



30 Year Capital Expenditure Re-profiling

Impact and Risk analysis

Prepared for
Whakatāne District Council

Prepared by
Tonkin & Taylor Ltd

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Executive summary

Tonkin and Taylor Ltd (T+T) have previously produced a Local Water Done Well (LWDW) compliant budget for three water services after reviewing Whakatāne District Council's (WDC's) Long Term Plan (LTP) budgets. The purpose of this work was to develop a baseline budget that meets the investment requirements of LWDW while ensuring that the "needs" underpinning the projects have been tested for spending that can be deferred to improve affordability.

As part of the LWDW workstream, WDC engaged Martin, Jenkins & Associates Limited (MartinJenkins) to evaluate WDC current state under the new legislation. MartinJenkins's draft findings highlighted debt funding constraints and affordability concerns that questioned the viability of WDC using a standalone business unit delivery model.

WDC have since undertaken a Capital Expenditure (CAPEX) re-profiling exercise to determine what projects from the compliant budget can fit within an affordability envelope that WDC finance team have identified over the next 30 years. This exercise has been undertaken by WDC to provide a basis for discussions with regulators around what compliance-based projects could be deferred (or not), and ultimately whether there is a realistic path to adopting a standalone three waters business unit under LWDW. During this process, WDC have met with regulators (Taumata Arowai, Bay of Plenty Regional Council) who have provided advice on the investment requirements for compliance based on proposed new wastewater performance standards that were released for consultation in early March 2025.

Our input has been to review this re-profiled 30 Year CAPEX budget and highlight the impact and risk of the changes to budgets against the LWDW compliant budget. These have been discussed across three categories:

- Major project impacts.
- Minor project impacts.
- Profile level impacts.

The main findings of the impact and risk analysis for Council to consider are:

- **The budget has reduced overall.** The overall 30-year budget for the re-profiled CAPEX budget has reduced by \$25.5 million from \$601.5 million to \$576 million when compared against the LWDW compliant budget.
- **There are no major compliance or environmental based risks associated with Wastewater Treatment Plant (WWTP) projects.** The re-profiled budget is largely in line with the LWDW compliant budget in respect to WWTP investment. The LWDW compliant budget has been informed by recent discussions WDC have had with regulators, who have provided advice on the investment requirements for compliance based on proposed new wastewater performance standards that were released for consultation in early March 2025. We note that the proposed wastewater performance standards that have been released for consultation could change before they are finalised. This may have a significant impact on overall WWTP costs with upgrades possibly being required if standards and plant category sizes are increased. This may consequently make the re-profiled budget non-compliant.
- **Edgecumbe flooding impacts remain.** Edgecumbe currently has known flooding issues that result in wet weather wastewater overflow events. The re-profiled budget seeks to investigate this and determine a solution in the same timeframe as the LWDW compliant budget, however, physical works have been deferred from 2030 to 2054. There is a risk that deferring upgrades to mitigate flooding impacts will have a secondary environmental impact where known wet weather wastewater discharges (due to illegal cross-connections) will continue to occur and likely at an increased frequency over time.

- **Many changes to the other Major Projects have only minor impacts on environmental or regulatory risks.** The remaining project changes in the re-profiled budget have either had little to no impact across environmental and regulatory categories.
- **There are a range of other impacts for Council to consider due to deferral or removal of projects across three waters.** The remaining impacts and risks for Council to consider are categorised under 'Other impacts'. These are summarised as follows:
 - Removing provisions for growth in some projects (such as The Plains water supply capacity and Te Teko/Awakeri water supply growth provisions) may increase the risk of negative reputational impacts for Council and affect Councils relationship with these communities.
 - This may also result in developers being deterred from investing in development within these areas due to inadequate capacity.
 - Deferred investment across the Minor Projects over a longer period may result in a reduction in LOS to the community as a result of degradation of asset condition and performance. This may be perceived negatively by the community increasing the reputational risk to Council.
 - Similarly, across the Minor Projects, deferral of investment may also result in developers being deterred from investing in development within the district due to degraded network capacity and performance, and insufficient infrastructure to connect to.

1 General

Tonkin and Taylor Ltd (T+T) has been engaged by Whakatāne District Council (WDC) to review the recently adopted 2024 – 2034 Long Term Plan (LTP) budgets and create an updated “stress-tested” compliant budget for Local Water Done Well (LWDW) decision making and to ensure that budgets meet requirements of regulators and LWDW legislation. Following on from this, WDC have engaged T+T for further input to review a re-profiled 30 Year Capital Expenditure (CAPEX) budget that has been amended to fit an affordability envelope.

1.1 Background

T+T have previously produced a LWDW compliant budget for three water services¹ after reviewing WDC’s LTP budgets. The purpose of this work was to develop a baseline budget that meets the investment requirements of LWDW while ensuring that the “needs” underpinning the projects have been tested for spending that can be deferred to improve affordability.

As part of the LWDW workstream, WDC engaged Martin, Jenkins & Associates Limited (MartinJenkins) to evaluate WDC current state under the new legislation. To complete this work, MartinJenkins used the LTP budget, moderating the key assumptions above to approximate compliance with LWDW investment requirements. MartinJenkins’s draft findings highlighted debt funding constraints and affordability concerns that questioned the viability of WDC using a standalone business unit delivery model.

WDC have since undertaken a CAPEX re-profiling exercise to determine what projects from the compliant budget can fit within an affordability envelope that WDC finance team have identified over the next 30 years. This exercise has been undertaken by WDC to provide a basis for discussions with regulators around what compliance-based projects could be deferred (or not), and ultimately whether there is a realistic path to adopting a standalone three waters business unit under LWDW. During this process, WDC have met with regulators (Taumata Arowai, Bay of Plenty Regional Council) who have provided advice on the investment requirements for compliance based on proposed new wastewater performance standards that were released for consultation in early March 2025.

Our input has been to review this re-profiled 30 Year CAPEX budget and highlight the impact and risk of the changes to budgets against the LWDW compliant budget.

1.2 Scope

Our scope of services provided to WDC included the following:

- Provided budget inputs to the 30 Year CAPEX re-profiling workshop undertaken by Whakatāne District Council (WDC)
- Provide review commentary for WDC’s consideration as part of finalising the re-profiled 30 Year CAPEX budget
- Undertake an impacts analysis of the changes in the re-profiled 30 Year CAPEX budget versus the 30 Year compliant budget. This included:
 - Holding a two-hour workshop with WDC staff involved in the development of the re-profiled 30 Year CAPEX budget to understand the prioritisation, trade-offs and risk considerations made.
 - Undertaking an impacts analysis covering high-level profile level impacts, minor projects impacts and then specific major projects impacts.

¹ Water Service Delivery Plan Support – Three Waters Indicative Compliant Budget, March 2025. Tonkin & Taylor Ltd (ref. 1097114.0000 v4).

- Preparation of a short report (this document) outlining the review and impact and risk analysis of the CAPEX reprofiling exercise undertaken by WDC.

1.3 Purpose

The purpose of this report is to support discussions with regulators primarily in regard to the environmental and regulatory impacts and risks associated with the re-profiled 30 Year CAPEX budget.

2 Capital delivery context

WDC have increased the delivery of three waters capital investment from \$5.4 million in 2019/2020 through to \$13.3 million in the last financial year 2023/2024. Both the LWDW compliant CAPEX budget and the re-profiled CAPEX budget represent a step change in delivery.

The LWDW compliant budget was largely prepared without a specific lens on deliverability, the primary driver being compliance with LWDW legislation around investment sufficiency. The re-profiled budget is based on what is affordable in a standalone business unit for WDC, and whilst this has necessitated changes versus the compliant budget, the re-profiled budget is still targeting capital investment of \$21 million per year. This represents a commitment to increase investment by over 50 % compared to last financial year.

3 Review approach

In keeping with the purpose of this report, we have primarily considered the environmental and compliance impacts and risks associated with changes made in the re-profiled budget. Other impacts have also been noted where relevant, however these are generally Council orientated impacts, and not directly relevant to discussions with regulators. A description of the impacts considered is outlined in Table 3.1.

