

Water Services Delivery Plan Assessment

Assessment Report – Selwyn District Council

Date completed: 3 July 2025



Assessment Cover Sheet

Background on council and engagement with the Department

Detail	Commentary
Councils involved in plan	Selwyn District Council (SDC)
Delivery Model	SDC have submitted a plan which includes a single council council-controlled organisation (CCO) model for drinking water and wastewater, while retaining stormwater delivery in house.
Number of Connections	26,779 (2024/25)
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • SDC has been consistently proactive in their engagement with the Department throughout the development of their water services delivery plan. Initially, SDC explored the viability of a multi-council CCO option with what was initially 11 other non-contiguous councils, however the council ultimately narrowed down on a single council CCO option, with the option for future consolidation. • Soon after this, SDC engaged with the Department to discuss barriers to financial sustainability if they were to consider a standalone option. The Department has met with council officers several times since the enactment of the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act) to provide support and guidance as the council progressed decision making on their future delivery model and development of the plan. • SDC consulted on their preferred option of a single council CCO from 20 February – 12 March 2025, making them one of the first councils to do so. Of the 423 submissions received, the majority were opposed to the preferred model, based on projected water charges in comparison to an in-house model over the medium term. Despite these objections, SDC chose to pursue the CCO model due to the benefits for future as well as current communities. • SDC is already moving quickly to implement its plan, having already incorporated the CCO with all operations expected to be transferred to a fully operational water CCO by 20 December 2025.
Feedback provided to council prior to	<ul style="list-style-type: none"> • SDC provided a draft plan to the Department for review approximately two weeks before submitting as final. The draft plan was comprehensive and near complete.

Detail	Commentary
submission on Draft Plan	<ul style="list-style-type: none"> • Our review of the draft did not identify any major issues relating to the financial sustainability of the plan. We identified several aspects of the plan for SDC to clarify and confirm, but as outlined above none of these issues were red flag issues that impacted our overall assessment of financial sustainability. • Following our feedback, SDC met with the LGFA to discuss the application of lending covenants but did not have sufficient time to incorporate the LGFA’s advice into their plan prior to submission.
Engagement with council during review and assessment process	<ul style="list-style-type: none"> • Following the Plans Review Panel Meeting on 1 July, two topics of clarification were sought from SDC: <ul style="list-style-type: none"> ○ Further explanation of planned capital expenditure for stormwater growth, including how this would be ringfenced. • Confirmation of the level of funding provided for wastewater capital projects for Darfield • Both issues were satisfactorily clarified by the council via email and no further follow up was required.

Assessment Summary

Section	Commentary
Confirmation of legislative completeness checklist	Yes – all required components completed.
General Comment on Plan	<p>Overall, the plan is a comprehensive and detailed document. The financial sustainability assessment has not identified any major issues. The council has outlined its current asset base and future renewal/growth needs. The implementation plan, while ambitious, appears achievable.</p> <p>Overall, the plan complies with the legislative requirements set out in section 13 of the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Preliminary Arrangements Act).</p> <p>Throughout the assessment, some issues were identified which can be monitored during the implementation of the plan. These included:</p> <ul style="list-style-type: none"> • The funds from operations (FFO) to debt ratio is variable (and in some years dips below) the covenant level required by the LGFA. • A relatively low level of capex budgeted for stormwater growth in out years. Note that this has been clarified with SDC during the assessment process. • Development contributions appear low in out years. SDC should consider if their charging policy sufficiently accounts for growth. <p>None of these issues impact the ability to accept the plan.</p>
Financial Sustainability Comment	Modelling for the Water Services CCO (WSSCO) indicates financial sustainability by FY28. Stormwater is financially sustainable and within the council's internal limits. Although there is a need to work with LGFA to ensure that acceptable FFO to debt ratios can be achieved within required timeframes, the requirements for financial sustainability are met.
Revenue Sufficiency	Initial deficits are noted, primarily due to one off establishment costs of the WSSCO. However, operating surplus from 2027/28 onwards indicates revenue sufficiency is achieved. Requirement for revenue sufficiency is met.
Investment Sufficiency	Investment is consistent with the council's Infrastructure Strategy and master plans developed to service for growth. Requirement for investment sufficiency is met.

