



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

EXTRAORDINARY COUNCIL MEETING AGENDA

**Tuesday 22 July 2025
at 9am**

**Council Chamber
Liardet Street, New Plymouth**

Chairperson:	Mayor Neil	Holdom
Members:	Cr Tony	Bedford
	Cr Sam	Bennett
	Cr Max	Brough
	Cr Gordon	Brown
	Cr David	Bublitz
	Cr Murray	Chong
	Cr Amanda	Clinton-Gohdes
	Cr Harry	Duynhoven
	Cr Bali	Haque
	Cr Te Waka	McLeod
	Cr Anneka Carlson	Matthews
	Cr Dinnie	Moeahu
	Cr Marie	Pearce
	Cr Bryan	Vickery

Purpose of Local Government

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option outlined in each report meets the purpose of local government and:

- Promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
 - Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of Council, or transfer the ownership or control of a strategic asset to or from Council.
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OPENING KARAKIA

Tutawa Mai

Tūtawa mai i runga

I summon from above

Tūtawa mai i raro

I summon from below

Tūtawa mai i roto

I summon from within

Tūtawa mai i waho

I summon from the outside
environment

Kia tau ai

to calm and settle

Te mauri tū

the vital inner essence

Te mauri ora

the wellbeing of everyone

Ki te katoa

Be joined,

Haumi e, hui e, tāiki e!

together united!



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

Health and Safety Message / Te Whaiora me te Marutau

In the event of an emergency, please follow the instructions of Council staff.

Please exit through the main entrance.

Once you reach the footpath please turn right and walk towards Pukekura Park, congregating outside the Spark building. Please do not block the footpath for other users.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Please be mindful of the glass overhead.

Please remain where you are until further instruction is given.

APOLOGIES / NGĀ MATANGARO

None noted

CONFLICTS OF INTEREST / NGĀ ARA KŌNATUNATU

1. People who fill positions of authority must undertake their duties free from real or perceived bias. Elected members must maintain a clear separation between their personal interests and their duties as an elected member. Failure to do so could invalidate a Council decision and leave the elected member open to prosecution and ouster from office.
2. An elected member is entitled to interact with the Council as a private citizen. However, they cannot use their position as an elected member to gain an advantage not available to the general public.
3. Elected and appointed members will:
 - Declare any interest whether pecuniary or non-pecuniary at a meeting where the interest is relevant to an item on that agenda.
 - Exclude themselves from any informal discussions with elected members relating to a matter they have an interest in.
 - Seek guidance from the Chief Executive if they are unclear of the extent of any interest.
 - Seek guidance or exemption from the Office of the Auditor General if necessary.

ADDRESSING THE MEETING

Requests for public forum and deputations need to be made at least one day prior to the meeting. The Chairperson has authority to approve or decline public comments and deputations in line with the standing order requirements.

PUBLIC FORUM / ĀTEA Ā-WĀNANGA

Public Forums enable members of the public to bring matters to the attention of the committee which are not contained on the meeting agenda. The matters must relate to the meeting's terms of reference. Speakers can speak for up to 5 minutes, with no more than two speakers on behalf of one organisation.

- None advised

DEPUTATIONS / MANUHIRI

Deputations enable a person, group or organisation to speak to the meeting on matters contained on the agenda. An individual speaker can speak for up to 10 minutes. Where there are multiple speakers for one organisation, a total time limit of 15 minutes, for the entire deputation, applies.

- None advised

REPORTS

- 1 Local Waters Done Well - report back on consultation and recommended water services delivery option

LOCAL WATER DONE WELL REPORT BACK ON CONSULTATION AND RECOMMENDED WATER SERVICES DELIVERY OPTION

MATTER / TE WHĀINGA

1. The matter for consideration by the Council is to review community feedback on proposed water service delivery options and decide the most suitable water service delivery option to adopt.

RECOMMENDATION FOR CONSIDERATION / NGĀ WHAIKUPU

That having considered all matters raised in the report, Council:

- a) Approve the establishment of a New Plymouth District Council-only Water Services Council-Controlled Organisation (NPDC WSCCO).**
 - b) Approve that stormwater management and asset ownership will remain in-house under Council control.**
 - c) Agree that while it is considered improbable, NPDC recognises the advantages of regional collaboration and remains open to the possibility of a two-council partnership or shared services agreement with South Taranaki, should they decide to pursue a regional model.**
 - d) Note that the NPDC WSCCO model meets the statutory requirements of the LWDW framework and supports the development of a financially sustainable Water Services Delivery Plan (WSDP).**
 - e) Note that a NPDC WSCCO is projected to deliver approximately \$17 million in savings over 30 years, while also offering enhanced borrowing capacity and a dedicated governance structure focused solely on water service delivery.**
 - f) Note the risks associated with a single-council model, including limited economies of scale, reduced regional collaboration, and potential financial vulnerability due to reliance on NPDC's revenue base. These risks are acknowledged and mitigated through the model's design and future flexibility.**
 - g) Note that the NPDC WSCCO model provides a scalable and adaptable platform, enabling future collaboration with other councils within or beyond the Taranaki region. NPDC retains the ability to recover establishment and transition costs by charging a joining fee to any council that opts to participate in the WSCCO at a later date.**
 - h) Direct Officers to finalise the WSDP based on this model for adoption at the 12 August 2025 Council meeting.**
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COMPLIANCE / TŪTOHU	
Significance	This matter is assessed as being critical
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> 1. Proceed with Option 1; Joint Taranaki WSCCO 2. Proceed with Option 2; NPDC WSCCO 3. Proceed with Option 3; In-House Business Unit (IHBU) <p>Draft motions for each option are included in Appendix 1 of this report.</p>
Affected persons	The persons who are affected by or interested in this matter are all residents and ratepayers of New Plymouth District.
Recommendation	Officers recommend Option 2 for this matter, Proceed with an NPDC (Single Council) WSCCO
Long-Term Plan / Annual Plan Implications	When implemented, regardless of the model pursued, new water legislation requires Three Waters to be removed from Council's Long-term Plan and a new waters specific planning framework will be implemented.
Significant Policy and Plan Inconsistencies	There are no immediate inconsistencies with policies and plans at this point in time. Policies, plans and bylaws may need to be reviewed following enactment of future legislation.

EXECUTIVE SUMMARY / WHAKARĀPOPOTOTANGA MATUA

2. New Plymouth District Council (NPDC) is at a pivotal decision point regarding the future delivery of drinking water and wastewater services under the Local Water Done Well (LWDW) framework. Given the decisions of other Taranaki Councils, NPDC essentially has two primary delivery models remaining for consideration:
 - Option 2:** A NPDC-only Water Services Council-Controlled Organisation (WSCCO)
 - Option 3:** An In-House Business Unit (IHBU)
3. Following public consultation held from 30 April to 30 May 2025, NPDC received 287 submissions. Of these, 57% supported the IHBU model, citing local accountability, cost control, and operational responsiveness. Meanwhile, 38% favoured the WSCCO model, highlighting potential benefits such as improved efficiency, regional consistency, and strengthened governance.

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4. Central Government has signalled a strong preference for collaborative water service models to enhance cost-effectiveness and operational performance. The Department of Internal Affairs (DIA) has linked such collaboration to successful City and Regional Deals (CRDs), underscoring the importance of financial sustainability in water service planning.
 5. Although a joint WSCCO across the three Taranaki councils would have delivered the greatest efficiencies, Stratford District Council has opted for an IHBU, and South Taranaki District Council has yet to decide. This has rendered the three-council model unviable. NPDC remains open to a two-council partnership with South Taranaki or a shared services arrangement, should regional collaboration become feasible.
 6. In the absence of regional partners, NPDC had previously resolved that a standalone WSCCO would be the preferred fallback option. While this model involves initial establishment and governance costs, it is projected to deliver minimum savings of \$17 million over 30 years. Council Officers continue to recommend this option.
 7. Supporters of the IHBU model value its accountability and responsiveness. However, it lacks the efficiencies of a dedicated entity and is more susceptible to political compromise. Historical Long-Term Plan (LTP) data suggests that rate increases for water services have been consistently underestimated under the current in-house model.
 8. The NPDC WSCCO model, despite upfront costs, is expected to deliver long-term efficiencies. Independent analysis indicates that single-purpose water entities typically outperform multi-service models in terms of cost and service delivery. The projected savings are conservatively based on the lower end of independent estimates and the model also offers increased debt capacity to support future capital investment.
 9. Evaluation against NPDC's Strategic Investment Objectives shows the WSCCO model ranks higher in four objectives and matches two others. Transitioning to a WSCCO offers an opportunity to improve service delivery efficiency and reduce political compromise.
 10. The NPDC WSCCO model offers a future-ready platform that enables the Council to retain full control of water service delivery while remaining open to the inclusion of other councils at a later stage, subject to future Council decisions. Importantly, this model will allow NPDC to recover establishment and transition costs by charging a joining fee to any council that opts to participate in the WSCCO in the future, ensuring fairness and financial sustainability.
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11. One of the key strengths of the model is its governance framework, which comprises a dedicated Board of Directors with specialised expertise in water services. This arrangement promotes targeted compliance, strategic investment, and sustainable service delivery outcomes. Unlike broader council-led models, this structure ensures that water services remain the primary focus, with transparency and accountability upheld through a Statement of Expectations agreed upon with the Council. The framework also incorporates protections against privatisation and requires mandated transparency via established council accountability mechanisms.
 12. Given the inherent uncertainties in forecasting long-term costs, there is no definitive financial case for either option. The decision therefore hinges on evaluating non-financial benefits and preparing for future adaptability.
 13. Key considerations include:
 - Local accountability (Option 3) versus reduced political compromise (Option 2)
 - Historical underestimation of rate increases under the IHBU model versus greater certainty from a specialised water entity
 - Long-term efficiency gains from a dedicated organisation versus continued inefficiencies from shared systems and political influence
 14. Council must now choose between the IHBU and NPDC-only WSCCO models to finalise its Water Services Delivery Plan (WSDP) by 3 September 2025. The preferred option will be presented to Council for adoption on 12 August 2025.

COMPARATIVE ANALYSIS OF THE REMAINING REASONABLY PRACTICABLE OPTIONS

Strategic Investment Objectives

15. All models have been assessed comparatively against the agreed Strategic Investment Objectives and outlined in the figure 1 below. This assessment was contained in the agenda for the Extraordinary Council agenda for the 19 February 2025 meeting.
 16. The comparative analysis indicates that the NPDC WSCCO achieves higher performance in areas such as sustainable funding (including access to debt), improved operational efficiencies, a favourable environment for investment and growth; and advantages typical of a single-focus organisation such as enhanced capacity to prioritise environmental outcomes and uphold compliant water systems.
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Figure 1: Strategic Investment Objectives Comparative Analysis

	Taranaki WSCCO	NPDC WSCCO	Enhanced Status Quo
A sustainable funding mechanism	4	4	3
Delivers operational efficiencies and scale economies	4	3	2
An attractive market for investment and growth	5	4	2
Informs Te Mana o Te Wai	5	4	3
Well-maintained and compliant water systems	5	4	3
Sufficient capability and a robust talent pipeline to support its water activities.	4	3	3
Supports local accountability and responsiveness	4	5	5

Historical Financial Modelling Uncertainty

17. Forecasting the future costs of water services is inherently uncertain, as evidenced by historical data and long-term planning trends. This uncertainty presents a significant challenge for councils attempting to deliver reliable and affordable services while maintaining infrastructure and meeting regulatory obligations.
18. Below two tables illustrate this challenge
 - a) **Table 1** outlines annual increases in combined water and wastewater rates from 2015/16 onward. These increases have ranged from 1% to 16%, with an average of 7% per year. This upward trend reflects the growing cost of delivering three waters services, driven by multiple factors:
 - i) Introduction of new water compliance standards and regulatory frameworks.
 - ii) Levies to fund central government agencies such as Taumata Arowai and the Commerce Commission.
 - iii) Significant investment required to replace aging infrastructure nearing the end of its useful life.

- iv) Increased compliance costs due to the renewal of resource consents.
- v) Inflationary pressures from global events such as the COVID-19 pandemic.

Table 1: Annual Water and Wastewater rates and percentage change.

Financial Year	Total Rates (\$) (incl.GST)	Percentage Change from Previous Year
2015/16	778.00	-
2016/17	783.52	1%
2017/18	799.94	2%
2018/19	847.24	6%
2019/20	854.54	1%
2020/21	870.45	2%
2021/22	907.15	4%
2022/23	984.61	9%
2023/24	1133.03	15%
2024/25	1290.00	14%
2025/26	1491.00	16%

These cost drivers are not only persistent but are expected to intensify over time, further compounding the challenge of accurate financial forecasting.

- b) **Table 2** compares the projected rate increases in year four of each Long-Term Plan (LTP) with the actual increases experienced in year one of the subsequent LTP. In all three most recent LTP cycles, actual increases exceeded projections—by as much as 8%. For example, the 2018–2028 LTP forecasted a 4% increase for 2021/22, but the actual increase was 12%. This consistent underestimation highlights the limitations of current forecasting methods and the volatility of cost drivers.

Table 2: Comparison of Estimated vs Actual Rate Increases in Long Term Plans (LTPs)

LTP Period	Estimate Rate Increase for Year 4 (%)	Actual rates increase for Year 4 - Year 1 of new LTP (%)	Difference (+ve means higher than planned) (%)
2015-25	3.5	6	2.5
2018-28	4	12	8
2021-31	8.7	11.5	2.8
2024-34	11.5	TBC	TBC

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19. These findings underscore two critical issues:
- **The difficulty of accurately estimating future costs** in a dynamic and increasingly complex regulatory and economic environment.
 - **A framework characterised by competing priorities**, frequently shaped by political considerations aimed at minimising rate increases, which may lead to optimistic projections and postponed investments.
20. This uncertainty is a shared risk across all governance models. However, Option 3 (IHBU) remains particularly vulnerable due to the heightened influence of political decision-making on investment timing and prioritisation. This can lead to reactive rather than proactive asset management and further cost escalation over time.
21. In contrast, transitioning to a NPDC WSCCO focused solely on water services offers a more resilient and strategic approach. While there are upfront and ongoing governance costs, these are offset by several key benefits:
- a) Operational efficiencies from streamlined systems and processes tailored specifically to water service delivery.
 - b) Improved asset management through dedicated focus and reduced need to compromise across competing council services.
22. Even under Option 2, where the scale is smaller, the benefits of a single-purpose entity are still significant. These include more consistent and rigorous investment planning, better alignment with regulatory expectations, and enhanced transparency and accountability.
23. Advice from GHD Consulting, drawing on a range of sector benchmarks, supports the assumption that a dedicated water entity can deliver meaningful cost savings and service improvements over time. This structural reform represents a proactive step toward managing financial uncertainty and ensuring the long-term sustainability of water services.
24. The financial efficiency assumptions used in these calculations are considered very conservative. This is illustrated in table 3 below which shows that applying the WICS assumptions developed for a Taranaki WSCCO to a NPDC WSCCO would see savings increase from \$17M to \$320 to \$500M. As NPDC represents roughly 2/3 of the scale of the Taranaki WSCCO this is not unreasonable to use as a comparison.
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Table 3: Financial Efficiency Assumptions Comparison

Parameter	NPDC WSCCO Assumption	WICS Assumption
Productivity factor	0%	0.4% per year
OPEX efficiency saving	Commencing in 2029/30 and linearly ramping up over 10 years to 2%	Commencing in yr 1 and linearly ramping up over 15 years to 10-20%
CAPEX efficiency saving	Commencing in 2029/30 and linearly ramping up over 10 years to 1%	Commencing in yr 1 and linearly ramping up over 15 years to 8-16%
Impact	Savings of \$17M across 28 years	Savings of \$320M to \$500M across 28 years

REGULATORY DEMANDS AND CENTRAL GOVERNMENT EXPECTATIONS

25. Background information relevant to LWDW has been included as Appendix 2.

Additional Compliance Costs under LWDW

26. The Local Government (Water Services) Bill (the Bill) sets out a comprehensive new planning, reporting and financial management regime for water services that have major implications for council planning and reporting processes.
27. Regardless of the model chosen, Councils or WSCCOs will have to prepare substantial planning, budgeting and reporting documents for water services, in addition to existing requirements for LTPs and other documents for non-water activities. These include:
- a) A Water Services Strategy
 - b) A Water Services Annual Budget
 - c) A Water Services Annual Report, including audited financial statements.
28. Economic regulation by the Commerce Commission requires a new ring-fencing rule and requirements for information disclosure, requiring service providers to disclose certain information about their performance. This could include service quality, asset management, financial performance and pricing.
29. In addition, the Bill requires additional requirements around Drinking Water Catchment Plans, Trade Waste Plans and Stormwater Network Risk Management Plans. A summary of these changes and the impact on local government is included in the guide authored by MartinJenkins, included as Appendix 3.

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30. These combined requirements will have implications for staff capacity and ongoing costs relating to delivery planning and economic regulation. As councils become subject to greater regulation, they are also liable for levies to both the Commerce Commission and Taumata Arowai, of \$113,000 and \$360,000¹ per annum respectively, which are expected to only increase over time.

Central Government Expectations and Messaging

31. The former Minister for Local Government, Hon Simeon Brown formally stated "The Government's expectation is that councils will work together to establish joint water organisations for water services delivery, recognising the cost and operational efficiencies that come with greater size and scale".²
32. The current Minister for Local Government Simon Watts recently reiterated this stating "I have been clear in my expectation that councils should be working together to address financial sustainability challenges, as you are already actively doing. In particular, I expect councils to be actively considering working with and supporting their neighbouring councils, especially smaller and rural councils, particularly given there is no requirement for price harmonisation under Local Water Done Well".³
33. Over recent months the link between collaboration in LWDW and successful bids for City and Regional Deals (CRD) has been strengthened, with formal Department of Internal Affairs (DIA) communications stating "Council groupings that are demonstrating that they are making good progress on developing financially sustainable water services delivery plans will be best placed to earn the confidence of the Government when seeking a deal... Hon Watts intends to take a consolidated portfolio view for how CRD proposals are considered. This means that proposals will need to demonstrate how council groupings intend to integrate their thinking on improved water service delivery within broader economic growth objectives".
34. Both letters and the communications from the DIA communications are included as Appendices 4,5 and 6.

¹ Figures for the 2025/26 Financial Year cited.

² Letter from Hon Simeon Brown to Local Government Mayors/Chairs received 10 December 2024.

³ Letter from Hon Simon Watts to Local Government Mayors/Chairs received 21 May 2025.

