



**CONSULTATION DOCUMENT**

# Local Water Done Well

Consultation on Water Services Delivery

- ✓ Drinking Water
- ✓ Stormwater
- ✓ Wastewater

Submissions close on 21 April 2025

## What is this consultation about?

Central government has passed legislation which requires councils to consult on options for how they manage and deliver water services.

Local Water Done Well is central government's new policy for Three Waters reform.

The policy allows for local solutions and arrangements to address water infrastructure needs while, importantly, maintaining local ownership and representation. It allows councils to choose the best option for how they deliver water services (drinking water, wastewater and stormwater – the “three waters”) for their communities.

In August last year, councils started investigating potential structures and arrangements for delivering water services.

Each council considered the best option for their respective communities with a particular focus on efficiency to ensure water charges would be affordable and to ensure each council had sufficient financial headroom for further investment over the next decade or so.

After considering the financial, and other, implications of various models, from an internal business unit to a variety of Council Controlled Organisation structures and Trust models, Hurunui Council is coming to its communities with two proposals:

1. providing water services through a joint water services council controlled organisation owned by the Hurunui District Council and Kaikōura District Council;
2. providing water services through a financially ring-fenced in-house business unit of council.

While water services are currently provided through an in-house business unit, the second option differs from the current arrangement due to the need to comply with economic regulation. In particular, the finances of the in-house business unit would need to be fully ring fenced and it is expected that it will be a need to move to fully fund depreciation more quickly than previously planned, which will result in an increase in water services rates/charges.

## What this consultation is not about

At its meeting of 25 February, Council resolved to seek the views of the community regarding two options for the future delivery of water services.

We are now seeking community views on the two options considered, before making a final decision.

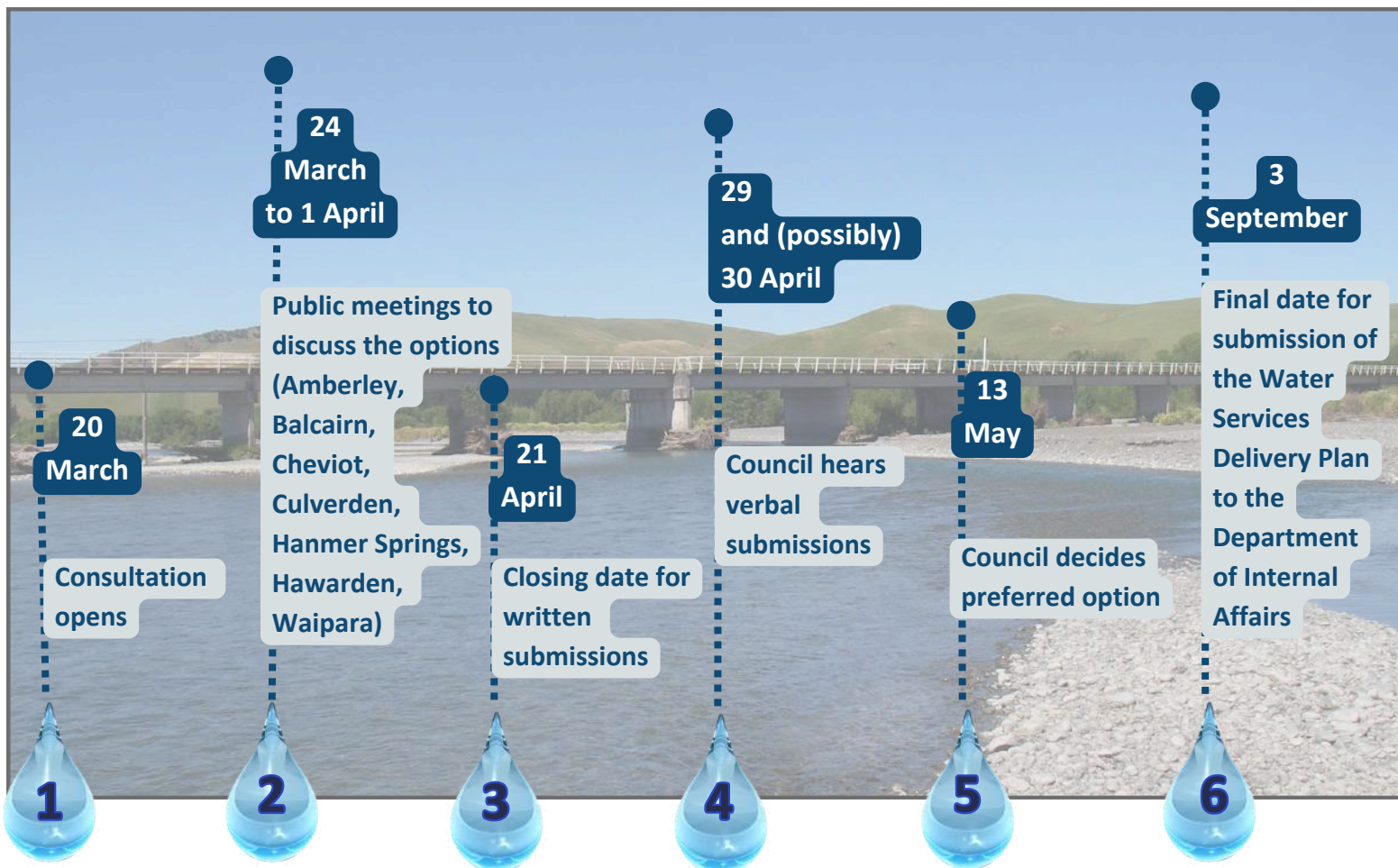
This document outlines what these proposals would mean for communities in the district and the advantages and disadvantages of the two options.

