

Water Services Delivery Plan Assessment

Assessment Report – Waitaki 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
Council-controlled organisation	CCO
Department of Internal Affairs	Department
Drinking Water Quality Assurance Rules	DWQAR
Funds from operations	FFO
In-house Business Unit	IBU
Infrastructure Decision Support	IDS
Levels of service	LOS
Local Government Funding Agency	LGFA
Local Government (Water Services Preliminary Arrangements) Act 2024	Preliminary Arrangements Act
Long-term plan	LTP
Southern Water Done Well	SWDW
Water services council-controlled organisation	WSCCO
Water services delivery plan	Plan
Waitaki District Council	WDC
Wastewater treatment plant	WWTP

Assessment Cover Sheet

Background on council/s and engagement with the Department

Detail	Commentary
Councils involved in Plan	Waitaki District Council (WDC)
Number of connections	Water supply: 11,726 (8,500 residential and 3,226 non-residential) Wastewater: 8,413 (7,539 residential and 874 non-residential) Stormwater: 9,319 (7,917 residential and 1,402 non-residential)

Detail	Commentary
DIA comment on council engagement during Plan development process	<ul style="list-style-type: none"> • Following the enactment of the Preliminary Arrangements Act, WDC (alongside Central Otago, Clutha and Buller District Councils) initially undertook modelling led by Selwyn District Council to investigate the benefits of a joint WSCCO, first with 11, then with five councils. • A working group was then tasked with assessing the merits of a regional Southland-Otago grouping consisting of Invercargill, Southland, Gore, Clutha, Dunedin, Central Otago, Waitaki and Queenstown-Lakes councils and providing advice to elected members. The report from the group indicated there are significant benefits to regional aggregation, particularly for the smaller, rural councils. • On 27 January 2025, the Department attended a meeting with Chief Executives from Central Otago, Clutha, Gore and WDC to discuss pursuing a joint model. A governance framework was put in place to advance the option and a request for support from the Department was requested due to lack of funding. • By mid-March 2025, WDC (alongside Clutha, Central Otago, Gore and Timaru District Councils) had signed a commitment agreement to work together towards a joint WSCCO (known as SWDW). <p>The modelling for the SWDW group indicated modest benefits by 2034 for WDC from joining SWDW.</p> <ul style="list-style-type: none"> • Ahead of consultation, the Department provided the grouping (which at the time included WDC) with a benchmarking tool to enable these councils to compare expected prices with other similar sized councils across the country. The use of the benchmarking tool by WDC indicated that the inhouse delivery model would result in average water services bills per connection, and operating expenses per connection that were lower than the national average. • WDC consulted on SWDW as its proposed delivery model and 54% of submitters identified an In-house Business Unit as their preferred delivery model, with only 15% identifying that their preferred model was SWDW. • On 8 July 2025, WDC resolved to withdraw from SWDW and pursue an in-house business model. This required remodelling of the draft Plan.
Feedback provided to council prior to submission on Draft Plan	<ul style="list-style-type: none"> • On 18 July 2025 the Department formally requested that WDC provide a draft WSDP to it by 31 July 2025. WDC provided the Department with a draft Plan for review on 31 July 2025. • The Department responded on 11 August 2025 with significant feedback stating that from the assessment of the draft, the Department's view was that the draft Plan did not comply with the legislative requirements. • On 13 August 2025, the Department met with WDC elected members to discuss the feedback on the draft Plan. This included outlining each point of feedback, communicating that the draft Plan did not meet requirements in its current state and that significant further work was required. The Department also reminded WDC of the potential for Crown intervention under the Preliminary Arrangements Act. • WDC responded to the Department by submitting its final WSDP on 28 August 2025.

Detail	Commentary
<p>Engagement with council during review and assessment process</p>	<p>On 9 September 2025, the Department emailed WDC with queries in relation to the following matters:</p> <ul style="list-style-type: none"> • A significant increase in charges for consumers, particularly in the first few years of the Plan; • The basis/methodology used to develop the investment plan to support the delivery of water services, given the lack of condition rating; • Capex funding allocated for the Oamaru supply pipeline (circa 1880) in the investment plan; • Noting that the Oamaru supply pipeline is at the end of its theoretical life and that it is identified as a critical asset, further information on what performance/condition monitoring will be undertaken by the council to assess its condition and remaining useful life; and • The current quantity/value of network asset renewals backlog and the period over which this is expected to be renewed as graphs included in the plan are unclear. <p>On 12 September 2025, WDC Chief Executive Alex Parmley confirmed the investment plan for water supply network renewals is based on the modified useful life of the assets, which takes into account the age, material, and criticality of the pipes. The planned investment is in line with modelling done by IDS in March 2024 which looked at a range of investment scenarios for the water supply network. WDC provided detailed information from WSP (an engineering consultancy) on the condition of the Oamaru water supply pipeline and renewal profile and also explained the backlog of renewals. The Plan signals that there are projects in place to address compliance issues, as well as the installation of water meters which will address high water loss and usage.</p> <p>On 15 September 2025, the Department asked if there was a report provided as part of the IDS modeling that could be reviewed as supplementary information in the context of further information on the wastewater network WDC responded that the IDS modelling was for watermains and provided an interim report on Oamaru wastewater renewals strategy which focuses on the earthenware pipes in Oamaru, which represents approximately 15% of the wastewater network.</p> <p>The information request covered all aspects of the water services network, including drinking water, wastewater and storm water, no information was provided on the stormwater network.</p> <p>Additionally, on 12 September 2025, the Mayors of WDC and Timaru District Council wrote to the Minister for Local Government noting that councils are beginning exploratory discussions on how they might collaborate to improve efficiency and reduce costs. While no decisions have yet been made, the Mayors noted that a more formal arrangement could be an option in the future, potentially with the inclusion of other neighbouring councils.</p>
<p>Other Background Comments</p>	<p>WDC has previously indicated it could redirect \$650,000 of its remaining and uncommitted Better off Funding balance, currently \$1.9m, to water projects.</p>