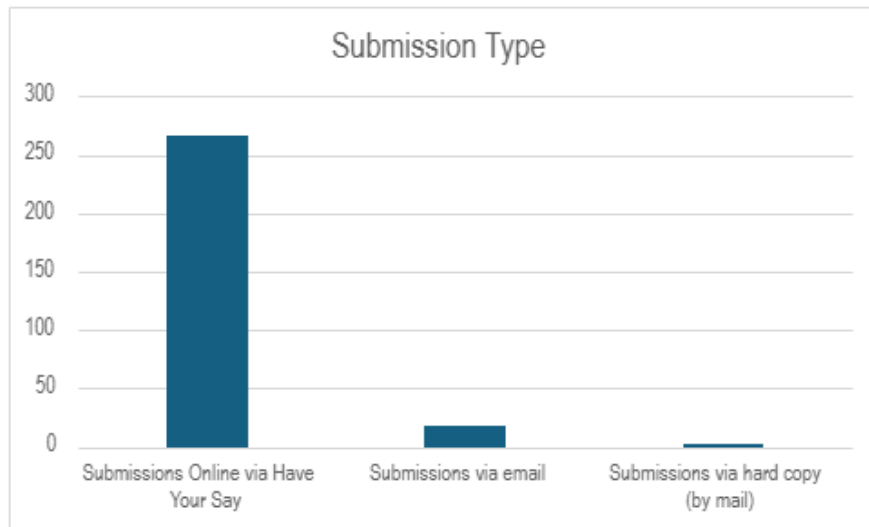
ENGAGEMENT, CONSULTATION AND COMMUNICATION ACTIVITIES

The Council identified three options for engagement

35. The Preliminary Arrangements Act sets out a streamlined consultation process for decision-making, requiring the identification of a preferred model, and assessment of the advantages and disadvantages of the preferred model and at least one other model. While this allowed councils to confine their consultation to two options, NPDC opted to consult on three options noting the risk of our regional partners opting out of a Joint Taranaki WSCCO prior to, or as a result of public consultation.
36. On 16 April 2025, Council adopted the Local Water Done Well Consultation Document and approved public consultation from 30 April to 30 May 2025 inclusive. It sought views on three models:
- | | |
|-----------------------|--|
| Option 1 (preferred): | A Joint Taranaki WSCCO owned by South Taranaki, Stratford and New Plymouth District Councils; |
| Option 2 | A NPDC WSCCO owned by Council alone; |
| Option 3 | Keep the delivery of water services within NPDC (also known as an In-House Business Unit, or status quo option). |
37. As part of the LWDW consultation campaign, a multi-channel communications strategy was deployed to maximise public awareness and engagement across the New Plymouth District. The campaign was designed to inform residents and encourage participation through a blend of digital, print, and in-person outreach. This included:
- a) Clear messaging in the May issue of the NPDC rates notice
 - b) Social media posts
 - c) Public meetings.
- The full consultation campaign is summarised in Appendix 7.
38. South Taranaki and Stratford District Councils also identified Option 1: Joint Taranaki WSCCO as their preferred option when consulting with their communities. Both councils chose to consult on two options (a Regional WSCCO and In-House Business Unit (IHBU)).
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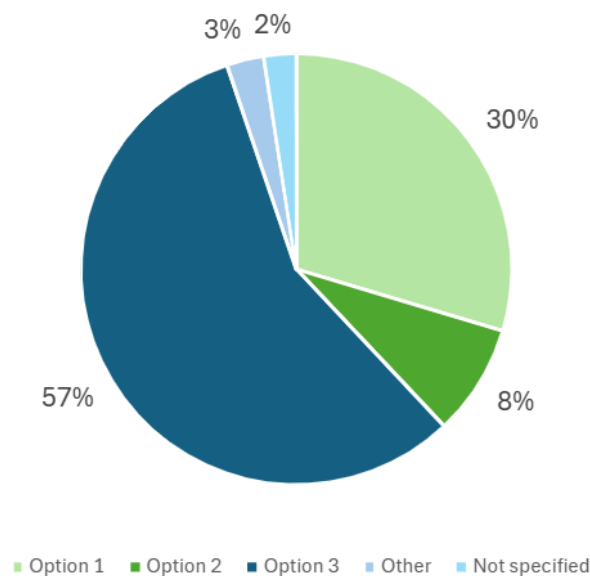
What the submitters told us

- 39. Council received 287 submissions in total. This is considered low given the size of the district, representing 0.41 per cent of the estimated 69,432 eligible voters. Of these, 267 were received via the online via 'Have Your Say' portal, 18 received via email, and two via hardcopy paper submission.
- 40. This section provides a summary of the feedback provided by submitters. A comprehensive analysis of the submissions is attached as Appendix 8.



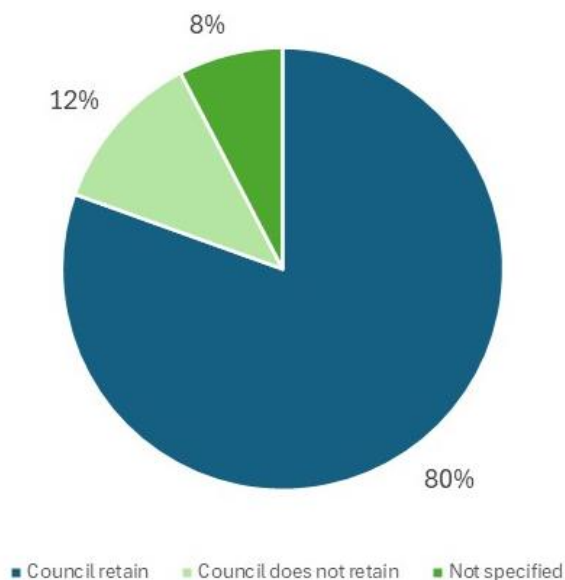
- 41. The graph below shows the distribution of submitters who opted for models 1 (Joint WSCCO), 2 (NPDC WSCCO) and 3 (In-House Business Unit) with 57 per cent of submitters showing a preference for model 3, In-House Business Unit.

Drinking & Waste Water Submission Summary



42. A small proportion of submitters expressed a preference for a different model than those outlined in the Consultation Document. Specifically, eight submissions (3 per cent) favoured a Consumer Trust Model. Additionally, a few (6 submissions, 2 per cent) did not specify any model preference.

Stormwater Management Submission Summary



43. For Stormwater Management, the majority of submitters expressed a preference for Council retaining management of stormwater services (80 per cent). Thirty-four (12 per cent) of submitters supported Council not retaining management of these services and a few submissions (8 per cent) did not specify a preference.
44. Of the submissions supporting either the Joint Taranaki WSCCO or Single Council WSCCO Models (options 1 and 2), the following themes were identified:
- Economies of scale and efficiency**
Councils working together to reduce duplication, lower costs and improve service delivery.
 - Long-Term sustainability and investment**
Focus on future planning, and protection from short-term political decisions.
 - Iwi representation and environmental stewardship**
Calls for iwi participation in governance and recognition of water as a valuable resource requiring ecological care.
 - Workforce capability and retention**
Recognition that a larger, unified entity could attract and retain skilled staff and deliver better operational outcomes.

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45. Officers acknowledge that the benefits identified in these themes align with the findings from the detailed options analysis that informed this report.
46. By comparison, of the submissions that supported the Status Quo or In-House Business Unit Model (option 3), the following themes were identified:
- a) **Maintaining the current model**
scepticism about the need for a new model given current in-house delivery and dedicated staff.
 - b) **Local control and decision-making**
Keeps decision-making with Elected Members, ensuring transparency and responsiveness to community needs.
 - c) **Cost control and additional debt**
Avoids additional overheads, borrowing risks, and bureaucratic layers associated with external entities.
 - d) **Public trust and transparency**
Preserves ratepayer visibility into service delivery, spending, and infrastructure investment.
47. Appendix 8 contains Officer responses to these themes. Officers note that these risks are mitigated by the model's design and future flexibility, and that safeguards will be in place to ensure transparency and accountability to local ratepayers.
48. During the 1 July 2025 hearings, two additional themes were raised: **privatisation** and the **lack of visibility of current CCOs**. Multiple submitters expressed concerns that a separate WSCCO could lead to the privatisation of water services and questioned NPDC's oversight and influence over its CCOs, such as the Airport. It is important to note that the Bill includes strong protections to keep water services in public ownership. Councils must own their water infrastructure, and it cannot be sold or transferred to private companies without community approval through a public referendum. Additionally, CCOs are statutorily required to report annually on their performance against an agreed Statement of Intent with the Council, including financial statements, which are made publicly accessible.
49. The submission process offers guidance on community preferences but isn't the sole determinant. A Department of Internal Affairs legal opinion states that "The Preliminary Arrangements Act does not require a council to decide based on public consultation feedback." This legal opinion is attached as Appendix 9.
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DECISION-MAKING BY STRATFORD AND SOUTH TARANAKI DISTRICT COUNCILS

50. Since late March 2024, the three Taranaki Councils have been collaborating to explore the option of a joint WSCCO, including detailed financial analysis and the development of a draft WSDP.
51. The viability of a three council Joint Taranaki WSCCO is dependent on all Councils adopting a new joint water service delivery model. This section briefly outlines the status of the decision-making by each of these Councils to date.

Stratford District Council

52. Stratford District Council undertook community consultation from 30 April to 30 May 2025 on two options:
- Option 1 Joint/Taranaki WSCCO (preferred option).
- Option 2 Status Quo or In-House Business Unit.
53. SDC received a total of 185 submissions, with 92% indicating a preference for Option 2, In-House Business Unit.
54. On 8 July SDC adopted an In-House Business Unit as its future water services delivery model.

South Taranaki District Council

55. South Taranaki District Council (STDC) undertook community consultation from 30 April to 30 May 2025 on two options:
- Option 1 Joint/Taranaki WSCCO (preferred option).
- Option 2 Status Quo or In-House Business Unit
56. STDC received a total of 726 submissions, with 93% indicating a preference for Option 2, In-House Business Unit.
57. STDC are scheduled to deliberate on submissions and agree its future water services delivery model on 21 July, the day before this extraordinary council meeting.
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OPTIONS / KŌWHIRINGA

58. Council previously determined the three reasonably practicable options:⁴
- Option 1 A Joint WSCCO
An asset owning Joint Taranaki Water Services Council-Controlled Organisation with South Taranaki (STDC) and Stratford District (SDC) Councils for water and wastewater services. Stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO).
- This was Council's preferred option*
- Option 2 An asset owning NPDC WSCCO for water and wastewater
Stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO).
- This was Council's preferred option should STDC and/or SDC opt out of a Joint Taranaki WSCCO*
- Option 3 An In-House Business Unit (enhanced status quo)
59. Financial analysis of all options was contained in the Extraordinary Council report 19 February 2025. The relevant financial detail is included as Appendix 10.
60. While SDC's decision to proceed with an In-House Business Unit means that Option 1 a Joint Taranaki WSCCO is no longer a reasonably practicable option. For completeness, and having consulted on the option, Council Officers have retained the assessment of that option in this report.
61. If the regional WSCCO were still feasible, Council Officers would recommend it due to its strategic alignment and clear cost benefits. Since it's no longer available, alternative solutions are being explored to maintain support the Council's long-term goals and provides a financially viable solution for the community.
62. It is important to note that it is recommended that NPDC remains open to the possibility of a two-council partnership or shared services agreement with South Taranaki, should they decide to pursue a regional model.

⁴ Extraordinary Council meeting (19 February 2025)

OPTION 1 JOINT/TARANAKI WSCCO

General Position of Council Officers

63. If the regional WSCCO were still a reasonably practicable option, Council Officers would recommend it as the preferred way forward.
64. Of all the options, a Joint/Taranaki WSCCO best meets the Strategic Investment Objectives, specifically:
 - a) Supporting an attractive market for investment and growth
 - b) Informing Te Mana o Te Wai and environmental outcomes
 - c) Having well maintained and compliant water systems
 - d) Supporting sufficient staff capacity and a robust talent pipeline.
65. Council Officers expected a Joint Taranaki WSCCO to deliver the greatest efficiency gains, with projected savings of over \$100 million across a 30-year outlook. These savings were projected to be realised five years earlier than under an NPDC-only model, resulting in a lower rates impact for NPDC ratepayers. Additionally, a WSCCO structure enabled a dedicated focus on water services, offering greater operational independence and long-term financial efficiencies.
66. This option would have allowed for additional borrowing up to a level equivalent to 500 per cent of operating revenue through the LGFA. This is almost twice the limit available to rated councils, and councils will be able to transfer water debt to the new entities and spread the water investment more efficiently over the lifetime of the asset. These changes will create debt headroom for councils with the intent of allowing council to use this newly available headroom to reduce general rates or invest in infrastructure to support growth.
67. A regional WSCCO also had the advantage of requiring expert governance from a Board of Directors who would collectively have had the appropriate mix of skills, knowledge, and experience in relation to providing water services.

Financial and Resourcing Implications / Ngā Hiraunga ā-pūtea, ā-rauemi

68. As stated in the section above, financial modelling showed that due to the benefits of scale and a larger base of customers, cost increases, service delivery costs (including financial and investment costs) were lower under a regional WSCCO than other models.
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- 69. Over a period of 10 to 15 years, a regional WSCCO would standardise water and wastewater services changes for customers in a way that would avoid any price shocks to customers.
 - 70. Along with revenue from water service charges, all existing drinking water and wastewater services related debt would have been transferred to the regional WSCCO. This would improve the ability of each council to service its remaining debt.

Risk Analysis / Tātaritanga o Ngā Mōrearea

- 71. Council Officers had previously identified a risk of one or more partner councils opting out of the regional WSCCO model undermining the system both financially and operationally, making it no longer a reasonably practicable option. This risk has been realised.
- 72. Council Officers also identified risks relating to:
 - a) **Perceived loss of local voice**
Centralising water services under a regional WSCCO may have led to concerns that local community voices were not being adequately heard or reflected in decision-making.
 - b) **Risk of governance and accountability complexity**
A regional WSCCO may have introduced a more complex governance structure, which could have created challenges in ensuring clear accountability and effective oversight.

**OPTION 2
NPDC WSCCO**

- 73. This option meets a large number of investment objectives, scoring highly on supporting an attractive market for investment and growth, having well maintained and regulatory compliant water systems and value for money.
 - 74. An NPDC WSCCO would have a single focus on three waters infrastructure and improved financial and asset management processes and financing tools, avoiding the compromise seen with Council obligations and systems which must meet the needs of diverse businesses often leading to compromised solutions.
 - 75. With a dedicated Board of Directors with experience and expertise in the management of water service delivery, the WSCCO will be able to take a longer-term approach to delivery and investment and has a legal obligation to support growth objectives for the district.
-

Financial and Resourcing Implications / Ngā Hiraunga ā-pūtea, ā-rauemi

76. Although Option 2 lacks the advantages of scale and demonstrates lower efficiency gains relative to a regional WSCCO, Council Officers anticipate that establishing an NPDC WSCCO would nonetheless yield savings of \$17 million over a 30-year period.
77. All existing drinking water and wastewater services related debt would be transferred to the NPDC WSCCO. This would improve the ability of Council to service its remaining debt.
78. In addition, a single-council WSCCO can access greater borrowing capacity, enhancing financial flexibility and supporting long-term affordability for consumers.

Risk Analysis / Tātaritanga o Ngā Mōrearea

79. The risks associated with a single-Council WSCCO include:
- a) **Limited economies of scale**
A single-council WSCCO will not benefit from the cost efficiencies that come with serving a larger, multi-council region. This can lead to higher per-unit costs for infrastructure, operations, and maintenance, potentially impacting long-term affordability and investment capacity.
 - b) **Financial vulnerability**
Relying on one council's financial base can limit resilience. If the council faces economic downturns, population decline, or unexpected costs, the WSCCO's ability to borrow, invest, or maintain service levels could be compromised. Noting this would be the same in an IHBU model.
 - c) **Reduced strategic collaboration**
Operating independently may limit opportunities for regional coordination, shared expertise, and innovation. This can hinder the ability to respond to broader water management challenges such as climate change, regulatory shifts, or cross-boundary water issues.

**OPTION 3
NPDC IN-HOUSE BUSINESS UNIT (IHBU)**

80. Option 3 is a financially sustainable option as debt caps would be based on all of Council revenue. NPDC would continue to provide well maintained and regulatory compliant water systems and would support local accountability and responsiveness.
-

-
81. While this is the easiest of the options to implement, requiring very little change for staff and processes, it's important to note it would not be immune to the significant changes to planning, reporting and accountability for Council as outlined in the Compliance Cost section of this report.

Financial and Resourcing Implications / Ngā Hiraunga ā-pūtea, ā-rauemi

82. As noted in Appendix 11, The forecast of drinking water and wastewater services charges to New Plymouth ratepayers under an In-house model is similar to that of a NPDC WSCCO until operating efficiencies for the WSCCO are realised in or around 2040 (year 15). The IHBU is therefore expected to be the most expensive option of the three, across a 30-year outlook.
83. There would be very little change in debt for the council with an in-house business unit in the short-term. Over time, debt would change in line with the requirements of upgrades, growth and replacements of key assets as set out in council's Long-term Plan.

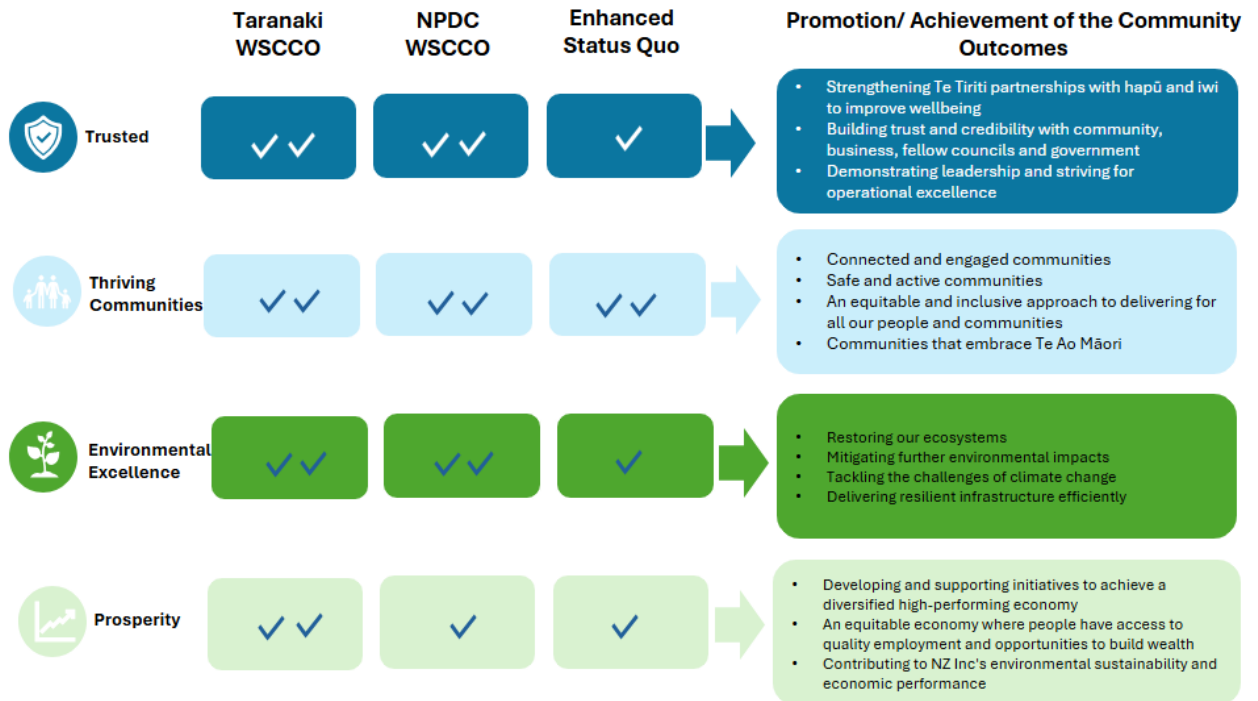
Risk Analysis / Tātaritanga o Ngā Mōrearea

84. The risks associated with this option include:
- a) **Strategic prioritisation**
In-house water service delivery may suffer from a lack of dedicated focus, as council balances competing demands across multiple service areas. There is a need to ensure water services receive the attention and investment required to meet community expectations and regulatory obligations.
 - b) **Financial sustainability**
Projected increases in population and infrastructure within the district may lead to greater demand on water services. While the Council's debt affordability benchmark is not currently expected to be a limiting factor, it could potentially restrict funding for required upgrades and expansions in the future, necessitating consideration of alternative funding approaches to maintain service levels.
 - c) **Capacity and capability**
In-house delivery may face significant challenges in maintaining adequate technical and operational capacity, requiring increased investment in skilled personnel and systems to ensure reliable service.
 - d) **Regulatory compliance**
Meeting evolving regulatory and compliance obligations will demand greater internal capability and dedicated resources to avoid legal, environmental, and public health risks.
-

- e) **Lack of future flexibility**
 An inhouse business unit would not easily enable opportunities for future mergers with other organisations.

