Quarterly monitoring report - water services delivery plan

In-House Business Unit

Kawerau District Council

30 July 2026

Council plans that are retaining water service delivery (In-house Business Unit)

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*
Some examples of activities, deliverables and milestones that might be included
• *Complete any required service level agreement and operational handover from council* • *Financial and treasury arrangements finalised (including LGFA access if amendments are required)* • *Address financial separation / ringfencing requirements* *Note that even if your implementation plan did not cover these activities, any progress made in the last quarter should be reported here.*

Quarterly reporting period: 1 April to 30 June 2026

Activity/milestone/deliverable	Expected completion date	On track to meet the timeframe? (Yes/No)	Issues, risks and mitigations (if any)
Continue delivery of all three water services (drinking water, wastewater and stormwater) in-house under the existing financial and management systems until the WSDP transition date	30 June 2026	Yes	Completed for the reporting period. Water services continued to be delivered in-house through Council's existing operational and financial systems to 30 June 2026. • Drinking water: across April to June, all routine supply samples reported tested negative for E. coli and no drinking-water quality non-compliance was identified. No dirty-water, odour or low-pressure complaints were reported during the quarter. • Drinking-water source security: Resource Consent RM24-0672 was granted on 24 March 2026 for the take and use of water from the Tarawera Bores and Pumphouse Spring. It replaces consents 61344 and 20329 and expires on 31 March 2061. • Wastewater: the Wastewater Treatment Plant complied with all resource-consent conditions in April, May and June. No Council-related sewer overflows were reported in April, and no sewer-main blockages or sewer overflows were recorded in May or June. • Stormwater: one flooding service request was received at Fletcher Avenue after heavy rainfall in April. Drainage was restored by clearing leaves from stormwater cesspits, with no further stormwater issues reported in May or June. No material service-delivery issue was identified that affected implementation of the accepted WSDP.
Transfer water services to an in-house water services business unit, with continued support from other Council departments and functions	1 July 2026	Yes	Preparatory work is ongoing for the transfer of water-service operations to the in-house water services business unit. Post-period update: the in-house water services business unit commenced operation on 1 July 2026, with continued support from Finance and Corporate Services, Operations and Services, Health and Safety, and other Council functions. Financial ring-fencing commenced with the business unit. Resourcing, delegations, process arrangements and support-service interfaces continue to be embedded. No material transition issue has been identified.

Activity/milestone/deliverable	Expected completion date	On track to meet the timeframe? (Yes/No)	Issues, risks and mitigations (if any)
Continue to explore water-services collaboration options and opportunities with Rotorua Lakes Council, Whakatāne District Council and Ōpōtiki District Council	Ongoing	Yes	The joint investigation progressed during the quarter through the Waters Working Group and officer Steering Group. Work undertaken included assessment against the seven agreed strategic objectives, 30-year financial and cost-to-serve modelling, consideration of stormwater options, ownership and governance settings, and indicative implementation planning. A service-delivery-only option was discounted and an asset-owning three-waters WSCCO was advanced for further investigation alongside the accepted in-house model as the counterfactual. The next steps are to finalise the technical investigation, determine whether each council wishes to proceed to consultation, and continue iwi/hapū and community engagement. The accepted in-house business-unit model remains the operative WSDP pathway unless Council formally resolves otherwise.
Develop a separate Water Services Long-Term Plan, 30-year Infrastructure Strategy, Annual Plan, updated Asset Management Plans and necessary policy and planning separations	30 June 2027	Yes	Financial ring-fencing and overhead-allocation work has commenced and will inform the separate water-services planning and asset-management documents. Work remains on target for the in-house business unit to be reported independently for the 2026/27 financial year. No material delay to the 30 June 2027 WSDP planning milestone has been identified.
Establish the water services business unit as a fully independent business unit	1 July 2028	Yes	Planning and scoping continued for full independent operation from 1 July 2028, including governance, management, financial reporting and Council support-service arrangements. The implementation date has been aligned with the accepted WSDP.

