

Water Services Delivery Plan Assessment

Assessment Report – Wairoa 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
Capital expenditure	Capex
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds from operations	FFO
Levels of service	LOS
Local Authority Shared Service	LASS
Local Authority Protection Programme	LAPP
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long Term Plan	LTP
Material Damage and Business Interruption	MDBI
Secretary of Local Government	Secretary
Wairoa District Council	WDC
Water Services Council Controlled Organisation	WSCCO
Water Services Delivery Plan	Plan

Assessment Cover Sheet

Background on council and engagement with the Department

Detail	Commentary
Councils involved in plan	Wairoa District Council
Number of connections	Drinking water: 2,224 Wastewater: 2,180, Stormwater: 1,660
DIA comment on council engagement during Plan development process	<p>Since September 2024, WDC has continued discussions on a potential joint WSCCO with Central Hawke’s Bay District Council, Hastings District Council, and Napier City Council. The Department worked with the Hawke’s Bay Regional Recovery Agency on behalf of the councils in the region, including WDC.</p> <p>In September 2024 financial modelling identified that, on a stand-alone basis, each council had financial sustainability issues that would need to be worked through to meet the requirements for their Plans. However, a joint regional model would address these issues and showed significant financial benefits through increased debt headroom.</p> <p>In March 2025, the LGFA provided guidance to councils to assist the Hawke’s Bay regional water entity. The guidance outlined that, if the Hawke’s Bay councils chose to create a regional water entity, they would be able to obtain greater financial leverage than if they chose to keep their water services in-house.</p> <p>In April 2025, WDC notified the Department of its concerns about the potential joint water delivery model not going ahead and requested advice on alternative options.</p> <p>WDC consulted with its community from 12 May 2025 to 15 June 2025, with the regional WSCCO as the preferred option and a single WSCCO as the likely option should the regional model not be agreed by the other Hawke’s Bay councils. WDC also included a third option of in-house delivery.</p> <p>WDC engaged Castalia to examine the potential viability of a Wairoa WSCCO. Castalia indicated this was a viable alternative to the regional model. In early July 2025, WDC requested assistance from the Department on financial modelling for a back-up option of a single council WSCCO. Given the uncertainties and the lack of a definitive shareholders’ agreement to the regional model, WDC prepared an alternative Plan based on a single council WSCCO. On 30 July 2025, WDC resolved to proceed with a Plan based on a Wairoa WSCCO.</p>

Detail	Commentary
	<p>The final Plan was submitted on 2 September 2025.</p> <p>The Department’s Review Panel considered WDC’s Plan at the 24 September Panel Meeting. The Panel identified some areas where further information was needed to enable a formal recommendation to be made to the Secretary of Local Government.</p> <p>On 2 October 2025, the Executive Director of the Water Services Reform Programme wrote to WDC outlining several points in the Plan that needed to be addressed and requested further information to be submitted. The Department and WDC subsequently had further discussions resulting in WDC submitting an updated Plan on 7 November which this assessment evaluates.</p>
<p>Feedback provided to council prior to submission on Draft Plan</p>	<p>In early July 2025, the Department reviewed a draft Plan for the Hawke’s Bay grouping including WDC. Following the WDC resolution in August 2025, the Department extended the offer to review a draft Plan for the WDC single council WSCCO to highlight any major issues that may impact the ability to accept the Plan, to give WDC time to address any issues before final submission. An initial draft Plan was received for review on 18 August 2025, and the Department’s feedback was sent on 22 August 2025, with a follow up discussion on 26 August 2025.</p> <p>The Department noted that WDC was projected to deliver more affordable water services to its community as part of a multi-council WSCCO. On an individual basis, as presented in the draft Plan, the assessment was that there were several material challenges to address including projected price increases, missing and inconsistent data, critical asset assessments/analysis, addressing non-compliance matters, consents and service level performance (with linkages to investments).</p>
<p>Engagement with council during review and assessment process</p>	<p>On 8 September 2025, the Department emailed WDC with several queries, clarifications and requests for additional information both financial and technical in nature.</p> <p>On 15 September 2025, Gary Borg, WDC Deputy Chief Executive provided a partial response and supporting documentation.</p> <p>Following the 24 September Review Panel discussion and the additional information identified, the Department engaged with WDC to clarify the information that would be required to inform a recommendation to the Secretary.</p> <p>On 7 November 2025, WDC submitted an updated Plan addressing the Review Panel concerns and providing additional information as requested.</p> <p>WDC’s updated Plan incorporates the draft 2024/25 Annual Report and 2025/26 Annual Plan figures for water services. The Plan reduces forecast revenue to improve affordability but still meet FFO metrics of the LGFA. Other changes in the updated Plan include the inclusion of full depreciation, and corrected allocation of projects to growth and LOS and more detail on projects to meet water quality compliance. WDC has reduced the transfer debt to nil at establishment of the WSCCO to offset the reduction in revenue over 10 years.</p>