DECISION-MAKING REQUIREMENTS RELEVANT TO ALL OPTIONS

Promotion or Achievement of Community Outcomes / Hāpaitia / Te Tutuki o Ngā Whāinga ā-hāpori



Statutory Responsibilities / Ngā Haepapa ā-ture

85. Progressing towards the submission of a WSDP by 3 September 2025 will meet LWDW legislation enacted by Government in September 2024.

Consistency with Policies and / Te Paria i ngā Kaupapa Here me ngā Mahere

86. Implementing a new waters framework under LWDW has significant implications for the Long-Term Plan (LTP). Specifically, it necessitates the removal of waters information from the LTP and the creation of a separate Waters Services Strategy, irrespective of the chosen delivery model.
87. To address this inconsistency, the Bill currently under consideration in the House will provide the necessary legislative framework.

Participation by Māori / Te Urunga o Ngāi Māori

88. To date, the Water Service Delivery for Taranaki Project has had involvement and input from iwi/mana whenua by way of Post Settlement Governance Entity (PSGE) members participation in the Steering Group, Pou Taiao staff on the Project Working Group, Technical Working Group, and briefings to Taranaki Iwi Chairs.
89. Governance considerations have been shared with Steering Group members including PSGE representatives, participating Pou Taiao staff and Iwi Chairs. Their feedback has been incorporated into delivery model development.
90. Council received submissions from Te Kahui o Taranaki and Te Runanga o Ngati Mutunga, both submitting a preference for Option 1: Joint/Taranaki WSCCO.

Climate Change Impact and Considerations / Huringa Āhuarangi

91. Water service providers, regardless of the delivery model chosen, will have the objective to deliver water services in a sustainable and resilient manner.
 92. Council's Emissions Reduction Plan identifies significant opportunities to reduce greenhouse gas emissions within the water and wastewater services (including the Thermal Dryer replacement, Wastewater Treatment Plant diffuser replacement and the water conservation programme). Water conservation is also a climate change adaptation action to address forecasts for drier summers and less available water.
 93. Officers would expect that any new delivery model would seek to implement similar projects given the statutory obligations that are proposed. Any WSCCO would also be subject to Council decision-making processes, as a shareholder, to reduce emissions and adapt to climate change.
 94. Officers are currently in the early stages of developing Council's second Emissions Reduction Plan. That Plan is intended to qualify Council for a Climate Action Loan with the LGFA. A requirement for qualifying is that the Emissions Reduction Plan includes emissions from Council-Controlled Organisations. This will mean any water service provider would need to continue to reduce emissions for Council to receive reduced borrowing rates.
 95. A key consideration to determining the most appropriate future delivery model is the ability of the different models to implement changes to service delivery. Climate change considerations are one example of the types of changes that the preferred model will need to be able to implement.
-

Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga.

96. The advantages and disadvantages of the three models are outlined in the table below, noting these were also included in the Consultation Document for public visibility and awareness:

	Taranaki WSCCO	NPDC WSCCO	IHBU
<i>Advantages</i>	<ul style="list-style-type: none"> • Has the ability to borrow more for investment which improves affordability • Removing debt from NPDC could improve the ability to borrow for unexpected issues/activities • Separation from Council decision making will ensure an increased focus on water service delivery and investment • Retain local knowledge and continue to delivery compliant and reliable services to the community • Future mergers easier to achieve when/as the time is right 	<ul style="list-style-type: none"> • Has the ability to borrow more for investment which improves affordability • Removing debt from NPDC could improve the ability to borrow for unexpected issues/activities • Separation from Council decision making will ensure an increased focus on water service delivery and investment • Retain local knowledge and continue to delivery compliant and reliable services to the community • Future mergers easier to achieve when/as the time is right 	<ul style="list-style-type: none"> • Less disruptive in the short term • Avoids costs of establishing a new entity • Retains Council Officer knowledge and management of council water assets • Maintains the community's direct link to the people who control investment decisions i.e. Elected Members
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Cost to establish • Potential impact on council staff and other council business units • Communities may feel disconnected from decision-making 	<ul style="list-style-type: none"> • Cost to establish • Less opportunity to achieve the benefits of scale • Communities may feel disconnected from decision-making • Smaller customers base to pay for services 	<ul style="list-style-type: none"> • Less opportunity to achieve the benefits of scale • Smaller customer base to pay for services • May limit attractiveness of the district or region for investment, including regional infrastructure deals • May limit the ability to attract and keep good staff • May limit the ability of council to respond an emergency

	Taranaki WSCCO	NPDC WSCCO	IHBU
			<ul style="list-style-type: none"> Increased compliance and reporting requirements will be met by council alone.

SIGNIFICANCE AND ENGAGEMENT / KAUPAPA WHAKAHIRAHIRA

97. In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being critical.
98. In making this assessment the following has been taken into account:
- a) The outcome of this report may lead to a change in the ownership of strategic assets.
 - b) The value of assets that may be transferred from this council to another organisation is considered significant.
 - c) One of the options discussed in this report is to create a new multi-council CCO that council would impact on council shareholding.
 - d) The decision represents a substantial departure from existing strategies and planning frameworks, requiring the removal of water services from the Long-Term Plan and the establishment of new statutory planning documents.
 - e) The financial implications are considerable, involving long-term investment, debt transfer, and projected savings of \$17 million over 30 years.
 - f) The matter has attracted strong public interest and mixed views, with the recommended option differing from the majority of public submissions, increasing the potential for controversy and reputational risk.
 - g) The decision is largely irreversible, reversing the decision would be highly complex and costly.

NEXT STEPS / HĪKOI I MURI MAI

99. Draft WSDPs have been drafted for all options. The option that Council adopts will determine which WSDP is finalised and submitted to be adopted by Resolution by Council.
100. A further Council meeting has been scheduled for Council to adopt the preferred WSDP on 12 August 2025.

-
101. Once submitted, a Plan Review Panel under the direction of the DIA will review and provide recommendations to the Secretary for Local Government as to whether to accept or not accept Plans.
102. The DIA plans to notify councils as soon as possible in line with the Act, but no later than mid-December 2025.

Recommended Option

This report recommends Option 2; Proceed with an NPDC (Single Council) WSCCO for addressing the matter.

APPENDICES / NGĀ ĀPITI HANGA

- Appendix 1 Draft Motions for each option (ECM 9527410)
- Appendix 2 The Legislative Background and Council's Statutory Obligations (ECM 9538136)
- Appendix 3 LWDW: Significant Changes to Planning, Reporting, and Accountability for Local Authorities (ECM 9539574)
- Appendix 4 Letter from Hon Simeon Brown to Mayors and Chair (ECM 9527402)
- Appendix 5 Letter from Hon Simon Watts to Councils (ECM 9527398)
- Appendix 6 City & Regional Deals and LWDW (ECM 9527394)
- Appendix 7 Summary of LWDW Consultation Campaign (ECM 9527390)
- Appendix 8 Public Consultation Submission Analysis (ECM 9527386)
- Appendix 9 LWDW Further Advice on Consultation Requirements (ECM 9527379)
- Appendix 10 Financial Modelling Summary (ECM 9520043)

Report Details

Prepared By: Helen Gray, Manager Integrity & Innovation
 Team: Corporate Innovation
 Approved By: Gareth Green, Chief Executive
 Ward/Community: District Wide
 Date: 22 July 2025
 File Reference: ECM 9527370

-----End of Report-----

⁵ The Plan Review Panel is made up of staff from the DIA, the National Infrastructure Funding and Finance (NIFF), Commerce Commission, LGFA and Taumata Arowai.

LOCAL WATER DONE WELL REPORT BACK ON CONSULTATION AND RECOMMENDED WATER SERVICES DELIVERY OPTION

APPENDIX 1: DRAFT MOTIONS FOR EACH OPTION

OPTION 1 JOINT TARANAKI WSCCO

That having considered all matters raised in the report, Council:

- a) **Notes** this option was considered during the development of this report but is no longer viable due to Stratford District Council resolving to proceed with an In-House Business Unit and the pending decision by South Taranaki District Council at the time of drafting this report.
- b) **Notes** this option is included for transparency and to provide context for the remaining recommendations. No further action is proposed under this option.

OPTION 2 NPDC WSCCO

That having considered all matters raised in the report, Council:

- a) **Approve** the establishment of a New Plymouth District Council-only Water Services Council-Controlled Organisation (NPDC WSCCO).
- b) **Approve** that stormwater management and asset ownership will remain in-house under Council control.
- c) **Agree** that while it is considered improbable, NPDC recognises the advantages of regional collaboration and remains open to the possibility of a two-council partnership or shared services agreement with South Taranaki, should they decide to pursue a regional model.
- d) **Note** that the NPDC WSCCO model meets the statutory requirements of the LWDW framework and supports the development of a financially sustainable Water Services Delivery Plan (WSDP).
- e) **Note** that a NPDC WSCCO is projected to deliver approximately \$17 million in savings over 30 years, while also offering enhanced borrowing capacity and a dedicated governance structure focused solely on water service delivery.
- f) **Note** the risks associated with a single-council model, including limited economies of scale, reduced regional collaboration, and potential financial vulnerability due to reliance on NPDC's revenue base. These risks are acknowledged and mitigated through the model's design and future flexibility.

-
- g) **Note** that the NPDC WSCCO model provides a scalable and adaptable platform, enabling future collaboration with other councils within or beyond the Taranaki region. NPDC retains the ability to recover establishment and transition costs by charging a joining fee to any council that opts to participate in the WSCCO at a later date.
 - h) **Direct** Officers to finalise the WSDP based on this model for adoption at the 12 August 2025 Council meeting.

OPTION 3 IN-HOUSE BUSINESS UNIT

That having considered all matters raised in the report, Council:

- a) **Approve** that the delivery of water services is retained within Council through an In-House Business Unit (IHBU).
- b) **Note** that this model complies with the LWDW legislative requirements and reflects the most common preference expressed through public consultation.
- c) **Note** that while the IHBU model is financially viable and maintains democratic oversight, it may face challenges in meeting long-term investment needs, regulatory compliance, and workforce capability.
- d) **Note** that this model does not benefit from the increased borrowing capacity available to WSCCOs and may limit opportunities for regional collaboration and innovation.
- e) **Direct** officers to finalise the WSDP based on this model for adoption at the August 2025 Extraordinary Council meeting.

APPENDIX 2: THE LEGISLATIVE BACKGROUND AND COUNCIL'S STATUTORY OBLIGATIONS

1. In September 2024, the Government passed the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act), driving a tight timeframe for developing and implementing objectives under the Local Water Done Well (LWDW) Policy.
2. The LWDW framework includes the opportunity for councils to establish independent or joint WSCCOs, that can benefit from an increased borrowing facility through the New Zealand Local Government Funding Agency (LGFA).
3. At the same time, the regulatory environment is changing. Taumata Arowai is consulting on new wastewater standards, the Commerce Commission is seeking feedback on an information disclosure regime, and the LGFA has set out its requirements for councils that choose different models under the government's policy
4. Since March 2024, Taranaki Councils have been working in collaboration to confirm strategic investment objectives for delivering water services and to complete an options analysis, including detailed financial modelling. This analysis has used existing budget data from council Long-Term Plans (LTPs) and incorporated the rapidly changing legislative and regulatory landscape into these projections.

Council Officers have regularly reported to elected members, through both extraordinary council meetings and workshops, and is summarised below:

- a. **4 September 2024 Elected Member workshop:** Elected Members were briefed on the Water Service Delivery approach for Taranaki and the high-level financial and multi-criteria analysis by GHD Consulting. This analysis provided an overview of the cost per connection across the region and the impact of price/cost harmonisation.
- b. **8 October 2024 Extraordinary Council meeting:** GHD Consulting and Taranaki councils presented an update on their high-level financial analysis. Council decided to progress with both joint and independent Water Service Delivery Plans (WSDPs) for more detailed analysis to support future decision-making.
- c. **Three further Elected Member workshops:**
 - i. **13 November 2024:** a workshop focused on asset ownership and stormwater management, briefing elected members on the complexities

of stormwater management and the benefits of an asset-owning WSCCO compared to a non-asset-owning WSCCO.

- ii. **19 November 2024:** providing high-level overviews of potential governance structural models for water service delivery options and seeking feedback on governance representation, the role of mana whenua in governance, and the size of a joint committee.
 - iii. **4 December 2024:** to brief elected members and seek their feedback on price harmonisation and how to approach debt vs affordability.
- d. **17 December 2024 Extraordinary Council meeting:** provided analysis of the long list of options against strategic objectives and the emerging legislative and regulatory environment. Sought agreement to continue detailed analysis on a shortlist of reasonably practicable options; Enhanced Status Quo, Single Council WSCCO and a Joint/Taranaki WSCCO.
- e. **19 February 2025 Extraordinary Council meeting:** provided the findings of the detailed analysis and sought agreement for officers to prepare consultation materials specifying that an asset owning, joint Taranaki WSCCO as the preferred delivery model for water and wastewater services, and that stormwater asset ownership and delivery would remain with council.
- f. **16 April 2025 Extraordinary Council meeting:** A draft Consultation Document was presented to the Council for consideration and subsequently adopted.

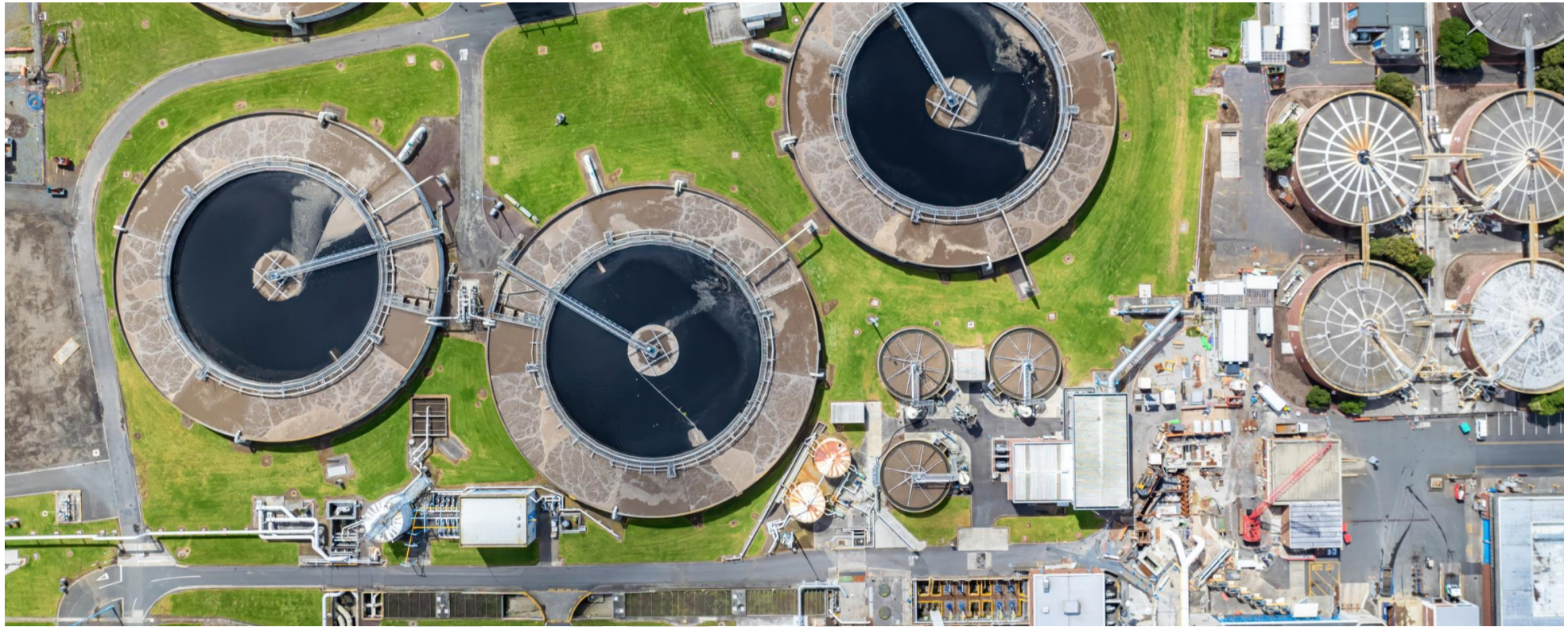
Water Service Delivery Plan (WSDP) and Financial Sustainability Requirements

5. A core component of the legislation is the statutory requirement for all councils to demonstrate financial sustainability through the development of a WSDP. This means creating a plan that clearly assesses the Council's water infrastructure, the investment needed, and how they plan to finance and deliver it through a chosen water service delivery model.
6. While no clear threshold has been set for 'financial sustainability' the intention is that water services revenue is sufficient to meet all regulatory standards and requirements, and ensure long-term investment in water services, specifically addressing the following factors:
 - a) Revenue sufficiency – confirming there is sufficient revenue to cover the costs (including servicing debt) of water services delivery.

- b) Investment sufficiency – confirming the projected level of investment is sufficient to meet levels of service, regulatory requirements and provide for growth.
 - c) Financing sufficiency – confirming funding and finance arrangements are sufficient to meet investment requirements.
7. Council must also demonstrate, through the WSDP, that water services will be delivered in a way that:
- a) meets all relevant regulatory quality standards for its water services,
 - b) meets all drinking water quality standards and;
 - c) supports the Council’s housing, growth, and urban development, as specified in the Council’s Long-Term Plan.
8. Council must submit the WSDP to the Secretary for Local Government by 3 September 2025. The Minister of Local Government has indicated that any requests for extensions are unlikely to be granted.