To inform the analysis of impacts and risks, we held a workshop with WDC three waters and asset management staff on 19 February 2025 to understand the process, prioritisation and decision-making undertaken by staff in compiling the re-profiled budget. These discussions along with the re-profiled budget provided by WDC (Appendix A) has formed the basis for our qualitative impact and risk analysis.

Table 3.1: Impacts considered

Impact	Description
Environmental	Increased impact on the environment (e.g., more frequent wastewater overflows leading to degradation of the receiving environment).
Regulatory	Compliance related impacts (e.g., non-conformance and abatement notices).
Other	<p>This includes:</p> <ul style="list-style-type: none"> • Health & Safety: Adverse impact on people (e.g., degraded condition or reduced performance of plant leading to increased operator H&S events). • Financial: Direct or indirectly causing financial implications to Council (e.g., deferred CAPEX investment/renewals causing an increase in OPEX). • Levels of service: Degradation of service provided (e.g., deferred investment/renewals resulting in reduced reliability of service). • Relationship: The impact on Council's relationship with stakeholders due to decisions made (e.g., reduction in community trust in Council – could be caused by any of the above impacts).

4 Impact and risk analysis

Our impact and risk analysis of the WDC re-profiled CAPEX budget is split across the following three areas:

- Major project impacts: more detailed overview of impacts and risks to the 15 identified major projects from the LWDW compliant budget.
- Minor project impacts: commentary on the remaining minor projects and the impact considering these as a programme of works.
- Profile level impacts: high-level commentary on impacts other than environmental and compliance for Council to consider.

4.1 Major project impacts

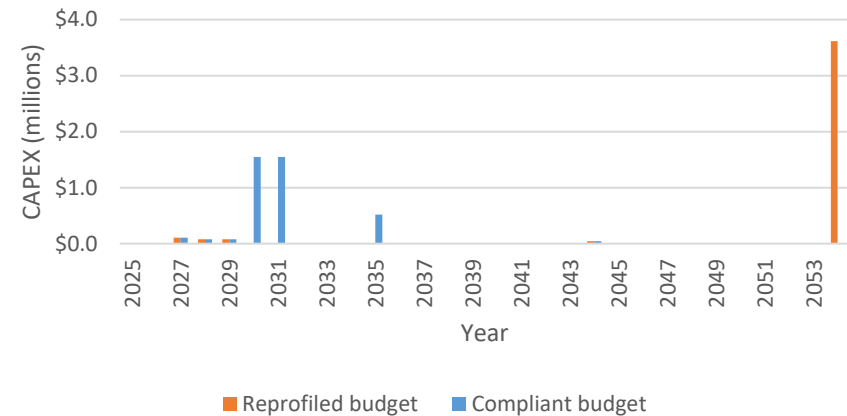
The primary focus of this section is to comment on the environmental and compliance impacts associated with changes to major projects within the CAPEX profile, and where relevant other impacts have been highlighted. The tables below outline the background of the project, changes in scope and timing versus the compliant budget, and the associated impacts for each major project.

311501 - Edge SW - Stormwater Study

Background

- This project aims to address known historic flooding issues and loss of Level of Service (LOS) for properties in Edgecumbe.
- The project is likely to involve undertaking groundwater monitoring and possible associated modelling to determine the viability of low-lying areas in Edgecumbe that are susceptible to flooding in low ARI flood events.
- In addition, design and upgrades have been allowed for that are dependent on the outcome of the monitoring and modelling.

311501 - Edge SW - Stormwater Study



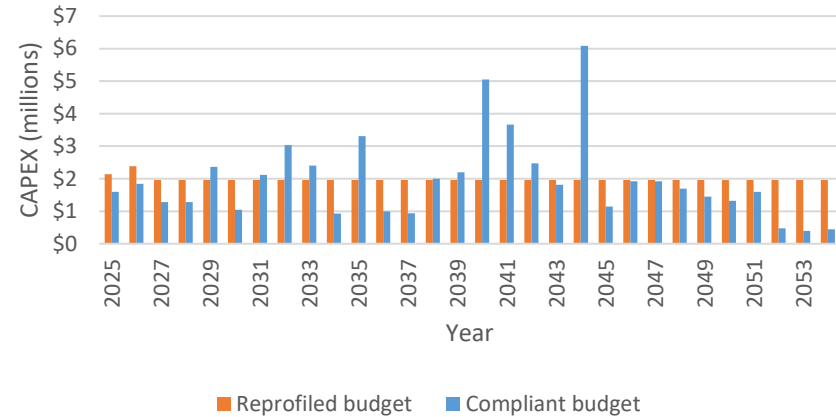
Changes		Impacts	
Scope	No change.	Environmental	Deferring upgrades to mitigate flooding impacts will have a secondary environmental impact where known wet weather wastewater discharges (due to illegal cross-connections) will continue to occur and likely at an increased frequency over time.
Timing	The proposed design and physical works have been moved from 2030 to 2054.	Regulatory	Depending on the outcome of the ongoing Comprehensive Discharge Consent and associated approved conditions, Council risks future non-compliance with continued and more frequent wet weather wastewater overflows discharging via the stormwater network during these events.
Budget	No change over 30-year period.	Other	<p>The primary impact of the change in timing is that flooding effects will not be mitigated for another 20+ years. With climate change expected to increase rainfall event intensity and frequency, there is a risk that flood events will cause significant damage to properties. This represents a relationship and level of service risk to Council that would be difficult to manage without undertaking physical works or advancing wider discussions on climate change adaptation pathways (of which retreat may be considered).</p> <p>There is a potential wider financial risk to Council in terms of possible demands by householders for compensation and/or buy out of affected properties.</p>

410028 - EQ Water Network Renewals

Background

- This renewals programme includes general network renewals for water supply (excluding Murupara and the Plains).
- These renewals are considered medium to high priority for the network noting that there is a backlog of water supply renewals that is not fully quantified.
- Many of the pipe renewals are for asbestos cement (AC) pipes that have reached end of life.

410028 - EQ Water Network Renewals



Changes

Scope No change in overall scope. The programme of works has been smoothed over the 30-year period. In practice this may require careful staging of larger projects over multiple years or if not possible, trading off investment in other projects to undertake a larger project in any given year.

Timing No change.

Budget Minor reduction of \$0.5 million due to changes in the 2025 and 2026 budgets adopted.

Impacts

Environmental The smoothing of the project budget is not expected to have an impact. Construction of larger diameter pipes in a staged manner will have to be managed to ensure that no adverse impacts occur as a result.

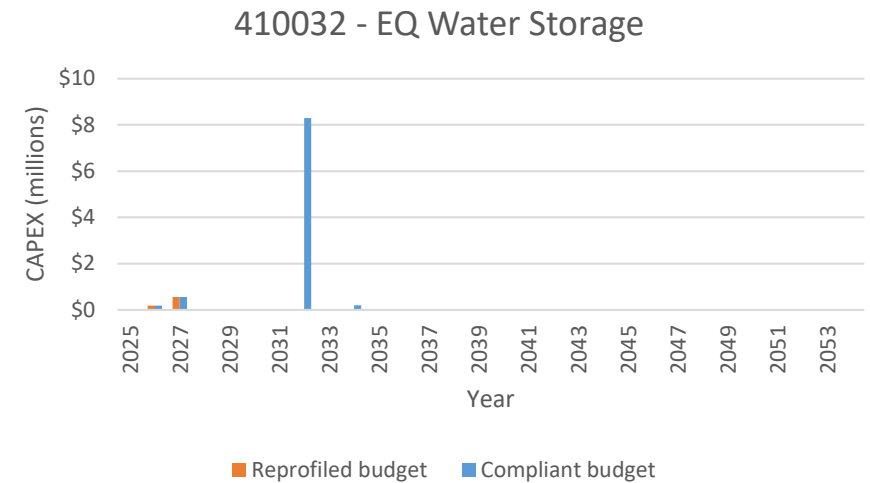
Regulatory The smoothing of the project budget is not expected to have an impact. Construction of larger diameter pipes in a staged manner will have to be managed to ensure that no adverse impacts occur as a result.

Other No other specific impacts noted.

410032 - EQ Water Storage

Background

- This project is primarily related to capacity upgrades required for Whitepine reservoir to be able to continue to provide existing LOS for the community.
- A secondary driver of the project is to provide for growth in Te Teko/Awakeri.



