Quarterly monitoring report - water services delivery plan

Water Services CCO

Hawke's Bay

1st April to 30th June 2026

Council plans that establishing water organisations

Part A: Progress updates

Guidance on completing this table

The purpose of this section is to:

- *Identify each of the key activities, deliverables and milestones involved in implementing the arrangements in an accepted water services delivery plan;*
- *Identify the expected date for completing each of the identified activities, deliverable and milestone*
- *State whether the activity, deliverable and milestone is on track or off track, and if off track provide commentary for why.*
- *Describe any significant issues and risks associated with achieving each activity, deliverable and milestones – and the mitigations in place to overcome these issues and risks*
- *Identify activity expected in the next quarter towards completion of milestones or deliverables*

Examples of activities, deliverables and milestones that should be included are listed below:

- *Formal legal incorporation*
- *Appoint interim board and chair*
- *Constitution*
- *Shareholders' Agreement*
- *Transfer Agreement*
- *Statement of expectations*
- *Financial and treasury arrangements finalised (LGFA access)*
- *Transfer of assets and liabilities*
- *Transfer of staff (if any)*

Note that even if your implementation plan did not cover these activities, any progress made in the last quarter should be reported here.

Establishment Phase – April 2026 to June 2026

Milestone / deliverable	(Expected) Completion date	Status	Commentary
Incorporation of Water HB	26 June 2026	Completed	Water Hawke's Bay Limited (Water HB) was incorporated on 26 June 2026.
Appointment of Board of Directors	26 June 2026	Completed	The Establishment Advisory Board (EAB) became the inaugural Board of Water HB.
Foundation Documents	16 June 2026	Completed	The Foundation Documents (Shareholders' Agreement and Constitution) were agreed and/or signed by the Chief Executives from the shareholding councils and the Chair of Water HB on 16 June 2026.
Transition Agreement	19 June 2026	Completed	The Transition Agreement was agreed and signed by the Chief Executives from the shareholding councils and from Water HB on 19 June 2026.
Establishment of Transition Team leadership	1 July 2026	In progress	The Programme Leadership Team (PLT) has largely been appointed, with the following leadership resources in place: • Interim Chief Executive • Programme Manager • Finance, Funding & Commercial workstream lead • Assets & Investment workstream lead • Operations workstream lead

			• Legal & Governance workstream lead • Communications, Engagement & Customer workstream lead Recruitment for two remaining workstream leads is in progress: • People & Capability workstream lead • IT & Data workstream lead Note: Several (Tier 3) Subject Matter Experts have also been appointed: • Water Services Strategy (WSS) Lead • Customer Lead • IT & Data Business Analyst
Day 0 Policies	1 July 2026	Completed	A set of Day 0 policies was developed. These include: • Delegations policy • Conflict of Interest policy • Procurement policy and framework • Media policy • Sensitive Expenditure policy • Health & Safety policy • Protected Disclosure policy

Transition Phase – July 2026 to September 2026

Milestone / deliverable	(Expected) Completion date	Status	Commentary (if required)	Issues, risks and mitigations (if any)
Transition Plan	7 August 2026	On track	The Transition Plan is the next iteration of the Programme Management Plan (PMP) and provides the roadmap for the period from incorporation of WHB on 26 June 2026 through to operational go-live on 1 July 2027. The Transition Plan, including transition resource plan and budget, is being finalised and is expected to be approved by the board of Water HB at the end of July / early August then shareholding councils shortly after	N/A
Agree RFI approach with councils & submit first tranche of 'July' RFIs	24 July 2026	On track	A high-level RFI approach has been agreed with shareholding councils. SharePoint for information sharing between shareholding councils and Water HB is being set up, and RFI templates are currently being finalised.	There is a risk that councils are unable to respond to requests for information (RFIs) in a timely manner. This would delay the work of the Transition Team. To mitigate this risk, we have staggered the RFIs and have provided councils with early visibility of expected RFIs in the first months following incorporation.
Investment Prioritisation Framework	31 August 2026	On track	N/A	N/A
Capital Delivery plan	30 September 2026	On track	N/A	N/A

