

Water Services Delivery Plan Assessment

**Assessment Report – Hamilton City Council and
Waikato District Council**

Date completed: 18 July 2025

Te Kāwanatanga o Aotearoa
New Zealand Government



Internal Affairs
Te Tari Taiwhenua

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Assessment Cover Sheet

Background on council/s and engagement with the Department

Detail	Commentary
Councils involved in plan	Hamilton City Council (HCC) and Waikato District Council (WDC)
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • HCC and WDC have been consistently proactive in their engagement with the Department throughout the development of their Plan. Since October 2024, both Councils have continued discussions on the potential joint Council Controlled Organisation (CCO). In early December 2024 HCC and WDC committed, through council resolution, to work towards a joint CCO model. This was in response to a Business Case which demonstrated the clear benefits of partnering with other Councils to create real change, scale and boundaryless investment. • HCC consulted on their preferred option of a multi-council CCO from 24 March 2025 to 27 April 2025, resulting in 74% of respondents supported forming a joint CCO. WDC consulted on their preferred option of a multi-council CCO from 11 April 2025 to 11 May 2025, resulting in 75% of respondents supported forming a joint CCO. • On 16 May 2025, the Secretary for Internal Affairs received a letter from the Chief Executives of HCC and WDC to notify the Department of their intention to submit an early plan submission. • In late May 2025, following consultation with their communities both councils confirmed their commitment to the joint CCO publicly in their Council meetings. • The final plan was submitted on 15 July 2025.
Feedback provided to council prior to submission on Draft Plan	<ul style="list-style-type: none"> • HCC and WDC did not submit a draft plan to the Department for review prior to submitting their final plan. • However, both Councils released a copy of their final joint plan as part of their council meeting agendas. On 26 June 2025, HCC approved the plan, and on 30 June 2025, WDC also approved, both subject to any minor stylistic edits, correction of errors, changes to address any minor comments from the Department and subject to approval from the opposing Council.
Engagement with council during review and assessment process	Further information was sought from the councils relating to historic capital project delivery and what was being done to scale up activities to account for the significant increase in CAPEX delivery. This was received on 17 July, the same day it was requested, and is included as additional information. This clarification is included in full as an annex on Page 24
Other Background Comments	

Assessment Summary

Section	Commentary
Confirmation of legislative completeness checklist	All the legislative requirements for plan submission under section 12-15 and section 18 of the Local Government (Water Services Preliminary Arrangements) Act (the Act) have been met. Details of the control and financial rights will be included in the shareholder agreements; however this information is only needed under the Act to the extent that it is available (refer section 14(2)(c) of the Act).
General Comment on Plan	<p>The Department’s assessment identified no issues regarding the financial position of HCC, WDC and the new CCO – sufficient funding and financing can be secured to deliver water services.</p> <p>The transition from council delivery to the joint CCO is expected to be completed by 1 July 2026 and transitional arrangements for the 2025/26 year are outlined in the implementation plan.</p> <p>The following matters were identified, which do not prevent the plan from meeting the legislative requirements, but should be monitored during implementation:</p> <ul style="list-style-type: none"> • Delivery of capital programme – the plan sets out a challenging programme of capital projects and exceeds what the two councils combined have historically been able to deliver. • Pricing - forecasts over the 10 years is 240%, meaning the consumers will be paying 3.4 times what they are currently paying by the end of the 10-year period. Analysis of borrowing headroom indicates that there may be opportunities to utilise financing to positively improve the price path, however this will be a decision for the new CCO. • Asset management functions - limited detail has been provided on proposed asset management approach. We recommend monitoring of integration and future improvements to asset management functions. • Projects required for regulatory compliance – WDC has been non-compliant in relation to some wastewater discharges. We recommend monitoring progress of upgrades at Ngāruawāhia, Huntly and Raglan WWTPs that will address non-compliance.
Financial Sustainability Comment	The CCO will be financially sustainable for water supply and wastewater services by 30 June 28. Stormwater services only generate sufficient revenues to cover operating expenses in 2029/30 for HCC and 2032/33 for WDC. To achieve financially sustainable for stormwater services by 30 June 28 HCC will rebalance the amount attributed to Stormwater services from general rates and WDC stormwater services and associated charges will be reviewed.

Section	Commentary
Revenue Sufficiency	<p>The plan clearly articulates that the CCO’s projected water services revenues cover the projected costs of delivering water services. However, Stormwater is only achieved near the end of the 10-year period. The increase in charges over 10 years is 240% (meaning the consumers are paying 3.4 times what they pay currently), so we question the affordability of the service. If that level of increase is sustainable for the community the other ratios for financial sustainability are reasonable. The plan projects above 17% increases for the first five years. The fact that the debt in the CCO rises from 394% to 437% before falling to 376% challenges the need for the increase in charges.</p>
Investment Sufficiency	<p>Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth. It is recommended that the plan is accepted, but delivery is monitored against the plan.</p> <p>The plan indicates that the CCO (from 2027/28 onwards), HCC (from 2029/30 onwards), and WDC (from 2032/33 onwards), will be collecting sufficient revenue to fund depreciation, and therefore will have sufficient financing capacity to fund the future renewal requirement, particularly beyond 2033/34. Future monitoring is required to confirm the renewal planning is adequate and understand what is planned outside the 10-year plan horizon.</p>
Financing Sufficiency	<p>Sufficient funding and financing can be secured to deliver water services. Projected borrowings are clearly outlined in the plan, council borrowings and water services are within borrowing limits. Borrowing headroom is sufficient along with sufficient free funds from operations for the CCO to meet the LGFA requirements.</p>
Overall assessment recommendation	<p>The overall recommendation from the assessment phase is to accept the plan from HCC and WDC.</p>