Assessment Summary

Section	Commentary
Confirmation of submission completeness checklist	<p>All sections of the Plan completed, however noting that a plan for obtaining a detailed asset condition has been included instead of the information itself. Following a request for clarification, WDC provided some additional information to support the asset condition assessment.</p>
General Comment on Plan	<p>WDC is proposing an IBU model.</p> <p>The primary issue identified relates to the provision of an asset condition assessment. Under section 13(1)(h) of the Preliminary Arrangements Act, all plans are required to include <i>“an assessment of the current condition, lifespan, and value of the water services networks”</i></p> <p>The initial Plan provided by WDC did not include a sufficient asset condition assessment as required under the Preliminary Arrangements Act. The Department requested additional information from WDC during the assessment phase. WDC were able to provide some additional information regarding modelling undertaken in 2024. The information provided did not cover all of the water services network, and accordingly the ability to assess financial projections and investment sufficiency remains limited. If the asset condition is worse than assumed, this may impact the assessment of the sufficiency of the capital investment programme to meet the relevant regulatory requirements and standards. The plan notes that a conservative approach has been taken to the prioritisation of investments. The Plan notes that a conservative approach has been taken in their financial modelling and prioritisation of capital investments.</p> <p>More information on this specific issue is included in the “Issues for discussion with Panel” section, and in the relevant sections in Part B and Part D of the assessment.</p> <p>The following additional matters were identified through the assessment. In isolation from the above issue, these matters do not prevent the Plan from meeting the legislative requirements. However, they should be monitored through implementation:</p> <ul style="list-style-type: none"> • The investment plan is double compared to previous delivery levels, which is considered a risk; • Limited information was provided on WDC’s approach to asset management and we note a s17A review of service delivery under the Local Government Act 2002 is planned for 2027; • The Plan assumes WDC will obtain a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA. The implementation plan provides a timeline for obtaining such a credit rating; and • The average projected charges for water services increase from \$1,468 to \$3,465. Price increases fluctuate over 10 years with the most significant increase of 62.4% in 2026/27.

Section	Commentary
Financial Sustainability Comment	As noted earlier, the concerns regarding asset condition raised earlier in this report mean that it is challenging to confirm the level of investment is sufficient, which impacts the overall assessment of the financial sustainability of the Plan.
Revenue Sufficiency	<p>The revenue in the Plan is sufficient to cover the costs of delivering water services including delivery of the capital investments outlined in the Plan. If planned capital investment has been understated additional revenue will be required which may impact this assessment. There are projected operating cash surpluses for water services in every year of the Plan and projected operating deficit ranges between negative 27.4% and positive 7.9% over the 10 years, mainly due to fully funding depreciation.</p> <p>The average projected charges for water service increase from \$1,468 to \$3,465. Price increases fluctuate over 10 years with the most significant increase of 62.4% in 2026/27. We recommend the proposed pricing pathway and affordability are monitored during implementation.</p>
Investment Sufficiency	<p>Subject to the above concern regarding asset condition information, the proposed investments are sufficient to meet the LOS, regulatory requirements and renewals, however the Department notes that limited funding is provided for growth. WDC confirmed the investment plan for network renewals is based on the modified useful life of the assets, which takes into account the age, material, and criticality of the pipes.</p> <p>The planned investment is in line with modelling done by IDS in March 2024 which looked at a range of investment scenarios for the water supply network. The asset consumption ratio is increasing which indicates that the planned renewals investment will result in an increase in the average age of assets in the network.</p>
Financing Sufficiency	<p>Projected borrowings for water services increase from \$56.9m to \$200.8m and stays below 500% net debt to operating revenue ratio throughout the 10-year period. There is headroom in the Plan, however in 2033/34 it is only \$500,000 so we expect that this would be a matter for consideration by the governance committee for three waters service delivery. WDC water services operate with positive FFO throughout the Plan and range from 2% to 11.1%.</p> <p>The Plan confirms that projected whole of council borrowings will remain within LGFA borrowing limits and assumes WDC will obtain a credit rating to allow it to increase the borrowing limit from 175% to 280% with LGFA.</p> <p>We recommend that WDC work closely with rating agencies and LGFA to achieve a rating and the Department monitor receipt of this during implementation.</p>
Overall assessment recommendation	The overall recommendation from the assessment phase is to discuss the outcome of the assessment with the Panel.

Issues for discussion with Panel

Issue	Description	Recommended treatment
Asset condition	<p>The Plan as originally submitted to the Department did not include a sufficient asset condition assessment as required under the Act.</p> <p>Further information was sought from WDC on asset condition.</p> <p>On 12 September, WDC confirmed the investment plan for water supply network renewals is based on the modified useful life of the assets, which takes into account the age, material, and criticality of the pipes. The planned investment is in line with modelling done by IDS in March 2024 which looked at a range of investment scenarios for the water supply network.</p> <p>On 15 September additional information on wastewater renewals for earthenware pipes (15% of the network) was provided by WDC. No information was provided on the stormwater network. The supporting information from WDC stated that renewal backlogs will be managed and will be resolved by 2039 (noting the potential impact on the Oamaru water supply renewal forecast).</p> <p>The supplementary information does not fully address or respond to the lack of condition information for large parts of the water services network.</p> <p>Investment in renewals is 11% greater than depreciation of the network.</p> <p>At an activity level, wastewater is 100% more than depreciation, while water is 33% lower than depreciation and stormwater is 33% lower than depreciation.</p> <p>The asset consumption ratio increases, from 62.7% to 69%, which indicates that the planned renewals investment will result in an increase in the average age of assets in the network.</p>	<p>Discuss proposed approach with Panel to consider if the level of information provided is sufficient to meet requirements.</p> <p>If the conclusion of the assessment is that insufficient information has been provided on the condition of the assets, then the assessment may not be satisfied that the content requirements under section 13 (1) (h) of the Preliminary Arrangements Act have been met.</p>
Growth funding	<p>The plan notes a 10% population increase over ten years. The WSDP references a number of projects that are listed as having a primary driver of level of service improvement will also address capacity issues in the network. Growth projects in the plan are limited to network extensions to provide services to areas not currently connected. WDC has prioritised its capital programme with priority given to compliance related improvements and renewals. Water supply and wastewater network extension capital projects have been categorised as “should do”.</p>	<p>Discuss proposed approach with Panel to consider if the level of growth funding is sufficient to meet requirements.</p>

