

TE KAUNIHERA O TE AWA KAIRANGI | HUTT CITY COUNCIL

Meeting to be held in the Council Chambers,
2nd Floor, 30 Laings Road, Lower Hutt on
Tuesday 11 March 2025 commencing at 4.00pm.

SUPPLEMENTARY ORDER PAPER

PUBLIC BUSINESS

5. **LOCAL WATER DONE WELL - CONSULTATION ON
WATER SERVICE DELIVERY MODEL**

Report No. HCC2025/1/70 by the Strategic Advisor

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SENIOR DEMOCRACY ADVISOR

12 February 2025

Report no: HCC2025/1/70

Local Water Done Well - Consultation on Water Service Delivery Model

Purpose of Report

1. This report provides Council with information on the planned consultation for the preferred water services delivery model and seeks Council endorsement of the consultation document attached as Appendix 1.

Recommendations

That Council:

- (1) notes that in accordance with the Local Government (Water Services Preliminary Arrangements) Act 2024, Council is required to consider and consult on a future water services delivery model as part of preparing a Water Services Delivery Plan (WSDP);
- (2) notes that the WSDP is required to be submitted to the Department of Internal Affairs by 3 September 2025;
- (3) notes that at its meeting of 29 October 2024, Council agreed to consult on two options, being the status quo, with changes to meet the new legal requirements, and its preferred option of a new joint asset owning water services CCO model;
- (4) notes that much of the content of the consultation material has been prepared in collaboration with the other participating councils considering the new regional model, to ensure consistency and avoid possible confusion;
- (5) notes that the financial modelling is based on an investment programme that is higher than what is in the LTP, to include critical regional projects such as the Seaview Outfall Pipe Renewal and Pakuratahi Lakes;
- (6) notes that consultation for participating councils is planned to occur between mid to late March 2025 and mid to late April 2025;
- (7) notes that consultation is being undertaken at a time when further legislation to complete the Local Water Done well reforms is still be finalised, and that some key aspects of the options and details in the consultation material may change as a result of the final legislation which is expected to be enacted mid 2025;
- (8) considers any further feedback and direction to be provided to officers on the content of the draft consultation document, attached as Appendix 1 to the report;

- (9) delegates the power to the Mayor and Committee Chairs to finalise the consultation document; and
- (10) notes that the questionnaire and Frequently Asked Questions (FAQs) are attached as Appendix 2.

For the reason that Council is required by legislation to consult on a future water services delivery model.

Background

- 2. At its meeting of 29 October 2024, Council agreed to consider and consult on two options for the future delivery model for water services. These were the proposed new joint asset owning CCO model and the status quo, with changes to meet new legal requirements for managing water services.
- 3. Council agreed that its preferred option was the proposed water services joint asset owning CCO, known as a Water Organisation (WO) under the Local Government (Water Services) Bill, currently going through its legislative process and expected to be enacted by June 2025.
- 4. Council also agreed that work be undertaken collaboratively on the consultation material so it is aligned across the region. Officers from Greater Wellington Regional Council and the four Wellington metropolitan councils have been working on the consultation document, a draft of which has been endorsed by the region's Chief Executives, and which is attached as Appendix 1.
- 5. While much of the messaging in the consultation document is consistent, individual councils have included content that is specific to them (financial impacts, for example) and where they consider greater emphasis should be made.
- 6. Participating councils are planning to align consultation dates as closely as reasonably possible (mid to late March 2025 to mid to late April 2025), with some councils including this engagement as part of their wider Annual Plan or Long Term Plan (LTP) amendment consultation. Consultation on the water services model for Council is a standalone engagement.
- 7. Submissions will be analysed and reported to Council in June 2025.
- 8. The final WSDP is required to be submitted to the Department of Internal Affairs by 3 September 2025.

Discussion

- 9. The consultation document and the collateral that will be derived from that, have been compiled to assist residents and ratepayers better understand the two realistic options available to Council for the future delivery of water services. It also undertakes to communicate the advantages and disadvantages of each option and their financial implications, using a consistent investment scenario.