Issues for discussion with Panel

Issue	Description	Recommended treatment
<p>Deliverability of capital projects</p>	<p>Total investment delivery was 48% for WDC (\$37 million) and 44% for HCC (\$54 million) for 24/25 FY against the plan. The WSDP represents a significant increase in capital project delivery compared to what the two councils have historically delivered, notwithstanding that the 24/25 FY delivery was impacted by a much lower NZTA subsidy which results in a slowdown of capital delivery.</p>	<p>Delivery of the capital programme should be monitored by DIA as part of WSDP implementation monitoring.</p> <p>Note that clarification has been sought from the Councils on this and is included in an appendix on Page 24.</p>
<p>Rationale for price forecasts</p>	<p>Price increases are significant, compared to what consumers are currently paying, and there is a question as to whether financing is being used efficiently which could potentially bring these down.</p>	<p>The first water services strategy will provide an opportunity for the CCO to look at these forecasts again, and this will be in scope for future economic regulation.</p> <p>Note that clarification has been sought from the Councils on this and is included in an appendix on Page 24.</p>

WSDP Summary Analysis – Hamilton City Council and Waikato District Council

IN CONFIDENCE

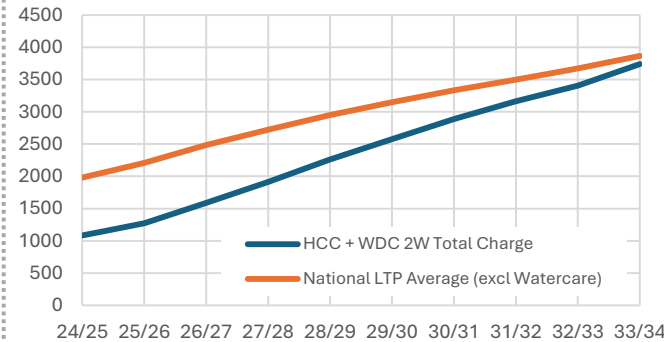
Council Summary Information

Summary information	Level
Current population	222,685
DW Connections	81,599
WW Connections	76,858
SW Connections	80,507



Affordability & Growth

WDC Plan Price Path vs LTP vs National LTP Average (exc Watercare)



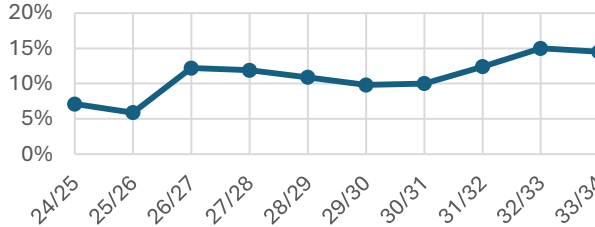
Item	Year 1	Year 10	10YA
Total charge as % of median income	1%	2.6%	1.85%
Annual price increase	17.7%	9.7%	14.9%
DC collected for new connections (\$)	11,588	25,015	20,789

Assets, Network, and Compliance

Asset measures	Year 1	Year 10	10YA
Total assets per connection (\$)	24,463	53,678	38,376
Total debt per connection (\$)	5,638	17,294	12,790
Operating costs per connection (\$)	984	1,188	1,418
Age of network	DW	WW	SW
Average age outlined in plan (yrs)	28	32	27

Financing

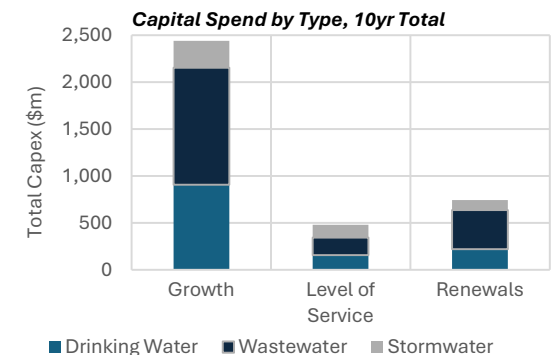
Free funds from Operations (FFO) as % of Debt, 10 years



Item	Year 1	Year 10	10YA
FFO to Debt	7%	15%	11%
Water Related Debt to Revenue %	321%	365%	380%
HCC Debt-to-Revenue* max 280%	190%	205%	200%
WDC Debt-to-Revenue* max 175%	90%	95%	100%

