WATER SERVICE DELIVERY FREQUENCY ASKED QUESTIONS

This FAQ document has been developed to support Hauraki district understand some of the terms in the Water Services Delivery option consultation document released 1 May 2025.

What is Local Water Done Well?

Local Water Done Well (LWDW) is the Government's approach to managing drinking water, wastewater, and stormwater services. It replaces the previous Three Waters reform programme and its objective is to increase opportunities for efficiencies and economies of scale through working together to achieve greater buying power and making projects more attractive to suppliers.

Why is change necessary?

New Zealand's water infrastructure faces significant challenges, including ageing assets, increased regulatory standards, and transparency in terms of the cost of water. LWDW ensures water services are financially sustainable, compliant with new regulations, and able to meet long term community needs.

What does LWDW mean for Hauraki District Council?

All councils must develop a Water Services Delivery Plan (WSDP) by 3 September 2025, detailing their infrastructure status, investment needs, and their service delivery model that will meet the new national standards. Before WSDPs are submitted to the Department of Internal Affairs, councils must decide on their delivery model for the future. In short, councils can choose between an internal business unit or a Council-Controlled Organisation (CCO), either on their own, or with other councils, for water services.

What are the options for water service delivery?

Our council has identified two viable options:

- Waikato Water Done Well CCO (Preferred Option) – A jointly owned company with independent governance, delivering regional water services efficiently, of which Hauraki District Council would be a shareholder of.
- Enhanced Status Quo with regulation – Council retains direct control of water services, but they will be ring-fenced from other council operations.

Were there any other options the Council looked into?

Yes, multiple. However, we focused in detail on a shared services option with another council and a commercial option. These are detailed in the Business Case.

The other options were not progressed due to the analysis result being similar to the Enhanced Status Quo with Regulation, the lack of support from neighbouring councils and the increased risk to water services delivery without significant gain.

Why is Waikato Water Done Well (WWDW) the preferred option?

WWDW offers cost efficiencies, better borrowing power, shared expertise, and enhanced service delivery. It provides a regional approach to water services, while individual councils are still involved in key decisions as a shareholder.

How does the Enhanced Status Quo with Regulation model compare?

Under this option, the council maintains full control but faces higher long-term costs and limited borrowing capacity. Over time, this model may become unsustainable.

What about stormwater?

Council has determined that Stormwater is not going to be considered as part of Local Water Done Well for Hauraki District and will remain a Council activity. Council operates and maintains stormwater infrastructure across the district to limit the impact of flooding and to ensure that stormwater discharges to waterways safely. Our stormwater assets are linked to and maintained across various council activities such as transportation and parks and reserves and Hauraki Council, like many other Councils have deemed it too complex to separate at this stage due to the association with other Council activities.

Will the Government allow WWDW to only include drinking water and wastewater? I thought the Government required stormwater to be included as well.

Yes. Councils can retain responsibility for ensuring that stormwater services are provided in their district, but have the flexibility to choose the delivery arrangements that best suit their circumstances. This includes choosing if they will continue to delivery stormwater in-house, transfer all or some aspects of stormwater to a water organisation or contract a water organisation to provide stormwater service delivery.

Will water services become more expensive?

Yes. In order to meet Central Government legislation, new delivery standards and economic regulation, there will be new monitoring fees, compliance costs, and infrastructure investments, resulting in increased water service costs under any model. However, a CCO can provide alignment across all councils, cost efficiencies and access to better borrowing options.

Water rates are already expensive. Do you have an estimated amount of what the increase may look like?

Household water charges are a factor of proposed levels of investment, operating expenses, borrowing levels and utilisation of debs versus revenue funding of investment. Since 2024 drinking water rates have had larger increases due to changes in the operating environment such as increased compliance resulting in infrastructure spend and the rising cost of debt and operating expenses.

After the 2025/2026 financial year, it is expected that water charges will stabilise and increases will equate to approx.4% per year. Under the new legislation drinking water rates are measured as a percentage of median household income. Median household income is also estimated to increase approx. 4% per year. These increases equate to approx. 1% of median household income.

