systems, including those in Winton, Riversdale, Balfour, and Edendale-Wyndham, have old pipes and equipment. These systems also have too much extra water getting in, which puts pressure on treatment plants and makes it harder to meet environmental rules.</p> <p>Drinking water: The Eastern Bush rural water supply is still under a boil water notice and needs more upgrades to meet New Zealand's drinking water standards set by the Water Services Authority.</p> <p>The Council has a plan to fix these problems, with staged investments and improvements detailed in its AMP, Infrastructure Strategy (2024–2054), and LTP 2024–2034 Capital Programme.</p>	<p>The Plan describes serviced areas, connections and growth areas. Partial LOS and performance results are provided.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Assessment of the current condition and lifespan of the water services network</p>	<p>The average asset age for SDC is: drinking water 38 years, wastewater 42 years, and stormwater 35 years.</p> <p>The following condition data is available for above ground assets: drinking water 95%, wastewater 90%, and stormwater 70%.</p> <p>The following condition data is available for below ground assets: drinking water 45%, wastewater 50%, and stormwater 30%.</p> <p>Assets in poor/very poor condition:</p> <ul style="list-style-type: none"> • above ground: drinking water 20%, wastewater 25%, and stormwater 20-25%; • below ground: drinking water 22%, wastewater 28%, and stormwater 24%. <p>Critical water infrastructure has been identified, prioritised, and incorporated into renewals and resilience programming.</p>	<p>Existing and future condition and performance information is suitable to plan maintenance and renewals, and capital and operational planning in the long-term. Critical assets are identified.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Asset management approach</p>	<p>SDC retains responsibility for asset planning, compliance, and investment programming, while day-to-day operations and maintenance are carried out by contracted service providers.</p> <p>Asset management is guided by key policies and frameworks such as the SDC Asset Management Policy, Infrastructure Strategy 2024–2054, the 2024 AMP for water services, and alignment with ISO 55000 and treasury frameworks.</p> <p>In 2023, the Council conducted a self-assessment of its water services asset management maturity using the NAMS Group’s Maturity Model, aligning with the Local Water Done Well framework.</p> <p>The Plan states that SDC is committed to embedding asset management improvements over the next three to five years and will use this assessment as a baseline for future audits.</p>	<p>The Plan describes how service delivery and asset management will support the proposed model.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Statement of regulatory compliance – drinking water</p>	<p>Most urban schemes meet the 2005 Drinking-water Standards for New Zealand. The Eastern Bush mixed-use rural drinking water supply continues to operate under a boil water notice and will require further treatment upgrades to comply with the DWQAR.</p> <p>SDC has planned the following drinking water compliance upgrades:</p> <ul style="list-style-type: none"> • filter and UV installations in small rural schemes; • source protection zone improvements and risk mitigation actions; and • progressive removal of the Eastern Bush boil water notice, prioritised based on the population served and risk exposure. <p>All SDC’s Drinking Water Safety Plans have been submitted and accepted by the Water Services Authority.</p> <p>None of SDC’s drinking water supplies are currently fluoridated. At present, the Director-General of Health has not issued a fluoridation directive for any SDC-owned scheme.</p>	<p>The planned investment by SDC is expected to make all drinking water supplies compliant with the DWQAR by 2028.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Statement of regulatory compliance – resource consents</p>	<p>An abatement notice was issued to SDC for excessive water take. This was addressed via the installation of restrictors.</p> <p>There are 12 water take consents (two under review), 42 wastewater discharge consents and 23 stormwater consents.</p> <p>There are currently two active water take consent applications, four wastewater discharge applications and two stormwater planning applications. There are four to six water take consents due to expire in the next 10 years.</p>	<p>Budgets have been included for upgrades to WWTPs with consents expiring. The implications of the proposed national wastewater standards have been considered. Data improvements have also been identified.</p>	<p>Meets requirements</p>	<p>N/A</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>SDC plans to invest \$256.5m in water services over the next 10 years, with annual capex between \$13m and \$33m, and fairly consistent spend on renewals. This is based on the 2024 LTP and AMP to address service targets, renewals, regulations, and growth. Significant projects are listed in the additional information section.</p> <p>SDC’s 30-Year Infrastructure Strategy highlights key capital investments beyond the 10-year LTP timeframe. Priorities include rural WWTP upgrades, system-wide digital monitoring and smart infrastructure, and improved stormwater detention, treatment, and control. Investment peaks are forecast for 2025/26 to 2028/29, particularly within the wastewater and stormwater workstreams. These align with consent renewal and major compliance-driven upgrades. To accommodate these peaks, SDC has:</p> <ul style="list-style-type: none"> • phased funding and delivery through its 10-year LTP and 30-year Infrastructure Strategy; • developed shovel-ready project pipelines to enable faster mobilisation once funding is secured; and • built in contingency for inflation, cost escalation, and consenting delay risk within its project cost profiles. <p>Information on projected investment in water services is provided in the financial impact statement, and the following is noted for additional demand (which reflects minimal growth):</p> <ul style="list-style-type: none"> • drinking water: only \$4.3m across four out of 10 years; • wastewater: only \$1.053m in year 2026/27, the rest is zero; • stormwater: only \$474k in year 2026/27, the rest is zero. <p>Planned capital improvement projects to meet compliance are identified.