Stormwater Management

9. Under the Bill, Councils retain legal responsibility and control of stormwater services but have the flexibility to choose the arrangements that best suit their circumstances.
10. Stormwater was not included in the proposal due to its complexity and interdependence with other council services, activities and relationships including roading, parks, land management and growth planning. However, if a new WSCCO is established, NPDC could consider contracting the delivery of Stormwater services to the organisation, retaining ownership of the assets – effectively securing more time to better understand these interrelationships and make an informed decision.
11. Stormwater revenue will continue to be collected by Council irrespective of the delivery model chosen.



Local Water Done Well: Significant changes to planning, reporting, and accountability for local authorities

A short guide to the changes, by Nick Davis and Sarah Baddeley

30 May 2025



As local authorities across the country begin to make decisions on their future arrangements for delivering water services, it's a good time to remind ourselves about the changes that are coming **regardless** of which delivery model is chosen.

Significant changes to planning, reporting, and accountability are on the way, even for councils that decide to keep water services in-house. These changes involve additional compliance costs, and have potential implications extending beyond water to other council activities.

MartinJenkins Partners [Nick Davis](#) and [Sarah Baddeley](#) outline the changes in this guide and consider their implications for local councils.



The authors, Nick Davis and Sarah Baddeley, have significant experience in the reform of water-service delivery, including advising local councils on progressing individual and joint arrangements

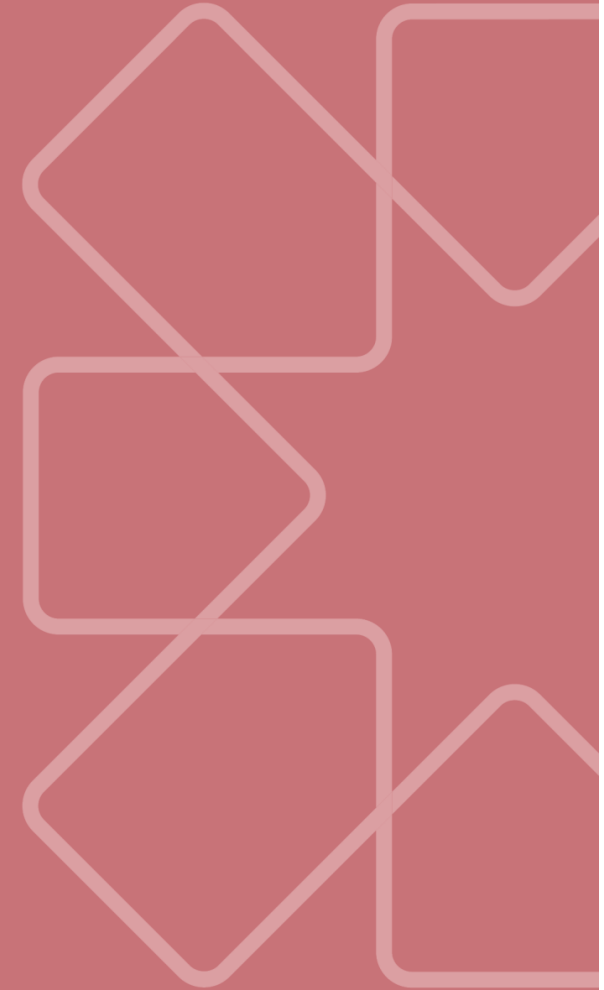
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Significant changes afoot

The most significant changes to planning, reporting, and accountability for local councils since 2002



The Local Government (Water Services) Bill, currently before Parliament's Finance and Expenditure Committee, contains the most significant changes to local-government planning, reporting, and accountability since 2002.

At the heart of the Bill is a seemingly innocuous provision about responsibility and accountability. Clause 8 states:

- (1) A territorial authority is responsible for ensuring that water services are provided in its district in accordance with this Act.
- (2) However, a territorial authority may transfer responsibility for providing water services to a water organisation by entering into a transfer agreement with the organisation.

The provision seems innocuous because territorial authorities are already responsible for water services under the existing Local Government Act. However, the Bill also contains a significant set of additional responsibilities and requirements, and many councils may be underestimating the associated compliance burden.

Many of the new requirements will come fully into effect from 1 July 2027.

So let's look at what it would mean to be responsible for water services under the Local Government (Water Services) Bill, and how that contrasts with the current arrangements. We give a brief overview in this section, and then the rest of this guide looks at the different areas in more detail.



CHANGES TO PLANNING, REPORTING, AND ACCOUNTABILITY: A NEW DUAL REGIME

Part 4 of the Local Government (Water Services) Bill sets out a comprehensive new planning, reporting, and financial management regime for water services. This has major implications for council planning and reporting processes, and is likely to require changes to councils' internal policies, financial management information systems, and accounting and audit processes.

Councils will now have to prepare significant planning, budgeting, and reporting documents for water services, in addition to existing requirements for Long-term Plans and other documents for non-water activities. Councils will have to prepare:

- a Water Services Strategy
- a Water Services Annual Budget
- a Water Services Annual Report, including audited financial statements.

ECONOMIC REGULATION BY THE COMMERCE COMMISSION

The Bill provides for different forms of economic regulation of water services, the most significant being a new ring-fencing rule and requirements for information disclosure.

Ring-fencing

The Bill would impose a new ring-fencing rule and associated enforcement powers: regulated suppliers will have to spend the revenue they receive from their water services on providing those services (see clause 3 of new Schedule 7).

The Department of Internal Affairs has issued some guidance for councils on how to comply with the ring-fencing requirements. We briefly summarise this on [page 17](#).

Information disclosure

Information disclosure (ID) requirements promote transparency by requiring service providers to publicly disclose certain information about their performance. The Commerce Commission has said that this is one of the key tools it will use for economic regulation for the water sector.

For water, the types of information the Commerce Commission may ask for relate to service quality, asset management, financial performance, and pricing. This could include, for example, information on leakage and water loss, the condition of assets, forecast spend and investment, development contributions, and prices for residential customers.

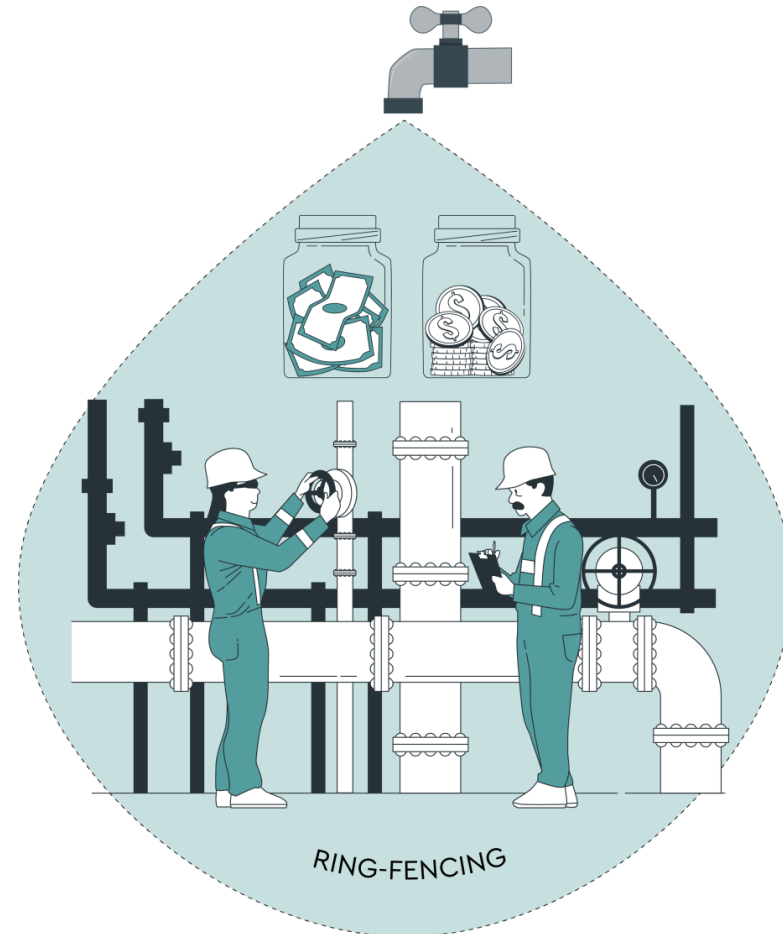


Illustration: storyset.com



ADDITIONAL REQUIREMENTS

Drinking Water Catchment Plans

Part 3, Subpart 5 of the Bill requires a territorial authority to consult on and then issue a Drinking Water Catchment Plan, and to review it every 10 years. The authority can delegate this to a water services organisation.

The plan must specify the controlled drinking water catchment area or areas to which the plan applies, the activities that result in risks to the drinking water sourced from the catchment, and the nature of the risks to the quality of drinking water sourced from the catchment.

Trade Waste Plans

Councils will be required to consult on and then issue a Trade Waste Plan, setting out the approach the council will take to regulating trade waste in its district and the discharge of trade waste into wastewater networks in its district. Again, councils can delegate this to a water organisation.

Stormwater Network Risk Management Plans

The Bill requires councils to prepare Stormwater Network Risk Management Plans to identify any hazards and assess risk relating to the stormwater network in the district.

IMPLICATIONS FOR DELIVERY PLANNING, COSTS, AND STAFFING

Councils that decide to keep water services in-house will need to develop Water Services Delivery Plans setting out the steps they will take to comply with all the new requirements. Carrying out a readiness assessment may be a good idea for councils that haven't yet considered the implications of the requirements.

The new requirements will also have implications for costs, including both one-off costs and extra ongoing costs, and councils may need to take on more staff.

WHAT HAPPENS NEXT

The Local Government (Water Services) Bill was introduced to Parliament on 10 December 2024, and went to Parliament's Finance and Expenditure Committee on 17 December 2024. The Committee is due to report back on **4 July 2025** with a Revised-Tracked (RT) version of the Bill.

This guide was first published on 30 May 2025 and may no longer be up to date as you read this. We will do our best to update it as more information comes to light.



Planning, reporting, and financial management

New requirements to sit alongside those for non-water services, in a new dual regime



A dual planning and accountability regime

Part 4 of the Local Government (Water Services) Bill sets out a comprehensive new planning, reporting, and financial management regime for water services. This part of the Bill has major implications for council planning and reporting processes, and is likely to require changes to councils' internal policies, financial management information systems, and accounting and audit processes.

This part of the Bill will apply in place of current planning and reporting provisions in the Local Government Act, as they apply to water services. However, councils will face a double compliance burden here because they will still need to comply with LGA requirements in relation to non-water activities. In effect, the Bill establishes a dual planning and accountability regime, one for water and one for non-water activities.

Under provisions in the Bill, local authorities will face new requirements to prepare:

- a Water Services Strategy
- a Water Services Annual Budget
- a Water Services Annual Report, including audited financial statements.

These requirements sit alongside, and are in addition to, existing requirements in the Local Government Act to prepare Long-term Plans, Annual Budgets, and Annual Reports.

In this section we look at each of these new requirements in turn.

Water Services Strategy

The Water Services Strategy will be the principal planning and accountability document for providers of water services, including councils that continue to provide services in-house. The new Strategy will play a similar role to that of the Long-term Plan but for water activities.

The Bill says that:

“The effect of a water services strategy adopted by a water service provider is to provide a formal and public statement of the provider's intentions in relation to the matters covered by the strategy” (clause 193).

Water service providers will have to prepare and adopt their water services strategy before the start of the first financial year covered by the strategy, and the first strategy must be in place by 1 July 2027.

The strategy must be adopted by a resolution if the provider is a territorial authority or, if it's a water services organisation, by the organisation's board.



PURPOSE OF A WATER SERVICES STRATEGY

The purpose of the Strategy is:

- to set out the water services activities that the provider intends to carry out to achieve the objectives that the new legislation specifies for water service providers (see box at right), and any other outcomes
- in the case of a water organisation, to set out how those intended activities will contribute to the expectations, outcomes, or any other relevant matters set out in the organisation's statement of expectations
- to provide transparency about the costs and level of investment associated with providing water services, meeting regulatory requirements, and meeting other objectives
- provide the basis for the water services provider to be accountable for its performance
- provide transparency about the water services provider's proposed charges, service levels, financial forecasting information, and long-term infrastructure and investment plans.

Objectives of water service providers under the new legislation

The Local Government (Water Services) Bill (clause 15) specifies the following objectives for providers of water services:

- Their services should include providing safe drinking water, and should be reliable, resilient, and of the quality that consumers expect. They should not harm the environment, and they should meet all relevant regulatory standards and requirements.
- Providers should provide water services in a cost-effective and financially sustainable manner, including through planning effectively to manage assets in the future and sharing the benefits of any efficiency gains with consumers.
- Providers should perform their water services functions in an open, transparent, and accountable manner, and consistently with sound business practice.
- Providers should act in the best interests of consumers, both current and future ones, and they should be good employers.



CONTENTS OF WATER SERVICES STRATEGY

A water services strategy must contain the information required by the Bill (in Schedule 3), as well as the information that the water services provider must publicly disclose under the Commerce Act, Part 4 Subpart 4, which deals with markets where there's little or no competition.

Schedule 3 of the Bill has a long list of requirements for the contents of Water Services Strategies, running to several pages. We summarise the key requirements for the Strategy's contents here:

Objectives, priorities, and responsibilities

- The outcomes, objectives, strategic priorities, and expectations that apply to the water services provider
- The regulatory responsibilities and requirements that apply to the provider
- An explanation of how the water services provider intends to achieve or meet those objectives, priorities, expectations and regulatory responsibilities

Issues and scenarios for the next 30 years

- Any significant water infrastructure issues facing the provider over the next 30 years, and the principal options for managing those issues and their implications

- The most likely scenario for managing water services infrastructure over at least 30 years, including the projected capital and operating expenditure associated with managing those assets

Service levels

- A statement of the provider's intended levels of service provision, including performance measures, targets, intended changes to levels of service, and associated costs
- Information about how the water service provider proposes to get feedback from consumers

Funding and pricing

- Information about the water service provider's intended approach to funding, revenue, and pricing
- A complete set of projected financial statements (including revenue and expenses, cash flows, and balance sheets) for the provider for each of the next ten financial years
- The following information for each group of water service activities (that is, for water supply, for stormwater, and for wastewater):
 - the provider's approach to pricing services, charging consumers, and intended sources of funding and revenue
 - the amount of capital and operating expenditure that the provider has budgeted in each financial year for the



- funding impact statements for each financial year
 - any other information required by the Commerce Commission
- Supporting information, including forecasting assumptions and risks, assumptions concerning the life cycle of significant assets, assumptions concerning sources of funds for future replacement of significant assets, and assumptions about growth.

All financial information and projections must be prepared in accordance with generally accepted accounting practice. A water services provider must also ask for a report from the Auditor-General on its Water Services Strategy if the Secretary of Local Government or the Commerce Commission requires this.

PROCESS FOR MAKING A WATER SERVICES STRATEGY (TERRITORIAL AUTHORITIES)

Before it adopts a Water Services Strategy, a territorial authority must prepare a summary of the draft strategy's key contents (the "major matters") and consult its communities on this summary, using the special consultation procedure under the Local Government Act 2002.



This consultation can be included in the process of consulting on a draft Long-term Plan, provided the summary forms a separate and distinct part of the consultation material.

Water Services Annual Budget

Under the new Bill, water services providers will have to prepare an annual budget for each financial year after the first financial year of their water services strategy.

This Water Services Annual Budget must be adopted before the start of the financial year to which it relates. It must be published no later than one month after the document is adopted.

The Annual Budget must contain:

- any rates set under the Local Government (Rating Act) 2002
- fees and charges
- financial statements
- a funding impact statement
- an explanation of any difference between the information in the Annual Budget and the corresponding information in the Water Services Strategy for that year.

The Water Services Annual Budget must be consistent with the provider's intended approach to funding, revenue, and pricing for the financial year, as set out in its Water Services Strategy, and with

any requirements or determinations issued by the Commerce Commission under Part 4 of the Commerce Act 1986.

A water service provider does not have to consult on its Water Services Annual Budget.

Water Services Annual Report

Councils that deliver water services in-house will have to prepare and adopt an Annual Report on their water services operations during that financial year.

The council must adopt this Water Services Annual Report by resolution no later than four months after the end of the relevant financial year.

The purpose of a Water Services Annual Report

The purpose of the report is to:

- compare the intended activities and performance levels set out in the council's Water Services Strategy with its actual activities and performance levels
- provide transparency for the council's activities, performance, and decisions in relation to its water services
- promote the council's accountability to its communities in relation to the decisions about water services.

Contents of a Water Services Annual Report

The Annual Report must contain information that would enable a person to make an informed assessment of the water services provider's operations and performance. This includes information that:

- compares the provider's intended activities and performance levels, as set out in the water services strategy for the relevant financial year, with the actual activities and performance levels, and
- explains any material differences between the provider's performance and its Water Services Strategy.

A Water Services Annual Report must contain:

- the **outcomes and objectives** that the water services activities contribute to, and the results of any measuring of progress towards achieving those outcomes and services
- a complete set of **audited financial statements** for the water provider that comply with generally accepted accounting practice, including separate information on each water services activity (drinking water, wastewater, and stormwater) as well as combined information for all three waters
- a **statement that compares actual against budgeted capital expenditure** for the water services provider, with a breakdown by expenditure needed to meet additional demand, to improve the level of service, and to replace assets



- a **funding impact statement** in the prescribed form for each group of water activities
- details on **insurance arrangements**, including the total value of assets that are insured or covered by a financial risk-sharing arrangement, and the total value that is self-insured
- a **statement of service** that compares the actual level of service provided with the intended service level, specifying whether any intended changes to service levels were achieved, and which explains the reasons for any significant difference between actual and intended service levels a statement that all statutory requirements have been complied with, signed by the mayor and chief executive of the territorial authority
- the results of **any consumer feedback** the provider has sought about its water services, and information on how the provider has addressed or proposes to address any significant issues raised in the feedback
- any information that **the Commerce Act (Part 4, Subpart 4)** requires the water service provider to publicly disclose in a Water Services Annual Report
- a **report by the Auditor-General** on the financial statements, the statement relating to budgeted and actual capital expenditure, the funding impact statement; and the water service provider's compliance with the applicable requirements specified in Schedule 4.

Including the Water Services Annual Report in the territorial authority's wider annual report

A territorial authority can include its Water Services Annual Report as part of its whole-of-territorial authority annual report, provided the content about its water services forms a discrete part of the annual report.

The water services part of the wider annual report must also include an audit statement that is separate from the audit statement for the rest of the wider annual report.



Economic regulation

New forms of regulation for water services providers, including ring-fencing and information disclosure requirements



Overview of the new forms of economic regulation

As well as the new planning, reporting, and accountability provisions, the Local Government (Water Services) Bill also introduces some new forms of economic regulation. The Bill (specifically Part 5, Subpart 2) will amend the Commerce Act 1986 to provide for water services to be regulated by the Commerce Commission.