Wastewater charges are far more challenging due to compliance based infrastructure upgrades on top of increases in supplier pricing and costs to operation. In the 2024-2034 LTP wastewater rates are expected to increase nearly 125% over the next 4 years before settling on 10% per year for the 5 years after that. Waikato Water Done Well has predicted a 50% increase over the next 4 years before settling to an average of 5.2% per year the 5 years after that.

How does borrowing work under each model?

Borrowing for assets allows councils or CCO's to spread the debt over many years and multiple generations of asset users. Rather than one generation paying for something that lots of generations will use. Councils have a borrowing cap of 280% debt-to-revenue ratio, while a CCO can borrow up to 500%.

If the preferred option is WWDW, Shareholding Councils will operate at an arm's length from the CCO but will be required to put in place guarantees (or uncalled capital) that is proportionate amongst shareholders.

What does 'ring-fencing' water services mean?

Water services revenue and expenditure must be separated from general council finances. This ensures financial transparency.

Hauraki District Council ring-fenced water services some time ago in our financial accounts but you will have noticed that on 1 July 2025 we're looking at separating out the wastewater portion of your property rates bill and moving it to your water bill. Stormwater will remain charged on your land rates as Council has deemed it too complex to separate at this stage (as mentioned above).

How does the financial modelling work?

Modelling is based on a series of assumptions, so it's a bit like a weather forecast – we use the best information we have at hand, at the time.

Hauraki has tried to use the same assumptions across all models but because WWDW is a completely different business structure to council, some of the results can vary. What we do know is that we don't want our community to be worse off financially if we go with WWDW.

So, how do we move forward with so much uncertainty?

We know that water services delivery is going to become increasingly unaffordable for our communities in order to meet future requirements. If we choose WWDW, our modelling has indicated that our community won't be worse off financially than they would be under the Enhanced Status Quo with Regulation model, however, there are increased benefits in WWDW, financially and non-financially for staff and community.

Benefits of WWDW include, economies of scale, community affordability, debt capacity, smart consenting, resilience through shared resources, iwi engagement, legal compliance and climate change mitigation.

What are the key benefits ratepayers will see with WWDW?

- Achieving efficiencies of scale is a key objective of the CCO. This includes opportunities for service and delivery improvements through the consolidation of operations and maintenance, procurement, workforce optimisation, and enhanced relationships. Scale will provide greater certainty and consistency for the civil contracting sector, which is a vital partner in water service delivery.
- Community affordability.
- The CCO has the greatest debt capacity of either option. When several councils with different debt profiles come together, the increased borrowing capacity available to the CCO can be leveraged. Councils on a standalone basis do not have access to such high debt ceilings and must retain lower debt to revenue ratios.
- Resilience through shared resources.
- Sustainability, attraction, and retention issues of skilled staff are expected to be greater with a regional model compared to rural and provincial councils standing alone.

Who owns and governs the Waikato Water Done Well CCO?

The CCO is owned by participating councils and governed by an independent board. Councils retain influence through a shareholders' forum, Statements of Expectations, and oversight roles.

When will we know who the board members are and what experience they have for this role?

Waikato Water Done Well will be governed by an independent professional board of directors. Nominal directors may be appointed for a very short period pending the professional board being in place and well before the CCO is operational. It is possible that nominal directors will be staff or elected members.

Each Director of the Company must have the skills, knowledge or experience to:

- Guide the Company, given the nature and scope of its activities and
- Contribute to the achievement of the objectives of the Company

In making all Director appointments, the Shareholding Councils must ensure that all directors have essential attitudes and core competencies set out in the Institute of Directors Competency Framework. The list of collective board attributes are listed in the Proposal for Waikato Water Done Well document.

Who will provide and maintain water services?

Under Waikato Water Done Well: A Council Controlled Organisation with an independent board, named Waikato Waters Ltd will manage drinking water and wastewater services.

