

## **Report To: Council**



**Meeting Date:** 29 July 2025

**Subject:** **Adoption of Water Services Delivery Plan**

**Type:** Decision Required

**Author(s):** Charmaine Ellery  
Manager – Strategy and Policy

Tina Hitchen  
Chief Financial Officer

Ben Smit  
Chief Executive

### **1. Purpose of Report**

- 1.1. The purpose of this business paper is to adopt the Water Services Delivery Plan – Waitomo District Council (WSDP) for drinking water, wastewater and stormwater.

### **2. Suggested Resolutions**

- 2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.
  - 1 The business paper on Water Services Delivery Plan be received.
  - 2 Council adopts the Water Services Delivery Plan – Waitomo District Council as presented with/or without amendments.
  - 3 The Chief Executive be authorised to make any final editorial amendments to the Water Services Delivery Plan – Waitomo District Council, including changes directed by the Council at this meeting.

### **3. Background**

- 3.1 Local Water Done Well framework as set out in the Local Government Water Services (Preliminary Arrangements) Act 2024 (PPA) introduced by central Government aims to address the challenges faced by many Councils on how to deliver safe, reliable, environmentally resilient, water services in a financially sustainable manner.
- 3.2 The key components of the framework are to provide fit-for-purpose service delivery models and financing tools, ensuring water services are financially sustainable, and introduces greater central government oversight, economic and quality regulation.
- 3.3 A requirement of the PPA is that councils must submit a Water Services Delivery Plan (WSDP) by 3 September 2025 to the Department of Internal Affairs (DIA). The WSDP describes the current state of Council's water assets and services and must describe the future arrangements for the delivery of water services. It must demonstrate Council's current and future commitment to delivering financially sustainable (by 2028) and regulatory compliant water services.
- 3.4 On 30 June 2025 Council decided on the delivery model for water services activities to join a Waters Council Controlled Organisation and to become a shareholder of Waikato Waters Ltd. Council also passed the following resolution:

*Council notes that the Long Term Plan 2024-34 data/budget (incorporating subsequent Annual Plan 2025/26 data/budget changes) will be the basis for information used in the development of the Waitomo District Council's Water Services Delivery Plan and therefore the setting the 2026/27 work/capital programme and 2026/27 pricing for water supply and wastewater charges.*

- 3.5 Waikato Waters Limited will be jointly owned by the following councils:
- Hauraki District Council
  - Matamata-Piako District Council
  - Ōtorohanga District Council
  - South Waikato District Council
  - Waipā District Council
  - Waitomo District Council
  - Taupō District Council
- 3.6 These councils (with the exception of Taupō District Council) are referred to as the WWDW councils in the WSDP.

## **4. Commentary**

### **4.1 WSDP Overview**

- 4.2 The WSDP should provide detailed information on the current state of councils' water service arrangements for water supply, wastewater and stormwater networks, and set out councils' strategy to deliver financially sustainable water services that provide for growth and meet regulatory quality standards.
- 4.3 The WSDP must cover a 10-year period from 2024/25 to 2033/34 with WDC transferring responsibility for the delivery of drinking water and wastewater services, assets and liabilities on 1 July 2026.
- 4.4 This WSDP is materially based on the DIA water services delivery template with the following modifications:
- Inclusion of an introductory section gives context to how Waikato Water Done Well (WWDW) came into being.
  - The duplication of Section D, one covers drinking water and wastewater services (prepared by WDC for years 2024/25 to 2025/26 and WWDW for years 2027/28 to 2033/34) and the other covers stormwater services (prepared by WDC).
- 4.5 The WSDP has been prepared by Waikato Waters Limited and WWDW Councils and WDC staff. Each WWDW Council will submit a separate WSDP however those adopted will be submitted to DIA at the same time. The data and information related to WWDW has been provided by Waikato Waters Limited, so this is consistent across each WSDP and has been agreed to by all WWDW Councils.
- 4.6 A draft WSDP completed by Waipa District Council has been presented to DIA for review. There were minimal changes required with additional commentary suggested by DIA. Therefore, it is anticipated the WSDP will be accepted by DIA without requiring any significant changes.
- 4.7 The DIA WSDP Financial Template has been completed using the financial forecasts contained in the LTP 2024-34 and 2025/26 Annual Plan with additional budget included for stormwater compliance costs from 2026/27 onwards.
- 4.8 The Financial Template was completed with data from prospective funding impact statements to derive the main primary statements, charts and financial tables to be included in the WSDP.
- 4.9 The Forecast Statement of Financial Position (balance sheet) is calculated from the forecast borrowings, assets and reserve balances contained in the 2025/26 Annual Plan with cash and cash equivalents used to represent the remaining balance sheet items that are not separately calculated and recognising that cash balances are held at whole of council level.

- 4.10 The overdrawn cash and cash equivalents item represents a number of entries including increasing the external debt value to reflect the forecast internal loan balances for each activity and partly offset by a decrease in cash to reflect drawdowns of reserve balances, and the repayment of loans reflected in cash.
- 4.11 The Financial Template deems net debt to include the external borrowings plus cash and cash equivalents, resulting in a higher level of net debt than forecast in the 2025/26 Annual Plan.
- 4.12 The transfer of assets and debt to the CCO will be calculated based on the actual internal loans and reserve balances at the time of transfer.
- 4.13 **Part A: Statement of financial sustainability, delivery model, implementation plan and assurance**
- 4.14 This section requires councils to provide an overview of water services delivery, describing:
- Who receives water services;
  - The current state of water services infrastructure;
  - Current and future regulatory compliance;
  - Projected capital and operating expenditure requirements; and
  - The proposed approach to delivering water services to communities.
- 4.15 This section also requires descriptions of:
- The proposed model to deliver water services;
  - How water services will be delivered in a financially sustainable manner;
  - An implementation plan for the proposed service delivery model;
  - Consultation and engagement undertaken in the development of the Plan;
  - Assurance disclosures; and
  - Council adoption and Chief Executive certifications of the Plan.
- 4.16 **Part B: Network performance**
- 4.17 This section is intended to record information relating to:
- Population that receives water services;
  - Population that does not receive water services;
  - The level of investment required over the Plan period;
  - A statement of current and future investment requirements;
  - An overview of the network assets;
  - Information on the current state, condition and expected lifespan on water services infrastructure assets; and
  - An overview of regulatory compliance.
- 4.18 **Part C: Revenue and financing arrangements**
- 4.19 This section sets out revenue and charging, and funding and financing arrangements.

4.20 Revenue and charging arrangements should describe:

- Charging and billing arrangements;
- Water services revenue requirements and sources;
- Existing and projected commercial and industrial users' charges; and
- The affordability of projected water services charges for communities.

4.21 The funding and financing arrangements should describe:

- Water services financing requirements and sources;
- Any internal borrowing arrangements;
- How debt allocated to water services was determined as at 30 June 2024; and
- Insurance arrangements.

4.22 **Part D: Financial sustainability assessment**

4.23 WSDP must include an explanation of what a council proposes to do to ensure that the delivery of water services will be financially sustainable by 30 June 2028.

4.24 In the Act, financially sustainable means, in relation to a council's delivery of water services, that:

- The revenue applied to the council's delivery of those water services is sufficient to ensure the council's long-term investment in delivering water services; and
- The council is financially able to meet all regulatory standards and requirements for the council's delivery of those water services.

4.25 **Part E: Projected financial statements for water services**

4.26 WSDP must include financial projections for water services covering the financial years 2024/25 to 2033/34. It is expected that projected special purpose financial statements for the purpose of 'PBE FRS 42 – Prospective Financial Statements' will be developed for:

- Drinking water services;
- Wastewater services;
- Stormwater services; and

4.27 The following special purposes projected financial statements should be developed, which should be compliant with generally accepted accounting principles:

- Projected Funding Impact Statement (which councils already prepare in LTPs);
- Projected Statement of Comprehensive Revenue and Expense;
- Projected Statement of Cashflows; and
- Projected Statement of Financial Position.

4.28 **Additional information**

4.29 Councils are requested to provide additional disclosures to accompany WSDP:

- Projected expenditure on significant capital projects; and
- Disclosure of risks and material assumptions for water services delivery.

#### 4.30 **Appendices**

4.31 WWDW Councils are requested to provide additional appendices to accompany WSDP:

- Waikato Waters Shareholders' Agreement
- Council resolution to adopt this plan
- Copy of resolution agreeing to establishment of Waikato Waters Limited dated 30 June 2025

### **5. Analysis of Options**

- 5.1 Council is required by the PPA to submit a WSDP to DIA by 3 September 2025.
- 5.2 The WSDP allows WDC to demonstrate to DIA the commitment to deliver water services in a way that ensures regulatory quality standards for water services will be met, is financially sustainable by 2028, ensures the council can meet all drinking water quality standards and supports growth.
- 5.3 Councils must submit a WSDP, if they are not able to do so and a council or a group of councils need support with developing their Plan, they can ask the Minister of Local Government to appoint a Crown facilitator or Crown water services specialist (at the council's expense).
- 5.4 A Crown facilitator can guide a council through the preparation of a WSDP or work with multiple councils to facilitate or negotiate a joint WSDP. The role of a Crown water services specialist can include to prepare a WSDP on behalf of a council or group of councils, and (if necessary) to direct the council(s) to adopt, submit and implement the WSDP.

### **6. Considerations**

#### **6.1 Risk**

- 6.2 The consultation process as outlined in the PPA has been followed covering the water services delivery model and public have had the opportunity to put forward written and verbal submissions on the CCO model which is the basis of the WSDP. The PPA only requires territorial authorities to undertake one consultation process covering the water services delivery model and the adoption of the WSDP.
- 6.3 There is a risk of unforeseen or unbudgeted costs works that may require an amendment to the WSDPs.
- 6.4 There is a risk that Waikato Water Ltd is not ready for transfer on 1 July 2026.

#### **6.5 Consistency with Existing Plans and Policies**

- 6.6 The WSDP is consistent with the Annual Plan 2025/26 and the subsequent years of the LTP 2024-2034.
- 6.7 The transition to Waikato Waters Limited is not consistent with 2024-2034 LTP, an LTP Amendment is required for adoption by 1 July 2026.
- 6.8 Having completed the community consultation regarding the proposal there would be no requirement to consult on this topic again as the community views and perspective is known.

#### **6.9 Significance and Community Views**

- 6.10 Section 78 of the LGA requires Council to, in the course of its decision making, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter. Councils are required to consult with their communities in accordance with the Local Government Act 2002 (LGA) before establishing a CCO and in accordance with section 64 of the Water Services Preliminary Arrangements Act 2024 prior to adopting a WSDP.

- 6.11 The PPA does despite the requirement to only consult once allow a territorial authority to decide to undertake further consultation before making the decision. When deciding whether to undertake further consultation, a territorial authority must have regard to:
- (a) the requirement in section 78(1) of the LGA2002; and
  - (b) the extent to which the authority already knows the views and preferences of persons likely to be affected by, or to have an interest in, the decision; and
  - (c) the nature and significance of the decision, including its likely impact from the perspective of the persons who will or may be affected by, or have an interest in, the decision.
- 6.12 This section applies despite anything to the contrary in the authority's significance and engagement policy adopted under section 76AA of the Local Government Act 2002.
- 6.13 Community views are known regarding joining a Water CCO (and subsequent WSDP) with a slight majority (59%) in favour of this option, the consultation process showed there are likely mixed views in the community on the advantages and disadvantages of forming a larger group of Waikato Councils. The community is generally supportive of cost saving measures with water services contributing a significant proportion of rates for those receiving that service.
- 6.14 Council's decision on the WSDP will be communicated with the community and made available on our website.

## **7. Recommendation**

- 7.1 It is recommended that Council adopt the Water Services Delivery Plan and approve for it to be submitted to the Department of Internal Affairs.

## **8. Attachments/Separate Enclosures**

Attachments:

- 1 Water Services Delivery Plan – Waitomo District Council (Doc 772583 V1.0.205)

# Water Services Delivery Plan

Waitomo District Council

[Date submitted]

# Table of Contents

<b>Overview of Plan.....</b>	<b>3</b>
<b>Introduction to Waikato Water Done Well .....</b>	<b>3</b>
<b>Part A: Statement of financial sustainability, delivery model, implementation plan and assurance.....</b>	<b>6</b>
Statement that water services delivery is financially sustainable.....	6
Proposed delivery model .....	8
Implementation plan .....	13
Consultation and engagement .....	14
Assurance and adoption of the Plan.....	15
<b>Part B: Network performance.....</b>	<b>16</b>
Investment to meet levels of service, regulatory standards and growth needs.....	16
<b>Part C: Revenue and financing arrangements .....</b>	<b>32</b>
Revenue and charging arrangements.....	32
Funding and financing arrangements .....	37
<b>Part D: Financial sustainability assessment.....</b>	<b>42</b>
Confirmation of financially sustainable delivery of water services.....	42
Financially sustainable assessment - revenue sufficiency .....	45
Financially sustainable assessment - investment sufficiency .....	48
Financially sustainable assessment - financing sufficiency .....	51
<b>Part E: Projected financial statements for water services.....</b>	<b>61</b>
<b>Water Services Delivery Plan: additional information .....</b>	<b>79</b>
Significant capital projects.....	79
Risks and assumptions .....	81



## Overview of Plan

1. As required by the Local Government Water Services (Preliminary Arrangements) Act 2024 (**PAA**), this water services delivery plan is submitted to the Department of Internal Affairs (**DIA**) to demonstrate Council's current and future commitment to delivering financially sustainable and regulatory compliant water services.
2. In summary, the future services delivery model that has been adopted by this Council is the Waikato Water Done Well model (**WWDW**). This is the largest grouping of councils coming together in the country. The Minister has recognised the leadership position that WWDW councils have taken in implementing Government policy. The approach taken to agree this model has been principle-based. Strong foundations for the model were set back in December 2024 with the signing of a Heads of Agreement and the Shareholders Agreement signed in July 2025 by seven councils.
3. Under this model, this Council will transfer responsibility for the delivery of drinking water and wastewater services to a water organisation that is jointly owned by the following councils:
  - Hauraki District Council
  - Matamata-Piako District Council
  - Ōtorohanga District Council
  - South Waikato District Council
  - Waipā District Council
  - Waitomo District Council
  - Taupō District Council<sup>1</sup>

These councils (with the exception of Taupō District Council) are referred to as the **WWDW councils** in this plan.

4. This plan is materially based on the DIA water services delivery template with the following modifications:
  - Inclusion of an introductory section: giving context to how Waikato Water Done Well came into being
  - The duplication of Section D, one covers drinking water and wastewater services (prepared by WWDW for years 2027/28 to 2033/34) and the other covers stormwater services (prepared by Waitomo District Council).

## Introduction to Waikato Water Done Well

1. The Waikato is known nationally for its leadership in managing water to help ensure better long-term outcomes for the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf.
2. In July 2023, what is now referred to as Waikato Water Done Well was initiated by Waikato Iwi Chairs and Waikato Council Mayors<sup>2</sup>. From this, the combined forum of Waikato Iwi Chairs and Mayors was formed (Joint Forum) and the Waikato Water Done Well programme of work was mandated. Over almost the last two years, councils have reflected on how they can strategically approach the delivery of water services to maximise both local and regional benefits.
3. Concurrently, under Local Water Done Well, all councils in New Zealand were required to develop a financially sustainable and regulatory-compliant model for delivering water services to their communities. Councils have been encouraged to consider how to meet the requirements of Local Water Done Well, including whether creating a jointly owned water organisation is the optimal structure for their communities.

---

<sup>1</sup> Although Taupō District Council is a shareholder in the water organisation, it is under a particular share structure (described later below) and it has not committed to transferring responsibility for water services to the entity.

<sup>2</sup> This included the Chair of the Waikato Regional Council.

4. To collectively address the identified common challenges, under Waikato Water Done Well, Waikato councils co-designed a proposed model for the delivery of water services. This model is centred around the vision of *Te Mana o Te Wai, Te Mana o Te Tangata* / *Healthy Water, Healthy People*. The vision establishes a foundation for strategic, results-oriented water services governance and delivery under which community benefits in the long term. The vision is captured in the company constitution of Waikato Waters, which has been established to deliver on the following strategic outcomes:
  - a) **Financial sustainability:** create scale and change (including through further Company expansion opportunities) to enable the significant investment required to deliver efficient and financially sustainable water services that comply with regulatory requirements and enable urban and commercial development.
  - b) **Leading workforce:** create the conditions to build and sustain a highly-skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for the part of the Waikato region serviced by the Company (and in collaboration (where practicable) with other service providers in the wider region).
  - c) **Customer focus:** be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water.
  - d) **Local influence:** ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges.
  - e) **Delivering on expectations:** meet the expectations of key partners and stakeholders including those represented in Treaty settlements and applicable joint management agreements.
  - f) **Health and the environment:** protecting public health and the environment.
5. At the core of the model is a move towards a catchment-based approach to the health of water. By working together, there is the opportunity to get a better return on financial investment and achieve better outcomes in terms of the health of water bodies.
6. Waikato Waters provides a future-focused opportunity that transcends boundaries, allowing councils to show leadership in water services delivery for generations to come, with a unified voice and increased scale. This strategic opportunity to work together for the benefit of communities and the wider region was recognised during negotiations with reference to the whakatauhāki by the late King Tāwhiao:

“Ki te kotahi te kākaho, ka whati; ki te kāpuia,  
e kore e whati.”

When a reed stands alone it is  
vulnerable, but a group of reeds together is  
unbreakable.

7. Following public consultation, each of the WWDW councils have adopted the WWDW service delivery model and established the multi-council owned limited liability company, Waikato Waters, for the purpose of providing drinking water and wastewater services across their respective service area.
8. To manage the risk of multiple council businesses coming together in Waikato Waters, the WWDW councils have agreed that they will transfer their respective water services business into Waikato Waters in a staggered manner over a 12 month period from 1 July 2026 to 1 July 2027. Although transfer will be staged, the framework for transferring will be consistent as each WWDW council has committed via the Shareholders Agreement to:
  - a) entering into a template transfer agreement with Waikato Waters within an agreed timeframe before a council is due to transfer its business to Waikato Waters
  - b) completing that agreement in accordance with set transfer principles.
  - c) Transferring its business into Waikato Waters on a stipulated date.

Waitomo District Council has resolved to substantially transfer its business to Waikato Waters on 1 July 2026.

9. An objective of the WWDW councils is that, as part of the transition into Waikato Waters, there is an opportunity for Waikato Waters (and its shareholding councils) to:
- a) benefit from strategic relationships with Iwi partners to deliver on its purpose (and identify cost effective solutions to resource consents); and
  - b) build upon existing co-governance entities / authorities of the region.

DRAFT

# Part A: Statement of financial sustainability, delivery model, implementation plan and assurance

## Statement that water services delivery is financially sustainable

Statement that water services delivery is financially sustainable
<p><b>Financially sustainable water services provision</b></p> <p><i>The purpose of this section is to summarise how the Plan will ensure that water services will be delivered in a financially sustainable manner, by 30 June 2028 at the latest.</i></p> <p><i>This requires confirmation that the Plan ensures water services delivery will meet the Financially Sustainable delivery assessment in Part D of the Plan template.</i></p> <p><i>It is recommended that this section includes commentary (from Part D) on:</i></p> <ul style="list-style-type: none"><li>• <i>Transitional arrangements to ensure financially sustainable water services provision by 30 June 2028;</i></li><li>• <i>Revenue requirements to meet costs of water services delivery over the Plan period;</i></li><li>• <i>The proposed levels of investment required over the Plan period; and</i></li><li>• <i>Funding and financing arrangements to deliver the proposed levels of investment.</i></li></ul> <p><b>Drinking water and Wastewater Services</b></p> <p>Waitomo District Council has determined that drinking water and wastewater services will be provided in its district by it transferring responsibility to a multi-council owned water organisation.</p> <p>The water organisation is a limited liability company with the name Waikato Waters Limited (Waikato Waters). It was incorporated on <b>[Drafting note: date to be included]</b>. The company constitution is available online <b>[Drafting note: insert link to companies office once company incorporated]</b>. At the date of submission of this plan, Waikato Waters is equally owned by the following councils:</p> <ul style="list-style-type: none"><li>• Hauraki District Council</li><li>• Matamata-Piako District Council</li><li>• Ōtorohanga District Council</li><li>• South Waikato District Council</li><li>• Waipā District Council</li><li>• Waitomo District Council</li><li>• Taupō District Council<sup>3</sup></li></ul> <p>The above councils and the company have entered into a shareholders’ agreement (<b>SHA</b>) documenting their respective rights and obligations as shareholders. A copy of the SHA is attached as <b>Appendix 1</b>.</p> <p>Waikato Waters is the delivery model that will deliver drinking water and wastewater services across council’s service area in a manner that is financially sustainable by 30 June 2028.</p> <p>The financial sustainability projected by Waikato Waters is supported by:</p> <ul style="list-style-type: none"><li>• detailed financial modelling carried out to support council decision making</li><li>• an independent review carried out by Brad Olsen of Infometrics</li><li>• detailed information included in Parts B and D of this plan.</li></ul>

<sup>3</sup> Although Taupō District Council is a shareholder in the water organisation, it is under a particular share structure (described later below) and it has not committed to transferring responsibility for water services to the entity.

The findings of the independent review of the Waikato Water Done Well financial model by Infometrics for drinking water and wastewater are that the model:

- Meets government requirements
- Reasonably reflects the financial benefits of collaboration
- Means stronger negotiating power
- Enables costs to be spread over time (and users over time)
- Shows that water infrastructure can be debt financed, and most importantly; saves money

#### **Transitional arrangements:**

Albeit that the company has been incorporated, it is not yet operational. An establishment plan has been developed to support reaching this operational state (informed by an Establishment Strategy appended to the SHA). The target operational date of Waikato Waters is 1 July 2026.

Each council committed to transferring its water services business into the entity will enter into a transfer agreement which will have a completion date. The completion dates are staged with the first three councils completing their transactions (and transferring their business) on 1 July 2026, a further in October 2026 and the last two transferring on 1 July 2027.

The intended completion dates (also referred to as Agreed Transfer Dates) for each council are set out in section 2 below. Until a council transfers its water services business into Waikato Waters, the council remains responsible for the delivery of water services in accordance with its Long-Term Plan or relevant Annual Plan. In addition, between now and the date of transfer, councils have made contractual commitments in the SHA to continue to operate their water services in a manner that complies with all statutory obligations and to engage with Waikato Waters in relation to matters that are defined as “**Major Decisions**” (a framework for this is set out in a schedule to the SHA). This ensures Waikato Waters is aware of any Major Decisions that occur between the SHA and the date a business is transferred to it and so there are ‘no surprises’.

Waikato Waters **will be / is governed** by an independent Board of Directors who will provide governance oversight in relation to the implementation of a detailed establishment plan and adherence to shareholding council obligations to ensure the financially sustainable position is safeguarded.

**Waitomo District Council** can confirm that Waikato Waters is projected to meet the financial sustainability requirements, in accordance with Part D (drinking water and wastewater), specifically:

- Proposed waters revenue is sufficient to cover the costs of delivering (and servicing of increased borrowing capacity) the relevant services, including sufficient infrastructure investment and best positions councils to meet increasing regulatory requirements
- The proposed level of investment outlined in this water services delivery plan is sufficient to meet the level of service, regulatory requirements and provide for growth. The proposed level of investment can be funded through the forecast revenues and increased debt headroom. The ability to deliver the capital delivery programme is dependent upon the ability of the civil contracting market to respond. As noted by Brad Olsen in his review of Waikato Waters, by aggregating with other councils, there is a greater negotiating leverage and Waikato Waters becomes a more attractive contracting partner, as well as having the scale to drive future development of the local supply chain.
- The projected borrowings for Waikato Waters are within the covenants we expect will apply to it under LGFA guidance.

#### **Stormwater Services**

Stormwater services will either be contracted to Waikato Waters Limited or operated within Waitomo District Council as part of the roading activity. A decision on which option is chosen will be taken before the end of December 2025.

Any stormwater services agreement with Waikato Waters will be developed in accordance with the provisions of the shareholders agreement and will provide clarity on scope of services, relevant payment terms, expectations and respective rights and obligations. Waikato Waters Limited will not be responsible for the collection of stormwater revenue. Any agreement with Waikato Waters Limited will likely include capacity and renewal planning, capital delivery, operations and maintenance activities for both urban and rural stormwater.

The option of managing the stormwater activity through Waitomo District Council’s roading activity would be financially ring-fenced in accordance with legislation.

The financial sustainability projected by Waitomo District Council for the stormwater activity is supported by Information included in Part B and D of this plan.

The financial modelling confirms that the stormwater activity will meet legislative requirements and be financially sustainable by 30 June 2028. Waitomo District Council has property flooding concerns from overland flows in the western catchment of the Te Kuiti township. This has resulted in repeated flooding on some dwellings during severe storm events. Over recent years Council has implemented tactical improvements and increased maintenance to improve the effectiveness of the current stormwater system in Te Kuiti. In the medium term stormwater modelling is being undertaken to help determine the long term impacts of more significant capital investment in projects such as stormwater detention and increased pipe capacity. This modelling is expected to indicate the source and extent of problems so that cost and operationally effective improvements can be included in future Annual and Long Term Plans. These are not available for this WSDP so only a very high level capital estimate has been included in this plan.