Assessment Summary

Section	Commentary
Confirmation of submission completeness checklist	Yes – all required components completed.
General Comment on Plan	<p>The Plan demonstrates financial sustainability, with sufficient revenue to meet the associated costs, and sufficient investment to meet the regulatory requirements.</p> <p>The Plan includes significant price increases which are required to meet the revenue sufficiency requirement, reaching \$5,052 in 2033/34. We recommend that WDC continues to engage with the LGFA to ensure access to borrowing can be achieved.</p>
Financial Sustainability Comment	<p>The Plan requires price increases to achieve financial sustainability. As indicated above, we have previously identified a risk that these charges may not be collected from consumers, and this would impact our overall assessment of financial sustainability.</p> <p>Following a request for clarification and additional information from the Department, the Plan has addressed affordability for water services in two ways:</p> <ul style="list-style-type: none"> • reducing the debt allocated to the WSCCO at commencement; and • setting reduced charges to operate closer to the LGFA 12% FFO benchmark. <p>The impact of the changes to debt on ratepayers is not commented upon in the Plan, but it will impact WDC’s LGFA funding. The reduction in revenue of \$26.1m appears to be offset by reduction in transferred debt of about \$22.7m, and capital investment has not changed.</p>
Revenue Sufficiency	Average projected charges for water services per connection increases from \$2,753 to \$5,052, an increase of 83.5% over 10 years. The Plan demonstrates cash operating surpluses every year and has projected operating surpluses from 2028/29 onward for water services with depreciation fully recovered. As noted above, charges have been set at levels to meet the LGFA funding guidelines.
Investment Sufficiency	Total investment across the Plan is \$76.5m; of which renewals is \$43.8m. The average remaining asset life is increasing due to investment in renewals, LOS and growth. The capital programme addresses two non-compliances for water supplies and meets the investment sufficiency test. We note that the investment included in the Plan is consistent with WDC’s 2024 LTP and Infrastructure Strategy.

Section	Commentary
Financing Sufficiency	<p>WSSCO projected borrowings for water services are \$47m over the 10 years. Borrowing headroom for water services ranges between \$21m and \$33.6m when using the capacity available within the 500% net debt to revenue limit. Projected whole of council net debt to revenue borrowing limits is within the LGFA's limit for an unrated council of 175%. Projected water services debt peaks to 334% in 2032/33 and remains under the 500% debt ceiling for water services.</p> <p>The Plan has the FFO forecast to remain above the required LGFA covenant of 12% from 2027/28. However, our calculation of the FFO based on cashflow reaches 12% in 2027/28, then dips slightly for the next few years to 11.2% in 2030/31, rising to 11.6% in 2033/34. We note that this is stable, but does not meet the LGFA's threshold, and it provides no headroom to absorb adverse changes to forecasts. We expect that the WSSCO can work with the LGFA to address this operational matter as part of an application for funding.</p> <p>The Plan has not confirmed access to funding, and it implies this is most likely via the LGFA. However, to enable WDC to borrow more than \$20m it needs to join the LGFA as a guarantor and either increase funding capacity to be able to on-lend to the WSSCO or enable direct funding to the WSSCO. The Department understands that WDC has engaged with the LGFA on this.</p>
Overall assessment recommendation	The overall recommendation from the assessment phase is for the Review Panel to discuss the WDC plan.

Issues for discussion with Panel

Issue	Description	Recommended treatment
<p>Charges for consumers, ability to collect revenue and revenue sufficiency</p>	<p>WDC’s initial Plan projected a significant increase in average water service charges, from \$2,643 in 2024/25 to \$6,568 in 2033/34, consistent with figures presented in its consultation document. This price path was assessed as posing a high risk of non-collection, which adversely affected the Department’s assessment of revenue sufficiency.</p> <p>Following a request for further information, the Council submitted a revised Plan with updated the financing arrangements and included a moderated price path of \$2,753 to \$5,052 over the ten-year period. Based on the Council’s assumptions, projected water charges equate to 4.1% of median household income in 2024/25, rising to 5.8% in 2033/34, which remains above the Department’s affordability benchmark of 2.5%.</p> <p>The Council’s affordability assessment is based on Statistics New Zealand median household income data, which is typically lower than alternative data sources used by other councils. The Plan also includes an analysis using Infometrics regional income estimates, under which the affordability ratio improves to between 2.9% and 4.1% over the ten-year period.</p> <p>If WDC were to join with other councils and achieve greater scale, the level of funds from operations to debt required to secure lending would likely reduce, creating greater capacity to lower charges for consumers.</p>	<p>We recommend that the pricing strategy for projected water charges is monitored during implementation and that WDC continue exploring options for a multi-council WSCCO to enable more efficient borrowing to enable reduced water charges for their community.</p>
<p>Funding and financing arrangements</p>	<p>The Plan has not confirmed access to funding and implies this is most likely via the LGFA. However, to enable WDC to borrow more than \$20m it needs to join the LGFA as a guarantor to either increase funding capacity to be able to on-lend to the WSCCO or enable direct funding to the WSCCO.</p> <p>The Plan has the FFO forecast to remain above the required LGFA covenant of 12% from 2027/28. However, our calculation of the FFO based on cashflow reaches 12% in 2027/28, then dips slightly for the next few years to 11.2% in 2030/31, rising to 11.6% in 2033/34. We note that this is stable, but does not meet the LGFA’s threshold, and it provides no headroom to absorb unforeseen costs.</p>	<p>We recommend WDC work closely with the LGFA to ensure they have appropriate borrowing arrangements in place to ensure future funding and headroom capacity.</p> <p>We also recommend that confirmation of funding to allow the FFO and headroom requirements to be monitored during implementation.</p>