The Bill provides for different types of regulation for water services, including:

- a new ring-fencing rule and associated enforcement powers
- information disclosure regulation
- revenue threshold regulation, where the Commission sets minimum or maximum revenue thresholds for one or more regulated suppliers
- quality regulation, where the Commission sets a quality path for one or more regulated suppliers
- performance requirement regulation, where the Commission sets performance requirements for one or more regulated suppliers
- price-quality regulation, where the Commission sets a price-quality path for one or more regulated suppliers.

For councils that opt for keeping water services in-house, the most relevant of these types of economic regulation in the near term are the first two – ring-fencing and information disclosure – and so this is what we focus on below.

Ring-fencing

The Bill provides for the Commerce Commission to enforce a new ring-fencing rule: regulated suppliers will be required to spend the revenue they receive from their water services on providing those services (see clause 3 of new Schedule 7).

They can be charged monetary penalties if they breach this rule.

What the new rule says

The new rule states that:

“Every person that is a regulated supplier in relation to 1 or more regulated water services must spend the revenue it receives from providing regulated water services on providing its own regulated water services (including on maintenance, improvements, and providing for growth).”

As an example:

“A local government water service supplier (council A) is a regulated supplier in relation to water supply services (for example for drinking water) and wastewater services.



Council A receives revenue of \$100 million from providing water supply services and revenue of \$50 million from providing wastewater services. Council A must spend \$150 million on water supply services and wastewater services combined (but this subclause does not prevent cross-subsidisation between the 2 services)."

The Commerce Commission can also, if it thinks it's necessary, require the supplier to ensure that a portion of the revenue it receives from providing one or more regulated water services is invested in that or those regulated water services, including in a particular asset, expense category, project, programme, or type of regulated water services, or held in reserve for the same.

Every regulated supplier of services, including councils that deliver services in-house, must comply with this requirement.

Councils that contravene this requirement after 1 July 2027 may be charged monetary penalties. The Bill also empowers the Commerce Commission to monitor compliance by regulated suppliers with this ring-fencing rule.

The financial principles included in the Bill

The Bill specifies some financial principles that support the ring-fencing objective of Local Water Done Well.

- The water services provider must spend the revenue it receives from providing water services on providing water services

(including on maintenance, improvements, and providing for growth).

- The provider must ensure the revenue that it applies to providing water services is sufficient to sustain the provider's long-term investment in providing water services.
- The provider's revenue (including from charges) and expenses must be transparent to the public.
- The provider must be accountable to communities for its revenue and expenses.

The Bill also includes a set of objectives that apply to all water service providers, and these include ensuring that water services are provided in a cost-effective and financially sustainable manner.

Guidance from Internal Affairs on complying with the ring-fencing rule

The Department of Internal Affairs has issued guidance on how to comply with the ring-fencing requirements. This asks councils to consider these issues:

- whether revenues for water services are separately identifiable from other revenues and are transparent to ratepayers and consumers
- whether there are sufficient internal controls to ensure that revenues generated for water services are spent on water services, not on other council business



- whether cashflows relating to water services can be tracked and reconciled, with cash surpluses for water services retained for future spending on water services
- whether accounting systems and general ledgers can identify entries and transactions relating to water services separately from other entries and transactions
- whether a water services trial balance and financial statements could be produced, separate from other council activities from accounting systems
- whether financial policies for attributing overheads, finance costs, and other internal charges are cost-reflective and transparent, and comply with ring-fencing objectives – this could be done by:
 - maintaining clear financial policies on overhead and finance cost attribution to water services
 - implementing appropriate cost-allocation methodologies that follow conventional cost-recovery principles
 - including appropriate disclosures and assumptions in financial strategies and accountability documents (such as annual reports)
- whether internal borrowings and other financial transactions between water services and other council activities are on an arms-length commercial basis and are governed by transparent financial policies

- whether debt balances attributed to water are verifiable, appropriate, and transparently demonstrated to have been incurred in delivering water services.

The new ring-fencing rule has potentially significant implications for councils' financial strategies and policies, including cost allocation. Councils' financial management information systems may need to be reconfigured to meet the new requirements.

Information disclosure

Information disclosure (ID) is a form of economic regulation that promotes transparency by requiring service providers to publicly disclose certain information about their performance. The Commerce Commission has said that this is one of the key tools it will use for economic regulation for the water sector.

The Commission already uses ID in other industries, including for electricity lines companies, fibre, broadband, airports (Auckland, Wellington, and Christchurch), fuel, and gas.

Earlier this year the Commission published a discussion paper on its proposed use of information disclosure in the water sector. Here we provide a shorter summary.



The kinds of information that providers may have to disclose

For water, the types of information the Commerce Commission may ask for will relate to service quality, asset management, financial performance, and pricing.

This could include, for example, information on leakage and water loss, the condition of assets, forecast spend and investment, development contributions, and prices for residential customers.

By shining a light on what's going well and clearly identifying and monitoring areas for improvement, the Commission aims to encourage water service providers – including councils that choose to keep services in-house – to improve efficiency and quality, and to create incentives to innovate and invest for the long-term benefit of consumers.

A determination from the Commerce Commission and what it will cover

After further work to develop the proposed requirements, the Commission will set out the ID requirements in a "determination."

This is a legal document that covers things such as:

- which suppliers the determination applies to
- the information a supplier must publish (including performance measures and definitions)

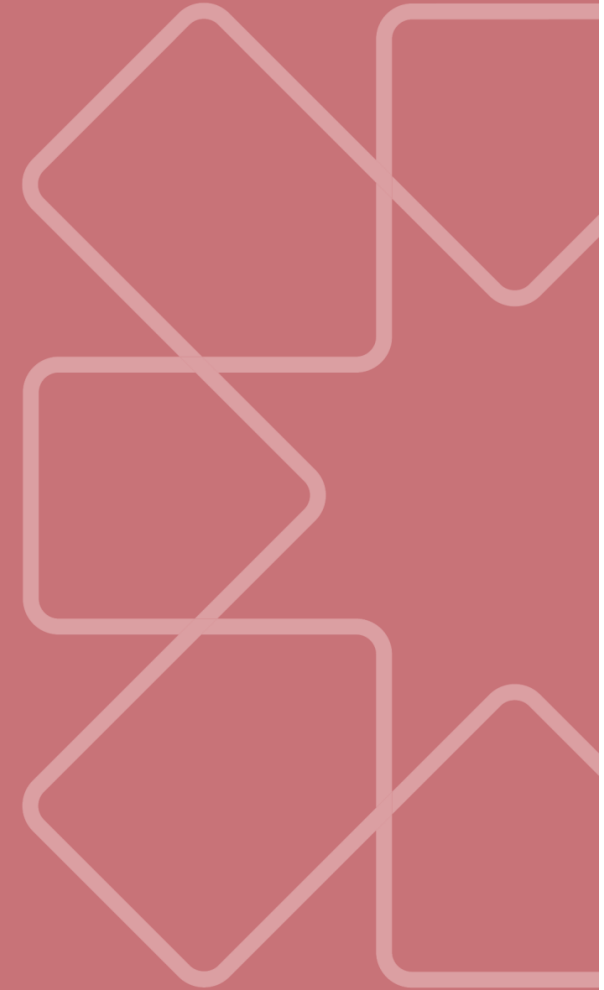
- any methodologies the supplier must apply in preparing or compiling the information
- how the supplier must publish the information (for example, on its website)
- when a supplier must publish certain information (for example, annually), and
- any auditing or certification requirements the supplier must follow when preparing the information.

This will mean that everyone can see how water service providers spend the money they charge for their services. It's expected that the Commission will publish its analysis of the information.



Other requirements councils will need to comply with

New requirements for Drinking Water Catchment Plans, Trade Waste Plans, and Stormwater Network Risk Management Plans



The new requirements for planning and accountability and the new forms of economic regulation will keep local councils busy on implementing Local Water Done Well for some time. However, they are not the only new requirements facing water service providers.

Drinking Water Catchment Plans

Part 3, Subpart 5 of the Bill requires a territorial authority to consult on, and then issue, a Drinking Water Catchment Plan. However, the authority can delegate this to a water services organisation.

The plan must specify the controlled drinking water catchment area or areas to which the plan applies, the activities that result in risks to the drinking water sourced from the catchment, and the nature of the risks to the quality of drinking water sourced from the catchment.

If it's issued by a territorial authority, the plan may include proposals that the authority make a water services bylaw that restricts, imposes requirements on, or prohibits the following: access to the catchment area; activities that may be done in that area; or the use or contamination of water in that area.

The authority must review its Drinking Water Catchment Plan at least every 10 years.

Trade Waste Plans

Part 3, Subpart 6 requires a territorial authority to consult on and then issue a Trade Waste Plan. Again, the authority can delegate this to a water organisation.

The plan must set out the approach the authority will take to regulating trade waste in its district and the discharge of trade waste into wastewater networks in its district.

This includes specifying the types of premises, or specific premises, to which the plan applies, any requirements or limits in relation to transporting trade waste, and the circumstances in which the water service provider will impose any fees or charges in relation to trade waste. This includes when a penalty will be imposed for not complying with the Trade Waste Plan or a trade waste permit.

If a territorial authority issues the plan, the plan can include proposals that the authority make a trade waste bylaw.

The authority must review its Trade Waste Plan at least every 10 years.



Stormwater Network Risk Management Plans

The Bill requires territorial authorities to prepare a Stormwater Network Risk Management Plan to identify any hazards and assess risk relating to the network in the district.

The plan must contain a map of the stormwater network in the provider's service area, identify critical infrastructure in the service area, identify all hazards that could affect the operation of critical infrastructure and, in relation to each hazard, assess any risks of adverse impact on the network and describe how the risks are to be managed.

The plan also has to identify all overland flow paths and watercourses in the service area that receive stormwater from, or take stormwater to, other infrastructure in the network (including flow paths that cross over or beneath private land) and specify any stormwater network bylaws that must be complied with.

The plan must be published and reviewed at least once every five years.



Implications of the new requirements

Potential implications for councils' delivery planning, costs, and staffing



The changes summarised above have significant implications for councils that choose to keep water services in-house.

For councils proposing to establish water services organisations, many of the requirements we've summarised – but not all – can be transferred or delegated to the new organisation under specific provisions in the Bill.

Developing a Water Services Delivery Plan

For councils that decide to keep water in-house, Water Services Delivery Plans will need to set out the steps the council plans to take to comply with the new requirements, including any significant changes they need to make to their internal processes and the timeframes for doing this.

For councils that are yet to consider the implications of these changes, we recommend carrying out a readiness assessment and identifying the key actions that will need to be included in their Water Services Delivery Plans.

Costs

Some of the changes are likely to involve one-off costs for councils, as they will require modifications to existing strategies, policies, systems, and processes. For example, reporting changes are likely to require councils to reconfigure their general ledgers and financial management information systems.

The new requirements will also involve additional ongoing costs, and councils may need to take on additional staff in strategy, planning, reporting, and finance functions. While these additional costs can be minimised through careful planning and coordination with other council activities (in particular the LTP and Annual Budget processes), when taken together the requirements will necessarily involve significant additional work and cost for councils (including additional audit costs).

As councils become subject to greater regulation, they will also become liable to pay levies to the Commerce Commission and Taumata Arowai (Water Services Authority). Estimates of these levies can be found [here](#) and [here](#).

Although the new requirements do not all take effect immediately, there is a significant amount of work for councils to do over the next few years to ensure they can meet the new requirements, many of which come fully into force from 1 July 2027.



What happens next?



This guide has summarised provisions in the Local Government (Water Services) Bill as it was introduced to Parliament on 10 December 2024, as well as proposals contained in discussion documents and other guidance issued by the Department of Internal Affairs and the Commerce Commission.

The Bill was referred to Parliament's Finance and Expenditure Committee on 17 December 2024, and the Committee has since received hundreds of submissions and considered departmental advice.

The Finance and Expenditure Committee is due to report back to the House on 4 July 2025 with a Revised-Tracked (RT) version of the Bill.

Councils should pay close attention to the Bill when it's reported back, and should also monitor further information and guidance issued by DIA and the Commerce Commission. It's likely that some of the requirements and proposals outlined in this article will change as the legislation progresses, and in response to submissions on the Bill and consultation documents.

This guide was first published on 30 May 2025 and may no longer be up to date as you read this.

We will do our best to update it as more information comes to light.



MARTIN JENKINS



Wellington T +64 4 499 6130
Level 1, City Chambers, Cnr Johnston and Featherston Streets, Wellington 6011, PO Box 5256, Wellington 6140, New Zealand

Auckland T +64 9 915 1360
Level 16, 41 Shortland Street, Auckland 1010, New Zealand

info@martinjenkins.co.nz martinjenkins.co.nz

Hon Simeon Brown

MP for Pakuranga

Minister for Energy
Minister of Local Government
Minister of Transport

Minister for Auckland
Deputy Leader of the House



Dear Mayor / Chair

Local Government (Water Services) Bill introduced to Parliament

This week I introduced to Parliament the Coalition Government's third Local Water Done Well Bill.

When enacted, the Local Government (Water Services) Bill will be the central piece of legislation for New Zealand's water services system.

The Bill reflects key policy decisions shared with you in August this year, which give local government the tools required to address New Zealand's water services challenges.

It builds on the foundations already in place through the Local Government (Water Services Preliminary Arrangements) Act 2024, including the development of Water Services Delivery Plans (Plans) by councils.

About the Bill

The Bill is necessarily comprehensive. It sets out key details relating to the water services delivery system, the economic regulation and consumer protection regime for water services, and changes to the water quality regulatory framework.

The Bill gives effect to the policy decisions announced in August. While there are no changes to the information that has already been shared with you on these, the Bill sets out detailed information about the new water services delivery system that will be important for informing your consideration of future water services delivery arrangements.

This includes information about:

- Tax implications for water organisations
- Wastewater and stormwater standards
- Technical details about the implementation of the National Engineering Design Standards
- Bespoke requirements for the consumer trust model of water services delivery
- Arrangements for transferring responsibilities to water organisations
- The objectives, financial principles and other responsibilities that apply to water service providers (councils and water organisations)
- Contractual arrangements for water services delivery
- The new planning and reporting framework for water services.

Information and guidance available

I encourage you to visit the Department of Internal Affairs' website for further detailed information about key aspects of the Bill.

Private Bag 18041, Parliament Buildings, Wellington 6160 New Zealand
+64 4 817 6804 | s.brown@ministers.govt.nz | www.beehive.govt.nz

The Department has updated the Local Water Done Well factsheets that were shared in August and developed new factsheets, based on the provisions of the Bill as introduced and including further information.

This information is available at: www.dia.govt.nz/Water-Services-Policy-Future-Delivery-System.

Alongside the material that has been released to support the introduction of the Bill, the Department has developed additional guidance to help inform your consideration of future water services delivery arrangements as part of the development of your Plans. This information is also available on the Department's website.

Transforming water services infrastructure and delivery

The introduction of this Bill represents a significant milestone for Local Water Done Well, and for the delivery of local solutions for improved, financially sustainable and high-quality water services.

With the framework and settings now in place, it is now up to you to consider the best solution for your communities.

The Government's expectation is that councils will work together to establish joint water organisations for water services delivery, recognising the cost and operational efficiencies that come with greater size and scale.

A joint water organisation will enable councils to pool resources, improve access to financing via Local Government Funding Agency (LGFA), and reduce costs for ratepayers. It won't mean harmonisation of pricing and other key financial metrics from day one – that process can and should reflect the realities of each region.

While some councils may wish to continue with in-house delivery of water services, it's important to emphasise that the new framework and requirements under Local Water Done Well – such as ringfencing, planning and accountability, and economic regulation – means business as usual is not an option.

Under Local Water Done Well, water service providers will have to operate more like independent utility businesses, much like telecommunications or electricity utilities. They will be structured and operated differently, and they will be directly accountable to customers, regulators and shareholders (where relevant).

Progress on Water Services Delivery Plans

Finally, I want to acknowledge the progress councils are making with the development of your Water Services Delivery Plans – the centrepiece of financially sustainable and locally-delivered water services.

Plans provide a clear pathway for councils to assess their current water services arrangements and chart a course for improvement, using the tools and framework the Government has made available.

While you have until 3 September 2025 to develop your Plans, it's important to emphasise that this is just the start of a locally – or regionally – driven transformation. Laying the groundwork now is critical to shaping high-quality, cost-effective water services in future.

Crown Facilitators continue to be an option to support councils in navigating the complexities of preparing these Plans, and I really encourage you to take up that option if you are experiencing challenges.

Crown Facilitators can provide tailored guidance, facilitate collaboration among councils, or assist with joint planning efforts. These facilitators are not there to impose decisions but to help councils develop robust, achievable plans that meet their unique needs.

Next steps

Once the Bill has had its first reading it will be referred to a select committee, where you will be able to make a submission.

I encourage you to have your say to ensure the legislation provides an enduring framework for the delivery of financially sustainable water services to your communities.

Acknowledging that the submission period falls over the Christmas break, I will be writing to the select committee to request that submissions by councils be received until the end of February, to give councils time to meet in the New Year and consider their submission.

More detail on the timing of the select committee process can be found on the Parliament website at www.parliament.nz, following first reading.

Thank you for your continued engagement and support.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Simeon Brown'.

Hon Simeon Brown

Minister of Local Government

Hon Simon Watts

Minister of Climate Change
Minister for Energy
Minister of Local Government
Minister of Revenue



MIN038

To: Mayors / Chair
cc: Chief executives

Dear Mayor / Chair

Financial sustainability of water services

I am writing to underline the importance of financial sustainability requirements and the new economic regulation regime under Local Water Done Well. I also want to take this opportunity to acknowledge the work you are doing to implement Local Water Done Well in your local area, and to set out our next steps in the months ahead.

I understand your council has indicated a preference in your consultation materials for a multi-council council-controlled organisation (CCO) model for delivering water services for your community.

Delivery of financially sustainable water services sits at the core of Local Water Done Well, and it will form the basis for how the Department of Internal Affairs will assess Water Services Delivery Plans (Plans).

As the economic regulator, the Commerce Commission will also play a key role in ensuring water services providers collect sufficient revenue and invest sufficiently in quality water infrastructure and services on an ongoing basis.

With the Local Water Done Well framework, tools and guidance largely in place, it is now up to you to consider your options, work with other councils, and make the decisions required to ensure clean, safe, reliable, and financially sustainable water services for your community.

I recognise these are challenging conversations, and I back the efforts you are making to get water services right for your community now and for future generations.

Assessing financial sustainability

Water Services Delivery Plans provide a framework for councils to assess the financial sustainability of their water services and chart a course for improvement.

The Local Government (Water Services Preliminary Arrangements) Act 2024 sets out the Plan requirements, including that Plans must explain what a council proposes to do to ensure that the delivery of water services will be financially sustainable from 1 June 2028.

While the Department will be providing further guidance to councils about the Plan assessment process later this month, there are a couple of key areas I wanted to emphasise in relation to financial sustainability at this stage in your Plan development:

- **Meeting financial sustainability requirements and working together.** The Act defines financial sustainability as ensuring revenues are sufficient to fund long-term investment in water services and meet all regulatory requirements.

