

10.3 Water Service Delivery Preferred Option

Report To:	Council
Meeting Date:	Wednesday, 25 June 2025
Author:	Gary Knighton
Author Title:	Planning and Performance Manager
Authorised by:	Planning and Performance Manager

Purpose

1. To receive community submissions on Council's preferred Water Service Delivery Option and to confirm a proposed model for Water Service delivery for inclusion in Council's Water Service Delivery Plan.

Recommendation

That the Council:

- a. Receives the Report "Water Service Delivery Preferred Option"
- b. Receives and considers submissions on Council's Preferred Water Service Delivery Option (attached as Appendix 1)
- c. Subject to consideration of submissions, **APPROVES** 'Waikato Water Done Well' as Council's future water services delivery model for delivering drinking water and wastewater services, in accordance with the Local Government (Water Services Preliminary Arrangements) Act 2024 ;
- d. Notes that South Waikato District Council will retain ownership of the Stormwater activity and will deliver the activity in line with the legislation to meet regulatory requirements (once the legislation is enacted).

Executive Summary

"Local Water Done Well" is the Coalition Government's plan to address New Zealand's longstanding water infrastructure challenges. It will be given effect through the Local Government (Water Services Preliminary Arrangements) Act 2024 (PA Act) which largely came into force on 3 September 2024, and also the Local Government (Water Services) Bill (Bill 3), which was introduced in December 2024 and is expected to come into force mid-2025 (along with the remaining aspects of the PA Act).

Under the PA Act, Council needs to adopt and submit a Water Services Delivery Plan (WSDP) to the Secretary of Local Government by 3 September 2025. The WSDP must include the preferred water service delivery model. A WSDP must be approved by the Department of Internal Affairs (DIA) and then be given effect to by the Council.

Council selected the Waikato Waters Done Well (WWDW) Council Controlled Organisation (CCO) option as it's preferred option for consultation. The preferred water services delivery model proposal was consulted on from 14 April to 12 May 2025. The submissions on the consultation are provided for consideration in this report.

Staff recommend that the WWDW CCO option for Drinking Water and Wastewater is confirmed for inclusion in the WSDP.

Context

Council selected the WWDW CCO option as its preferred water service delivery option for consultation. The preferred water services delivery model proposal was consulted on from 14 April to 12 May 2025. Submissions are presented in this report for consideration.

Under this model SWDC will retain ownership of the Stormwater activity and will deliver the activity in line with the legislation to meet regulatory requirements (once the legislation is enacted). SWDC will continue to work with WWDW to investigate opportunities for contracting this service to them or potentially to another contracting party, this will be reflected in the Water Service Delivery Implementation plan.

Discussion

On 26 March, Council confirmed Waikato Waters Done Well as its preferred Service Delivery Model for Drinking Water and Waste Water services for consultation as required by the Local Government (Water Services Preliminary Arrangements Act) 2024 (The PA Act).

Consultation on the preferred option took place from 14 April to 12 May.

A total of 54 submissions were received, 53 via the web site and one by mail. Of those 45 did not support the proposal while 7 did support it. Copies of all submissions are provided in Appendix 1. Key themes and issues raised in the submissions are analysed below.

Key reasons for opposition to the preferred option:

1. Loss of local ownership and democratic control (61 submission points)

Concerns identified included loss of democratic oversight, local voice and decision making and a fear that Council was repeating the centralisation experience of the previous three waters reform.

2. Affordability and financial risk (52 submission points)

Concerns included a strong fear of cost increases for ratepayers- especially vulnerable of low income households, the fairness (or otherwise) of water metering particularly for older homes and lower paid households, uncertainty about financial modelling, long-term debt exposure, and lack of cost savings, and lack of transparency around future billing models and financial comparisons of different options.

3. Flawed and Insufficient Consultation Process (45 submission points)

Concerns were expressed that the consultation was biased, rushed, or predetermined, that there was a lack of genuine community engagement or public meetings; and frustration expressed over lack of information, clear financial modelling, and access for elderly/offline residents.

4. Risk of Future Privatisation and Reduced Public Control (22 submission points)

Concerns included a fear that the CCO model could lead to future privatisation of essential water services, a distrust of semi-corporate governance structures and high executive salaries, and a belief that privatisation would reduce accountability and increase profit-driven decisions.

5. Local Economic and Job Impacts (18 submission points)

Concern was expressed that centralisation will eliminate local jobs and reduce local service responsiveness, and a desire to keep services and employment within affected communities.

Other reasons for opposition included:

- Concern at potential for unfair cost sharing across the region

- Cultural and generational concerns at selling off of water, a taonga for the district, separating stormwater from other waters preventing a holistic approach to water management, and lack of consultation with iwi.
- Opposition to water metering with practical concerns like leaks, fairness, and cost for old homes.