Issue	Description	Recommended treatment
<p>Capital expenditure to address LOS and growth requirements</p>	<p>The Plan provides \$9.8m for growth capex, however there is no separate revenue charge to fund this capex. The total water connections only increase by 9 over the 10 years, with no change in commercial connections. Mahia is noted in the Plan as a growth area, however from 2026/27 there is no growth charges provided in financial forecasts.</p> <p>The Plan notes WDC has delayed a Development Contributions Policy but may use it in future to fund infrastructure for new developments.</p>	<p>We recommend that the pricing strategy is monitored during implementation to ensure that growth is adequately paying for growth.</p>

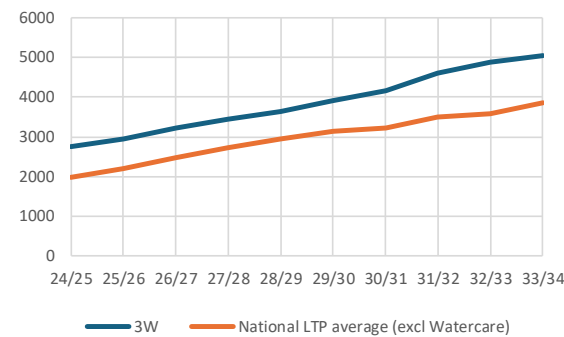
Council summary information

Summary information	Level
Serviced population	6,024
Drinking water connections	2,244
Wastewater connections	2,180
Stormwater connections	1,660
High growth council	No
10 year population growth	14.3%



Affordability and growth

Water services charge compare to national LTP average



Assets, network and compliance

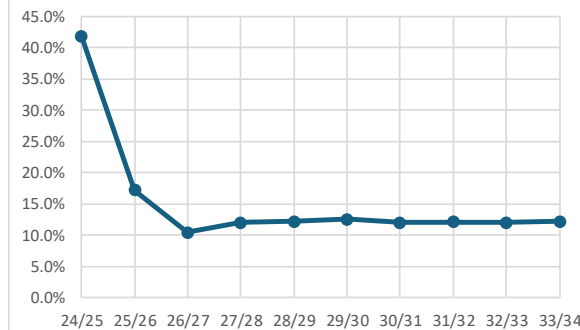
Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	27,780	55,986	42,080
Total debt per connection (\$)	3,666	17,328	11,419
Operating costs per connection (\$)	1,694	2,115	1,892
Age of network (years)	DW	WW	SW
Average age outlined in plan	70	65	60

Network performance	Level
Level of service performance measures achieved	Partial
Water loss rate	10.3%
Average consumption (litres per person per day)	432

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

Financing

FFO to Net Debt

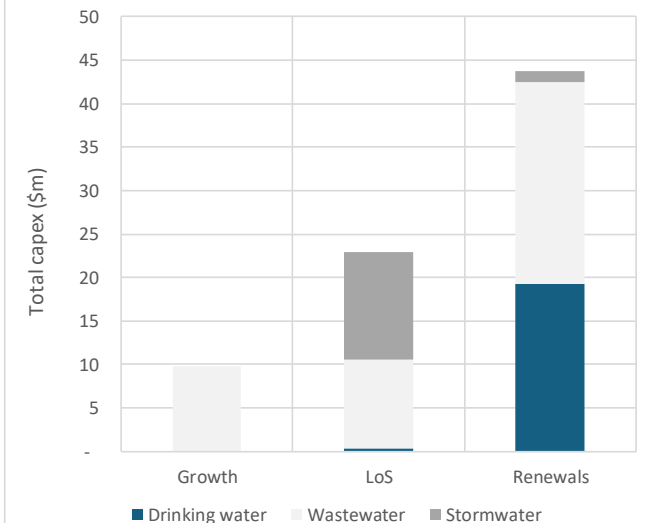


Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	-	312	19,257	19,569
Wastewater	9,798	10,211	23,257	43,266
Stormwater	-	12,392	1,287	13,679
Total 10 years	9,798	22,915	43,801	76,514

Item	Year 1	Year 10	10 Year Average
Total charge as % of median income (Stats NZ)	4.1%	5.8%	5.0%
Total charge as % of median income (Infometrics)	2.9%	4.1%	3.5%
Annual price increase	39.5%	3.5%	10.2%
DC collected per new connection (\$)	NA	NA	0.00%

Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	39%	326%	242%
FFO to debt	41.8%	12.2%	15.4%