Communications & Engagement Delivery Strategy Plan for the Transition Phase	31 July 2026	Now estimated mid August	N/A	N/A
Stakeholder Engagement Plan	31 August 2026	On track	N/A	N/A
Billing & invoicing delivery model agreed (in house or outsourced) and confirmed with Councils	31 August 2026	On track	N/A	There is a risk that councils do not have the capacity and/or capability to provide billing and invoicing on behalf of Water HB. The preferred approach for Water HB needs to be discussed and agreed with councils.
LGFA application submitted	30 September 2026	On track	N/A	N/A
Transfer Agreement process and timeline agreed with councils	31 August 2026	On track	Water HB has presented (for information) to councils on the importance of Transfer Agreements and on the high-level timelines. We have also proposed to present to Elected Members to ensure the process is well-understood.	N/A
Transfer principles agreed	31 August 2026	On track	N/A	N/A

WSS process and timeline agreed	30 September 2026	On track	A dedicated WSS Lead has been appointed. While this role reports into the Legal & Governance workstream lead due to the synergy with the Transfer Agreement work, they will work across the programme to successfully deliver the Water Services Strategy.	Early drafting of the WSS relies on timely responses to the RFI's. Delays in information may impact our ability to build a complete picture of the evidence base, assumptions and priorities that will inform a regional plan.
SCADA assessment and options	31 August 2026	On track	N/A	N/A
Change Management strategy confirmed	31 August 2026	On track	N/A	N/A
High-level organisational design (Tier 2) confirmed	30 September 2026	On track	A "lift and shift" principle for operational water services staff has been agreed with shareholding councils, and we are now working through the alignment on the detail and implications for each Council. This principle will limit the extent to which full-scale organisational design is required prior to Day 1.	N/A

IT & Data Systems assessment and options analysis	31 July 2026	On track	An external vendor is undertaking the IT & Data Systems assessment and options analysis. The output / findings from this exercise will inform the delivery plan for the IT & Data workstream.	There is a risk that delays in the assessment and implementation of IT systems may constrain Water HB's technology options ahead of Day 1. To mitigate this risk, Water HB has engaged an external vendor with extensive experience in the New Zealand water sector to undertake the initial technology assessment and options analysis, enabling informed decision-making and reducing the likelihood of implementation delays.

Part B: Additional monitoring information – items noted in letters of acceptance

Guidance on completing this table
The purpose of this section is to: • *Identify each of the items noted in the letter of acceptance for a water services delivery plan – where the Secretary indicated the Department would be monitoring these items;* • *Describe progress with addressing the item(s) raised – including any significant issues and risks*

<table>
<tr><th>Items noted in letters of acceptance</th><th>Progress update</th></tr>
<tr><td>Capex delivery
The Plan is based on reducing overall investment in the LTP's by 20%. The total investment of $1.25 billion over the 10 years is sufficient to meet investment, renewal sufficiency requirements and compliance standards.
Delivery of the capex has been mixed in previous years across the Councils.
DIA recommended monitoring of capital delivery during implementation</td><td>CHBDC Q2 Update April – June 2026
<table>
<tr><th>WSDP planned capital</th><th>Annual Plan capital</th><th>Revised Annual Plan capital</th><th>Projected capital</th></tr>
<tr><td>$201m over 10 years, as included in the WSDP</td><td>Not specified in the quarterly update</td><td>$124m over 10 years, following Council's approved reduction to the capital investment programme</td><td>No material change reported in Q2. Activity and priorities remain largely consistent with the previous quarter.</td></tr>
</table>
Commentary:
There has been little change since the previous quarter. Activity and priorities remain largely consistent with those reported in the last update, with no significant developments or changes to note during this period. We will continue to monitor progress and provide updates as they arise.

NCC Q2 Update April – June 2026</td></tr>
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WSDP planned capital	Annual Plan capital	Revised Annual Plan capital	Projected capital
Not specified	2025/26 Annual Plan capital budget, amount not specified	Reallocated capital budget including carry-forwards and additional funds, amount not specified	Forecast spend as at 31 May was 102% of the 2025/26 Annual Plan budget **and** 83% of the reallocated capital budget**.**

Commentary:
NCC continues to deliver its planned capital programme and remains on track to deliver the 2025/26 works.

HDC Q2 Update April – June 2026

Programme / basis	WSDP planned capital	Annual Plan capital	Revised Annual Plan capital	Projected capital
Three waters cost centres — drinking water, wastewater, and stormwater	Not specified in the quarterly update	$59.7m Annual Plan budget	$61.1m revised budget	$50.3m year-end forecast, representing 82% of revised budget and 84% of Annual Plan budget.
Growth programme	Not specified in the quarterly update	Reported separately by programme; Annual Plan figure not specified	$34.3m revised budget	$21.5m forecast spend, with a $12.8m variance to be carried forward into FY2026/27 rather than reflecting reduced scope.