Under the Enhanced Status Quo with Regulation option: The council will continue providing services, including stormwater.

Can the Waikato Water Done Well CCO be privatised?

No. Share in the CCO can only be held by a council, they cannot sell or transfer ownership.

How will community voices be heard?

Councils will continue to have input into the relationship they expect the CCO to have with their customers, by setting the strategic direction via the accountability framework. This includes the preparation of a combined Statement of Expectations which can include expectations regarding community or consumer engagement and the contents of that engagement.

What are the Long-term Planning implications?

The Local Government (Water Services) Bill requires a water service provider (currently HDC) to prepare and adopt a water services strategy. Until this strategy is in place, our Long Term Plan 24-34 continues to apply.

If the preferred option WWDW is selected and our transition date is prior to 1 July 2027, we may be required to amend our Long Term Plan 24-34 to reflect the new legislation requirements.

If Council chooses to go with WWDW, will there be a possibility for land rates to increase with the water and wastewater rates removed from Council income?

If Council chooses to go with WWDW, there will be work undertaken to determine what Council may look like without drinking water and wastewater services.

This work will be done in conjunction with negotiation of the transfer agreement with Waikato Water Done Well, what will be transferred and what will be staying with Council. HDC is already aware of potential stranded overheads (approx. $1 - 1.8M) that are currently paid for by water services. If these stranded overheads realise there may be an increase in land rates to cover them.

At this stage it is difficult to be certain on what future land rates will be but we can assure you, we will keep you informed.

How will people be charged for water services?

Under WWDW and Enhanced Status Quo with Regulation there will be a separate invoice for drinking water and wastewater services. This is expected to come into effect 1 July 2025 either way.

Property owners will no longer pay for water services in council rates bills and instead will be invoiced separately, much like gas, phone or power companies do.

Who do people contact for water service issues?

Under the CCO: Waikato Waters Ltd, with council support during the transition. Contact details will be made available closer to the time.

Under Enhanced Status Quo with Regulation: The council remains responsible.

What does this mean for households that are not connected to water services?

There is little to no impact on residents who are not connected to water or wastewater services other than any current arrangements.

Stormwater will continue to be charged through rates.

What about drinking water that goes to our agricultural community

HDC drinking water supply includes domestic and agricultural water to the Hauraki communities. All drinking water supply will looked after by WWDW if we go with that option. Under Enhanced Status Quo with Regulation, there will be no change to the current arrangement.

How does each model affect council staff?

Under Enhanced Status Quo our staff will be retained, however we may struggle with workforce sustainability due to the attractiveness of the water services organisations and regulatory changes.

In the case of a transfer agreement with an organisation such as WWDW, the Local Government (Water Services) Bill requires the CE to identify the affected employees in relation to those employees that are >50% water services and those that roles may be compromised with council due to the water services transfer. When HDC transfers our water business into WWDW, relevant staff will transfer across as well. WWDW includes provisions for workforce retention and transition, ensuring job security and career development.

How will infrastructure be maintained and improved?

HDC has a significant programme of investment in infrastructure detailed in the 24-34 LTP and the Enhanced Status Quo with Regulation will continue to invest as per the LTP, updated 25-26 Annual Plan and changes to the Wastewater standards.

WWDW enables larger projects to have the benefit of scale through better borrowing and shared resources and will determine investment through a shareholder agreed prioritisation framework. New National Engineering Design Standards will also provide a common set of engineering standards in accordance with best practise to improve design efficiencies.

How can the public provide feedback?

Consultation runs from 1 May to 23 May 2025. Feedback can be provided online, via hard copy submission forms or via a hearing of submissions.

For more information, visit our Kōrero Mai page

https://letstalk.hauraki-dc.govt.nz/local-water-done-well

What happens after consultation?

6 June 2025: Submitters can present their feedback to the Elected Members for Council consideration.

25 June 2025: The final decision is made on the preferred water services model and communicated to our communities.