Capex spend by type, 10 year total



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 a statement that the WSCCO will meet financial sustainability requirements by 2028. Full financial separation will be achieved by 1 July 2027.	<p>The Plan reduces the initially proposed price increases to achieve financial sustainability. As assessed previously, this was identified as a revenue collection risk, and this would impact our overall assessment of financial sustainability.</p> <p>The Plan does not confirm access to funding, though it implies this is most likely via the LGFA. However, to enable WDC to borrow more than \$20m it needs to join the LGFA as a guarantor to either increase funding capacity to be able to on-lend to the WSCCO or enable direct funding to the WSCCO.</p>	<p>May not meet requirements.</p> <p>For discussion with the Panel</p>	Yes
The proposed model to deliver water services	<p>The Plan proposes that future delivery of water services will be provided by a WSCCO to deliver drinking water, wastewater and stormwater.</p> <p>The WDC resolution to adopt the plan notes that the council would continue to explore collaborations with other water service providers and to pursue all measures that will achieve efficiencies and reduce costs.</p>	There is no indication WDC has progressed working with other Councils, other than retaining the existing joint purchasing arrangement for water treatment chemicals with Gisborne District Council.	Meets requirements	N/A

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 Plan will be implemented through setting up a new company (WSCCO), which would be 100% owned by WDC.</p> <p>The implementation plan outlines the activities, responsibilities and timelines for transitioning WDC’s drinking water, wastewater and stormwater services to a WSCCO. Water services and assets will transfer to the WSCCO by 1 July 2027.</p> <p>Key implementation milestones are:</p> <ul style="list-style-type: none"> • WSCCO established by July 2026; • Office location identified November 2026; • Staff transfer March 2027; • Service and maintenance contract transfer begins March 2027; • Debt and asset transfer 1 July 2027; and • Service and maintenance contract transfer 1 July 2027. 	<p>Limited information is provided in the implementation plan, but it is sufficient to meet the requirements of section 13(2) of the Act.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>Consultation and engagement undertaken</p>	<p>Consultation on the Plan took place between 12 May to 15 June 2025.</p> <p>The options engaged on were a regional WSCCO (preferred option), WDC (single council) WSCCO and an in-house delivery option.</p> <p>WDC received 12 submissions. Six favoured a regional WSCCO, four favoured a WDC WSCCO and two appeared to favour both the regional and WDC WSCCO options. Hearings and Council deliberations took place on 24 June 2025.</p>	<p>Consultation meets the requirements of Part 3 of the Act.</p> <p>The number of submissions represents approximately 0.25% of the population in the district.</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
Assurance and adoption of the plan				
Council resolution to adopt the Plan	The Plan was adopted on 2 September 2025.	N/A	Meets requirements	N/A
Certification of the Chief Executive of Wairoa District Council	The Plan was certified on 2 September 2025. In submitting an updated Plan with additional information, the Chief Executive re-certified the Plan on 7 November 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>The Plan notes 14% service population growth is expected over the 10-year period with the majority at Mahia. Most of the connections are in Wairoa with the second largest scheme in Mahia (serviced for wastewater only). Mahunga and Tuai townships are serviced by water supplies and there are small wastewater schemes at Tuai and Oputama. Stormwater is only provided in Wairoa. The Plan states water use has been higher in recent years due to the impact of Cyclone Gabrielle.</p> <p>Performance measures were impacted by adverse weather events in 2022/23 and 2023/24. Response times and water use/loss improved in 2024/25 according to draft results provided (subject to audit), with 263 litres per day and 10.3% water loss.</p>	<p>Required information provided.</p> <p>The Plan has increased growth capex but reduced renewal capex. There is no associated revenue to support growth capex.</p> <p>WDC has indicated it will look to introduce specific growth charges. The policy was not available at the time the Plan was completed.</p>	Meets requirements	N/A
Assessment of the current condition and lifespan of the water services network	<p>Condition data is available for below ground assets, much of which is in poor or very poor condition (45% for water, 20% for wastewater and 53% for stormwater in Wairoa). Criticality is noted in the asset management system. No condition information is available for above ground assets. However, the Plan notes a reservoir at Mahanga is in very poor condition. The water networks at Tuai and Mahanga respectively have 40% and 50% of pipes in poor or very poor condition. The wastewater assets for Mahia and Oputama were installed more recently with none in poor or very poor condition.</p>	<p>Limited condition information was supplied on above ground assets. The condition information is suitable to be used to plan maintenance, renewals and the capital and operating programme over the short term.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Asset management approach	<p>WDC proposes to continue with a mix of in-house treatment operations resource and contracted network operations and maintenance. WDC's transport team will continue to support stormwater operations. Unversus' asset management information system is in place. WDC has advised renewals are prioritised using a mix of age, condition, performance, and criticality. Renewal is generally triggered when an asset is in poor or very poor condition, its performance no longer meets service standards, there are repeated failures, or failure would create significant service, safety, or compliance risks.</p> <p>An Asset Management Maturity Assessment was undertaken in 2023 with improvements noted.</p>	<p>Sufficient information is provided on the proposed delivery mechanism and asset management systems.</p>	<p>Meets requirements</p>	<p>N/A</p>