10. There has been a balance between providing sufficient information for respondents to adequately understand what is being proposed while not inhibiting them from engaging with the issue with information overload. This balance also needs to ensure Council is meeting its legal responsibilities with respect to the level of information provided. Where possible, officers have included detailed information using a **link** option so that respondents have a choice as to what level of information they want to see.
11. Noting that this document has been prepared collaboratively by all participating Councils, any proposed changes should be focused on omissions or errors.
12. The release earlier this week of independent reports on WWL's procurement practices, highlights issues with the high cost of renewal works compared to a small sample of peer Councils. The underlying project information used for the financial modelling is based on some of those costs. While Council, alongside other shareholder Councils is working with WWL to better understand the scope of this issue and put in place controls to ensure competitive pricing, this is not expected to result in immediate changes to the underlying investment profile. However, the critical issue here is not so much what the investment should be, but under any scenario which model will deliver the best results. In all investment cases the preferred option does this.

Options

13. Officers are seeking endorsement of the consultation document to meet its legal obligations, and as such, this is not a matter that is optional.

Climate Change Impact and Considerations

14. There are no climate change considerations with respect to the endorsement of the consultation document.

Consultation

15. Council's consultation is planned to take place between 20 March and 20 April 2025.
16. A consultation plan has been developed, which includes the following engagement activities: website information on Have Your Say; Hutt News advertisement; posters and flyers for Council hubs and libraries; an insert sent out with rates instalment letters, social media campaign; and press release.

Legal Considerations

17. Council is required by the Local Government (Water Services Preliminary Arrangements) Act 2024 to consider and consult on a future water services delivery model as part of preparing a Water Services Delivery Plan.
18. Simpson Grierson has provided advice to the regional team to ensure compliance with the requirements of the Act regarding the level of information provided in the consultation material.

19. It is important to note that consultation is being undertaken at a time when further legislation to complete the Local Water Done well reforms is still be finalised, and that some key aspects of the options and details in the consultation may change because of the final legislation, which is expected to be enacted mid-2025.

Financial Considerations

20. The financial modelling to support content required for the consultation document has been prepared by the regional team and not by Council officers. The financial modelling applies a consistent set of assumptions and methodology and has included the projected pricing.
21. The investment levels used in the modelling to forecast debt and water charges are higher than what is in Council's LTP, taking into account the considerable backlog of deferred works and the greater borrowing capacity available under the new water services approach. Investment in the Pakuratahi Lakes and the renewal of the Seaview wastewater outfall pipe have been included in the modelling due to their criticality to the region.
22. There are two options described in the consultation material:
- Option 1: A Preferred approach – a new multi-Council owned water organisation which will own and operate public water, wastewater and stormwater assets/networks.
 - Option 2: Modified status quo – a modified version of Wellington Water Ltd where asset ownership and investment decisions remain with each individual council. As the existing Wellington Water model would not comply with all aspects of the new legislation, this option has been updated to comply with legislation.
23. Under either option, substantial increases in water charges over the LTP period will be inevitable if the backlog of renewals is to be progressed and new environmental and financial regulatory requirements are met.
24. The consultation material references that the preferred option (new multi-council-owned water organisation) is estimated to result in water charges that are considerably less than the modified status quo option over time.
25. It is important to note that the charges are indicative only and provided for the purposes of comparing delivery options for consultation. This information is subject to changes as officers further work through implications of the finalised legislation, compliance requirements, investment priorities and cost impacts and affordability for communities.

Next steps

26. Off the back of the feedback and direction from Council at this meeting, officers will work to finalise the consultation material with the Mayor and Chairs of Committees ahead of the consultation progressing on 20 March 2025.

Appendices

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Have your say on

The future of water services for Lower Hutt

This is the most important decision we'll make for our city in decades. Have your say from 20 March to 20 April 2025.

Inside page

This document has been developed to help residents understand the options and give feedback to guide Hutt City Council's decision on the future of water services.

Alongside the other metro Councils and Greater Wellington Regional Council, we are presenting two options for consideration – our preferred option of a multi-council-owned water services organisation, or the status quo of Wellington Water Ltd, modified to meet new Government requirements.

In this document, you will see two sections. Part A covers background and key information about the options, and Part B includes a comparison of the options with financial details, levels of services and statutory information.

Please consider the information and visit hutt.city/futurewater to find out more and have your say by completing the survey before 20 April 2025.