</p>	<p>The Plan details the capex required. The capex programme ranges between \$13m and \$33m per year, with fairly consistent spend on renewals.</p> <p>Investment peaks are forecast for 2025/26 to 2028/29, particularly within the wastewater and stormwater workstreams. These align with consent renewal and major compliance-driven upgrades.</p> <p>We recommend monitoring the delivery of compliance projects in the investment plan.</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>Historical delivery against planned investment</p>	<p>Average total delivery against planned renewal investment was 110% of the Plan since 2018, with low delivery in 2024/25.</p> <p>The delivery against planned total investment average is 94% since 2018, with 74% delivered in 2024/25.</p> <p>39% of planned renewals were delivered in 2024/25, reflecting timing delays and procurement challenges. SDC plans to improve its delivery performance by strengthening its internal project management capability, refining procurement processes, and sequencing projects to align with available capacity.</p>	<p>The capital programme continues at a similar level to 2024/25, which has been delivered at 74%.</p> <p>We recommend monitoring the delivery of the capital investment programme.</p>	<p>Meets requirements</p>	<p>Yes</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	<p>Charges are set as rates.</p> <p>Drinking water is set as a targeted rate. Some supplies are metered, and some have a restricted supply. The charge mechanisms vary for different types of supply.</p> <p>Wastewater is charged to each property connected or within a defined rating boundary. The charges are based on the rating unit, separately used or inhabited parts of a property, or a fixed amount for each pan/urinal. The pan/urinal charge is set for commercial/industrial and other properties.</p> <p>Stormwater is charged to all properties in the district differentially according to location. The stormwater rate is set as a fixed charge.</p> <p>SDC also contributes general rates to fund approximately 12% of three waters services.</p> <p>SDC intends to review charging for wastewater.</p>	Charging and billing arrangements are outlined in the Plan and as an IBU, charges will remain rates based.	Meets requirements	N/A
Water services revenue requirements and sources	<p>SDC operates three waters at a loss until 2029/30, except for a minor surplus of \$143k. Wastewater has a large loss in 2028/29 due to one-off items. From 2029/30 to 2033/34 the average surplus is \$213k per annum.</p> <p>Stormwater has a minor loss of \$39 to \$40k for each year.</p>	SDC’s water services revenue requirements and sources are detailed in the Plan.	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	<p>These are a combination of targeted rates, fixed charges, volumetric metering (where applicable), user fees and general rate. Charges vary by service type, scheme characteristics, and customer activity, with an emphasis on equity, simplicity, and transparency.</p> <p>Non-residential consumer charging methods are provided in the Plan.</p>	Existing and projected commercial and industrial users' charges are outlined in the Plan.	Meets requirements	N/A
The affordability of projected water services charges for communities	<p>The average charge per connection rises from \$1,769 for 2024/25 to \$4,391 for 2033/34. This is 2.1% of median household income rising to 4.8%.</p>	<p>The affordability of projected water services charges starts at 2.1% of median household income and rises to 4.8% over 10 years. This is higher than the Department's guidance of 2.5%.</p> <p>At 4.8% of median household income, this puts Southland in the upper quartile of cost to median household income.</p> <p>We recommend that SDC's pricing strategy is monitored, to ensure that there is sufficient revenue and that growth pays for growth while ensuring it is affordable for the community.</p>	Meets requirements	Yes
Funding and financing arrangements				
Water services financing requirements and sources	<p>SDC borrows from the LGFA with a current maximum debt ratio of 175% of revenue. The Plan states the Council will review its debt as part of each planning cycle. Obtaining a credit rating would increase the Council's borrowing capacity to 280% of revenue.</p>	Water services financing requirements and sources are outlined in the Plan.	Meets requirements	N/A
Internal borrowing arrangements	<p>SDC has internal borrowing arrangements and uses internal loans to track financing requirements by each activity and the creation of separate reserve accounts. SDC states that all loans are internal loans for three waters.</p>	Internal borrowings are detailed in the Plan.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Determination of debt attributed to water services	As of 30 June 2025, SDC attributes \$88.5m of debt to three waters, based on tracked debt requirements for each activity. This is 449% of waters revenue.	The Plan describes the approach to determining debt attributed to water services.	Meets requirements	N/A
Insurance arrangements	SDC's insurance programme provides protection for both above ground and below ground assets. Above ground assets are revalued annually and are included in the Council's insurance schedules. Below ground assets are insured through the Local Authority Protection Programme. This is based on the Council's assets listed in the asset management system which are valued at replacement value annually. Claims are subject to a \$1m threshold with a 40% deductible.	The Plan describes SDC's insurance approach.	Meets requirements	N/A