This consultation is not about:

- Levels of service for water services, e.g. the quality or quantity of drinking water
- Specific projects relating to water services, e.g. upgrades of pipelines or projects to address risks of flooding

These matters are considered when the Council develops its Long Term Plan and/or Annual Plan.

## KEY MILESTONES



## HAVE YOUR SAY

We want to hear from our community their views on the options being proposed.

### Consultation

**The submission period opens on 20 March 2025 and closes on 21 April 2025.**

Submissions should be in writing in the first instance.



**Online submissions :** More information and an online submission form is available at <https://www.hurunui.govt.nz/have-your-say/consultations>



**Email to:** [submissions@hurunui.govt.nz](mailto:submissions@hurunui.govt.nz)  
Please put 'Local Water Done Well' in the subject line.



**Hardcopy submissions:** You may use the submission form at the back of this Consultation Document. Forms are also available from all Council libraries or service centres or by phoning the Council. You may also submit in another format (not using the form). Please ensure you include your name and contact details.



**Post to:** Local Water Done Well  
Hurunui District Council  
P.O. Box 13  
Amberley 7441



For more information:  
**Phone:** Amberley 03 314 8816  
(Cheviot Freephone 03 319 8812; Amuri and Hanmer Springs Freephone 03 315 8400)

## SUBMISSION HEARINGS

The submission hearing date is 29 April, with a backup date of 30 April 2025.

Please say in your written submission if you wish to present your submission verbally.

Verbal submissions can be presented in person at the Hurunui District Council Chambers at 66 Carters Road, Amberley. Alternatively, submitters may present verbal submissions online.

A Council officer will contact submitters who wish to be heard to arrange a time slot for the verbal submission. Please ensure that contact details are shown on the written submission.

Councillors may ask the submitter questions relating to the submission.

## NEXT STEPS

In late May, after considering submissions, Council will make a decision regarding the model for water services delivery for inclusion in its Water Services Delivery Plan. The Council will submit its Water Services Delivery Plan to the Department of Internal Affairs.

It is unlikely that any new arrangement for the provision of water services would commence prior to 2026/27.

## FOR MORE INFORMATION

- This consultation is being carried out in accordance with the provisions of the Local Government (Water Services Preliminary Arrangements) Act 2024: <https://legislation.govt.nz/act/public/2024/0031/latest/whole.html>
- Information on the Hurunui District Council's website relating to the proposal can be found at the following link: <https://www.hurunui.govt.nz/council/news?item=id:2tbaqngbz1cxbyuly61q>
- The Department of Internal Affairs has published information about the Local Water Done well reforms and what this means for councils: <https://www.dia.govt.nz/Water-Services-Policy-and-Legislation>



Replacement of the intake at the Amberley sewerage plant



Kia ora,

As a community, Hurunui prides itself on the quality of its water infrastructure. Some years ago, we took the step to significantly invest in our water infrastructure, upgrading water supplies to meet New Zealand's Drinking Water Standards.

We are well positioned to meet current and future water demands, as well as anticipated growth.

In 2020, the previous government proposed significant reforms in how councils manage and deliver water services (drinking water, wastewater and stormwater – the 'three waters') for their communities.

The Three Waters Reform aimed to transfer control of assets to regional water services. Hurunui Council, as part of Communities for Local Democracy (C4LD), opposed this approach because we wanted to retain local say over water.

The new coalition government has repealed that legislation and introduced an alternative plan, "Local Water Done Well." This gives councils flexibility to decide for themselves the most suitable arrangement for the delivery of water services for their communities.