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Part B: Comparison of the options with financial details, comparison of the options, levels of services and statutory information.

Comparison and overview of the options

What are the financial impacts and costs of each option?

What are the implications for communities throughout the proposed new organisation's service area

How would the new organisation be monitored and kept accountable by Council?

Introduction from the Mayor

To come

Part A: Background and key information about the options

Delivering better water services for the future

The future of water services in the Wellington region is at a crossroads. To ensure clean, safe, and sustainable water for generations to come, we are seeking community feedback on two options for reform.

Our preferred option is a new multi-Council-owned water organisation, which would take ownership of public water services. This model allows for better long-term planning, investment, and environmental protection while keeping costs to consumers lower.

The alternative is a modified version of the current Wellington Water model, where Councils retain asset ownership while Wellington Water Ltd manages services. While this maintains the status quo, it may limit future investment, efficiency, sustainability and lead to higher costs to consumers.

Regardless of the chosen approach, water infrastructure will remain publicly owned and managed on behalf of ratepayers. We have outlined the challenges facing our water network, the need for reform, and the details of both options.

What's the problem with water services?

Like many parts of the country, our water networks face significant challenges. We experience water leaks, aging infrastructure, and water shortages during the summer months. Our wastewater plants sometimes fail to meet quality standards, and many waterways remain in poor condition.

It's challenging to meet the long-term needs of our growing population for drinking water, wastewater and stormwater systems. Adding to these challenges, climate change means we have storm events that are more frequent and more devastating, putting pressure on water networks.

The Government's Local Water Done Well reform introduces new regulatory standards for water services that all councils must meet, as well as mandatory planning and accountability mechanisms for new water organisations.

The amount of money Councils have set aside in their Long Term Plans (LTP) is not enough to keep our water networks up to scratch. This puts all of us at risk if services were to fail.

While we've put more funding into water services, especially for leak repairs, our efforts are limited by what ratepayers can afford and our ability to borrow for necessary upgrades and renewals. Here in the Wellington region, we are also limited by the cumbersome and inefficient arrangements underpinning our current way of delivering water services through Wellington Water Ltd.

As a country, we have not been paying enough for water, so whatever happens, water is going to cost more than it has previously. We must address these issues urgently and over time, but in a way that we can all afford and that is fit for purpose.

How it works now

Councils own the water networks in their areas. Greater Wellington owns the drinking water treatment plants, main pumps, and pipelines to get water to the city reservoirs.

Wellington Water Limited is the water services provider for Councils. It is fully funded by and delivers services to Councils that own it: Hutt, Porirua, Upper Hutt and Wellington City Councils, South Wairarapa District Council and Greater Wellington.

Wellington Water is governed by a board of independent directors.

A representative from each Council sits on the Wellington Water Committee, which provides overall direction for the company and appoints the company's directors.

While all our current Council plans show increased investment in water, we know this is not enough to maintain supplies that meet standards and more will be required.

Wellington Water Ltd Value for Money Reports

In early March 2025, Wellington Water released reports they had commissioned to identify better value for money through the investment made by its shareholding councils, which includes Hutt City Council.

At this stage, we do not know the implications of these reports on our financial modelling. We will share updates on this with our community through our usual channels as soon as we can. In the meantime, I encourage you to please have your say on the new model proposed for water services included in this consultation document.

It's really important to have your say so that whatever model is in place in the future meets community needs and expectations for quality water provision.

Why is water reform needed?

To address challenges facing water around the country, the Government has now introduced **Local Water Done Well**, which aims to:

- **Strengthen the regulation of water services** by:
 - Implementing new water quality and wastewater standards regulated by the Water Services Authority - Taumata Arowai
 - Introducing economic regulation covering price, quality and affordability issues through the Commerce Commission

- **Enable water services to continue being delivered locally** - with a mixture of measures that encourage Councils to work together in new water Council Controlled Organisations (CCOs), ringfence the money going into water (to prevent cross subsidisation of other Council activities) and have greater borrowing ability to better spread costs over the life of water assets.

Under Local Water Done Well, the Government has committed that water services remain in public ownership. Councils and water organisations will not be able to privatise water services.

What is the best way to deliver our water services in the future?