Changes		Impacts	
Scope	Moved Whitepine reservoir upgrade to Project 410123, reduced scope of Te Teko/Awakeri growth provision.	Environmental	No impact.
Timing	No change when considering Whitepine reservoir is included in Project 410123.	Regulatory	No impact
Budget	Reduction of \$8.5 million.	Other	Removing provisions for growth in Te Teko/Awakeri may increase the risk of negative reputation for Council and affect Council's relationship with this community. However, this growth is over and above what has been forecasted in the 2024 – 2034 Long Term Plan.

410037 - EQ New W Source & Treatment

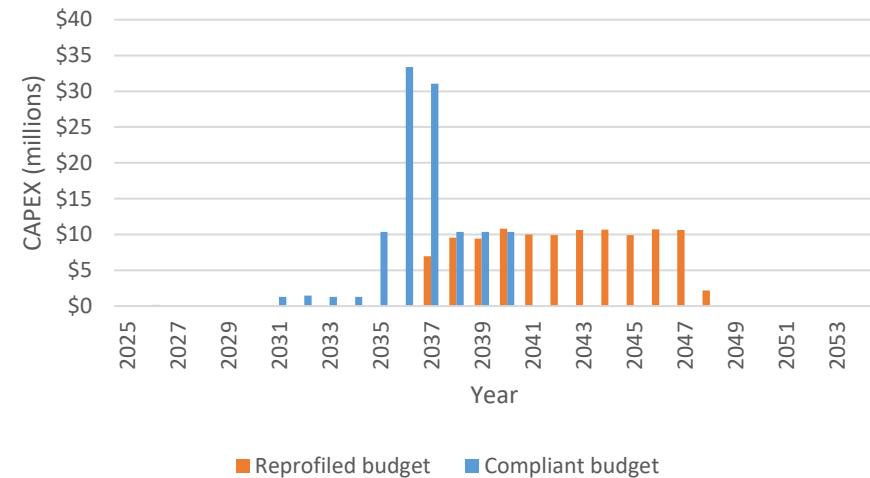
Background

This project comprises a series of upgrades and new infrastructure to support the wider Water Strategy for WDC. This strategy has been developed to link in with other strategic plans such as the Spatial Plan and Wastewater consent renewals plan to provide water supply services that ensure schemes are affordable and economically sustainable into the future. This strategy will also allow better alignment with Iwi environment plans.

Therefore, the capital investment drivers for the programme are a mix of:

- Maintaining LOS or resolving known LoS issues in some schemes (Thornton, Taiwhakea),
- Improving LoS in other areas by providing redundancy and resilience,
- Allowing opportunities to provide for growth where new infrastructure is constructed, and
- To address vulnerabilities in parts of the network and at the Whakatāne treatment plant.

410037 - EQ New W Source & Treatment



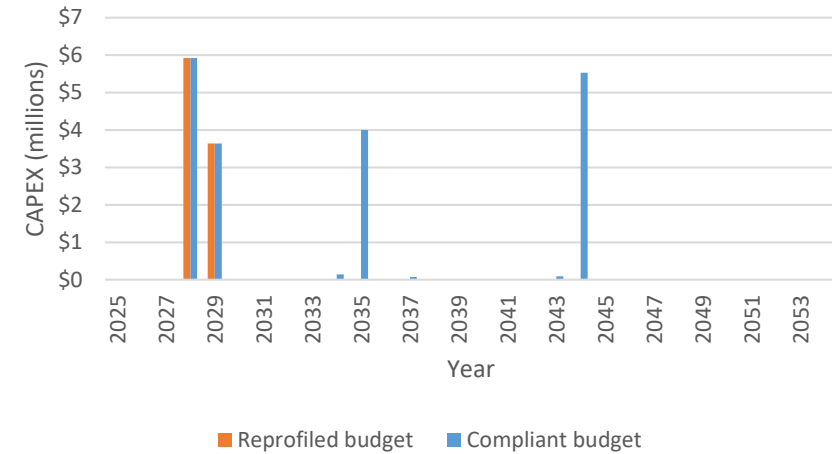
Changes		Impacts	
Scope	The overall scope remains unchanged, however, the project has been deferred and spread out over a longer period.	Environmental	No impact.
Timing	The project starts later than the LWDW compliant budget moving from 2031 to 2037 and extends further, with the completion date moved from 2040 to 2048.	Regulatory	<p>A new water source that is desired for resilience will not be secured until later. There is a risk of capacity constraints during emergency events that may result in damage to water source headworks.</p> <p>The works for Whakatāne Water Treatment Plant (WTP) has moved from 2035 to now starting in 2037. The upgrades are now staged over a longer period of time. There is a risk of changes in capacity assumptions that may require this to be adjusted ahead of time. However, there is no compliance risk identified at this change.</p>
Budget	No overall change over the 30-year period.	Other	<p>Removing provisions for growth in Te Teko/Awakeri may increase the risk of negative reputation for Council and affect Council's relationship with this community.</p> <p>There is a risk of increased asset maintenance with the Te Teko reservoir needing to be 'sweated' beyond the expected useful life. This comes with an increased risk of failure of the reservoir leading to reduce capacity or inability to provide service for a period of time.</p>

410123 - Whk Cond & Improv - Reservoirs

Background

- This renewals programme includes major renewals of one-off assets such as Whakatāne 1, 2 and 3 reservoirs, Ngatiawa reservoir and Te Teko reservoir.
- This programme is primarily condition driven based on a condition assessment undertaken by GHD in 2020.

410123 - Whk Cond & Improv - Reservoirs



Changes

Scope This project now includes the Whitepine reservoir but has removed the provision of growth for Te Teko/Awakeri.

Timing The project only occurs in 2028 and 2029 with the outer years programme being removed.

Budget Reduction of \$9.8 million.

Impacts

Environmental No impact.

Regulatory No immediate impact but an elevated risk of failure of Te Teko reservoir leading to non-compliance with drinking water provisions for this community if loss of service is experienced. This will be mitigated by undertaking minor works to keep the reservoir operational.

Other Removing provisions for growth in Te Teko/Awakeri may increase the risk of negative reputation for Council and affect Council's relationship with this community.

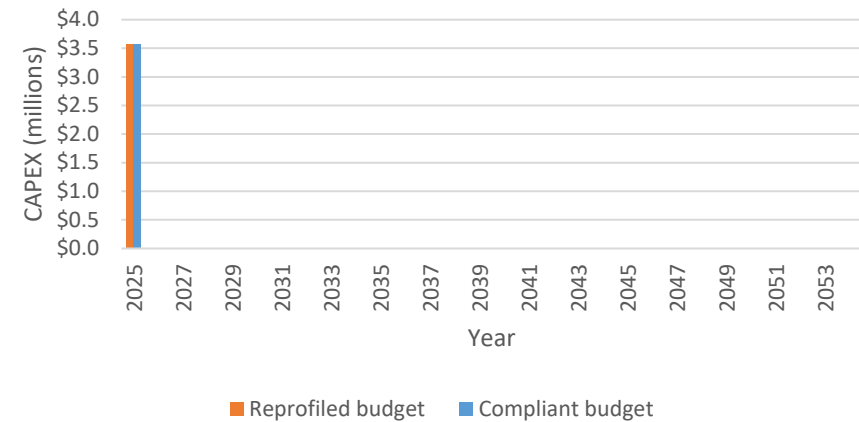
There is a risk of increased asset maintenance with the Te Teko reservoir needing to be 'sweated' beyond the expected useful life. This comes with an increased risk of failure of the reservoir leading to reduce capacity or inability to provide service for a period of time.

410135 - OtumahiW StoragePipeL Rd WMain

Background

- This project is largely complete with a new reservoir and pipeline completed in 2024 to provide additional capacity.
- The remaining budget is projected to be spent this financial year.

