CENTRAL HAWKE'S BAY DISTRICT COUNCIL

# Late Items
# Finance, Infrastructure & Performance Committee Meeting Agenda

Thursday, 21 August 2025

10.00am

Council Chamber

28-32 Ruataniwha Street

Waipawa

*Together we thrive! E ora ngātahi ana!*

# Order Of Business

# 6 REPORT SECTION

## 6.2 THREE WATERS CAPITAL PROGRAMME UPDATE AND ENDORSEMENT - LOCAL WATER DONE WELL

**Author:** **Ben Swinburne, Water Services Manager**

**Authoriser:** **Doug Tate, Chief Executive**

**Attachments:** **1. Financial Year 2025/26 Programme ⇩**

### PURPOSE

The purpose of this report is to seek the Committee's endorsement of a revised three waters capital and renewal programme for inclusion in the Regional Water Services Delivery Plan (RWSDP). The report also provides an update on the Central Hawke's Bay modelling, with the inclusion of a revised capital programme and the identification of an error by PwC in the initial indicative modelling. It also outlines the next steps that Council need to take to comply with the Local Water Done Well legislation by 3 September 2025.

### RECOMMENDATION(S)

**That the Finance Infrastructure and Performance Committee:**

1. **Notes this report and the updated Local Water Done Well modelling.**
2. **Endorses the revised three waters capital and renewals programme for inclusion in the Regional Water Services Delivery Plan.**
3. **Endorses and recommends to Council a revised capital and renewal programme for delivery in the 2025/2026 financial year as set out in Attachment 1.**

### EXECUTIVE SUMMARY

This report outlines an alternative three waters capital and renewal programme for inclusion in the Regional Water Services Delivery Plan (RWSDP). The plan addresses feedback received during the Local Water Done Well (LWDW) public consultation, where affordability was identified as the primary concern for the Central Hawke's Bay community.

At its meeting on 3 July 2025 Council instructed officers to review the water services capital programme and endorsed five key principles to guide this process. Two investment options have been developed for Council consideration. Option 1, which is recommended, reduces the overall capital investment from $201 million to $123 million over ten years. This aligns with the endorsed principles and focuses on maintaining essential levels of service for drinking water, wastewater, and stormwater management, and reduces the projected rating impact on connected residents.

In completing updated modelling of Council's revised capital programme, PwC have also identified an error in their initial modelling. This has resulted in projected costs in the latter years of the original modelling being lower than initially projected. As a result, financial year 2034/35 rating requirements for three waters has reduced from the original modelling consulted with the community on, from $7,000 to $5,800. This error is further discussed in the report.

The proposed reduction in the capital programme further reduces the projected rating impact in the latter years of the model to under $5,000, peaking at approximately $4,900 in FY2030/31 and decreasing to approximately $4,700 in 2034/35. It is noted that this is still unaffordable, in particular for the most deprived parts of our connected community. It is also important to note that this option introduces some risks, such as reduced network resilience and an increased reliance on surface water discharges for wastewater.

Subject to the Committee's decision, the recommended plan will be included in the RWSDP, which is planned for Council endorsement on 28 August 2025, before being submitted to the Department of Internal Affairs by 3 September 2025 to meet the legislative timeframes under Local Water Done Well.

The report notes that Council will also have the further opportunity to revise the programme in the development of a revised Water Services Strategy setting out infrastructure requirements over 30 years, which is outlined in this report.

## BACKGROUND

On 3 July 2025, the Council considered feedback from the Local Water Done Well (LWDW) public consultation and deliberated on the future water services delivery options. The full agenda can be found at the link here.

The Council identified the Regional Water Services Council Controlled Organisation (RWSCCO) as its preferred future water services delivery model. Council subsequently took decisions at its 7 August 2025 meeting to confirm that this model remained the model it would use to comply with the Local Water Done Well legislation, following the withdrawal of Wairoa District Council. That report can be found at the link here.

With affordability being identified as the most significant issue for the Council, at its 3 July 2025 meeting it resolved to develop a revised 10-year water services plan with a reduced level of investment, whilst seeking to maintain critical levels of service for drinking water, wastewater and stormwater management.

### Affordability remains the key issue for our community

Affordability was identified as a key concern by the Central Hawke's Bay community during the consultation period, with projections indicating that water services rates in 2034 may be substantially higher than current levels and above established international benchmarks relative to median household income at $7,000.

Affordability is not a new matter for this Council, with the impact of the major investment requirements of the district's three waters services being clearly signalled since the 2018 Long Term Plan and even signalled as early as the 2015 Long Term Plan.

The current high projection for water rates was being driven by the current $201 million investment plan included in the current 10-year plan and Three-Year Plan 2024-2027, which includes the following:

- $77m for drinking water (Second Supply; Reservoir Replacement Programme; Water Metering; Backflow Preventors etc).
- $123.8m for wastewater (Treatment Plant Upgrades Waipawa, Ōtāne, Waipukurau Pōrangahau; Takapau; Pipe Renewals; etc).

It has also been identified that one of the factors driving the high level of projected rating increase in the years 2029/2030 through 2034/35 was an error by PwC in their initial modelling. This matter is further covered later in this report.

The reduction in projected costs both from the error and the revised programme still make the cost of three waters unaffordable, especially for the most deprived parts of the community connected to three waters services. This is an area that Council will need to continue to advocate for and consider into the future.

### Critical Success Factors and Key Principles

As Officers have been developing a revised affordable water services plan, the following principles have been approved by Council on 24 July 2025 to guide decision making. The agenda for this meeting can be found at the link here. The five principles that were approved are:

1. Principle #1 – Drinking water compliance will not be compromised.
2. Principle #2 – Wastewater discharge investment is minimised.
3. Principle #3 – New network resilience is deprioritised.
4. Principle #4 – Growth investment is a 'just in time' approach.
5. Principle #5 – Addressing historic underinvestment is slowed.

These principles are aimed at guiding investment over the first 10 years only, recognising that ongoing investment will be required, which will be documented in a future Water Services Strategy stretching out 30 years.

## DISCUSSION

Council has endorsed the proposal to review the current 10-Year Plan and provide viable options to deliver water services that are more affordable for the community and that result in sustainable compliance with national regulatory standards.

Officers and technical service providers have undertaken a review of the current water services plan and options for drinking water and wastewater are included in this paper for Council's consideration. This follows an update and opportunity for feedback to be received from Council at its workshop of 7 August 2025 on the revised programme.

It should be noted that stormwater options have not been comprehensively reviewed. This is because the projected investment is significantly less than the other two waters services, being $9.7million over the 10-year period and therefore not a key driver of the major projected rating requirements. Council will have the opportunity to further review this in detail as part of the Water Services Strategy development.

### Assumptions and Risks

Due to the expediency of this work and several unknowns including community perspectives and finalisation of the wastewater national standards, several assumptions have been made to provide Elected Members with transparency of the residual risks associated with this revised programme.

Officers have included contingencies within this programme review to provide realistic budgets for delivering the desired outcomes based on current assumptions and known risks.

The weight of these assumptions and risks should be considered from the perspective that Council will have the opportunity to review across the three Councils programmes over 30 years as part of the Water Services Strategy requirement. The key implication from this decision is where to direct investment in the early years of the capital programme, which will flow onto where future investment in the latter part of the programme is directed.

These assumptions and risks have been themed under the following headings:

### *Assumption 1: Compliance*

Although the revised plan involves a considerable decrease in water services investment over the next 10 years, Officers anticipate that compliant, safe, and healthy water in accordance with

Taumata Arowai's Drinking Water Quality Assurance Rules (DWQAR) will continue to be supplied to the community.

Wastewater discharges are also expected to meet compliance standards within 10 years, based on the assumption of surface water discharges in the medium term but are likely to require further investment over time subject to population growth.

***Assumption 2: Consenting***

Consenting pathways and timeframes could vary significantly depending on the approach Council wishes to adopt.

It is assumed that projects would be progressed under the proposed wastewater national standards to provide greater timeframe and cost certainty. Similarly, consenting timeframes for the drinking water projects are assumed to be reasonable and not protracted over several years which would result in significant cost escalations.

***Assumption 3: Modular approach to investment to service growth***

Officers have adopted a modular philosophy to proposed infrastructure investment by ensuring that proposed programmes and projects in the revised water services plan are right sized for the community at any given time, particularly in relation to population growth.

This means that infrastructure components can be added over time in accordance with a pre-determined master plan to ensure value for money for the community. Furthermore, it is assumed that growth will pay for growth related infrastructure.

***Risk 1: Community and mana whenua support***

Extensive work has been undertaken on CHBDC's water services plan over the past 8 years, which has been consulted on and documented in Council's strategy 2021-31 LTP and 2024-27 Three-Year plan.

Specifically in the wastewater programme, the original strategy was to move to land-based discharges to support community expectation and cultural considerations, whereas the revised strategy assumes surface water discharges which are expected to be enabled under the proposed national wastewater standards. This proposed shift in approach will be perceived by many as a reduction in level of service.

***Risk 2: Cost estimates***

The accuracy of cost estimates for the revised plan varies in accuracy due to the number of unknowns and the maturity of the design work completed to date, although contingencies have been allowed for across the programmes.