Proposed delivery model

Proposed model to deliver financially sustainable water services

The proposed model to deliver water services

The purpose of this section is to succinctly describe the proposed delivery model, or arrangements for the future delivery of water services (including organisation structure, ownership and contractual arrangements).

In explaining how water services are proposed to be delivered, the Plan must set out:

- The anticipated or proposed model or arrangements for delivering water services (including, whether the council or councils will continue to deliver water services in its district alone, or intends to enter a joint arrangement);
- How water services revenues will be ringfenced as separate and distinct from other council business.
- The following matters may also be included in this section
  - Why the proposed delivery model was selected and the benefits of this model;
  - Proposed revenue collection methods, how charges are set and how revenues will cover the costs of service provision.

Councils will need to describe the anticipated or proposed model or arrangements in sufficient detail to enable an implementation plan to be developed and address the related sections regarding how the proposed model will impact regulatory compliance and financial projections.

Description of delivery model water and wastewater

As noted above, Waikato Waters is a limited liability company that is owned by the councils listed in section 1. It is established as a water organisation within the meaning of the relevant legislation. Waikato Waters is a council-controlled organisation (CCO).

The overarching purpose of Waikato Waters is to achieve specific strategic outcomes (as set out in the Introduction section above) and provide consistent and improving water service levels and resilience across the whole of the area serviced by it. The vision for establishing Waikato Waters is Te Mana o Te Wai Te Mana o Te Tangata | Healthy Water Healthy People.

Waikato Waters provides the legal structure into which the relevant people, processes and systems will transfer from each council (on their respective pre-agreed date) and start working together to operationally deliver water services.

The transfer of council businesses into Waikato Waters will be staggered. The date on which each council (including this council) will transfer its business is:

1 July 2026

1 Oct 2026

1 July 2027



## Proposed model to deliver financially sustainable water services

### The proposed model to deliver water services

Waipā DC	Matamata-Piako DC	Hauraki DC
South Waikato DC		Ōtorohanga
Waitomo DC		

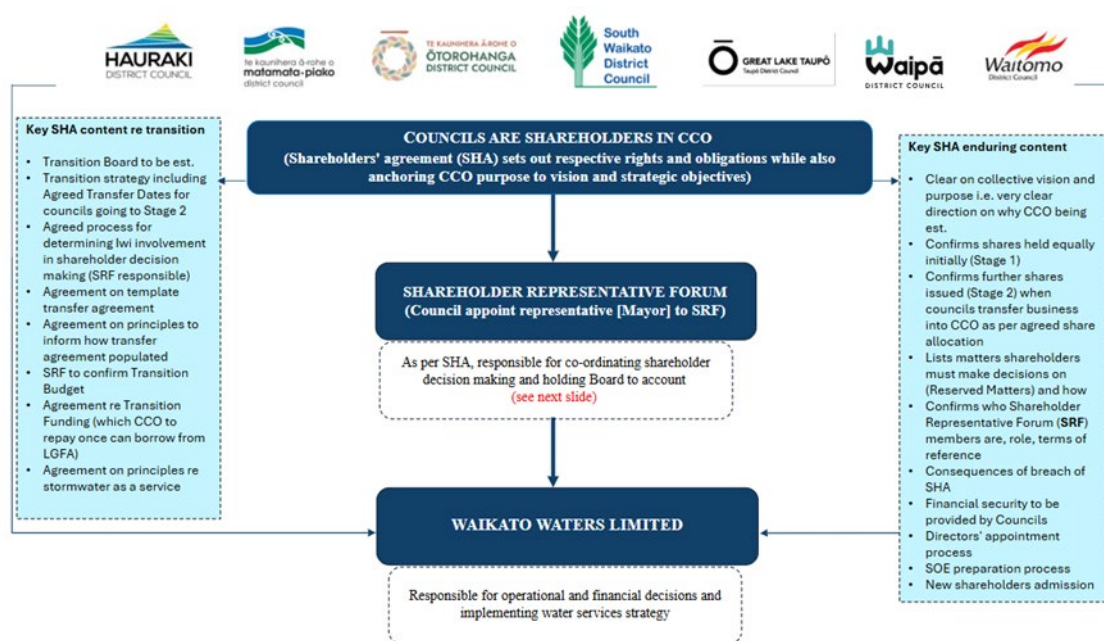
In accordance with legislative requirements, the transfer of responsibility will be implemented through a transfer agreement setting out the infrastructure, related assets and liabilities (including debt) transferring from the council to Waikato Waters. There is also a process to transition identified employees. The organisational structure is still under development and cannot be provided at this time.

To ensure a smooth and safe transition of each council's business into the CCO, planning for each transfer will be undertaken in accordance with agreed principles and processes. A detailed establishment plan provides the framework for ongoing preparation for the "go-live" date of 1 July 2026.

Within the Waikato Waters SHA, each council has acknowledged that the success of Waikato Waters rests on each complying with their commitments to it and each other (including the development and delivery of their respective water delivery plans). Further details of what has been agreed are included where relevant further below in this plan.

From the transfer date, Waikato Waters will become the water services provider responsible for water and wastewater services in councils service area. Further shares will be issued to council at that time based on the total number of water connections in their service area. This will be reviewed in a manner set out in the SHA to ensure the allocation of shares remains current.

The focus of the Waikato Waters in the first decade will be on building capability, capacity, resilience and stability for future success. This water entity positions councils to work smarter for customer and environmental benefits by changing how things are currently done to achieve better outcomes for their communities.



A diagram of the structure and a summary of the content of the SHA is included above.

The stormwater activity will be contracted to Waikato Waters or delivered by Council's Roading activity. As indicated above we expect to improve our current levels of service to minimise the level of flooding that occurs to Te Kuiti dwellings.

## Proposed model to deliver financially sustainable water services

### The proposed model to deliver water services

#### Why was Waikato Water Done Well chosen

With increased regulation and ring-fencing requirements, across several districts, rates affordability is getting stretched. Furthermore, costs of infrastructure are rising and there is an increased need for infrastructure to meet the growing population and for renewals.

Our workforces are aging with recruitment and retention becoming a real concern. This is especially so for small councils who cannot have the appropriately skilled and specialist staff. This leads to using expensive consultants and potentially sub-optimal outcomes. A larger organisation will allow for the sharing of experience and skills and provide a vastly improved environment for staff to develop. This will have a significant impact on recruitment and retention in a competitive job market.

Applying a long-term vision, the status quo is not sustainable.

In 2023, Waikato councils identified some common waters issues they were facing. This included ageing infrastructure, population growth, rising costs, new regulations and limited funding options. The response to this was to co-design a joined-up approach for drinking water and wastewater services.

The genesis of Waikato Water Done Well was councils and Iwi coming together to identify how to collectively address shared challenges and maximise the ability to realise opportunities.

The financial modelling shows that an aggregated approach, bringing together water services across much of the region, can deliver water services at a lower per-household cost than going it alone. In addition to the financial benefits, Waikato Waters provides a future-focused opportunity that transcends boundaries, allowing councils to show leadership in water services delivery for the benefit of generations to come, with a unified voice and scale.

At the core of the model is a move towards a catchment-based approach to the health and wellbeing of water. This is referred to as Smart Consenting. By working together, there is the opportunity to get a better return on financial investment and achieve better outcomes in terms of the health of water bodies and helping to ensure that public health and cultural values are protected.

A significant factor in the design of the Waikato Water Done Well model has been its ability to address local concerns and to be customer focused – this includes making water services comparatively more affordable for the community, while meeting compliance standards. Two key components to managing affordability are:

- a) the long-term efficiencies that can be generated across operating and capital costs by aggregating several councils' water activities together. The efficiencies that can be achieved from scale are greater than those that a standalone council can generate
- b) the ability of the Waikato Waters to access greater borrowing and so unlock additional financing over and above what a standalone council can unlock. The access to higher debt levels enables the cost of investments to be spread over long life assets (some of which have a lifespan of 75-100 years) and across the generations who use them.

Achieving statutory objectives is expected of all water services providers (whether it be a council or a CCO). The design of the Waikato Waters CCO aligns with the new water service delivery model under Local Water Done Well. This means the Waikato Waters CCO is well positioned to meet the statutory objectives of a water service provider and operate under the new water services system in a transparent and accountable manner.

All councils will have to invest in operational change to align with the new water services system. The Waikato Waters CCO allows councils to strategically plan for this change in a way that meets regulatory requirements but more so, enables the councils to collectively borrow more, combine long-term work programmes to create efficiency and invest in infrastructure that is needed now without having to increase water charges significantly.



## Proposed model to deliver financially sustainable water services

### The proposed model to deliver water services

There will also be significant benefits for our contracting community. Waikato Waters will, in time, be able to balance plant and reticulation capital and maintenance work across a much wider asset base. This will level out 'peaks and troughs' of an uncoordinated individual council approach and provide a much longer planning horizon and forward works programme to the contracting sector. This should provide cost reduction and an interesting willingness from the contracting sector to invest in capacity and capability.

Through scale, the value of the work on offer to the contracting market is also larger, meaning a jointly owned entity will have more leverage to negotiate with its suppliers.

Investment in improving the customer experience can be done when there is scale. This opportunity is not available for small councils.

In summary, this model was chosen as it is better for our people, our places and our communities:

1. better water and wastewater service delivery
2. better opportunity for the recruitment and retention of staff
3. better public health and environmental outcomes
4. better affordability for users in the medium to long term
5. better data and analysis will lead to better value for investment
6. better operational and capital works planning which will lead to increased value from the contracting sector

### Water services revenue – ring-fenced and future revenue

Water services revenues for drinking water and wastewater will be ringfenced as this will be sole source of revenue for Waikato Waters.

Waikato Waters will only start to charge for drinking water and wastewater services once councils have transferred their business into it. Accordingly, from a ring-fencing perspective, the following stages will apply:

- **1 July 2025 to 1 July 2026:** water services will be provided and charged for by councils in accordance with council Long Term Plan or Annual Plans.
- **From a council's agreed date of transfer to the first water services strategy (no later than 1 July 2027):** Waikato Waters will (subject to exceptions set out in the SHA and the position reached in the agreed Statement of Expectation between member council and Waikato Waters) implement pricing as follows:
  - maintain differential pricing across shareholding councils who have completed the transfer of their business
  - Ensure drinking water and wastewater charges are no higher than forecast by shareholder for purpose of financial modelling (assuming the same operating environment)
  - billing continues consistent with how the shareholder council currently bills
- By December 2026 (i.e. 6 months before water services strategy due) shareholders will agree a combined Statement of Expectations to inform water services strategy. This is expected to further refine the expectations of council water and wastewater pricing and define shareholder expectation is that when setting prices in the first water services strategy, how the Board will target a pricing strategy.
- No later than 1 July 2027: water services strategy will be adopted by the Board for the period up until 30 June 2030 (informed by Statement of Expectations).

### Billing arrangements

Under the template transfer agreement, it is agreed that councils will invoice customers on behalf of Waikato Waters and collect charges including development contributions and development agreements for drinking water and wastewater. The charges will then be passed to Waikato Waters in accordance with the services agreement which forms part of the transfer agreement. This is expected to be a short-term arrangement until under the CCO implements its own billing system. Costs of shared services will be ring-fenced by council and charged to Waikato Waters in accordance with the terms of the service agreement.

Councils will bill using existing invoice templates and Waikato Waters will ensure that the amount being charged for water is transparent and publicly available. It will also be published annually as required by legislation.

### Stormwater

## Proposed model to deliver financially sustainable water services

### The proposed model to deliver water services

Waitomo District Council plans to either outsource management of its stormwater activity to Waikato Waters or deliver this service internally through its Roding activity. Waitomo will continue to own stormwater assets. Council will continue to charge Te Kuiti residents that benefit from the stormwater activity of a combination of fixed charge per property and charge per capital value. All other ratepayers will be charged a small annual amount for the benefits they receive from roading stormwater and urban stormwater services.

By transferring management of the stormwater activity to the Waikato Waters, the council will ensure that it has access to the required resources to ensure it is operationally effective, this option will also provide greater operational resilience.

The stormwater activity is currently ringfenced and meets the regulatory requirements of:

- Stormwater revenues are spent on stormwater services
- Stormwater charges and expenses are transparent and accountable – charges and expenses include all operational expenditure including depreciation and interest along with allocated overheads as per Waitomo's overhead allocation model.

This is achieved by:

- Financial statements for stormwater are consistent and reconcilable
- Revenue (including rates) for stormwater are separately identifiable from other revenues
- Stormwater revenues are spent on stormwater services, not other council business
- Any cash surpluses for stormwater are retained for future expenditure on stormwater (via separate balance sheet reserve).
- Stormwater internal borrowing is repaid via stormwater revenue i.e. stormwater depreciation and stormwater development contributions

There will be no change to the way stormwater revenue is currently charged and collected.

## Implementation plan

### Implementation plan

#### Implementing the proposed service delivery model

##### Water and Wastewater

- Waikato Waters has been incorporated with strong foundation documentation (SHA and constitution) in place.
- By signing the SHA, the WWDW councils have contractually committed to:
  - transferring its water business on an agreed transfer date
  - completing a Transfer Agreement with Waikato Waters based on a common template that will be populated in accordance with agreed transfer principles
  - continuing to operate water services until its transfer date in compliance with statutory obligations and its relevant LTP (or latest annual plan)
  - between the date of signing the SHA and the date of transfer, engage with Waikato Waters in relation to specific matters (set out in the Major Decisions schedule to the SHA) so that councils and Waikato Waters are operating in accordance with the principle of no surprises
- Schedule 3 of the SHA includes the Establishment Strategy which sets out the establishment objectives and principles to inform the establishment plan.
- Based on this, a detailed establishment plan has been developed and approved, together with an establishment budget approved by the Shareholder Representative Forum. The establishment plan includes a consistent approach to change management including governance leadership, impact and readiness assessments, and regular monitoring and management of change, and stakeholder management.
- An independent establishment Board has been appointed to provide governance oversight over the establishment plan implementation.
- An establishment team has been established with a single focus on ensuring all steps are taken for Waikato Waters to become operational on 1 July 2026.

Albeit that each of the WWDW councils are submitting a single water services delivery plan, the following matters are noted in relation to the joined-up approach to water services:

- a) Assets and debt associated with stormwater will remain with councils but it is expected that the Waikato Waters will undertake stormwater management functions under a service agreement with those councils who seek this.
- b) Councils will have input into the strategic priorities and direction for Waikato Waters. These matters will be captured in the combined Statement of Expectations and communicated via the Shareholder Representation Forum.
- c) Waikato Water has the following structure (which aligns with legislative requirements):
  - Shares can only be held by a council: they cannot be sold or transferred and so the water organisation cannot be privatised.
  - The ownership structure and how Shareholding Councils will hold the Waikato Waters CCO to account is included in section 2 above.
  - Waikato Waters **will be / is** governed by a professional board of directors with the necessary skills, knowledge and experience to guide it and contribute to the achievement of its strategic outcomes and objectives.
  - Other than the initial directors, all board appointments have been competency based informed by a board skills matrix. A copy of the matrix agreed by councils is appended to the SHA.
  - A Shareholder Representative Forum has been established at which each council has a voice. This forum is working with Iwi chairs to develop a proposal regarding their role in shareholder decision-making for each council's approval.
  - A decision-making framework has been developed to ensure there is clarity on:
    - a. matters that will be brought to shareholding councils for decision making
    - b. how the shareholders will make those decisions at the Shareholder Representative Forum

- c. there is a strong emphasis on decisions being made by consensus. If consensus is not achieved, then depending on the matter for decision making, voting is by number of shareholders or percentage of votes or both.
- *Waikato Waters sees the value in working with others at the right time. There is an agreed process for other councils to join the entity as shareholders where all existing shareholding councils agree.*

**Stormwater**

Waitomo District Council are proposing to either enter into a service agreement with Waikato Water for the delivery of both stormwater operational services and construction of infrastructure from the 1 July 2026 or manage this activity through an in-house delivery model using our roading team.

Consultation and engagement

Consultation and engagement
<p><b>Consultation and engagement undertaken</b></p> <p>Waitomo District Council consulted on Local Water Done Well from 28 March 2025 to 30 April 2025. Hearings were held on the 14 May 2025 and deliberations on 10 June 2025 and resolution for the preferred future water services delivery model was resolved on the 30 June 2025.</p> <p>WWDW is the outcome of 18 months collaboration by participating councils and the Iwi Chairs Forum – initially begun as a conversation about how to better deliver water services across the Waikato region.</p> <p>The seven participating councils signed a Heads of Agreement in December 2024 to explore the WWDW model so they could put it forward as ONE of the options being considered for the future delivery of water services in their district.</p> <p>Following public consultation, seven councils have adopted the WWDW service delivery model and established the resulting entity<sup>4</sup>, Waikato Waters. The company will provide drinking water and wastewater services across the service area of each of the councils once they transfer their business to it. Taupō DC has not committed to transferring its business to Waikato Waters but is a shareholder of Waikato Waters in a limited capacity. This enables it to gain some of the benefits of the waters CCO but also gives other councils the benefit of scale. They are keeping water services delivery in-house until their decision is revisited within the next two years.</p> <p>Each of the participating councils identified and assessed at least two options and made this information available in their consultation documents.</p> <p>None of the councils are intending to undertake any additional consultation on their chosen option (other than Taupō District Council who has committed to reviewing its position in 2 years).</p> <p>A generic website (<a href="http://www.waikatowaters.co.nz">www.waikatowaters.co.nz</a>) supporting consultation was made available for all councils and public to access more detailed WWDW information including the WWDW Heads of Agreement, CCO proposal, financial modelling, and the background and legislative requirements of LWDW.</p>

<sup>4</sup> Again, noting that Taupo DC is a shareholder in a limited capacity.

Assurance and adoption of the Plan

Assurance and adoption of the Plan	
Council resolution to adopt the Plan	
This plan was adopted by the Waitomo District Council on 29 July 2025. A copy of the resolution passed in relation to the adoption of this plan is attached as <b>Appendix 2</b> . For completeness, a copy of the resolution agreeing to the establishment of Waikato Waters Limited dated 30 June 2025 is attached as <b>Appendix 3</b> .	
Certification of the Chief Executive of [Council name]	
<p>Th</p> <p>In relation to drinking water and wastewater Waitomo District Council has been supported by the Waikato Water Done Well programme team in the completion of specific aspects of this plan namely, Part A, relevant Parts of C(1) and (2) and Part D (drinking water and wastewater). The risks to the delivery of these water services are set out in the relevant section below, together with the mitigating actions that are being taken. The ability to deliver on this water services delivery plan is dependent upon these mitigating actions being effective. This will be a matter for the Board of Waikato Waters and the executive leadership to drive. Waikato Waters has been created to put each shareholding council in a better position to address the challenges than if it were to go it alone.</p> <p>Subject to the above, I certify that to the best of my knowledge, and after having made all reasonable enquiry (including the assurance set out above), the information contained in this Water Services Delivery Plan:</p> <ul style="list-style-type: none"><li>• complies with the Local Government (Water Services Preliminary Arrangements) Act 2024, and</li><li>• the information contained in the Plan is true and accurate.</li></ul> <p>Signed: _____</p> <p>Name: Benjamin Eric Smit</p> <p>Designation: Chief Executive</p> <p>Council: Waitomo District Council</p> <p>Date: _____</p>	

## Part B: Network performance

### Investment to meet levels of service, regulatory standards and growth needs

#### Investment required in water services

##### Serviced population

Te Kuiti, Piopio, Maniaiti/Benneydale and Mokau are current Estimated Resident Population (2024). Awakino and Marokopa census data 2023. Te Waitere, Waitomo Caves and Aria dwelling numbers multiplied by average household occupancy.

The 5 year average growth rate of 0.7% per annum has been used for population and 0.3% per annum for increases in connections.

##### Connections

Connection data is based on the rating database for residential and non residential connections.

Residential and Non Residential classification is determined by the category code provided by the valuation service provider for properties charged the connected charge for water and wastewater and Te Kuiti urban stormwater fixed rate for stormwater. Residential and lifestyle properties are deemed to be residential and the remaining properties not in the residential or lifestyle category are deemed to be non residential.

Water connections include all properties charged the connected water rate in Te Kuiti, Piopio, Mokau and Benneydale.

Wastewater connections include all properties charged the connected wastewater rate in Te Kuiti, Piopio, Benneydale and Te Waitere.

Stormwater connections are all properties charged the Te Kuiti urban stormwater fixed rate and using the number of UAGCs charged as the number of connections on these properties.

##### Water - Te Kuiti, Piopio, Maniaiti/Benneydale, Mokau/Awakino

Projected serviced population	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Serviced population	5739	5779	5820	5860	5901	5943	5984	6026	6068	6111
Total residential connections	2265	2283	2290	2297	2304	2311	2317	2324	2331	2338
Total non-residential connections	418	414	415	416	418	419	420	422	423	424

##### Wastewater - Te Kuiti, Piopio, Maniaiti/Benneydale, Te Waitere

Projected serviced population	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Serviced population	5599	5638	5678	5717	5757	5798	5838	5879	5920	5962
Total residential connections	1952	1969	1975	1981	1987	1993	1999	2005	2011	2017
Total non-residential connections	347	341	342	343	344	345	346	347	348	349

##### Stormwater – Te Kuiti and Rural

Projected serviced population	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Serviced population	5927	5968	6010	6052	6095	6137	6180	6224	6267	6311
Total residential connections	1799	1810	1815	1821	1826	1832	1837	1843	1848	1854

Total non-residential connections	274	275	276	277	277	278	279	280	281	282
Serviced areas										
Serviced areas (by reticulated network)	Water supply # schemes		Wastewater #schemes		Stormwater # catchments					
Residential areas (If more than one identify separately)	Te Kuiti - 1802 Piopio - 198 Maniaiti/Benneydale – 98 Mokau – 185		Te Kuiti – 1687 Piopio – 174 Maniaiti/Benneydale – 93 Te Waitere - 15		Te Kuiti stormwater rating area 1810					
Non-residential areas (If more than one identify separately)	Te Kuiti - 1802 Piopio - 198 Maniaiti/Benneydale – 98 Mokau – 185		Te Kuiti – 290 Piopio – 39 Maniaiti/Benneydale – 10 Te Waitere - 2		Te Kuiti stormwater rating area 275					
Mixed-Use rural drinking water schemes (where these schemes are not part of the council’s water services network)	n/a		n/a		n/a					
Areas that do not receive water services (If more than one identify separately)	Total number of properties not connected to council water schemes 3569 This includes communities of Waitomo Village, Te Waitere, Aria, Marokopa, Awakino, Taharoa and rural areas and properties not connected within the council water scheme areas. Within the council water scheme areas, the following properties are <u>not</u> connected but have the ability to connect. Te Kuiti - 74 Piopio - 16 Maniaiti/Benneydale – 26 Mokau – 21		Total number of properties not connected to council wastewater schemes 3913 This includes communities of Waitomo Village, Mokau, Aria, Marokopa, Awakino, Taharoa and rural areas and properties not connected within the council wastewater scheme areas. Within the council wastewater scheme areas, the following properties are <u>not</u> connected but have the ability to connect. Te Kuiti - 100 Piopio - 17 Maniaiti/Benneydale – 29 Te Waitere – 6		4127 properties (rural stormwater rating area)					
Proposed growth areas <ul style="list-style-type: none"><li>Planned (as identified in district plan)</li><li>Infrastructure enabled (as identified and funded in LTP)</li></ul>	n/a		n/a		n/a					
Assessment of the current condition and lifespan of the water services network										
Asset Condition										
Water supply										

Water supply asset renewal focuses on updating current assets to extend their service life without expanding capacity, considering factors like lifespan, condition, and functional adequacy. This process uses condition and performance data, alongside industry life expectancy models, to inform renewal timing and priorities through criticality analysis—prioritizing crucial assets for proactive renewal while less critical assets may run to their failure point. Unexpected failures necessitate reactive maintenance or adjustment of priorities. Financial projections for water treatment and supply assets indicate substantial investments within the next five years.

Some programmed renewal works, identified in accordance with the renewal's strategy, may be deferred if the cost is beyond the community's ability to fund it. This can occur when higher priority works are required on other infrastructure assets or there are short term peaks in expenditure.

When renewal work is deferred, the impact of the deferral on economic inefficiencies and the system's ability to maintain the required service standards, will be assessed. Although the deferral of some renewal works may not impact significantly on the operation of assets, repeated deferral will create a liability in the longer term.

There are known errors in the asset data. Approximately 10-15% of network assets have an assumed asset installation date, with gaps particularly noticeable for older assets.

The condition of the assets within reservoirs and treatment plant is determined using a combination of assessments and performance information including:

- Structural assessments, these are not as good as they should be in terms of both information capture and frequency. An improved condition assessment programme is planned subject to budgets being available
- Asset performance and condition analysis through oil, vibration, motor circuit, leak detection and ultrasonic testing

Information about the assets and their condition is not as good as it should be. A number of improvement initiatives are already in place with others to be implemented when funding is available. These include:

- Performance criteria identification for areas of the plant and or critical assets in which condition can be assessed against an asset's performance
- Identification and implementation of condition assessment programmes including data collection and analysis with information captured and stored within the asset data base.