There was some difference in response between towns namely:

- In terms of financial concerns, Tokoroa responses emphasised cost of living concerns, while Putāruru and Tīrau emphasised financial risk and modeling doubts.
- Whilst there was an overall concern about the consultation process Putāruru responses emphasised a concern with biased consultation, predetermined outcomes and poor communication, while Tokoroa responses emphasised concern for lack of public awareness about the proposed changes.
- Whilst concern was expressed across all three main towns about water metering and clarity sought about how this would work for communities, Tīrau submitters in particular were concerned about this issue.

Key Reasons for Support

Key reasons in support of the preferred option include:

1. **Support for water metering linked to fairness** (ie encourages water conservation and potentially reduces total water costs for low use households).(2 submission points)
2. **Support for infrastructure investment and futureproofing** (1 submission point)

Support was also conditional subject to a number of concerns as follows (5 submission points):

- Acknowledgement that water service separation might be justified but must not increase total household costs
- Assurances required that local services and jobs will be retained, particularly in Tokoroa
- Greater clarity on governance and accountability of WWDW option being provided
- Clarification that option could be revisited if other councils pulled out of the model affecting its viability.

Note: Numbers given above reflect number of submission points on a particular matter rather than submitters (ie one submitter may have made this point more than once in their submission).

Recommendation

While Council must give due consideration to these submissions staff consider that the core rationale and information base that led Council to select WWDW as its preferred option is unchanged and that WWDW should be confirmed as Council's Water Service delivery option for drinking Water and wastewater services.

Options

Option	Advantages	Disadvantages
Option 1: Do nothing	• Established relationships with Iwi in place giving effect to River Iwi treaty settlements	• Would put significant pressure on Council balance sheet and given expected capital expenditure in near future is highly likely to breach Council and LGFA debt covenants.

	• Allows for easier, more integrated planning across the organisation • No transition process to establish	• Affordability to residents is likely to become extremely challenging • Would be competing with established CCOs for staff and contracting resources and is unlikely to appear attractive • There are existing and expected compliance issues which are likely to be exacerbated with increased regulatory standards and funding challenges • Challenges to maintain compliant water services and respond to increased reporting and accountability to Taumata Arawai, Waikato Regional Council and Commerce Commission
Option 2: Approve recommendations	• lower price path than the status quo • Provides efficiencies of scale • Opportunities for service improvements by consolidating operations and maintenance • Likely to attract and retain staff and contractors at a greater rate than individual councils • Greater debt capacity available to the organisation to invest in climate resilience • Stronger ability to meet regulatory requirements • Opportunity to take a catchment-based approach to consenting • It may create debt headroom for rest of the rest of Council, enabling it to better fund other activities	• Will need to establish relationships with Iwi to give effect to treaty settlements • Must work through transition process

The recommended option is Option 2.

Linkage to Strategic Plan Priorities

Water Services underpin the adopted Growth goals and efficient and effective infrastructure provision. Growth can only occur with effective and affordable infrastructure that meets regulatory requirements.

Consultation (Internal and External)

Section 62 of the Local Government (Preliminary Arrangements) Act 2024 requires public consultation on the preferred option and provides streamlined provisions to facilitate this. Council resolved at its February meeting to adopt this process. Accordingly, consultation with the public took place from 14 April to 12 May 2025.

Physical copies of the Consultation/feedback document were made available at Council office and its facilities across Tokoroa, Putaruru and Tirau. Online copies of the submission form were made available on the website. The Consultation also featured as a news article on the website, and a series of posts sharing this on Council's Facebook page over the consultation period were made. A district-wide Antenno notification was sent out and it remained active for the entire consultation period.

The Consultation was also prominently featured on the April Issue of InTouch with details about how to submit feedback.

Financial Considerations

- Costs currently being incurred for LWDW are being funded from the allocation of better off funding.
- The costs of Establishing Waikato Waters Limited, if incorporated, would be financed by the shareholding councils until the CCO can borrow in its own right from LGFA when all monies advanced by the shareholders will be repaid, including interest costs. The budget for these Establishment costs will be approved by the Shareholders Representative.

Risks

WDWW - Regulatory uncertainty

There is uncertainty in the regulatory landscape the company will be operating in which may lead to cost escalation. This will be managed by on-going engagement with the regulators.

WDWW - Capital delivery ability

Ability of the market to respond and deliver on the capital works delivery. This will be managed through Strategic procurement to improve supply and smart consenting initiatives. The scale of the company also gives extra buying power, making the company more attractive to external contractors compared to councils alone. The company will actively engage with market to ensure they understand the forward programme.

Significance & Engagement Policy

Staff assess the proposal as of high significance as it involves transfer of Strategic Assets. The Local Government (Preliminary Arrangements) Act 2024 requires public consultation on the preferred option and provides streamlined provisions to facilitate this. Council resolved at its February meeting to adopt the streamlined process. Consultation took place from 14 April to 12 May 2025 consistent with this.

Reference

n/a

Attachments

1. 3 Waters Consultation Submissions