Further to this, whole of life costs are not fully understood at this stage, particularly with respect to operational costs associated with numerous tertiary treatment systems for which some allowances have been included for in the revised plan.

***Risk 3: Resilience***

The proposed revised water services plan will inevitably result in less embedded infrastructure resilience than provided for within the current plan, which will result in higher operational costs. Examples of this include an expected increase in drinking water network leaks, particularly in low criticality assets and less resilience in the small wastewater plant upgrades, which is likely to result in the need for future upgrades over the next 30 years.

### Drinking Water Programme Options

The drinking water services programme comprises of several sub-programmes for which capital investment is provided. The options presented in this paper only consider a change to some of the more significant components.

Both drinking water programme options include other key areas of investment including critical pipeline asset renewals, backflow prevention devices and network metering. More details are provided below on the extent of critical asset renewals.

For drinking water, the two main options are set out below:

#### *Drinking Water Option 1: 2nd Water Supply*

This option prioritises the delivery of the 2nd Water Supply project in the short to medium term, with modifications to the current scope to enable an additional water supply back to Waipawa from the proposed central reservoir. This would provide a safe and healthy water supply for Waipukurau, Waipawa, and Otane as an addition or upgrade to the existing systems and provides water source resilience for Waipukurau.

However, the four existing reservoirs in Waipukurau and Waipawa would not be renewed in the short to medium term and would be run to failure or until uneconomic to maintain. Officers are confident that there are viable plans to maintain resilient storage in these locations should an existing asset become in-operable in the short or medium term, although these would come at additional cost, if required.

This means that the 2nd Water Supply would be the primary water supply scheme for the 3 townships and would be able to service growth in the medium term. The estimated cost for the Option 1 programme, which includes this key component is $61.2 million over 10 years.

#### *Drinking Water Option 2: Reservoir renewals*

This option would defer the 2nd Water Supply project into future years (beyond 2034) and focus on the renewal of the existing reservoirs in Waipukurau and Waipawa. The reservoirs would be sized to service growth in the medium term and along with new water treatment plants, would provide safe and healthy water.

In Waipukurau, this would require the relocation of the Pukeora reservoir to be adjacent to the existing borefield at State Highway 2, as well as the construction of a new water treatment plant and pumpstation at this location. The new reservoir would be increased in size from the existing 2.9 million litres to 5.5 million litres which is the projected minimum storage volume required by 2051.

The water source in Waipukurau has previously experienced instances of elevated turbidity during high river levels, which has resulted in historic boil water notices. However, there has since been changes within the Drinking Water Quality Assurance rules that have increased permissible turbidity levels and with the addition of a run to waste system already on the site, other modular engineering additions could also be implemented, if required, to mitigate these short-term turbidity spikes i.e. cartridge filtration systems.

In Waipawa the two existing reservoirs would be renewed in the same general area as the existing and increased in size to 2.7 million litres, aligning with the projected minimum storage volume required by 2051.

The estimated cost for the Option 2 programme is $60.7 million over 10 years.

***Pipe Renewals Reduction (Options 1 and 2)***

Common to both Option 1 and 2 is the proposal to reduce the rate of pipe renewals with a focus on ensuring that critical pipes and equipment are maintained adequately and renewed at the appropriate time to maintain service reliability. This would mean that lower critical assets would be run to failure and repaired more often prior to renewal, which would impact a smaller number of households at point in time.

Critical pipe assets are normally those pipes that provide service to larger urban areas as opposed to individual streets i.e. larger pipes. Council's knowledge of critical assets has matured over the past 2 years and so provides a greater level of confidence of service reliability.

The estimated cost reduction associated with pipe renewals could be up to circa $10 million.

***Drinking Water Options Analysis***

The following table provides an assessment of the options including costs, risks and mitigations:

| Options | Total Programme Cost Estimates | Risks | Mitigations |
|---|---|---|---|
| **Option 1:**<br>**Prioritise 2nd Water Supply project*** | $61.2m | Higher delivery risk<br>Consenting and cost risks<br>Requires the ongoing use of aged reservoirs | Advanced development of designs, land easements and consenting engagement<br>Viable contingency plans to maintain critical storage and emergency supply |
| **Option 2:**<br>**Prioritise Reservoir Renewals*** | $60.7m | Lower delivery and cost risk<br>Not optimal for forecast growth without further network modifications<br>Perpetuates separate township sources with no connection | Future modular investment as projected growth is realised<br>Engineering solutions for water source turbidity issues provide some mitigation |
| ***Note:** *Both options include provision for critical asset renewals, backflow prevention devices and network metering.* | | | |

***Recommended programme option for drinking water:***

Officers recommend **Option 1- Prioritise the 2nd Water Supply** as providing the best overall value, resilience and future operability.

This option best allows for projected future growth through the increase in water volumes provided to Waipukurau and provides source resilience for all three townships with the ability to back feed supply from the central reservoir thus improving supply resilience to Waipawa and Otane.

While not without risks, this option provides for the best long-term outcomes, with the assumption that the existing reservoirs will eventually be renewed.

**Wastewater Programme Options**

The wastewater programme has been considered in two key components, namely the small plants for Takapau, Te Paerahi, Pōrangahau and the larger plants serving Waipukurau, Otane and Waipawa (WOW).

As with drinking water, there are some overarching assumptions and risks included previously in this report.

***Small Wastewater plants***

There are two key options considered by Officers for the small plants across the district:

***Option 1:*** continue to progress the improvement programme as set out in the current Three-Year Plan and beyond. The total estimated upgrade costs for the three treatment plants are $6.2 million for Takapau and $26.1 million for the combined Pōrangahau and Te Paerahi upgrade. Total upgrade costs are $32.3 million.

***Option 2:*** undertake relatively minor improvements to enable compliance with the proposed wastewater national standards on the basis that surface water discharges can continue. The estimated costs for the three treatment plants are $3.7 million for Takapau, $4.2 million for Pōrangahau and $2.6 million for Te Paerahi, noting that the latter two plants will not be centralised as planned under Option 1. The total upgrade cost of this option is $10.5 million.

This option would retain the existing pond-based treatment while adding small scale modular tertiary treatment, being Moving Bed Biofilm Reactors (MBBR) and UV filtration. A nominal sum has been provided for in the estimate to relocate the discharge location from the dunes to surface water.

***Options Analysis:***

The following table provides an assessment of the options including costs, risks and mitigations:

| Options | Total Programme Cost Estimates | Risks | Mitigations |
|---|---|---|---|
| **Option 1:**<br>**Continue as per current 3 Year Plan** | $32.3m | High delivery risk associated with consenting, land agreements/land resilience and cost estimates<br>Bespoke designs for each site (non-standardised) | Takapau consent issued<br>Landowner engagement previously well developed<br>Cost estimates would be reviewed as part of the next LTP |
| **Option 2:**<br>**Revised programme** | $10.5m | Some assumptions made regarding final wastewater standards<br>Might not align with community aspirations<br>Te Paerahi discharge location to be determined | Appropriate technical advice has been sought that has also been engaged with Wastewater standards steering groups |

***Recommended programme option for Small Wastewater Plants:***

Officers recommend **Option 2 - Revised programme**, as the option that best balances the affordability challenges whilst ensuring regulatory compliance with the new national wastewater standards by 2034.

As the smaller townships have lower forecast growth projections, the additional tertiary treatment systems are expected to have appropriate capacity in the long term with the ability to modify in future and maintain a standardised approach to treatment and operations.

Further investigation, engagement and design is expected to confirm the best approach to relocating the existing Te Paerahi discharge location.

***Large Wastewater plants (Waipukurau, Waipawa and Otane)***

The original programmes for the wastewater treatment of the larger plants located in Waipukurau and Waipawa set out in District Wastewater Treatment and Discharge Management Strategy (September 2020) assumed the centralisation of plants at the Waipawa site and discharge into a Rapid Infiltration Basin (RIB). This would require river crossings at two locations and tertiary treatment to enable compliant discharge at the Waipawa location.

The total programme was planned to be delivered over a 15-year period, the start of which was deferred until Year 4 in the 2024-27 Three-Year plan (Financial year 2027/28) due to the impacts of Cyclone Gabrielle and affordability.

Similar to the smaller plant programme, officers have considered 2 options:

***Option 1:*** Continue with the current strategy of centralising the treatment of wastewater at Waipawa. The estimated cost of this option included in the current 10-year plan is $61.5 million ($88.5 million for all years).

It is also expected that this approach would not meet the proposed national wastewater standards if a surface water discharge was to be sought and more effective treatment systems would be required to improve the effluent discharge quality. While costs to deliver this are not fully understood, technical advice received suggests that investment requirements would be significantly greater than the current plan allows.

***Option 2:*** Do not progress to centralisation in the medium term and provide necessary tertiary treatment at both Waipawa and Waipukurau, which can be undertaken in a modular fashion to match increasing demand over time. The estimated cost of this option is $41 million within the first 10 years with a future investment requirement beyond that.

This option retains the pond-based treatment systems for both sites and in Waipawa adds to the existing tertiary treatment system (DAF and UV) with a Moving Bed Biofilm Reactor (MBBR). DAF capacity upgrades are also included in Year 10 based on projected growth.