Statement of regulatory compliance	<p>Two boil water notices are in place (Mahunga and Tuai). The Plan outlines projects to provide chlorine residual for Tuai in 2025/26 and renewal of chlorine and monitoring equipment at Mahunga to meet compliance. No commentary on recent compliance with the DWQAR (the Water Services Authority confirmed non-compliances are only for these two schemes noted).</p> <p>Long term consents are in place for wastewater discharges with expiry dates 2034-2037. There are no significant non-compliances or enforcement actions.</p> <p>Two water take consents are being renewed (currently operating under section 124 of the Resource Management Act to allow iwi engagement).</p> <p>No stormwater discharge consents are currently held but an application is underway for a stormwater consent.</p>	<p>Resource consents are compliant with few due to expire in the next 10 years.</p> <p>WDC is not currently meeting drinking water compliance for two small schemes. The Plan outlines that funding is provided for investment to achieve compliance for these schemes. The Department asked WDC for additional clarification during the assessment phase and WDC advised engagement is underway for Tuai following community opposition to chlorination.</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>Investment for wastewater growth includes connecting existing septic serviced properties in Wairoa and new connections in Mahia. The Plan states current water and stormwater capacity is sufficient for predicted growth in the Wairoa District.</p> <p>LOS investment is provided for chlorination at Tuai, stormwater quality improvements and open drain piping and wastewater storage for land-based irrigation.</p> <p>Renewal investment targets assets at the end of life including poor condition drinking water, wastewater and stormwater pipes in Wairoa and wastewater pipes in Tuai.</p>	<p>The Plan outlines that investment has been provided for renewals, compliance, LOS and growth.</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>The Plan outlines renewal capex of \$43.8m over 10 years, representing an increase in renewals capex compared to historical levels (average \$1.7m per year historical renewal increasing to average \$4.4m per year over 10 years with a peak of \$9.9m in 2031/32). The Plan states capital expenditure is a key area where a dedicated WSCCO is expected to focus efforts and deliver efficiencies.</p> <p>The total waters investment in the plan is \$76.5m over 10 years with an allocation of 57% to renewals, 13% to growth and 30% to LOS.</p> <p>The Plan does not outline an organisational structure to deliver water capex nor confirm if experienced management is in place already or needs to be hired to mitigate the risks associated with delivery of capex.</p> <p>WDC advises that delivery was negatively impacted due to the focus on cyclone recovery. The draft 2025 Council accounts disclose \$27.9m of capex was delivered against LTP planned capex investment of \$56.5m, across all Council activities.</p>	<p>Following a request for additional information from the Department, WDC indicated that delivery of the capital programme will be overseen by the WSCCO and associated governance arrangements.</p> <p>Analysis based on historical delivery indicates a risk with delivery of the forecast capex programme.</p> <p>The Plan includes an overview of historical capex delivery including 2025. This shows a continuing decline in delivery over the prior seven-year period, with renewals being 58% of the LTP and total water capex delivery 64% of the LTP or Plan.</p> <p>The Plan indicates average capex investment of \$7.6m p.a. over 10 years with projected peak investment of \$12.7m in 2031/32.</p> <p>This is an increase from the historical total water capex delivery of \$2m to \$3m p.a.</p> <p>We recommend that WDC should confirm the mitigation steps and organisational changes it has in place to deliver the capex 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>The WSCCO water charges are based on transitioning the current WDC water rates to charges payable to the WSCCO. The existing rating regime is as follows:</p> <p>Water supply: Volumetric billing, AFFCO Limited has a bulk supply deal with a major discount, unmetered rating units pay a standard rate per connection; non-connected units pay half.</p> <p>Wastewater: All connected units pay a standard rate per connection, except temporary accommodation sites with multiple connections. Non-connected units in scheme areas pay 50% of the connected rate. Units with septic tanks not on a scheme pay a rural wastewater rate at about 12.5% of the connected rate.</p> <p>Stormwater: Rating units charged a set rate, but the Plan assumes general rate subsidy continues for the WSCCO income.</p>	Current charging methodologies are stated and are not based upon capital values, with future billings to remain the same.	Meets requirements	N/A
Water services revenue requirements and sources	<p>Revenue primarily comes from rates, with extra funding from government programmes like Better Off Funding. The Plan does not include possible external grants.</p> <p>Water services also earn revenue from connection fees, covering administration and actual cost recoveries for new connections. WDC has delayed a Development Contributions Policy but may use it in future to fund infrastructure for new developments.</p> <p>Graphs compare the WSCCO price paths with WDC’s LTP 2024 which has been extrapolated based on data underpinning the Infrastructure Strategy from the three-year plan 2024-27. This was prepared instead of a 2024-34 LTP due to the impact of Cyclone Gabrielle.</p>	<p>Targeted or uniform rates and a small number of volumetric charges are recognised as the main source of funding.</p> <p>We note that the implementation of development contributions has been deferred.</p>	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Existing and projected commercial and industrial users' charges</p>	<p>There are 160 (140 active) rating units with metered water which have land use coded as commercial, industrial or utility. 144 rating units coded as commercial, industrial or utility are assessed for a water rate on a uniform basis. In 2024 WDC adopted a high user policy, and it is likely that these customers will be prioritised for conversion to metered billing.</p>	<p>Non-residential consumers will be charged on volumetric basis. However, projected charges have not been specified so their ability to generate additional revenue is unclear.</p> <p>We note water supplied to AFFCO is under a separate contract and will be reviewed in 2027/28.</p>	<p>Meets requirements</p>	<p>N/A</p>
<p>The affordability of projected water services charges for communities</p>	<p>Costs per connection increases from \$2,753 in 2024/25 to \$5,052 in 2033/34.</p> <p>Water affordability in Wairoa District is forecast to increase from 4.1% to 5.8% over 10 years as a percentage of Statistics NZ median household income data. The plan includes an alternative measure derived from Infometrics data on median household income showing water affordability in Wairoa District increasing from 2.9% to 4.1% over 10 years.</p> <p>The Plan notes that affordability reflects the lower incomes and population size, with Wairoa's income below regional and national averages and lowest on the New Zealand social deprivation scale.</p>	<p>The affordability of projected water services charges rise from 4.1% in 2024/25 to 5.8% in 2033/34 using Statistics NZ median household income data.</p> <p>WDC also provided an alternative calculation using Infometrics data showing affordability improves with a range of 2.9% to 4.1% over 10 years. While this is still higher than the 2.5% guidance provided by the Department, WDC affordability aligns with other Plans.</p>	<p>Meets requirements</p> <p>For discussion with Panel</p>	<p>Yes</p>