Issue	Description	Recommended treatment
Delivery of investment plan	<p>Historical delivery indicates an average of \$10-12m per annum over the last 6 years whereas the Plan requires a step up to an average of \$26m per annum for the first eight years, and \$46m- \$51m in the final two years.</p> <p>Delivery is acknowledged as mixed, with the Plan indicating this is being addressed with a Project Management Office established. There is supporting information provided on improved resourcing to support delivery.</p>	We recommend monitoring the capex delivery programme during implementation.
Asset management approach	Limited information was provided on WDC's approach to asset management. We note a S17A review of service delivery under the Local Government Act 2002 is planned for 2027.	We recommend monitoring of WDC's asset management approach.
Credit rating	The Plan assumes WDC will obtain a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA.	<p>We recommend that WDC works closely with rating agencies and LGFA to achieve this a credit rating.</p> <p>We recommend monitoring the receipt of a credit rating during implementation as this is needed for WDC to secure the required lending.</p>
Pricing and affordability	The average projected charges for water service increase from \$1,468 to \$3,465. Price increases fluctuate over 10 years with the most significant increase of 62.4% in 2026/27.	We recommend the proposed pricing pathway and affordability are monitored during implementation.

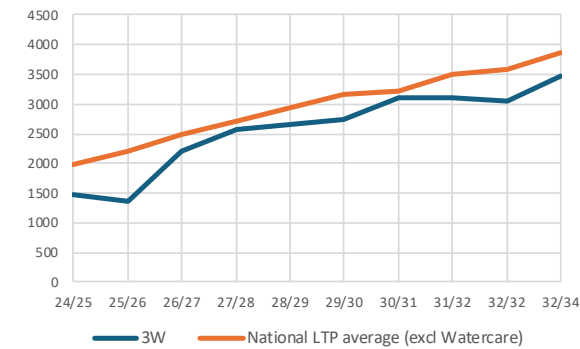
Council summary information

Summary information	Level
Current population	24,934
Drinking water connections	11,975
Wastewater connections	8,347
Stormwater connections	9,367
High growth council	No
10 year population growth	10.1%



Affordability and growth

Water services charge compare to national LTP average



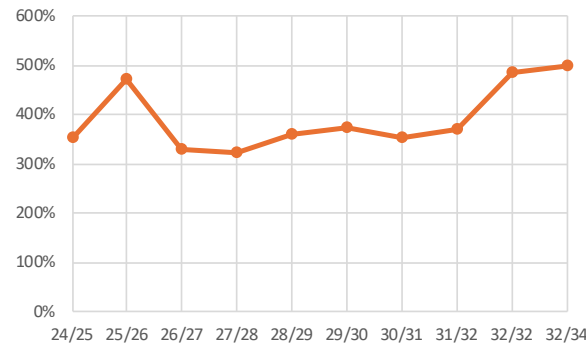
Item	Year 1	Year 10	10 Year Average
Total charge as % of median income	1.90%	3.70%	2.98%
Annual price increase	22.10%	14.10%	12.54%
DC collected per new connection (\$)	N/A	N/A	3,125

Assets, network and compliance

Asset measures	Year 1	Year 10	10 Year Average
Total assets per connection (\$)	13,301	22,849	17,718
Total debt per connection (\$)	1,898	8,493	4,370
Operating costs per connection (\$)	289	335	344
Age of network (years)	DW	WW	SW
Average age outlined in plan	33	54	54

Financing

Net debt to operating revenue

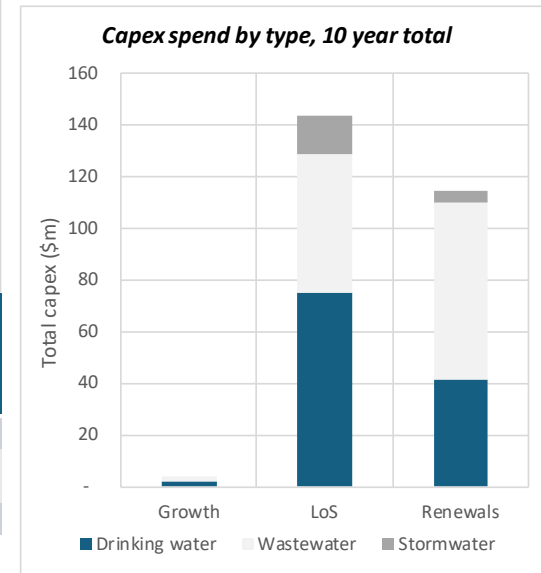


Item	Year 1	Year 10	10 Year Average
Water related net debt to operating revenue %	354%	499%	392%
FFO to debt	6.1%	7.9%	8.2%
Whole of Council net debt to revenue (approximately)	160%	200%	180%

Network performance	Level
Level of service performance measures achieved	73%
Water loss rate	38.8%
Average consumption (litres per person per day)	532

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

Capital expenditure	Category of capital expenditure			Total over 10 years
	Growth	Level of service	Renewals	
Drinking water	1,993	75,342	41,465	118,800
Wastewater	1,993	53,253	68,931	124,177
Stormwater	-	14,993	4,247	19,240
Total 10 years	3,986	128,595	110,396	242,977