Under **Local Water Done Well**, every local authority in New Zealand is now required to consider its future service delivery model, keeping in mind:

- **Ageing infrastructure** – Major upgrades and renewals are required.
- **Water quality risks** – Leaks and pollution of waterways must be addressed. New water standards set by the Water Services Authority Taumata Arowai will help to improve drinking water quality and stormwater and wastewater networks over time.
- **Growing populations put pressure on core infrastructure** – Investment is needed to keep pace.
- **Financial sustainability** – More investment is needed for the long term, and the current model is unsustainable.
- **Affordability** – Paying for water services will increase no matter what. Which option is going to be less costly for ratepayers over time?
- **Environmental impact and sustainability** - We know that expectations and regulatory standards are increasing and that we need to be prepared to invest if we are to meet our aspirations in this area
- **Government requirements** – A service model must be submitted to the Department of Internal Affairs by 3 September 2025.

Choosing the best service delivery model

As part of Local Water Done Well, the Government has mandated that councils review how water services are delivered based on a range of options.

This consultation is to help guide the decision about the type of organisation best suited to deliver water services. Five Councils have agreed to work together – Hutt City, Upper Hutt City, Porirua City, Wellington City and Greater Wellington. We have worked in partnership with Iwi to consider and test a range of delivery model options (the South Wairarapa District Council has decided to work with other Wairarapa Councils rather than this side of the Remutaka Hill).

These five Councils have worked together for 10 years with Wellington Water as our water services provider. Each Council has considered the issue and separately arrived at a common view that it's time to change how we deliver our water services.

Hutt City Council is keen to explore this issue with our communities, so we are asking you to consider and give feedback on two options:

1. **Our preferred approach** – a new multi-Council-owned water organisation that will own and operate public water, wastewater and stormwater assets/networks.
2. **Modified status quo** – a modified version of Wellington Water where asset ownership and investment decisions remain with each individual Council. As the existing Wellington Water model would not comply with all aspects of the new legislation, this option has been updated to comply with legislation.

Why we prefer a new multi-Council-owned organisation

We know there are several challenges with our current delivery model and think that there are a number of benefits and opportunities from our preferred model.

Future charges for water

One of the key issues for our community is how much each model will cost to run and how much this will cost you.

Two things are clear:

1. Costs are going to be high under each delivery model, given the backlog of investment and the poor state of our water services infrastructure. Under either option set out in this document, what communities pay for water services will need to increase to address the challenges we face.
2. **Based on our high-level modelling, the preferred option would mean water charges are about a third less than the modified status quo by 2033/34.** Note that these are estimates only and subject to change as plans progress further, but water charges are still expected to be lower under the preferred model.

There are several reasons for this, in particular:

- The organisation would own all the water services infrastructure covered by the five councils and be able to generate its own income and manage its own debt. It would be expected to deliver economies of scale and have a strong focus on efficiency and value for money.
- The new organisation would have a greater ability to borrow money than councils currently do. This means that costs to fund assets that typically have very long lives and serve many generations of consumers will be able to be spread over a longer period.

More information on the financial impacts and costs are in Part B.

Regional approach and independence

Our region has an interconnected water system, with drinking water from the Hutt Valley supplying the whole metropolitan area and communities sharing wastewater treatment plants.

The organisation would have the resources, independence, and region-wide perspective to effectively manage and improve our drinking water, wastewater and stormwater networks for current and future communities, rather than being limited by council funding and electoral and decision-making cycles. This is a big advantage compared to the current service delivery model.

Wellington Water Ltd currently takes direction from six different councils (five under the modified Wellington Water model), meaning it is constantly reacting to issues within each area. The new water organisation would consider the networks as a whole, enabling a holistic and longer-term approach to planning and resulting in a more reliable water network.

Ability to meet regulation

While ownership of the water networks and control over its own revenue and financing will give the new water organisation the ability to make decisions itself, it would operate in a much more regulated environment. This will provide a strong focus on water and service quality, customer-focused delivery and value for money.

Support of Iwi

The preferred approach has been developed jointly by the five councils working in partnership with Iwi.