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	<p>The business will generate sufficient cash revenues to pay its operating expenses and contribute to capital expenditure. Some refinancing will be required to meet working capital requirements. This balances affordability pressures on tariffs. Internal loan mechanisms will be available in the early stages, particularly if quarterly billing cycles are retained.</p> <p>The Plan provides details of the tenor of new borrowings, interest rates, debt repayment strategy and how refinance risk will be managed. WDC has a liability management policy which prescribes limits for debt maturities and types, and similar suitable policy settings will be applied to the WSCCO to ensure it is not exposed to significant adverse impacts of interest rate movements. Debt that transfers from WDC will be repaid over remaining useful lives of the corresponding assets, average estimated at 28 years, while new borrowings will be recovered over the lives of the corresponding assets, i.e. 70 - 90 years.</p>	<p>The Plan has not confirmed access to the required funding but implies increased debt will be sourced via the LGFA.</p> <p>To enable WDC to borrow more than \$20m they need to join the LGFA as a guarantor either to increase funding capacity to be able to on-lend to the WSCCO or enable direct funding to the WSCCO.</p> <p>We recommend WDC work closely with the LGFA to ensure they have sufficient borrowing arrangements in place and that confirmation of funding along with sufficient headroom is monitored during implementation.</p>	Meets requirements	Yes
Internal borrowing arrangements	Debt will initially be managed as a portfolio within the Council, with a clear delivery plan. Internal borrowing will be used until 30 June 2028 and in the interim the Council will apply a weighted average cost of capital plus a management fee. Internal borrowings will support working capital and ongoing projects during the transition.	Internal borrowings will be required to support working capital and continue to fund projects during the transition until 30 June 2028.	Meets requirements	N/A
Determination of debt attributed to water services	Current gross debt relating to water is around \$8.5m and forecast to reach \$43m in the next 10 years. At its peak, net debt for the WSCCO reaches 334% of operating revenue. The opening debt is derived from the accumulation of capital expenditure funded by borrowings in the Council's funding impact statements and any operating deficits.	The determination of debt attributed to water services has been explained in the Plan. WDC will not transfer any Council debt to the WSCCO in order to improve water affordability. We estimate this to be \$22.7m, however, the impact of this decision on residual Council rates is not disclosed.	Meets Requirements	Yes

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Insurance arrangements	<p>WDC buys MDBI insurance for above ground assets through LASS, and the WSCCO is expected to join this group, though it may source its own insurance if it is more cost-effective. For underground assets, existing cover with the National Emergency Management Agency (60% of losses) is expected to continue, with the remaining 40% covered by LAPP, which the WSCCO can join at transfer. The WSCCO will likely need its own liability and other insurance policies.</p> <p>All WDC water assets are insured at full replacement cost, based on recent independent valuations and fair value assessments, including indexation and additions. WDC fully insures its key assets due to low risk tolerance, especially after two major weather events in Wairoa within 18 months.</p>	<p>Insurance arrangements are outlined in the Plan.</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				
<p>Confirmation of financially sustainable delivery of water services by 30 June 2028</p>	<p>The WSCCO aims to commence operations on 1 July 2027 and reach and maintain financial sustainability by 30 June 2028 for the remainder of the 10 years. The Plan projects an operating surplus and positive cashflow from the start, with a focus on low costs, careful investment, and a tariff to meet obligations. Planned capital spending covers asset upkeep and replacements for the next 10 years. WDC, as sole shareholder, may support the WSCCO early on through funding, borrowing help, or low-cost office space.</p>	<p>Our assessment of financial sustainability was initially impacted by the concerns raised earlier in this report relating to affordability and revenue sufficiency, and capital investment to address non-compliances, growth and LOS.</p> <p>The Plan has addressed these concerns within the limitations faced by WDC and its ratepayers.</p> <p>We note the Plan also requires confirmation of funding arrangements as a key condition of confirming financial sustainability.</p>	<p>For discussion with Panel</p>	<p>Yes</p>