Capital Expenditure

Capital Expenditure	Category of Capital Expenditure			Total over 10 years
	Growth	Level of Service	Renewals	
Drinking water	905,690	156,546	217,345	1,279,581
Wastewater	1,247,102	185,386	419,142	1,851,630
Storm Water	287,845	137,850	107,339	533,034
10yr Total	2,440,637	479,782	78,151	3,664,245



Compliance	Met by June 2028
Drinking water compliance	YES
Resource consent compliance	YES

Note : “~” indicates that figure has been derived or implied from a chart, or if annual figures were not listed in the plan

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	<p>The Plan states that Water and Wastewater Services in the HCC and WDC will be delivered in a financially sustainable manner by a joint CCO by 30 June 2028. This is predicated on:</p> <ul style="list-style-type: none"> • The 10-year investment requirements • Maintaining the current Levels of Service (LOS) commitments. • A five-year transition from charges based on capital value to a mix of volumetric and fixed charges. • Proposed price harmonisation. <p>The plan notes that to achieve financial sustainability for Stormwater within HCC and WDC, the allocation of revenue to Stormwater Activities within Councils will require rebalancing to achieve financial sustainability by 30 June 2028.</p>	<p>Reviewed and confirmed that proposals in the plan are financially sustainable.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>The proposed model to deliver water services</p>	<p>The Plan proposes a water services CCO to provide water Services for the HCC and WDC combined servicing area.</p> <p>The CCO will own water supply infrastructure and wastewater assets and provide stormwater services under contract to each of the councils' who maintain ownership of stormwater assets.</p> <ul style="list-style-type: none"> • HCC and WDC will be the CCO shareholders. • Establish IAWAI – Flowing Waters Forum with territorial authority and Waikato-Tainui representatives who will issue the Statement of Expectations, appoint and/or remove Board members. • The CCO will own and manage water supply infrastructure and wastewater assets, with financial and performance accountability to the shareholding councils. • The CCO will set its own charges, manage its own balance sheet and debt without paying dividends. • Stormwater services and assets will remain council-owned, with the CCO managing under contractual arrangements with councils. 	<p>The organisational structure of the proposed water services CCO meets the requirements of the Act.</p> <p>The key challenge in transitioning to the new water services delivery arrangements appears to be the transition from current revenue collection approach (a mix of usage-based charges and rates based on capital value) which would not comply with future statutory requirements, which will prevent water organisations from setting charges based on a property's rateable value.</p> <p>The CCO intends to make use of the transitional option that is included in the Bill to switch from rateable value-based charges to user charges over a five-year period.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Implementing the proposed service delivery model</p>	<p>The councils have resolved through their transition agreement to adopt a Minimum Viable Product (MVP) for transition planning.</p> <p>Implementation of the new water service delivery model takes a staged approach over approximately 12 months of establishment work, with the CCO becoming fully operational on 1 July 2026.</p> <p>Establishment phase (July 2025-July 2026) includes the following:</p> <ul style="list-style-type: none"> Establishment of the governance structures (Shareholder Forum & CCO Board) Issuing Statement of Expectations and developing first Water Services Strategy MVP development & transfer of people and systems Transfer of assets, contract novation, financial transfers <p>Operational Phase (from July 2026)</p> <p>CCO becomes operational with all staff, assets, liabilities and contracts transferred and the necessary systems and services functioning.</p>	<p>The implementation plan is high level but includes all the information required in section 13(2) of the Local Government (Water services preliminary arrangements) Act 2024.</p> <p>The detail provided on the proposed model supports the implementation plan and highlights key transition challenges e.g. revenue collection.</p> <p>The key outstanding question appears to be the resolution of stormwater revenue sustainability responsibility for which will continue to sit with individual councils. This matter is discussed more fully in the revenue sufficiency sections.</p>	<p>Meets requirement</p>	<p>N/A</p>

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Consultation and engagement undertaken	<p>Each council undertook public consultation between 11 April to 11 May 2025.</p> <p>HCC consulted on:</p> <ul style="list-style-type: none"> Option 1: Forming a joint waters company with Waikato District Council (Council's preferred option) Option 2: Forming an in-house business unit. <p>WDC consulted on:</p> <ul style="list-style-type: none"> Option 1: Forming a joint waters company with HCC (Council's preferred option) Option 2: Retaining outsourced services model <p>Overall, ¾ of submitters supported the preferred CCO option. with 74% support in HCC, and 75% support in WDC.</p>	N/A	Meets requirements	N/A
Assurance and adoption of the plan				
Council resolution to adopt the Plan	<p>HCC resolved to adopt this Joint Water Services Delivery Plan on the 26 June 2025.</p> <p>WDC resolved to adopt this Joint Water Services Delivery Plan on the 30 June 2025.</p>	N/A	Meets requirements	N/A
Certification of the Chief Executive of HCC and WDC	Both CE's 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>Serviced population provided for both councils; commentary focussed on growth.</p> <p>WDC commented on the un-serviced areas in rural areas and confirmed that there are no plans to service these areas. Te Kowhai residential development is highlighted but no funding to service in plan.</p> <p>There are no un-serviced areas in HCC.</p> <p>Growth areas identified including details on infrastructure enabled through the plan and fast track approval areas. High growth areas are supported by strategies.</p>	N/A	Meets requirements	N/A