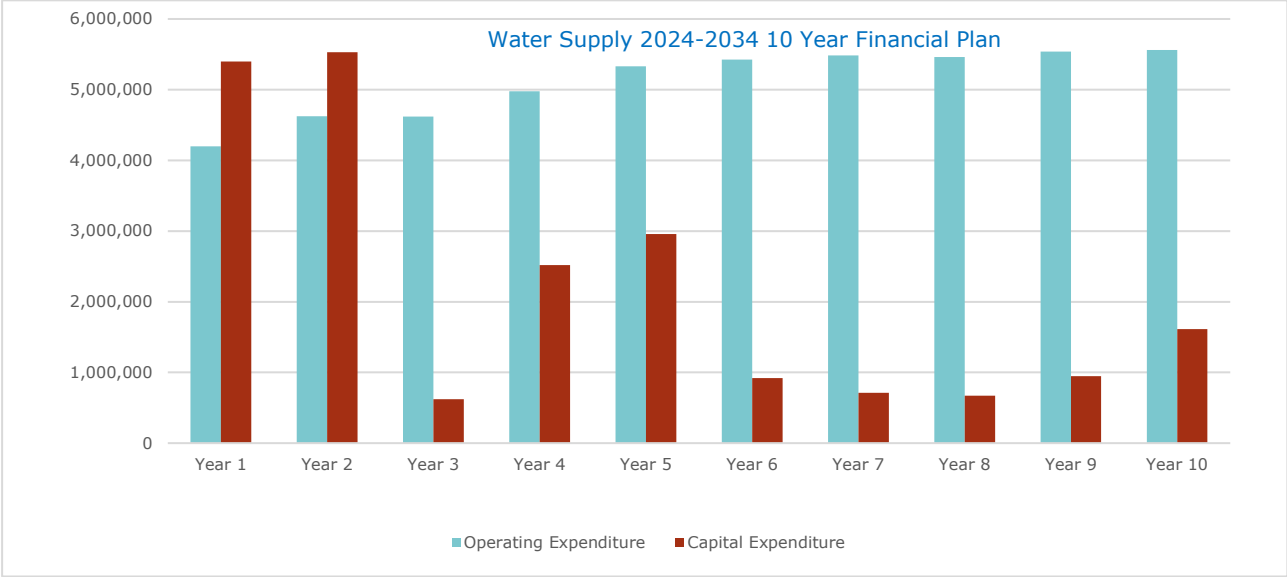
The condition of water supply piped network is yet to be determined utilising representative sample surveys. These may include:

- Core samples analysis to determine the remaining strength of the pipe material
- Visual inspections for our aerial bridges

The information obtained for each specific asset surveyed / sampled will then be analysed and extrapolated across all similar assets (age and material) to determine the condition of our entire pipe assets utilising aged, based criterion. Data Confidence rating for reticulation, pumping and treatment assets was graded C = dataset is substantially complete but up to 50% is extrapolated data, in the AECOM's 2022 valuation report.

Council expects to spend \$21.9 million on new or replacement infrastructure between 2024 and 2034. Over the same period, \$51.2 million is expected to be spent on operating costs, labour, depreciation, materials and maintenance. Renewals work is tracking well against long term plan projections with a capital works project approximately a year behind schedule.





Wastewater

Renewal strategies for wastewater assets involve rehabilitating or replacing underperforming assets based on economic and risk evaluations and adhering to standards akin to new projects. Financial projections for wastewater assets indicate substantial investments in specific years, with a capex budget peaking in 2027 at \$1.25 million.

Some sites within the planned renewals programme have been re-prioritised however the overall programme remains on track against long term plans,

The wastewater system primarily consists of gravity mains (79.41%), with lifespans ranging from 33 to 120 years. Of these 5% are expected to last another 26 years so timely upkeep and renewal is important. Rising mains make up 18.52% of the network, with 12.51% recently invested assets projected to last 109 years. There has been a focused improvement in areas where gravity flow isn't feasible, using materials like MDPE for effective waste transport.

The condition of Wastewater Treatment Plants is evaluated through a mix of assessments and performance data, which include:

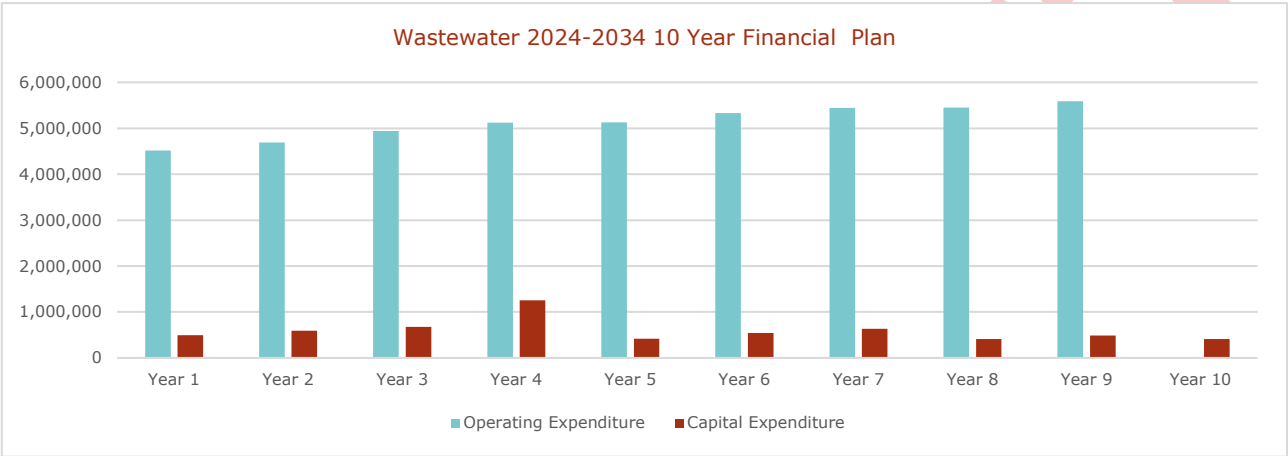
- Comprehensive condition evaluations of structural, mechanical, and electrical components.
- Analysis of asset performance and condition via methods such as oil analysis, vibration monitoring, motor circuit evaluation, leak detection, and ultrasonic testing.

The quality of information regarding the condition of wastewater assets needs improving. Improvement measures are underway, with more planned for future implementation contingent on funding availability. These improvements encompass:

- Enhancing business processes for better asset information capture and data reconciliation for improved confident in asset register.
- Defining performance criteria for specific plant areas or critical assets to facilitate condition assessment relative to asset performance.
- Launching condition assessment programs that include data collection and analysis, with the gathered information being stored within the asset database.

Qualitative condition assessment based on the remaining life of wastewater assets has also been conducted, indicating that 84% of assets are in fair condition or better. However, this assessment should be approached with caution as it does not account for the physical state of the assets, their operational performance, or maintenance history.

Council expects to spend \$5.9 million on new or replacement infrastructure between 2024 and 2034. Over the same period, \$51.8 million is expected to be spent on operating costs, labour, depreciation, materials and maintenance.



**Stormwater**

Council uses regular inspections, maintenance, and a contingency plan for emergencies, to maintain SW assets' integrity. Asset criticality assessments are also used to prioritize maintenance and renewal, focusing on assets with 'Very High' criticality ratings. A condition scoring system identifies urgent needs, and renewal strategies are evaluated based on cost, benefit, and risk. This risk-based management approach aims for efficient resource allocation based on asset importance and condition. However, challenges such as the need for a proactive maintenance culture, extensive data collection, adapting to external changes, and stakeholder collaboration complicate the implementation of this strategy. Overcoming these hurdles is key to improving stormwater asset management effectiveness in the Waitomo District.

The renewal schedule is based on the assets' estimated life expectancy, with significant expenses projected for 2040-45 and 2060-65. A thorough criticality assessment and inspection regime are in place to address risks. Despite a forecasted funding gap for the next 60 years, budget adjustments could ensure comprehensive replacements. Renewal efforts are guided by considerations of asset performance, cost-effectiveness, and risk, with a structured approach to prioritizing works. Renewal standards mirror those for new constructions, but financial limitations or more urgent needs may delay some projects. Development initiatives aim to create or enhance assets, supported by a hydraulic model of Te Kuiti's stormwater system. These efforts focus on closing capacity gaps, protecting secondary flow paths, and mitigating impacts on water bodies, alongside adapting to new discharge norms.

Some sites within the planned renewals programme have been re-prioritised however the overall programme remains on track against long term plans,

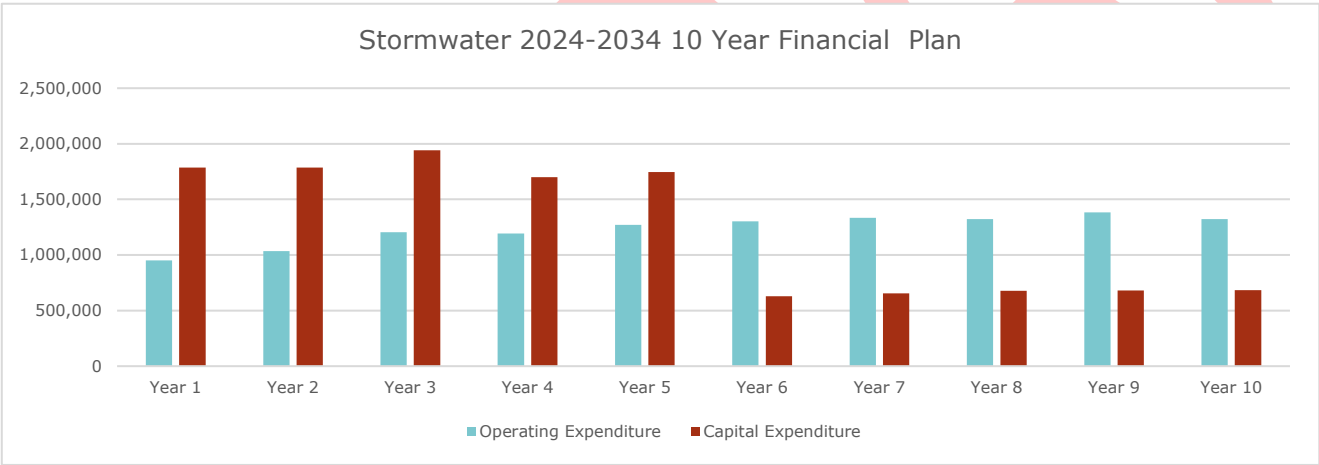
The urban drainage systems in Te Kuiti and Mokau primarily consist of reinforced concrete pipes and open channels. The majority of these assets are projected to exceed their useful lifespan after the duration of the Long Term planning period (2024 - 2054), with a significant increase in replacements anticipated between 40 to 60 years from now.

The condition of the stormwater network generally reflects its age. For evaluating the state of our pipes, we predominately utilize CCTV (closed-circuit television) inspections. The information obtained from these targeted inspections of assets is to yet be analysed and extrapolated to all similar assets, considering their age and the materials they are made from. This process will help us assess the overall health of our pipe infrastructure based on criteria related to their lifespan. Analysis to date indicates that 86% of our assets are in 'Excellent' condition, a figure that might not fully reflect reality due to it being a preliminary assessment. Given this potential discrepancy, further steps need to be taken.

It's important to note that while this assessment paints a generally positive picture of the stormwater network's condition, the information may not be entirely accurate, and further evaluation is necessary. Additional work, including more detailed inspections and updates to the condition data, will be essential to ensure a complete and accurate understanding of the network's health and to guide effective asset management decisions moving forward. Council delineates certain components such as kerb and channel, sumps/catchpits, and sump leads in urban zones, along with rural drainage infrastructure, as roading assets.

Council expects to spend \$12.2 million on new or replacement infrastructure between 2024 and 2034. Over the same period, \$12.3 million is expected to be spent on operating costs, labour, depreciation, materials and maintenance.

The renewal programme is based on the estimated remaining useful lives of the various SW assets. The indicative long term renewals programme identifies two large peak periods in relation to renewal requirements for the SW pipe assets. The first is in 2040-45 (Approx. \$1.5m) and the second, which has an even more significant peak, in 2060–65 (approx. \$5m). The next two peaks are \$3m in 2066-70 and \$2m in 2071-75, totalling approx. \$11.5m.



Parameters	Drinking supply	Wastewater	Stormwater
<b>Average age of Network Assets</b>	24.76 years	21.21 years	34.55 years
<b>Critical Assets</b>	Yes – identified using the criticality matrix in the Water Supply AMP 2024	Yes - identified using the criticality matrix in the Wastewater AMP 2024]	Yes - identified using the criticality matrix in the Stormwater AMP 2024
<b>Above ground assets</b> <ul style="list-style-type: none"> <li>Treatment plant/s</li> <li>Percentage or number of above ground assets with a condition rating</li> <li>Percentage of above –ground assets in poor or very poor condition</li> </ul>	4 66% using combination of desktop and field assessment methodology  11%	4 86% using combination of desktop and field assessment methodology  Treatment Plants – 5% Pump Stations – 30%	N/A] 0%  0%
<b>Below ground assets</b> <ul style="list-style-type: none"> <li>Total Km of reticulation</li> <li>Percentage of network with condition grading</li> <li>Percentage of network in poor or very poor condition</li> </ul>	89 Km] 78% using combination of assessment methodology 13%	74 Km 92% using combination of desktop and field assessment methodology 18%	35 Km] 89 % using combination of desktop and field assessment methodology 0.15%
<b>Asset management approach</b>			
<b>Existing service delivery model</b> <i>Inhouse resources</i> <p>Water services operations are primarily managed by the Water Services team located within the council’s Infrastructure Services Group. A Three Waters Manager leads a team of nine staff delivering:</p> <ul style="list-style-type: none"> <li>Operations and maintenance</li> <li>Asset Management</li> <li>Compliance</li> </ul> <p>Capital delivery is undertaken by the Programme Delivery Team within the Infrastructure Services Group – currently six staff.</p> <p>Water billing is undertaken by the Infrastructure Support Team within the Infrastructure Group and Finance Team within the Finance Group.</p> <p>The other key areas within Council that have input into the Water Services activity are Strategy and Environment through planning and policy and Community Services through customer support services.</p> <i>Outsourced delivery</i> <p>Waikato Local Authority Shared Services Limited (trading as Co-Lab) provide:</p> <ul style="list-style-type: none"> <li>Sampling and analysis for water, wastewater</li> <li>Implementation and administration of the trade waste bylaws</li> </ul>			

External contractors

The expertise of external contractors, consultants, and service providers are used whenever their involvement promises more efficient and effective completion of work, or when specialized skills are needed that are beyond the Council's internal capabilities. The process for engaging these external entities is governed by the Council's Procurement Policy and Procedures Manual.

Consultants are used to:

- Manage, update and validate our water hydraulic network and process models
- Improve our asset management practices
- Ongoing process improvements
- Assist us in managing water demand and leak detection
- Investigations and design works to support renewal and capital works
- Deliver specific reports associated with our resource consents and New Zealand drinking water standards

Contractors are used to:

- Carry out preventive maintenance on assets where the provider is also the manufacturer of the asset
- Carry out condition assessments of our assets where specialised equipment is necessary
- Provide 24-hour electrical services
- Construct the majority of our capital and renewal works
- Provide a meter reading service

In addition to these services, we also contract with various external providers for essential utilities and materials, including electricity and chemicals, to support the activity efficiently.

Table taken from the Water Supply Asset Management Plan 2024

Group	Team	Responsibilities
3 Waters	Operations	<ul style="list-style-type: none"><li>✓ Operation and maintenance of the water network, pump stations and treatment plant assets to achieve agreed level of service, statutory and regulatory compliance</li><li>✓ Operational risk management</li><li>✓ Emergency and recovery planning and implementation</li><li>✓ Management of service contracts</li></ul>
	Compliance	<ul style="list-style-type: none"><li>✓ Statutory and regulatory compliance reporting</li><li>✓ Enforcement of bylaws</li><li>✓ Education to increase public awareness of activity management and risks</li></ul>

	Asset Management	<ul style="list-style-type: none"> <li>✓ Setting of; level of service, annual fees and charges, and financial requirements of the activity</li> <li>✓ Evaluation and review of assets (condition assessments)</li> <li>✓ Demand and financial forecasting</li> <li>✓ Future asset, renewal and preventative maintenance planning to meet agreed levels of service</li> <li>✓ Asset data management</li> </ul>
Infrastructure	District Delivery	<ul style="list-style-type: none"> <li>✓ The services that WDC undertake are managed under an internal Service Delivery Contract between WDC (principal) and McIndoe Ltd (contractor). <u>The following services are provided:</u></li> <li>✓ Reactive and preventative maintenance physical works</li> <li>✓ Asset condition assessments</li> <li>✓ Installation of connections as requested by the customer</li> <li>✓ Minor renewal and capital works (majority of works carried out by external contractors)</li> <li>✓ Asset data collection</li> <li>✓ First response to faults in the network</li> </ul>
	Strategy & Environment	<ul style="list-style-type: none"> <li>✓ The WDC Strategy &amp; Environments Unit plans and manages the transport and waters inputs into future district growth, development and district improvements.</li> <li>1. <u>Responsibilities include:</u></li> <li>✓ Engineering expertise under the RMA and District Plan into consent applications from pre- application through to vesting of infrastructure and works completion</li> <li>✓ Infrastructure planning for growth</li> <li>✓ Delivery of capital projects, including water network extensions and treatment plant capacity upgrades</li> </ul>
	IFS Team	<p>The IFS support team, supports the water activity by providing:</p> <ul style="list-style-type: none"> <li>✓ Industrial and commercial invoicing for metered connections.</li> <li>✓ Revenue recovery</li> </ul>
Customer Relationships	Communication	<ul style="list-style-type: none"> <li>✓ Keeps the community well informed about what is happening in the district.</li> </ul>
	Customer Services	<ul style="list-style-type: none"> <li>✓ First customer contact for all enquiries by phone or in person</li> </ul>
WDC Environments	Building Control	<ul style="list-style-type: none"> <li>✓ First customer contact for water connections associated with a building consent.</li> </ul>
	Planning Guidance	<ul style="list-style-type: none"> <li>✓ First customer contact for all water requirements associated with a building consent.</li> </ul>
Organisational Development	Information Services	<ul style="list-style-type: none"> <li>✓ Computer and information systems management</li> </ul>
	People and Capability	<ul style="list-style-type: none"> <li>✓ Responsible for all the people-related aspects of our business</li> </ul>

Performance	Strategy & Policy	<ul style="list-style-type: none"> <li>✓ Management of Annual Plans &amp; LTP,</li> <li>✓ Quarterly Residents Survey, Economic Information, Submissions from Council on regional/national policies, Environmental Sustainability Strategy, Bylaws, Policies etc.</li> </ul>
Finance	Finance	<ul style="list-style-type: none"> <li>✓ Management of Accounts, Financial Forecasting.</li> </ul>

**Proposed service delivery model** From 1 July 2026 the service model will be the responsibility of Waikato Waters.

Existing asset management system is Univerus Assets (Assetfinda). MagiQ is used for asset valuations and depreciations. Operational technologies include SCADA systems and Water Outlook.

#### **Proposed asset management system**

From 1 July 2026 the service model will be the responsibility of Waikato Waters. As part of the establishment phase Waikato Waters will be developing and implementing an asset management policy and strategy. The Asset Management Policy will be Waikato Waters commitment to manage its assets. It will describe the principles and responsibilities that the entity applies to its asset management practices. Implementation of the Asset Management Policy will support the delivery of Waikato Waters strategic outcomes. The Strategy will guide how the entity will manage assets, in order to deliver drinking water and wastewater services to the community. It will set asset management objectives and describe the asset management system.

#### **Supporting asset management policy**

Council works together with other entities and organisations to carry out its responsibilities and coordinate its actions with those of the region. To develop its plans, Council considers a range of policies, strategies, and guidelines that impact its work.

These documents help Council stay aligned with the priorities of other groups and ensure that their programmes are meeting the needs of the community. It's all about creating partnerships and working collaboratively to get the job done efficiently and effectively

Documents include WDC Infrastructure Strategy 2024-2054, Waitomo Housing Strategy, Town Concept plans, Economic Development Strategy, Joint Management Agreements, Waipa Catchment Plan, Waitomo District Water Conservation and Demand Management Plan along with a range of water safety and scenario modelling and plans. These documents are summarised into Activity Asset Management Plans.

### **Statement of regulatory compliance**

#### **Drinking Water Compliance**

Treatment plants and distribution zones did not meet DWQAR monitoring and compliance rules due to sampling frequency and results relating to some bacteria and protozoa testing over the 2023-24 reporting period.

#### **Resource Consent Compliance**

Waitomo currently has 26 consents across the district for three waters services. This includes expired consents which are operating under RMA s124. The majority of the expired consents relate to urban stormwater discharges, with others relating to treatment plant water takes and discharges. The consent applications relating to these aspects have been put on hold, with Waikato Regional Council approval, due to upcoming central government changes related to treatment plant design and discharge requirements.

The Te Kuiti and Te Waitere Wastewater Treatment plant overall site compliance discharge consents are currently assessed as being "low-risk non-compliance". Piopio and Benneydale Wastewater Treatment Plants overall site conditions are assessed as having "moderate non-compliance".

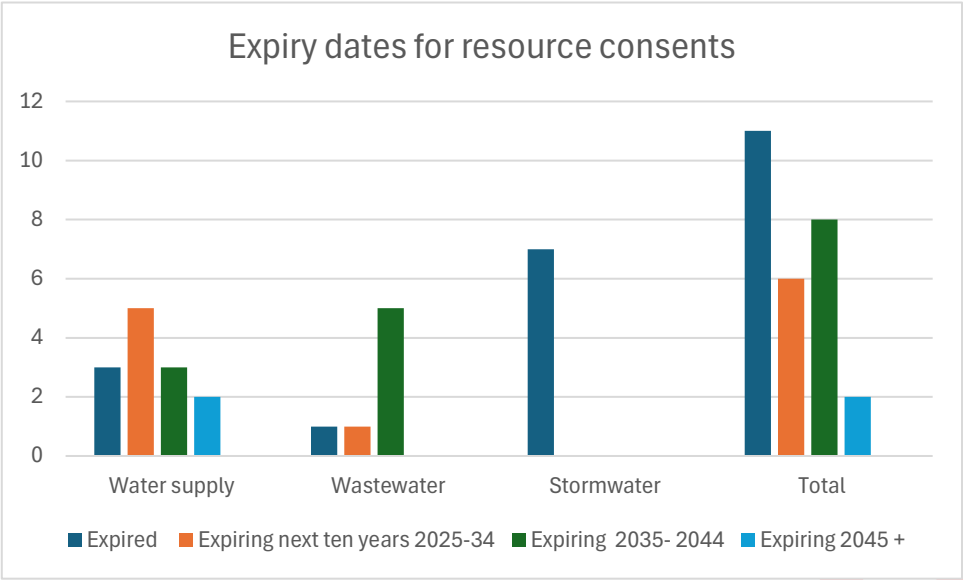
The Water Treatments Plants are currently compliant with surface and ground water take consent conditions; minor non-compliance periodically occurs when water take limits are exceeded.

Compliance across Council's stormwater consents is assessed as being "moderate non-compliance". Additional funding has been provided for in the LTP to address these non-compliances.

The below table provides a summary of the current overall consent status, (two consents were not assessed by WRC)

	Non-compliant (low risk)	Non-compliant (moderate risk)	Partial compliance	Compliant	Total
Water supply	3	3		4	10
Wastewater	4	2		1	7
Stormwater	5	2			7
<b>Total</b>	<b>12</b>	<b>7</b>		<b>5</b>	<b>24</b>





The graph above shows the range of expiry dates for Resource Consents

Parameters	Drinking supply schemes	Wastewater schemes	Stormwater Schemes/catchments
<b>Drinking water supply</b> <ul style="list-style-type: none"> <li>Bacterial compliance (E.coli)</li> <li>Protozoa compliance</li> <li>Chemical compliance</li> <li>Boiling water notices in place</li> <li>Fluoridation</li> <li>Average consumption of drinking water</li> <li>Water restrictions in place (last 3 years)</li> <li>Firefighting sufficient</li> </ul>	Yes Yes Yes No No 275 l/person/day Yes – Piopio Variable across the schemes – areas not meeting the standard are currently not identified	N/A	N/A
<b>Resource Management</b> <ul style="list-style-type: none"> <li>Significant consents (note if consent is expired and operating on S124)</li> <li>Expire in the next 10 years</li> <li>Non-compliance:               <ul style="list-style-type: none"> <li>Significant risk non-compliance</li> <li>Moderate risk non-compliance</li> <li>Low risk non-compliance</li> </ul> </li> <li>Active resource consent applications</li> <li>Compliance actions (last 24 months):               <ul style="list-style-type: none"> <li>Warning</li> <li>Abatement notice</li> <li>Infringement notice</li> <li>Enforcement order</li> <li>Convictions</li> </ul> </li> </ul>	Water supply take – 6 with 3 under s124 Water discharge – 3 with 1 under s124  5  0 3 3  3 – Piopio WTP water take and discharge consents  1- Dec 2023 Mokau WTP exceeding backwash limits and rates  0  0 0 0	Wastewater discharge water/land/air – 7 with 1 under s124  1  0 2 4  1- Benneydale WWTP discharge consent  0  1- Sept 2023 TKWWTP overflow partially treated wastewater to land 0 0 0	Stormwater discharge – 7 under s124  0  0 2 5  7 – divert and discharge urban stormwater  0  0 0 0
Further guidance on regulatory compliance measures is provided at the end of this section.			

Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements

DRAFT

The table below provides the summary of projected investment requirements for Waitomo District. The data in this table is based on the original LTP 2024-34 budgets and updated for the 2025/26 Annual Plan forecasts. The proposed capital expenditure ensures the current levels of service are maintained and meets forecast regulatory requirements.

Projected investment in water services \$000's	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Drinking Water</b>										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	602	7,335	2,608	511	17	18	19	19	116	883
Capital expenditure - to replace existing assets	797	991	583	2,010	2,942	902	695	653	829	731
<b>Total projected investment for drinking water</b>	<b>1,399</b>	<b>8,326</b>	<b>3,191</b>	<b>2,521</b>	<b>2,959</b>	<b>920</b>	<b>714</b>	<b>672</b>	<b>945</b>	<b>1,614</b>
<b>Wastewater</b>										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	75	15	121	427	83	17	249	18	91	18
Capital expenditure - to replace existing assets	418	709	556	826	332	529	386	391	399	394
<b>Total projected investment for wastewater</b>	<b>493</b>	<b>724</b>	<b>677</b>	<b>1,253</b>	<b>415</b>	<b>546</b>	<b>635</b>	<b>409</b>	<b>490</b>	<b>412</b>
<b>Stormwater</b>										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	310	641	1,527	1,593	1,661	1,441	278	284	290	296
Capital expenditure - to replace existing assets	548	495	637	360	372	356	378	393	392	389
<b>Total projected investment for stormwater</b>	<b>858</b>	<b>1,136</b>	<b>2,164</b>	<b>1,953</b>	<b>2,033</b>	<b>1,797</b>	<b>656</b>	<b>677</b>	<b>682</b>	<b>685</b>
<b>Total projected investment in water services</b>	<b>2,750</b>	<b>10,186</b>	<b>6,032</b>	<b>5,727</b>	<b>5,407</b>	<b>3,263</b>	<b>2,005</b>	<b>1,758</b>	<b>2,117</b>	<b>2,711</b>

### Drinking water

The significant capital project forecast during the ten year period is for the Te Kuiti water resilience project. This project stems from the need to enhance the resilience of the Te Kuiti water network from various challenges including pipe failures that occurred in the network which significantly depleted the reservoirs. To increase the resilience of the network a new reservoir will be constructed and a rising main installed to modify the current distribution of the network. Expenditure is also forecast for the duplication of the clarifier and reactor and filter replacement for Te Kuiti during 2027/28 to 2029/30. The installation of district wide water meters is also planned during the period across the four water schemes. A dedicated pumping line to the reservoir is planned for Piopio in 2032/33 and 2033/34.

### Wastewater

The forecast expenditure for wastewater is largely for asset renewals. Additional expenditure is included for plant upgrades for Maniaiti/Benneydale wastewater scheme to meet the anticipated increase in compliance of the new resource consent. Expenditure for additional buffer storage for Piopio wastewater is also forecast for 2027/28.

### Stormwater

The significant capital project forecast during the ten year period for stormwater is the design and construction of stormwater attenuation ponds for Te Kuiti. Longer term mitigation improvements are also forecast. This expenditure will follow modelling work that is being undertaken in the early years of the plan. Climate change scenarios

predict that flooding events will occur more often with more intensity so investment in stormwater is a high priority. Expenditure also includes implementation of improvements recommended through the comprehensive stormwater management plan.

### Renewal programme

The majority of Council's significant above ground water and wastewater infrastructure has been upgraded in recent years to minimum service levels required by regulation or resource consent. The asset renewal programme forecasts the required level of investment in renewals each year and is considered alongside other community needs and rates affordability in determining the annual level of investment forecast.

### Historical delivery against planned investment

This data in this table is from the relevant LTPs and annual reports. For actual 2024/25, the data is based on the most up to date information available as at 18 July 2025 and may differ from the final result reported in the 2024/25 Annual Report.

Delivery against planned investment	Renewals investment for water services				Total investment in water services			
	FY2024/25	FY21/22 - FY23/24	FY18/19 - FY20/21	Total	FY2024/25	FY21/22 - FY23/24	FY18/19 - FY20/21	Total
Total planned investment (set in the relevant LTP)	1,763	2,962	3,793	8,518	7,680	5,616	4,547	17,843
Total actual investment	1,665	4,020	2,855	8,540	3,081	8,412	5,053	16,546
<b>Delivery against planned investment (%)</b>	<b>94%</b>	<b>136%</b>	<b>75%</b>	<b>100%</b>	<b>40%</b>	<b>150%</b>	<b>111%</b>	<b>93%</b>

Council met its planned renewal spend of \$8.5m over the seven year period. The timing of the renewal programme was impacted by the Covid pandemic during the period as it disrupted supply chains and accessing services and contractors outside the district proved challenging with high demand across the country. Total actual investment against the LTP forecast was 93% over the seven year period. The higher spend in 2022/23 and 2023/24 was for the Te Kuiti west stormwater and wastewater catchment improvements which were not forecast in the LTP however were undertaken in response to flooding events that occurred during the period. The underspend in 2024/25 relates mostly to delays in two large projects; the Te Kuiti water resilience project which includes a new reservoir and rising main and Te Kuiti stormwater improvements project including attenuation ponds. The design and scoping of both projects has taken longer than forecast.

Council is investing \$42 million in the three water assets over the ten year period, with \$23 million forecast for water supply, \$6 million forecast for wastewater and \$13 million forecast for stormwater. Based on the complex nature of some of the large capital expenditure projects and the scale of investment being undertaken concurrently, there is some degree of uncertainty whether this capital expenditure will be delivered efficiently and on schedule.

### Additional guidance for Statement of Regulatory Compliance

Council is delaying wastewater consent replacements until the new regulatory wastewater standards are finalised.

Both Te Kuiti and Piopio water treatment plants periodically breach water take limits. There are issues associated with implementation of water safety plans which include limited knowledge of catchment pollutants and rainfall data, lack of treatment barriers for Benneydale Treatment plant, and no alternative water source for Mokau with both drought and land movement being a potential risk to supply within this scheme.

Council's investment plan does not include fluoridation installation or associated upgrades.

## Part C: Revenue and financing arrangements

All financial projections for Waikato Waters included in this Part C and the following Part D are based on a “minimum revenue” approach. That is, they assume that the revenue is set at minimum levels to allow for the funding of operational costs of the company plus servicing of current and future debt. Over the forecast period, this results in a cumulative price rise to consumers materially lower than that of the status quo (where councils continue to deliver individually) whilst delivering all required capital expenditure and meeting debt covenants required by LGFA<sup>5</sup>. Whilst debt to revenue is initially approaching the DIA indicative limit of 5 times revenue, under the “minimum revenue” approach there is scope for the Board to alter the price paths if needed to account for any unknown cost pressures in the future and to maintain covenant compliance.

### Revenue and charging arrangements

Revenue and charging arrangements
<b>Charging and billing arrangements</b>
<p><i>Current Approach</i></p> <p><b>Ringfenced revenue</b></p> <p>All three waters have ringfenced funding. This is achieved through individual operational reserves and asset replacement reserves (for rate funded depreciation) for each function. The revenues are separately identifiable from other revenues and are transparent to ratepayers and consumers. There are sufficient internal controls and reviews in place to ensure that revenue generated for the three water activities is spent on the water activity that generated the revenue and not other council business.</p> <p>Drinking water and wastewater services are currently charged by council in the following manner:</p> <p><b>Water Supply</b></p> <ul style="list-style-type: none"> <li>Targeted fixed rates (TFR) charged on the basis of SUIP (separately used or inhabited part) for properties that are connected and properties with the ability to connect to Council's water network in Te Kuiti, Piopio, Maniaiti/Benneydale and Mokau. The ability to connect properties means rating units within 100 metres of the water main and practicably serviceable in the opinion of Council. The TFRs are charged by quarterly instalment. The full harmonisation of the targeted water supply rate is currently paused due to the uncertainties with water reforms and the planned implementation of metered water across all schemes in commencing in 2027/28. There is no distinction between residential and non residential consumers for the TFRs.</li> <li>A targeted rate per cubic metre of water consumed over and above an annual consumption of 292m3 per SUIP, differentiated by supply area that has been fitted with a meter and/or is defined as having an extraordinary supply in accordance with WDC's water services bylaw. Two large meat companies are invoiced monthly with remaining extraordinary customers billed six monthly). Communities with water supply networks are Te Kuiti, Piopio, Maniaiti/Benneydale and Mokau. Extraordinary customers are mostly non-residential however there are some residential properties such as those with swimming pools or spas and some lifestyle properties.</li> <li>A District Wide Benefit targeted fixed rate is charged to all rating units in the district per rating unit. Council resolved to start reducing the portion of district wide benefit rate commencing 1 July 2025.</li> <li>Other water supply revenue includes one off fees such as water connection and disconnection fees, bulk water take, testing meters fees, meter reading fees and toby locations.</li> </ul> <p><b>Wastewater</b></p>

<sup>5</sup> The forecast financial results have been socialised with LGFA officers who have indicated agreement that they meet the published LGFA covenant guidance

- Targeted fixed rates charged on the basis of SUIP for properties that are connected and properties with the ability to connect to Council's sewerage network in Te Kuiti, Piopio, Maniaiti/Benneydale and Te Waitere and are not charged the non residential TFR for Te Kuiti. The ability to connect properties are rating units within 30 metres of the wastewater network and practicably serviceable in the opinion of Council. The TFRs are charged by quarterly instalment. This rate is harmonised across all schemes so all consumers pay the same regardless of which scheme they are connected to.
- Targeted fixed rates charged on the basis of SUIP for non residential in Te Kuiti set on a differential basis in the following categories ( 1 - All businesses 2 - Education/community childcare, churches, Marae, Clubs, Societies and emergency services 3 - government department use, rest homes and hospitals). Te Kuiti non-residential properties are charged a base charge per SUIP based on the category and a charge per pan where there are more than 4 pans. The pan charge is based on category and number of pans (Category 1 = 5th pan and over, Category 2 = 5 to 10 pans and over 10 pans, Category 3 = 5th pan and over). The base charge is charged to non residential properties in Te Kuiti that are connected and non-residential properties with the ability to connect to councils sewerage network in Te Kuiti. The ability to connect properties means rating units within 30 metres of the wastewater network and practicably serviceable in the opinion of Council. The TFRs are charged by quarterly instalment.
- A District Wide Benefit targeted fixed rate is charged to all properties in the district per rating unit. Council resolved to start reducing the portion of district wide benefit rate commencing 1 July 2025. The TFRs are charged by quarterly instalment.
- A Trade Waste Contribution targeted fixed rate charged per rating unit to all properties in the district. The TFRs are charged by quarterly instalment.
- Trade waste revenue based on individual trade waste agreements with large commercial customers. These charges are invoiced monthly to customers and are based on volume of discharge and nutrient loading of the discharge.
- Other wastewater revenue includes such as connection and disconnection fees (there are separate charges for Piopio due to the nature of the scheme), trade waste administrative charges, annual trade waste licence charges and tankered trade waste charges.

#### *Proposed Approach*

##### **Water Supply and Wastewater**

The financial modelling for Waikato Water assumes that the pricing structures and work programmes forecast in each of the councils' Long-Term Plan or Annual Plan, stay the same in the short to medium term after the transition of water services to the CCO.

However, the Waikato Water's board and management will ultimately be responsible for setting future pricing. No doubt they will consider the funding requirements of the business and the expectations of the shareholding councils via the Statement of Expectations. When and to what extent prices are aligned across the council districts is not yet known.

Stormwater services are currently charged by council in the following manner:

#### *Current Approach*

Stormwater rates are targeted to two areas in the district - Te Kuiti Urban rating area (which consists of urban Te Kuiti) and Rural rating area (the rest of the district). The stormwater rural targeted fixed rate is charged on the basis of SUIP to all properties in rural rating area. The Te Kuiti Urban area is charged a targeted fixed rate (charged per rating unit) and a targeted rate charged on the basis of capital value. The rate charged based on value is not charged to properties that have a current resource consent to discharge stormwater into the Mangaokewa Stream. Other stormwater revenue includes one off connection fees.

#### *Proposed Approach*

There are no changes proposed to future charging mechanisms for stormwater.

### **Water services revenue requirements and sources**

Water and wastewater

The revenue that is required under the WWDW financial modelling for drinking water and wastewater is projected to be \$151.1m in the 2027/28 financial year<sup>6</sup>. It progressively increases beyond that to \$213.7m by the end of the forecast period (2033/34). These figures reflect the rates and volumetric charges, as well as other revenue sources (including development contributions, capital/operating subsidies and grants, and other income).

While in the first two years of operations projected increases in water charges are forecast at 11%, beyond that, revenue increases reduce and in the medium to long term the forecasts show the CCO is financially sustainable at annual revenue increases of ~4%<sup>7</sup>. This is significantly lower than the weighted average of the councils projected charges acting on their own.

As noted earlier, it is proposed that councils will continue to invoice customers on behalf of Waikato Water for drinking water and wastewater services and pass the revenue to Waikato Waters. This is for a transitional period until the board determines Waikato Waters is positioned to charge customers directly.

#### Stormwater

Stormwater revenue will be collected via the current mechanisms by Waitomo District Council. There is no distinction between residential and non-residential consumers for charging of stormwater services.

Other one off stormwater revenue for Te Kuiti may be received during the period for connection fees to cover inspection and administration fees. These are not material and therefore have not been forecast in the plan.

WDC will apply Better Off funding for the first two years of the plan to part fund the Te Kuiti stormwater improvements project which includes the construction of attenuation ponds.

### Existing and projected commercial and industrial users' charges

#### *Water and wastewater*

##### *Current approach*

Waitomo District Council's 2025/26 Annual Plan forecasts an increase in both water and wastewater charges with 13% and 17% increases to the annual charges for residential properties. Metered water rates revenue for extraordinary users (such as commercial, industrial properties as well as residential properties with swimming pools/spas) also increased for 2025/26 with the charges per cubic metre ranging from \$4.61 in Te Kuiti to \$7.37 in Mokau).

##### *Proposed approach*

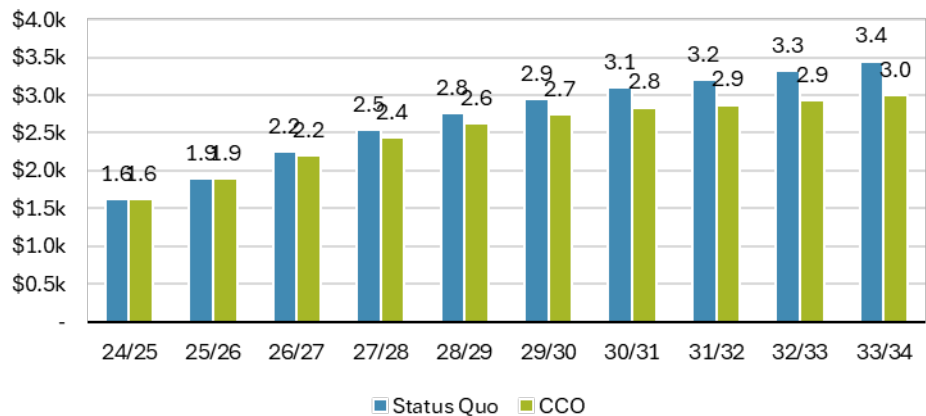
Projected charges for residential households on average over the 10-year period under the Waikato Water Done Well Financial Modelling are shown in the chart below. 'Status Quo' in the chart reflects the aggregation of each council's most recent projections on a standalone basis.

<sup>6</sup> Being the first year when the drinking water and wastewater activities of all six councils has been transferred to the CCO.

<sup>7</sup> In part this is attributable to underlying population growth, so the increase in the actual rate of water charges will be something less than this.



Residential Rates / Residential Connections (incl. GST)



Stormwater

The current and projected charging and collection methodology for stormwater services for residential and non residential ratepayers will remain the same. The average projected increase over ten years is 14.7% and this reflects the investment in the stormwater improvements and additional compliance costs forecast..

The affordability of projected water services charges for communities

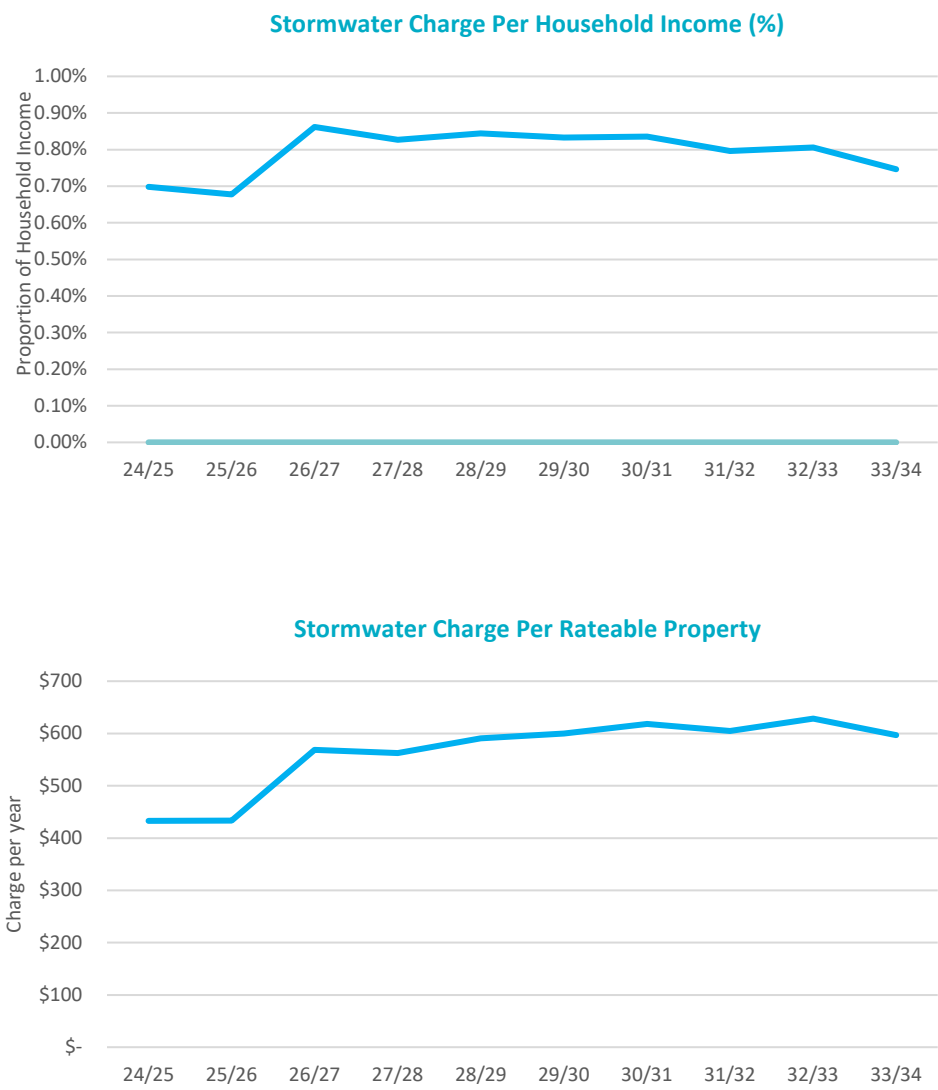
Water supply and wastewater

A key focus of Waikato Waters is on total costs/savings. We know that the public, and especially ratepayers, are most interested in their personal bills. Per-connection (household) costs are modelled to be, on average, ~ \$450 lower in 2034 compared to councils acting alone. That saving is anticipated to grow from that point.

The actual decisions on charges will ultimately be for the organisation to decide (having regard to the expectations conveyed by shareholders). However, it is reasonable to expect that all will benefit to some extent from the scale and consequential savings of Waikato Waters.

Stormwater

The stormwater rates forecast in the 2024-34 Long Term Plan have been used as base for the forecasts for stormwater services and have been updated to reflect changes in timing of the Te Kuiti stormwater improvements project, the approved 2025-26 Annual Plan forecasts and the additional budgets for increased regulatory compliance. The average charge per property for stormwater as a percentage of median household income is 0.79% over the period.



## Funding and financing arrangements

### Funding and financing arrangements

#### Water services financing requirements and sources

##### Water and wastewater

An independent professional Board has been appointed to Waikato Waters. The Board is currently in the process of recruiting for a commercially minded Chief Executive. A requirement of the Board for the Chief Executive will be to have the appropriate risk management processes in place to manage the water services' financial requirements and sources.

In April 2025 LGFA announced the financial covenants it will apply to water CCOs. The covenants are tiered based on the number of water connections that the water CCO has. There are two financial covenants. Given its size, for Waikato Waters the covenants will be:

- A Funds from Operation (FFO) to Gross Debt ratio 8%
- A Funds from Operation (FFO) to Cash Interest Coverage of 1.5 times.

The LGFA note that these are a guide only. LGFA will have regard to other factors such as population growth when determining ratios. A percentage of the development contributions can also be recognised as revenue in determining the FFO.

The LGFA have also recognised that a water CCO may not be able to comply with these financial covenants from 'day 1'. It will agree an appropriate time within which the CCO needs to ensure it complies: a rule of thumb is up to five years (although there is scope to have a longer period allowed).

The FFO ratios are set out in Section D. Based on the financial forecasts Waikato Waters is projected to reach the 8% FFO to debt ratio during the forecast period. The interest cover approximates 1.5 times, or better, once all councils have transitioned their water services. Both metrics are expected to improve beyond the forecast period because in the later years debt can be held relatively steady, while revenue will continue to increase. WWDW have discussed the covenants and financial forecasts with LGFA who have verbally indicated they meet the LGFA guidance in an acceptable way.

##### **Financial strategy**

The Board and senior management of Waikato Water will decide the financial strategy for the company. While infrastructure work will be funded through long-term debt, more immediate operating requirements will necessitate transactional banking, and overdraft facilities. For simplicity the financial modelling assumes all borrowing is on a floating basis. It applies an interest rate on the variable balance of "net debt".

In the immediate future, establishment and operating costs incurred by the company must be financed by short-term debt, the Shareholders Agreement allows for Council's to provide this financing until LGFA facilities are in place. The company will not have a basis for charging revenue until 1 July 2026, when the first councils transfer their water activity.

Beyond that, operating costs and short-term financing arrangements will be met by water charges and fees for services provided by the company to councils (e.g. for the management of stormwater). The company will need to assess what a prudent level of cash reserves might be.

It is expected that all long-term borrowing will be from LGFA. Once the company is incorporated it will progress accessing LGFA funding and procure transactional banking services (from a trading bank and/or LGFA).

The company will be establishing policies that govern management of its financial arrangements. Those policies will include a treasury policy setting out the company's approach to funding and financing generally, and its approach to hedging its interest exposure. Those decisions will be made having regard to the risk appetite of the COO.

While the company will likely want to avail itself of the debt capacity available to it, in the medium term that debt position stabilises and the company is in a position to start repaying debt. The company will need to balance repayment of debt, ongoing investment in infrastructure and keeping water rates affordable in considering how aggressively it wishes to repay debt.