### **What are the options?**

Over the past year, Council has collaborated with neighbouring councils to explore different options for the delivery of water services.

After careful consideration, Council has decided to seek community feedback on two options:

- 1) Providing water services through a joint Water Services Council Controlled Organisation (WSCCO) owned by Hurunui District Council and Kaikōura District Council:
  - There would be a new entity jointly owned by Hurunui District Council and Kaikōura District Council.
  - The two councils would appoint its board and oversee operations.
  - Existing water assets and debt would be transferred to this organisation.
  - Water Services would remain financially separate for each district (no cross-subsidisation).
  
- 2) providing water services through a financially ring-fenced in-house business unit of council.

Kaikōura District Council is also consulting its community regarding the proposal to establish a joint WSCCO.

## Why this matters

The new legislation will require water services providers to collect enough revenue to cover long-term costs. As a result, water services charges will increase from 2027, regardless of the chosen option. However, establishing a joint WSCCO with Kaikōura District Council is expected to limit cost increases compared with other options.

Irrespective of which option is progressed, we expect we will continue to work closely with our neighbouring councils to ensure quality water services.

## Have your say

Water services are essential for our community's wellbeing. We encourage everyone to share their views by making a submission.

*Maxie H. Black.*



*Recent upgrades to 16 water treatment plants will help ensure the provision of water which meets quality standards. Irrespective of the option chosen, existing water services assets will continue to benefit local communities.*

**Provide water services through a Joint Water Services Council Controlled Organisation (WSCCO) (Preferred Option)**

The Hurunui District Council and the Kaikōura District Council deliver three waters services through a joint Water Services Council Controlled Organisation (WSCCO) which would be 100% owned by the two councils. The WSCCO would own the assets and be responsible for three waters debt.

This would be a new entity jointly owned by Hurunui District Council and Kaikōura District Council. The respective shareholdings of the two councils would be agreed between them.

The two councils would appoint the board and oversee the operations of the WSCCO. The two councils would jointly develop a written plan that would set targets for the WSCCO and monitor performance against those targets.

Existing water assets and debt would be transferred to the new organisation. Water services would remain financially separate for each district (no cross-subsidisation).

WSCCOs are able to borrow up to 500 percent of operating revenues from the Local Government Funding Agency, subject to various criteria. The Local Government Funding Agency will treat borrowing by WSCCOs separately from that of their parent councils.



**Advantages**

- Cost efficiencies through joint resourcing.
- The proposed WSCCO would take on the Council’s water services debt. This would reduce projected future pressure on Council’s debt covenants and ensure headroom for future infrastructure upgrades.
- Establishing a WSCCO would align with central government expectations for the Local Water Done Well reforms. It could position the Council well to take advantage of future opportunities for working with others.
- A joint WSCCO would have independent directors appointed based on skills and competence. This may provide access to additional expertise.



**Disadvantages**

- Hurunui District Council would have less direct control over three waters assets and operations than at present, although there would be structures enabling the Council to impact the direction of the WSCCO.
- There would be some additional costs associated with the establishment of the WSCCO (e.g. legal and consultancy costs), and some additional operating costs (e.g. board directors’ fees).
- Following the transfer of water services to the WSCCO, there would be fewer Council services to share organisation-wide costs such as finance.
- With multiple councils setting up WSCCOs at around the same time, it could be challenging to attract skilled and experienced board members.

### **Provide water services through a Hurunui District Council In-house Water Services Business Unit (Alternative Option)**

The Hurunui District Council continues to deliver three waters services through an in-house business unit, but changes the way that it does this in order to comply with the new legislative reforms relating to economic regulation.

The Council is currently providing services in this way. Council would need to comply with the new regulatory requirements, including the need to fully ring-fence water services finances.



#### **Advantages**

- The Council would retain direct ownership and control of three waters assets and services, subject to regulatory constraints.
- There would be lower set up costs.
- Council has robust governance systems in place for oversight of water activities.
- Organisation wide costs would be spread across a broader range of services.



#### **Disadvantages**

- Keeping three waters activities in house pushes the Council close to its Local Government Funding Agency funding limits within five years, potentially restricting investments in other activities.
- The councils would not benefit from the synergies currently anticipated to be achieved by the WSCCO.
- Because the Council would have direct control of water operations, in the event of a breach of the new economic regulations, there is a risk of legal liability.
- This option is not in line with the policy direction signalled by the current central government. This may increase the risk of further change at a later date.

The Local Government (Water Services) Bill 2024 provides for other possible models, including contracting out water services to a water organisation or ownership by a Community Trust.