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>Plan outlines understanding of asset condition and performance.</p> <p>Overview of critical assets presented - focused on replacement of critical assets.</p> <p>There is a statement that both councils undertake condition assessments as part of their programme of works.</p> <p>WDC - Asset age ranges from 15-31, average overall is approximately 20 years.</p> <p>HCC - average asset age is approximately 31 years.</p> <p>All assets have a grading.</p> <p>WDC - wastewater 19% poor grading.</p> <p>HCC - water supply 24% poor grading and 10% wastewater poor grading.</p>	<p>Page 55 states the average below ground asset age of WDC is 39 years and above ground is 18 years. The table below this gives ages as 16, 31 and 20 years. These inconsistencies are minor and do not impact the analysis or outcome.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Asset management approach</p>	<p>Existing service delivery mechanisms discussed. Minimal information on proposed. Both councils have AMP policies. HCC asset maturity is at intermediate, WDC not available (out of date).</p> <p>HCC and WDC via Watercare both have IPS asset management system which provides robust level of data management and planning. AMPs developed and updated regularly for both</p>	<p>The existing asset management approach is appropriate.</p> <p>Minimal detail on proposed asset management approach – albeit it is referenced as an establishment activity.</p> <p>We recommend monitoring of integration and future improvements to asset management functions.</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>All have bacterial and protozoa barriers in place and meeting DWQAR. Higher average consumption for HCC likely to be addressed by proposed universal metering. No fluoridation directions. Higher water loss for WDC being considered during renewals programming.</p>	<p>Not reported in detail in performance measures section, Reviewed Taumata Arowai 2023 data and Annual Reports which confirmed compliance.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Statement of regulatory compliance – Resource consents</p>	<p>HCC - High level of compliance with resource consents for water takes, discharges to water, and stormwater discharges covered by universal consents. No anticipated impacts of new regulations. No expired consents.</p> <p>WDC - High level of compliance for water takes and stormwater discharges. Abatement notices in place and significant non-compliances for wastewater discharges (Ngāruawāhia and Raglan), Historical wastewater discharge non-compliance for Te Kauwhata addressed via the new WWTP. Expired consents for Raglan and Matangi with application process progressing with WRC.</p> <p>Data provided with details of consents in progress and planned and cross references to upgrade projects. Detailed consent data provided in Appendix 3.</p>	<p>Monitor progress of upgrades at Ngāruawāhia, Huntly and Raglan WWTPs to address non-compliances for wastewater consents.</p> <p>Consider implications of wastewater standards in Water Services Strategy on level of treatment required.</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>Growth areas identified and projects required to provide capacity outlined. Some HCC growth areas (including infill and Fast Track Areas) have no or partial provision for growth infrastructure under current projects - may be addressed via developer funded infrastructure. WDC have not provided funding for Pookeno/Tuakau growth projects as solutions are still being investigated. Te Kowhai growth area infrastructure expected to be developer driven.</p> <p>Funding is provided for regulatory compliance projects and consent renewals.</p> <p>Renewal programmes developed considering age and condition profiles. The existing W/WW renewals backlog is likely to increase over time with reduced renewals investment post 2029/30.</p> <p>Stormwater renewals considered appropriate given age profile of assets and assessed condition.</p>	<p>Water Services Strategy to consider W/WW renewals investment requirements post 2029/30.</p> <p>We recommend monitoring growth expenditure provision for HCC - infill, Fast Track developments and WDC - Pookeno/Tuakau wastewater and Te Kowhai.</p>	<p>Meets requirements</p>	<p>Yes</p>
<p>Historical delivery against planned investment</p>	<p>Historic spend detail indicates a possible issue delivering an increasing programme. Capex increases significantly in first three years. There is \$154M Capex planned for WW solely to meet additional demand in 2026/27.</p> <p>Managing the resources required to meet delivery for the CCO are outlined in the implementation plan.</p>	<p>Total investment delivery 48% for WDC and 44% for HCC for 2024/25 against plan. No reason provided for lower deliverability levels.</p> <p>No description of resources to deliver the increased capital programme, ~\$200M in 2025/26 and \$480M in 2027/28.</p> <p>On 17 July WSDP assessment team sought clarification from the councils on this issue. This clarification is provided on Page 24, and reiterates that once established, the prioritisation and phasing of the capital programme will be a priority for the CCO and its board once established.</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 and proposed charges are clearly detailed stated for three phases - the period prior to transition into the CCO on 1 July 2026, from 1 July 2026 – 30 June 2031 and by 30 June 2031. Financials and operational systems will be aligned to track water specific revenue separately.	Charging and billing arrangements are detailed in the Plan.	Meets requirements	N/A
Water services revenue requirements and sources	A clear table shows operating revenue broken down by where it is received from (rates, fines, fees and charges, development contributions, etc), but not by activity. Noting for stormwater activities, the sources of revenue available to Councils, will continue to apply after transition.	It was noted that the CCO cannot charge rates, this should be reflected in the Plan as a fee or charge.	Meets requirements	N/A
Existing and projected commercial and industrial users' charges	Current non-residential charging mechanisms are clearly outlined in the operating revenue table. These details have not been separated out in the proposed charges.	Projected commercial and industrial users' charges are not separated out, this would provide better transparency on future charges.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>The affordability of projected water services charges for communities</p>	<p>Affordability analysis indicates that the current cost of three water services is 1% of the median household income and is projected to increase to 2.6% over 10 years. Although increasing by more than 240% over the 10 year period, the affordability measure remains consistently below the international affordability benchmark for water utilities of 4.5%.</p>	<p>The affordability is appropriately under 2.6% of the median household income over the 10-years.</p> <p>Additional clarification was sought from the Councils on 17 July regarding this issue, which is provided on page 24, which highlights that the revenue pathway in the plan is not fully optimised, and will be priority for the CCO during the development of the first two Water Services Strategies.</p>	<p>Meets requirements</p>	<p>Yes</p>
<p>Funding and financing arrangements</p>				
<p>Water services financing requirements and sources</p>	<p>Borrowing will go through LGFA. The opening net debt position at the beginning of July 2025 is projected to be \$456m, growing to \$2.0b by the end of 2033/34. The minimum cash balance is approximately \$70m for water, wastewater and stormwater services. Cash and financial assets are forecast to increase over the period, peaking at \$103m by 2033/34.</p> <p>HCC has a debt-to-revenue limit of 280% currently, while WDC's limit is set to 175%. As high growth areas, each council has the ability to increase the debt to revenue limit up to 350%. Neither council has decided to increase its debt to revenue and is not relying on increased debt to fund its remaining services. The CCO will have additional borrowing capacity to fund required water infrastructure, with the ratio of Funds from Operations to Net Debt being maintained above an 8% minimum borrowing threshold.</p>	<p>Financing requirements and sources are outlined clearly.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Internal borrowing arrangements</p>	<p>The CCO will enter an arrangement with each council to borrow funds from each council, equivalent to the water and wastewater related debt existing within each council on Day 1. This will be structured as back-to-back loans, where repayment terms will mirror those in place between the councils and their lenders. The debt will be divided into tranches, as and when a tranche is repaid in line with the agreed terms, the CCO will then raise debt directly from lenders. Each council will have internal borrowing arrangements to ensure that investment in stormwater infrastructure is able to continue. Internal borrowing will be ringfenced and shown separately on the stormwater balance sheet within each council.</p>	<p>Internal borrowings explanation is sufficient.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Determination of debt attributed to water services</p>	<p>The CCO record of agreement anticipated that prior to transfer of assets HCC will recalculate debt values related to three waters based on a methodology (internal loan) consistent with WDC. Draft analysis indicates that this will have no material effect on the financial analysis within this water services delivery plan. Debt balances include the estimated \$7.35m of establishment costs and operational costs of \$3.95 million which has been funded by HCC on behalf of both councils. These costs are to be recovered from the CCO on 1 July 2026.</p> <p>WDC water-related debt balance was based on the cash backed reserves, i.e. the targeted rate, Developer Contribution, and capital renewal reserves, plus any water-related internal loans. The internal loans capture instances where funding was not directly sourced from a reserve. This total was then used that to calculate the opening water-related debt balance reflected in the projections on 1 July 2026.</p>	<p>Determination of debt attributed to water services is appropriate.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Insurance arrangements</p>	<p>The CCO will hold the necessary insurance policies. Currently, assets are insured via a collective group, which includes HCC and WDC. Insurer-initiated risk assessments for HCC’s WWTP and WTP currently undertaken on a three-to-five-year basis, last conducted in 2022. No insurer-initiated risk assessments have been undertaken for below-ground assets. A high-level probable maximum loss modelling exercise was conducted for below-ground assets in 2020/21 by the Waikato collective. HCC undertook a loss modelling exercise encompassing all insured above-ground assets. This was based on 2024 insurance replacement values. Insured values are based on the latest valuations for insurance purposes, or from general valuation exercises, with additional margins added to form an insurance replacement value.</p>	<p>Sufficient details are provided on insurance arrangements.</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 CCO is projected to derive financially sustainable delivery of water supply and wastewater services by 30 June 2028. The projected Funds from Operations to Net Debt ratio for the CCO is expected to reach a minimum of 10%% in 2029/30, versus a minimum borrowing threshold of 8%.</p> <p>Under the forecasts provided, financially sustainable delivery of stormwater services will not be achieved until 2029/30 for HCC and 2032/33 WDC. However, both councils have stated that they intend to address this - WDC stormwater services and associated charges will be reviewed, and HCC will rebalance the proportion of general rates that will be attributed to stormwater services so that financial sustainability is achieved by 30 June 2028.</p>	<p>The CCO will be financially sustainable for water supply and wastewater services by 30 June 28.</p> <p>While the forecasts for stormwater financial sustainability do not show the target being met by 30 June 2028, we are confident that the councils will be able to rebalance their general rates to attribute enough funds to stormwater by the deadline.</p>	Meets requirements	N/A
Actions required to achieve financially sustainable delivery of water services	<p>HCC resolved to review and realigned its allocation of revenue between stormwater and other Council activities to more appropriately reflect the costs of delivering each activity by 30 June 2028.</p> <p>WDC resolved to undertake a review of stormwater services and associated charges and address changes through the 2026/27 Annual Plan.</p>	The resolution of stormwater revenue sustainability will continue to sit with the individual councils. The implementation plan includes these actions to address this, but we recommend that this is an issue that should be identified as matter for future monitoring.	Meets requirements	Yes