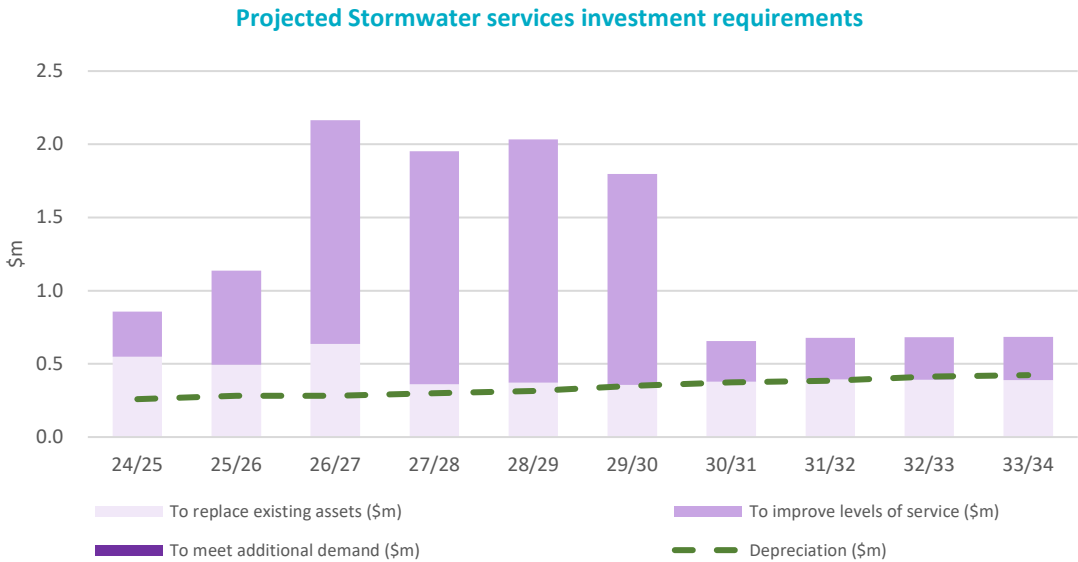
Stormwater

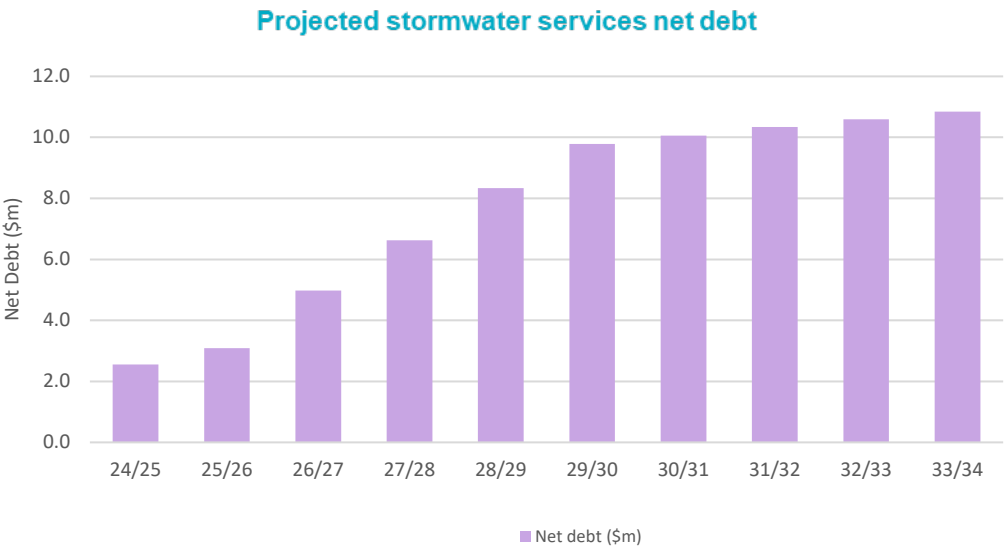
Council’s objective is to maintain a balanced budget by setting total operating income at a level that meets total operating expenditure. There are two exceptions to this over the plan:

- some project management costs that are an integral part of the Te Kuiti Stormwater improvement project but unable to be capitalised under the accounting standards are internal loan funded in the early years of the plan as the benefits of this spend attribute over more than one year.
- in the first two years of the plan, Council has elected not to fully fund depreciation by \$48,000. Depreciation is fully funded from 2026/27 onwards and the under-funding in the initial two years is forecast to be made good through increased forecast rates funding from 2027/28 onwards.

Investment in stormwater capital expenditure is funded by a combination of internal loans for improvements, asset replacement reserve funding (rate funded depreciation) for renewals and application of Better off funding for Te Kuiti stormwater improvement project in the first two years of the plan.

Council is forecasting to invest significantly in stormwater improvements between 2026/27 and 2029/30 to provide more resilience and improve the stormwater networks’ ability to cope with high intensity rainfall events. Total capital expenditure is forecast at \$12.6 million over the ten years. Improvements of \$8.3 million are forecast along with a further \$4.3 million to replace existing assets.





The Treasury Policy provides the limits and operating parameters for liability management, including interest rate risk management. The interest rate exposures apply to projected core debt of WDC and are managed according to parameters set in the policy. It is expected long term borrowing is through the LGFA.

There is no individual borrowing limit set for stormwater services, the borrowing limits are set for whole of council. All borrowing must be in line with the approved council budget and the specific borrowing limits for all council business are:

- The ratio of net debt to total revenue will not exceed 165%
- Net interest will not exceed 20% of annual rates.

The projected borrowings are within borrowing limits.

The tenor of new external borrowings is determined at the time the new borrowing is undertaken in consideration of the existing debt maturity profile. Generally the term of new borrowing is 2-5 years. To avoid a concentration of debt maturity dates, Council will, where practicable, aim to have no more than 33% of external debt subject to refinancing in any 12 month period. External Borrowings will be repaid as they fall due in accordance with the applicable loan agreement. Subject to borrowing limits, a loan may be rolled over or re-negotiated as and when appropriate. The cost of capital is allocated over significant activities from the Treasury Management Activity using internal loans.

The Council’s treasury performance is monitored and reported on a quarterly basis to the Audit and Risk Committee.

**Internal borrowing arrangements**

*Current approach*

Water supply, wastewater and stormwater

Council maintains a treasury management function that administers internal loans across all the activities of council. Internal loans are clearly accounted for within each function and are verifiable, appropriate and transparent. Internal loans attributed to water, wastewater and stormwater relate only to the delivery of water, wastewater and stormwater services.

Finance costs are allocated to water supply, wastewater and stormwater services are based on the proportion of the opening internal loan balance that attributes to water supply, wastewater and stormwater services.

Repayments are based on the individual internal loans, with annual repayments calculated on the life of the loan (30 years). Internal loan balances and repayments are reconciled annually and reported in the annual report at the group of activity level.

*Proposed approach*

**Position post transfer to the CCO**

Six of the seven shareholding councils have agreed to transfer their drinking water and wastewater activities, including assets and debt, to Waikato Waters. Water related debt will be transferred to Waikato Waters under a transfer agreement. From the date of transfer councils will therefore have no internal borrowing arrangements related to these water activities.

While no 'internal', services will be provided between shareholding councils and Waikato Waters. It is expected that the company will manage stormwater for several councils. Conversely, as noted earlier, the councils will continue to bill on behalf of the CCO in the short-term. The expectation is that these services will be charged at 'arm's length'. This will ensure the true cost of delivery for each water type is established.

**Stormwater**

There are no changes proposed for the Internal borrowing arrangements for stormwater services. The current arrangements meet the ringfencing requirements.

**Determination of debt attributed to water services**

Council maintains a treasury management function that administers internal loans across all the activities of council. Internal loans are clearly accounted for within each function and are verifiable, appropriate and transparent. Internal loans attributed to water, wastewater and stormwater relate only to the delivery of water services.

The loans attributed to water services at 30 June 2024 is total of internal loan balances accounted within water supply, wastewater and stormwater activities as reported in the 2023/24 annual report were \$26,321,000. Total operating and depreciation reserves at the 30 June 2024 were \$2,544,000. This results in an overall net debt position at 30 June 2024 of \$23,777,000.

Activity (\$000's)	Loan Balance at 30 June 2024	Reserve Balance at 30 June 2024	Net Debt at 30 June 2024
Water	\$14,324	(2,991)	17,315
Wastewater	\$11,033	4,554	6,479
Stormwater	\$964	981	(17)
Totals	\$26,321	2,544	23,777

The All of council borrowing limit is 165%, no individual borrowing limit is set for water services. The net debt to operating revenue at 30 June 2024 for the three waters activities is:

\$000's	2023/24
Total operating revenue for water services	7,018
Net debt for water services	23,777
Debt headroom to limit	(12,198)
Net debt to operating revenue %	339%
<b>All of Council borrowing limit</b>	<b>165%</b>

## Insurance arrangements

### *Current Approach*

#### Water, Wastewater and Stormwater

Council insures its assets through a shared arrangement with other Waikato Councils under Co-Lab (Waikato Local Authority Shared Services). Insurance cover through this collective for its waters assets are mainly provided under two main policies. Above ground assets, such as treatment plants, pump stations and reservoirs are insured for full replacement cover under the Material Damage and Business Interruption policy. Below ground assets are insured under the Infrastructure Policy for a catastrophic natural disaster event(s), where coverage is for 40% of the total loss, with central government funding the remaining 60%. This policy is structured on a shared basis with ten other Waikato Councils within an insurance collective and Waitomo District Council's sublimit is under this policy \$40 million, for a declared value of \$129 million of below ground assets (and some high value bridges not water related).

Initially loss modelling was undertaken in 2022 for the Infrastructure Policy, but no further modelling has been undertaken, although there is a proposal to undertake loss modelling for earthquake perils during 2027.

Each year, Council reviews its insurance as part of the renewal process and schedules of assets and their attributes are updated and reviewed before submission to the insurers. Valuations for insurance purposes are undertaken in conjunction with valuations for financial reporting purposes. The last valuation for waters assets was undertaken at 30 June 2025. For intervening years additions are made to insurance schedules and indexing for general price movements are also applied. Further to that for the underground assets, line by line asset detail, including spatial data is provided to the insurers.

Insurance arrangements are reported to Council's Audit and Risk Committee, including a qualitative description of policies held compared with risk appetite. In addition to the two policies described above, Council also carries a suite of policies that covers all its operations: public liability and professional indemnity, statutory and employers' liability, fidelity/crime and cyber policies.

This approach will continue for stormwater services and its assets.

### *Proposed Approach*

#### Water and Wastewater

Waikato Waters will hold necessary insurance policies. The shareholding councils are part of an insurance collective. They procure insurance cover together to access preferential premium rates and other benefits. Aon is their broker.

Directors and Officers insurance cover, professional indemnity and general liability cover are already in place.

The councils' current infrastructure insurance runs from 1 November to 31 October each year (although the CCO may choose an alternative insurance period in due course). Part of the renewal process is presentations to underwriters at Lloyds, where most of the infrastructure cover is placed. This has been an enduring arrangement between the insurers and councils, and as a result the insurers are well aware of the risk profile of the councils' activities and the assets insured. In the past two years, underwriters have been kept informed of New Zealand's water reforms. The transition to a water CCO will therefore be no surprise.

As part of the upcoming infrastructure renewal process the intention is to agree with the insurers an arrangement which will see:

- Waikato Water named as an insured on the infrastructure policies, to take effect as and when the water assets of each council are transferred to the company.
- Premiums in respect of the insured assets paid for by the council up to date of transfer (for some, as early as 30 June 2026), and by the company from that date.

This arrangement has been socialised with insurers already. Aon have advised they do not see any issues with this approach being implemented.

Councils currently undertake an annual insurance risk assessment. It is expected the CCO will do likewise. We are investigating loss modelling as part of this. Councils record infrastructure assets and determine the extent to which they are insured (there may be some occasions where the councils choose to self-insure, although this is limited). The level of cover is determined, in consultation with Aon, having regard to the replacement cost of the assets to be insured and loss modelling (although the latter is not undertaken every year).

# Part D: Financial sustainability assessment – Drinking Water and Wastewater

All financial projections for Waikato Waters included in this Part D and the above Part C are based on a “minimum revenue” approach. That is, they assume that the revenue is set at minimum levels to allow for the funding of operational costs of the company plus servicing of current and future debt. Over the forecast period, this results in a cumulative price rise to consumers materially lower than that of the status quo (where councils continue to deliver individually) whilst delivering all required capital expenditure and meeting debt covenants required by LGFA<sup>8</sup>. Whilst debt to revenue is initially approaching the DIA indicative limit of 5 times revenue, under the “minimum revenue” approach there is scope for the Board to alter the price paths if needed to account for any unknown cost pressures in the future and to maintain covenant compliance.

## Confirmation of financially sustainable delivery of water services

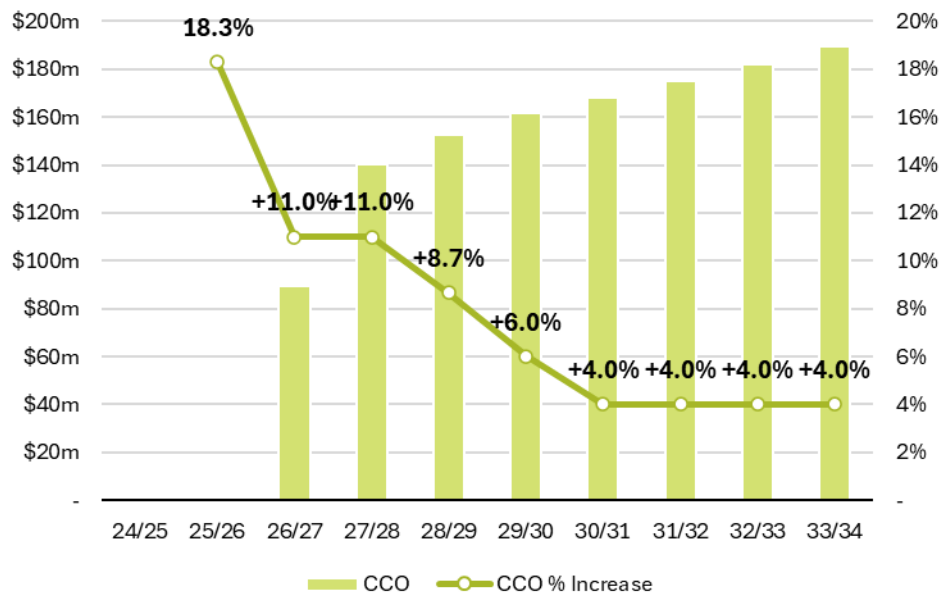
Financially sustainable water services provision
Confirmation of financially sustainable delivery of water services by 30 June 2028
Actions required to achieve financially sustainable delivery of water services
<p>Water and Wastewater</p> <p>Waitomo District Council plans to transfer its drinking water and wastewater activities to Waikato Waters. By doing so it can ensure a financially sustainable delivery of those services into the future. As noted in the following sections, Waikato Waters will have improving metrics across revenue, investment and financing sufficiency throughout the forecast period.</p> <p>The financial forecasts supporting this plan show that Waikato Waters is financially sustainable. This is evidenced in the following sections. Importantly, this is the case with only moderate increases in revenue year on year. The projected price path for the CCO is shown in the chart below.</p>

<sup>8</sup> The forecast financial results have been socialised with LGFA officers who have indicated agreement that they meet the published LGFA covenant guidance



The 18% revenue increase in FY25/26 reflects the aggregated position of the individual councils. The company itself has no revenue in that year. From FY26/27, as councils transfer their waters activity, average revenue increases of up to 11% are needed. This quickly abates once all councils are on board and reduces to a sustainable position of ~4% average revenue increase per annum.

Total Operating Revenue (Aggregated)



The financial forecasts show that from FY27/28 these revenue increases are sufficient to meet expected operating costs and cover depreciation, and shortly thereafter also cover finance costs and allow debt to start being repaid.

In part, the financial position is aided by assumed efficiencies in the model. These efficiencies are prudent and are based on what has been achieved from the aggregation of waters activity elsewhere and what we know about the benefits of scale generally. More particularly, the assumed efficiencies are:

- 1) Opex-related - peak efficiency of 15%. Opex efficiencies start to be realised in FY27/28, at a rate of ~1.9% year-on-year, to reach their peak in FY37/38.
- 2) Capex-related (general) - peak efficiency of 15% starting in FY27/28 and growing at a rate of 1% year-on-year, to reach their peak in FY41/42
- 3) Capex-related (catchment consenting) - peak efficiency of 10% starting in FY27/28 and growing at a rate of 1% year-on-year, to reach their peak in FY41/42.

The modelling also assumes that the CCO will need to invest to identify and realise these savings. A 'spend to save' budget of \$35m is therefore included in the forecasts - 50% opex/50% capex.

As noted earlier, Taupō District Council has not yet made a commitment to transfer its waters activity to the CCO. Therefore, the modelling excludes any impact of a future transfer of Taupō District Council's water business.

The level of investment in infrastructure is significant. The forecasts project capital spend of ~\$760m through to FY 33/34 to meet levels of service, respond to what WWDW expect the regulatory requirements to be, and accommodate growth in the councils' districts. At the end of the forecast period infrastructure assets are estimated to be \$2.1b. As noted in Part C, the debt funding required to meet this investment programme can be managed within expected covenants, while keeping revenue increases to a minimum.

**Risks and constraints to achieving financially sustainable delivery of water services**

The greatest risk to delivery of the services is the capacity of the supplier market to meet the demands of entities like Waikato Waters. This is not a question of financial sustainability, but rather a characteristic of the current macro environment. We know more investment is required – that is why Local Water Done Well came to be. We also know that right now, New Zealand does not have the capacity to deliver the infrastructure required. This is an issue at a national scale. Waikato Waters offers the opportunity for its shareholding councils, by working together, to be seen as a more attractive client for the supplier market and therefore helps to ensure access to a greater piece of that limited capacity, it also allows a mechanism for investment in that supply chain.

A further risk to delivering financially sustainable services is unforeseen infrastructure costs. These could eventuate for several reasons. Councils may underestimate the investment required, or there could be an event that causes infrastructure damage.

The financial modelling for Waikato Waters has used councils' 'enhanced' Long Term Plans or Annual Plans as the basis for its forecasts. The reference to 'enhanced' reflects that councils have, since submitting their latest LTPs, further considered what if any additional investment (and operational expenses) may be required to comply with regulations. This means the forecasts reflect the latest (as recent as May 2025) estimates of infrastructure works. This minimises the risk that costs have been understated but the risks remain – costs have escalated in recent years more sharply than anticipated. The long-term forecast price path for Waikato Waters of ~4% pa also allows capacity to absorb future cost increases without the need for historically large price increases to customers.

Financially sustainable assessment - revenue sufficiency

Assessment of revenue sufficiency																																																																			
Projected water services revenues cover the projected costs of delivering water services																																																																			
<p>The following analysis is based on modelling of a minimum revenue scenario to demonstrate a minimum price path required to achieve financial sustainability under the currently known cost profile. This demonstrates both significant savings to customers as well as financial resilience within the entity to absorb future cost pressures should they arise.</p>	<p>Include the following chart – “Projected water services revenue and expenses”. This chart can be generated in the Financial Template.</p> <div><p>Projected water services revenue and expenses</p><table><tr><th>Fiscal Year</th><th>Expenses (excl. depn, interest)</th><th>Depreciation</th><th>Interest Costs</th><th>Revenue</th><th>Net Surplus / Deficit</th></tr><tr><td>FY2025</td><td>\$10m</td><td>\$0m</td><td>\$0m</td><td>\$0m</td><td>\$10m</td></tr><tr><td>FY2026</td><td>\$15m</td><td>\$0m</td><td>\$0m</td><td>\$0m</td><td>\$15m</td></tr><tr><td>FY2027</td><td>\$60m</td><td>\$50m</td><td>\$10m</td><td>\$90m</td><td>(\$10m)</td></tr><tr><td>FY2028</td><td>\$80m</td><td>\$60m</td><td>\$20m</td><td>\$150m</td><td>(\$10m)</td></tr><tr><td>FY2029</td><td>\$80m</td><td>\$60m</td><td>\$20m</td><td>\$165m</td><td>(\$10m)</td></tr><tr><td>FY2030</td><td>\$85m</td><td>\$60m</td><td>\$20m</td><td>\$180m</td><td>(\$10m)</td></tr><tr><td>FY2031</td><td>\$90m</td><td>\$60m</td><td>\$20m</td><td>\$190m</td><td>(\$10m)</td></tr><tr><td>FY2032</td><td>\$90m</td><td>\$60m</td><td>\$20m</td><td>\$195m</td><td>(\$10m)</td></tr><tr><td>FY2033</td><td>\$90m</td><td>\$60m</td><td>\$20m</td><td>\$200m</td><td>(\$10m)</td></tr><tr><td>FY2034</td><td>\$95m</td><td>\$60m</td><td>\$20m</td><td>\$215m</td><td>(\$10m)</td></tr></table></div>	Fiscal Year	Expenses (excl. depn, interest)	Depreciation	Interest Costs	Revenue	Net Surplus / Deficit	FY2025	\$10m	\$0m	\$0m	\$0m	\$10m	FY2026	\$15m	\$0m	\$0m	\$0m	\$15m	FY2027	\$60m	\$50m	\$10m	\$90m	(\$10m)	FY2028	\$80m	\$60m	\$20m	\$150m	(\$10m)	FY2029	\$80m	\$60m	\$20m	\$165m	(\$10m)	FY2030	\$85m	\$60m	\$20m	\$180m	(\$10m)	FY2031	\$90m	\$60m	\$20m	\$190m	(\$10m)	FY2032	\$90m	\$60m	\$20m	\$195m	(\$10m)	FY2033	\$90m	\$60m	\$20m	\$200m	(\$10m)	FY2034	\$95m	\$60m	\$20m	\$215m	(\$10m)
Fiscal Year	Expenses (excl. depn, interest)	Depreciation	Interest Costs	Revenue	Net Surplus / Deficit																																																														
FY2025	\$10m	\$0m	\$0m	\$0m	\$10m																																																														
FY2026	\$15m	\$0m	\$0m	\$0m	\$15m																																																														
FY2027	\$60m	\$50m	\$10m	\$90m	(\$10m)																																																														
FY2028	\$80m	\$60m	\$20m	\$150m	(\$10m)																																																														
FY2029	\$80m	\$60m	\$20m	\$165m	(\$10m)																																																														
FY2030	\$85m	\$60m	\$20m	\$180m	(\$10m)																																																														
FY2031	\$90m	\$60m	\$20m	\$190m	(\$10m)																																																														
FY2032	\$90m	\$60m	\$20m	\$195m	(\$10m)																																																														
FY2033	\$90m	\$60m	\$20m	\$200m	(\$10m)																																																														
FY2034	\$95m	\$60m	\$20m	\$215m	(\$10m)																																																														
Average projected charges for water services over FY2024/25 to FY2033/34																																																																			
<p>Waitomo District Council</p> <p>The 2025/26 price increase has been adopted in 2025/26 Annual Plan.</p>																																																																			

Projected average charge per connection / rating unit (including GST) \$	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Drinking water	1,353	1,461								
Wastewater	1,221	1,365								
<b>Average charge per connection / rating unit</b>	<b>2,575</b>	<b>2,826</b>								
Drinking water and wastewater Increase in average charge	18.5%	9.8%								
<b>Drinking water and wastewater services charges as % of median household income</b>	<b>4.2%</b>	<b>4.4%</b>								

## Waikato Water

The table below shows the average charge per connection for residential connections only, it excludes commercial connections. The average charge per commercial connection has been excluded as these charges vary significantly depending on the type of business and its water usage, i.e. a Dairy factory compared to a commercial shop.

The table below shows pricing that is a consolidated average across all the WWDW councils. All financial projections for Waikato Waters are based on a “minimum revenue” approach. That is, they assume that the revenue is set at minimum levels to allow for the funding of operational costs of the company plus servicing of current and future debt. Over the forecast period, this results in a cumulative price rise to consumers materially lower than that of the status quo (where councils continue to deliver individually) whilst delivering all required capital expenditure and meeting debt covenants.

Projected average charge per connection / rating unit (including GST)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Drinking water			\$1,126	\$1,245	\$1,333	1,390	1,439	1,454	1,487	1,521
Wastewater			\$1,041	\$1,155	\$1,241	\$1,302	1,349	1,367	1,400	1,434
<b>Average charge per connection / rating unit</b>			<b>\$2,167</b>	<b>\$2,400</b>	<b>\$2,574</b>	<b>\$2,692</b>	<b>\$2,786</b>	<b>\$2,821</b>	<b>\$2,887</b>	<b>\$2,955</b>
Drinking water and wastewater Increase in average charge			14.3%	10.7%	7.3%	4.6%	3.5%	1.2%	2.3%	2.3%
<b>Drinking water and wastewater services charges as % of median household income</b>			<b>2.2%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.2%</b>

## Projected operating surpluses/(deficits) for water services

### Waitomo District Council

Operating surplus ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) excluding capital revenues – combined drinking water and wastewater services (\$000)	(1,492)	(1,694)								
Operating revenue – combined drinking water and wastewater services (\$000)	7,223	7,900								
<b>Operating surplus ratio</b>	<b>(20.7%)</b>	<b>(21.4%)</b>								

### Waikato Water

The operating surplus ratio is negative but steadily improves throughout the forecast period (and is projected to continue to do so in subsequent years as efficiencies are realised). It is expected that the company will have a policy of, over time, recovering depreciation charges when setting revenues. That is to say, revenues need not be set in a way that ensures depreciation is recovered in each year, but rather in way that the company is confident it will be in the short to medium term. This allows a comparatively steady increase in pricing.

The operating surplus ratio reflects the assumption in the financial modelling that the CCO will leverage debt capacity and at the same time minimise the annual increase in water charges. As noted elsewhere, debt stabilises during the period.