Key outcomes sought by Iwi are:

- That wai needs to be protected and managed for the benefit of current and future generations.
- There will be an enduring focus on the best possible outcomes for wai, taking a holistic approach across the whole water system.
- There will be a commitment to achieving the outcomes articulated in Te Mana o te Wai, as these endure beyond changing political cycles and direction.
- Iwi will have an active role in all levels of the water services eco-system – from long-term planning, governance, operations/management, through to engagement with communities.
- The approach will be tūpuna-led and mokopuna focused, meaning that we need to be driven by the goal of creating a thriving environment for future generations.
- A culture where committing to and resourcing these outcomes will be at the core of any new water entity, partnership or agreement.

To deliver these outcomes, Iwi have confirmed a joint council-owned water organisation as their preference. The primary drivers for this are:

- Water sources across Wellington are connected and for Māori are considered as one, from the water source of Te Awa Kairangi / Hutt River through to Te Whanganui-a-Tara / Wellington Harbour, Te Awarua-o-Porirua Harbour and the south coast.

- Working with one single organisation for water services would enable consistency across the region (supporting end-to-end protection and management) and will remove duplication of similar work across multiple organisations or councils.

Other benefits

- **Focus on accountability** – The preferred model is a new dedicated water organisation that takes full responsibility and accountability. Owning its assets helps the organisation deliver better financial results and service to customers, shareholders, Iwi, and government regulators.
- **Simplicity** – the preferred model is a one-stop shop for customers to get their water issues sorted.
- **Effectiveness in decision making** – The preferred model will ensure clear, aligned long-term decision-making and reduce these variations.
- **Efficiencies through economies of scale** - We know that a single larger organisation can achieve greater efficiency and better value for money and will be able to plan and invest more effectively
- **Better access to debt financing** - means we can spread cost over a longer period
- **The new model better provides for the involvement of Iwi** – For this reform, Iwi have been around the table from the start, and the new model will continue this practice.

The plan for future water services and managing costs

Under the new legislation, each Council must prepare a Water Services Delivery Plan (WSDP) that:

- Identifies the state of our water assets (pipes, reservoirs, pumping stations, wastewater treatment plants etc)
- Meets all regulatory water quality standards
- Is financially sustainable
- Supports population growth
- Covers 10 years

We are working on this plan, and it will be July 2025 before we have the final figures. We have done some preliminary work to enable us to compare different delivery models, but the costs need more work before we finalise our WSDP.

Under either delivery model, we plan to:

- Continue to review our capital investment programme. We are reluctant to make significant changes at this stage of the process because we know this work is urgent, and some have already been delayed.
- Drive efficiencies through more joined up decisions, better procurement practices, process improvements and a strong focus on value for money.
- Use longer term debt and the greater borrowing ability of the new water organisation to smooth these costs.

- Look at other funding sources and ways to structure debt.
- Look at how pricing is applied to different users and parts of the region to ensure that this is fair and reasonable.

How you can have your say

Head to hutt.city/futurewater before 20 April 2025 to complete the survey or visit any Hutt City Council Neighbourhood Hub to fill out a survey form.

What happens next

- Consultation opens: 20 March – 20 April 2025
- Hutt City Councillors decide on the new water services delivery model: 27 June 2025
- Water Services Delivery Plan submitted to Department of Internal Affairs: 3 September 2025
- Government confirms acceptance or requests changes to the Water Services Delivery Plan
- New model takes effect (if approved): 1 July 2026

More information

- **Further information on options, financial and level of service impacts:** More information on the financial and levels of service impacts is set out below [or online]
- **Hutt.city/futurewater** for full financial details and survey
- **Hutt.city/LWDW** for background to water reform including council reports
- **dia.govt.nz** for water services policy and legislation

Legal Disclaimer. This consultation is being undertaken at a time when further legislation to complete the Local Water Done Well reforms is still being finalised. Some key aspects of the options and details contained in this consultation may change as a result of the final legislation which is expected to be enacted mid 2025.

Part B: Comparison of the options with financial details, comparison of the options, levels of services and statutory information.

Comparison and overview of the options

The following table provides more information about the options.