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	SDC confirms that its Plan ensures the delivery of water services will be financially sustainable by 30 June 2028, in accordance with the financially sustainable delivery assessment criteria outlined in this section of the Plan.	The Plan explains how the delivery of water services will be financially sustainable and that revenue is sufficient to cover the long-term investment that meets the LOS, regulatory requirements and provides for growth.	Meets requirements	N/A
Actions required to achieve financially sustainable delivery of water services	Achieving financially sustainable delivery of water services requires a shift to full depreciation funding, resulting in significant rates increases in 2026/2027 due to funding interest and 2027/2028 fully funding depreciation. Staging the increases over two years smooths the impact and allows time for the national water standards to be finalised, which may reduce consent and compliance costs and ease the future rates burden.	The Plan details the actions required to achieve financially sustainable delivery of water services, which builds in significant increases in revenue from rates. For 2027/28 and 2028/29 the increase is \$660 per property for both years, although the 2025/26 increase was only \$161. The increases planned for the next two years are key to the financial sustainability of SDC's water services.	Meets requirements	N/A
Risks and constraints to achieving financially sustainable delivery of water services	SDC lists the following key risks: <ul style="list-style-type: none"> • future water service delivery; • network performance; • regulatory compliance; • delivery of the capital programme; • organisational capacity; and • long-term issues e.g. providing for growth and climate change. 	The Plan identifies risks and constraints to achieving financially sustainable delivery of water services.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	<p>Water revenues cover the costs for drinking water and wastewater after 2029/30.</p> <p>Operating costs are low at approximately 2% of replacement value, but increase by 99% for wastewater, 52% for drinking water, and 79% for stormwater. Wastewater has a large increase in cost from 2028/29; when it rises by 49% (\$4.2m).</p> <p>Finance costs increase from \$3.8m in the current year to \$10.4m for the last three years of the plan.</p> <p>Revenue increases are significant at \$19m in the current year rising to \$41.9m in 2033/34.</p>	<p>Projected water services revenues only just cover the projected costs of delivering water services.</p> <p>We note that if SDC maintains the planned revenue increases, the Plan is financially sustainable if the risks outlined do not become reality. The risk of increased costs due to insufficient asset renewals could impose more operating costs and higher capital spending requirements.</p>	Meets requirements	Yes
Average projected charges for water services over 2024/25 to 2033/34	Average charges rise from \$1,769 in 2024/25 to \$4,391 in 2033/34. Drinking water charges increase by \$673, wastewater charges by \$1,591 and stormwater charges by \$357.	The average projected charges for water increase by 148% between 2024/25 to 2033/34. The increase in average charges for 2026/27 is 34% followed by 26%, 11%, 8%, 6% then falls to between 2% and 3% each year.	Meets requirements	N/A
Projected operating surpluses/(deficits) for water services	<p>Drinking water operates at losses until 2029/30. Then minor surpluses occur, with a loss of \$634k in 2033/34. The cumulative losses for drinking water total \$3.3m.</p> <p>Wastewater has losses for the current year and 2026/27. From 2027/28 there are surpluses, except for 2028/29 due to funding maintenance projects delivering multiyear benefits. Wastewater surpluses average \$348k.</p> <p>Stormwater has deficits for all years of the Plan; \$1,266 and \$1,296 for the first two years, then dropping to \$40K per annum.</p>	Over the 10 years the projected operating deficit gets as low as \$6.5m, and peaks with a surplus of \$0.5m.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected operating cash surpluses for water services	<p>The operating cash surplus ratio rises from 37% in 2024/25, to peak at 64.3% in 2032/33, then drops to 62.5% in 2033/34.</p> <p>The cash surpluses are primarily applied to interest payments and the scheduled repayment of debt associated with capital borrowing. They are also used to fund renewals and invest in water infrastructure, particularly as the Council moves towards fully funding depreciation by 2027/28.</p>	The operating surpluses increase from \$6.7m to \$26.2m per year over the 10 years. The operating cash surplus ratio ranges between 37% and 64.3%.	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	<p>Proposed investment in water services across the 10-year period is considered sufficient to meet the required LOS, comply with regulatory standards, and provide for forecast growth across the district and meet the required renewals.</p> <p>The investment programme reflects a combination of renewal projects, LOS improvements, and limited growth-related upgrades. These have been prioritised based on condition assessments, compliance obligations, and asset criticality.</p>	The Plan demonstrates the investment is sufficient to meet the requirements of growth, LOS and renewals.	Meets requirements	N/A