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>Includes a statement that WDC confirm the Plan sets out a path for financially sustainable three waters services, noting that:</p> <ul style="list-style-type: none"> Investment in three waters services is sufficient to address known and anticipated compliance standards; Revenue is sufficient to cover all operating cost from the 2027 to 2028 financial year onwards; and Financing is sufficient to support investment in the overall capital programme. WDC recognises that access to financing assumes that WDC will be able to obtain a credit rating. Initial discussions indicate this is achievable. 	<p>The Plan may be financially sustainable, as the projected revenue is sufficient to ensure the long-term investment in delivering water services and the level of investment is sufficient. However, this is subject to the above concern relating to information provided on asset condition) to meet LOS and regulatory requirements. We also note that limited funding has been included for growth.</p> <p>The Plan assumes WDC will obtain a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA.</p> <p>We recommend that WDC works closely with rating agencies and LGFA to achieve a rating and this is monitored during implementation.</p>	Meets requirements subject to discussion on asset condition assessment and growth	N/A
The proposed model to deliver water services	<p>The IBU model includes changes to financial systems, reporting, governance arrangements and organisational structure, as indicated in the implementation plan.</p> <p>The IBU model utilises the ability for Council to leverage its lending across its entire operating revenue, allowing total three waters borrowing at levels consistent with (or slightly higher than) the alternative model of a standalone organisation.</p>	<p>The Plan’s description of the proposed IBU model is clear with implementation occurring from 2025 to July 2027.</p> <p>The IBU model includes changes to the organisational structure within WDC including appointment of an independent water committee to monitor performance The IBU will meet ringfencing requirements.</p>	Meets requirements	N/A

Section in Part A	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Implementing the proposed service delivery model	<p>The IBU will be implemented over the next two financial years. Initial steps are:</p> <ul style="list-style-type: none"> • Commence work on an amendment to WDC’s existing 2025 – 2034 LTP; • Incorporate budgeting changes to achieve a balanced budget at a whole of council level; and • Commence scoping work on the establishment of a new ledger and reporting requirements. <p>Steps to be taken during 2026/27:</p> <ul style="list-style-type: none"> • Review of existing corporate overhead allocation approach to ensure fairness and transparency and ensure that overhead allocations can be justified; • Implement a time-sheeting system to ensure that all time related to three waters service delivery is appropriately recorded and costed; • Work with the newly elected council to determine the appropriate governance arrangements and delegations; • Review WDC’s revenue and financing policy with a view to separating the roading and stormwater targeted rates from 1 July 2027; • Complete organisational design to identify changes to the service delivery structure and reporting lines/responsibilities for new senior leadership role; • Recruitment process to appoint independent members for the new governance body from 1 July 2027; • Commission new ledger system for three waters; • Recruit for a new senior leader to enable appointment by 1 July 2027; and • Prepare water services strategy and 2027-2037 LTP. <p>Steps to be taken during 2027/28 or 2028/29:</p> <ul style="list-style-type: none"> • Undertake work to obtain a credit rating to access increased levels of borrowing. 	<p>Information provided in the implementation plan is sufficient to meet the requirements of section 13(2) of the Preliminary Arrangements Act.</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
Consultation and engagement undertaken	<p>Public consultation was undertaken between 6 May and 9 June 2025. Consultation sought feedback on four options including a joint WSCCO with Central Otago District Council, Clutha District Council, and Gore District Council (SWDW), a standalone WSCCO, an IBU, and a joint WSCCO with Canterbury councils. In the consultation, the SWDW option was the proposed delivery model.</p> <p>WDC received a total of 300 submissions from individuals, organisations, and community groups.</p> <p>The IBU received the majority of support from submitters (54% of “first choice” selections), followed by the standalone WSCCO (21%) and the SWDW option (15%).</p>	<p>Consultation meets the requirements of the Preliminary Arrangements Act.</p> <p>The number of submissions represents approximately 1.2% of the population in the district.</p>	Meets requirements	N/A
Assurance and adoption of the Plan				
Council resolution to adopt the Plan	Water services delivery plan adopted 26 August 2025.	N/A	Meets requirements	N/A
Certification of the Chief Executive of Waitaki District Council	Water services delivery plan certified 27 August 2025.	N/A	Meets requirements	N/A

Assessment Report: Part B – Network Performance

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Investment required in water services				
Serviced population and serviced areas	<p>WDC is responsible for managing:</p> <ul style="list-style-type: none"> • 15 domestic water supplies serving a population of 25,100; • Eight wastewater schemes serving a population of 16,430; and • Eight community areas with stormwater systems. Four of these are substantial. <p>An 11.9% growth in household units is expected over the 10-year period.</p> <p>In 2023/24 performance measures were met for:</p> <ul style="list-style-type: none"> • Five of nine drinking water measures; • Four of five wastewater measures; and • All five stormwater measures. 	<p>Note that in this section population served is listed as 25,100 and on Page 29 of the Plan the FY 2024/25 population served is listed as 24,934.</p> <p>Sufficient information provided on service areas, connections and growth.</p> <p>In FY 2023/24, 73% of performance measures were met.</p>	Meets requirements	N/A
Assessment of the current condition and lifespan of the water services network	<p>Assets have an average age of 32 to 54 years.</p> <p>A condition improvement programme plan has been included to improve data and move to a proactive management approach.</p> <p>Water supply</p>	See earlier section regarding asset condition assessment for additional context.	<p>For discussion with the Panel.</p> <p>As presented the plan may not meet the requirements of Section 13(1)(h) of the Preliminary Arrangements Act.</p>	Yes