410135 - OtumahiW StoragePipeL Rd WMain



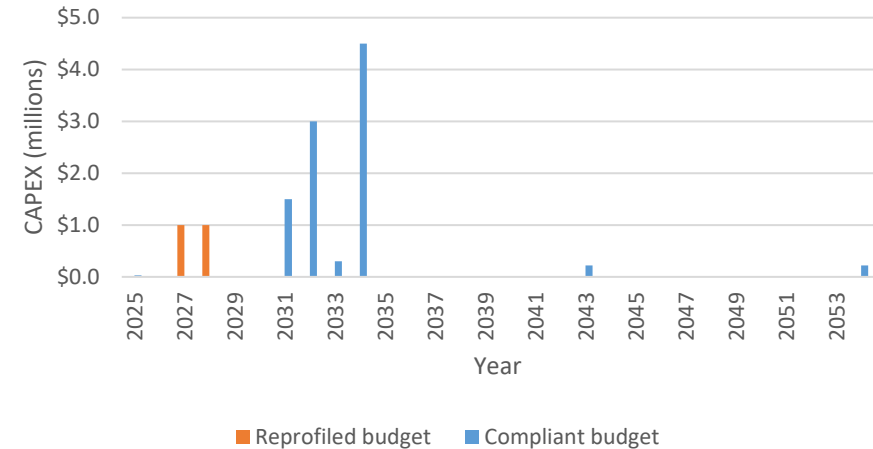
Changes		Impacts	
Scope	No change	Environmental	No impact as there is no change to the project.
Timing	No change	Regulatory	No impact as there is no change to the project.
Budget	No change	Other	No impact as there is no change to the project.

414592 - PLAINS W - Water Safety Plans

Background

- This project comprises Rangitāiki Plains - Johnson Road upgrades to meet higher arsenic treatment requirements, UV installation and to assist with growth in the Plains.
- This project also feeds into the wider Water Strategy developed by WDC.

414592 - PLAINS W - Water Safety Plans



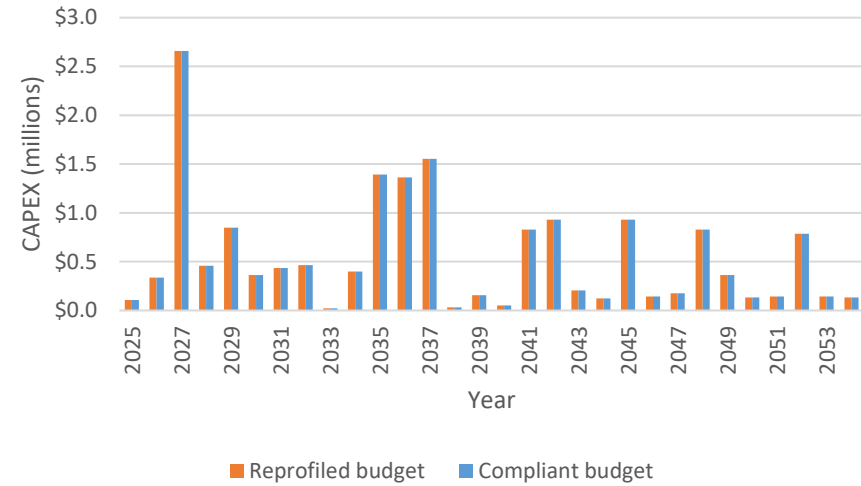
Changes		Impacts	
Scope	This project now only includes upgrades for UV treatment at Johnson Road with arsenic removal upgrades and upgrades to provide for growth not included.	Environmental	No impact.
Timing	The project only occurs in 2027 and 2028 with the outer years programme being removed.	Regulatory	With the removal of treatment upgrades for arsenic concerns, this will now be managed by achieving appropriate mixing of water sources to be compliant. There may be a period of time of non-compliance while this system is set up, however, there is not expected to be any adverse outcomes for the community. UV treatment upgrades will be undertaken earlier than the LWDW compliant budget and therefore the impact of this change is an increase in compliance earlier.
Budget	Reduction of \$7.7 million.	Other	Removing provisions for growth in the Plains may increase the risk of negative reputation for Council and affect Council's relationship with this community. This may also result in developers being deterred from investing in development within the Plains due to inadequate capacity.

510055 - EQ ST&D Pump stn Renewals

Background

- This project is a district-wide programme of wastewater pump station renewals and upgrades required to continue to provide existing wastewater LOS.
- This is seen as critical to compliance in terms of reducing the risk of wet weather overflows.
- The LWDW compliant budget has been matched to allocated depreciation for at least the first 10 years to demonstrate commitment to not making renewals any 'worse off'.

510055 - EQ ST&D Pump stn Renewals



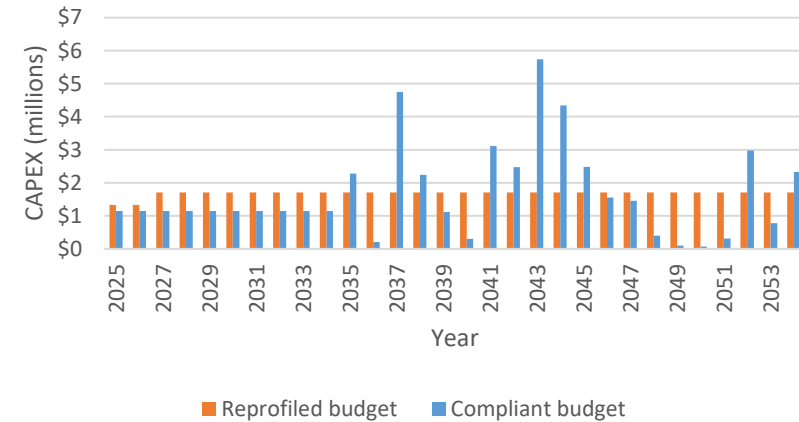
Changes		Impacts	
Scope	No change	Environmental	No impact as there is no change to the project.
Timing	No change	Regulatory	No impact as there is no change to the project.
Budget	No change	Other	No impact as there is no change to the project.

510057 - EQ Sewer Network Renewals

Background

- This project includes district-wide wastewater network renewals.
- These renewals are critical for the network noting that there is a backlog of wastewater renewals in the order of \$11 million.
- The LWDW compliant budget has been matched to allocated depreciation for at least the first 10 years to demonstrate commitment to not making renewals any 'worse off'.

510057 - EQ Sewer Network Renewals



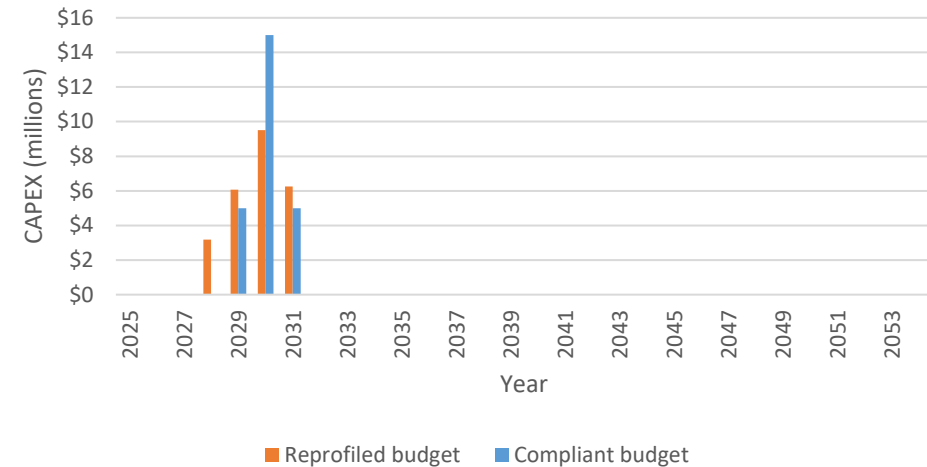
Changes		Impacts	
Scope	No change in overall scope. The programme of works has been smoothed over the 30-year period. In practice this may require careful staging of larger projects over multiple years or if not possible, trading off investment in other projects to undertake a larger project in any given year.	Environmental	The smoothing of the project budget is not expected to have an impact. Construction of larger assets in a staged manner will have to be managed to ensure that no adverse impacts occur as a result.
Timing	No change.	Regulatory	The smoothing of the project budget is not expected to have an impact. Construction of larger assets in a staged manner will have to be managed to ensure that no adverse impacts occur as a result.
Budget	No overall change over the 30-year period.	Other	No other specific impacts noted.