In Waipukurau, an initial treatment upgrade is proposed where new DAF and UV systems would be delivered to replace the existing underperforming Lamella clarifiers. This would be followed by MBBR treatment systems in latter years.

Ōtāne’s wastewater is proposed to continue in the current arrangement whereby initial treatment takes place through the pond-based system in Otane before being conveyed to Waipawa for additional treatment and discharge.

***Options Analysis:***

Technical advice indicates that Option 1 would be much more expensive than current budgets allow for due to proposed national wastewater standards. Additionally, RIB discharge is not currently included in the draft standards but may be added later.

This option is unaffordable based on current assumptions and known challenges and uncertainties.

The following table provides an assessment of the options including costs, risks and mitigations:

| Options | 10-year programme Cost Estimates | Risks | Mitigations |
|---|---|---|---|
| **Option 1:**<br>**Centralisation as per existing Strategy and Three-Year plan** | $61.5m | RIB discharge not included in proposed standards<br>Cost escalation over 15-year programme<br>Delivery risk:<br>multiple river crossings<br>consenting requirements for construction, river crossings and discharges<br>Interim risk of non-compliance enforcement action | Options remain available through traditional RMA pathway (at this stage)<br>Ongoing engagement with regulator |
| **Option 2:**<br>**Tertiary treatment upgrades at each site** | $41m | Future investment may be required based on actual growth<br>Continued surface water discharge may not align with community aspirations<br>Waipukurau upgrades likely to require additional space onsite<br>Interim risk of non-compliance enforcement action | High level optioneering has been based on known growth projections<br>Ongoing engagement with regulator |

***Recommendations:***

Officers recommend **Option 2 – Tertiary treatment upgrades at each site** for the larger wastewater sites as the option that provides the most certainty of future regulatory compliance whilst also reducing overall capital investment over the 10 years.

The tertiary treatment upgrades align with the modular investment approach and enable upgrades that improve the effluent discharge quality periodically as new systems are commissioned, culminating in compliant discharges by 2034. These upgrades can also be scaled up or added to over time, allowing for efficient and appropriated scaled operational cost.

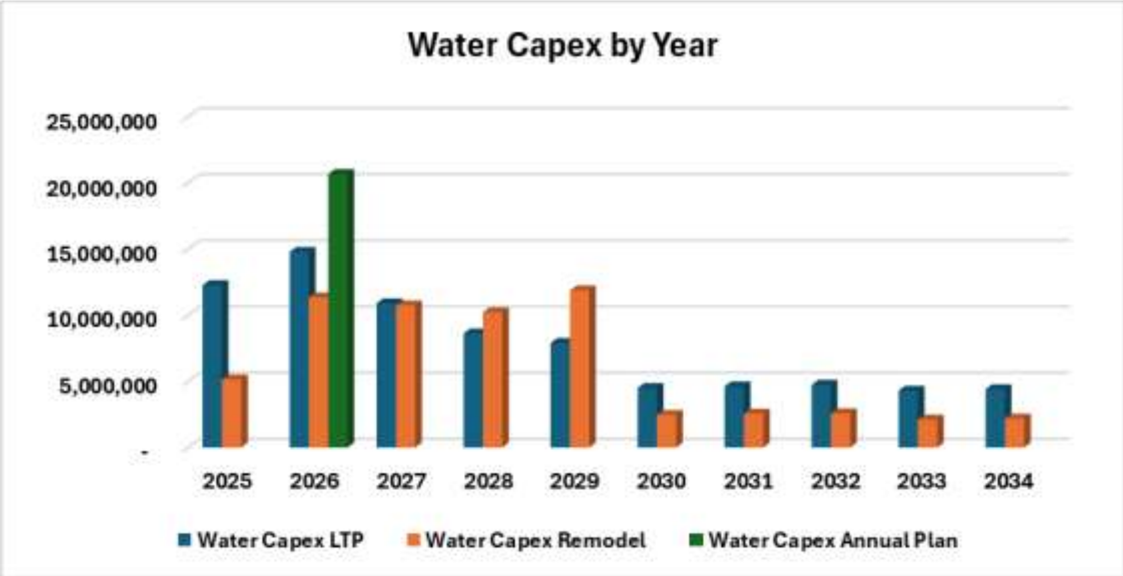
While continued surface water discharges may not align with community aspirations (outlined in the current Wastewater Strategy), the proposed wastewater standards provide this as a viable option, with clear consenting pathways and certainty of outcomes in terms of required effluent quality and consent term. This certainty along with a move away from the complexity and additional infrastructure required for centralisation, greatly reduces the short-term capital investment required.

**Financial implications of recommended options**

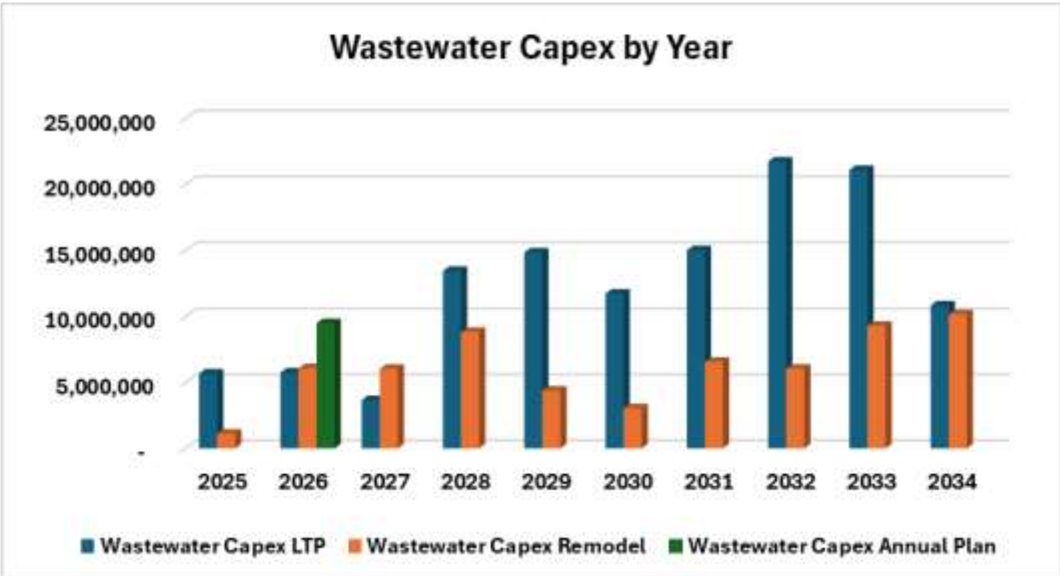
This section of the report outlines the financial implications of the revised capital programme and the subsequent projected rating implications. It also provides a further update on the impact of the PwC error and confirms that the Regional CCO remains the lowest cost option for the District.

***Revised Capital Programme Investment summary***

Drinking water capital investment is reduced from $77m to $61.2m and smooths out the investment in the earlier years of the plan compared to the Three-Year plan:

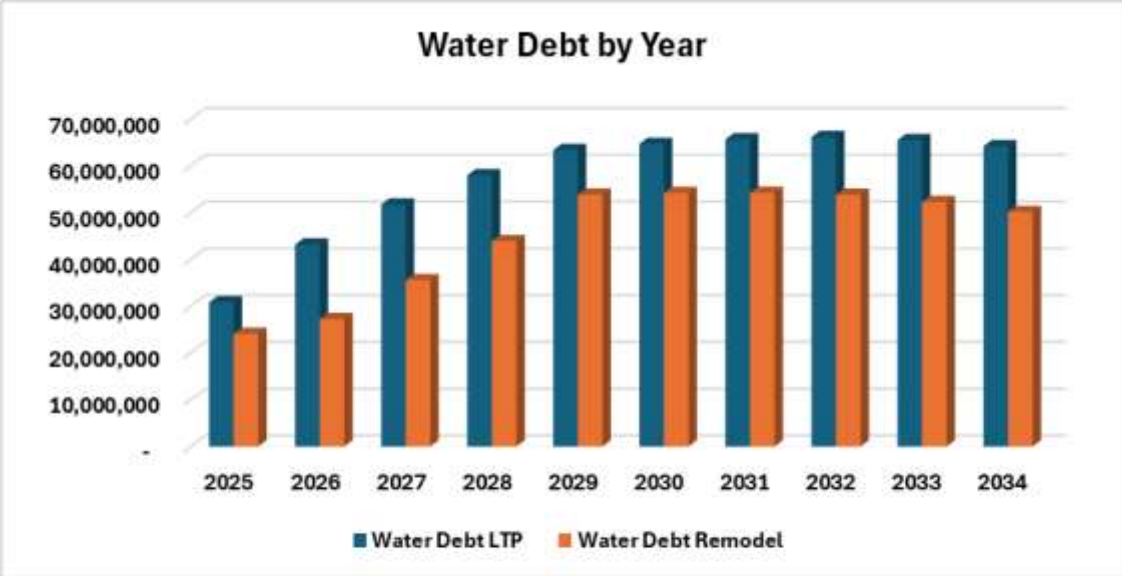



Wastewater capital investment is reduced from $123.8m to $61.5m and is a significant reduction in the overall programme.