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	<p>The Plan indicates that the water supply network is on average 33 years old, with the oldest pipes being 1880 cast iron pipes. Assessments of the cast iron gravity mains indicate condition is fair and external advice is that it does not need to be replaced in the short term. WDC continues to monitor this and notes the Oamaru watermains are at the end of theoretical useful life, but failure rates are low.</p> <p>Funding has been allocated for further condition assessment, particularly for the Oamaru cast iron watermains. The Plan states that watermain failure data is used to analyse timely renewals to ensure unplanned interruptions are within an acceptable level.</p> <p>Wastewater</p> <p>The Plan indicates high inflow and infiltration into the wastewater network and budget has been allocated for investigation work. The Plan notes that approximately 7km of the wastewater system was surveyed by CCTV in the past five years. Recent inspections indicate a general deterioration of the network condition.</p> <p>Stormwater</p> <p>The Plan indicates the stormwater network is on average 54 years old, is not considered old and is some way from reaching the end of its useful life. The Plan states investment is required for upgrades, and budget for scoping is provided.</p>	<p>On 9 September 2025, the Department sought further clarification from WDC on the basis/methodology for how they developed the investment plan to support the delivery of water services. WDC confirmed the investment plan for network renewals is based on the modified useful life of the assets, which takes into account the age, material, and criticality of the pipes. The planned investment is in line with modelling done by IDS in March 2024 which looked at a range of investment scenarios for the water supply network. WDC provided detailed information from WSP on the condition of the Oamaru water supply pipeline and renewal profile and also explained the backlog of renewals. The Plan signals that there are projects in place to address compliance issues, as well as the installation of water meters which will address high water loss and usage.</p> <p>Additional notes from assessment of information provided:</p> <p>Water supply</p> <ul style="list-style-type: none"> Supplementary information has been provided on the Oamaru cast iron watermains which concludes that the useful life has been extended to 150 years (2033) but there is no apparent urgency to begin renewal of these highly critical assets, preferring instead to reassess condition over the next 5-10 years; and Water renewals backlog is \$9.15m, expected to be cleared by 2039. Note that any potential decisions by WDC to formally extend the useful life of the cast iron mains in Oamaru would have a significant impact on the shape of the renewal curve and the size of the backlog. <p>Wastewater</p>		

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
		<ul style="list-style-type: none"> • Inflow and infiltration into the wastewater network indicates deterioration in the network. We note renewals funding has been provided for the wastewater network; and • Wastewater renewals backlog is \$18.86m, expected to be cleared by 2033. <p>Stormwater</p> <ul style="list-style-type: none"> • There has been no funding for stormwater from 2018-2024, although actual spend has occurred indicating that funding is required; • The Plan provides for stormwater renewals and upgrades over the 10-year period; and • Stormwater renewals backlog is \$0.58m, backlog is insignificant and will be cleared by 2028. <p>On 15 September 2025, the Department asked if there was a report provided as part of the IDS modeling that can be reviewed as supplementary information. WDC responded that the IDS modelling was for watermains and provided an interim report on Oamaru wastewater renewals strategy which focuses on the earthenware pipes in Oamaru which represents approximately 15% of the wastewater network.</p> <p>The supplementary information does not fully address or respond to the lack of condition information for the majority of the network and thereby may not provide sufficient base information to support the renewals investment in the Plan.</p>		
Asset management approach	WDC retains responsibility for asset planning, while operations and maintenance are carried out by a contracted service provider.	Limited information provided on asset management approach, and limited commentary is provided on how asset management will support the proposed model.	Meets requirements.	Yes

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	<p>Under the IBU, it is expected that the current contracted out services will continue, pending a Local Government Act 2002 section 17A review in 2027, which will consider whether the treatment of water and wastewater is best undertaken externally or internally.</p> <p>Asset maturity assessment from 2017 highlighted a number of areas for improvement.</p>	<p>While areas for improvement are highlighted in the asset maturity assessment, no subsequent action plan has been identified. Maturity assessment highlights areas of focus and expected improvements.</p> <p>There is little change in delivery mechanisms proposed in the Plan. This indicates that WDC will review these arrangements in 2027 as part of a S17A service delivery review.</p> <p>We recommend monitoring of WDC's asset management approach, noting the s17A review planned for 2027.</p>		
<p>Statement of regulatory compliance – Drinking water</p>	<p>Three of WDC's 15 water supplies were compliant with the DWQAR at the end of Quarter 2 2024/25.</p> <p>There are various capital upgrades underway to ensure compliance with Drinking Water Standards. This includes UV upgrades at four sites and installing filters at Otematata.</p> <p>To manage water loss WDC is shifting its water demand management approach from its historic focus on fixing leaks reactively to a proactive management approach. The Plan indicates installation of water meters in 2027/28 - 2029/30 will address usage and water loss. \$12M is allocated in significant projects.</p>	<p>There are projects in place to address non-compliance with DWQAR. WDC has indicated all supplies will be compliant by 2026/27.</p>	Meets requirements	N/A
<p>Statement of regulatory compliance - resource consents</p>	<p>The Plan notes WDC has 14 water take consents, 13 wastewater discharge consents and 1 stormwater consent.</p> <p>There are five current active consent applications. 11 consents expire in the next 10 years.</p> <p>The Plan provides a description of non-compliance issues and solutions.</p>	<p>The abatement notice has been explained and the issue rectified.</p> <p>There are projects listed in the significant projects section to address WWTP compliance issues.</p>	Meets requirements	N/A

Section in Part B	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
	One infringement notice for breach of an abatement notice was issued in 2023, and there were abatement notices for the Oamaru WWTP not captured in the 2023/24 Annual Report.			
Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements	<p>The Plan summarises WDC’s projected 10-year capital investment forecast.</p> <p>Capital investment is planned to address identified network performance issues.</p> <p>WDC is shifting from historical reactive management to a proactive management approach.</p> <p>Total expenditure varies from \$51m (2032/33) to 15.5m (2025/26).</p>	<p>Total annual capex varies from \$15.5m (2025/26) to \$51m (2032/33). The Plan mentions a prioritisation process to identify a financially sustainable capital programme, but details are limited.</p> <p>Growth funding for drinking water and wastewater is limited in the plan; however, the plan also states that there are LoS projects that will also have a growth component. There is no funding allocated in the plan for stormwater growth.</p> <p>Priority investment is in drinking water LOS improvements and renewals.</p>	For discussion with panel	Yes
Historical delivery against planned investment	<p>Total delivery for drinking water was 102% against plan for 2021/22 – 2023/24.</p> <p>Total delivery for wastewater was 80% against plan for 2021/22 – 2023/24.</p> <p>Stormwater capex spend is unbudgeted.</p>	<p>History indicates water asset delivery of \$10-12m per annum over the last 6 years whereas the Plan requires a step up to average \$26m per annum across the Plan, and \$46m- \$51m in the final two years.</p> <p>Delivery is acknowledged as mixed with the Plan indicating this is being addressed with a Project Management Office established. There is supporting information provided on improved resourcing to support delivery.</p> <p>We recommend that delivery of the capital programme is monitored through implementation.</p>	Meets requirements	Yes