510059 - New Wastewater Treatment Plant incorporates Whakatāne and Edgecumbe

Background

- The discharge consents for Whakatāne and Edgecumbe WWTP expire in 2026.
- These plants are generally compliant with their existing consents noting non-compliance at Edgecumbe with recent abatement notices issued.
- Recent discussions held between WDC and regulators have identified that the proposed upgrades to Whakatāne WWTP would no longer be required under the newly proposed wastewater performance standards. This is due to the existing ocean outfall meeting these proposed new standards. Therefore, based on this advice, this upgrade has been excluded from the budget.
- The Edgecumbe upgrades are to remain as the plant currently experiences some non-compliance.

510059 - New Wastewater Treatment Plant incorporates Whakatāne and Edgecumbe



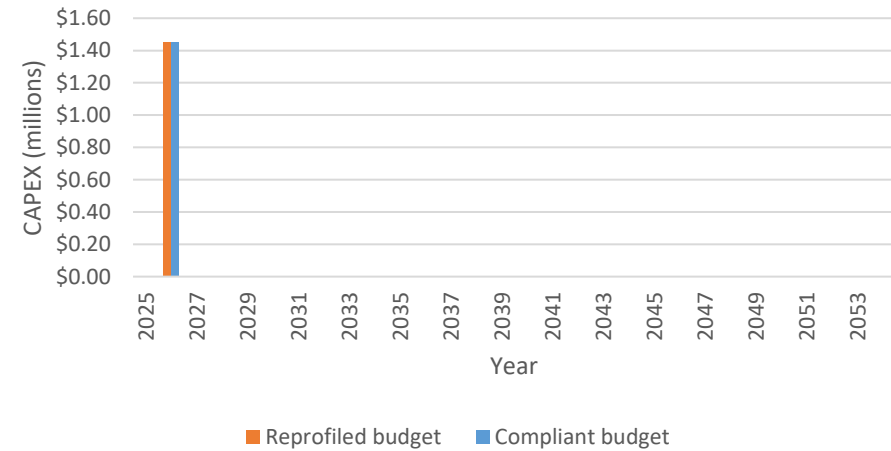
Changes		Impacts	
Scope	No change.	Environmental	Improvements to existing impacts at Edgecumbe will be achieved a year sooner. There is expected to be no change to environmental outcomes currently provided by the Whakatāne WWTP with discharges being managed to existing consent conditions. New consent condition are expected to be in line with existing.
Timing	The project start date has moved forward one year to 2028	Regulatory	No impact.
Budget	No change.	Other	No other specific impacts noted.

XX - Wastewater Treatment Plant Tāneatua

Background

- The discharge consent for Tāneatua WWTP expires in 2026.
- The plant is generally compliant with the existing consents.
- A co-design working group is establishing what the WWTP design may look like. This work is ongoing.
- Recent discussions held between WDC and regulators have identified that this scheme may qualify as a smaller scheme under the new proposed wastewater performance standards. Some budget remains in 2026 for reconsenting and any minor upgrades.
- We note that WDC are currently getting an independent assessment to confirm if this scheme meets the above definition and would be subject to the wastewater performance standards being implemented as proposed.

XX - Wastewater Treatment Plant Tāneatua



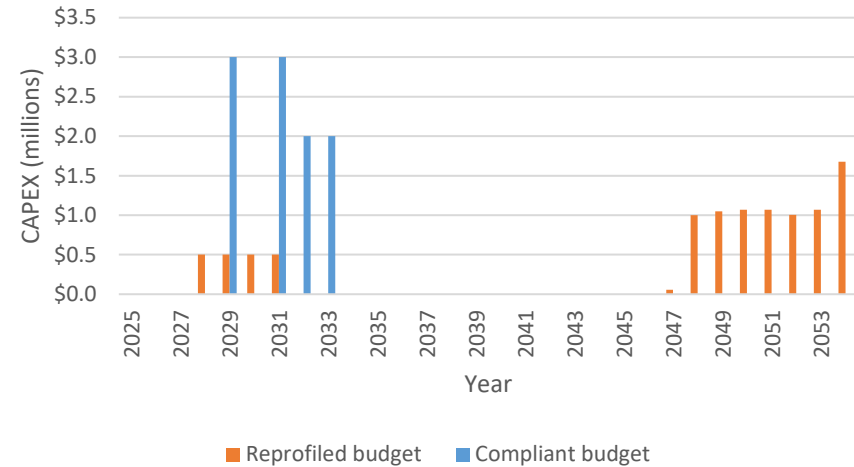
Changes		Impacts	
Scope	No change.	Environmental	No impact as there is no change to the project.
Timing	No change.	Regulatory	No impact as there is no change to the project.
Budget	No change.	Other	No impact as there is no change to the project.

XX - Wastewater ponds desludging

Background

- This project is for the desludging of the existing ponds at the Whakatāne, Edgecumbe, Murupara and Tāneatua WWTPs. The assumed step change required in treatment associated with the upgrades at these plants would likely render the current oxidation ponds obsolete.
- This project allows for the desludging and disposal of material and rehabilitation of the ponds.
- Based on information outlined in the Whakatāne and Edgecumbe WWTP upgrade Options Assessment report, the level of desludging required at Whakatāne and Edgecumbe has been moderated to allow the ponds to be utilised as flow balance ponds.
- The desludging activity is directly related to the timing of WWTP upgrades.

XX - Wastewater ponds desludging



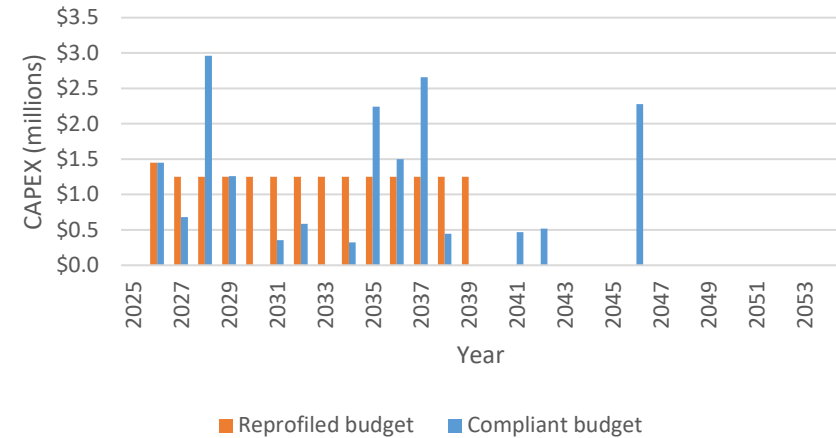
Changes		Impacts	
Scope	No change.	Environmental	There is no impact identified for the Edgecumbe ponds. Deferring the desludging and rehabilitation of the ponds for the remaining WWTPs does not have an inherent environmental impact so long as the ponds are managed in their 'dormant' state up until when they are decommissioned and rehabilitated.
Timing	Moved Edgecumbe desludging earlier by one year to 2028 with the remaining of the programme pushing desludging works out from 2031 – 2033 to 2048 – 2054.	Regulatory	The assumption of the LWDW compliant budget is that more stringent WW performance standards may result in resource consents that require rehabilitation or at the least demonstration of management processes for the un-used oxidation ponds. If it is the former then there is a risk of possible non-compliance without addressing the pond desludging, if the latter then there is no immediate compliance impact.
Budget	No change over 30-year period.	Other	Increased operational and monitoring requirements to manage the obsolete ponds at Murupara and Tāneatua.

510090 - WHK WW - Rising Main Renewal

Background

- This project includes district wide rising main renewals.
- These renewals are critical for the network and function of the schemes with multiple critical rising mains at end of life and key river crossings required.

510090 - WHK WW - Rising Main Renewal



Changes

Scope

No change in overall scope with a level of smoothing of the profile that may require management of staging of larger rising main renewals.

Timing

The programme of works has been brought forward to occur in the first 15 years compared against a 30-year programme.

Budget

No overall change.

Impacts

Environmental

This project complements the upgrade and renewal of pump stations (Project 510055) and therefore contributes to reducing the risk of wet weather overflows in the network. Recent condition assessment data notes that the rising mains are condition 5 (significant issues and require intervention – either replacement or significant maintenance) and therefore require renewal earlier than the LWDW compliant budget. This change in the re-profiled budget results in a positive impact.

Regulatory

No impact.