Irrespective of which option is chosen:

- Water services assets will continue to be used to support the communities which currently benefit from them.
- The new legislation contains protections against privatisation of water services.
- There will be increases in water charges in the coming years. Projections indicate the increases would be lower for a joint WSCCO than for an in-house water services business unit.



## Financial impacts of the two options

The financial impacts of the two options are demonstrated below. Key assumptions underlying these forecasts include:

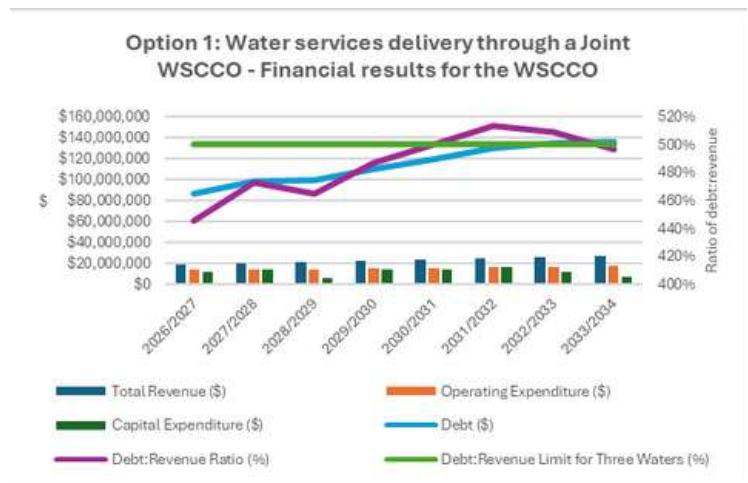
- If the preferred option is adopted, the new joint WSCCO is expected to commence on 1 July 2026.
- The forecasts shown below are based on modelling data prepared by the Council’s consultants, Castalia Limited. The data showed the impacts of transferring water and sewerage activities to the joint WSCCO. It is now proposed that the joint WSCCO will be responsible for the delivery of stormwater also. The stormwater activity is considerably smaller than the water and wastewater activities and the inclusion of stormwater in the modelling is not expected to materially affect the nature of the results shown below.
- As required by the new legislative framework, it has been assumed water services rates/tariffs will be set to ensure that three waters activities are financially sustainable on a long term basis.
- For activities other than water services, the projections reflect the Council’s Long Term Plan 2024-2034.
- It is expected that levels of service would be the same for the two options and in line with current levels of service.

### Option 1: Water services delivery through a joint WSCCO

**Projections for the joint WSCCO** Under recent legislation, WSCCOs will be able to borrow up to 500% of operating revenue. The current projections, shown on the graph, suggest this limit would be exceeded in 2031/32 and 2032/2033. Hence it would be necessary to modify activities to ensure adherence to this external limit.

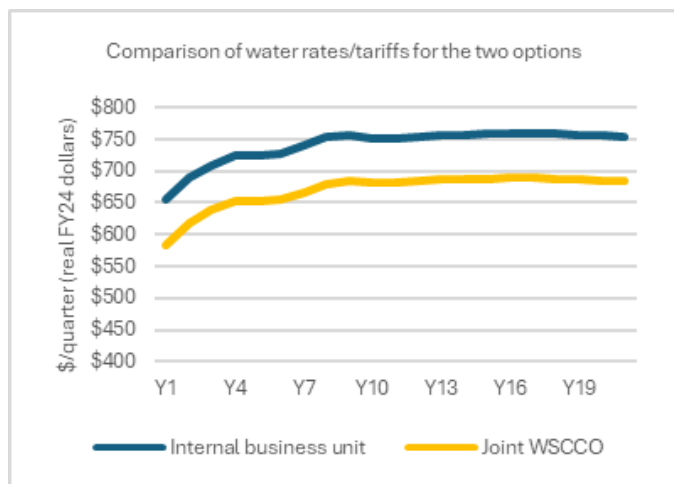
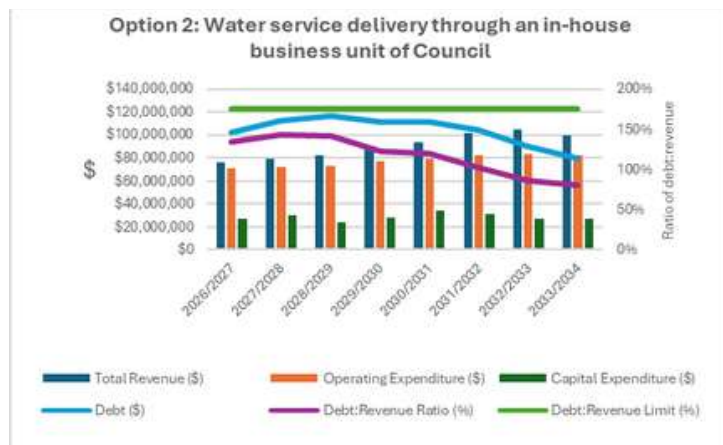
### Projections for Council activities other than water services