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 noted are specific to the above Stormwater actions above. Including the risk of underfunding in other council activities, adverse reactions from stakeholders, and the change in assumptions between now and the 2026/27 Annual Plan process. More general risks are noted in Appendix 2.	Sufficient details provided on the risks and constraints to achieving financially sustainable delivery of water services.	Meets requirements	N/A
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	The CCO is projected to derive sufficient water supply and wastewater revenue to cover operating expenses, from 2027/28 onwards, meeting the revenue sufficiency test.	The plan clearly articulates that the CCO's projected water services revenues cover the projected costs of delivering water services. Note the discussion relating to stormwater services in the prior section on financial sustainability.	Meets requirements	N/A
Average projected charges for water services over 2024/25 to 2033/34	Average residential projected charges shown at a per connections level with clear assumptions. Average residential projected charges for water services rise from \$1,285 in year one to \$4,347 in year 10. Water services charges as a % of median household income rise from 1.0% in year one to 2.6% in year 10.	The increase over 10 years is 240%, meaning the consumers will be paying 3.4 times what they are currently paying by the end of the 10-year period. Other ratios for financial sustainability are reasonable. The plan projects above 17% price increases for the first five years. The fact that the debt in the CCO rises from 394% to 437% before falling to 376% suggests that there may be options available for different price paths. We recommend this should be an area considered by the economic regulator in future monitoring.	Meets requirements	Yes