Section	Commentary
Financing Sufficiency	<p>Drinking water and wastewater financing meet the threshold for sufficiency. Stormwater financing is sufficient through an in-house business unit.</p> <p>The LGFA covenants around FFO as a percentage of debt will be strictly applied from year 5 of the plan, and the borrowing headroom available should be assessed against the appropriate level rather than debt to revenue for the WSCCO.</p> <p>The council is encouraged to continue engaging with the LGFA on the covenants around free funds from operations as a percentage of debt.</p> <p>On balance, the requirement for financing sufficiency is met.</p>

Issues for Discussion with Panel

Issue	Description	Recommended treatment
Financing sufficiency	The plan calculates borrowing headroom based on a debt to revenue basis, rather than using FFO as a percentage of debt. This calculation of borrowing headroom does not have material impacts on the overall financial sustainability of the plan; however, we recommend that the council continues to engage with the LGFA throughout the implementation process.	It is recommended that the plan is accepted, but that the Department monitor financing sufficiency (FFO as a percentage of debt) through the implementation and establishment of the CCO, and SDC be encouraged to continue engaging with the LGFA.

Overall recommendation

The overall recommendation from the review phase is to **accept** the plan from Selwyn District Council.

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 includes separate statements that water services delivery is financially sustainable. Drinking water and wastewater – which will be transferred to the WSCCO, and stormwater – which will continue to be delivered in-house.	Aligns with financial information provided in parts D and E of the plan.	Meets requirements	N/A
The proposed model to deliver water services	The plan proposes that future delivery of water services will be provided by: <ul style="list-style-type: none"> • WSCCO to deliver drinking water and wastewater; and • Stormwater to be delivered in-house. 	N/A	Meets requirements	N/A
Implementing the proposed service delivery model	<p>Commitment to implement Selwyn Water Limited (SWL) was incorporated as a CCO on 22 May 2025, under the Companies Act 1993. It is intended that this CCO will transition to a WSCCO following the enactment of the Local Government (Water Services) Bill.</p> <p>Process to deliver (including timeframes & milestones) SDC is adopting a staged approach. A dedicated programme management office will oversee service delivery implementation. The plan states that an operating model and resourcing plan has been developed and costed. The intention is that across all phases there will be</p>	<p>The delivery plan has a high-level implementation plan. The implementation plan meets the requirements of section 13(2) of the Act. Although the Plan states the “operating model and resourcing plan” has been developed and costed, it has not been provided to the Department. This makes it challenging to provide detailed commentary, beyond the following high-level observations: The implementation plan appears to include all the key actions required to transfer drinking water and wastewater services to SWL. The timeframes are ambitious, particularly in the transition phase (July-December 2025), given the</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for Panel
	<p>some transitional support from SDC. SDC will set rates for 2025/26, and the new WSCCO will take over billing for 2026/27.</p> <p>The key phases are:</p> <p>Stage 1- Establishment Phase – appears to be largely complete with the incorporation of SWL.</p> <p>Stage 2- Transition phase (from 1 July 2025 shifting to full operational status by 20 December 2025). Key activities include:</p> <ul style="list-style-type: none"> • Commencement of water services (drinking water and wastewater) delivery by 20 December 2025 • Develop investment strategy and charging framework • Complete staff appointments • Finalise assets and liability transfers • Deploy SWL finance, billing, compliance and performance systems • Complete Long-Term Plan amendment (including Development Contributions) <p>Stage 3 - Future Programme (21 December 2025 – 30 June 2028)</p> <ul style="list-style-type: none"> • Fully operational – establishment of strategic framework for investment • Develop water services strategy <p>Stormwater services will continue to be delivered via the existing in-house arrangements (subject to changes resulting from removing drinking water and wastewater activities and assets). Limited focus on stormwater in the implementation plan.</p>	<p>intention is to have the WSCCO fully operational at that stage.</p> <p>The plan does acknowledge that across the phases SWL (and SDC) may need to adjust their operating model.</p> <p>It is also important to note that SWL is not starting with a “clean slate”, and it is clear throughout the plan that SWL will, in the first phases, inherit SDC’s existing operating policies and systems with a focus on maintaining existing water services while it implements key systems changes.</p> <p>We note that as a single council WSCCO, there are opportunities for transitional arrangements between SDC & SWL that would enable SDC & SWL to be operating by 20 December (albeit that there may be some ongoing activities in relation to key establishment activities e.g. asset transfer).</p>		