Other

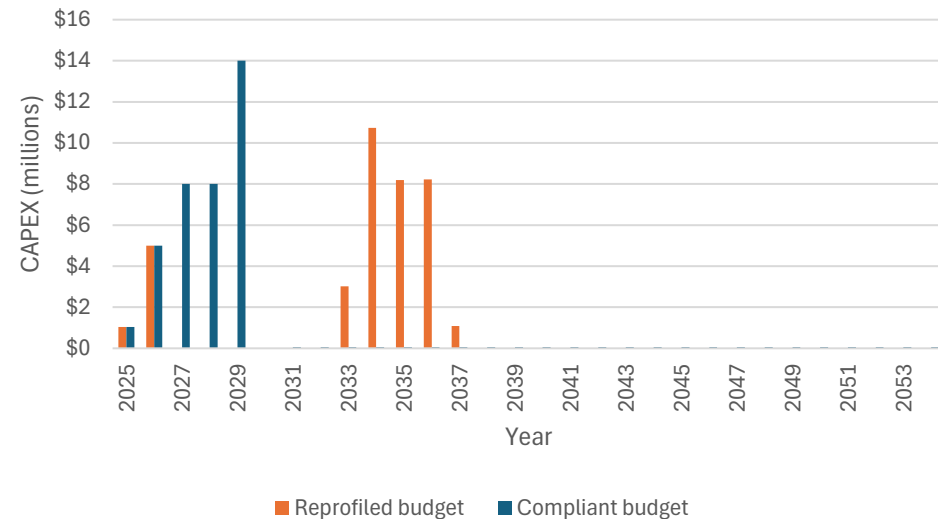
Positive impact on Council relationships and potential better level of service outcomes as a result of bringing the programme of works forward.

512001 - Matatā Wastewater Scheme

Background

- This is a long-standing project that has been planned for over 20+ years and involves the installation of a reticulated wastewater scheme.
- This is to address wider environmental and public health effects from often ineffective on-site wastewater systems.
- WDC does not currently provide any wastewater services to Matatā. The primary driver therefore is to include Matatā in a WDC reticulated network and treatment based on general concerns for the adequacy of the current on-lot land disposal system, and is a response to a community desire for a centralised treatment system.
- As this project is primarily classed as being a new LOS (i.e., WDC do not currently provide wastewater services to Matatā) there is a case to say this is not required as per LWDW investment sufficiency tests. However, we note that there are other drivers (growth, community desire and wider environmental concerns) that have meant the project was included in the LWDW compliant budget.

512001 - Matata Waste Water Scheme



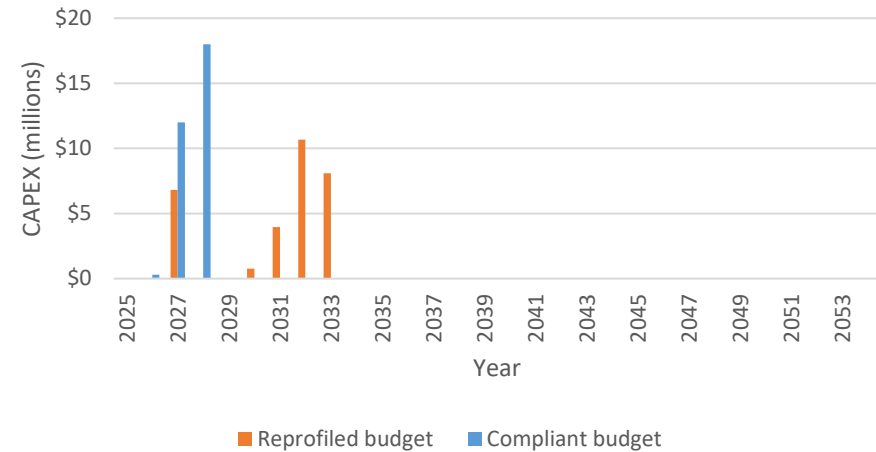
Changes		Impacts	
Scope	No change in scope.	Environmental	Deferring the project means that the Matatā Scheme will continue to have environmental impacts with the current on-lot WW disposal systems.
Timing	The earlier concept design and consenting remains in 2025 and 2026. The physical works have been deferred from 2027 to 2033.	Regulatory	There are timing issues to consider around compliance of the wider scheme with the deferral. However, with a path to implementation of a reticulated network are parties are better able to manage impacts until construction begins in 2033. There may still be some interim costs for Council particularly in terms of approvals under the Building Act. This is related to maintenance zone requirements, with responsible parties yet to be confirmed. However, again, this is a timing issue that could be reasonably managed by all parties even with investment deferred.
Budget	No change over 30-year period.	Other	There is a some risk of a negative relationship impact on Council's relationship with stakeholders and in particular the Matatā community due to the deferral of the upgrades.

512559 - MRP WWTP renewal & upgrade

Background

- The discharge consent for Murupara WWTP expires in 2026.
- The plant is generally compliant with the existing consents.
- A co-design working group is establishing what the WWTP design may look like. This work is ongoing.
- This project is for the upgrade works required for compliance with **the proposed new wastewater performance standards. At this stage, this WWTP is not expected to be classed as a small scheme under these new standards.**

512559 - MRP WWTP renewal & upgrade



Changes		Impacts	
Scope	No change.	Environmental	The improvement to quality of effluent discharges from the Murupara WWTP upgrade will be deferred from 2027 to 2030. However, there is expected to be no change to environmental outcomes at Murupara with discharges to be managed to existing consent condition levels. This is in keeping with a no 'worse-off' pragmatic approach.
Timing	The project has been pushed out from 2027 to 2030 with construction proposed to be staged over four years as opposed to two years in the LWDW compliant budget.	Regulatory	The WWTP will be compliant by 2032/2033 which is in line with expectations communicated by regulators to WDC and legislation requirements. There may still need to be a need for a bridging consent for the intervening years. No compliance impact identified.
Budget	No change over 30-year period.	Other	There are residual Council relationship impact and risks to be managed with the local community and iwi co-design partners with the timing of completion pushing out by five years.

4.2 Minor project impacts

This section outlines the environmental and compliance impacts associated with changes to minor projects within the CAPEX profile, and where relevant other impacts have been highlighted. The tables below outline the background of the project, changes in scope and timing versus the compliant budget, and the associated impacts for each minor project. The minor projects have been treated as a programme of works in the re-profiled budget and therefore our analysis has been kept to an overarching programme level for each three-water service.

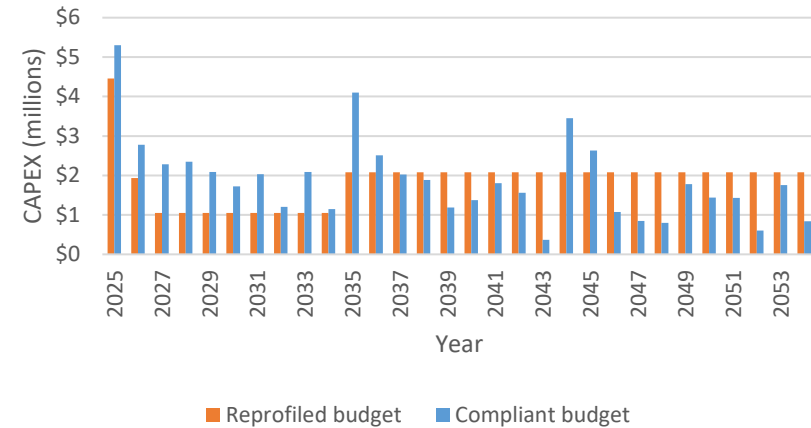
Minor projects - stormwater

Background

The LWDW compliant budget has a variety of minor projects over the 30-year budget period that address renewal and LOS capital investment. These are spread out across stormwater service areas and include projects such as:

- Network renewals.
- Pipe upgrades.
- Stormwater pump replacements.
- Reactive emergency renewals.
- Comprehensive SW consent and associated upgrades.
- SW modelling.
- Resource consent monitoring.

Minor projects - stormwater



Changes

Scope No change in overall scope. The programme of works for minor projects are likely to be managed together across all three waters to allow trade-offs and prioritisation in larger minor projects where required. In practice this may mean less (or more) stormwater investment is undertaken in any given year.