Because most Council debt relates to recent water services infrastructure developments, if water services assets and associated debt were transferred into a joint WSCCO, the debt held by the remaining Council activities would decrease significantly. It is projected Council debt would peak at \$34.3m in 2027/28, at which time the ratio of debt:revenue would be expected to be 55%. Because the water tariffs would be levied separately by the WSCCO, Council rates would no longer include water rates.



## Option 2: Water services delivery through an in-house business unit

With this option, operating water services as an in-house business unit will push the Council close to its debt:revenue limit of 175% (the maximum permitted by the Local Government Funding Agency (LGFA) which funds the majority of Council’s debt).



## Water services rates/tariffs

It is projected that water rates/tariffs would be lower for the joint WSCCO than for the in-house business unit. This is because the water services debt could be repaid over a longer period. Also, it is expected that there would be synergies/cost savings arising from working together with Kaikōura District Council, such as with regulatory costs.



*The new reservoir at the Bishells water treatment plant has increased the scheme’s resilience. It is now possible to shutdown the plant for repairs and maintenance without impacting water supply to customers.*

# SUBMISSION

Your Full Name \* \_\_\_\_\_

Organisation (if applicable) \_\_\_\_\_

Contact Number \* \_\_\_\_\_

Address \* \_\_\_\_\_

E-mail \_\_\_\_\_

**Do you wish to present your opinion verbally to the Council at a hearing on 29 April? (Or possibly on 30 April depending on the number of submissions received)**

(Verbal submissions may be presented in person at the Hurunui District Council Chambers at 66 Carters Road, Amberley or online)

Yes

No

**My Preferred Option for the Future Delivery of Water Services in the Hurunui District is (select one):**

**Option 1 – Joint Water Services Council Controlled Organisation (WSCCO)**

This option is for the establishment of a new joint WSCCO which would be 100% owned by the Hurunui and Kaikoura District Councils. The two councils would appoint a board to govern the new WSCCO.

**Option 2 – Hurunui District Council In-house Business Unit**

This option is for the retention of water services delivery activities within the Hurunui District Council. The Hurunui District Council would be responsible for governance of water services activities.

**Reason(s) I prefer this option:**

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**Do you have any other comments about the model for the future delivery of water services?**

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**Privacy Statement**

All Submissions (including names and contract details) may be provided in full to elected members. Submissions (including names, but not contact details) may be made available to the public at our office and on our website. Your personal information may also be used for the administration of the consultation process, including informing you of the outcome of the consultation. All information collected will be held by Hurunui District Council, 66 Carters Road, Amberley with submitters having the right to access and correct their own personal information.

**I acknowledge that I have read the privacy statement and am happy to proceed**

**Signature** \_\_\_\_\_ **Date** \_\_ / \_\_ / \_\_\_\_

Submissions may be:

- Emailed to [submission@hurunui.govt.nz](mailto:submission@hurunui.govt.nz) or
- Posted to Local Water Done Well, Hurunui District Council, P.O. Box 13, Amberley 7441 or
- Handed in at Hurunui District Council service centres or libraries.

**Submissions close on 21 April 2025**

## Impact on Financial Position

Council adopted its Long Term Plan (LTP) for the 2024 to 2034 period in July 2024. This set out the forecast for the Council’s position for the next 10 years based on the Council retaining the responsibility for Three Waters.

Under the new legislation for Water Service Delivery, the way in which Council accounts for water services will change, even if Council continues to provide water services through an in-house business unit.

To assist in forming comparisons for the options available to Council, we have utilised the modelling provided by our consultants, Castalia Limited.