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>Current charges for water, wastewater, and stormwater are outlined in the Plan. A separate stormwater rate will be introduced in 2027/28 to maintain ringfencing. To ensure financial sustainability and meet ringfencing needs:</p> <ul style="list-style-type: none"> • Revenue and costs will remain funded through a targeted rate and directly allocated, with a new three waters ledger for better transparency. • Overhead allocation will be reviewed for fairness. • Funding is set aside for system improvements to support separate three waters reporting. • Extra provisions will strengthen accountability and governance for three waters. <p>Additional resources are allocated for increased reporting and compliance.</p>	Charging and billing arrangement are outlined in the Plan.	Meets requirements	N/A
Water services revenue requirements and sources	Revenue comes from targeted property rates, with additional income from fees, charges, and development contributions as projected in WDC's 2025-2034 LTP. The development contributions policy will be regularly reviewed. WDC may also use other funding tools like development levies and targeted rates when available.	The Plan provides sufficient detail on the water services revenue requirements and sources.	Meets requirements	N/A
Existing and projected commercial and industrial users' charges	Projected three waters charges rise 136%, from \$1,468 to \$3,465 on a combined basis across all connections. No analysis has been completed for the impact of price increases on commercial customers as commercial customers typically pay a volumetric charge based on their water usage. Currently, residential rates provide 63% of drinking water, 75% of wastewater, and 72% of stormwater funding. There is scope to rebalance some water charges across trade waste and non-residential connections. The introduction of volumetric charging may change these proportions.	Existing and projected commercial and industrial users' charges have been outlined in the Plan.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
The affordability of projected water services charges for communities	Water charges in Waitaki District are set to rise on a composite basis across all connections from 1.7% to 3.7% of median household income between 2026 and 2034, raising affordability concerns. A shift to volumetric pricing may help single-person households but could mean higher charges for large water users.	The affordability of projected water services rises above 3.1% of median household income from 2027/28. We recommend that affordability is monitored during implementation.	Meets requirements	Yes
Funding and financing arrangements				
Water services financing requirements and sources	<p>Three waters borrowing rises from \$56m in 2024/25 to \$201m by 2033/34. Borrowing will use a mix of fixed/floating rates, short/long-term debentures, interest rate swaps for hedging, mainly from LGFA, and commercial paper as needed.</p> <p>WDC will need to obtain a credit rating and will also undertake a broader review of its whole of council financial performance and seek to achieve a balanced budget prior to applying for any credit rating.</p> <p>Key financial water funding strategies are:</p> <ul style="list-style-type: none"> • Depreciation is fully funded. • Operating surpluses are used for asset renewal first. • Growth and service investments are funded are by debt, aligning costs with future users. • Development contributions are collected where possible. • Debenture stock is renewed unless enough cash reserves exist for repayment. • Debt is kept within limits; and revenue is raised as needed to support this, maximising leverage to lower water charges. 	The Plan outlines the water services financing requirements and sources. We note that WDC will need to obtain a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA and recommend that WDC works closely with rating agencies and LGFA to achieve this.	Meets requirements	Yes
Internal borrowing arrangements	WDC borrows externally at a whole of council level, with an internal treasury management function which allocates debt to relevant activities. All debt is backed with external borrowing. WDC has no internal lending arrangements between activities and does not propose to introduce any such arrangements.	WDC has no internal borrowing arrangements and does not intend to have any in the future.	Meets requirements	N/A