Commentary:
To end of May:

Year to date actual capital spend across the water services cost centres (drinking water, wastewater, stormwater) is $32.7m against a year to date budget of $51.7m. Year end forecast is $50.3m against a revised budget of $61.1m, 82 per cent of revised budget and 84 per cent of the $59.7m annual budget. By service: drinking water is forecast to spend $19.5m against a $21.9m revised budget (89 per cent). Wastewater, including effluent disposal and the wastewater

	treatment plants, is forecast to spend $17.8m against a $25.2m revised budget (71 per cent), reflecting the East Clive outfall renewal contract only executing in June. Stormwater is forecast to spend $13.0m against a $14.0m revised budget (93 per cent). Growth servicing spend is reported separately by programme rather than through this ledger, since it sits embedded across the three service cost centres above. On that basis, the growth programme is forecast to spend $21.5m against a revised budget of $34.3m, a variance of $12.8m. This continues to be driven by the timing of private development readiness and the ongoing land negotiations, notably at Brookvale, and by procurement timing on the Waipatu Trunk Main and Local Servicing contracts. The balance is being carried forward into 2026/27 rather than reflecting any reduction in scope. The slower spend in Growth does have a positive financial impact with development contributions revenue also slower.
Charging and billing arrangements for Hastings District Council Councils have included sufficient data on charging and billing arrangements in the Plan. We note that HDC currently applies capital value general rates for some water charges, and this must be phased out by 1 July 2029. **DIA recommended monitoring HDC's billing arrangements during implementation.**	**HDC Q1 & Q2 Update** HDC continue to include stormwater in the general rate for the 2026/27 financial year, as well as a small portion of wastewater cost in the UAGC rate (i.e. no change yet). The work programme will see this removed from the general rates in time for the change at 1 July 2027, with the Council LTP work programme removing all 3W costs Please note - small error in the WSDP, it was stated that General rates are based upon capital rates, this is not correct as they are based upon land values.
Affordability for Central Hawke's Bay District Council Across all three Councils, affordability over the 10 years rises from 1.9% to 3.0% of median household income and roughly aligns to the guidance provided by the Department of 2.5% of median household income. For CHBDC, the affordability metric increases from 4.4% to 6.5% in year 10. This is addressed in the Plan, and CHBDC provide alternative capital programmes which may reduce this cost (noting these alternative programmes have not been assessed for investment sufficiency).	**CHBDC Q1 Update January – March 2026** CHBDC is delivering in line with the revised Water Services Plan approved in August 2025. The introduction of the national wastewater standards has been a key driver for the reduction in capital investment as the previous strategy involved disposal to land. The Water Hawke's Bay is due to be operational by 1 July 2027 with operational and procurement savings expected to be realised over time to increase affordability for the CHB community. **CHBDC Q2 Update April – June 2026** CHBDC is working closely with HDC on Scada resilience improvements to address the loss of data. While there was an issue in October 2025 that contributed to data losses, the root cause of this

Our assessment is that the level of operating efficiencies modelled across the Plan is conservative, and additional savings may be realised through changes to the wastewater standards and efficient operations. **DIA recommended monitoring affordability of charges for CHBDC during implementation.**	has since been rectified and there have been no further data losses since. This project to improve the overall resilience of the SCADA system will be progressed in FY26/27.
Drinking water regulatory compliance CHBDC has non-compliances related to Supervisory Control and Data Acquisition and reporting rather than barriers. Additional information was requested from CHBDC. They have confirmed that all but one of the non-compliances were due to data loss and a programme to improve this has been allocated. The other non-compliance (Pōrangahau) has had a UV upgrade to achieve compliance. An explanation regarding the CHBDC boil water notices has also been provided. Construction is underway to address the third of three recent boil water notices, and no boil water notices are currently in place. Additional information has also been provided for NCC's projects to address DWQAR non-compliances. CHBDC provided additional information regarding allocated funding to address their consents due to expire. **DIA recommended monitoring compliance with the drinking water regulations during implementation**	**CHBDC Q1 Update January - March 2026** CHBDC is working closely with HDC on Scada resilience improvements to address the loss of data. This project will be progressed in FY26/27. **CHBDC Q2 Update April – June 2026** CHBDC is working closely with HDC on Scada resilience improvements to address the loss of data. While there was an issue in October 2025 that contributed to data losses, the root cause of this has since been rectified and there have been no further data losses since. This project to improve the overall resilience of the SCADA system will be progressed in FY26/27.