Timing The minor projects have been combined into a programme of works and spread out over the 30-year period.

Budget No overall change over the 30-year period. The profile smoothing results on average in a reduction from 2025 to 2034, whereas the final 20 years from 2035 to 2054 has increased on average.

Impacts

Environmental A network with lower level of renewal is likely to experience an increase in breakages. Treatment assets are not expected to be impacted by the re-profiling of budget and therefore there is no specific environmental impact caused by changes to the minor project budgets.

Regulatory There is a risk that deferring renewals and upgrades to parts of the network will lead to degradation of assets resulting in Council being in breach of some RMA obligations. In terms of compliance this is most likely to be in the area of increased flooding due to poor performing network assets.

Other Deferred investment over a longer period may result in a reduction in LOS to the community as a result of degraded asset condition and performance. This may be perceived negatively by the community increasing the reputational risk to Council.

This may also result in developers being deterred from investing in development within the district due to degraded network capacity and performance.

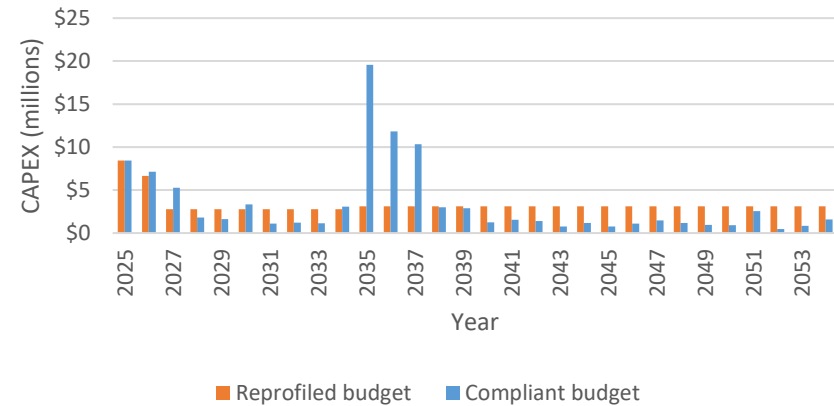
Minor projects – water supply

Background

The LWDW compliant budget has a variety of minor projects over the 30-year budget period that address renewal and LOS capital investment. These are spread out across water supply service areas and include projects such as:

- Network renewals and upgrades.
- Water loss/leak detection.
- Water take consents.
- Pump station renewals.
- Modelling and calibration.
- Reactive emergency renewals.
- Minor reservoir upgrades.
- Pump station civil, mechanical and electrical renewals.

Minor projects - water supply



Changes

Scope	No change in overall scope. The programme of works for minor projects are likely to be managed together across all three waters to allow trade-offs and prioritisation in larger minor projects where required. In practice this may mean less (or more) water supply investment is undertaken in any given year.
Timing	The minor projects have been combined into a programme of works and spread out over the 30-year period.
Budget	No overall change over the 30-year period. The profile smoothing results on average in a reduction from 2025 to 2034, whereas the final 20 years from 2035 to 2054 has increased on average. The spike in 2035 for the LWDW compliant budget is due to deferral of minor works until Year 11. The re-profiled budget represents a more deliverable profile.

Impacts

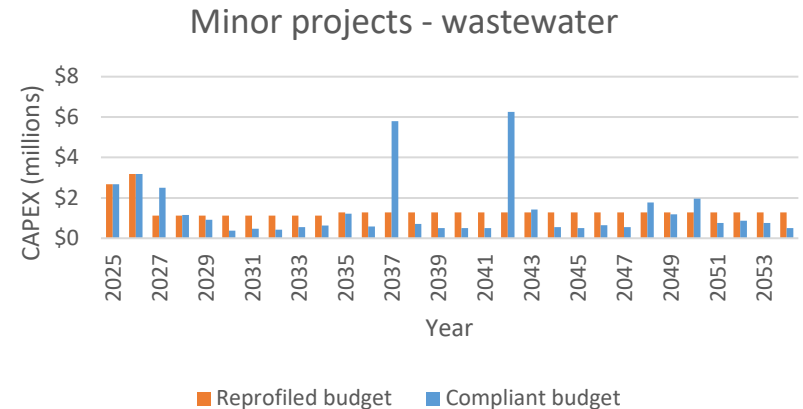
Environmental	A network with lower level of renewal is likely to experience an increase in breakages which could lead to increased water losses in the network. However, this is not expected to have an environmental impact. Treatment assets are not expected to be impacted by the re-profiling of budget and therefore there is no specific environmental impact caused by changes to the minor project budgets.
Regulatory	No expected compliance impacts due to a change in budgets. Drinking water regulatory requirements are covered by Major Projects.
Other	Deferred investment over a longer period may result in a reduction in LOS to the community as a result of degraded asset condition and performance. This may be perceived negatively by the community increasing the reputational risk to Council. This may also result in developers being deterred from investing in development within the district due to degraded network capacity and performance.

Minor projects – wastewater

Background

The LWDW compliant budget has a variety of minor projects over the 30-year budget period that address renewal and LOS capital investment. These are spread out across wastewater service areas and include projects such as:

- Minor upgrades to Whakatāne and Te Mahoe WWTPs.
- Ohope WWTP renewals and upgrades.
- Wastewater model network updates.
- Sampling and condition assessment of network.
- Resource consenting for wastewater discharge.
- Mobile generator/pumps and trailers.
- Reactive emergency renewals.



Changes

Scope

No change in overall scope. The programme of works for minor projects are likely to be managed together across all three waters to allow trade-offs and prioritisation in larger minor projects where required. In practice this may mean less (or more) wastewater investment is undertaken in any given year.

Timing

The minor projects have been combined into a programme of works and spread out over the 30-year period. The spikes in the LWDW compliant budget are due to one-off larger projects. The smoothing of this will have to be staged appropriately in the re-profiled budget as outlined in the scope changes above.

Budget

No overall change over the 30-year period. The profile smoothing results on average in a reduction from 2025 to 2034, whereas the final 20 years from 2035 to 2054 has increased on average.

Impacts

Environmental

A network with lower level of renewal is likely to experience an increase in breakages which could lead to increased wastewater overflows. Therefore, there is an increased risk of detrimental impact on the environment. Treatment assets are not expected to be impacted by the re-profiling of budget.

Regulatory

In a future scenario with assumed increased wastewater performance standards, network performance may be included in specific consent conditions and therefore there is the possibility of future non-compliance due to the risk of increased overflows. However, this risk is mitigated partially by the provision of pump station renewals (Project 510055) that help reduce wet weather overflow likelihood, but less so for dry weather overflows.

Other

Deferred investment over a longer period may result in a reduction in LOS to the community as a result of degraded asset condition and performance. This may be perceived negatively by the community increasing the reputational risk to Council.

This may also result in developers being deterred from investing in development within the district due to degraded network capacity and performance.

4.3 Profile level impacts

This section covers high-level commentary and observations of possible other impacts and risks associated with the re-profiled budget.

The driver for the re-profiled budget is to determine the maximum capital investment that is affordable in a standalone business unit delivery model. This necessitates spending up to an annual maximum every year (\$21 million) and therefore capital investment is expected to be delivered at the 'limit' with no debt headroom available up until 2048.

Therefore, if adopted, any changes to the spend profile of this revised budget are likely to result in negative financial impacts to Council (e.g., exceeding LGFA debt limit metrics, possible one-off rates increases). These could be caused or exacerbated by 'unknown unknowns' occurring which have significant financial impacts to WDC. Examples of this could include future major changes to regulation requirements that have not been planned for, significant natural events or a major shift in growth and demographics with WDC. This is a function of 30-year capital planning where often a budget profile may miss or understate outer year investment requirements, however, generally there is debt headroom capacity to absorb or reallocate budget to meet this additional expenditure. This is not the case for the re-profiled budget up until 2048 where the financial impact will be immediate. However, the final six years of the 30-year budget varies between \$11 - \$16 million in investment per annum leaving some capacity to absorb financial impacts in these outer years.