Operating surplus ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) excluding capital revenues – combined drinking water and wastewater services (\$000)			(\$25,991)	(\$24,340)	(\$16,614)	(\$17,184)	(\$23,635)	(\$18,798)	(\$13,020)	(\$10,721)
Operating revenue – combined drinking water and wastewater services (\$000)			\$89,217	\$140,489	\$152,672	\$161,833	\$168,306	\$175,038	\$182,040	\$189,322
Operating surplus ratio (excluding capital revenues)			(29.1%)	(17.3%)	(10.9%)	(10.6%)	(14.0%)	(10.7%)	(7.2%)	(5.7%)
Development Contributions			\$5,793	\$10,633	\$15,051	\$21,927	\$23,933	\$23,621	\$22,694	\$24,389
Operating surplus ratio			(21.3%)	(9.1%)	(0.9%)	2.6%	0.2%	2.4%	4.7%	6.4%

### Projected operating cash surpluses for water services

#### Waitomo District Council

Operating cash ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenues	1,144	1,058								
Operating revenue – combined water services	7,223	7,900								
Operating cash ratio	15.8%	13.4%								

### Waikato Water

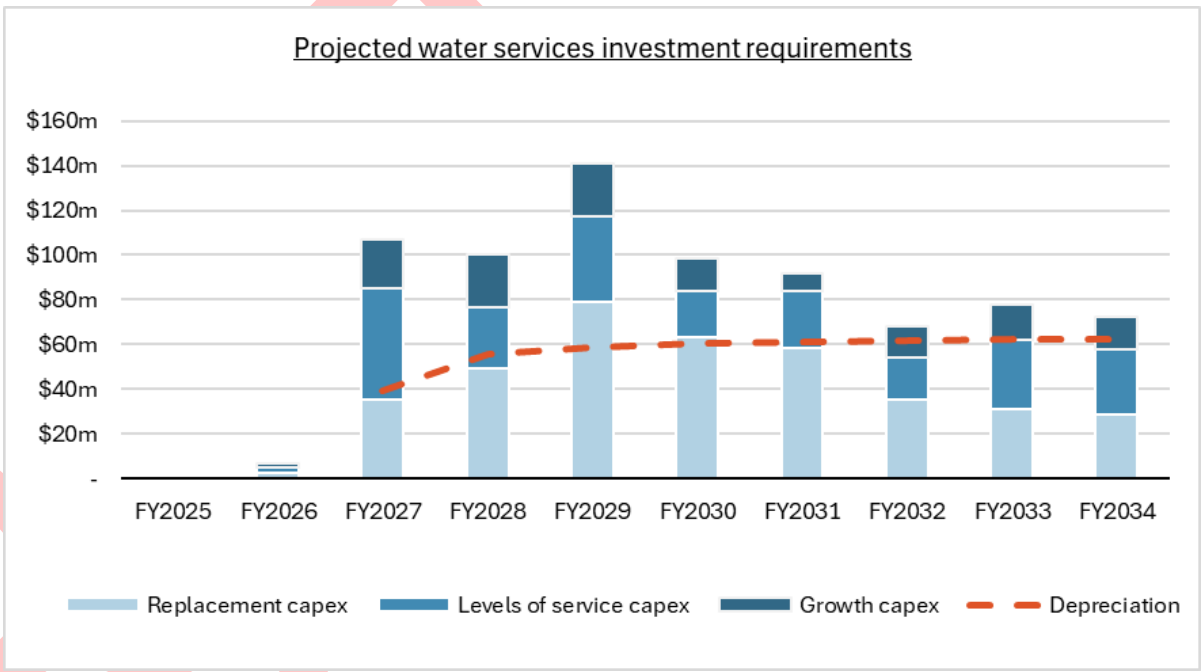
The table below shows strong operating cash surpluses throughout the forecast period, sufficient to meet renewals investment requirements and debt repayments (although the loan arrangements are yet to be discussed with LGFA)

Operating cash ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenues			\$28,638	\$60,563	\$72,603	\$78,968	\$75,567	\$81,486	\$87,587	\$91,899
Operating revenue – combined water services			\$89,217	\$140,489	\$152,672	\$161,833	\$168,306	\$175,038	\$182,040	\$189,322
Operating cash ratio			32.1%	43.1%	47.6%	48.8%	44.9%	46.6%	48.1%	48.5%

Financially sustainable assessment - investment sufficiency

Assessment of investment sufficiency

Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth



Renewals requirements for water services

Waitomo District Council

Asset sustainability ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Capital expenditure on renewals – all drinking water and wastewater assets (\$000)	1,215	1,700								
Depreciation – all drinking water and wastewater assets (\$000)	2,042	2,187								
Asset sustainability ratio	(40.5%)	(22.3%)								

**Waikato Water**

The Asset Sustainability Ratio fluctuates throughout the forecast period. In the latter years it is significantly negative. This is a product of how depreciation on new infrastructure has been modelled. In practice, it is likely expenditure on renewals would increase beyond that forecast. The operating cash surplus noted earlier would allow this to occur.

Asset sustainability ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Capital expenditure on renewals – all drinking water and wastewater assets (\$000)			\$35,492	\$49,130	\$78,820	\$63,267	\$58,266	\$35,401	\$30,938	\$28,661
Depreciation – all drinking water and wastewater assets (\$000)			\$39,021	\$55,998	\$58,961	\$60,337	\$61,438	\$61,674	\$62,250	\$62,604
Asset sustainability ratio			(9.0%)	(12.3%)	33.7%	4.9%	(5.2%)	(42.6%)	(50.3%)	(54.2%)

**Total water services investment required over 10 years****Waitomo District Council**

Asset investment ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Total capital expenditure – all drinking water and wastewater assets (\$000)	1,892	9,050								
Depreciation – all drinking water and wastewater assets (\$000)	2,042	2,187								
Asset investment ratio	(7.3%)	313.8%								

**Waikato Water**

Total capital expenditure reflects councils' best estimates of the infrastructure spend required to meet anticipated regulatory requirements, as reflected in their latest Long Term Plans (subject to adjustment for additional information that has come to hand since the Long-Term Plan was adopted). It also adjusts these projections to reflect the assumed efficiencies to be achieved through a catchment-based approach to consenting, and scale of operation.

It reflects a long-term infrastructure strategy that ensures compliance with all regulations, meets the demands of expected population growth, and does not diminish levels of service from that which councils expected to deliver. That is, communities are no worse off.

Asset investment ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Total capital expenditure – all drinking water and wastewater assets (\$000)			\$107,019	\$100,542	\$140,662	\$98,269	\$91,802	\$68,178	\$78,125	\$72,374
Depreciation – all drinking water and wastewater assets (\$000)			\$39,021	\$55,998	\$58,961	\$60,337	\$61,438	\$61,674	\$62,250	\$62,604
Asset investment ratio			174.3%	79.5%	138.6%	62.9%	49.4%	10.5%	25.5%	15.6%

## Average remaining useful life of network assets

## Waitomo District Council

Asset consumption ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Book value of drinking water and wastewater infrastructure assets (\$000)	67,180	74,043								
Replacement value of drinking water and wastewater infrastructure assets (\$000)	107,727	116,777								
Asset consumption ratio	62.4%	63.4%								

## Waikato Water

Asset consumption ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Book value of drinking water and wastewater infrastructure assets (\$B)			\$1,579	\$1,675	\$1,808	\$1,898	\$1,976	\$2,030	\$2,091	\$2,145
Replacement value of drinking water and wastewater infrastructure assets (\$B)			\$2,122	\$2,274	\$2,466	\$2,616	\$2,756	\$2,872	\$2,995	\$3,111
Asset consumption ratio			74%	74%	73%	73%	72%	71%	70%	69%



Financially sustainable assessment - financing sufficiency

Assessment of financing sufficiency																																																																																																																										
Confirmation that sufficient funding and financing can be secured to deliver water services																																																																																																																										
/																																																																																																																										
Projected <u>council</u> borrowings against borrowing limits	Projected <u>water services</u> borrowings against borrowing limits																																																																																																																									
<div><p>Projected council net debt to operating revenue</p><table><caption>Projected council net debt to operating revenue</caption><tr><th>Fiscal Year</th><th>Net debt (\$m)</th><th>Total operating revenue (\$m)</th><th>Net debt to operating revenue (%)</th><th>Borrowing limit (%)</th></tr><tr><td>24/25</td><td>40</td><td>110</td><td>110</td><td>170</td></tr><tr><td>25/26</td><td>42</td><td>112</td><td>108</td><td>170</td></tr><tr><td>26/27</td><td>45</td><td>115</td><td>105</td><td>170</td></tr><tr><td>27/28</td><td>45</td><td>118</td><td>102</td><td>170</td></tr><tr><td>28/29</td><td>45</td><td>120</td><td>100</td><td>170</td></tr><tr><td>29/30</td><td>45</td><td>122</td><td>98</td><td>170</td></tr><tr><td>30/31</td><td>40</td><td>125</td><td>96</td><td>170</td></tr><tr><td>31/32</td><td>38</td><td>128</td><td>94</td><td>170</td></tr><tr><td>32/33</td><td>35</td><td>130</td><td>92</td><td>170</td></tr><tr><td>33/34</td><td>30</td><td>132</td><td>90</td><td>170</td></tr></table></div>	Fiscal Year	Net debt (\$m)	Total operating revenue (\$m)	Net debt to operating revenue (%)	Borrowing limit (%)	24/25	40	110	110	170	25/26	42	112	108	170	26/27	45	115	105	170	27/28	45	118	102	170	28/29	45	120	100	170	29/30	45	122	98	170	30/31	40	125	96	170	31/32	38	128	94	170	32/33	35	130	92	170	33/34	30	132	90	170	<div><p>The commentary in this section reflects a debt profile for the company that leverages debt capacity but allows the company to operate within covenants indicated by LGFA. The financial position is expected to improve further beyond the forecast period</p><p>Beyond that, the price path shown is deliberately low to show what a sustainable financial position could look like. The Company may of course choose to implement a different pricing strategy that sees slightly higher increases in water charges year-on-year to improve the debt profile more quickly or allow for needed investment to be brought forward.</p><p>Ultimately, the expectation would be that the company’s debt profile allows it to obtain a stand-alone credit rating.</p><div><p>Projected water services net debt to operating revenue</p><table><caption>Projected water services net debt to operating revenue</caption><tr><th>Fiscal Year</th><th>Net debt (\$m)</th><th>Debt headroom to limit (\$m)</th><th>Total operating revenue (\$m)</th><th>Net debt to operating revenue (%)</th><th>Borrowing limit (%)</th></tr><tr><td>FY2025</td><td>280</td><td>0</td><td>100</td><td>450</td><td>500</td></tr><tr><td>FY2026</td><td>600</td><td>0</td><td>120</td><td>480</td><td>500</td></tr><tr><td>FY2027</td><td>700</td><td>0</td><td>140</td><td>500</td><td>500</td></tr><tr><td>FY2028</td><td>750</td><td>0</td><td>150</td><td>500</td><td>500</td></tr><tr><td>FY2029</td><td>780</td><td>0</td><td>160</td><td>490</td><td>500</td></tr><tr><td>FY2030</td><td>800</td><td>0</td><td>170</td><td>470</td><td>500</td></tr><tr><td>FY2031</td><td>820</td><td>0</td><td>180</td><td>450</td><td>500</td></tr><tr><td>FY2032</td><td>850</td><td>0</td><td>190</td><td>440</td><td>500</td></tr><tr><td>FY2033</td><td>880</td><td>0</td><td>200</td><td>440</td><td>500</td></tr><tr><td>FY2034</td><td>900</td><td>0</td><td>210</td><td>430</td><td>500</td></tr></table></div></div>	Fiscal Year	Net debt (\$m)	Debt headroom to limit (\$m)	Total operating revenue (\$m)	Net debt to operating revenue (%)	Borrowing limit (%)	FY2025	280	0	100	450	500	FY2026	600	0	120	480	500	FY2027	700	0	140	500	500	FY2028	750	0	150	500	500	FY2029	780	0	160	490	500	FY2030	800	0	170	470	500	FY2031	820	0	180	450	500	FY2032	850	0	190	440	500	FY2033	880	0	200	440	500	FY2034	900	0	210	430	500
Fiscal Year	Net debt (\$m)	Total operating revenue (\$m)	Net debt to operating revenue (%)	Borrowing limit (%)																																																																																																																						
24/25	40	110	110	170																																																																																																																						
25/26	42	112	108	170																																																																																																																						
26/27	45	115	105	170																																																																																																																						
27/28	45	118	102	170																																																																																																																						
28/29	45	120	100	170																																																																																																																						
29/30	45	122	98	170																																																																																																																						
30/31	40	125	96	170																																																																																																																						
31/32	38	128	94	170																																																																																																																						
32/33	35	130	92	170																																																																																																																						
33/34	30	132	90	170																																																																																																																						
Fiscal Year	Net debt (\$m)	Debt headroom to limit (\$m)	Total operating revenue (\$m)	Net debt to operating revenue (%)	Borrowing limit (%)																																																																																																																					
FY2025	280	0	100	450	500																																																																																																																					
FY2026	600	0	120	480	500																																																																																																																					
FY2027	700	0	140	500	500																																																																																																																					
FY2028	750	0	150	500	500																																																																																																																					
FY2029	780	0	160	490	500																																																																																																																					
FY2030	800	0	170	470	500																																																																																																																					
FY2031	820	0	180	450	500																																																																																																																					
FY2032	850	0	190	440	500																																																																																																																					
FY2033	880	0	200	440	500																																																																																																																					
FY2034	900	0	210	430	500																																																																																																																					

**Projected borrowings for water services****Waitomo District Council**

Net debt to operating revenue	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Net debt attributed to drinking water and wastewater services (gross debt less cash) (\$000's)	39,326	47,883								
Operating revenue – combined drinking water and wastewater services (\$000's)	7,223	7,900								
<b>Net debt to operating revenue %</b>	<b>544%</b>	<b>606%</b>								

**Waikato Water**

The net debt to operating revenue reflects the assumed position that the CCO will leverage its increased debt capacity to minimise but steadily increase water charges. As noted earlier, in the first few years as councils transfer their water activity, greater increases in water charges are needed to remain within the debt to revenue 'guideline' of 500% and achieve the required FFO debt covenants required by LGFA. However, in the medium to long term this can be achieved in a sustained manner with modest (4%) revenue increases. Net debt stabilises in the later years and the ratio begins to decline.

Net debt to operating revenue	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Net debt attributed to drinking water and wastewater services (gross debt less cash) (\$m)				665	748	781	811	813	819	815
Operating revenue – combined drinking water and wastewater services (\$m)				140	153	162	168	175	182	189
<b>Net debt to operating revenue %</b>				<b>473%</b>	<b>490%</b>	<b>483%</b>	<b>482%</b>	<b>464%</b>	<b>450%</b>	<b>431%</b>

**Borrowing headroom/(shortfall) for water services****Waitomo District Council**

LGFA requires whole of council debt to revenue to be 175% or less. Council's borrowing limits within the Financial Strategy are set at 165% for whole of council debt. There is no separate borrowing limit set for water or wastewater activities. While water and wastewater debt to revenue exceeds both these limits during the 10 years, whole of council debt remains well within the borrowing limits.

Borrowing headroom/(shortfall) against limit	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating revenue (\$000's)	7,223	7,900								
Debt to revenue limit for all of council debt (%)	165%	165%								
<b>Maximum allowable net debt at borrowing limit (\$000's)</b>	<b>11,918</b>	<b>13,035</b>								
Projected net debt attributed to drinking water and wastewater services (\$000's)	39,326	47,883								
<b>Borrowing headroom/(shortfall) against limit (\$000's)</b>	<b>(27,408)</b>	<b>(34,848)</b>								

**Waikato Water**

For the purpose of forecasting we have modelled a price path that minimises revenue increases but retains debt to revenue at 490% or less. This has been done to provide a buffer (albeit relatively small) to allow the company to respond to unforeseen events.

Borrowing headroom/(shortfall) against limit	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating revenue (\$m)				140	153	162	168	175	182	189
Debt to revenue limit for water services (%)				500%	500%	500%	500%	500%	500%	500%
<b>Maximum allowable net debt at borrowing limit (\$m)</b>				<b>702</b>	<b>763</b>	<b>809</b>	<b>842</b>	<b>875</b>	<b>910</b>	<b>947</b>
Projected net debt attributed to drinking water and wastewater services (\$m)				665	748	781	811	813	819	815
<b>Borrowing headroom/(shortfall) against limit (\$000)</b>				<b>38</b>	<b>15</b>	<b>28</b>	<b>30</b>	<b>62</b>	<b>91</b>	<b>131</b>

**Free funds from operations****Waitomo District Council**

Free funds from operations	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projected net debt attributed to drinking water and Wastewater services (\$000's)	39,326	47,883								
Projected free funds from operations – drinking water and wastewater services (\$000's)	550	493								
<b>Free funds from operations to net debt ratio</b>	<b>1.4%</b>	<b>1.0%</b>								

**Waikato Water**

The Free Funds from Operations to Net Debt Ratio shows an improving position throughout the period. The table below incorporates recognition of 75% of development contributions as operating income for the purpose of the calculation. This is in line with LGFA guidelines communicated in April 2025. The ratio reaches 8%, being the LGFA-stated target. We have discussed the debt profile with LGFA how have verbally confirmed comfort with the projections.

Free funds from operations	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projected net debt attributed to drinking water and Wastewater services (\$m)			607	665	748	781	811	813	819	815
Projected free funds from operations – drinking water and wastewater services (\$m)			13	32	42	43	38	43	49	52
<b>Free funds from operations to net debt ratio</b>			<b>2.1%</b>	<b>4.8%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>4.7%</b>	<b>5.3%</b>	<b>6.0%</b>	<b>6.4%</b>
75% of Development Contributions (\$m)			4	8	11	16	18	18	17	18
<b>Adjusted Free Funds from operations to net debt ratio</b>			<b>2.9%<sup>9</sup></b>	<b>6.0%</b>	<b>7.2%</b>	<b>7.6%</b>	<b>6.9%</b>	<b>7.5%</b>	<b>8.1%</b>	<b>8.6%</b>

<sup>9</sup> FY26/27 does not include annualised revenue as council's transfer their business into the company.

## Part D: Financial sustainability assessment – Stormwater

### Confirmation of financially sustainable delivery of water services

Financially sustainable water services provision	
Confirmation of financially sustainable delivery of water services by 30 June 2028	
Actions required to achieve financially sustainable delivery of water services	
<p>The financial forecasts project an average rates revenue increase of 11.6% for stormwater services. The activity is forecasting net surpluses over the life of the plan. In the first two years of the plan, the surplus is due to Better Off funding revenue recognised to part fund capital improvement expenditure. In 2024/25 and 2025/26 depreciation expense is not fully funded however this shortfall is made good in the later years of the plan. In 2025/26 some project management costs associated with the Te Kuiti stormwater improvements project are loan funded these costs are integral to the asset improvements that will benefit over the life of the asset.</p> <p>Council stormwater services activity is financially sustainable as there is sufficient revenue to cover costs and service debt and the projected investment is sufficient to meet levels of service and regulatory requirements. Council has appropriate funding and financial arrangements to fund the capital expenditure programme forecast in the Long Term Plan and revised 2025/26 Annual Plan forecasts with additional headroom for unplanned future events or investment.</p> <p>The financial forecasts and evidence of financial sustainability are detailed in the remaining sections of Part D.</p>	
Risks and constraints to achieving financially sustainable delivery of water services	

## Financially sustainable assessment - revenue sufficiency - stormwater

### Assessment of revenue sufficiency

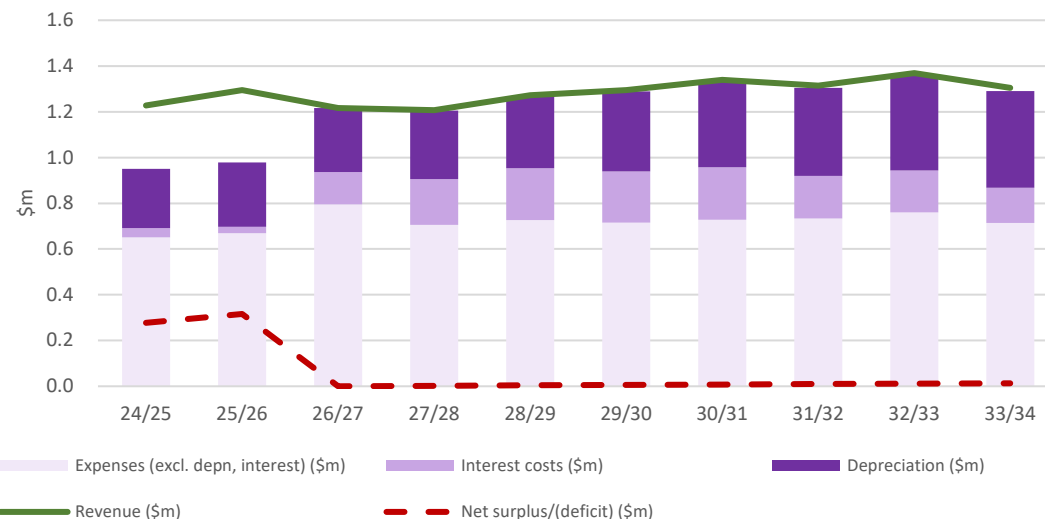
#### Projected water services revenues cover the projected costs of delivering stormwater

Projected revenues are sufficient to cover costs including interest expense. In 2024/25 and 2025/26 revenue exceeds expenditure due to Better off funding recognised to part fund the Te Kuiti stormwater improvements expenditure.

The surplus in the first two years of the plan is due to the Better off funding recognised to part fund capital expenditure, partly offset by not fully rate-funded depreciation in the first two years of the plan and loan funded operational project management costs that are not able to be capitalised but are an integral part of the Te Kuiti stormwater improvements project. From 2026/27 onwards stormwater depreciation is fully funded and the shortfall in rate funded depreciation is made good in the later years of the plan.

The increase in expenditure from 2026/27 is largely for increased compliance costs, interest expenditure and depreciation expense.

Projected Stormwater services revenue and expenses



#### Average projected charges for stormwater over FY2024/25 to FY2033/34

Median household charges have been calculated using Waitomo's household median income data from Stats NZ 2018 data inflated by approximately 3% each year. The average charge per connection (separately used part of a rating unit) has been calculated by taking the total rates requirement divided by the number of connections (separately used parts of a rating unit).

Projected average charge per connection / SUIP (including GST)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Stormwater	433	434	569	562	591	600	618	605	628	597
Average charge per connection / SUIP	433	434	569	562	591	600	618	605	628	597
Increase in average charge	79.5%	0.2%	31.2%	-1.1%	5.1%	1.5%	3.1%	-2.2%	3.9%	-5.0%

Stormwater services charges as % of median household income	0.7%	0.7%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%
---	------	------	------	------	------	------	------	------	------	------

### Projected operating surpluses/(deficits) for stormwater

Deficits are forecast in the first two years of the plan are due to not fully funding depreciation and project management costs in 2025/26 are also forecast to be loan funded for the Te Kuiti stormwater project. These costs are not able to be capitalised however are an integral part of the project that will provide benefits over the life of the asset.. This shortfall in asset replacement funding is forecast to be made good with additional rate-funding forecast in the later years of the plan.

Council's depreciation policy for stormwater, is to defer rate-funding depreciation on stormwater assets. Council has primarily considered this from an affordability perspective for the current ratepayers and considers this fair and equitable since the current ratepayers are carrying the debt servicing costs. Council does not intend to build up surplus depreciation reserves in the initial years as some assets are brand new with relatively long lives and low risk of failure. Stormwater depreciation is fully funded from 2026/27 onwards and future surpluses represent additional rate-funding forecast to make good the shortfall in depreciation funding in the early years.

Operating surplus ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) excluding capital revenues – stormwater (\$000)	(32)	(54)	0	2	4	6	8	10	11	13
Operating revenue – stormwater (\$000)	918	925	1,217	1,207	1,272	1,295	1,339	1,314	1,369	1,304
Operating surplus ratio	(3.5%)	(5.8%)	0.0%	0.2%	0.3%	0.5%	0.6%	0.8%	0.8%	1.0%

### Projected operating cash surpluses for stormwater

The below table shows Council has an 'operating cash ratio' that is in surplus across all years. The cash surpluses generated will be transferred to a reserve and applied to funding of renewals and loan repayments in each year.

Operating cash ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenues	267	256	422	502	545	579	611	580	609	590
Operating revenue – stormwater	918	925	1,217	1,207	1,272	1,295	1,339	1,314	1,369	1,304
Operating cash ratio	29.1%	27.7%	34.7%	41.6%	42.8%	44.7%	45.6%	44.1%	44.5%	45.2%

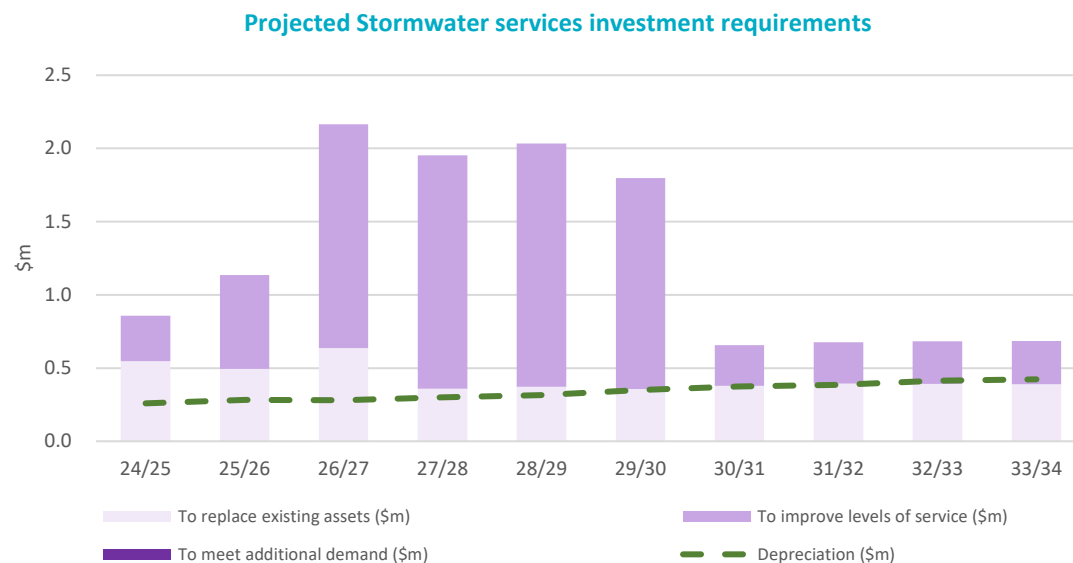
## Financially sustainable assessment - investment sufficiency

### Assessment of investment sufficiency

#### Projected stormwater investment is sufficient to meet levels of service, regulatory requirements and provide for growth

Waitomo District Council's asset management plan, that supports the LTP, includes all known expenditure requirements to meet the activities obligations in regards to service levels and asset renewal renewals. No significant growth is forecast.