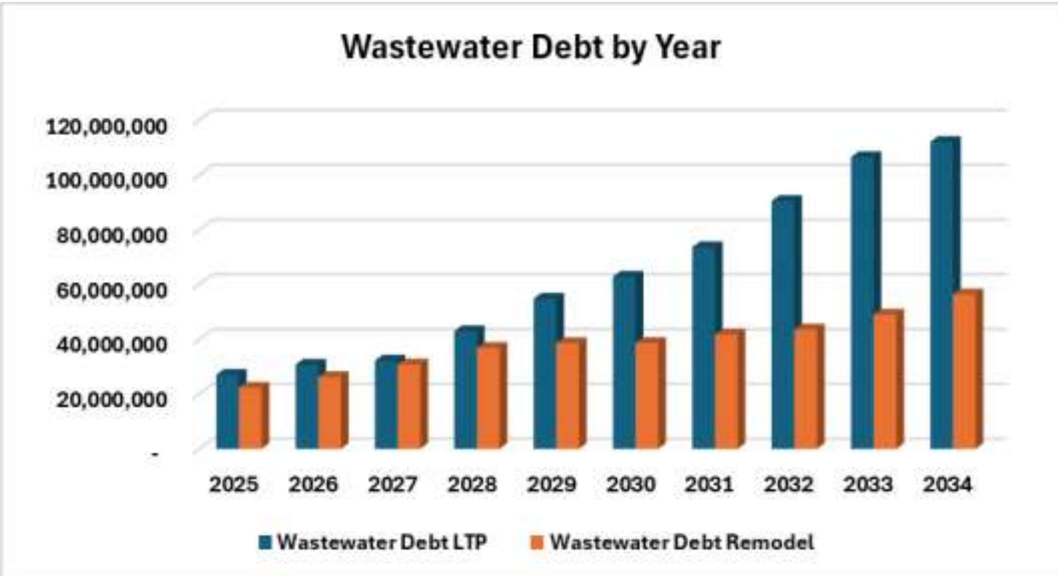



**Summary of impacts on Debt**

Drinking Water related debt is reduced by $14m over the 10-year period:




Wastewater debt is significantly reduced particularly in the latter years, by $56m over the 10-year period:




Overall, an additional $70m in debt headroom is provided compared to the Three-Year plan, however 2 Waters debt still reaches 497% of Central Hawkes Bay District's 2 Waters rates revenue, noting this will be a different figure if the regional WSCCO is established.

### *Updated Modelling – and PwC Error*

At its meeting on 3 July 2025, Council directed progressing the HBWSCCO model would be done in a way that responded to the affordability challenges raised by the Central Hawke's Bay community during the public consultation process, including by developing a revised 10-year water services plan with a reduced level of investment.

At the request of Officers, Central Hawke's Bay's Local Water Done Well modelling was refreshed to consider the impacts of a revised capital programme as noted earlier in this report.

During the update of the modelling, PwC who havecoompleted the Local Water Done Well modelling for the region, identified an error in their original model concerning the calculation of interest on debt from the 2029/30 financial year onwards.

The correction of this error has resulted in a substantial reduction in projected water rates for Central Hawke's Bay connected ratepayers from $7,000 in the Regional CCO in 2034/35 to $5,800.

The error did contribute to the extreme rating projections, which created considerable concern across the community, as Council consulted on Local Water Done Well.

PwC have acknowledged full responsibility for the error and have expressed their understanding and concern for the community's situation. The Chief Executive has met with Senior PwC staff on the matter, who have expressed this responsibility personally.

The Chief Executive will continue to work with Regional Chief Executives on addressing the implications of this matter with PwC, including exploring avenues to ensure accountability and appropriate remedies occur.

While it is disappointing that his error has created unnecessary concern amongst the community, the correction of this error means that projected costs for connected ratepayers are significantly lower than initially modelled. The correction of this error has also further strengthened the case for a HBWSCCO, as the least costly and most efficient option for the future delivery of water services in Central Hawke's Bay community.

While there should be some relief for community that the extreme increase for connected ratepayers is less than initially projected, affordability concerns for residents in our District persist and will require continued attention as Council progresses through the next stages of establishment of the HBWSCCO.

A full review of the revised model has been completed. Confidence remains in the proposed HBWSCCO, with the regional approach remaining the option to deliver best value and outcome for connected ratepayers.

The purpose of the modelling will also quickly be superseded, as Councils prepare and develop a 30-year Water Services Strategy as required under the Local Water Done Well legislation. This strategy will create a regionally consistent baseline for investment and will again outline future investment and rating requirements.

### *Rating Implications*

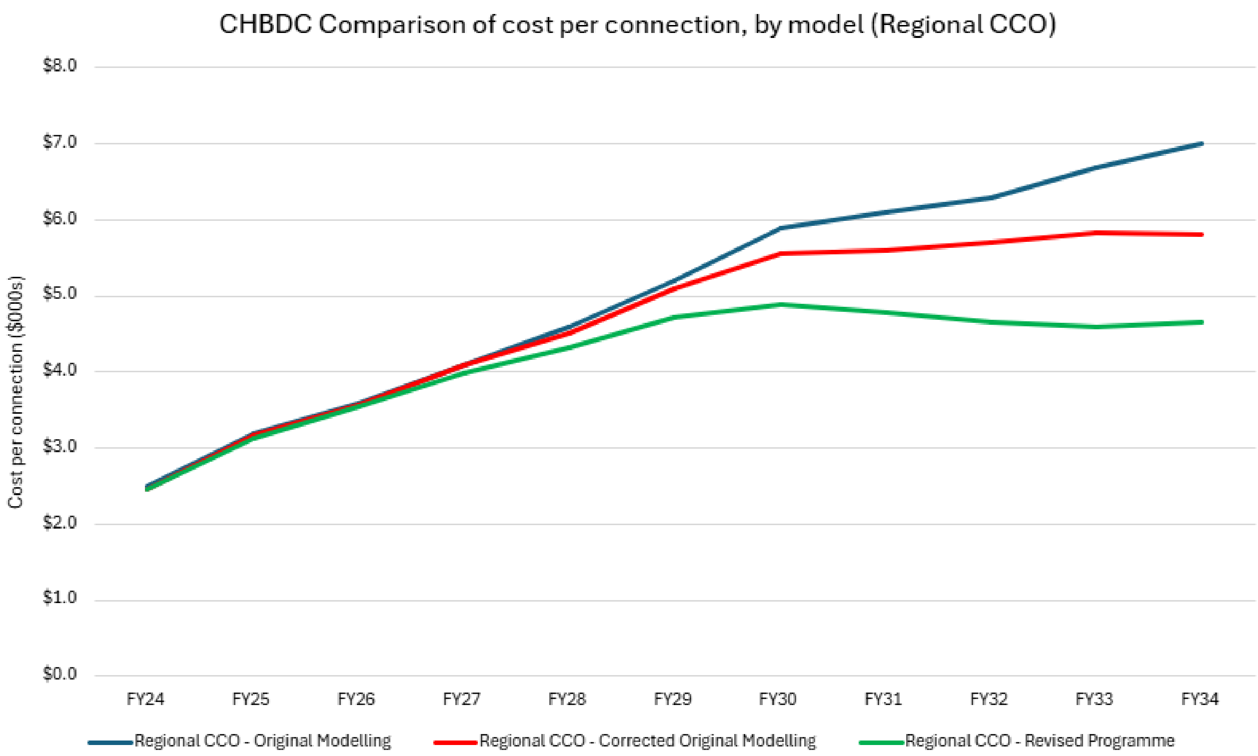
The deliberate work to reduce the capital programme, combined with the modelling error relating to interest on debt in the later years, has resulted in a 2034/35 reduction in rating projections from $7,000 in the original modelling to under $5000 in the latter years of the model, peaking at approximately $4,900 in FY2030/31 and decreasing to approximately $4,700 in 2034/35.

This reduction in the projected rating impact is set out in the table below:

| Cost per connection ($000s) | 2024/ 2025 | 2025/ 2026 | 2026/ 2027 | 2027/ 2028 | 2028/ 2029 | 2029/ 2030 | 2030/ 2031 | 2031/ 2032 | 2032/ 2033 | 2033/ 2034 | 2034/ 2035 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Regional CCO - Original Modelling** | $2.5 | $3.2 | $3.6 | $4.1 | $4.6 | $5.2 | $5.9 | $6.1 | $6.3 | $6.7 | $7.0 | **$55.2** |
| **Regional CCO - Corrected Original Modelling** | $2.5 | $3.2 | $3.6 | $4.1 | $4.5 | $5.1 | $5.6 | $5.6 | $5.7 | $5.8 | $5.8 | **$51.4** |
| **Regional CCO - Revised Programme** | $2.5 | $3.1 | $3.5 | $4.0 | $4.3 | $4.7 | $4.9 | $4.8 | $4.7 | $4.6 | $4.7 | **$45.7** |

The error in the modelling can be demonstrated by the graph below. The corrected original modelling from FY 29 (2029/2030) onwards in red demonstrates this lower interest on debt, that was not included in the original modelling shown in blue.

The new revised capital programme model is shown in green across the three regional models.