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Actions required to achieve financially sustainable delivery of water services	<p>The plan outlines that financial sustainability will be achieved through:</p> <ul style="list-style-type: none"> • low administration and support costs via shared services model; • an accelerated debt repayment schedule; • a targeted rates increase for ring-fenced water services charges, retaining the ability to supplement via general rates; • a prioritised transition to metered billing for high volume users, including potential applications for wastewater; • high asset investment in infrastructure allowing depreciation expense to be spread over a longer period; • Treasury and Revenue and Financing policy development and alignment; and • utilisation of WDC resources and debt headroom. 	<p>There are limited details provided in the Plan to support the high-level actions that it documents. However, the Plan does document actions as required under the Act.</p> <p>We note that becoming an LGFA guarantor and confirming funding arrangements for the WSCCO has not been itemised, but it may be included in one of the last two actions.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Risks and constraints to achieving financially sustainable delivery of water services	<p>The following risks have been outlined:</p> <ul style="list-style-type: none"> Initial financial viability of the proposed WSCCO; Tariff sufficiency and affordability; Climate and infrastructure resilience; Regulatory compliance and reform uncertainty; and Reliance on external funding. <p>A lot of detail on tariff sufficiency and affordability has been provided, which is summarised below.</p> <p>Current water rates are too low to meet financial targets, so significant increases are needed for positive cash flow. Any savings in capital spending could lower rates for Wairoa water consumers. The Plan shows how the WSCCO can meet requirements for sustainable water services, but higher prices may challenge affordability.</p>	<p>Risks are stated in the Plan to achieving financially sustainable delivery of water services, however these do not include any associated mitigation strategies.</p>	<p>Meets requirements</p>	<p>N/A</p>
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	<p>The Plan shows steady revenue growth to \$13.1m by 2033/34. Expenses including operating costs, interest and depreciation are all modelled to increase, however at a lower rate than revenue, pointing to a financially sustainable model.</p> <p>WDC will support the WSCCO with revenue from general rates of \$2.2m as a subsidy between 2024/5 and 2026/27 to improve affordability.</p>	<p>Our assessment identified a significant risk with WDC collecting water charges if they were unaffordable. Following a request for additional information, WDC have provided an updated Plan with a moderated price path to address this risk.</p> <p>We note that WDC plans to transfer general rates revenue of \$2.2m between 2024/5 and 2026/27 to improve affordability.</p>	<p>For discussion with Panel</p>	<p>Yes</p>