Council will have sufficient headroom to finance the required investments. The investment sufficiency test has been met by Council.



#### Renewals requirements for stormwater

The total renewal expenditure forecast over the ten years is \$4.3 million, compared to forecast total depreciation expense of \$3.3 million. The timing of the renewal programme means the first five years of the plan forecast spend significantly exceeds forecast depreciation and this additional spend covers the shortfall in 2032/33 and 2033/34.

Asset sustainability ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Capital expenditure on renewals – all stormwater assets (\$000)	548	495	637	360	372	356	378	393	392	389
Depreciation – stormwater assets (\$000)	259	282	281	300	315	350	374	385	414	423
Asset sustainability ratio	111.6%	75.5%	126.7%	20.0%	18.1%	1.7%	1.1%	2.1%	(5.3%)	(8.0%)

**Total stormwater investment required over 10 years**

Investment levels have been set to maintain current levels and to ensure compliance with current and future consents. This is consistent with Council's plans.

Asset investment ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Total capital expenditure – stormwater assets (\$000)	858	1,136	2,164	1,953	2,033	1,797	656	677	682	685
Depreciation – stormwater assets (\$000)	259	282	281	300	315	350	374	385	414	423
Asset investment ratio	231.3%	302.8%	670.1%	551.0%	545.4%	413.4%	75.4%	75.8%	64.7%	61.9%

**Average remaining useful life of network assets**

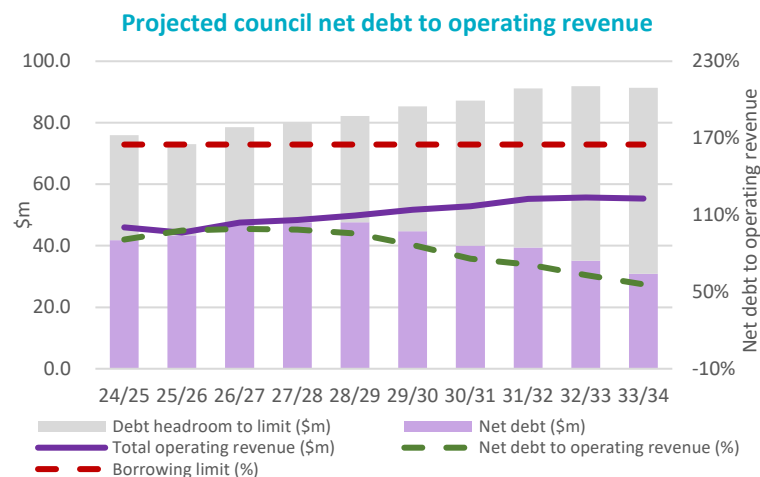
Council's ratio increases over time so this shows that future consumers will not be burdened. The significant investment in the Te Kuiti stormwater improvements project in the early years contributes to the improvement in this ratio over the life of the plan.

Asset consumption ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Book value of stormwater assets (\$000)	14,315	15,169	17,052	20,694	22,412	23,859	25,334	25,626	25,894	27,294
Replacement value of stormwater assets (\$000)	25,446	26,582	28,746	32,688	34,721	36,518	38,367	39,044	39,726	41,549
Asset consumption ratio	56.3%	57.1%	59.3%	63.3%	64.5%	65.3%	66.0%	65.6%	65.2%	65.7%

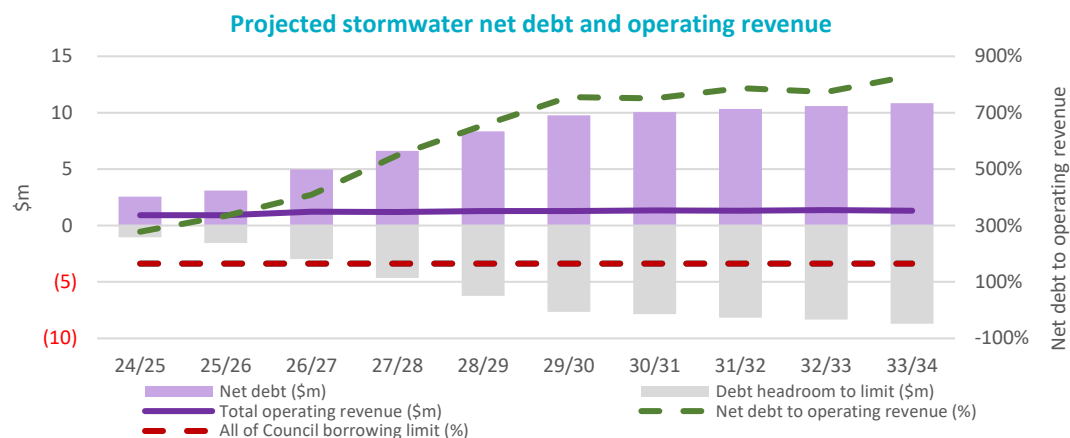
**Financially sustainable assessment - financing sufficiency - stormwater****Assessment of financing sufficiency**

Confirmation that sufficient funding and financing can be secured to deliver stormwater services



**Projected council borrowings against borrowing limits****Projected stormwater borrowings against borrowing limits**

The chart below shows that net debt for the stormwater activity increases to \$10.8 million in 2034. No specific borrowing limit for stormwater has been set. LGFA only requires a whole of council debt to revenue to be under 175%, Council has further reduced this limit to 165% in its Treasury Policy. While the stormwater debt to revenue exceeds LGFA requirements over the life of the plan, whole of council debt is well within the LGFA and Council policy limits.

**Projected borrowings for stormwater**

The increase in debt relates to the timing of the improvement and renewal programme, with a significant investment in stormwater improvements in the early years of the plan. Debt increases over the life of the plan to fund the investment in stormwater improvements and, in the later years of the plan, loan funding is also used to part fund the renewal programme as rate funded depreciation is utilised to fund loan repayment.

LGFA only requires a whole of council debt to revenue to be under 175%, Council has further reduced this limit to 165% in its Treasury Policy. While the stormwater debt to revenue exceeds LGFA requirements over the life of the plan, whole of council debt is well within the LGFA and Council policy limits.

Net debt to operating revenue	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Net debt attributed to stormwater (gross debt less cash) (\$'000's)	2,553	3,091	4,974	6,625	8,339	9,780	10,054	10,336	10,593	10,842
Operating revenue – stormwater (\$'000's)	918	925	1,217	1,207	1,272	1,295	1,339	1,314	1,369	1,304
Net debt to operating revenue %	278%	334%	409%	549%	656%	755%	751%	787%	774%	831%

**Borrowing headroom/(shortfall) for stormwater**

LGFA requires whole of council debt to revenue to be 175% or less. Council's borrowing limits within the Financial Strategy are set at 165% for whole of council debt. While stormwater debt to revenue exceeds both these limits during the 10 years, whole of council debt remains well within the borrowing limits.

The increase in debt relates to the timing of the improvement and renewal programme, with a significant investment in stormwater improvements in the early years of the plan.

Borrowing headroom/(shortfall) against limit	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating revenue (\$000's)	918	925	1,217	1,207	1,272	1,295	1,339	1,314	1,369	1,304
Debt to revenue limit for whole of council (%)	165%	165%	165%	165%	165%	165%	165%	165%	165%	165%
Maximum allowable net debt at borrowing limit (\$000's)	1,515	1,526	2,008	1,992	2,099	2,137	2,209	2,168	2,259	2,152
Projected net debt attributed to stormwater (\$000's)	2,553	3,091	4,974	6,625	8,339	9,780	10,054	10,336	10,593	10,842
Borrowing headroom/(shortfall) against limit (\$000's)	(1,038)	(1,565)	(2,966)	(4,633)	(6,240)	(7,643)	(7,845)	(8,168)	(8,334)	(8,690)

**Free funds from operations**

The positive FFO to net debt ratio indicates that the operating cashflow for stormwater is sufficient to cover the net debt over the plan.

Free funds from operations	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projected net debt attributed to stormwater(\$000's)	2,553	3,091	4,974	6,625	8,339	9,780	10,054	10,336	10,593	10,842
Projected free funds from operations – stormwater (\$000's)	227	228	281	302	319	356	382	395	425	436
Free funds from operations to net debt ratio	8.9%	7.4%	5.6%	4.6%	3.8%	3.6%	3.8%	3.8%	4.0%	4.0%

## Part E: Projected financial statements for water services

### Projected financial statements – for drinking water, wastewater

#### Projected funding impact statement

#### Funding Impact Statement Drinking Water

Projected funding impact statement – drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Sources of operating funding</b>										
General rates	0	0								
Targeted rates	3,714	4,021								
Subsidies and grants for operating purposes	0	0								
Local authorities fuel tax, fines, infringement fees and other	0	0								
Fees and charges	0	0								
<b>Total sources of operating funding for drinking water (\$000)</b>	<b>3,714</b>	<b>4,021</b>								
<b>Applications of operating funding</b>										
Payments to staff and suppliers	2,199	2,459								
Finance costs	377	326								
Internal charges and overheads applied	667	616								
Other operating funding applications	0	0								
<b>Total applications of operating funding</b>	<b>3,243</b>	<b>3,401</b>								
<b>Surplus/(deficit) of operating funding</b>	<b>471</b>	<b>620</b>								
<b>Source of capital funding</b>										
Subsidies and grants for capital expenditure	0	0								
Development and financial contributions	0	0								
Increase/(decrease) in debt	938	7,911								
Gross proceeds from sales of assets	0	0								
Other dedicated capital funding	0	0								
<b>Total sources of capital funding</b>	<b>938</b>	<b>7,911</b>								
<b>Applications of capital funding</b>										

Capital expenditure - to meet additional demand	0	0								
Capital expenditure - to improve levels of services	602	7,335								
Capital expenditure - to replace existing assets	797	991								
Increase/(decrease) in reserves	10	205								
Increase/(decrease) in investments	0	0								
<b>Total applications of capital funding</b>	<b>1,409</b>	<b>8,531</b>								
<b>Surplus/(deficit) of capital funding</b>	<b>(471)</b>	<b>(620)</b>								
<b>Funding balance</b>	<b>0</b>	<b>0</b>								

### Funding Impact Statement Drinking Water – Waikato Water

Projected funding impact statement – drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Sources of operating funding</b>										
General rates			0	0	0	0	0	0	0	0
Targeted rates			0	0	0	0	0	0	0	0
Fees and Other Revenue Sources			42,531	71,606	77,816	82,484	85,784	89,215	92,784	96,495
<b>Total sources of operating funding for drinking water (\$000)</b>			<b>42,531</b>	<b>71,606</b>	<b>77,816</b>	<b>82,484</b>	<b>85,784</b>	<b>89,215</b>	<b>92,784</b>	<b>96,495</b>
<b>Applications of operating funding</b>										
Payments to staff and suppliers			17,962	28,329	28,151	29,697	28,440	28,906	29,112	29,732
Finance costs			6,446	11,560	12,597	14,716	15,719	16,682	16,900	18,271
Internal charges and overheads applied			5,179	9,692	9,855	10,045	9,934	10,002	10,174	10,679
Other operating funding applications			3,151	3,581	3,581	3,581	3,582	3,581	3,581	3,582
<b>Total applications of operating funding</b>			<b>32,737</b>	<b>53,161</b>	<b>54,185</b>	<b>58,039</b>	<b>57,675</b>	<b>59,172</b>	<b>59,168</b>	<b>62,265</b>
<b>Surplus/(deficit) of operating funding</b>			<b>9,793</b>	<b>18,444</b>	<b>23,631</b>	<b>24,445</b>	<b>28,109</b>	<b>30,043</b>	<b>33,016</b>	<b>34,231</b>
<b>Source of capital funding</b>										
Subsidies and grants for capital expenditure			0	0	0	0	0	0	0	0
Development and financial contributions			1,831	3,523	4,763	7,038	7,678	7,425	7,279	7,684
Increase/(decrease) in debt			30,709	34,213	30,583	17,836	25,353	7,667	15,828	(2,902)
Gross proceeds from sales of assets			0	0	0	0	0	0	0	0

Other dedicated capital funding			0	0	0	0	0	0	0	0
<b>Total sources of capital funding</b>			<b>32,540</b>	<b>37,736</b>	<b>35,346</b>	<b>24,875</b>	<b>33,032</b>	<b>15,092</b>	<b>23,107</b>	<b>4,783</b>
<b>Applications of capital funding</b>										
Capital expenditure - to meet additional demand			13,612	9,347	8,047	9,909	7,570	3,368	3,659	1,543
Capital expenditure - to improve levels of services			13,195	25,991	27,882	11,002	14,384	8,800	14,417	9,773
Capital expenditure - to replace existing assets			15,526	20,843	23,047	28,409	39,187	32,878	38,047	27,697
Increase/(decrease) in reserves			0	0	0	0	0	0	0	0
Increase/(decrease) in investments			0	0	0	0	0	0	0	0
<b>Total applications of capital funding</b>			<b>42,334</b>	<b>56,181</b>	<b>58,977</b>	<b>49,320</b>	<b>61,140</b>	<b>45,135</b>	<b>56,123</b>	<b>39,013</b>
<b>Surplus/(deficit) of capital funding</b>			<b>(9,793)</b>	<b>(18,444)</b>	<b>(23,631)</b>	<b>(24,445)</b>	<b>(28,109)</b>	<b>(30,043)</b>	<b>(33,016)</b>	<b>(34,231)</b>
<b>Funding balance</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Funding Impact Statement Wastewater

Projected funding impact statement – wastewater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Sources of operating funding</b>										
General rates	0	0								
Targeted rates	2,713	3,041								
Subsidies and grants for operating purposes	0	0								
Local authorities fuel tax, fines, infringement fees and other	0	0								
Fees and charges	796	838								
<b>Total sources of operating funding for wastewater (\$000)</b>	<b>3,509</b>	<b>3,879</b>								
<b>Applications of operating funding</b>										
Payments to staff and suppliers	2,625	3,225								
Finance costs	217	239								
Internal charges and overheads applied	588	542								
Other operating funding applications	0	0								
<b>Total applications of operating funding</b>	<b>3,430</b>	<b>4,006</b>								
<b>Surplus/(deficit) of operating funding</b>	<b>79</b>	<b>(127)</b>								

<b>Source of capital funding</b>										
Subsidies and grants for capital expenditure	0	0								
Development and financial contributions	0	0								
Increase/(decrease) in debt	(133)	(224)								
Gross proceeds from sales of assets	0	0								
Other dedicated capital funding	0	0								
<b>Total sources of capital funding</b>	<b>(133)</b>	<b>(224)</b>								
<b>Applications of capital funding</b>										
Capital expenditure - to meet additional demand	0	0								
Capital expenditure - to improve levels of services	75	15								
Capital expenditure - to replace existing assets	418	709								
Increase/(decrease) in reserves	(547)	(1,075)								
Increase/(decrease) in investments	0	0								
<b>Total applications of capital funding</b>	<b>(54)</b>	<b>(351)</b>								
<b>Surplus/(deficit) of capital funding</b>	<b>(79)</b>	<b>127</b>								
<b>Funding balance</b>	<b>0</b>	<b>0</b>								

### Funding Impact Statement Wastewater - Waikato Water

Projected funding impact statement – wastewater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Sources of operating funding</b>										
General rates			0	0	0	0	0	0	0	0
Targeted rates			0	0	0	0	0	0	0	0
Subsidies and grants for operating purposes			0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other			0	0	0	0	0	0	0	0
Fees and charges			46,686	68,883	74,857	79,348	82,522	85,823	89,256	92,826
<b>Total sources of operating funding for wastewater (\$000)</b>			<b>46,686</b>	<b>68,883</b>	<b>74,857</b>	<b>79,348</b>	<b>82,522</b>	<b>85,823</b>	<b>89,256</b>	<b>92,826</b>
<b>Applications of operating funding</b>										

Payments to staff and suppliers			25,812	27,528	27,608	28,500	39,578	39,882	40,327	41,803
Finance costs			9,162	17,345	17,660	21,099	22,044	21,927	21,456	21,745
Internal charges and overheads applied			6,378	8,427	8,505	8,672	8,835	8,812	8,889	9,257
Other operating funding applications			2,097	2,369	2,369	2,370	2,370	2,370	2,370	2,370
<b>Total applications of operating funding</b>			<b>43,449</b>	<b>55,670</b>	<b>56,141</b>	<b>60,641</b>	<b>72,828</b>	<b>72,990</b>	<b>73,042</b>	<b>75,174</b>
<b>Surplus/(deficit) of operating funding</b>			<b>3,237</b>	<b>13,214</b>	<b>18,716</b>	<b>18,707</b>	<b>9,694</b>	<b>12,833</b>	<b>16,214</b>	<b>17,652</b>
<b>Source of capital funding</b>										
Subsidies and grants for capital expenditure			0	0	0	0	0	0	0	0
Development and financial contributions			3,962	7,110	10,289	14,888	16,255	16,196	15,415	16,705
Increase/(decrease) in debt			57,486	24,038	52,681	15,353	4,713	(5,986)	(9,627)	(996)
Gross proceeds from sales of assets			0	0	0	0	0	0	0	0
Other dedicated capital funding			0	0	0	0	0	0	0	0
<b>Total sources of capital funding</b>			<b>61,449</b>	<b>31,148</b>	<b>62,970</b>	<b>30,241</b>	<b>20,967</b>	<b>10,210</b>	<b>5,788</b>	<b>15,709</b>
<b>Applications of capital funding</b>										
Capital expenditure - to meet additional demand			13,525	15,305	20,977	13,514	7,818	6,582	3,038	12,857
Capital expenditure - to improve levels of services			38,194	13,939	37,027	15,711	10,508	5,365	7,378	10,250
Capital expenditure - to replace existing assets			12,967	15,117	23,682	19,724	12,336	11,096	11,586	10,254
Increase/(decrease) in reserves			0	0	0	0	0	0	0	0
Increase/(decrease) in investments			0	0	0	0	0	0	0	0
<b>Total applications of capital funding</b>			<b>64,686</b>	<b>44,361</b>	<b>81,686</b>	<b>48,948</b>	<b>30,662</b>	<b>23,043</b>	<b>22,002</b>	<b>33,361</b>
<b>Surplus/(deficit) of capital funding</b>			<b>(3,237)</b>	<b>(13,214)</b>	<b>(18,716)</b>	<b>(18,707)</b>	<b>(9,694)</b>	<b>(12,833)</b>	<b>(16,214)</b>	<b>(17,652)</b>
<b>Funding balance</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Projected statement of comprehensive revenue and expense**
**Statement of Comprehensive Revenue and Expense – Drinking Water**

Projected statement of profit and loss – drinking water and wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Revenue</b>										
Operating revenue	3,714	4,021								
Other revenue	0	0								
<b>Total revenue</b>	<b>3,714</b>	<b>4,021</b>								
<b>Expenses</b>										
Operating expenses	2,199	2,459								
Finance costs	377	326								
Overheads and support costs	667	616								
Depreciation & amortisation	954	1,036								
<b>Total expenses</b>	<b>4,197</b>	<b>4,437</b>								
<b>Net surplus/(deficit)</b>	<b>(483)</b>	<b>(416)</b>								
Revaluation of infrastructure assets	2,153	0								
<b>Total comprehensive income</b>	<b>1,670</b>	<b>(416)</b>								
<b>Cash surplus/(deficit) from operations (ex non-cash items)</b>	<b>471</b>	<b>620</b>								

**Statement of Comprehensive Revenue and Expense – Drinking Water – Waikato Water**

Projected statement of profit and loss – drinking water and wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Revenue</b>										
Operating revenue			42,531	71,606	77,816	82,484	85,784	89,215	92,784	96,495
Other revenue			1,831	3,523	4,763	7,038	7,678	7,425	7,279	7,684
<b>Total revenue</b>			<b>44,361</b>	<b>75,129</b>	<b>82,578</b>	<b>89,523</b>	<b>93,462</b>	<b>96,640</b>	<b>100,062</b>	<b>104,180</b>
<b>Expenses</b>										
Operating expenses			21,113	31,910	31,732	33,278	32,022	32,487	32,693	33,314
Finance costs			6,446	11,560	12,597	14,716	15,719	16,682	16,900	18,271



Overheads and support costs			5,179	9,692	9,855	10,045	9,934	10,002	10,174	10,679
Depreciation & amortisation			18,360	26,809	27,935	28,683	29,819	30,355	31,257	31,529
<b>Total expenses</b>			<b>51,098</b>	<b>79,971</b>	<b>82,119</b>	<b>86,723</b>	<b>87,494</b>	<b>89,527</b>	<b>91,025</b>	<b>93,793</b>
<b>Net surplus/(deficit)</b>			<b>(6,735)</b>	<b>(4,842)</b>	<b>459</b>	<b>2,800</b>	<b>5,968</b>	<b>7,113</b>	<b>9,037</b>	<b>10,386</b>
Revaluation of infrastructure assets			23,889	24,869	24,159	24,581	23,344	23,326	22,442	22,050
<b>Total comprehensive income</b>			<b>17,154</b>	<b>20,027</b>	<b>24,618</b>	<b>27,381</b>	<b>29,312</b>	<b>30,439</b>	<b>31,479</b>	<b>32,437</b>
<b>Cash surplus/(deficit) from operations (ex non-cash items)</b>			<b>11,625</b>	<b>21,967</b>	<b>28,394</b>	<b>31,483</b>	<b>35,787</b>	<b>37,468</b>	<b>40,294</b>	<b>41,915</b>

### Statement of Comprehensive Revenue and Expense – Wastewater

Projected statement of profit and loss – wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Revenue</b>										
Operating revenue	3,509	3,879								
Other revenue	0	0								
<b>Total revenue</b>	<b>3,509</b>	<b>3,879</b>								
<b>Expenses</b>										
Operating expenses	2,625	3,225								
Finance costs	217	239								
Overheads and support costs	588	542								
Depreciation & amortisation	1,088	1,151								
<b>Total expenses</b>	<b>4,518</b>	<b>5,157</b>								
<b>Net surplus/(deficit)</b>	<b>(1,009)</b>	<b>(1,278)</b>								
Revaluation of infrastructure assets	2,441	0								
<b>Total comprehensive income</b>	<b>1,432</b>	<b>(1,278)</b>								

Cash surplus/(deficit) from operations (ex non-cash items)

79

(127)

## Statement of Comprehensive Revenue and Expense – Wastewater – Waikato Water

Projected statement of profit and loss wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Revenue</b>										
Operating revenue			46,686	68,883	74,857	79,348	82,522	85,823	89,256	92,826
Other revenue			3,962	7,110	10,289	14,888	16,255	16,196	15,415	16,705
<b>Total revenue</b>			<b>50,649</b>	<b>75,993</b>	<b>85,146</b>	<b>94,237</b>	<b>98,777</b>	<b>102,019</b>	<b>104,671</b>	<b>109,531</b>
<b>Expenses</b>										
Operating expenses			27,910	29,897	29,977	30,869	41,948	42,251	42,697	44,173
Finance costs			9,162	17,345	17,660	21,099	22,044	21,927	21,456	21,745
Overheads and support costs			6,378	8,427	8,505	8,672	8,835	8,812	8,889	9,257
Depreciation & amortisation			20,662	29,189	31,026	31,653	31,619	31,318	30,992	31,075
<b>Total expenses</b>			<b>64,111</b>	<b>84,858</b>	<b>87,167</b>	<b>92,294</b>	<b>104,446</b>	<b>104,309</b>	<b>104,034</b>	<b>106,249</b>
<b>Net surplus/(deficit)</b>			<b>(13,462)</b>	<b>(8,865)</b>	<b>(2,022)</b>	<b>1,942</b>	<b>(5,670)</b>	<b>(2,289)</b>	<b>637</b>	<b>3,282</b>
Revaluation of infrastructure assets			26,551	27,082	26,798	27,108	24,857	24,261	22,575	22,071
<b>Total comprehensive income</b>			<b>13,089</b>	<b>18,217</b>	<b>24,776</b>	<b>29,050</b>	<b>19,188</b>	<b>21,972</b>	<b>23,212</b>	<b>25,353</b>
<b>Cash surplus/(deficit) from operations (ex non-cash items)</b>			<b>7,200</b>	<b>20,324</b>	<b>29,004</b>	<b>33,595</b>	<b>25,949</b>	<b>29,029</b>	<b>31,629</b>	<b>34,357</b>