Renewals requirements for water services	Renewals are targeting water pipes, wastewater network renewals, and WWTP consent renewal upgrades over the next 10 years and are consistent over the period.	The asset sustainability ratio increases from 26% to 33%. While the plan includes provisions for renewals, SDC does not have a high level of deferred renewals, so the bulk of the investment is not driven by age but instead driven by increasing regulatory requirements.	Meets requirements	N/A
Total water services investment required over 10 years	There is a positive investment ratio in all years, with WWTP upgrades in the earlier years leading to higher ratios in the first six years.	The Plan is consistent with SDC's AMPs and Infrastructure Strategy.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Average remaining useful life of network assets	The asset consumption ratio increases from 26.7% in 2024/25 to 31.8% in 2030/31, indicating that the planned capital programme is overall sufficient to offset asset depreciation and maintain general asset condition across the network. A low proportion of the total assets are nearing the end of their remaining useful life.	The asset average life remaining is increasing due to expenditure on 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	The Plan confirms that sufficient funding and financing can be secured to deliver water services.	The Plan confirms that sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A
Projected council borrowings against borrowing limits	The projected borrowings for SDC rise to 141% of revenue and remain within the whole of Council's LGFA limit of 175% of revenue throughout the 10-year period. SDC will consider if it needs to increase this limit as part of its next LTP, noting that if it does, a credit rating will be sought to enable the Council to be able to borrow up to 280%. SDC's borrowing rises from \$94m in the current year to \$231m in 2033/34. This is an increase of \$137m, of which \$94m is three waters related borrowing.	SDC has low borrowing, and it is using this capacity to stage increases in rates to secure sustainable funding while remaining within their limits.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	The net debt to operating revenue ratio for water services peaks at approximately 463% in 2030/31 before gradually declining. It sits within the parameters of 500%, where ring-fenced water services funding and borrowing is treated separately from the Council's overall debt profile.	Projected water services borrowing remains within the relevant borrowing limits.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected borrowings for water services	Projected borrowing for water services rises from \$67.8m to \$185.6m over the Plan period.	The projected borrowings for water services are identified in the Plan. SDC has adequate debt capacity to meet its medium-term needs.	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	Borrowing headroom for an IBU needs to be assessed at the whole of Council level. SDC's net debt to operating revenue starts quite low at 53% in 2024/25 and rises to 141% in 2033/34.	SDC has limited debt headroom under the current settings, but it does have the capacity to increase this by obtaining a credit rating. We note that the age of the assets with an average remaining life between 20-25 years, and the low level of surplus, put pressure on the borrowing capacity of the Council. The pressure on borrowing is alleviated by the capital spending profile which reduces at a rate between of \$32m to \$18.5m per year.	Meets requirements	N/A
Free funds from operations	FFO starts at 6% and rises to 8.4% in 2029/30 and fluctuates between 8.3% and 8.7% for subsequent years. The FFO rises from \$4m to \$15.3 by 2030/31, it then averages \$15.9m for the last three years of the plan.	The FFO metric is not measured for an IBU. We note the FFO ranges between 6% and 8.7% over the Plan. For a WSCCO with a similar number of connections, the LGFA guidance is 10%.	N/A	N/A
Assessment of financing sufficiency	The Plan confirms that sufficient funding and financing can be secured to deliver water services.	The Plan confirms sufficient funding and financing can be secured to deliver water services. We note that SDC has low starting debt, which rises quickly, and then stabilises as the capital spend reduces in the second half of the Plan.	Meets requirements	N/A

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	Statements are provided for each activity and for the combined three waters.	Meets requirements and the statements reconcile except for minor rounding.	N/A
Projected statement of comprehensive revenue and expense			
Projected statement of cashflows			
Projected statement of financial position			

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

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Projected statement of financial position

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Financial measures: revenue sufficiency

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Financial measures: investment sufficiency

Water Services Delivery Plan pages 62 - 66

Financial measures: financing sufficiency

Water Services Delivery Plan pages 67 - 69

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	SDC's wastewater and water scheme boundaries and locations are in the appendix.	Meets requirements.	N/A
Significant capital projects	Significant projects are shown per activity and defined as those with a value exceeding \$1.5m for drinking water and wastewater, and \$1m for stormwater.	Meets requirements.	N/A
Key issues, constraints, risks and assumptions	Risks and material assumptions for water services delivery are included in the Plan.	Meets requirements.	N/A