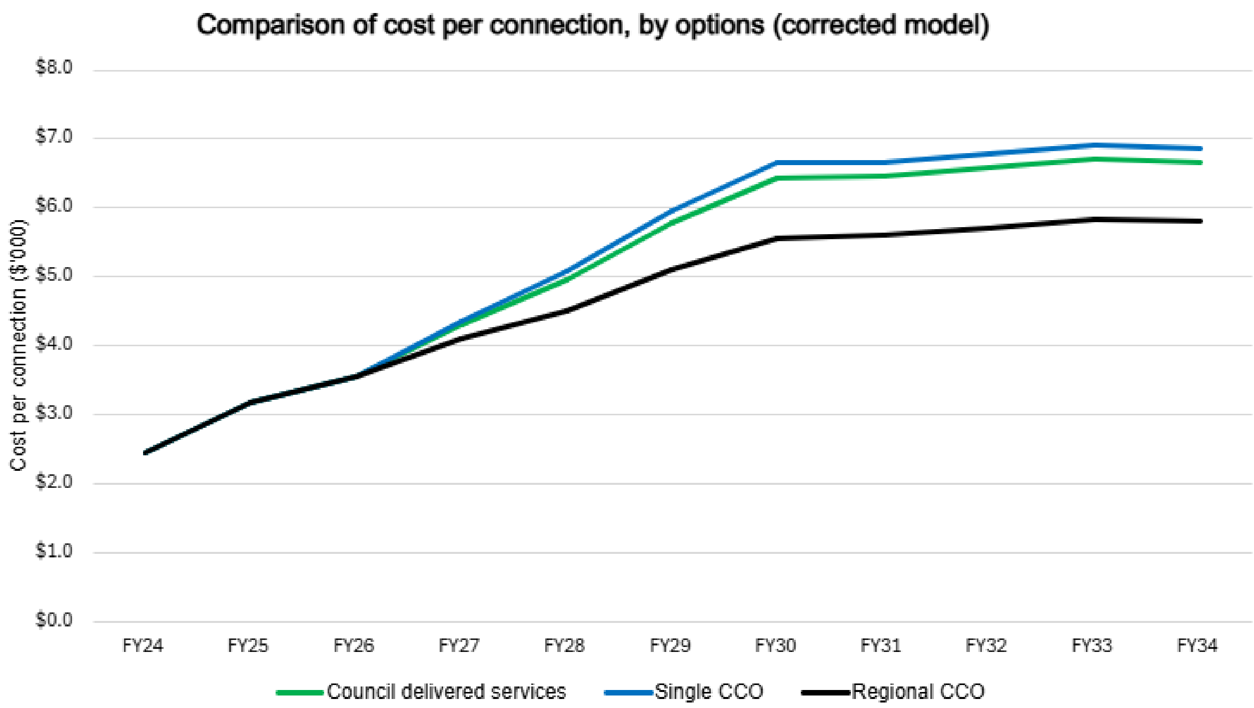
### *Delivery Option Comparison – Corrected Model*

The corrected modelling still demonstrates that the lowest cost option available to the community is the Regional CCO at $5,800, compared to the next lowest cost options available to household. This still represents a $25m saving across the ten-year period for connected households.

While a welcome reduction of $5,800 across the ten years, this is still unaffordable for the most deprived households in Central Hawke's Bay.

| Cost per connection ($000s) | 2024/ 2025 | 2025/ 2026 | 2026/ 2027 | 2027/ 2028 | 2028/ 2029 | 2029/ 2030 | 2030/ 2031 | 2031/ 2032 | 2032/ 2033 | 2033/ 2034 | 2034/ 2035 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Council delivered services** | $2.5 | $3.2 | $3.6 | $4.3 | $5.0 | $5.8 | $6.4 | $6.5 | $6.6 | $6.7 | $6.7 | **$57.1** |
| **Single CCO** | $2.5 | $3.2 | $3.6 | $4.3 | $5.1 | $6.0 | $6.7 | $6.7 | $6.8 | $6.9 | $6.9 | **$58.4** |
| **Regional CCO** | $2.5 | $3.2 | $3.6 | $4.1 | $4.5 | $5.1 | $5.6 | $5.6 | $5.7 | $5.8 | $5.8 | **$51.4** |

The graph below shows the benefits that the District's connected ratepayers can expect to achieve across the three different models by the lower cost of debt and the lower FFO requirement provided for under the Local Water Done Well Legislative framework with Council adopting the regional CCO model. This has been previously outlined in supporting information.

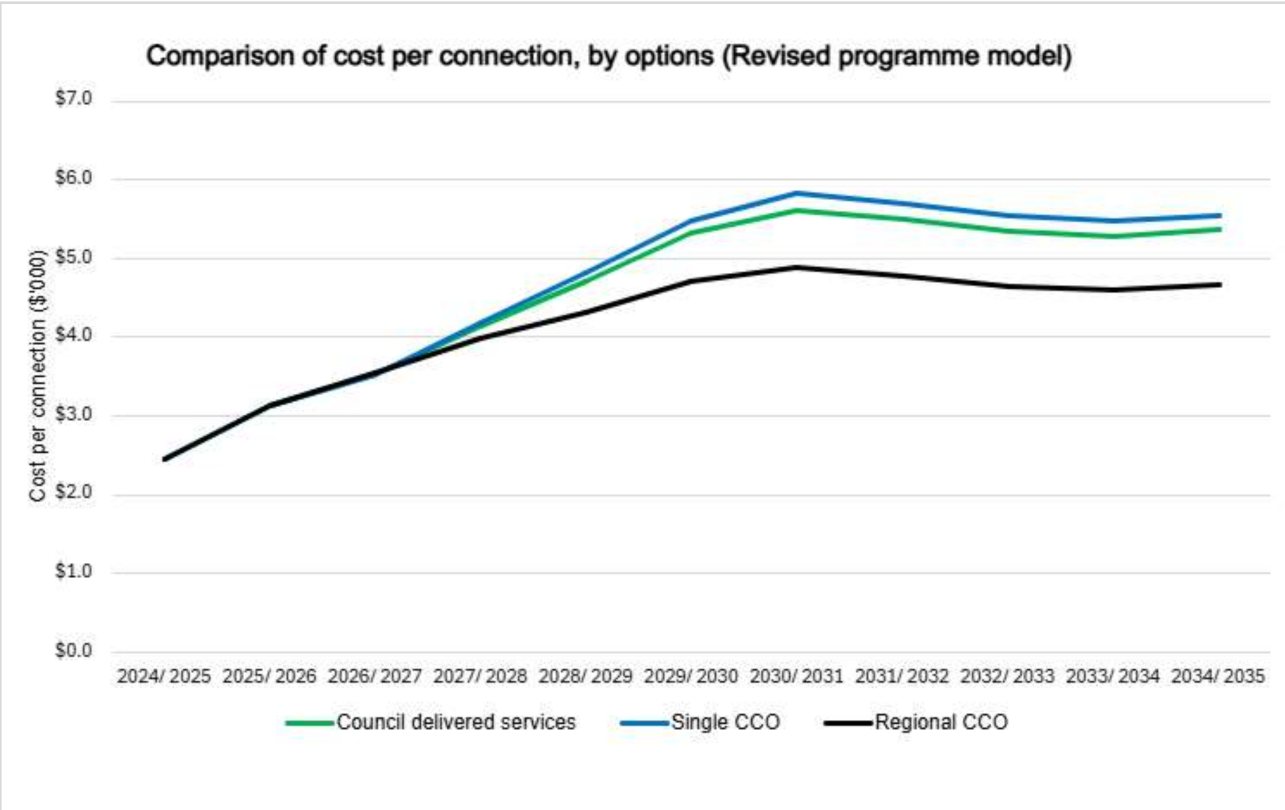


### *Delivery Option Comparison – Revised Capital Programme*

The table below sets out the projected rating requirements based on the revised capital programme across the three models available to Council.

| Cost per connection ($000s) | 2024/ 2025 | 2025/ 2026 | 2026/ 2027 | 2027/ 2028 | 2028/ 2029 | 2029/ 2030 | 2030/ 2031 | 2031/ 2032 | 2032/ 2033 | 2033/ 2034 | 2034/ 2035 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Council delivered services** | $2.5 | $3.1 | $3.5 | $4.1 | $4.7 | $5.3 | $5.6 | $5.5 | $5.3 | $5.3 | $5.4 | **$50.4** |
| **Single CCO** | $2.5 | $3.1 | $3.5 | $4.2 | $4.8 | $5.5 | $5.8 | $5.7 | $5.5 | $5.5 | $5.6 | **$51.7** |
| **Regional CCO** | $2.5 | $3.1 | $3.5 | $4.0 | $4.3 | $4.7 | $4.9 | $4.8 | $4.7 | $4.6 | $4.7 | **$45.7** |

With a reduced capital programme, the regional CCO still remains the lowest cost options to Council, demonstrated in the graph below.



### *Indicative Impacts on the 2025/26 Programme and rating implications*

The recommended revised capital programme will reduce spending in the current year compared to the approved Annual Plan. This would result in a reduction in the rates for the 2026/27 financial year for both water and wastewater targeted rates, albeit these are not expected to be significant reductions i.e less than $100. Officers will bring a further update on proposed rating increases and options to address this later this year as the development of the Annual Plan 2026/2027 commences.