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Projected operating surpluses/(deficits) for water services</p>	<p>The CCO achieves a positive operating surplus ratio from 2027/28 onwards, with a total cumulative surplus of \$188m over the 10-year period. Deficits from 2024/25 to 2026/27 are a result of a costs increasing at a faster rate than revenue is able to be recovered from users. A contributing factor to this is the one off CCO establishment costs and additional operational costs of \$7.35m and \$3.95m in 2025/26.</p> <p>HCC's stormwater achieves a positive operating surplus from 2029/30 onwards, with a total cumulative deficit of \$6.9m over the 10-year period presented.</p> <p>WDC's stormwater achieves a positive Operating Surplus Ratio only from 2032/33 onwards, with a total cumulative deficit of \$10.2m over the 10-year period presented.</p>	<p>Projected operating surpluses/(deficits) for water services are outlined in the plan noting that Stormwater surpluses only occur at the end of the 10-year period.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Projected operating cash surpluses for water services</p>	<p>The CCO achieves a positive operating cash ratio in all periods, increasing from 27.8% in 2024/25 to 51.4% in 2033/34.</p> <p>HCC's stormwater achieves a positive operating cash ratio in all periods, increasing from 46.3% in 2024/25 to 59.7% in 2033/34.</p> <p>WDC's stormwater achieves a positive operating cash ratio from 2025/26 onwards, increasing from negative 8.4% in 2024/25, to 66.2% in 2033/34.</p>	<p>There is sufficient projected operating cash surplus.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Assessment of investment sufficiency				
<p>Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth</p>	<p>High expenditure from 2027/28 onwards. Includes explanations for expenditure levels. Growth to meet developments planned, LoS for compliance for consenting and drinking water standards, renewals to ensure a reliable service.</p>	<p>Historic spend detail indicates a possible issue delivering an increasing programme. Capex increases significantly in first three years.</p> <p>Note that clarification was sought from the Councils on this, provided on Page 24.</p> <p>Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth.</p>	<p>Meets requirements</p>	<p>Yes</p>
<p>Renewals requirements for water services</p>	<p>Overall negative ratio indicates that the network assets will not be replaced in line with the rate of asset deterioration, within the 10-years presented.</p> <p>Water supply and wastewater ratio positive pre 2029/30, drops post 2029/30. Stormwater has negative ratios reflecting the younger age profile of Stormwater assets.</p> <p>The age and renewal profile of the asset portfolio does not match depreciation phasing. Significant renewal investment will be required outside of the 10-years presented. Asset Consumption Ratio for the CCO increases over the plan period.</p>	<p>The plan indicates that the CCO (from 2027/28 onwards), HCC (from 2029/30 onwards), and WDC (from 2032/33 onwards), will be collecting sufficient revenue to fund depreciation, and therefore will progressively have sufficient financing capacity to fund this future renewal requirement, particularly beyond 2033/34.</p> <p>Future monitoring required to confirm renewal planning is adequate and planned outside the 10-year plan horizon.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Total water services investment required over 10 years</p>	<p>Asset Investment Ratio well over 100% for the plan period. Consistent with long term infrastructure strategy.</p> <p>The CCOs projected level of total water and wastewater investment consistently exceeds depreciation, with the minimum ratio being 195%, peaking at 586% in 2027/28, before reducing to 260% by 2033/34). This indicates that the level of investment adequately considers capex for growth and improving levels of service.</p> <p>HCC’s projected level of stormwater investment exceeds depreciation in all but one of the periods over the next 10 years.</p> <p>WDC’s projected level of stormwater investment consistently exceeds depreciation.</p>	<p>Investment plans are predicated on each council’s baseline planning documents with the addition of key investments required to meet financial sustainability and to manage future legislative funding constraints and the enhanced capital plan set out in the CCO business case.</p> <p>Investment in water services exceeds depreciation for the most part, indicating sufficient investment for growth and LOS and renewals over this period.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Average remaining useful life of network assets</p>	<p>Slightly increasing asset consumption ratio for the CCO assets, 74.5 - 80.3%.</p> <p>Slightly increasing asset consumption ratio for the HCC Stormwater assets, 73.6 - 78.9%.</p> <p>Slightly decreasing asset consumption ratio for the WDC Stormwater assets, 85.9 - 84.7%.</p>	<p>The ratios for water services are stable for the most part across the 10-year period.</p> <p>This indicates that the average remaining useful life of network assets remains stable over the 10-year period.</p>	<p>Meets requirements</p>	<p>N/A</p>