Activity/milestone/deliverable	Expected completion date	On track to meet the timeframe? (Yes/No)	Issues, risks and mitigations (if any)
Deliver the 2025/26 capital programme in support of the WSDP 10-year investment and infrastructure renewal programme	30 June 2026 (annual programme); 10-year programme ongoing	No	The June project schedule shows mixed capital delivery across the listed WSDP-related drinking-water and wastewater projects. The combined budget was $4.942 million and actual expenditure was $2.717 million (55%) at 30 June 2026. • Drinking-water pipework: budget $2.469 million; actual $2.201 million (89%). Zone 5 was complete and Zone 6 was nearing completion. • Wastewater capital programme, comprising pipework and Wastewater Treatment Plant work: budget $2.473 million; actual $515,511 (21%). Further evaluation of the wastewater infrastructure was required and remains underway to improve the dedicated renewal approach and prioritisation of assets. CCTV inspection tenders and contracting are being progressed to accelerate condition assessment, project scoping and prioritisation. The 2025/26 annual capital programme is therefore off track due to wastewater under-delivery. A catch-up plan is being developed. Unspent wastewater funds will be carried forward, combined with the 2026/27 wastewater capital budget, and delivered against the prioritised infrastructure programme. The longer-term WSDP programme remains recoverable, subject to approval and execution of the catch-up plan.
Complete the upgrade of all tobys to enable future water metering	1 July 2029	Yes	Toby upgrades continued alongside the drinking-water reticulation renewal programme. No material risk to the WSDP completion date was identified.

Activity/milestone/deliverable	Expected completion date	On track to meet the timeframe? (Yes/No)	Issues, risks and mitigations (if any)
Implement financial separation and ring-fencing, including separate financial statements, ring-fenced revenue and internal charging for Council support services	1 July 2028	Yes	Financial ring-fencing commenced with the in-house water services business unit from 1 July 2026. Work is ongoing on separate water-services reporting, ring-fenced revenue, overhead allocation and internal support-service charging. The work is on target for the in-house business unit to be reported independently for the 2026/27 financial year, with full independent operation remaining targeted for 1 July 2028. Council also prepared the Commerce Commission occasional disclosure of water-supply and wastewater charges as at 30 June 2026. The disclosure records the FY26/7 targeted, volumetric and general-rate charging components and confirms that Council does not collect IFF levies. This supports charging transparency and readiness for economic regulation; it does not alter the accepted WSDP price path or the staged transition to fully targeted rates.
Implement the WSDP price path, depreciation-funding transition, targeted-rate transition and borrowing limits to maintain financial sustainability	Ongoing (targeted-rate transition by 1 July 2033)	Yes	Implementation remained aligned with the Long Term Plan 2025-2034 and the WSDP, including the gradual increase in depreciation funding and the staged transition to fully targeted water and wastewater rates. No material change to the approved WSDP price path, depreciation-funding transition, targeted-rate transition or borrowing arrangements was identified during the quarter. Final 2025/26 financial results remain subject to completion of the year-end accounts and audit reviews. The annual capital-delivery variance and proposed carry-forwards are reported separately and will be monitored through the wastewater catch-up plan.

Expected activity in the next quarter

Milestone/deliverable	Expected activity
Operate and embed the in-house water services business unit	Continue operation of the in-house water services business unit following its commencement on 1 July 2026. • embed management, delegation and Council support-service arrangements • continue ring-fenced financial and performance reporting • monitor the transition and resolve operational or governance issues
Financial separation and water-services planning	Continue financial ring-fencing, finalise the overhead-allocation and internal-charging arrangements, and develop the separate reporting needed for independent in-house business-unit reporting for the 2026/27 financial year. Advance the separate Water Services Strategy, Annual Plan, 30-year Infrastructure Strategy, Asset Management Plans and related policies. Maintain the water-services charging information required for regulatory disclosure and align future disclosures with the ring-fenced financial reporting framework.
2025/26 capital catch-up and WSDP infrastructure renewal programme	• Close out the Z5&6 drinking-water pipework programme. • Complete procurement and mobilisation of the CCTV inspection programme to accelerate wastewater condition assessment, scoping and prioritisation. • Finalise the wastewater catch-up plan and confirm the carry-forward of unspent 2025/26 wastewater funds. • Combine the approved carry-forward with the 2026/27 wastewater capital budget and execute the prioritised wastewater pipework and treatment-plant programme. • Report budget, actual expenditure, carry-forwards, forecast completion and delivery risks separately for drinking water and wastewater.
Water-services collaboration options	Finalise the joint technical investigation with Rotorua Lakes Council, Whakatāne District Council and Ōpōtiki District Council. Confirm the preferred model and whether each council wishes to progress to community consultation; continue iwi/hapū and community engagement and refine ownership, governance and implementation settings. Continue implementing the accepted in-house business-unit model unless and until Council makes a formal alternative decision.
Financial sustainability and targeted-rate transition	Continue implementing the WSDP price path, depreciation-funding transition and targeted-rate transition, and monitor borrowing against approved limits. Complete the 2025/26 year-end accounts and assess any material variance from the WSDP financial assumptions, including the effect of approved capital carry-forwards.

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*

Items noted in letters of acceptance	Progress update
No items identified	Council reviewed the formal WSDP acceptance letter and confirmed that the Secretary did not identify any specific items for additional monitoring.