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for Panel
Consultation and engagement undertaken	<p>The plan notes mana whenua engagement and how this was incorporated into the process. Te Taumutu Rūnanga and Te Ngāi Tūāhuriri Rūnanga have verbally indicated support.</p> <p>Consultation with the public on the preferred model ran from 20 February to 12 March 2025. The alternative option was an in-house business unit. The consultation material was distributed over a wide range of digital, media and face-to-face channels.</p> <p>87.3% of submissions did not support the preferred model. Concerns were around increased costs and bureaucracy, debt concerns, efficiency doubts, and loss of control.</p> <p>Following consultation SDC decided to continue with the preferred option of a single council CCO on 2 April 2025.</p>	Consultation requirements met and noted.	Meets requirements	N/A
Assurance and adoption of the plan				
Council resolution to adopt the Plan	Completed – Resolution adopted on 18 June 2025. Included in Appendix G.	N/A	Meets requirements	N/A
Certification of the Chief Executive of Selwyn District Council	Completed.	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	<ul style="list-style-type: none"> Water supply is provided to 82% of residential properties across 26 schemes. Wastewater is provided to 70% of residential properties (17 schemes). Stormwater services are provided to 22 communities. High growth area supported by local and regional growth strategies. 	N/A	Meets requirements	N/A
Assessment of the current condition and lifespan of the water services network	Asset condition and performance are demonstrated.	N/A	Meets requirements	N/A
Asset management approach	Appropriate asset management practices and systems in place.	SDC should undertake an asset management maturity assessment for drinking water/wastewater and stormwater, and outline any risks associated with separating out the stormwater asset management from drinking water/wastewater. However, neither of these prevent the plan from meeting requirements.	Meets requirements	N/A
Statement of regulatory compliance	Compliant with Drinking Water Standards and with Drinking Water Quality Assurance Rules. No compliance actions or expired consents. A number of consents are expiring over the next 10 years. Four areas of non-compliance are listed in on Page 44, with remedial actions in place for each Future regulatory requirements are not expected to impact the capex programme.	SDC should confirm the impact of wastewater standards for discharge to land on renewals programme once regulations are in place. Plan includes remedial actions to address areas of non-compliance.	Meets requirements	N/A

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>Budgets indicate a high degree of pre-planned investment for water and wastewater supported by master plans and modelling. Less detail for stormwater (flood modelling underway) and what appears to be low SDC budgeted growth investment for stormwater. Stormwater growth assets assumed to be provided by developers and vested in council.</p>	<p>Review needed of future stormwater growth capex for wider stormwater networks following completion of flood modelling work.</p> <p>The Plans review panel requested clarification from SDC on the level of stormwater renewals and how growth will be funded. On 2 July SDC clarified via email, that stormwater infrastructure to support growth will be funded through a mix of development contributions and targeted capital investment. SDC explained that the plan shows limited forecast capital expenditure in this area as this reflects the current sequencing of growth areas and associated infrastructure timing.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Historical delivery against planned investment</p>	<p>Variable historical delivery. Consistent level of capex forward programme. Improvements to enable delivery are identified.</p>	<p>N/A</p>	<p>Meets requirements</p>	<p>N/A</p>