A summary of the proposed capital delivery projects proposed for the 2025/2026 year include:

### *Drinking Water*

- Continue to deliver the Waipawa/Tikokino Rd Water Treatment Plant
- Continue to deliver the Modified 2nd Water Supply
- Continue to purchase Abbotsford Rd land for future
- Continue to deliver drinking water pipeline renewals
- Continue to deliver SCADA system resilience upgrades
- Continue to deliver on Backflow Prevention programme rollout
- Discontinue with SH2 Reservoir (Pukeora replacement).

### *Wastewater*

- Continue to deliver the DAF and UV upgrades for Waipukurau
- Commence reconsenting of Takapau/Pōrangahau/Te Paerahi upgrades and discharges following confirmation of the National Wastewater standards (expected in August 2025)
- Continue to deliver wastewater pipeline renewals
- Continue to deliver Waipukurau Inlet Pumpstation upgrade.

A breakdown of the capital programme for delivery in the 2025/2026 year, based on the revised capital programme is in **Attachment 1**.

Officers seek the endorsement and recommendation of this programme by the Committee to Council for its meeting at 28 August 2025 to enable the delivery of the 2025/26 capital programme to progress.

## STRATEGIC ALIGNMENT

Water services play an important role in supporting the seven outcomes identified in Project Thrive.

Affordability has been highlighted as a primary concern by the Central Hawke's Bay community during the Local Water Done Well consultation. As a result, revising the Three-Year Plan to lower projected investment levels and subsequent rating costs will begin to address community concerns. However, this will not address all the affordability challenges the District faces.

This programme is a variation from that set out in the 2021-2031 LTP and Three Year Plan . It also varies from the strategies adopted in the Infrastructure Strategies for 2021 and 2024.

While Council is changing its approach, these matters will be consulted on with community as part of the development of the Water Services Strategy in the longer term. Consideration is given under the Local Government Act 2002 and proposed Local Government (Water Services) Bill when passed into legislation to enable Councils to effectively deliver on the Local Water Done Well legislative framework.

## SIGNIFICANCE AND ENGAGEMENT

The proposed changes to the Drinking Water and Wastewater capital programmes from the Three-Year plan result in a forecasted reduction in capital investment and a greater level of residual risks for water and wastewater service provision over the next 10 years. A change of this nature would need to be re-consulted as part of the 2027-37 Long term plan.

As noted above, While Council is changing its approach, these matters will be consulted on with community as part of the development of the Water Services Strategy in the longer term. Consideration is given under the Local Government Act 2002 and proposed Local Government (Water Services) Bill when passed into legislation to enable Councils to effectively deliver on the Local Water Done Well legislative framework.

## OPTIONS/ ANALYSIS

Having considered multiple options already to address the long-term affordability challenges of the Districts Three Waters infrastructure, this report provides two options to progress with a revised capital programme for submission as part of the Local Water Done Well legislative framework.

### Option 1: Approve the revised water and wastewater capital programme, for inclusion in the Regional WSDP

This option supports the adoption of the revised capital programme, reducing the costs of the capital programme to lower, but still unaffordable levels. This option does introduce new risks to council and community from the revised programme, however is the only feasible option available to address the District’s major affordability challenges at this time.

### Option 2: Do not approve the revised water and wastewater capital programme and continue with the current Three-Year Plan

This option does not resolve the significant affordability issues identified by the community to Council. Although costs are now lower due to the correction of a modelling error by PwC, the programme remains financially challenging.

| | **Option 1** **Approve the revised water and wastewater capital programme, for inclusion in the Regional WSDP** | **Option 2** **Do not approve the revised water and wastewater capital programme and continue with the current Three-Year Plan** |
|---|---|---|
| **Financial and Operational Implications** | The revised water services plan is more financially sustainable for the community than Option 2, provides for a modular approach to investment and includes standardised treatment solutions to streamline operations in future. Subject to the Committee's decision, the revised plan will be included in the RWSDP, which needs to be submitted to DIA by September 3 2025. | The original Three-Year Plan for water and wastewater is unaffordable for the community. |
| **Long Term Plan and Annual Plan Implications** | The revised programme will have an impact on the FY25/26 plan and will inform the next LTP/Water Services Strategy. | This model would likely need to be reviewed as part of the Annual Plan 2026/2027 or Long-Term Plan 2027 – 2037 as the affordability challenges for community would be of too greater an impact. |
| **Promotion or Achievement of Community Outcomes** | The revised programme has been designed to maintain drinking water compliance throughout the next 10 years and achieve wastewater compliance within 10 years (2034). However, the plan has inherent risks articulated in this paper and would need to be documented in the next LTP or Water Services Strategy. | The Three-Year Plan for water and wastewater has been consulted and would deliver on the agreed outcomes set out in the consultation documents. |
| **Statutory Requirements** | The revised plan has two consenting pathways options for implementation following adoption of the wastewater standards, which will need community consultation. The assumption in this report is for surface water discharges which are allowed for in the proposed national standards. The details of the plan would need to be included in the future Water Services Strategy for the RWSCCO. | The existing plan also has two consenting pathways for implementation following adoption of the wastewater standards, which will need community consultation. Parts of the current wastewater plan are not currently provided for in the proposed wastewater standards i.e. WOW RIB. |
| **Consistency with Policies and Plans** | The changes in the plan are inconsistent with the current LTP and the Council's Infrastructure Strategy due to unaffordability. | No implications |

## RECOMMENDED OPTION

This report recommends **Option 1 – Approve the revised water and wastewater capital programme, for inclusion in the Regional WSDP** for addressing the matter.

## DELEGATIONS OR AUTHORITY

The Committee has the delegation to approve the recommendations of this report.

## COMMUNICATION

Council has been proactively communicating with community on its intentions to reduce the programme relating to affordability. Council has also proactively communicated the matters on this report, including the error made by PwC.

The next key milestones in the programme of work relate to the endorsement of the Water Services Delivery Plan by Council, which will enable Council to further communicate both locally and now regionally as part of the future Regional CCO's establishment, the key milestones, what Council's role will be, including decision making and shareholding arrangements publicly.

## NEXT STEPS

Officers now have a short window to finalise the WSDP ahead of seeking Council endorsement of the Regional Water Service Delivery Plan, planned for an extraordinary meeting of Council on 28 August 2025.

Establishment of the Regional CCO is expected to commence shortly after and Council can expect further updates on this as part of its report on 28 August 2025.

Officers will now continue to plan and deliver the revised FY25/26 water services programme as set out in Attachment 1.

## Revised Water Programme - Financial Year 2025/26 programme

| | 25/26 Programme (Revised) |
|---|---|
| **Wastewater** | **$5,872,312** |
| **to meet additional demand** | **$151,500** |
| Developer led projects | $51,500 |
| Structure plan for growth | $100,000 |
| **to improve the level of service** | **$1,300,000** |
| Takapau Wastewater treatment upgrade | $200,000 |
| Waipukurau WWTP Inlet Pump Station Upgrade | $850,000 |
| Te Paerahi/Porangahau Wastewater treatment upgrade | $250,000 |
| **to replace existing assets** | **$4,420,812** |
| Reactive Renewals | $150,000 |
| District I&I Project | $0 |
| Reticulation renewal including pipes and other retic | $1,751,000 |
| WPK WPA OTN wastewater treatment upgrades | $2,519,812 |
| **Drinking Water** | **$11,348,912** |
| **to meet additional demand** | **$228,750** |
| Developer led projects | $51,500 |
| Structure Planning for growth | $177,250 |
| **to improve the level of service** | **$6,566,412** |
| Bulk Water Metering | $51,500 |
| Installation of new valves for flushing purposes | $40,000 |
| Installation of testable boundary backflow preventers | $763,500 |
| Waipukurau Second Supply | $4,938,912 |
| Waipuk water mains | $772,500 |
| **to replace existing assets** | **$4,553,750** |
| Reticulation renewal including pipes & other retic | $2,703,750 |
| SCADA data security upgrade | $850,000 |
| Minor Reticulation Renewals | $400,000 |
| Pukeora Reservoir Replacement | $200,000 |
| SH2 Replacement AC Main | $0 |
| Waipawa Reservoir Replacement | $400,000 |

## 6.3 DRAFT FUNDING IMPACT STATEMENT (FIS) FOR YEAR ENDED 30 JUNE 2025; AND PROPOSED CARRY FORWARDS

**Author:** **Brent Chamberlain, Chief Financial Officer**

**Authoriser:** **Doug Tate, Chief Executive**

**Attachments:** **Nil**

### PURPOSE

To provide visibility on Councils draft financial results for the 2024/25 financial year, and other year-end matters ahead of providing draft accounts to Councils External Auditors

### RECOMMENDATION(S)

**That the Finance, Infrastructure and Performance Committee:**

1. **Receives the report entitled draft Funding Impact Statement (FIS) for the year ended 30 June 2025 and proposed Carry Forwards being received.**
2. **Approves the proposed allocations to carry forwards and special funds for the 2024/2025 Financial Year.**
3. **Approves that the 2024/2025 activity surpluses in the general rate funded activities be used to fund the deficits in the general rate funded activities.**

### EXECUTIVE SUMMARY

The 2024/2025 financial year is the first year of the Three-Year Plan 2024-2027, which finished on 30 June 2025. The plan was developed in a period of high uncertainty; with considerable government reform and the significant uncertainty the district faced with Cyclone Gabrielle. Officers are currently compiling the annual report ahead of the auditors arriving on 25 August.