Section in Part C	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Determination of debt attributed to water services	WDC's three waters debt for the year ending 30 June 2023 was agreed with the National Transition Unit. Debt is allocated directly to three waters activities at a cost centre level and is fully traceable at a cost centre level, with no internal lending currently in place. Movement in debt balances, and the current assumed level of three waters debt, are based on these cost centre allocations and the opening position.	The determination of debt attributed to water services is stated in the Plan.	Meets requirements	N/A
Insurance arrangements	<p>Three waters infrastructure was valued at \$377.2m in 2023/24 (\$263.9m in 2023). Assets over \$1m and critical items are insured for \$162.5m (\$105.4m in 2023).</p> <p>WDC manages asset risk for the remaining assets via Local Authority Protection Programme membership, depreciation reserves, and the Disaster Fund. Total asset replacement cost is \$612,341,794 at 30 June 2024:</p> <ul style="list-style-type: none"> • Water Supply: \$272,042,498; • Wastewater: \$282,749,279; and • Stormwater: \$57,550,017. <p>WDC relies on the Government's risk sharing for essential infrastructure recovery, with Central Government covering 60% of damaged horizontal infrastructure costs after a natural disaster. WDC holds reserves for rapid response and uninsured losses: as at 30 June 2024, the Disaster Fund was \$2,025,805 and the Insurance Excess Fund \$203,094. Committed cash facilities are also in place for extra funding if needed.</p>	Sufficient details on WDC's insurance arrangements are in the Plan.	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	<p>Operating revenue will cover all operating costs, including depreciation and finance, from 2027. Three waters aims for cash surpluses, not operating surpluses. Residential three waters charges will rise by 136% by 2034.</p> <p>The Plan allows \$1m extra annual operating costs for governance, staff, levies, audit, and credit rating and costs of regulatory oversight.</p> <p>Total network investment exceeds depreciation; renewals investment is below depreciation due to asset age and new assets. Service investment also supports growth and asset replacement. Planned investment will lower the average asset age. All capital spending is fully funded by revenue or debt.</p> <p>Three waters debt stays under 500% of revenue before 2034.</p>	As noted earlier, the concerns regarding asset condition and growth raised earlier in this report mean that it is not possible to confirm the level of investment is sufficient to meet LOS and regulatory requirements and recommend discussing this with the Panel.	For discussion with Panel	Yes
Actions required to achieve financially sustainable delivery of water services	<p>To achieve financial sustainability, Council proposes to fully fund depreciation from 2026/27, increase operating expenditure for regulations and asset management and obtain a credit rating by 2027/28 or 2028/29.</p> <p>These steps will help WDC cover operating costs, renew assets, and service debt for three waters infrastructure, while ensuring access to debt for capital projects.</p>	Actions required to achieve financially sustainable delivery of water services are outlined in the Plan.	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Risks and constraints to achieving financially sustainable delivery of water services	<p>The Plan relies on a number of core assumptions and risks which may impact the future financial sustainability of three waters services. These are outlined below:</p> <ul style="list-style-type: none"> • Ability to access debt and the need to obtain a credit rating to access increased lending at 280% of total revenue; • The risk that the capital programme is inadequate or under costed; • Interest rate and inflation assumptions; • Efficiencies arising through economic regulation and a shift to more proactive investment planning have not been factored into the financial projections; • Projected efficiencies from economic regulation and proactive planning are not included; if achieved, charges may be lower; • Affordability constraints; • Actions of the water services regulator; and • Actions of an economic regulator or the introduction of a rates cap that incorporates three waters. 	<p>Risks and constraints to achieving financially sustainable delivery of water services have been outlined in the Plan.</p>	Meets requirements	N/A
Assessment of revenue sufficiency				
Projected water services revenues cover the projected costs of delivering water services	<p>Operating revenue will cover operating costs, including depreciation and finance costs, from 2026/27. Three waters is not intended to generate an operating surplus but will have cash surpluses. Residential three waters charges rise by 136% by 2034.</p> <p>From 2026/27, three waters revenue will cover operating costs, achieving a balanced budget. The 2025/26 deficit is higher due to a loan-funded de-sludging project at Oamaru wastewater plant, counted as an operating cost.</p>	<p>Projected water services revenues cover the projected costs of delivering water services and are outlined in the Plan.</p> <p>Our assessment of revenue sufficiency has assumed that the revenue in the Plan is sufficient to deliver the capital investments outlined. If the capital programme requires amendment (because, for example, the information on asset condition on which it has been made is inadequate), then additional revenue may be required.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
<p>Average projected charges for water services over 2024/25 to 2033/34</p>	<p>Projected household charges for three waters services at WDC are set to rise by 62% in 2026/27 and 136% by 2034.</p> <p>The average charge per connection is projected to increase from \$1,468 to \$3,465. The price changes start with a 22.1% increase, a 7.9% decrease in 2025/26 and a significant 62.4% increase in 2026/27. Year on year increases fluctuate through to 2033/34.</p> <p>WDC considered phased price increases for 2026/27 but decided on a single year rise due to uncertainties around future Commerce Commission pricing controls and potential rates caps. Delaying increases could affect financial sustainability, increase short-term lending needs, cause operating deficits, impact credit ratings, and raise future debt and borrowing costs. The proposed increase would bring charges close to the Ministry of Business, Innovation and Employment’s estimated \$195 monthly power cost.</p>	<p>The average projected charges for water service are outlined in the plan and increase from \$1,468 to \$3,465. Price increases fluctuate over 10 years with the most significant increase of 62.4% in 2026/27.</p> <p>We recommend the proposed pricing pathway is monitored during implementation.</p>	Meets requirements	Yes
<p>Projected operating surpluses/(deficits) for water services</p>	<p>From 2027/28, revenue is expected to break even, fully funding depreciation and renewals through depreciation recoveries. From 2031/32, extra revenue is included to meet lending covenants and reduce future borrowing costs.</p> <p>This leaves debt to fund new infrastructure for future consumers.</p> <p>The 2025/26 deficit arises due to a loan-funded de-sludging project at Oamaru wastewater plant, classified as an operational cost.</p>	<p>The projected operating deficit ranges between negative 27.4% and positive 7.9% over the 10 years mainly due to fully funding depreciation.</p>	Meets requirements	N/A

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected operating cash surpluses for water services	The projected operating cash surpluses for WDC's three waters under an IBU model has costs factored in for extra governance, new specialist staff, regulatory levies, and credit rating maintenance. Operating cash surpluses grow from approximately 21% of operating revenue to over 60% of operating revenue over the 10-year period.	There are projected operating cash surpluses for water services in every year of the 10-year Plan.	Meets requirements	N/A
Assessment of investment sufficiency				
Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth	<p>Proposed investment in the network in total exceeds depreciation.</p> <p>While growth investment appears low, the Plan indicates a number of levels of service projects to also address growth issues, including: installation of water meters, capacity upgrades for the Lower Waitaki scheme, Oamaru Water Source Strategy investment, to improve security of water supply, leak detection and mains renewals programmes which will reduce water loss.</p> <p>On 9 and 15 September 2025, WDC confirmed the investment plan for water supply network renewals is based on the modified useful life of the assets, which takes into account the age, material, and criticality of the pipes. The planned investment is in line with modelling done by Infrastructure Decision Support in March 2024 which looked at a range of investment scenarios for the water supply network. Additional information on wastewater renewals for earthen ware pipes (15% of network) was provided by WDC. No information was provided on the stormwater network.</p>	As noted earlier, the concerns regarding asset condition and growth raised earlier in this report mean that it is not possible to confirm the level of investment is sufficient to meet LOS, regulatory requirements and renewals and recommend discussing this with the Panel.	For discussion with panel	Yes

