FAQ Sheet

What is Local Water Done Well?

Local Water Done Well is the Coalition Government's plan to address New Zealand's long-standing water infrastructure challenges. This includes stormwater, wastewater and water supply infrastructure. It replaces the previous government's Three Waters reform proposals.

It aims to:

- Tackle New Zealand's long-standing water infrastructure challenges by enhancing the quality, sustainability, and affordability of water services nationwide.
- Introduce new economic and quality regulations to improve service standards.
- Ensure water services are future-proofed and financially sustainable.
- Make water services delivery more effective and efficient.

What does it mean for councils?

There will be new rules for investment, borrowing and pricing and new options for how we deliver water services.

Councils throughout New Zealand are required to formulate a plan (Water Services Delivery Plan) to show how they will deliver water services that meet these new water quality and infrastructure standards while being financially sustainable in the long-term.

The Water Services Delivery Plan must specify the service delivery model we propose to use in the future. It must also show that the delivery of water services will be financially sustainable and meet new regulatory and environmental standards by June 2028.

What does financially sustainable water services mean?

Financial sustainability means revenue from water services (the charges residents and businesses pay) is sufficient to meet the costs of delivering water services. This includes meeting all regulatory standards and making long-term investments in water services.

How councils approach achieving financial sustainability can differ depending on local circumstances. Councils need to consider the balance between three key factors.

These factors are:

- **Revenue** - is there sufficient revenue to cover the costs (including meeting debt repayment and interest charges) of delivering water services?
- **Investment** - is the projected level of investment (in new treatment plants, replacement pipes etc) sufficient to meet levels of service, regulatory requirements, and provide for growth?
- **Financing** - are funding and finance arrangements sufficient to meet investment requirements?

Why are changes being planned for water services?

Transformational change is being mandated because water services in much of New Zealand are suffering longstanding and serious challenges, mainly due to a lack of sufficient investment over a long period.

Councils need significant and sustained investment over coming decades to fix water networks, which are at risk of critical failure in places. Urgent attention is also needed to enable new housing growth, provide safe drinking water, improve environmental water quality and enhance resilience.

Why can't the Council continue delivering water services with its existing model?

Our existing resources are not enough to meet future water service demands and evolving regulatory requirements. An in-house model would require substantial investment to comply with new regulations and wouldn't meet financial sustainability rules without significantly increasing charges.

Why are Water Services Delivery Plans needed?

Plans are a requirement under the Local Government (Water Services Preliminary Arrangements) Act.

The plans are a 'one-off' way for councils to reflect on their current approach to the delivery of drinking water, wastewater, and stormwater services and demonstrate their commitment to a future model that is financially sustainable and meets quality standards.

Water Services Delivery Plans:

- Must include detailed information about water services operations, assets, revenue, expenditure, pricing, future capital expenditure, and how councils plan to finance and deliver their preferred delivery model.
- Are for a minimum 10-year timeframe but can be up to 30 years. The first three years must be detailed.
- Must demonstrate how the water services will be financially sustainable by June 2028.

The Government can reject plans if they do not meet legislative requirements. If it's not satisfied with a council's water services delivery proposal, the Government can also direct what councils should do.

Do all councils have to develop a Plan?

Yes, all territorial authorities must prepare a Plan. This includes all district and city councils, and unitary authorities. It excludes regional councils. Councils can develop plans individually or jointly with other councils if they propose to deliver water services through a joint arrangement.

What is a council-controlled organisation (CCO)?

A CCO is an organisation that is established by a Council (or group of Councils) as a separate legal entity. Ultimately a CCO is accountable to the Council (or Councils) that are the shareholders of the company, but is run independently, with independent management and governance.

What funding will be available to CCOs?

Councils that form CCOs will have the ability to borrow significantly more, via the Local Government Funding Agency, for water infrastructure investment and service delivery than they would if water services were retained in-house. Councils won't have to consider the three waters debt as part of their total debt profile when borrowing from the LGFA. This frees up their borrowing capacity for other projects, should they wish to.