Officers are still working through year end cut off adjustments, provisions, and revaluations so the results disclosed in this report are draft. Results are subject to further adjustments, however, can be considered about 90% complete.

This report will consider the draft results, what loan funding is being applied, and what carry forwards have been requested. The report demonstrates that despite the significant uncertainty the district faced and the challenges of changing environments, the Council will finish with a surplus and will also be in a position to carry forward funds.

This step of presenting the draft results is an important step to give visibility to elected members and the public of Councils finances, ahead of the draft results being provided to the Independent Audit Team.

### BACKGROUND

The financial year being the first year of the Three Year Plan 2024-2027 (3YP) finished on 30 June 2025.

The 3YP prioritised Councils existing and new expenditure on three key priorities – being land transport, critical three waters investment and recovery. Council took a balanced but financially prudent approach to its first year of its plan, recognising the significant period of uncertainty that Council was facing. This included:

- Significant recovery work – affecting nearly every activity of Council in some form

- Communities that were still in the regional flood land categorisation process
- Major inflationary impacts
- Changes in government policies and reform programmes – particularly relating to three waters
- Unconfirmed roading recovery funding or scope across its programme
- Uncertain economic stability – particularly relating to inflation and interest rates
- Demands for increases to some services such as stormwater following the Cyclone.

Having now emerged from the other side of the first year of plan, officers are currently compiling the annual report ahead of the auditors arriving on 25 August.

The auditors will be on site for three weeks and will report back their initial findings to the Risk and Audit committee on 23 September. This is ahead of the Annual Report being presented to Council for adopted by Council on 2 October.

Officers are still working through year end cut off adjustments, these include but are not limited to:

- Year End Accruals – making sure costs and revenue fall in the correct year.
- Revenue in Advance – ensuring unspent grants are moved to the next financial year.
- Calculating Provisions – Staff Annual Leave, providing for Doubtful Debts, making the annual charge for Landfill Aftercare expected costs.
- Capitalising Assets – Adding/(Deleting) asset additions/(sales) for the year.
- Revaluations – revaluing Roading, and 3 Water Assets to replacement values.
- Calculating Depreciation for the year – the notional cost of assets wearing out.

Officers are about 90% through these tasks and the numbers presented are subject to further adjustments.

This step of presenting the draft results is an important step to give visibility to elected members and the public of Councils finances, ahead of the draft results being provided to the Independent Audit Team.

The next section of the report demonstrates that Council has been able to finish with a surplus.

**DISCUSSION**

Below is the draft comprehensive income statement as at the 14 August. As mentioned, officers are still working through the final adjustments.

The big items still to be dealt with are asset revaluations, and landfill aftercare. All other final adjustments will be ready for the auditors when they arrive on the 25 August.

| | Actual 2024 $000 | Note | Budget 2025 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Rates revenue | 27,622 | 2 (f) | 33,418 | 33,363 |
| Subsidies and grants | 39,919 | 2 (g) | 35,175 | 32,521 |
| Interest and dividends | 327 | | 181 | 460 |
| Fees and Charges | 5,772 | 2 (h) | 6,151 | 5,532 |
| Development contributions | 1,302 | | 2,272 | 1,168 |
| Other revenue | 536 | 2 (i) | 396 | 1,897 |
| **Total revenue** | **75,477** | | **77,591** | **74,942** |
| **Expenditure** | | | | |
| Personnel costs | 9,491 | | 11,932 | 10,802 |
| Depreciation and amortisation | 15,731 | 2 (a), 6 | 15,385 | 15,625 |
| Written Off Cyclone Damaged Assets | 0 | | 0 | (182) |
| Finance costs | 2,074 | | 3,236 | 2,393 |
| Other operating expenses | 38,717 | 2 (c) | 50,339 | 32,316 |
| **Total operating expenditure** | **66,013** | | **80,892** | **60,955** |
| **Net Operating Surplus/(Deficit)** | **9,464** | | **(3,301)** | **13,987** |
| **Other (Gains)/Losses** | | | | |
| (Gains)/Losses on Public Debt | 0 | | 0 | 0 |
| (Gains)/Losses on Investments | 303 | | 0 | (216) |
| **Total Other (Gains)/Losses** | **303** | | **0** | **(216)** |
| **Operating surplus/(deficit) before tax** | **9,161** | | **(3,301)** | **14,204** |
| Income tax expense | 0 | | 0 | 0 |
| **Net surplus/(deficit) after tax** | **9,161** | | **(3,301)** | **14,204** |
| **Other comprehensive income** | | | | |
| Gains/(losses) on the revaluation of property, plant and equipn | 49,318 | 10 | 25,573 | 0 |
| Gains/(Losses) on the Disposal Revalued Property, Plant and Ec | 0 | | 0 | 0 |
| Impairment of Cyclone Damaged Assets | 0 | | 0 | 0 |
| **Total other comprehensive Income** | **49,318** | | **25,573** | **0** |
| **Total comprehensive income for the year** | **58,479** | | **22,272** | **14,204** |

The table shows another year of higher than normal revenues. This is because of the $14.8m of Waka Kotahi funding received for Cyclone Recovery. Most of this has been treated as asset replacement, rather than repairs so the spend sits in the balance sheet as fixed assets rather than in the statement above. This is what has driven the surplus of $13.9m.

Below is the draft Funding Impact Statement (FIS) for 2024/25. It has been provisionally balanced based on the recommendations proposed below and subject to any final adjustments.

Part of balancing the FIS up is considering, includes:

- activities that are in surplus, which are in deficit and what activity transfers are required,
- any activities that have been delayed, ie collected revenue that will be spent next year, and the funds need to be "carried forward", and
- what loan funding needs to be applied (loan funding for capex has already been accounted for).

| | Annual Plan 2024 $000 | Annual Report 2024 $000 | Long Term Plan 2025 $000 | Actual 2025 $000 |
|---|---|---|---|---|
| **Sources of operating funding** | | | | |
| General rates, uniform annual general charges and rates penal | 17,811 | 17,890 | 21,335 | 21,372 |
| Targeted rates | 9,840 | 9,731 | 12,083 | 11,991 |
| Subsidies and grants for operating purposes | 5,359 | 22,985 | 7,124 | 7,567 |
| Fees, charges | 6,742 | 5,771 | 6,151 | 5,532 |
| Interest and dividends from investments | 79 | 327 | 181 | 460 |
| Local authorities fuel tax, fines, infringement fees and other re | 486 | 591 | 336 | 1,433 |
| **Total operating funding** | **40,317** | **57,295** | **47,210** | **48,355** |
| **Applications of operating funding** | | | | |
| Payments to staff and suppliers | 38,003 | 49,655 | 63,971 | 44,216 |
| Finance costs | 1,982 | 1,992 | 3,200 | 2,393 |
| Other operating funding applications | (1,956) | (1,447) | (1,700) | (1,097) |
| **Total applications of operating funding** | **38,029** | **50,200** | **65,471** | **45,512** |
| **Surplus (deficit) of operating funding** | **2,288** | **7,095** | **(18,261)** | **2,843** |
| **Sources of capital funding** | | | | |
| Subsidies and grants for capital expenditure | 4,144 | 16,934 | 28,051 | 24,954 |
| Development and financial contributions | 2,197 | 1,302 | 2,272 | 1,168 |
| Increase (decrease) in debt | 24,761 | 2,000 | 16,432 | 8,000 |
| Gross proceeds from sale of assets | 21 | 21 | 58 | 364 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 | 0 |
| **Total sources of capital funding** | **31,123** | **20,257** | **46,813** | **34,486** |
| **Applications of capital funding** | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 3,837 | 293 | 1,366 | 857 |
| - to improve the level of service | 15,597 | 4,336 | 7,970 | 9,657 |
| - to replace existing assets | 17,417 | 25,728 | 20,141 | 20,691 |
| Increase (decrease) in reserves | 86 | (2,165) | 225 | 1,399 |
| Increase (decrease) of investments | (3,526) | (840) | (1,150) | 4,725 |
| **Total application of capital funding** | **33,411** | **27,352** | **28,552** | **37,329** |
| **Surplus (deficit) of capital funding** | **(2,288)** | **(7,095)** | **18,261** | **(2,843)** |
| **Funding balance** | **0** | **0** | **0** | **0** |

### *External Debt*

During 2024/25 Council's external debt has increased from $44m to $52m. This money was used to fund the creation of new assets.

Council's weighted average cost of funds was 4.65% pa (2024: 5.4% pa). This decrease represents:

- the drop in the floating rate,
- loan roll overs being replaced at lower rates, and
- the first of Council's interest rate swaps being in effect.

### *Special Funds*

Special Funds and Trust Accounts are held for a specific purpose and are allocated interest annually from Councils investments/internal borrowings. During the year $289k of interest was added to Councils special funds. This represented a 4.0% return.