I have been clear in my expectation that council should be working together to address financial sustainability challenges, as you are already actively doing.

In particular, I expect councils to be actively considering working with and supporting their neighbouring councils, especially smaller and rural councils, particularly given there is no requirement for price harmonisation under Local Water Done Well.

As you'll be aware, collaboration enables resource sharing, efficiency gains, better access to financing, and lower costs for ratepayers. Having a pipeline of future work across a region also provides greater investment certainty, and the potential to build a strong future workforce.

- **Long-term thinking and solutions.** While Plans must cover a 10-year period, they can also include information that covers a further 20 years if the information identifies investment requirements for water services infrastructure or to support future housing growth and urban development. Councils should be planning and making decisions with an enduring focus on financial sustainability, with these outcomes in mind.
- **Efficiency of water use and demand management through usage-based charging.** The Local Government (Water Services) Bill provides a five-year timeframe to transition away from using property values as a factor in setting water charges, to new charging mechanisms such as water metering and volumetric charging.

Water metering and volumetric charging can help reduce water consumption, assist in quick identification of leaks and help manage water losses, which supports the ongoing efficiency and effectiveness of water infrastructure. Councils should be considering these tools (where they are not already in place) as part of their future arrangements.

Under the economic regulation regime, over time the Commerce Commission will also be able to consider whether prices are efficient. Including, for example, whether prices reflect the cost of providing services and whether providers are using water resources efficiently.

Economic regulation regime for water services

As you progress your Plan, it is important to keep in mind that the entities that make core decisions on water supply and wastewater services will be subject to economic regulation under the Commerce Act 1986. These decisions include those relating to the level of charges or revenue recovery and/or capital and operating expenditure.

As a minimum, all regulated suppliers (councils and water organisations) that have responsibility for these core decisions will be subject to information disclosure. This means the Commerce Commission will require regulated suppliers to publish robust information about the planning, investment, and performance of their water supply and wastewater services.

The Commission will also publish a summary and analysis of that information, to promote greater understanding of the performance of individual regulated suppliers, including their relative performance compared with other providers, and changes in performance over time.

The Local Government (Water Services) Bill also gives the Commission other regulatory tools that they will be able to implement as needed. This includes the ability to set minimum and maximum revenue thresholds, providing a clear expectation to regulated suppliers about what level of revenue needs to be collected for investment in, and operation of, water infrastructure. The Commission will also monitor and enforce the requirement that revenue from regulated water services is spent on regulated water services (financial ringfence).

Where it is considered necessary, the Bill contains a designation process whereby the Commission may be given the power to implement quality regulation, performance requirement regulation, and price-quality regulation for specific suppliers.

I am encouraging all councils to consider the implications of the new economic regulation regime as you are making decisions on your future water services delivery arrangements. I have asked the Commission to engage closely with councils to provide information about the new regime. Please contact the Department if you would like them to facilitate a meeting if you have not done so already.

Next steps and support available

I want to maintain the momentum as we approach the 3 September deadline for submission of Plans. The Department will be ready to accept early submission of Plans by councils that are able to. Please keep this in mind in your planning.

I do not intend to grant extensions to the deadline for submitting Plans given the progress made so far, and various avenues of support that have been and continue to be available. Where a Plan is not submitted on time, I will be considering using my powers under legislation to intervene, such as by appointing a Crown water services specialist.

If you feel you may need additional support to enable you to resolve challenges and ensure progress with your Plan, Crown facilitators continue to be available. Crown facilitators are a key part of our approach and councils shouldn't be reluctant about requesting their support. A Crown facilitator can provide tailored guidance, facilitate collaboration among councils, or assist with joint planning efforts.

My officials also continue to be available to answer questions or provide technical support. I encourage you to get in touch with the Water Services Delivery Plan team at wmdp@dia.govt.nz if they can be of assistance to you.

I look forward to seeing continued progress on your plans for future delivery of water services and commend your efforts to support this critical future thinking while continuing to maintain your business-as-usual water services maintenance and ongoing activities.

Thank you for your continued engagement and support as we work to implement Local Water Done Well. You may wish to share this correspondence with your elected members.

Yours sincerely,

A handwritten signature in blue ink that reads "Simon". The signature is stylized with a large 'S' and a long horizontal flourish at the end.

Hon Simon Watts
Minister of Local Government

From: [Gareth Green](#)
To: [Neil Holdom](#); [Kathryn Scown](#); [Helen Gray](#)
Subject: Fw: City & Regional Deals and LWDW
Date: Monday, 24 February 2025 4:37:50 pm
Attachments: [image001.gif](#)
[image002.png](#)

Kia ora koutou

FYI. Useful for both regional deals and for LWDW.

Cheers

Get [Outlook for iOS](#)

From: Caroline Dumas <Caroline.Dumas@dia.govt.nz>
Sent: Monday, February 24, 2025 4:21:30 PM
To: Gareth Green <gareth.green@npdc.govt.nz>; Fiona Aitken <fiona.aitken@stdc.govt.nz>; Sven Hanne <shanne@stratford.govt.nz>; Steve Ruru <steve.ruru@trc.govt.nz>
Cc: Jaron Shaw <Jaron.Shaw@dia.govt.nz>
Subject: City & Regional Deals and LWDW

[EXTERNAL EMAIL] CAUTION: This email is from an external sender. To minimise cyber security risks, do not click on any links or open any attachments unless you are certain that the sender is legitimate. Please note that no legitimate sender will ever ask you for password details.

Kia ora all,

Hope you are all well. I have been fielding a few questions from CEs and Mayors on City & Regional Deal proposals and the expected alignment with LWDW. Wanted to share the following key points, as Minister Watts has been very clear with us on the expected alignment between both:

- The Government invited all councils to submit one City and Regional Deal (CRD) proposal per region, with final proposals due on 28 February.
- It is up to local authorities to decide how they wish to group themselves and agree on joint priorities they wish to include as part of a CRD proposal. Proposals need to reflect a 30-year vision for the area covered by the council partnership.
- As per the CRD strategic framework, council groupings will need to demonstrate how their work aligns with other Government programmes, and their commitment to Local Water Done Well.
- City and Regional Deals will be a partnership between central and local government. For the deals to be successful a high degree of trust and confidence will be needed with partner councils. This will ensure central and local government can work together confidently to deliver economic growth.
- Council groupings that are demonstrating that there are making good progress on developing financially sustainable water services delivery plans will be best placed to earn the confidence of the Government when seeking a deal. Where those groupings are having

difficulties in developing their plans, they should work with the Department to seek further support.

- The working arrangements and structures established through joint collaboration on water services delivery are likely to serve councils well for implementing wider joint initiatives if a CRD is in place.
- Hon Watts intends to take a consolidated portfolio view for how CRD proposals are considered. This means that proposals will need to demonstrate how council groupings intend to integrate their thinking on improved water service delivery within broader economic growth objectives.

I hope that's useful and look forward to catching up in Taranaki soon, I'll touch base with your EAs to sort.

Any queries please give me a call.

Caroline

Caroline Dumas | Partnership Director

Policy and Te Tiriti Branch

Department of Internal Affairs Te Tari Taiwhenua

Mobile: 022 652 5199

45 Pipitea Street, Thorndon | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz

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APPENDIX 7: SUMMARY OF LWDW CONSULTATION CAMPAIGN

As part of the LWDW consultation campaign, a multi-channel communications strategy was deployed to maximise public awareness and engagement across the New Plymouth District. The campaign was designed to inform residents and encourage participation through a blend of digital, print, and in-person outreach and is summarised below:

1. Digital engagement was driven through three targeted Antenno posts—marking the start of consultation, mid-way promotion of community drop-in sessions, and a final reminder in the last week. With approximately 5,000 app installs, Antenno provided a direct communication line to a significant local audience.
2. Organic social media posts also performed strongly: the launch post reached 9,400 people and generated 167 link clicks, while a follow-up post promoting community events reached 4,500 viewers. Paid Meta advertisements further extended the campaign’s digital reach.
3. Traditional media channels were also effectively utilised. A joint media release from the Taranaki Mayoral Forum ensured consistent messaging across all three councils and secured coverage in both Taranaki Daily News (TDN) and RNZ. Print advertising included a front-page feature in the Daily News on 30 April, public notices promoting information meetings, and a final reminder on 26 May. With a daily readership of 25,000, TDN provided substantial exposure. Radio advertising ran over two weeks across multiple stations, reaching a combined audience of approximately 100,000 listeners.
4. Additional visibility was achieved through NPDC’s internal and community-facing platforms. This included clear messaging in the May issue of the NPDC rates notice, digital screens in local gyms and the Civic Building, digital bus stop adverts across New Plymouth from 5 May, and a public facing digital billboard. The campaign was also featured in the Chamber of Commerce Partner Electronic Direct Mail (EDM) and the Pulse Checkers panel EDM, which reached 1,500 recipients.
5. Two public engagement sessions were held to provide opportunities for direct community input. A community drop-in session on 21 May attracted 17 attendees, offering an informal setting for residents to ask questions and share feedback. This was followed by a public meeting on 22 May, facilitated by the Mayor, which drew 27 attendees and provided a more structured forum for discussion and clarification of key issues.
6. Overall, the LWDW communications activity demonstrated a robust and inclusive approach to public engagement. By combining high-reach traditional media with targeted digital and community-based channels, the campaign ensured that key messages were widely disseminated and accessible, supporting informed community participation in the consultation process.

Option 1 & 2

Theme	No.	Summarised submitter comments	Officer Summary	Officer response
Long term sustainability	8	<ul style="list-style-type: none"> • ‘The long-term sustainability of the water itself, not just a resource for our use’ • ‘protects water infrastructure and needed maintenance and upgrades from short-term focus, cost cutting decisions’ • ‘Future focused and effective long term solution that will ensure our infrastructure if fit for purpose’ • ‘I feel that this would be the best option to move the district forward together’ • ‘Removing the water and wastewater activities from the political funding arena should improve their long-term maintenance and development planning and implementation’ • ‘more sustainable long term with a view to further amalgamation if advantageous’ • ‘This model is shown to bring the costs of infrastructure down for ratepayers in the future...if we don’t choose this option now, I imagine we will be consulting on it again after future elections’ • ‘A system where we seek to improve what we have in place, and reduce future loading, should be a priority’ 	<p>Commenters emphasise the importance of protecting water not just as a utility, but as a vital natural resource that requires thoughtful, future-focused stewardship. There is support for removing water and wastewater services from short-term political and financial pressures, which are seen as barriers to effective maintenance and development. Many believe that a more centralised or integrated model would lead to better planning, cost efficiency, and infrastructure that is fit for future demands. Overall, the sentiment favours a strategic, long-term approach that prioritises sustainability, resilience, and collective progress for the district.</p>	<p>The proposed model aims to ensure the long-term sustainability of water services by enabling strategic planning, removing short-term political constraints, and supporting infrastructure investment that meets future needs.</p>
Benefits and Efficiencies/ Economies of scale	23	<ul style="list-style-type: none"> • ‘Efficiencies in working together, including less organisations for Iwi to work with’ • ‘We need more economy of scale in water infrastructure, and enlarging the area covered is really the only way to achieve that. It will have the biggest benefits for the two smaller councils’ • ‘100%, join up with other councils in Taranaki’ • ‘The economy of scale enabled by a joint CCO can’t be matched by alternative proposals’ • ‘I think that the three Councils working together will be the most efficient and cost-effective way to maintain and improve water services throughout the region’ • ‘cost-effective and efficient option’ • ‘Combining the three council’s activities would also enable economies of scale unobtainable if the three remain separate’ • ‘it’s clear that bigger planning and better funding are needed’ • ‘Water utilities are an economy of scale. We shouldn’t have three separate systems in a small geographic area with a population under 150k’ • ‘Possibly economy of scale will keep costs down, without increasing bureaucracy.’ • ‘I’m confident combining with them will be a great advantage to us’ • ‘Economy of scale is essential to maintain a secure water services’ • ‘it is sensible that NPDC combine with South Taranaki and Stratford District Councils. It seems that NPDC customers will be advantaged at least during the initial 10-15 years.’ • ‘This would be a money saver having one group (organization) owning the water services.’ • ‘I support the most cost-effective and efficient use of water services’ • ‘This proposal will allow the entire district to work together to achieve the same standards’ • ‘Give us the best deal!’ • ‘The three Taranaki Councils need to do more projects like this. Larger ratepayer base should reduce individual costs’ 	<p>The comments support the idea that regional collaboration among the three Taranaki councils would deliver significant benefits through economies of scale and operational efficiencies. Many believe that a joint approach would reduce duplication, lower costs, and improve service delivery by pooling resources, harmonising standards, and enabling more strategic, large-scale planning. This model is seen as particularly advantageous for smaller councils, which may lack the capacity to manage complex infrastructure independently. Commenters also note that a unified system would simplify engagement for Iwi, ensure consistent service levels across the region, and allow for better funding and investment in long-term solutions. Overall, the sentiment is that regional cooperation is the most financially sensible and efficient path forward for secure and sustainable water services</p>	<p>Working regionally allows councils to pool resources, reduce duplication, and achieve economies of scale. This can lead to more efficient service delivery, cost savings, and improved access to skilled personnel and funding opportunities.</p>

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Theme	No.	Summarised submitter comments	Officer Summary	Officer response
		<ul style="list-style-type: none"> ‘I think it is important to provide a Taranaki-wide water strategy, which will hopefully enable productive resource sharing, constructive province-wide discussion, and ultimately result in lower costs’. ‘Best option financially’ ‘This option looks the most sensible given the benefits of scale.’ ‘Smaller organisations managing water are less well equipped to carry out the necessary testing and control, and are less able to fund development needed to ensure secure and safe supply and disposal systems.’ ‘unlock operational efficiencies by pooling resources, harmonising standards, and streamlining processes’ 		
Partnership with Iwi/maori	5	<ul style="list-style-type: none"> ‘thrilled that the structure includes iwi representation given their interest in the long-term wellbeing of the land, water and sea’ ‘Support three iwi representatives as proposed (with funding for the role)’ ‘I would prefer there were representatives from all Taranaki Iwi, not just the three waka’ ‘Te Kāhui o Taranaki supports Iwi/Mana Whenua representation through the joint Committee and the non-privatisation of our Water resources’ ‘it’s important to work together across all Taranaki councils and all Iwi’ ‘Our iwi have long term commitment to our communities and Taranaki taiao so are well-suited to make responsible decisions on important infrastructure’ 	The comments reflect support for meaningful partnership with Iwi/Māori in water governance, recognising their deep, long-term commitment to the wellbeing of the environment and local communities. Many endorse the inclusion of iwi representatives in decision-making structures, with some advocating for broader representation across all Taranaki iwi rather than just the three waka. There is a clear desire for collaboration between councils and iwi, emphasising shared responsibility and respect for Māori perspectives on environmental stewardship. The importance of funding iwi roles and ensuring non-privatisation of water resources also emerged as key concerns, reinforcing the value of iwi involvement in shaping sustainable and culturally respectful infrastructure solutions.	The proposed governance model acknowledges the vital role of Iwi/Māori in the stewardship of water and the environment. It includes dedicated representation to ensure Māori perspectives are embedded in decision-making. The structure supports collaboration across all Taranaki councils and Iwi.
Increasing and attracting talent/capabilities	5	<ul style="list-style-type: none"> ‘I’m pleased to see this model may increase our capacity to respond in an emergency; it is clear we can expect a lot more of those’ ‘Pooling greater knowledge - A bigger area of works can attract better skilled people for the job’ ‘Combining into a single entity will help us attract and retain higher capability staff as well as procuring better and more cost efficient contractors’ ‘A priority should be given to retaining talented staff from within the current council water organizations’ ‘Smaller organisations managing water are less well equipped to carry out the necessary testing and control, and are less able to fund development needed to ensure secure and safe supply and disposal systems.’ 	The comments highlight support for the idea that a regional water services model could enhance talent attraction, retention, and capability development. By consolidating into a larger, unified entity, the region is seen as better positioned to attract skilled professionals, retain experienced staff, and secure more capable and cost-effective contractors. This model is also viewed as a way to build greater capacity for emergency response and ensure access to the technical expertise needed for safe and reliable water services. At the same time, there is a call to prioritise the retention of talented staff currently working within the existing council water teams, recognising their value and institutional knowledge.	A regional model can attract and retain skilled professionals by offering broader career opportunities and a more robust organisational structure. It also supports better emergency response and access to specialist expertise.