Assessment Report: Part C – Revenue and financing arrangements

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for Panel
Revenue and charging arrangements				
Charging and billing arrangements	Current charges and proposed charges stated. SDC will pass through billing to the WSCCO and the WSCCO will set and collect charges from 1 July 2026.	Sufficient detail for proposed charges with scope for the WSCCO to set charges differently in the future.	Meets requirements	N/A
Water services revenue requirements and sources	Revenue sources for WSCCO and in-house business unit (IHBU) set out on page 58. Revenue is received from target rates, fees and charges, and development contributions for each activity. Development contributions are a large proportion of revenue in year one. (1/4 of drinking water revenue and 2/3 of wastewater revenue in year one, and 1/10 of drinking water revenue and 1/5 of wastewater revenue in year ten).	Targeted rates and development contributions are detailed for separate geographic areas in the region at the current rate. SDC should consider if there is a need to increase development contributions in out years to account for growth.	Meets requirements	N/A
Existing and projected commercial and industrial users' charges	The first three years have high rates rises, with year three projected to have ~30% increase in rates.	These price increases are from a relatively low base and fall within affordability benchmark. The plan does not detail commercial and industrial users' charges.	Meets requirements	N/A
The affordability of projected water services charges for communities	Affordability is based on average charge per connection at a three waters level. Begins at 1.2% of the median household income in 2025/26 and rises to 2.2% by 2033/34 (assuming 3% inflation of median household income).	The three water activities have all been grouped together. Recommend separating the WSCCO revenue and the IHBU revenue for future monitoring. The 3% median income inflation assumption is on the higher side and a source is not cited; however, officials consider it is not unreasonable given the current inflationary environment. Recommend monitor during implementation.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for Panel
Funding and financing arrangements				
Water services financing requirements and sources	The WSCCO is intending to borrow through the LGFA, while the IHBU is intending to maintain the council's current internal borrowing arrangements.	Financing requirements and sources are outlined clearly.	Meets requirements	N/A
Internal borrowing arrangements	Initial borrowing arrangements are specified for general internal loans, rating loans, development contribution loans, and renewal loans. Current internal borrowing practices are expected to continue while debt for each activity remains ringfenced.	Internal borrowings explanation is sufficient.	Meets requirements	N/A
Determination of debt attributed to water services	The Plan states \$133m of debt for drinking water and wastewater is to transfer to the WSCCO (based on the LTP).	No other detail is provided about how the debt value for transfer was calculated, but there is a detailed breakdown of debt required per activity over the life of the plan.	Meets requirements	N/A
Insurance arrangements	SDC will continue to hold insurance for all activities (drinking water and wastewater insurance on behalf of the WSCCO). Insurance will be on charged to the WSCCO.	Sufficient detail on insurance arrangements.	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	WSSCO modelling shows financial sustainability by 30 June 2028. Stormwater is financially sustainable and within the council's internal limits.	Funds from operations (FFO) metric bounces around the 9% mark with years from 2031/32 dipping below. The council has met with LGFA to confirm comfort level, but this has not been updated in plan due to timing. Recommend this is monitored during implementation.	Meets requirements	Yes
Actions required to achieve financially sustainable delivery of water services	Stated for WSSCO to keep price increases in line with projections and capex to be delivered as budgeted. Steep price increases in the first three years due to planned capital investment, then sustained increases after that.	Opex monitoring and/or efficiency are not mentioned therefore we recommend that this is monitored during implementation.	Meets requirements	N/A
Risks and constraints to achieving financially sustainable delivery of water services	Risks listed for capex programme, inflation, legislation, and natural disasters.	Opex monitoring and/or efficiency is not mentioned therefore we recommend that this is monitored during implementation.	Meets requirements	N/A
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	There is a deficit of \$1.9m in 2025/26 – revenues to expenses due to one-off establishment costs. WSSCO operating surplus is modelled from 2026/27 onwards.	Sufficient operating surplus from 2026/27 onwards.	Meets requirements	N/A
Average projected charges for water services from 2024/25 to 2033/34	Average projected charges are shown at a per connections level.	Sufficient detail to pass but recommend a split between residential and commercial charges for transparency reasons. Monitor during implementation.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for Panel
Projected operating surpluses/(deficits) for water services	There is a deficit of \$1.6m in 2025/26 – (4.4%) operating surplus ratio (deficit).		Meets requirements	N/A
Projected operating cash surpluses for water services	<p>Sufficient operating cash surplus for WSCCO from 2025/26 onwards, starting at 32% and reaching 67% in 2033/34.</p> <p>Deficit of \$3.6m in 2024/25 – (12.4%) operating cash ratio.</p> <p>As the cash ratio has started negative this means that the WSCCO will not meet the funding of the renewals investment, meaning that renewals will have to be debt funded until rates revenue is sufficient. This is expected to occur around 2030/31.</p>	Sufficient operating cash surplus.	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	Drinking water and wastewater expenses increasing with growth in connections. Stormwater expenses drop slightly between 2025/26 and 2027/28, then increase.	<p>Review stormwater expenses budgets in next Long-Term Plan to check still sufficient for maintenance of increasing asset base and new stormwater management plan requirements.</p> <p>Values in the table on Page 45 do not match the commentary; the assessment uses the values in tables.</p>	Meets requirements	N/A
Renewals requirements for water services	<p>Renewals do not cover depreciation; however, it is stated that the asset base is new, and the network is in good condition.</p> <p>Renewals expenditure is less than depreciation due to relatively new asset base due to recent growth.</p>	<p>This is expected given the known age and condition of the water and wastewater network.</p> <p>Review stormwater condition assessment and renewals programme budgets.</p>	Meets requirements	N/A
Total water services investment required over 10 years	Consistent with Infrastructure Strategy and master plans developed to service growth.	N/A	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	Ratio is increasing over the upcoming ten-year period: 62% to 73%. The decreasing average asset age is due to high growth and investment in renewals/LoS for drinking water, wastewater and stormwater.	N/A	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	Financing sufficiency and borrowing headroom are calculated against a debt to revenue ratio for the WSCCO.	When calculated against an FFO to debt percentage that borrowing headroom available is slightly lower than compared to the debt-to-revenue ratio. Recommend ongoing engagement with LGFA and monitor during implementation.	Meets requirements	Yes
Projected council borrowings against borrowing limits	Stormwater as an individual activity does not meet SDC's debt limit policy of 220% but does meet the LGFA limit of 280%. Within the council's net debt to operating revenue, both the council's limit and the LGFA limit can be met.	Council is within its borrowing limits.	Meets requirements	N/A
Projected water services borrowings against borrowing limits	The WSCCO has a slight negative projected borrowing headroom in 2024/25 still using the 280% debt limit but when it moves to the 500% limit the WSCCO stays within the debt limit across the remaining years.	The WSCCO will operate within the LGFA borrowing limits.	Meets requirements	N/A
Projected borrowings for water services	Projected borrowings for WSCCO are stated at a WSCCO level.	The projected borrowings are consistent with the activity level borrowings stated earlier 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	Borrowing headroom is included in the plan, however it has been calculated against a debt to operating revenue metric.	<p>The calculation should be against a FFO to debt metric. Borrowing headroom in the plan is overstated and will be negative for 6 out of 10 years when calculated using FFO. When using the FFO-to-debt metric there is still borrowing headroom, just not at the level indicated in the plan which assessed headroom against debt to revenue.</p> <p>The council have engaged with the LGFA to discuss this, and we recommend engagement with the LGFA continues during implementation.</p>	Meets requirements	Yes
Free funds from operations	Ranges between 8.7% and 9.3% from 2027/28 onwards.	<p>The FFO calculations reconcile to the funding impact statement (FIS) figures, but not to the statement of comprehensive revenue and expense (SOCRE) figures.</p> <p>The plan notes the SOCRE has additional water services revenue included in the “other revenue” line which does not show in the FIS. This will increase the FFO and raise the FFO percentage.</p>	Meets requirements	N/A
Assessment of financing sufficiency	Stormwater is sufficient as this stays as an IHBU. Drinking water and wastewater FIS and SOCRE imbalance is due to vested assets as noted on page 99.	Drinking water and wastewater meet the sufficiency test. The plan relies on development contributions being included in the FFO (26% of total revenue from development contributions in 2025/26, to 15% of total revenue from development contributions in 2033/34).	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	Funding Impact Statement (FIS) shown at total WSCCO level.	Revenue aligns with increases detailed earlier in the plan. Capex aligns with capex detailed earlier in the plan.	N/A
Projected statement of comprehensive revenue and expense	Statement of Comprehensive Revenue and Expenses shown at WSCCO level.	The “other revenue” value in the SOCRE does not align with the FIS as it includes development contributions and vested assets. The plan notes that these values differ from those included in the Statement of Financial Position, which does not include vested assets.	N/A
Projected statement of cashflows	Cashflow at WSCCO level.	Projected statement of cashflows balances.	N/A
Projected statement of financial position	Balance sheet at WSCCO level.	Debt aligns with values earlier in the plan, and revaluation reserves tie with revaluations in the SOCRE.	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 89