Will my water bills increase no matter what?

Yes, water costs are rising nationwide due to stricter standards, infrastructure upgrades, and climate change impacts. The key question is how we manage these rising costs.

Will water services be privatised?

No. Under all options, water assets will remain publicly owned. The law prevents councils from privatising water assets.

Who will make decisions about water services?

If a CCO is created, councils appoint a board of directors to run the company. The Board will appoint a CEO, who will be responsible for the day-to-day management of the CCO. The shareholding councils may appoint an interim CEO to help set up the organisation.

The shareholding Councils will provide the CCO with a Statement of Expectations, which will set out the CCO's expectations, priorities, and strategic direction. Ultimately, the Board will make decisions about water services, but it must affect the statement of expectations.

Will the Council still have control over its water services?

While the Council will no longer directly manage day-to-day operations, it will be involved in setting expectations for the organisation and monitoring performance against those expectations.

Can the water organisation raise prices without council approval?

An economic regulator (Commerce Commission) will monitor pricing to ensure affordability and fairness.

How will I pay for water under a joint organisation?

The water organisation will be responsible for charging for its water services. This will no longer be part of your council rates. Water bills may become a separate charge, similar to your power or internet bill, paid directly to the new water organisation (or they might be collected by the Council on behalf of the entity). This is still to be determined.

What happens if one or two councils leave Southern Water Done Well before a Water Services Delivery Plan is submitted?

That could happen. If this happens, the remaining Councils will need to consider whether the benefits of a jointly owned CCO can still be realised and outweigh the alternatives.

In this situation, we would have to look at:

- the viability of a two or three-council CCO
- the impact on funding, investment and service cost

We would also need to be mindful of whether alternative options meet Government regulations and expectations.

The Government has the power to reject our Water Services Delivery Plan and appoint a water services specialist to prepare one that meets legislative requirements. We would have to pay for the specialist.

Can other Councils join the Southern Water Done Well group?

If a jointly owned CCO was formed, there would be the opportunity for other councils to join after the Water Services Delivery Plan was accepted by the Government.

If a jointly owned CCO were set up, would the bigger councils have more say in the new organisation?

The preferred model would see all partner councils have equal voting rights.

Councils will be able to outline their priorities in a Statement of Expectations, which will be developed by all shareholding Councils together. The CCO must give effect to those priorities.

A report says establishment costs for a jointly owned CCO would be $13.8 million. Is that correct?

That estimate was for financial modelling purposes and is not a formal budget. Actual costs are likely to be refined as work progresses. Establishment costs would be shared among the partner councils. Estimates for a stand-alone CCO range between $3 million and $4.5 million, which would be carried by each council alone.

Even with these establishment costs, water charges are lower for all ratepayers under a jointly owned CCO.

What's the difference between a jointly owned Council Controlled Organisation and Wellington Water, which is also a CCO?

The proposed CCO model differs from the Wellington Water model as it shifts the powers to set charges and budgets, as well as ownership of the assets, to a new organisation.

Wellington Water's governance and management structure were inappropriate for the business model. The responsibilities for setting charges and budgets remained with councils, meaning the people responsible for delivering and planning the work had no control over how much money they received to deliver the work programme.

Wellington Water also had to deal with its own unique asset management challenges, as seismic activity had a disproportionate impact on large parts of its network.

You can learn more about our Southern Water Done Well partners on their consultation websites:

GO RURAL DISTRICT COUNCIL RE CITY LIVING

Gore District Council
www.goredc.govt.nz/water

Clutha District Council

Clutha District Council
www.cluthadc.govt.nz/southern-water

CENTRAL OTAGO DISTRICT COUNCIL

Central Otago District Council
www.lets-talk.codc.govt.nz/southern-water-done-well

Waitaki DISTRICT COUNCIL TE KAUNIHERA Ā ROHE O WAITAKI

Waitaki District Council
www.letstalk.waitaki.govt.nz/swdw