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Renewals requirements for water services	Renewals investment exceeds depreciation and renewals backlogs are being effectively managed during the period and will be resolved by 2036. Asset Sustainability Ratio fluctuates between -27% and +94%.	Investment in renewals is 11% greater than depreciation of the network. At an activity level, wastewater is 100% more than depreciation, while water is 33% lower than depreciation and stormwater is 33% lower than depreciation. As above, investment in renewals is dependent on the information provided regarding asset condition.	Meets requirements subject to discussion on asset condition assessment.	N/A
Total water services investment required over 10 years	There is a positive asset investment ratio for all years of the Plan, ranging from 78% to 254%.	This is consistent with asset management plans and the Infrastructure Strategy. As above, investment is dependent on the information provided regarding of asset condition.	Meets requirements subject to discussion on asset condition assessment.	N/A
Average remaining useful life of network assets	Increasing asset consumption ratio, from 62.7% to 69%, asset average life remaining is increasing. The ratio is increasing which indicates that the planned renewals investment will result in an increase in the average age of assets in the network.	The ratio is increasing which indicates that the planned renewals investment will result in an increase in the average age of assets in the network.	Meets requirements	N/A
Assessment of financing sufficiency				
Confirmation that sufficient funding and financing can be secured to deliver water services	The charts and tables show WDC will provide three waters services while meeting all lending covenants during the Plan period. Key points: <ul style="list-style-type: none"> No formal limit is set on three waters debt to revenue for internal borrowing; All capital spending is funded by revenue or debt; Three waters debt stays below 500% of revenue in 2034. Financing relies on WDC getting a credit rating by 30 June 2032. The Plan allows for this in 2027/28 or 2028/29, and early talks suggest this is achievable.	The Plan confirms sufficient funding and financing can be secured to deliver water services. We note that WDC needs to obtain a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA. We recommend that WDC works closely with rating agencies and LGFA to achieve a rating and the Department monitor receipt of this during implementation.	Meets requirements	Yes

Section in Part D	Summary of content in Plan	Assessment Review Comment	Assessment	Focus for panel
Projected council borrowings against borrowing limits	<p>WDC debt remains within lending covenants over the Plan period, with no breaches forecast in 30-year modelling.</p> <p>The debt to revenue ratio lending covenant is assumed to be 280%. This requires WDC to secure a credit rating before any potential breach of the 175% covenant, expected in 2032/33. The Plan notes that WDC has received advice from Bancorp indicating no issues are expected in obtaining a rating.</p>	<p>The Plan confirms that projected council borrowings will remain within LGFA borrowing limits and assumes WDC will obtain a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA.</p> <p>We recommend that WDC work closely with rating agencies and LGFA to achieve a rating and the department monitor receipt of this during implementation.</p>	Meets requirements	Yes
Projected water services borrowings against borrowing limits	<p>The chart shows three waters debt stays below 500% of revenue throughout the planned period.</p> <p>No formal borrowing limits for water services have been adopted. WDC uses a debt to revenue limit of 500% in this Plan.</p>	<p>The Plan shows that projected borrowings for water services stay below 500% net debt to operating revenue ratio throughout the 10 years.</p>	Meets requirements	N/A
Projected borrowings for water services	<p>Analysis shows that three waters debt and revenue are projected to rise significantly under the proposed model, with debt up 256% and revenue up 152% from 2025–2034. Major investment in wastewater projects in 2033–34 will increase debt, but long-term modelling indicates WDC lending covenants will not be breached. Calculations exclude development contributions and capital grants and assume no three waters-specific cash reserves.</p>	<p>Projected borrowings for water services increase from \$56.9m to \$200.8m.</p>	Meets requirements	N/A
Borrowing headroom/(shortfall) for water services	<p>The analysis reviews three waters debt to revenue using WDC's LGFA method: operating revenue excludes development contributions and capital grants, all debt is external, and no cash reserves are included.</p>	<p>The Plan shows there is borrowing headroom for water services. We note that in 2033/34 it is only \$500,000, and we expect that this would be reviewed by the governance committee for three waters service delivery in due course.</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 Free Funds from Operations to Debt ratio has been calculated using WSCCO guidelines, but this does not apply for IBU models. WDC has correctly included 50% of development contributions and applied a 10% FFO to debt limit.	WDC water operates with positive FFO throughout the Plan, ranging from 2% to 11.1%.	Meets requirements	N/A
Assessment of financing sufficiency	Financing sufficiency based on the overall debt and revenue projections in this plan is dependent on WDC successfully securing a credit rating by 30 June 2032 at the latest. An allowance has been made within this plan for WDC to secure such a credit rating in FY 2027/28 or 2028/29, and early discussions with Bancorp have indicated that WDC should be able to secure a credit rating.	The Plan demonstrates financing sufficiency subject to WDC obtaining a credit rating to allow it to increase its borrowing limit from 175% to 280% with LGFA. We recommend that WDC works closely with rating agencies and LGFA to achieve a rating and the Department monitor receipt of this during implementation.	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	The funding impact statement is provided at a combined level and at the three waters level.	Meets requirements.	N/A
Projected statement of comprehensive revenue and expense	The statement of comprehensive revenue and expense is provided at a combined level and at the three waters level.	Meets requirements.	N/A
Projected statement of cashflows	The statement of cashflows is provided at a combined level and at the three waters level.	Meets requirements.	N/A

Sensitivity: General

Projected statement of financial position	The statement of financial position is provided at a combined level and at the three waters level.	Meets requirements.	N/A
--	--	---------------------	-----

Assessment Report: Part E – Financial projections and measures

Projected statement of comprehensive revenue and expense

Water Services Delivery Plan page 69

Projected statement of financial position

Water Services Delivery Plan page 71

Financial measures: revenue sufficiency

Water Services Delivery Plan pages 51 -56

Financial measures: investment sufficiency

Water Services Delivery Plan pages 57 - 61

Financial measures: financing sufficiency

Water Services Delivery Plan pages 62 - 67

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	Significant capital projects are expressed in current dollars (uninflated) and include all projects over \$1 million, and any projects identified elsewhere in this Plan as being necessary to meet compliance, growth or consent renewal requirements. These tables will not reconcile perfectly with other tables in this Plan that set out capital requirements due to the exclusion of inflation and the exclusion of projects which do not meet the significance threshold.	N/A	N/A
Key issues, constraints, risks and assumptions	Key risks and assumptions are presented in a table.	We noted financial and funding risks are missing along with detailed mitigations. Additional information was provided on the anticipated risks and mitigations associated with this source of revenue.	N/A