Key assumptions in this forecast:

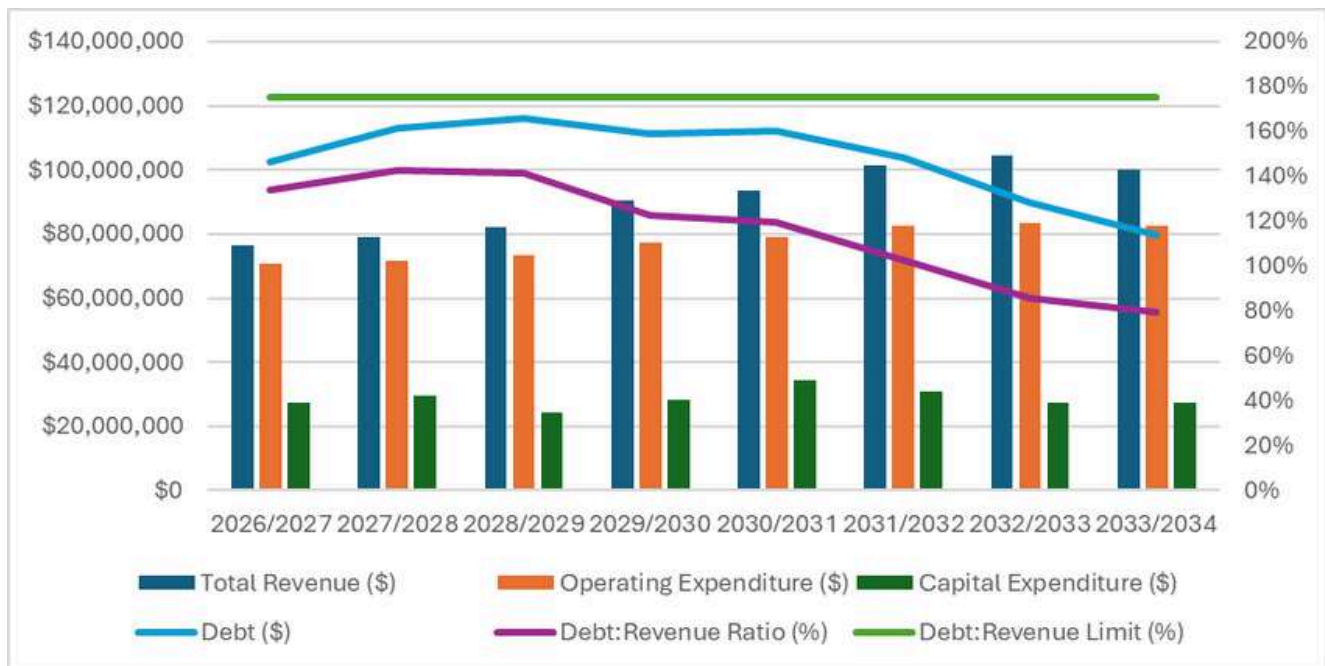
- The start date for a new structure to Water Services will be 1 July 2026 (from Year 3 of the current LTP onwards).
- Rates (Tariffs) and the cost structure is determined based on the anticipated requirements from the economic regulator – which is ensuring that delivery of water services meets regulatory standards, and that future investment, renewals and maintenance are financed and paid for by customers – as dictated by the Government’s policy direction that the cost of three waters is to be met entirely by the consumers.
- The Castalia Limited modelling provided for Drinking Water and Wastewater (two waters) but not stormwater. The effects of stormwater are deemed to be negligible in the direct comparison between the options, therefore the Castalia modelling for two waters has been used as a proxy for all three waters.

## Council LTP Projections

These numbers take into account the modelling provided by Castalia Limited for Two Waters as the proxy for Three Waters. Other Council activities remain as allowed for in the 2024/34 Long Term Plan.

	Year 3	Year 4	Year 5	Years 6 - 10
	2026/27	2026/27	2027/28	2028/34
	000s	000s	000s	000s
Water Tariffs (Rates)	18,284	19,483	20,313	118,583
Other Rates	25,808	25,990	27,249	144,995
Other Revenue	32,642	33,881	34,858	228,248
Operating Expenditure	(70,774)	(71,833)	(73,532)	(405,236)
<b>Operating Surplus (Deficit)</b>	<b>5,960</b>	<b>7,521</b>	<b>8,888</b>	<b>86,590</b>
<b>Capital Expenditure</b>	<b>29,932</b>	<b>33,469</b>	<b>26,448</b>	<b>158,139</b>
<b>Total Debt</b>	<b>102,322</b>	<b>112,899</b>	<b>116,175</b>	<b>79,808</b>
<b>Debt:Revenue Ratio</b>	<b>133%</b>	<b>142%</b>	<b>141%</b>	<b>80%</b>

Graphically, this is shown as:



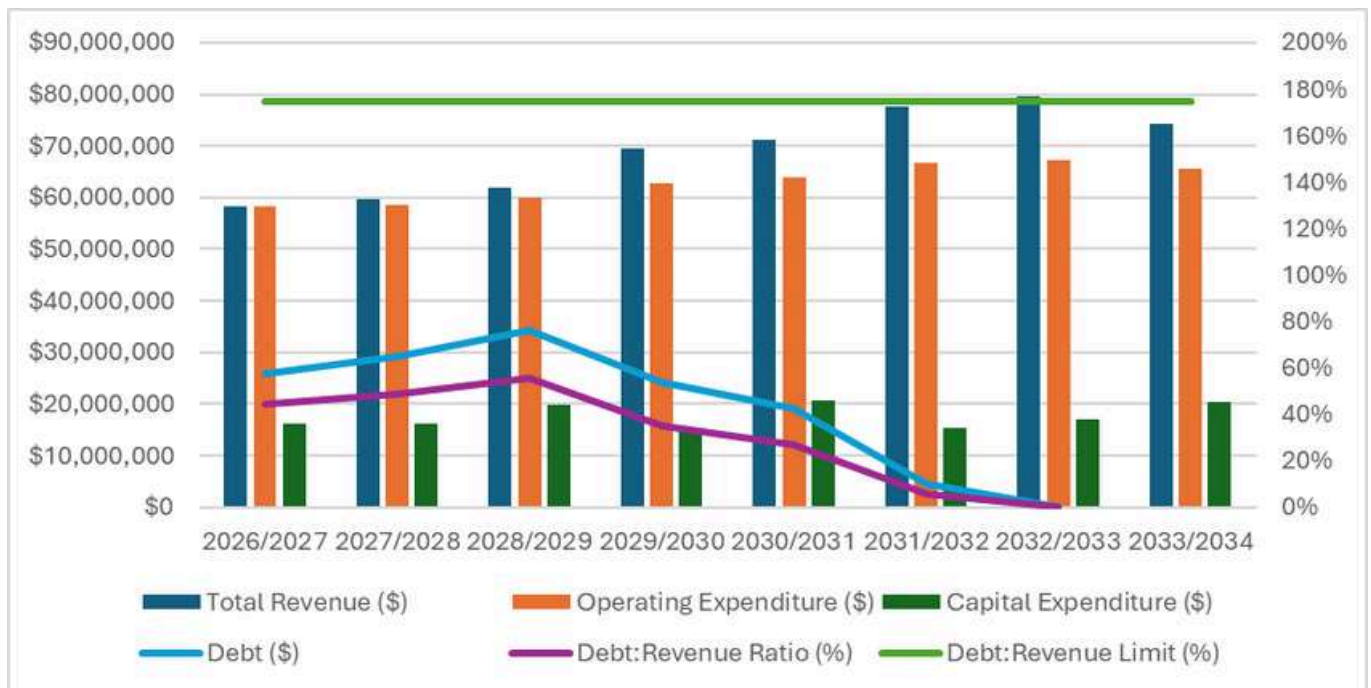
Currently, Council’s debt limit is set at 175% of the Council’s operating revenue. This is maximum provided by the Local Government Funding Agency (LGFA) which funds the majority of Council’s debt. This limit could be extended to 280% if Council obtains a credit rating. Based on the Long Term Plan, the level of debt will increase with significant capital expenditure over the next three years and will gradually decrease as other revenue increases.

### Council Projections excluding Three Waters

Extracting the numbers provided for Three Waters, Council’s projections for 2026 onwards is as follows:

	Year 3 2026/27 000s	Year 4 2026/27 000s	Year 5 2027/28 000s	Years 6 - 10 2028/34 000s
Rates	25,808	25,990	27,249	144,995
Other Revenue	32,418	33,651	34,622	226,988
Operating Expenditure	(58,236)	(58,574)	(60,066)	(326,203)
<b>Operating Surplus (Deficit)</b>	<b>(10)</b>	<b>1,067</b>	<b>1,806</b>	<b>45,780</b>
<b>Capital Expenditure</b>	<b>16,279</b>	<b>16,125</b>	<b>19,825</b>	<b>88,633</b>
<b>Total Debt</b>	<b>25,805</b>	<b>29,123</b>	<b>34,336</b>	<b>-</b>
<b>Debt:Revenue Ratio (Limit 175%)</b>	<b>44%</b>	<b>49%</b>	<b>55%</b>	<b>0%</b>

Graphically, this is shown as:



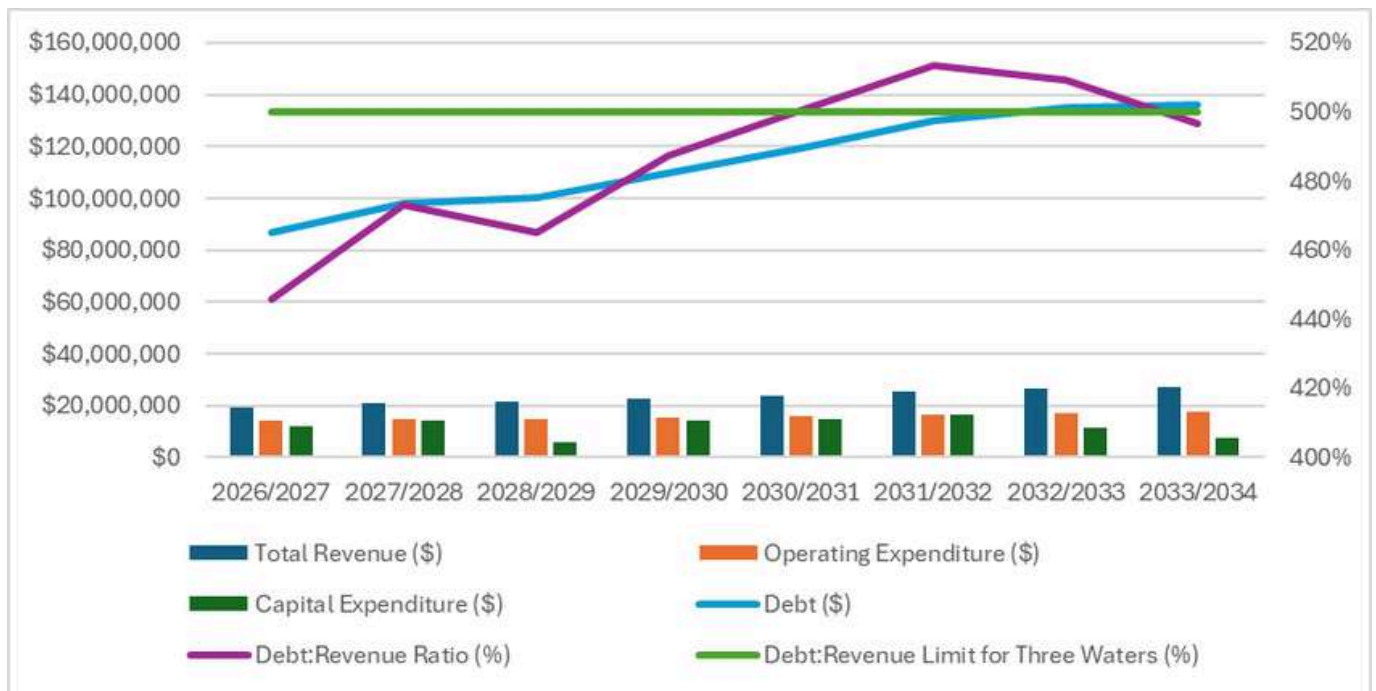
Currently, the majority of debt held by Council is related to three waters. This is because the Council has invested a significant amount into upgrading water supplies over the last five years. On the basis that the three waters assets and associated debt would be transferred out of Council’s operations, it would mean that the debt:revenue ratio is significantly lower. It is forecast in the LTP that as a result of increased external revenue, the residual debt for Council will be repaid.

### Joint Water Services Council Controlled Organisation (WSSCO)

Using the models provided by Castalia Limited, which includes the water service delivery for Kaikoura District Council, the key information is as follows:

	Year 3 2026/27 000s	Year 4 2026/27 000s	Year 5 2027/28 000s	Years 6 - 10 2028/34 000s
Tariffs	19,528	20,714	21,538	125,513
Operating Expenditure	(14,171)	(14,697)	(14,710)	(82,930)
<b>Operating Surplus (Deficit)</b>	<b>5,357</b>	<b>6,017</b>	<b>6,828</b>	<b>42,584</b>
<b>Capital Expenditure</b>	<b>11,877</b>	<b>14,503</b>	<b>5,880</b>	<b>88,633</b>
<b>Total Debt</b>	<b>87,016</b>	<b>97,978</b>	<b>100,185</b>	<b>135,983</b>
<b>Debt:Revenue Ratio (Limit 500%)</b>	<b>446%</b>	<b>473%</b>	<b>465%</b>	<b>496%</b>

Graphically, this is shown as:



One of the advantages outlined earlier was the ability for a WSCCO to be able to borrow up to 500% of operating revenues. The projections provided by Castalia for the Joint WSCCO show that the Debt:Revenue ratios are generally adhered to over the period.

### Comparison of the models

From the modelling work carried out by Castalia Limited, the graph shows projected quarterly tariffs for the LTP and the three options for relativity:

- The blue line shows the impact on water tariffs (rates) of water service delivery through an in-house business unit (Option 1).
- The yellow line shows the impact on water tariffs (rates) of water service delivery through a Joint WSCCO (Option 2).