A large portion of the re-profiled budget requires the smoothing of expenditure over 30 years to fit within the \$21 million affordability envelope. This results in the deferral of investment across renewals and levels of service (as highlighted for the Minor Projects). Therefore, there is an elevated risk of degradation of assets, particularly in network assets, and therefore a reduction in level of service provided across each of the three waters. This is particularly relevant in that the LWDW compliant assumed a 'no worse off' approach to renewals where renewals have been matched to levels of depreciation for at least the first 10 years but does not explicitly address the backlog of renewals across three waters. Under the re-profiled budget there is continued deferral of renewals with no ability to address any backlog.

There is also a risk of a negative impact on Council's relationship with stakeholders due to decisions made in prioritising capital investment within the re-profiled budget. This is likely to impact how Council is perceived by the public, the willingness of partners to participate in future co-design and the level of engagement by the wider community.

5 Summary

WDC have undertaken a CAPEX re-profiling exercise to determine what three waters projects can fit within an affordability envelope that WDC finance team have identified over the next 30 years. The basis of this exercise was using a LWDW compliant 30-year CAPEX budget prepared by T+T recently.

We have reviewed this re-profiled 30 Year CAPEX budget and highlighted the impact and risk of the changes to budgets against the LWDW compliant budget. These have been discussed across three categories:

- Major project impacts.
- Minor project impacts.
- Profile level impacts.

The main findings of the impact and risk analysis for Council to consider are:

- **The budget has reduced overall.** The overall 30-year budget for the re-profiled CAPEX budget has reduced by \$25.5 million from \$601.5 million to \$576 million when compared against the LWDW compliant budget.
- **There are no major compliance or environmental based risks associated with WWTP projects.** The re-profiled budget is largely in line with the LWDW compliant budget in respect to WWTP investment. The LWDW compliant budget has been informed by recent discussions WDC have had with regulators, who have provided advice on the investment requirements for compliance based on proposed new wastewater performance standards that were released for consultation in early March 2025. We note that the proposed wastewater performance standards that have been released for consultation could change before they are finalised. This may have a significant impact on overall WWTP costs with upgrades possibly being required if standards and plant category sizes are increased. This may consequently make the re-profiled budget non-compliant.
- **Edgecumbe flooding impacts remain.** Edgecumbe currently has known flooding issues that result in wet weather wastewater overflow events. The re-profiled budget seeks to investigate this and determine a solution in the same timeframe as the LWDW compliant budget, however, physical works have been deferred from 2030 to 2054. There is a risk that deferring upgrades to mitigate flooding impacts will have a secondary environmental impact where known wet weather wastewater discharges (due to illegal cross-connections) will continue to occur and likely at an increased frequency over time.
- **Many changes to the other Major Projects have only minor impacts on environmental or regulatory risks.** The remaining project changes in the re-profiled budget have either had little to no impact across environmental and regulatory categories.
- **There are a range of other impacts for Council to consider due to deferral or removal of projects across three waters.** The remaining impacts and risks for Council to consider are categorised under 'Other impacts'. These are summarised as follows:
 - Removing provisions for growth in some projects (such as The Plains water supply capacity and Te Teko/Awakeri water supply growth provisions) may increase the risk of negative reputational impacts for Council and affect Councils relationship with these communities.
 - This may also result in developers being deterred from investing in development within these areas due to inadequate capacity.
 - Deferred investment across the Minor Projects over a longer period may result in a reduction in LOS to the community as a result of degradation of asset condition and

performance. This may be perceived negatively by the community increasing the reputational risk to Council.

- Similarly, across the Minor Projects, deferral of investment may also result in developers being deterred from investing in development within the district due to degraded network capacity and performance, and insufficient infrastructure to connect to.

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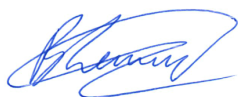
6 Applicability

This report has been prepared for the exclusive use of our client Whakatāne District Council, with respect to the particular brief given to us and it may not be relied upon in other contexts or for any other purpose, or by any person other than our client, without our prior written agreement.

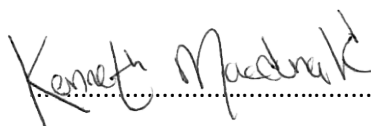
Tonkin & Taylor Ltd
Environmental and Engineering Consultants

Report prepared by:

Authorised for Tonkin & Taylor Ltd by:



Ben Senior
Water Resources Engineer



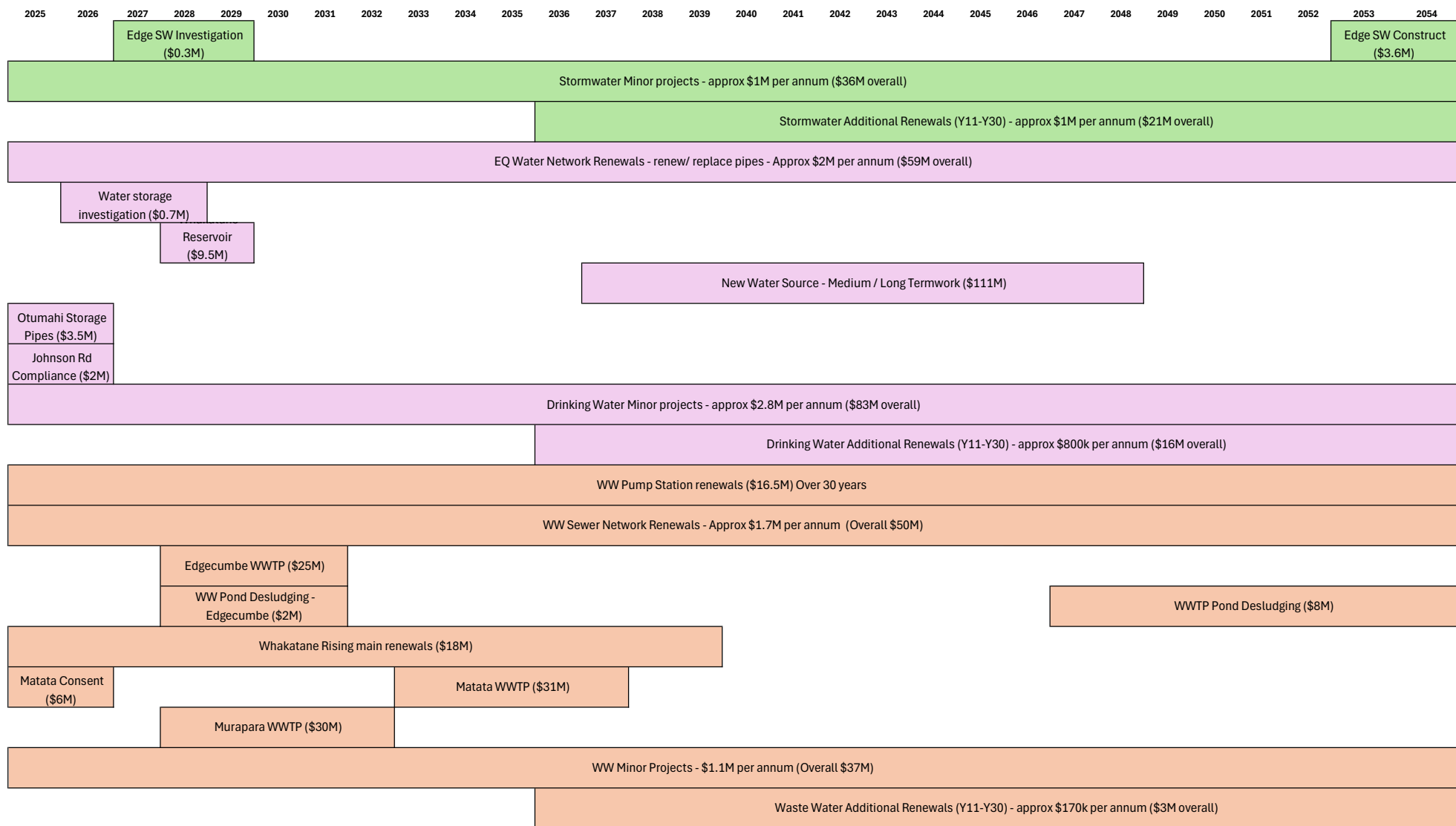
Ken Macdonald
Project Director

BESE

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Appendix A Re-profiled 30 Year CAPEX Budget

- This budget summary has been provided by WDC and is reproduced in this report to give context to the impact and risk analysis.



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