Option 3

Theme	No.	Summarised submitter comments	Officer Summary	Officer response
Satisfied with current services/change is not necessary	25	<ul style="list-style-type: none"> • “feel we have a reasonable control of our water apart from the required earthquake strengthening needed’ • ‘keep it as it is, NPDC in full control with no unexpected charges’ • ‘Keep it the same as it is’ • ‘I wish for the control of our water to remain within NPDC’ • ‘I wish for the council to keep control of our water’ • ‘I want to stay with an in-house model for LWDW’ • ‘Please leave as is’ • ‘stick to what we’ve got, how is taking on the burden of other councils of benefit to NP?’ • ‘I do not agree with changing anything’ • ‘We don’t agree with changing anything’ • ‘I don’t agree with changing anything’ • ‘We already have an inhouse department that manages drinking water, waste water and storm water successfully’ • ‘I feel that water is already included in our rates’ • ‘Needs no change in its operation’ • ‘Keep it the way it is as we can not afford the outlay as the council is in so much debit’ • ‘Use the current skills and infrastructure you have already’ • ‘leave the water as is where is and focus on the basics’ • ‘Water and the services should be managed locally by our own NPDC’ • ‘leave the water as is where is and focus on the basics’ • ‘I would like to see all water services kept locally.’ • ‘We need to clean up our act and manage our own infrastructure, for this we do NOT need any sort of business unit as a combined effort with others OR within NPDC.’ • ‘we don’t agree with changing anything, and we want to stay with an in-house model for Local Water Done Well’. • ‘I don’t agree to changing anything and choose to remain with, Option 3 - an in-house business unit with New Plymouth District Council’ • ‘If it’s Not Broken Maintain continuity of existing systems, expertise.’ • ‘Our existing water services are already working well - are well managed, planned for and operated by a dedicated, very capable team that has been developed over a long period of time. Respect them, support them. Please don t break it’ 	<p>The comments reflect a preference for maintaining the current local water service model under New Plymouth District Council (NPDC), with many expressing satisfaction with existing operations. Concerns centre around losing local control, introducing unnecessary complexity, and taking on the financial or operational burdens of other councils. Commenters feel that the current system is functioning well, managed by a capable and experienced team, and that change could disrupt this stability. There is also scepticism about the need for a new model, especially given existing infrastructure, perceived affordability issues, and a belief that water services are already adequately covered through rates. Overall, the sentiment is that if the current system isn’t broken, it shouldn’t be changed.</p>	<p>While current services may be functioning well, the proposed changes aim to address future challenges, ensure consistency across the region, and provide long-term resilience and affordability for all communities.</p>
Local control/influence over decision making	25	<ul style="list-style-type: none"> • ‘lack of local benefit: believe the merger disadvantages the local community and lacks strong justification or clear evidence’. • ‘concern about diluted representation – only 4/12 decision makers would represent NPDC residents’ • ‘Council has no control of it as a 100% shareholder... IHBU should have their fingers on the pulse and no surprises’ • ‘I want my democratically elected councillors responsible for these services, not an unelected board’ • ‘NPDC councillors should retain direct oversight, and therefore public accountability for both the cost and quality of water services’ 	<p>The comments express concerns about losing local control and democratic influence over water services if decision-making is shifted to a regional or external entity. Many respondents feel that merging services or forming a WSCCO would dilute New Plymouth District Council’s representation and reduce accountability to local ratepayers. There is a clear preference for retaining oversight through elected councillors, ensuring decisions reflect community needs and values. Commenters worry</p>	<p>The proposed governance structure includes local representation to maintain community input. While decision-making is shared, safeguards including a clear Joint Committee Constitution and Statement of Expectations will be in place to ensure</p>

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Theme	No.	Summarised submitter comments	Officer Summary	Officer response
		<ul style="list-style-type: none"> • ‘We need to look after what we own and maintain, and no other entities issues and problems’ • ‘ratepayers already own the infrastructure... water is free, staying in house is the most cost effective option’ • ‘we need to have control of our water’ • ‘Keep our assets in our control, we can control what we charge and control costs... we should not provide capital for other councils to up keep and improve their water systems’ • ‘The control of assets will be lost if it goes elsewhere’ • ‘The in-house business unit is the ONLY option offered where the operation is directly answerable to the ratepayers who pay for the services.’ • ‘Any other option will lose control of the NPDC water assets & not have any control of costs & most likely debt. • ‘This gives ratepayers and voters more ability to influence decisions, via elections, than any other option’. • ‘We need the ability to more directly influence’ • There is far less opportunity for the alternative options to be truly community-driven’ • ‘Keeping it in house will ensure that there is an element of control by the elected councillors’ • ‘to maintain direct control of, and responsibility for, these critical ratepayer services.’ • ‘maintain direct control and responsibility for all aspects of these critical services’ • ‘Keep control over our own water so expenditure outside our district doesn’t effect us’ • ‘Let’s keep it local, keep it public, and build something better from the ground up.’ • ‘Costs and savings should be accredited to NPDC where they should rightfully be so’ • ‘I don’t feel in the slightest bit comfortable with moving control away from local body elected Councillors’ • ‘The in house business unit is the Democratic option for the rate payers and renters because every three years we get a chance to vote and change council members who vote on our behalf’ • ‘is concerned that should Council join the WS-CCO, decision making would be a further step removed from those impacted. Decisions on pricing and services would not be undertaken by those who have a connection to those impacted and an understanding of the history and needs of the community... small cost savings seem to be low compensation for losing autonomy in decision making.’ • ‘If it is a CCO I have no ability to change who is on the committee or on the board. This is not democratic and I do not support this system’ 	that assets and costs could be redirected to benefit other districts, and that local voices would be sidelined in favour of unelected boards. The in-house model is seen as the only option that preserves transparency, autonomy, and direct public influence over critical infrastructure and spending.	transparency and accountability to local ratepayers.
Cost/impact on rates	23	<ul style="list-style-type: none"> • ‘limit any further overhead, control costs effectively’ • ‘Surely with the high numbers of employees presently employed by NPDC, we can manage this without adding more’ • ‘other options will add cost as another layer of expensive bureaucratic officials’ • ‘CCOs should be avoided as they increase governance costs and reduce council control’ • ‘there would be more control and involve less people (organisations), therefore less cost’. • ‘...therefore an astronomical increase in maintenance and extra costs’ • ‘The costs of setting this entity up and the potential for 500% borrowing is outrageous’. 	The comments reflect concern about the potential cost implications and impact on rates if water services are restructured or moved to a new entity. Many respondents fear that creating a new organisation would introduce unnecessary bureaucracy, increase governance and administrative costs, and lead to higher rates and debt levels. There is a preference for retaining the in-house model, which is seen as more cost-	Affordability is a key consideration in any future water service delivery model. The proposed structure is designed to manage costs through shared services, reduced duplication, and improved procurement efficiency. The detailed financial

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Theme	No.	Summarised submitter comments	Officer Summary	Officer response
		<ul style="list-style-type: none"> • ‘Under this scenario we will be drowning in debt, and rates will skyrocket uncontrollably in a short time’ • ‘other options are going to incur extra costs mainly with increased labour’ • ‘Please use the realistic option, the one that works AND costs the least amount for us rate payers.’ • ‘Creating another entity to undertake these services just creates another level of bureaucracy and more cost’ • ‘Stop messing about with our money’ • ‘less bureaucracy duplication, no establishment costs - save money’ • ‘if managed and budgeted well its best value for money.’ • ‘people can't afford any more cost’ • ‘Another entity means more cost and loss of control of where the ratepayer money is actually spent.’ • ‘keeping it affordable for everyone’ • ‘Don't want more restructuring and wasting money’ • ‘Reduces the overhead of having another organisation and all the duplication of administration and additional cost that brings.’ • ‘Option 3, Council has full control over expenses, and water usage fees charged’ • ‘to go with any other option than keeping this in house, is to exacerbate the costs to the general public, i.e. rate payers’ • ‘No new establishment costs i.e. new management - staff, billing system,’ • ‘The In-House model will need to employ compliance staff... this is way less new cost than 2 boards and multiple new units and people all over Taranaki’ 	<p>effective, transparent, and easier to manage financially. Commenters emphasise the need to avoid duplication, establishment costs, and additional staffing, and urge decision-makers to prioritise affordability and fiscal responsibility for ratepayers.</p>	<p>modelling demonstrates that the least impact on New Plymouth ratepayers and the most affordable over a 30-year outlooks is Option 1; Regional WSCCO.</p>
Additional Debt	14	<ul style="list-style-type: none"> • ‘Inconsistent debt borrowing claims’ • ‘NPDC council debt has increased dramatically recently... so enabling a CCO to borrow up to 500% of water income is not on as ratepayers will just drown in debt’ • ‘Opposed on the basis of the level of borrowing that can be accessed... new debt on councils books’ • option doesn't allow the council to borrow more and get into further debt’ • ‘do not need to have bigger dept by borrowing more money for projects as well and extensive rate hikes’ • ‘I feel it appears the first two options will be creating more debt’ • ‘Separating the finances will enable more (uncontrolled) borrowing that we will still have to repay’ • ‘to go with any other option than keeping this in house, is to exacerbate the costs to the general public, ie rate payers’ • ‘This option keeps the level of debt, and the rates payer risk at a more manageable risk to pay back.’ • ‘My main concern is for NPDC to not accrue ANY MORE DEBT!’ • ‘Will limit borrowing ability i.e. less debt,’ • ‘Debt levels/borrowing/fiscal management. We don't want NPDC to have the opportunity to load the ratepayers up with any more debt than they are able to access now’ • ‘Adopting CCO models significantly increases the risk to ratepayers of uncontrolled, unsustainable, unaffordable council/ratepayer debt.’ 	<p>The comments reveal opposition to any water service model that could lead to increased debt and financial risk for ratepayers. A key concern is the potential for a WSCCO to borrow significantly—up to 500% of water revenue—raising fears of unsustainable debt levels and future rate hikes. Many feel that separating water finances from council oversight could enable unchecked borrowing, ultimately placing the repayment burden on the community. There is a clear preference for the in-house model, which is seen as offering more controlled, transparent fiscal management and limiting the risk of accumulating additional debt. Overall, commenters want to avoid any structure that could compromise financial stability or increase liabilities for current and future ratepayers.</p>	<p>To manage debt responsibly, borrowing limits and financial oversight mechanisms will be put in place. The financial modelling supports strategic investment while keeping two waters debt below 350% for the NPDC WSCCO and 344% for an IHBU. Additionally, the Commerce Commission will oversee financial management, including debt, and safeguards will be included in WSCCO foundational documents to protect ratepayers from unsustainable financial risk</p>

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Theme	No.	Summarised submitter comments	Officer Summary	Officer response
		<ul style="list-style-type: none"> ‘I do not want the NPDC using LGFA funding... I do not want NPDC to use a lending arrangement where my rates become the method that all loans are guaranteed across the council should any default’ 		
Governance structure complexity/ transparency and accountability	18	<ul style="list-style-type: none"> ‘the new structure adds bureaucracy and slows decision-making’ ‘lack of transparency and accountability’ ‘Transparency will not be available to ratepayers if water services are sequestered behind a CCO structure’ ‘ratepayers need to have more control on this and who is in control of our water infrastructure. NPDC needs to be held more accountable’ ‘I don’t agree with changing anything to something that seems less democratic’ ‘accountability stays with elected members’ ‘keeps accountability local and transparent’ ‘operation is directly answerable to the ratepayers who pay for the services’ ‘Jointly owned Council-Controlled Organisations (CCOs) are more likely to be influenced by central government policies and decisions.’ ‘A joint regional arrangement could dilute accountability and responsiveness’ ‘allows transparency of work, decisions and costs’ ‘Reduces liability.’ ‘stay directly accountable to our communities.’ ‘Keeping it in house will provide more transparency’ ‘Joining with others requires business units which are not accountable to ratepayers and are beyond ratepayer oversight or input.’ ‘Options 1 & 2 definitely are not simple.’ ‘Better transparency than a CCO’ ‘We want to maintain clear accountability, management transparency, and direct council control over water services and priorities’ 	The comments raise concerns about governance complexity, transparency, and accountability in proposed changes to water service management. Many respondents fear that shifting to a regional WSCCO would introduce additional bureaucracy, slow decision-making, and reduce visibility into operations and spending. There is a preference for keeping governance local, where elected councillors remain directly answerable to ratepayers, ensuring decisions are transparent and community-driven. Commenters worry that a joint regional model could dilute accountability, be influenced by central government, and limit public oversight. The in-house model is seen as simpler, more democratic, and better aligned with the principles of clear, responsive governance	The governance model is being designed to ensure transparency, accountability, and responsiveness to local communities. While regional collaboration introduces shared decision-making, safeguards such as public reporting, clear performance measures, and local representation are intended to maintain visibility and trust. The structure will be subject to oversight and review, and councils will retain influence over strategic direction and service standards.
Mistrust in the financial modelling	5	<ul style="list-style-type: none"> Observation of increasing costs from initial projections in water metering, and expecting the same for water service delivery’ ‘The proposed costings are vague’ ‘I don’t agree that there is any benefit in scale. Scale tends to lose the personal touch, become overly bureaucratic, slow and expensive.’ ‘Insufficient information & evidence to assess and validate the case for CCO options – particularly the regional CCO option’ ‘the significant uncertainties with, lack of validation of, and the underwhelming benefits demonstrated for proposed CCO based water services options, and the lack of long term political commitment to a workable solution at national level we would be better served sticking with and supporting what we know is working’ 	The comments express a mistrust in the financial modelling and projected cost savings associated with the proposed changes to water service delivery. Respondents highlight past experiences, such as rising costs in water metering, as evidence that initial projections may be unreliable or overly optimistic. There is concern that the financial assumptions behind the WSCCO options are vague, lack transparency, and have not been sufficiently validated. Some feel that the supposed benefits of scale are overstated and may actually lead to increased bureaucracy and inefficiency. Overall, the sentiment is that without robust, clear, and trustworthy financial modelling, the proposed changes carry too much uncertainty and risk.	The financial model is based on data from councils’ approved Long Term Plans and is consistent across all scenarios. The differences lie in the assumptions for efficiency and establishment costs, which are considered conservative compared to previous reforms by WICS/DIA. While some assumptions may prove inaccurate over time, decisions should be based on the best available information at the time.
Less efficiency in regional models/	6	<ul style="list-style-type: none"> Summary of submission 118 (detailed) ‘absolutely keto this in house, this has not worked for other regions at all’ 	The comments express scepticism about the efficiency and effectiveness of regional water	Lessons from other regions have informed the proposed model,

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Theme	No.	Summarised submitter comments	Officer Summary	Officer response
other region or country experience		<ul style="list-style-type: none"> • 'Loss of local responsiveness (referencing Wellington Water and Watercare)' (submission 129) • 'we are very likely to inherit poorly maintained and poorly planned infrastructure, which we would need to bring up to standard' • 'There are too many examples of collective arrangements that don't deliver for the people that pay their wages' • 'Please keep control of water services within the NPDC. Do not set up another bureaucracy like Auckland have done with Watercare.' 	service models, citing negative experiences in other areas such as Wellington Water and Auckland's Watercare. Respondents fear that regional arrangements may lead to reduced local responsiveness, increased bureaucracy, and the burden of inheriting poorly maintained infrastructure from other councils. There is concern that collective models often fail to deliver value to the communities funding them, and that centralisation could compromise service quality and accountability. Overall, the preference is to retain local control through NPDC, which is viewed as more reliable and better suited to meet community needs efficiently	with a focus on avoiding known pitfalls. The structure is tailored to local needs and includes safeguards to ensure effective service delivery.
Funding other districts	4	<ul style="list-style-type: none"> • 'why should New Plymouth rate payers fund Stratford and Hawera' • 'we are very likely to inherit poorly maintained and poorly planned infrastructure, which we would need to bring up to standard' • 'We pay rates for NP no the whole of Taranaki so water should also be NP only not the whole of Taranaki.' • 'Not taking on other councils problems' 	The comments express opposition to any water service model that would result in New Plymouth ratepayers subsidising the costs or infrastructure needs of other districts. There is a clear concern that regional integration could lead to New Plymouth inheriting the financial burden of poorly maintained or underfunded infrastructure from neighbouring councils. Respondents emphasise that their rates are paid to support local services, not to cover the costs of the wider Taranaki region. The sentiment is that each district should be responsible for its own infrastructure and financial obligations, and that New Plymouth should not be expected to fund or fix the problems of others.	Financial modelling shows that over time, there will be little to no cross-subsidisation once the costs of major upgrades are balanced out. Additionally, the benefits of safe and compliant water and wastewater services extend beyond just the users, providing public health and environmental advantages. All three councils recognise this and are moving towards a harmonised pricing structure. The proposal to harmonise across the region is a natural progression of this approach.



9 June 2025

To: Department of Internal Affairs
From: Government, Competition and Regulation Team

Subject: LWDW | Requirements for re-consultation under the Local Government (Water Services Preliminary Arrangements) Act 2024.

Introduction

1. You have asked for our advice regarding a council's obligation to re-consult (if any) in relation to its preferred water services delivery arrangement when preparing its water services delivery plan ("**WSDP**") under the Local Government (Water Services Preliminary Arrangements) Act 2024 ("**Preliminary Arrangements Act**").
2. We address two specific questions below:
 - (a) whether a council who has already undertaken consultation on various models for water services delivery, and is now proposing to enter a delivery arrangement that may differ from what was consulted on, would be required to "reconsult" or undertake further consultation; and
 - (b) whether, if a council were to make a final decision regarding its intended water services delivery that is contrary to majority preference expressed in consultation, there would be any legal risks arising.

Executive summary

3. The Preliminary Arrangements Act requires one consultation only. However, it anticipates that councils will need to consider whether to undertake further consultation before adopting a water services delivery plan and sets out criteria for making that decision. The criteria broadly align with relevant matters to consider under the Local Government Act 2002 ("**LGA02**").
4. Accordingly, each council should assess whether further consultation is necessary as part of a good decision-making process, in accordance with the decision-making requirements under the LGA02. Ultimately, that requires an assessment of whether new views are likely to be provided (which will likely turn on whether the proposed decision is materially different to what was consulted on) and / or whether the council(s) feel that they already understand

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the views and preferences of the community on the proposed decision. If it is considered that consultation is unlikely to elicit new views, then it does not need to be undertaken.

5. The Preliminary Arrangements Act does not require a council to make a decision that accords with public consultation feedback. In accordance with the well-established principles of consultation and local government decision-making, the key consideration for councils should be that views presented by the public are received with an open mind and be given due consideration in a council's decision making.
6. To mitigate against the risk of legal challenge, it would be prudent for a council to be able to demonstrate how they have considered views and preferences provided by people with an interest in the matter (i.e. those who submitted on public consultation), and why they consider their (perhaps contradictory) decision best promotes the well-being of the community in the present and future.

Consultation requirements and principles

7. Under the Preliminary Arrangements Act, councils are required to undertake consultation on their anticipated or proposed arrangement for delivering water services which must be set out in its WSDP.¹ The Preliminary Arrangements Act provides alternative consultation processes for councils to follow (as opposed to the LGA02 equivalent processes), which require a council to:
 - (a) identify at least two options for delivering water services (remaining with the existing approach and establishing/joining/amending a CCO or other joint arrangement);² and
 - (b) assess the advantages and disadvantages of these options.³
8. A council is expressly required to undertake consultation only once.⁴ Beyond consulting on the proposed model, a council is expressly *not* required to consult on a draft or final WSDP or when making a final decision to join a joint arrangement.⁵
9. However, a council may decide to undertake further consultation.⁶ A council should therefore consider whether further consultation is required in the circumstances, and it would be at risk of legal challenge if it did not turn its mind to this question. When deciding whether to undertake further consultation, a council must have regard to:⁷
 - (a) the views and preferences of persons likely to be affected by, or to have an interest in, the matter (as required by s 78(1) LGA02);

¹ Local Government (Water Services Preliminary Arrangements) Act 2024, s 58.

² Local Government (Water Services Preliminary Arrangements) Act 2024, s 61.

³ Local Government (Water Services Preliminary Arrangements) Act 2024, s 64.

⁴ Local Government (Water Services Preliminary Arrangements) Act 2024, s 62(2).

⁵ Local Government (Water Services Preliminary Arrangements) Act 2024, s 17(3).

⁶ Local Government (Water Services Preliminary Arrangements) Act 2024, s 62(4).

⁷ Local Government (Water Services Preliminary Arrangements) Act 2024, s 62(5).



- (b) the extent to which the council already knows the views and preferences of persons likely to be affected or have an interest in the decision; and
 - (c) the nature and significance of the decision.
10. These are factors on which the councils should be well-versed in exercising judgment under the LGA02, as they are relevant to all decision-making under the LGA02. The Preliminary Arrangements Act also makes clear that the general principles of consultation outlined in section 82 of the LGA02 still apply alongside the Preliminary Arrangements Act's requirements.⁸
11. Our memo to DIA dated 18 March 2025 provides a more fulsome overview of consultation requirements in the Preliminary Arrangements Act.