During the year the following movements (excluding interest) occurred in the special funds:

| Special Fund Name | Activity | Movement | Explanation |
|---|---|---|---|
| S001 Capital Projects | Overheads | (66,449) | Sales / Holding Costs on property held for sale – to be reimbursed from the sale of 83 Pōrangahau Rd and Ōtāne Bowling Club |
| S621 Landfill Aftercare | Solid Waste | 84,043 | Funds set aside for care of Landfill post closure |
| S625 Vehicle Depreciation | Overhead | 167,068 | Setting aside Depreciation as proxy for future vehicle replacement spend |
| S626 Land Transport Vehicle Depreciation | Land Transport | 30,000 | Setting aside Depreciation as proxy for future vehicle replacement spend |
| S637 Catastrophic Events | Land Transport | (270,963) | Part funding of council share of Cyclone Recovery works (less than budgeted) |
| S711 Water Smoothing | Water | (25,000) | Rates Smoothing between years as per Annual Plan |
| S720 Wastewater Smoothing | Wastewater | (175,000) | Rates Smoothing between years as per Annual Plan |
| S765 Te Aute Drainage Scheme | Stormwater | (25,564) | Ring Fenced Rating Deficit |
| S890 Senior Housing | Community Facilities | 83,873 | Ring Fenced Income Surplus as planned |
| S877 District Landfill Levy | Solid Waste | 78,216 | MfE Waste Minimisation Education Funding Unspent |
| S935 Waipawa Building Society Scholarship | Overheads | (4,144) | Scholarships Granted |
| S940 Eric Tate Scholarship | Overheads | (2,000) | Scholarships Granted |

***Carry Forwards***

This year Council has had an overall rating surplus (through a combination of cost control, and deferring some renewal works).

This isn't the case in all activities. In particular, the consenting activities has been adversely affected by the downturn in the New Zealand economy.

Council has the ability to fund the requests below. They have been grouped by rate type, and any funds collected for 3 Waters or Land Transport remain ring fenced in those activities.

| **Public Facing General Rate Funded Activity** | **Request** | **Amount** |
|---|---|---:|
| Governance | Council Meeting Software Replacement – planned to align with 2025 elections | 32,000 |
| | General Election (funded over 3 years) | 9,959 |
| Social Development | Housing Support Grant (unspent grant) | 16,824 |
| District Plan | District economic and population projects for LTP | 24,000 |
| Community Facilities | Minor Open Spaces Renewals | 31,000 |
| | Municipal Theatre Fire Separation | 25,000 |
| | Pōrangahau Hall Cyclone Rebuild (Council Share) | 50,000 |
| | Community Halls Renewals | 10,000 |
| | Critical Takapau Sports Building Repairs (scope to be finalised) | 75,000 |
| Transfer Station | Deferred Maintenance | 8,110 |
| **Total** | | **281,893** |

| **Back Office General Rate Funded Activity** | **Request** | **Amount** |
|---|---|---:|
| Admin Building | Fire Alarm Compliance | 5,000 |
| Information Services | IT replacements (funded over 3 years) and system upgrades. | 124,604 |
| Communications | Website upgrade | 38,000 |
| Human Resources | Employee and health and safety development. | 35,000 |
| Corporate Services | LTP resources (funded over 3 years) and LTP programme management. | 135,000 |
| Civil Defence | Civil Defence EOC Fitout | 5,000 |
| **Total** | | **342,604** |

| **3 Waters Targeted Rate Funded Activity** | **Request** | **Amount** |
|---|---|---:|
| Local Water Done Well – Future Rate Smoothing | Share of establishment/transition costs rather than future debt funding, opportunity to rate smooth three waters. | 600,000 |
| **Total** | | **600,000** |

Similarly, Council has also been able to deliver some renewals that were scheduled to be loan funded as rate funded (ie the amount of the loan required to complete the work was reduced). This includes $948k of stormwater renewals, $408k of water renewals, and $367k of wastewater renewals.

| Land Transport Rate Funded Activity | Request | Amount |
|---|---|---|
| Subsidised | Programme Delivery (funded over 3 years) | 735,956 |
| Unsubsidised | Programme Delivery (funded over 3 years) | 70,261 |
| **Total** | | **806,217** |

***Development Contributions (DC's) and Tradewaste Capital Contributions***

Since 2021, Council has been collecting significant Development Contributions and Tradewaste Capital Contributions.

Development contributions are the fees payable to Council to service growth. They are used for capital expenditure planned to be provided, or already constructed, for additional community facilities such as stormwater, roads, reserves and public amenities.

These contributions may be required on resource consents (subdivision and land use) and/or building consents or service connections in situations where the development will have additional growth impact on infrastructure.

Here is a summary of the Development Contributions collected and spent over the last three years:

| Asset Class | Balance at Start of Year | DC's Collected | Growth Share of Assets Built | Balance Held at Year End |
|---|---|---|---|---|
| Community Infrastructure & Reserves | $374,872 | $116676 | $- | $491,547 |
| Water | ($2,690,990) | $292,343 | $315,850 | ($2,717,497) |
| Wastewater | ($858,347) | $673,993 | $100,499 | ($284,852) |
| Stormwater | ($333,428) | 79,740 | $170,237 | ($423,925) |
| | | | | |
| **TOTAL** | **($3,507,892)** | **$1,162,752** | **$586,585** | **($2,931,726)** |

***Revaluations***

Council has a 1–3-year cycle of revaluations of its roading, 3 Waters, and Land and Building Assets. This year, only roading is due to be revalued.

However, as part of the Local Water Done Well work our 3 Waters assets have also been revalued out of cycle to help determine the possible future transfer value.

***Roading***

A first draft of the Roading Valuation from Stantec has been received and shows a significant increase in values. These are mainly in the formation and pavement layers of the roads, and safety railings.

Stantec has been asked to check their numbers and provide an explanation for the increases.

| Valuation | Replacement Cost | Depreciated Replacement Cost | Annual Depreciation |
|---|---|---|---|
| 30 June 2024 | $1,118,051,876 | $865,262,794 | $8,914,963 |
| 30 June 2025 | $2,125,139,126 | $1,799,405,680 | $11,168,025 |
| % Change | 90.08% | 107.96% | 25.27% |

If the headline numbers above are correct this will see a $2.2m increase in depreciation charges (the annual charge for wearing out of roads). The $11.1m dollar figure is what Waka Kotahi and Council should be spending per year on renewals to ensure roading assets remain in their current condition.

Council's share is 49% of this increase. If rated for, this would require a $1.1m increase in land transport rates.

**3 Waters:**

| 2025 Valuation by WSP | Replacement Cost | Depreciated Replacement Cost | Annual Depreciation |
|---|---|---|---|
| Stormwater | $60,587,592 | $33,683,415 | $638,464 |
| Wastewater | $154,413,760 | $77,580,430 | $3,022,439 |
| Water Supply | $105,367,584 | $51,067,977 | $1,643,788 |
| | **$320,368,937** | **$162,331,822** | **$5,304,690** |
| Change | +15.1% | +15.9% | +28.4% |

| 2024 Valuation by Stantec | Replacement Cost | Depreciated Replacement Cost | Annual Depreciation |
|---|---|---|---|
| Stormwater | $50,040,097 | $28,298,295 | $531,518 |
| Wastewater | $115,471,875 | $56,165,133 | $1,834,606 |
| Water Supply | $112,911,147 | $55,547,873 | $1,766,501 |
| | **$278,423,119** | **$140,011,301** | **$4,132,625** |

Similarly, the 3 Waters valuation sees a material increase in replacement costs and depreciation. This will have an impact on insurance and rating of renewals (should the new DIA metrics require fully funded renewals, which they do through the FFO calculation).

## SIGNIFICANCE AND ENGAGEMENT

This report is provided for has been assessed as of medium significance in accordance with Councils Significance and Engagement Policy, noting that this represents the draft financial performance of the Council for the 2024/2025 financial year.

While medium in significance, it does not trigger the requirement for consultation or engagement at this time, with the Annual Report document being the basis to formally share Councils end of year position with community, following assessment by the Auditors, consideration by the Risk and Assurance Committee and adoption by the Council.

## OPTIONS/ ANALYSIS

There are two primary options available to Council:

### *Option 1 – Approve the proposed budget allocations and carry forwards*

Council has the ability to approve the proposed allocations to carry forwards and special funds for the 2024/25 Financial Year and that the 2024/25 activity surpluses in the general rate funded activities be used to fund the deficits in the general rate funded activities as proposed.

### *Option 2 – Choose not to approve/make amendments to the proposed allocations*

Council can choose not to approve the proposed allocations and provide officers with guidance how they wish to allocate the surplus/ (deficits) between special funds/carry forwards/and activities.

### Recommended Option

This report recommends **Option 1, approving the proposed allocations** for addressing the matter.

Officers have made the recommendations based on what is required to ensure the organisation meets its legislative and regulatory requirements and agreed levels of service with community.

## FINANCIAL AND OPERATIONAL IMPLICATIONS

This paper seeks direction from the Committee on its carry forwards and special funds for the 2025/2025 Financial Year. This will assist with the finalising of Councils Annual Report 2024/25.

## RISK ASSESSMENT AND MITIGATION

This forms part of the process for Councils Annual Report 2024-25 which gives transparency for the community.

## DELEGATIONS OR AUTHORITY

The Finance, Infrastructure and Performance Committee has delegation to make this decision.

## NEXT STEPS

Officers will continue to work towards finalising their financial statements, including any adjustments resulting from this paper, ahead of the auditors arriving on site in late August.