## Projected statement of cashflows

## Statement of Cashflows – Drinking Water

Projected statement of cashflows – drinking water services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Cashflows from operating activities</b>										
Cash surplus/(deficit) from operations	471	620								
[Other items]										
<b>Net cashflows from operating activities</b>	<b>471</b>	<b>620</b>								

<b>Cashflows from investing activities</b>										
Capital expenditure – infrastructure assets	(1,399)	(8,326)								
[Other items]										
<b>Net cashflows from investing activities</b>	<b>(1,399)</b>	<b>(8,326)</b>								
<b>Cashflows from financing activities</b>										
New borrowings	1,460	8,494								
Repayment of borrowings	(522)	(583)								
<b>Net cashflows from financing activities</b>	<b>938</b>	<b>7,911</b>								
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10</b>	<b>205</b>								
Cash and cash equivalents at beginning of year	(8,262)	(8,252)								
<b>Cash and cash equivalents at end of year</b>	<b>(8,252)</b>	<b>(8,047)</b>								

## Statement of Cashflows – Drinking Water – Waikato Water

Projected statement of cashflows – drinking water services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Cashflows from operating activities</b>										
Cash surplus/(deficit) from operations			11,624	21,967	28,394	31,484	35,787	37,468	40,295	41,915
[Other items]										
<b>Net cashflows from operating activities</b>			<b>11,624</b>	<b>21,967</b>	<b>28,394</b>	<b>31,484</b>	<b>35,787</b>	<b>37,468</b>	<b>40,295</b>	<b>41,915</b>
<b>Cashflows from investing activities</b>										
Capital expenditure – infrastructure assets			(42,334)	(546,181)	(58,977)	(49,320)	(61,140)	(45,135)	(56,123)	(39,013)
[Other items]										
<b>Net cashflows from investing activities</b>			<b>(42,334)</b>	<b>(546,181)</b>	<b>(58,977)</b>	<b>(49,320)</b>	<b>(61,140)</b>	<b>(45,135)</b>	<b>(56,123)</b>	<b>(39,013)</b>
<b>Cashflows from financing activities</b>										
New borrowing			30,709	34,213	30,583	17,836	25,353	7,667	15,828	
Repayment of borrowings										(2,902)

Net cashflows from financing activities			30,709	34,213	30,583	17,836	25,353	7,667	15,828	(2,902)
Net increase/(decrease) in cash and cash equivalents			0	0	0	0	0	0	0	0
Cash and cash equivalents at beginning of year			0	0	0	0	0	0	0	0
Cash and cash equivalents at end of year			0	0	0	0	0	0	0	0

## Statement of Cashflows – Wastewater

Projected statement of cashflows – wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Cashflows from operating activities</b>										
Cash surplus/(deficit) from operations	79	(127)								
[Other items]	0	0								
<b>Net cashflows from operating activities</b>	79	(127)								
<b>Cashflows from investing activities</b>										
Capital expenditure – infrastructure assets	(493)	(724)								
[Other items]										
<b>Net cashflows from investing activities</b>	(493)	(724)								
<b>Cashflows from financing activities</b>										
New borrowings	464	425								
Repayment of borrowings	(597)	(649)								
<b>Net cashflows from financing activities</b>	(133)	(224)								
<b>Net increase/(decrease) in cash and cash equivalents</b>	(547)	(1,075)								
Cash and cash equivalents at beginning of year	(4,365)	(4,912)								
<b>Cash and cash equivalents at end of year</b>	(4,912)	(5,987)								

## Statement of Cashflows – Wastewater – Waikato Water

Projected statement of cashflows – wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Cashflows from operating activities</b>										
Cash surplus/(deficit) from operations			7,199	20,323	29,004	33,596	25,949	29,029	31,629	34,357
[Other items]										
<b>Net cashflows from operating activities</b>			7,199	20,323	29,004	33,596	25,949	29,029	31,629	34,357
<b>Cashflows from investing activities</b>										
Capital expenditure – infrastructure assets			(64,686)	(44,361)	(81,686)	(48,948)	(30,662)	(23,043)	(22,002)	(33,361)
[Other items]										
<b>Net cashflows from investing activities</b>			(64,686)	(44,361)	(81,686)	(48,948)	(30,662)	(23,043)	(22,002)	(33,361)
<b>Cashflows from financing activities</b>										
New borrowings			57,486	24,038	52,681	15,353	4,713			
Repayment of borrowings								(5,986)	(9,627)	(996)
<b>Net cashflows from financing activities</b>			57,486	24,038	52,681	15,353	4,713	(5,986)	(9,627)	(996)
<b>Net increase/(decrease) in cash and cash equivalents</b>			0	0	0	0	0	0	0	0
Cash and cash equivalents at beginning of year			0	0	0	0	0	0	0	0
<b>Cash and cash equivalents at end of year</b>			0	0	0	0	0	0	0	0

### Projected statement of financial position

#### Statement of Financial Position – Drinking Water

Projected statement of financial position drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Assets</b>										
Cash and cash equivalents	(8,252)	(8,047)								
Other current assets	0	0								
Infrastructure assets	31,995	39,285								
Other non-current assets	0	0								

<b>Total assets</b>	23,743	31,238								
<b>Liabilities</b>										
Borrowings – current portion	0	0								
Other current liabilities	0	0								
Borrowings – non-current portion	15,262	23,173								
Other non-current liabilities	0	0								
<b>Total liabilities</b>	15,262	23,173								
<b>Net assets</b>	8,481	8,065								
<b>Equity</b>										
Revaluation reserves	11,955	11,955								
Other reserves	(3,474)	(3,890)								
<b>Total equity</b>	8,481	8,065								

## Statement of Financial Position – Drinking Water – Waikato Water

Projected statement of financial position drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Assets</b>										
Cash and cash equivalents										
Other current assets										
Infrastructure assets			747,796	802,037	857,238	902,456	957,121	995,226	1,042,537	1,072,069
Other non-current assets										
<b>Total assets</b>			747,796	802,037	857,238	902,456	957,121	995,226	1,042,537	1,072,069
<b>Liabilities</b>										
Borrowings – current portion										
Other current liabilities										
Borrowings – non-current portion			242,583	276,796	307,379	325,216	350,569	358,235	374,064	371,162
Other non-current liabilities										
<b>Total liabilities</b>			242,583	276,796	307,379	325,216	350,569	358,235	374,064	371,162

<b>Net assets</b>			505,214	525,241	549,859	577,240	606,552	636,991	668,470	700,907
<b>Equity</b>										
Revaluation reserves			505,214	525,241	549,859	577,240	606,552	636,991	668,470	700,907
Other reserves										
<b>Total equity</b>			505,214	525,241	549,859	577,240	606,552	636,991	668,470	700,907

## Statement of Financial Position – Wastewater

Projected statement of financial position wastewater services (\$000)	FY2024/25	FY2025/26								
<b>Assets</b>										
Cash and cash equivalents	(4,912)	(5,987)								
Other current assets	0	0								
Infrastructure assets	35,185	34,758								
Other non-current assets	0	0								
<b>Total assets</b>	<b>30,273</b>	<b>28,771</b>								
<b>Liabilities</b>										
Borrowings – current portion	0	0								
Other current liabilities	0	0								
Borrowings – non-current portion	10,900	10,676								
Other non-current liabilities	0	0								
<b>Total liabilities</b>	<b>10,900</b>	<b>10,676</b>								
<b>Net assets</b>	<b>19,373</b>	<b>18,095</b>								
<b>Equity</b>										
Revaluation reserves	15,828	15,828								
Other reserves	3,545	2,267								
<b>Total equity</b>	<b>19,373</b>	<b>18,095</b>								

## Statement of Financial Position – Wastewater – Waikato Water

Projected statement of financial position wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Assets</b>										
Cash and cash equivalents										
Other current assets										
Infrastructure assets			831,138	873,392	950,849	995,253	1,019,153	1,035,139	1,048,727	1,073,081
Other non-current assets										
<b>Total assets</b>			<b>831,138</b>	<b>873,392</b>	<b>950,849</b>	<b>995,253</b>	<b>1,019,153</b>	<b>1,035,139</b>	<b>1,048,727</b>	<b>1,073,081</b>
<b>Liabilities</b>										
Borrowings – current portion										
Other current liabilities										
Borrowings – non-current portion			363,997	388,035	440,716	456,069	460,782	454,796	445,169	444,173
Other non-current liabilities										
<b>Total liabilities</b>			<b>363,997</b>	<b>388,035</b>	<b>440,716</b>	<b>456,069</b>	<b>460,782</b>	<b>454,796</b>	<b>445,169</b>	<b>444,173</b>
<b>Net assets</b>			<b>467,141</b>	<b>485,358</b>	<b>510,133</b>	<b>539,184</b>	<b>558,372</b>	<b>580,343</b>	<b>603,555</b>	<b>628,908</b>
<b>Equity</b>										
Revaluation reserves			467,141	485,358	510,133	539,184	558,372	580,343	603,555	628,908
Other reserves										
<b>Total equity</b>			<b>467,141</b>	<b>485,358</b>	<b>510,133</b>	<b>539,184</b>	<b>558,372</b>	<b>580,343</b>	<b>603,555</b>	<b>628,908</b>



## Part E: Projected financial statements for stormwater

### Projected financial statements – for stormwater

#### Projected funding impact statement - stormwater

Projected funding impact statement – stormwater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Sources of operating funding</b>										
General rates	0	0	0	0	0	0	0	0	0	0
Targeted rates	918	925	1,217	1,207	1,272	1,295	1,339	1,314	1,369	1,304
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other	0	0	0	0	0	0	0	0	0	0
Fees and charges	0	0	0	0	0	0	0	0	0	0
<b>Total sources of operating funding for stormwater (\$000)</b>	<b>918</b>	<b>925</b>	<b>1,217</b>	<b>1,207</b>	<b>1,272</b>	<b>1,295</b>	<b>1,339</b>	<b>1,314</b>	<b>1,369</b>	<b>1,304</b>
<b>Applications of operating funding</b>										
Payments to staff and suppliers	466	499	566	495	512	512	516	514	540	501
Finance costs	40	28	141	200	226	223	229	185	184	154
Internal charges and overheads applied	185	170	229	210	215	204	212	220	220	213
Other operating funding applications	0	0	0	0	0	0	0	0	0	0
<b>Total applications of operating funding</b>	<b>691</b>	<b>697</b>	<b>936</b>	<b>905</b>	<b>953</b>	<b>939</b>	<b>957</b>	<b>919</b>	<b>944</b>	<b>868</b>
<b>Surplus/(deficit) of operating funding</b>	<b>227</b>	<b>228</b>	<b>281</b>	<b>302</b>	<b>319</b>	<b>356</b>	<b>382</b>	<b>395</b>	<b>425</b>	<b>436</b>
<b>Source of capital funding</b>										
Subsidies and grants for capital expenditure	310	370	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0
Increase/(decrease) in debt	87	475	1,607	1,540	1,842	1,557	403	412	404	393
Gross proceeds from sales of assets	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
<b>Total sources of capital funding</b>	<b>397</b>	<b>845</b>	<b>1,607</b>	<b>1,540</b>	<b>1,842</b>	<b>1,557</b>	<b>403</b>	<b>412</b>	<b>404</b>	<b>393</b>
<b>Applications of capital funding</b>										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0

Capital expenditure - to improve levels of services	310	641	1,527	1,593	1,661	1,441	278	284	290	296
Capital expenditure - to replace existing assets	548	495	637	360	372	356	378	393	392	389
Increase/(decrease) in reserves	(234)	(63)	(276)	(111)	128	116	129	130	147	144
Increase/(decrease) in investments	0	0	0	0	0	0	0	0	0	0
<b>Total applications of capital funding</b>	<b>624</b>	<b>1,073</b>	<b>1,888</b>	<b>1,842</b>	<b>2,161</b>	<b>1,913</b>	<b>785</b>	<b>807</b>	<b>829</b>	<b>829</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(227)</b>	<b>(228)</b>	<b>(281)</b>	<b>(302)</b>	<b>(319)</b>	<b>(356)</b>	<b>(382)</b>	<b>(395)</b>	<b>(425)</b>	<b>(436)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Projected statement of comprehensive revenue and expense - stormwater

Projected statement of profit and loss – stormwater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Revenue</b>										
Operating revenue	918	925	1,217	1,207	1,272	1,295	1,339	1,314	1,369	1,304
Other revenue	310	370	0	0	0	0	0	0	0	0
<b>Total revenue</b>	<b>1,228</b>	<b>1,295</b>	<b>1,217</b>	<b>1,207</b>	<b>1,272</b>	<b>1,295</b>	<b>1,339</b>	<b>1,314</b>	<b>1,369</b>	<b>1,304</b>
<b>Expenses</b>										
Operating expenses	466	499	566	495	512	512	516	514	540	501
Finance costs	40	28	141	200	226	223	229	185	184	154
Overheads and support costs	185	170	229	210	215	204	212	220	220	213
Depreciation & amortisation	259	282	281	300	315	350	374	385	414	423
<b>Total expenses</b>	<b>950</b>	<b>979</b>	<b>1,217</b>	<b>1,205</b>	<b>1,268</b>	<b>1,289</b>	<b>1,331</b>	<b>1,304</b>	<b>1,358</b>	<b>1,291</b>
<b>Net surplus/(deficit)</b>	<b>278</b>	<b>316</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>13</b>
Revaluation of infrastructure assets	936	0	0	1,989	0	0	1,193	0	0	1,138
<b>Total comprehensive income</b>	<b>1,214</b>	<b>316</b>	<b>0</b>	<b>1,991</b>	<b>4</b>	<b>6</b>	<b>1,201</b>	<b>10</b>	<b>11</b>	<b>1,151</b>

Cash surplus/(deficit) from operations (ex non-cash items)	537	598	281	302	319	356	382	395	425	436
<b>Projected statement of cashflows - stormwater</b>										
<b>Projected statement of cashflows – stormwater (\$000)</b>	<b>FY2024/25</b>	<b>FY2025/26</b>	<b>FY2026/27</b>	<b>FY2027/28</b>	<b>FY2028/29</b>	<b>FY2029/30</b>	<b>FY2030/31</b>	<b>FY2031/32</b>	<b>FY2032/33</b>	<b>FY2033/34</b>
<b>Cashflows from operating activities</b>										
Cash surplus/(deficit) from operations	537	598	281	302	319	356	382	395	425	436
[Other items]										
<b>Net cashflows from operating activities</b>	<b>537</b>	<b>598</b>	<b>281</b>	<b>302</b>	<b>319</b>	<b>356</b>	<b>382</b>	<b>395</b>	<b>425</b>	<b>436</b>
<b>Cashflows from investing activities</b>										
Capital expenditure – infrastructure assets	(858)	(1,136)	(2,164)	(1,953)	(2,033)	(1,797)	(656)	(677)	(682)	(685)
[Other items]										
<b>Net cashflows from investing activities</b>	<b>(858)</b>	<b>(1,136)</b>	<b>(2,164)</b>	<b>(1,953)</b>	<b>(2,033)</b>	<b>(1,797)</b>	<b>(656)</b>	<b>(677)</b>	<b>(682)</b>	<b>(685)</b>
<b>Cashflows from financing activities</b>										
New borrowings	112	519	1,700	1,683	2,033	1,797	655	677	682	684
Repayment of borrowings	(25)	(44)	(93)	(143)	(191)	(240)	(252)	(265)	(278)	(291)
<b>Net cashflows from financing activities</b>	<b>87</b>	<b>475</b>	<b>1,607</b>	<b>1,540</b>	<b>1,842</b>	<b>1,557</b>	<b>403</b>	<b>412</b>	<b>404</b>	<b>393</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(234)</b>	<b>(63)</b>	<b>(276)</b>	<b>(111)</b>	<b>128</b>	<b>116</b>	<b>129</b>	<b>130</b>	<b>147</b>	<b>144</b>
Cash and cash equivalents at beginning of year	(1,268)	(1,502)	(1,565)	(1,841)	(1,952)	(1,824)	(1,708)	(1,579)	(1,449)	(1,302)
<b>Cash and cash equivalents at end of year</b>	<b>(1,502)</b>	<b>(1,565)</b>	<b>(1,841)</b>	<b>(1,952)</b>	<b>(1,824)</b>	<b>(1,708)</b>	<b>(1,579)</b>	<b>(1,449)</b>	<b>(1,302)</b>	<b>(1,158)</b>

**Projected statement of financial position - stormwater**

Projected statement of financial position stormwater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
<b>Assets</b>										
Cash and cash equivalents	(1,502)	(1,565)	(1,841)	(1,952)	(1,824)	(1,708)	(1,579)	(1,449)	(1,302)	(1,158)
Other current assets	0	0	0	0	0	0	0	0	0	0
Infrastructure assets	14,315	15,169	17,052	20,694	22,412	23,859	25,334	25,626	25,894	27,294
Other non-current assets	0	0	0	0	0	0	0	0	0	0
<b>Total assets</b>	<b>12,813</b>	<b>13,604</b>	<b>15,211</b>	<b>18,742</b>	<b>20,588</b>	<b>22,151</b>	<b>23,755</b>	<b>24,177</b>	<b>24,592</b>	<b>26,136</b>
<b>Liabilities</b>										
Borrowings – current portion	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Borrowings – non-current portion	1,051	1,526	3,133	4,673	6,515	8,072	8,475	8,887	9,291	9,684
Other non-current liabilities	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities</b>	<b>1,051</b>	<b>1,526</b>	<b>3,133</b>	<b>4,673</b>	<b>6,515</b>	<b>8,072</b>	<b>8,475</b>	<b>8,887</b>	<b>9,291</b>	<b>9,684</b>
<b>Net assets</b>	<b>11,762</b>	<b>12,078</b>	<b>12,078</b>	<b>14,069</b>	<b>14,073</b>	<b>14,079</b>	<b>15,280</b>	<b>15,290</b>	<b>15,301</b>	<b>16,452</b>
<b>Equity</b>										
Revaluation reserves	10,503	10,503	10,503	12,492	12,492	12,492	13,685	13,685	13,685	14,823
Other reserves	1,259	1,575	1,575	1,577	1,581	1,587	1,595	1,605	1,616	1,629
<b>Total equity</b>	<b>11,762</b>	<b>12,078</b>	<b>12,078</b>	<b>14,069</b>	<b>14,073</b>	<b>14,079</b>	<b>15,280</b>	<b>15,290</b>	<b>15,301</b>	<b>16,452</b>

# Water Services Delivery Plan: additional information

## Significant capital projects

### Significant capital projects

#### Significant capital projects – drinking water

Significant capital projects – drinking water	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projects to meet additional demand										
<b>Total investment to meet additional demand</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Projects to improve levels of services										
Te Kuiti Resilience Project	250	7,000	2,571	0	0	0	0	0	0	0
Other Improvements	352	335	37	511	17	18	19	19	116	883
<b>Total investment to meet improve levels of services</b>	<b>602</b>	<b>7,335</b>	<b>2,608</b>	<b>511</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>19</b>	<b>116</b>	<b>883</b>
Projects to replace existing assets										
Drinking Water Renewals Other Projects	597	709	373	505	1,402	676	464	417	588	485
District Wide Metering	0	0	0	1,289	1,319	0	0	0	0	0
Te Kuiti Reticulation Renewals	200	282	210	216	221	226	231	236	241	246
<b>Total investment to replace existing assets</b>	<b>797</b>	<b>991</b>	<b>583</b>	<b>2,010</b>	<b>2,942</b>	<b>902</b>	<b>695</b>	<b>653</b>	<b>829</b>	<b>731</b>
<b>Total investment in drinking water assets</b>	<b>1,399</b>	<b>8,326</b>	<b>3,191</b>	<b>2,521</b>	<b>2,959</b>	<b>920</b>	<b>714</b>	<b>672</b>	<b>945</b>	<b>1,614</b>

### Significant capital projects – wastewater

Significant capital projects – wastewater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projects to meet additional demand										
<b>Total investment to meet additional demand</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Projects to improve levels of services										
Wastewater Improvements	75	15	121	427	83	17	249	18	91	18
<b>Total investment to meet improve levels of services</b>	<b>75</b>	<b>15</b>	<b>121</b>	<b>427</b>	<b>83</b>	<b>17</b>	<b>249</b>	<b>18</b>	<b>91</b>	<b>18</b>
Projects to replace existing assets										
Wastewater Renewals	218	448	346	178	166	360	213	214	218	210
Te Kuiti Reticulation Renewal	200	261	210	162	166	169	173	177	181	184
Benneydale Wastewater renewals	0	0	0	486	0	0	0	0	0	0
<b>Total investment to replace existing assets</b>	<b>418</b>	<b>709</b>	<b>556</b>	<b>826</b>	<b>332</b>	<b>529</b>	<b>386</b>	<b>391</b>	<b>399</b>	<b>394</b>
<b>Total investment in wastewater assets</b>	<b>493</b>	<b>724</b>	<b>677</b>	<b>1,253</b>	<b>415</b>	<b>546</b>	<b>635</b>	<b>409</b>	<b>490</b>	<b>412</b>

### Significant capital projects – stormwater

Significant capital projects – stormwater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projects to meet additional demand										
<b>Total investment to meet additional demand</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Projects to improve levels of services										
Te Kuiti Stormwater Improvements	0	271	348	383	421	309	278	284	290	296
Retention Ponds	0	250	1,053	1,080	1,107	1,132	0	0	0	0
Te Kuiti Stormwater Network Upgrades	310	120	126	130	133	0	0	0	0	0
<b>Total investment to meet improve levels of services</b>	<b>310</b>	<b>641</b>	<b>1,527</b>	<b>1,593</b>	<b>1,661</b>	<b>1,441</b>	<b>278</b>	<b>284</b>	<b>290</b>	<b>296</b>
Projects to replace existing assets										
Stormwater Renewals	298	239	387	160	172	156	178	193	192	189
Te Kuiti Rehabilitation Renewals	250	256	250	200	200	200	200	200	200	200
<b>Total investment to replace existing assets</b>	<b>548</b>	<b>495</b>	<b>637</b>	<b>360</b>	<b>372</b>	<b>356</b>	<b>378</b>	<b>393</b>	<b>392</b>	<b>389</b>
<b>Total investment in stormwater assets</b>	<b>858</b>	<b>1,136</b>	<b>2,164</b>	<b>1,953</b>	<b>2,033</b>	<b>1,797</b>	<b>656</b>	<b>677</b>	<b>682</b>	<b>685</b>

## Risks and assumptions

The risks and assumptions listed below focus on the high-level risks to implementing the establishment plan and achieving the intended 'go live' date of 1 July 2026. More detailed risks have been (and will continue to be) captured as part of the underpinning establishment team programme management risk register. In relation to future operational / enterprise risk register, this is something that will be developed:

1. in accordance with Waikato Waters risk enterprise framework and risk management policy once adopted, noting that these documents will be informed by the governance direction and risk appetite confirmed by the independent Board as soon as practicable after appointment
2. with reference to the acceptable risk being transferred to Waikato Waters Limited under the terms of each executed transfer agreement entered into by Waikato Waters
3. having regard to any identified risks following an environmental scan by the Board in preparation for 'go live', this being any political, economic, social, technological, environmental, and / or legal (PESTEL) risks identified

### Disclosure of risks and material assumptions for water services delivery

Risk	Detailed description	Mitigating actions
Day 1 is not achieved	The Company is not established and ready to be operational from 1 July 2026	Establishment strategy agreed by WWDW councils  Appointment of the establishment board  Establishment plan approved at end of June 2025 with a professional Board in place and responsible for overseeing implementation by 1 July 2026
LGFA	The Company does not get LGFA approval / covenants are overly onerous  Timeline for meeting LGFA covenants	Early and ongoing engagement with LGFA in relation to WWDW, the scale and the necessary steps for the CCO to be approved and including reaching agreement on timeline to meet LGFA covenants.  Headroom built into the model and forecasts  Financial support provided by councils.
Understated costs	The input costs from councils are materially understated	Model has been sensitivity tested to reflect this

		Flexibility given to Board to respond
Staff recruitment	Ability to recruit an experienced executive team to lead the establishment of the CCO	<p>Org design to commence in August 2025 with a view to being finalised as soon as possible post CE appointment</p> <p>Expert recruiter being sourced now to ensure ready to go once roles confirmed</p> <p>Creating a culture of excitement and change to be an attractive place to work</p>
Regulatory uncertainty	Uncertainty in the regulatory landscape the company will be operating in and cost blow out.	Ongoing engagement with regulators
Capital delivery ability	Ability of the market to respond and deliver on the capital works delivery	<p>Strategic procurement to improve supply</p> <p>Smart consenting initiative</p> <p>Scale gives extra buying power, makes company more attractive to external contractors compared to councils alone</p> <p>Actively engaging with market to ensure they understand the forward programme</p>



**Appendix 1 – Waikato Waters Shareholders’ Agreement**  
**[Drafting note: signed version to be attached]**

DRAFT

## **Appendix 2 – Council resolution to adopt this plan**

**[Drafting note: council to include formal resolution]**

DRAFT

## Appendix 3

Copy of resolution agreeing to establishment of Waikato Waters Limited dated 30 June 2025

DRAFT