Projected statement of financial position

Water Services Delivery Plan pages 91 and 92

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 75 to 78

Financial measures: investment sufficiency

Water Services Delivery Plan pages 78 to 81

Financial measures: financing sufficiency

Water Services Delivery Plan pages 82 to 86

Assessment Report: Water Service Delivery Plan – Additional information

Additional information	Summary of content in Plan	Assessment Review Comment	Focus for Panel
Additional disclosures to support Plan	<p>Appendix A – Water Services Areas</p> <p>Appendix B – Indicative Growth Areas</p> <p>Appendix C – Community outcome and level of service statements</p> <p>Appendix D – Water Modelling</p> <p>Appendix E – Thirty Year infrastructure planning</p> <p>Appendix F – Significant forecasting assumptions</p> <p>Appendix G – Council Resolution to adopt WSDP</p>	<p>All information provided is clearly document and laid out to support content included in the plan.</p>	N/A
Significant capital projects	<p>Significant capital projects for drinking water, stormwater, and wastewater are clearly documented in the plan. This section included a section on the planning methodology proposed to be used to meet infrastructure requirements.</p>	<p>All information is clearly documented and laid out to support the overall assessment of the plan.</p> <p>The Plans review panel requested clarification from SDC about the level of capital funding allocated to Darfield and Kirwee Growth. SDC responded on 2 July via email, confirming that the \$2.8 million allocated to Darfield is intended to support the initial phase of wastewater reticulation for Darfield. SDC considers this sufficient to meet current demand projections as outlined in the underlying LTP.</p>	N/A
Key issues, constraints, risks and assumptions	<p>Section includes a list of issues, constraints and significant risks across each of the three waters.</p>	<p>Section references the council’s asset management plan for more detail. The asset management plan is not attached to the delivery plan, but this is not required to complete assessment.</p>	N/A