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	<p>The CCO is assessed as meeting the financing sufficiency test in all years as projected borrowings are within borrowing limits of the CCO.</p> <p>HCC's stormwater meets the financing sufficiency test in all years.</p> <p>WDC stormwater meets the financing sufficiency test, at the Whole of Council level.</p>	Sufficient funding and financing can be secured to deliver water services.	Meets requirements	N/A
Projected council borrowings against borrowing limits	<p>Hamilton level (i.e. stormwater plus the rest of council activities), total borrowings are within the total Council limit of 280%, peaking at 236% in 2027/28.</p> <p>Waikato District level (i.e. stormwater plus the rest of council activities), total borrowings are within the total Council 175% limit, peaking at 103% in 2029/30.</p>	Projected council borrowings are within borrowing limits.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	<p>HCC's borrowings when isolated to stormwater debt and revenues only, show that the internal borrowing limit of 500% for stormwater will not be breached in any year.</p> <p>WDC's borrowings when isolated to stormwater debt and revenues only, show that the internal borrowing limit for stormwater of 500% will be breached from 2025/26 onwards.</p>	Projected water services borrowings are within whole of council LGFA borrowing limits.	Meets requirements	N/A
Projected borrowings for water services	Net debt increases across the CCO (\$405m in 2024/25 to \$1,721m in 2033/34), HCC's stormwater (\$38m in 2024/25 to \$253m in 2033/34), and WDC's stormwater (\$13m in 2024/25 to \$88m in 2033/34).	Projected borrowings for water services are clearly outlined in the plan.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Borrowing headroom/(shortfall) for water services	<p>Debt headroom of the CCO in 2026/27 is \$256m, and at the end of the forecast period \$1.3b</p> <p>HCC's debt headroom for total Council is \$191m in 2027/28, growing to \$377m by 2033/34.</p> <p>WDC's debt headroom for total Council is \$156m in 2025/26, growing to \$209m by 2033/34.</p>	Borrowing headroom is sufficient.	Meets requirements	N/A
Free funds from operations	<p>Funds from Operations to Net Debt ratio for the CCO is expected to reach a minimum of 10% in 2029/30, versus a minimum borrowing threshold of 8%.</p> <p>HCC's stormwater shows decreasing free funds from operations to net debt ratio over 2024/25 through to 2030/31, before stabilising at 9%-10% for the final three years presented.</p> <p>The increasing free funds from operations to net debt ratio for WDC's stormwater goes from negative 2.7% in 2024/25 to 6.0% in 2033/34.</p>	There are sufficient free funds from operations for the CCO to meet the LGFA requirements.	Meets requirements	N/A
Assessment of financing sufficiency	Sufficient funding and financing can be secured to deliver water services with headroom.	Meets the sufficiency test.	Meets requirements	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan pages 151 - 154

Projected statement of financial position

Water Services Delivery Plan pages 159 - 162

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 113 - 124

Financial measures: investment sufficiency

Water Services Delivery Plan pages 124 - 132

Financial measures: financing sufficiency

Water Services Delivery Plan pages 133 - 144

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	Appendix 3 – Detailed resource consent data provided.		N/A
Significant capital projects	Significant capital projects for drinking water, stormwater, and wastewater are clearly documented in the plan.		N/A
Key issues, constraints, risks and assumptions	Section includes a list of issues, constraints and significant risks across each of the three waters.	The risks include the termination of the Watercare contract. However, it was noted that the implementation plan does not provide details addressing the impacts of this.	N/A