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Average projected charges for water services over 2024/25 to 2033/34	The average charge per connection is projected to increase from \$2,753 in 2024/25 to \$5,052 in 2033/34; an increase of 83.5%. There is a significant increase of 39.5% in 2025/26, after which the average annual increase is 7% per year.	Average projected charges for water services per connection increases from \$2,753 to \$5,052; an increase of 83.5% over 10 years. We recommend that the pricing strategy for projected water charges is monitored during implementation.	For discussion with Panel	Yes
Projected operating surpluses/(deficits) for water services	The Plan shows the operating surplus ratio is negative for the first four years of the Plan increasing from negative 15.4% in 2024/25 to positive 12.6% in year 10. The difference is directly attributable to an increase in depreciation.	The Plan has projected operating surpluses from 2028/29 onward for water services, with full recovery of depreciation.	Meets requirements	N/A
Projected operating cash surpluses for water services	The Plan shows the WSCCO is forecast to maintain a positive operating cash ratio for its first 10 years. The operating cash ratio increases in the Plan increases from 22.5% in 2024/25 to 53.9% in 2033/34.	The Plan demonstrates strong cash operating surpluses for every year.	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	The Plan indicates an annual spend of about \$7.7m is needed over the next 10 years to maintain current water services. Investment is consistent with the 2024/34 Infrastructure Strategy. Total investment across both the Plan and the Investment Strategy is \$76.5m of which 57% is renewals, 30% is LOS and 13% is growth.	The Plan demonstrates investment is sufficient to meet the compliance, LOS and growth requirements. As indicated WDC has not met planned capex delivery across water or all of Council, and this may reflect the impact of cyclone recovery.	Meets requirements	Yes
Renewals requirements for water services	The renewals requirements for water services over the 10 years total in the Plan is \$43.8m and indicates sufficient renewals investment.	Renewals are sufficient to meet requirements.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Total water services investment required over 10 years	The Plan shows 10-year capital investment of \$76.5m compared to asset depreciation of \$28.6m. A desktop analysis of the proposed renewal investment total together with high depreciation rates used indicates that renewal investment may be overstated.	The overall level of investment in the Plan is sufficient to address non-compliances in addition to LOS and growth requirements.	Meets requirements	Yes
Average remaining useful life of network assets	The Plan shows asset consumption ratios for Wairoa water services gradually rise reflecting the investment in renewals from 40.6% in 2024/25 to 60.6% in 2032/33.	The remaining asset life is increasing due to investment in renewals, LOS and growth.	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	The Plan shows projected Council net debt to remain within the prescribed debt headroom, based on modelling of operating revenue increasing and net debt falling over the 10 years.	As discussed above, the significant price increases in the Plan are assessed as a risk to financial sustainability impacting affordability for the community. The Plan does not confirm access to funding, it implies this is most likely via the LGFA. However, to enable WDC to borrow more than \$20m from the LGFA it needs to join the LGFA as a guarantor to either increase funding capacity to be able to on-lend to the WSCCO or enable direct funding to the WSCCO. We recommend that the progress towards securing funding from the LGFA is monitored during implementation.	For discussion with Panel	Yes
Projected council borrowings against borrowing limits	The Plan shows WDC net debt is expected to stay within limits, with revenue rising and debt decreasing over the next 10 years.	Projected council net debt to revenue borrowing limits by 2033/34 is within the LGFA's limit for an unrated council of 175%.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected water services borrowings against borrowing limits	<p>The Plan shows the WSCCO's net debt over 10 years, with borrowings expected to stay within a water borrowing limit of 500%.</p> <p>Net debt is projected to increase from \$2.9m in 2024/25 to \$42.7m in 2033/34. The net debt to operating revenue ratio rises from 39% in 2024/25 to 326% in 2033/34, peaking at 334% in 2032/33.</p>	<p>The projected net debt to operating revenue ratio in the Plan is forecast to peak at 334% in 2032/33, reducing to 326% 2033/34, and remains under the 500% debt ceiling for water services. The Plan meets the LGFA funding requirements.</p>	Meets requirements	N/A
Projected borrowings for water services	<p>The Plan shows the WSCCO's net debt and operating revenue are both set to rise over the next 10 years, with debt increasing faster than revenue.</p> <p>The Plan assumes no existing water debt is transferred to the WSCCO from the commencement of the Plan.</p>	<p>The projected borrowings for water services are \$47m over the 10 years.</p>	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	<p>Borrowings will be needed for the WSCCO to stay financially viable. Operating revenue is projected to double in the first 10 years, allowing for increased, but still acceptable, borrowings. The WSCCO is expected to maintain enough borrowing capacity to manage emergencies.</p>	<p>Borrowing headroom for water services ranges between \$21m and \$33.6m when using the capacity available within the 500% net debt to revenue limit.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Free funds from operations	The FFO to net debt ratio for water services is expected to stay stable over the next decade. The WSCCO aims to boost operational performance to increase free funds and manage debt.	<p>WDC's whole Plan is calculated to meet the LGFA's 12% covenant using the funding impact statement and statement of comprehensive income and expenses.</p> <p>Our assessment identified a slight discrepancy in the methodology used to calculate FFO to debt. The Department followed the LGFA's method and calculated the FFO based on the cashflow statement, noting the internal charges in the funding impact statement exclude internal overhead recovery. Our forecast reaches 12% in 2027/28, then dips slightly for the next few years to 11.2% in 2030/31 rising to 11.6% in 2033/34.</p> <p>We note that this is stable, however it is under the LGFA's threshold and provides no headroom to absorb adverse changes to forecasts.</p> <p>We recommend working closely with the LGFA to ensure there is sufficient headroom and funding available to cover unforeseen events or costs. This does not impact the ability to accept the Plan.</p>	For discussion with Panel	Yes
Assessment of financing sufficiency	The Plan meets financing sufficiency, with sufficient headroom and a strong FFO to debt ratio.	The Plan has not confirmed access to funding, and it implies this is most likely via the LGFA. However, to enable WDC to borrow more than \$20m it needs to join the LGFA as a guarantor and either increase funding capacity to be able to on-lend to the WSCCO or enable direct funding to the WSCCO.	For discussion with Panel	Yes

Assessment Report: Part E – Projected financial statements for water services

Section in Part E	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected funding impact statement	The projected funding impact statement is only shown at a combined level.	Sufficient information provided.	Meets requirements	N/A
Projected statement of comprehensive revenue and expense	The projected statement of comprehensive revenue and expense is only shown at a combined level.	Sufficient information provided.	Meets requirements	N/A
Projected statement of cashflows	The projected statement of cashflows is only shown at a combined level.	Sufficient information provided.	Meets requirements	N/A
Projected statement of financial position	The projected statement of financial position is only shown at a combined level.	Sufficient information provided.	Meets requirements	N/A

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 54

Projected statement of financial position

Water Services Delivery Plan page 56

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 43 - 45

Financial measures: investment sufficiency

Water Services Delivery Plan pages 46 - 48

Financial measures: financing sufficiency

Water Services Delivery Plan pages 49 - 51

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	There are no additional disclosures to support the Plan.	N/A	N/A
Significant capital projects	The information has been taken from the 2024-27 LTP and refers to renewal or capital projects and does not include ongoing maintenance to existing water assets.	We note WDC has a three-year LTP.	N/A
Key issues, constraints, risks and assumptions	The risks and assumptions have been taken from risks already identified by the WDC Three Waters Team.	Financial and funding risks are missing along with detailed mitigations.	N/A