Application to councils

12. There is no mandatory requirement in the Preliminary Arrangements Act to consult on a further or final decision in relation to a proposed delivery arrangement following initial consultation. However, in accordance with s 78 LGA02, each council should consider whether it has already undertaken sufficient consultation to inform the decision it is about to make. It is the responsibility of each council to decide whether further consultation would be necessary in the circumstances.
13. In practice, this may depend on the level of detail surrounding the proposed delivery models or arrangements that were provided by councils in the initial consultation. Each council should also take into account the responses already received and consider whether it effectively already knows the views and preferences of affected persons, and whether the new preferred arrangement would be likely to significantly alter this feedback (for example, whether the new proposal would materially impact the costs to ratepayers outlined in the consultation document).
14. For example, if a council has carried out consultation on three options (in-house delivery, individual separate water organisation, or joint water organisation with two neighbouring councils), and the council has decided to pursue the joint water organisation but with *four* other councils (rather than two as originally proposed), whether this council should undertake further consultation may depend on several factors, such as:
- (a) **The scope of consultation** – for example, whether the consultation focused on the three distinct options of water services delivery or presented a detailed proposal regarding setting up a new water organisation with two other councils. It may be relevant whether consultation materials identified the number or specific names of councils, or whether it left the particular arrangement open or otherwise left some flexibility for the details of the arrangement to change in future.
 - (b) **The responses to consultation** – if public consultation responses in this case took issue with the specific proposal (e.g. the specific councils identified, the number of councils etc), or supported the joint arrangement conditionally on the council joining with the two named councils, further consultation may be

⁸ Local Government (Water Services Preliminary Arrangements) Act 2024, section 60(2).



required. But if feedback substantively concerned the overall options (in-house vs single council delivery vs joint council delivery), or other issues unrelated to the details of the proposed joint arrangement, further consultation may not be necessary.

15. Councils should also keep in mind the significance of the decision. Given that decisions on WSDPs will have long term implications for the delivery of services that are essential to the community, then if councils elect not to undertake further consultation they should be confident that stakeholders have been given a full opportunity to provide views in relation to the decision they propose to make.
16. As an overall practical test, if a council is of the view that further consultation would be a box-ticking exercise that is unlikely to usefully inform its decision-making (given the views already received and considered in prior consultation), then that is a good indicator that consultation is unnecessary.
17. On the other hand, if there is concern that the decision could be contentious among sectors of the community and there are stakeholders that could be motivated to legally challenge the decision, then a conservative approach would be to reconsult. The requirement under the Preliminary Arrangements Act and the LGA02 for councils to exercise reasonable judgment in the circumstances means that it is difficult to completely rule out the prospect of a successful challenge if further consultation is not undertaken (i.e. with the benefit of hindsight, a court could decide that consultation was required in the circumstances).

Whether a council can make a final decision contrary to majority preference expressed during consultation

18. The Preliminary Arrangements Act does not require a council to make a decision that accords with public consultation feedback.
19. Rather, in accordance with the well-established principles of consultation and local government decision-making, the key consideration for councils should be that views presented by the public are received with an open mind and be given due consideration in a council's decision making.⁹ The consultation process must be genuine and not a sham.¹⁰ While a council may choose to make a final decision that runs contrary to majority preference as indicated through the initial or only consultation, a council equally cannot go into consultation with its mind already made up and produce a final decision that does not reflect that the views of interested or affected parties have been given due consideration.
20. Overall, courts view consultation as a process that, if done properly, will improve the quality of decision-making. They do not see it as a process where consultation feedback should dictate the decision.
21. Given that council decision-making is an exercise in judgment and discretion, it is difficult to rule out the prospect of legal challenge by motivated stakeholders. The risk of legal challenge may be greater in circumstances where the majority of public feedback is opposed to the proposed decision because there may be greater scope for arguments that the council

⁹ Local Government Act 2002, s 82(1)(e).

¹⁰ *Wellington International Airport Ltd v Air New Zealand Ltd* [1993] 1 NZLR 671.



had a closed mind or otherwise failed to properly consider relevant matters. To mitigate against such challenges, it would be prudent for the council to be able to demonstrate how they have considered views and preferences provided by people with an interest in the matter (i.e. those who submitted on public consultation), and why they consider their (perhaps contradictory) decision best promotes the well-being of the community of in the present and future (as per the purpose of local government set out in s 10(1)(b) LGA02).

APPENDIX 10: FINANCIAL MODELLING SUMMARY

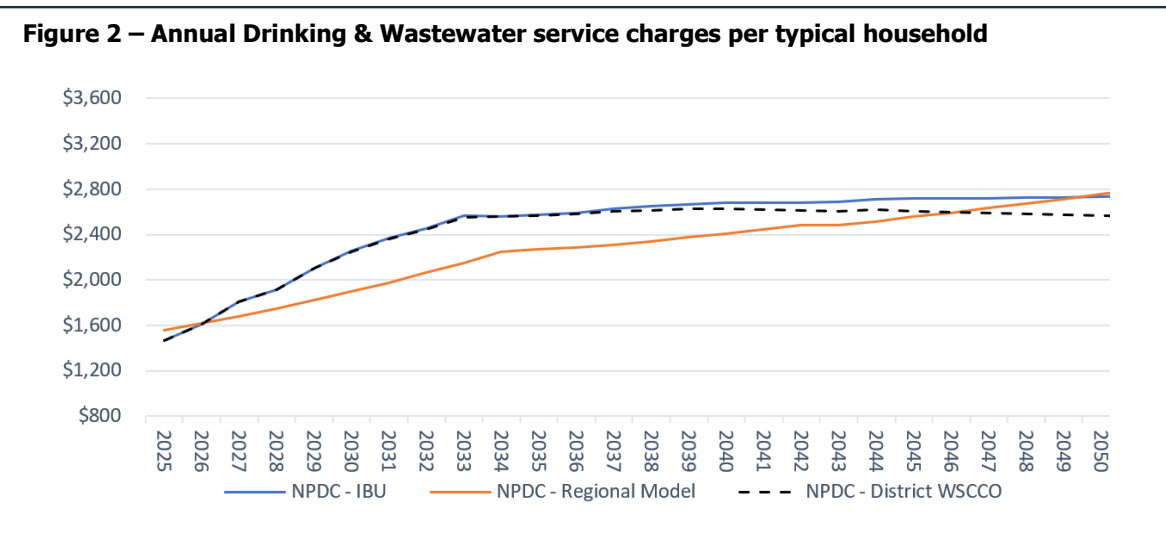
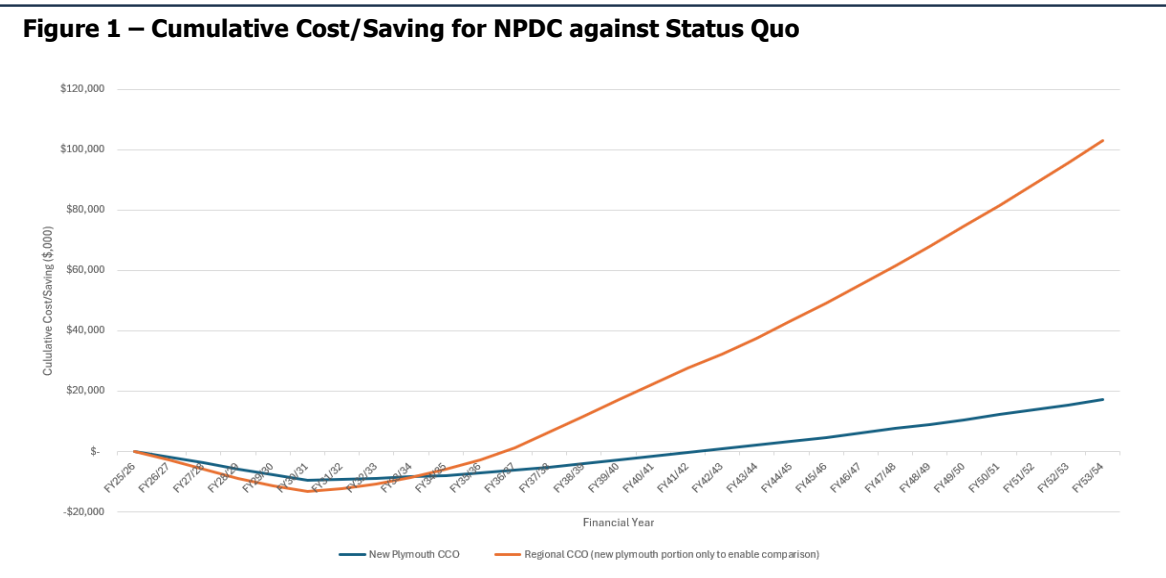
FINANCIAL MODELLING

1. Detailed financial modelling has been completed to enable a comparison of different options under the new legislation; it is not intended as a confirmed tariff structure for future water services.
2. A Technical Working Group across the three participating Taranaki Councils collaboratively assessed the viability of a regional WSCCO. Independent status quo analysis has been undertaken by each council individually.
3. This analysis has used existing budget data from council Long-Term Plans (LTPs) and incorporated the rapidly changing legislative and regulatory landscape into these projections.
4. The Department of Internal Affairs (DIA) has also assisted through provision of a standard spreadsheet template for local authorities to utilise that provided an automated calculation of financial sufficiency tests.
5. The financial model incorporated the following assumptions:
 - a) Baseline costs (2025/26–2034/35) are consistent across all three options, based on NPDC's 2024/25 Long-Term Plan (LTP). This includes a levy of \$5.44 per person to cover Taumata Arowai and the Commerce Commission cost. For SDC and STDC, an additional 1% increase in internal charges and overheads from 2027/28 has been applied to the LTP figures to reflect proposed regulatory changes.
 - b) OPEX from 2035/36 onwards is based on 2035/36 costs, with a 3.1% annual inflation uplift.
 - c) CAPEX from 2035/36 onwards is based on an updated Infrastructure Strategy, reflecting anticipated but not yet identified projects.
 - d) Model-specific costs and savings are applied to water and wastewater services and are outlined in Table 1 below. Stormwater costs are assumed to be identical across all models and therefore excluded.

Table 1: Model Specific Costs and Savings Applied

Cost/Saving Applied	Enhanced Status Quo	NP WSCCO	Regional WSCCO
OPEX Efficiency Saving	NA	Commencing in 2029/30 and linearly ramping up over 10 years to 2%	Commencing in 2029/30 and linearly ramping up over 10 years to 8%
CAPEX Efficiency Saving	NA	Commencing in 2029/30 and linearly ramping up over 10 years to 1%	Commencing in 2029/30 and linearly ramping up over 10 years to 4.5%
Establishment costs	NA	6% of OPEX for 5 years commencing 2026/27	9% of OPEX for 5 years commencing 2026/27
Additional Governance Costs	NA	\$100,000 per year	\$200,000 per year

6. For the NPDC WSCCO, establishment costs are estimated at 6% of OPEX over five years, equating to approximately \$9.3M total or \$1.85M annually. Operational efficiencies are projected to deliver a 2% reduction in OPEX, averaging \$971K annually from 2038/39 to 2053/54. Capital efficiencies are expected to yield a 1% reduction in CAPEX, resulting in average annual savings of \$525K and a total of \$8.4M over the same period.
7. Figure 1 (below) shows that while WSCCO's will cost NPDC rate payers more in the short term, the creation of a regional WSCCO would save over \$100M for NPDC rate payers over the 30 years and the creation of a New Plymouth WSCCO would save around \$17M. These are considered minimum savings given the conservative estimates outlined in the main report.
8. The savings under a Joint WSCCO are realised five years earlier than under a NPDC only WSCCO. This means that the rate of increases for NPDC ratepayers will be less under the WSCCO options with the biggest benefit seen under the Joint WSCCO.



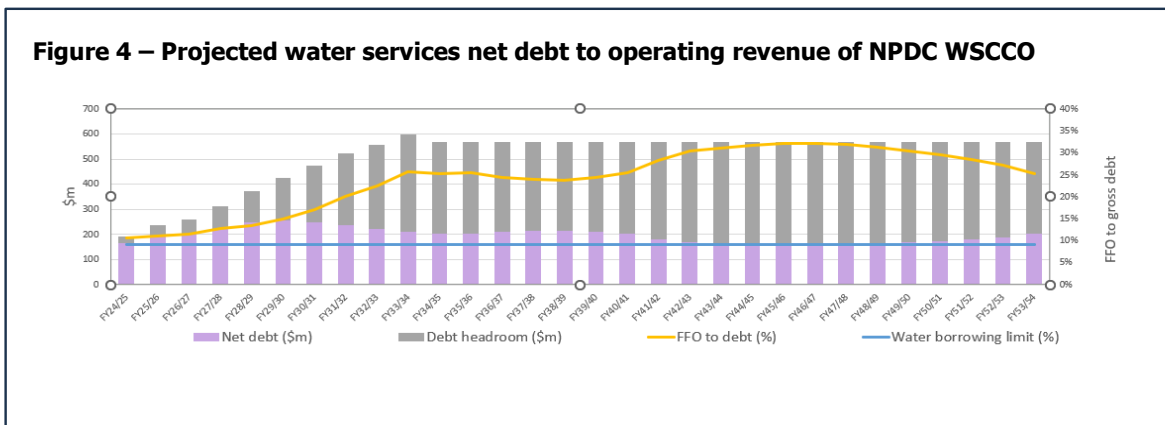
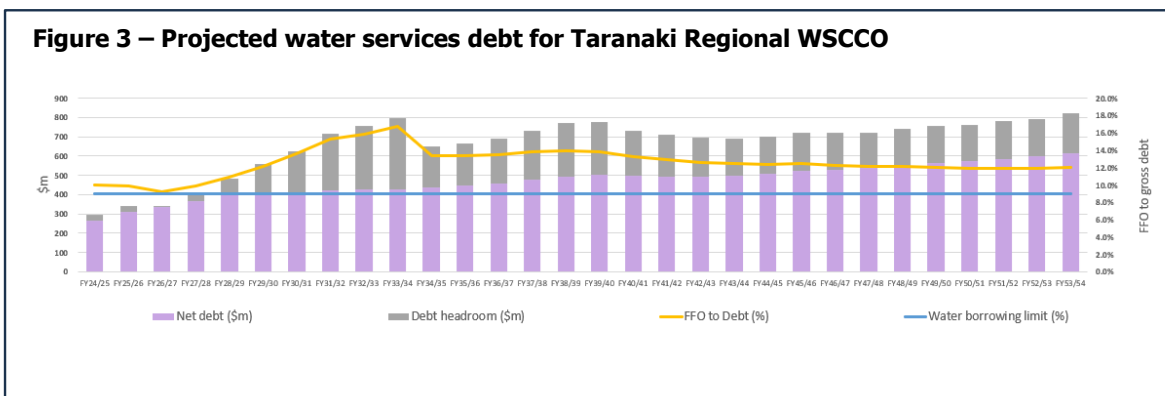
10. Table 2 (below) shows the two waters percentage of total debt for each Taranaki council. While all three councils have sufficient borrowing capacity to meet forecast water infrastructure investment needs, establishing a separate water services entity and transferring existing two waters debt off council balance sheets would further strengthen their debt servicing ability.

Table 2: Percentage of Two Waters Debt of Total Council Debt

	Total debt(\$m)	Two waters debt (\$m)	Two waters % of total debt
South Taranaki District Council	170	88	52%
Stratford District Council	42	10	24%
New Plymouth District Council	360	187	52%

Numbers above based on each council’s long-term plan as at 30 June 2025 (rounded).

- 11. Figures 3 and 4 demonstrate that both WSCCO delivery models are financially sustainable, with the Funds from Operations (FFO)¹ to gross debt ratio remaining above the 9% primary covenant set by the LGFA for entities with 20,000-50,000 connections.
- 12. Both WSCCO delivery models also meet the secondary covenant of a FFO to Cash Interest Coverage Ratio remaining above 1.5, with the regional WSCCO being between 3.1 and 4.4 and the NPDC WSCCO being between 3.6 and 5.1. The 9 % FFO to gross debt ratio replaced the 500% net debt to operating revenue ratio originally proposed by the LGFA in the April 2025 LGFA update.
- 13. FFO stands for free funds from operations and is the operating revenue minus interest income plus 50% of development contribution income less expenses (minus depreciation and non-cash items).



¹ FFO stands for “Funds from Operations” and is a measure of the amount of money available after the operating costs have been covered.

14. Figures 5 and 6 demonstrate that an in-house business unit is financially sustainable, with the debt to revenue ratio for Council varying between 30 and 90% which is significantly less than the 280% borrowing limit. The debt to revenue ratio for the three waters starts at around 340% and decreases over time to 210%. The financial sustainability of the in-house business unit is measured using different financial metrics to reflect the measures intended to be used by the LGFA and DIA when assessing the final water service delivery plans.

Figure 5 – Projected council net debt to operating revenue if using a NPDC In-House Business Unit

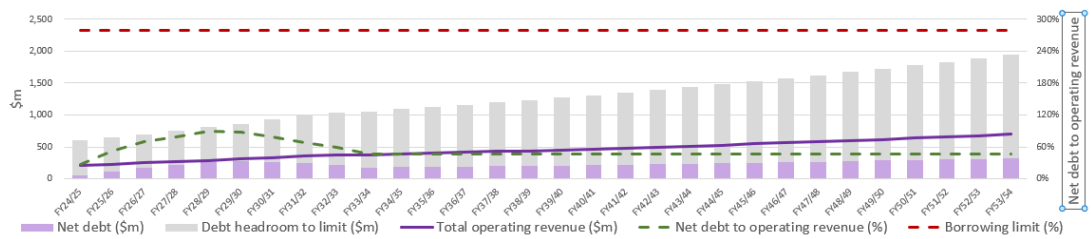
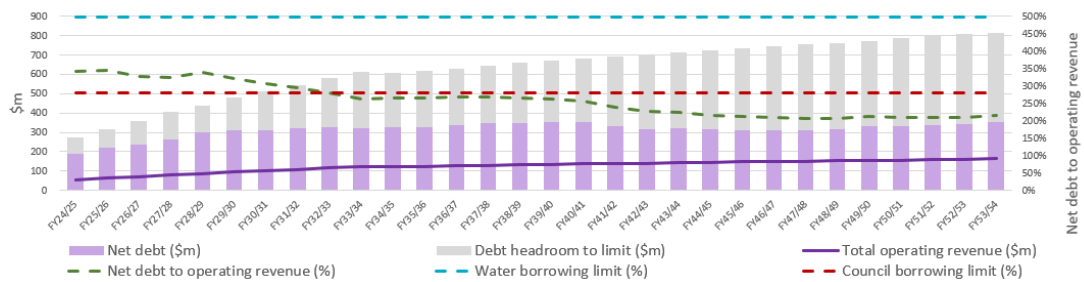


Figure 6 – Projected water services net debt to operating revenue of NPDC In-House Business Unit



CLOSING KARAKIA

TE WHAKAEATANGA

Te whakaeatanga e,
Tēnei te kaupapa ka ea,
Tēnei te wānanga ka ea,
Te mauri o te kaupapa ka whakamoea,
Te mauri o te wānanga ka whakamoea,
Koa ki runga,
Koa ki raro,
Haumi e, hui e, tāiki e.

It is completed, it is done,
We have achieved our purpose,
Completed our forum,
Let the purpose of our gathering rest for now,
Let the vitality of our discussions replenish,
We depart with fulfilled hearts and minds,
Bonded in our common goal and unity.

This karakia is recited to close a hui or event. It takes us from a place of focus and releases us to be clear of all the issues or tensions that may have arisen during the hui. We are now free to get on with other things.