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
<p>Emailed response from HCC to further questions from the moderation panel</p>	<p>Our Assessment Team spoke to Andrew Parsons, General Manager Infrastructure and Assets for HCC and asked for clarification on the following points:</p> <ul style="list-style-type: none"> • Total investment delivery 48% for WDC (\$37 million) and 44% for HCC (\$54 million) for 24/25 FY against plan. No reason provided for lower deliverability levels in 24/25, can you provide context as to why this has occurred? • Acknowledge, historical combined capital delivery is up to \$200 million at the high end, however there is no description of resources to deliver the increased capital programme, ~\$200M in 25/26 and \$480M in 27/28. Do you have a plan and resources to step up delivery? • The capex is dominated by growth is some of this capex going to be delivered by developers, provide some further context on this area, and any other aspects that you think could be highlighted to provide further context to the capital programme. 	<p>Peter Winder, Programme Director, IAWAI Establishment, responded and provided commentary for the lower levels of delivery last year. They have emphasised that the WSDP is off document and that the programme included is a combination of the 2 council LTP's capital programme with additional projects to address growth and LOS (e.g. water meters) and therefore it is not an optimised programme. They signalled that it will be up to the CCO to optimise the programme, which ultimately will also support an optimised revenue pathway.</p> <p>This response is provided in full as an appendix.</p>	<p>N/A</p>

Appendix – response to request for further information

I'm sending this email to you in response to the conversation that you have had with Andrew Parsons. Thank you for the opportunity to provide comment back to the DIA and the WSDP assessment panel ahead of their meeting tomorrow.

It is important that the assessment panel read the WSDP for what it is and understands the way in which we approached it.

We have seen the WSDP as a one off document that sets out the service delivery approach for the two Councils. We have always considered that the timetable for the establishment of IAWAI – Flowing Waters Ltd (IAWAI) means that the WSDP will be overtaken by IAWAI's first water services strategy by 30 June 2026, and that will be followed by a second WSS the following year providing for alignment with the two Council's 2027-37 LTPs. This sequence will enable IAWAI to achieve early revenue independence and early access to increased debt headroom, which is one of the key drivers for change.

Over the first two WSSs we expect IAWAI to progressively refine and optimise the capital works programme, scale the organisation to ensure it has the capability and capacity to deliver the programme, put in place a new service area-wide development contributions policy, set new water charges, and ensure that its revenue pathway is geared to deliver long term financial sustainability.

In this context, the WSDP is the combination of the two shareholders LTP's with the addition of capex in years 5-10 to reflect a boundaryless approach to supporting growth and respond to the known Fast Track areas. The WSDP also provides for the installation of water meters in the Hamilton through the five year transition period in which IAWAI must move away from water charges based on capital value. The additional growth-related capex reflects the Preliminary Arrangements Act requirement to respond to growth. Previous LTPs have not provided the levels of investment needed to cater for expected growth.

The financials in the WSDP reflect the enhanced capital works programme but delivers that within the waters related rates revenue provided for in the LTPs and current development contribution settings. We have adopted a very conservative approach to identifying efficiencies and savings through the creation of IAWAI but have demonstrated that within already forecast rates revenue we are able to deliver a considerably larger capital works programme. The increases in waters revenue in the WSDP reflects the requirement to achieve financial sustainability by 30 June 2028. Significant revenue growth is required to support increased borrowing and the significant increases in depreciation and operating costs that will follow the investment.

The WSDP does **not** present an optimised capital works programme, neither does it present a fully optimised revenue pathway. We expect IAWAI to do this through its first two WSSs. This means that the professional board of directors appointed to govern IAWAI will drive the optimisation of the programme and the operation of water services.

We are well aware that the WSDP presents a very large capital works programme. The key driver of this investment is the pace and quantum of growth the HCC and WDC are facing and the need to deliver very significant increases in key headworks and trunk capacity to support growth in multiple growth cells across Hamilton, adjacent to Hamilton on Waikato District, and in the north of Waikato District adjacent to Auckland. The levels of growth planned for reflect the growth assumptions used in the Future Proof Future Development Strategy as required by the NPSUD.

The last 12 months have been challenging from a delivery perspective given our priority to establish a water CCO. Hamilton also had a large and unexpected reduction in subsidy from NZTA which meant the whole capital programme had to be slowed to allow Council to assess and adjust in response to the financial impacts from the loss of revenue. There has also been a hold on part of the IAF programme while approval was sought from KO.

You will be aware that for Hamilton, there has previously been a strong track record of delivery at the required scale based on the forward looking 10 year programme. In order to mitigate risks associated with the transition to IAWAI, both councils have already transferred responsibility for the major projects in the capital works programme to IAWAI. This means IAWAI will be able to drive project scope, design, consenting and procurement for all of the major projects. Key staff have been appointed to drive this programme.

We expect that as IAWAI develops its WSS it will reassess, re-prioritise and potentially resequence the 10 year capital programme. This may include slowing some major expenditure items to allow for innovative or off-balance sheet funding and financing solutions or, better investment integration and alignment between the two districts. This work has now started.

Andrew is currently travelling and will not be available until after the assessment team has met. I would be very happy to answer any questions that you may have.

Ngā mihi,

Peter Winder

Programme Director IAWAI Establishment