	Preferred option – new water services organisation	Modified status quo – Wellington Water modified to meet legislative requirements
Asset ownership (i.e. the pipes, pump stations, reservoirs, wastewater treatment plants etc)	Assets are owned by the new company	Assets are owned by each individual Council
Ownership of the organisation	The shareholders are the individual Councils.	The shareholders are the individual Councils.
Decisions on spending in a new regulatory environment	The Board of the new company will make decisions based on input from Councils through a statement of expectation and stricter regulation on price and quality (Commerce Commission) and water quality and wastewater standards (Taumata Arowai)	Individual Councils make decisions based on the advice provided by Wellington Water Ltd. We consult through our planning – Long Term Plans/ Annual Plans. Stricter regulations would apply to the status quo.
Charging for services	The water services will be removed from rates, and the new company will bill property owners separately. There may be some interim arrangements for each Council as the new organisation gets established.	Currently, all water services are paid through each Council's rates. There would be no change to this under the modified status quo.
Costs to customers	Based on our high-level financial modelling, the preferred option results in water charges that are about a third less than the status quo by 2033/34 but are still challenging from an affordability perspective.	Early indicative estimates are that the costs to customers will go up substantially. Based on current estimates, by 2034, the average cost per connection under a full capital programme will be significantly higher than the preferred option.
Debt capacity (noting that debt pays for long term assets to reflect the intergenerational benefits for these long run assets)	Local Water Done Well will allow for higher borrowing capacity for new water entities based on funds from operations as a proportion of debt. This enables water organisations to spread costs over a longer period.	Currently, we can borrow 2.8 times our revenue (or up to 280% debt to revenue ratio). Our financial strategy shows that Council is heavily indebted, and there is constrained investment and ability to make the appropriate investments over the long term.
Water meters	Highly likely to be introduced.	Highly likely to be introduced

Customer enquiries	The new organisation would be the single point of contact for all service requests.	The first point of contact is the individual Council, which passes these to Wellington Water
Population growth	Will improve the ability to meet population growth through access to greater borrowing.	May restrict new housing development. Without substantial investment to increase network capacity, some parts of Lower Hutt have limited ability to add new housing.
Board appointments	A decision by shareholder Councils and Iwi on an oversight group. The details of this are still being worked through. For more information visit dia.govt.nz	A unanimous decision by the Wellington Water Ltd shareholding Councils

What are the financial impacts and costs of each option?

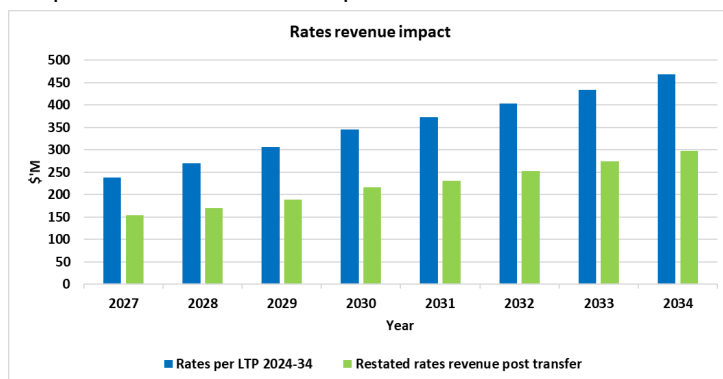
Our work so far is based on high-level modelling and indicative estimates of costs. The modelling is intended to help compare options and does not represent final costs, water charges and investment programmes.

Under the preferred option: a new multi-Council-owned water organisation

Council rates

If the preferred option proceeds, Council would no longer fund water services through rates. This would result in lower rates revenue for Council (all things being equal) as shown in the following graph. This compares the rates revenue forecast in the Long Term Plan 2024-34 with rates revenue after the transfer of the water assets to a new regional organisation (assumed 1 July 2026):

Graph 1 – Rates revenue impact



While water services would no longer be funded through Council rates, a separate water charge would be billed to water customers by the new organisation.

Water Charges

Under either option set out in this document, what communities pay for water services needs to increase to address the challenges we face.

Under the preferred option, the new water organisation would provide all services directly to water customers and bill directly for water usage and services provided. Customers would no longer pay rates to Council to fund the cost of water services.

Charges will be determined by the board of the new water company, under the oversight of an economic regulator (Commerce Commission) to ensure that these are fair, reasonable and provide appropriate levels of service.

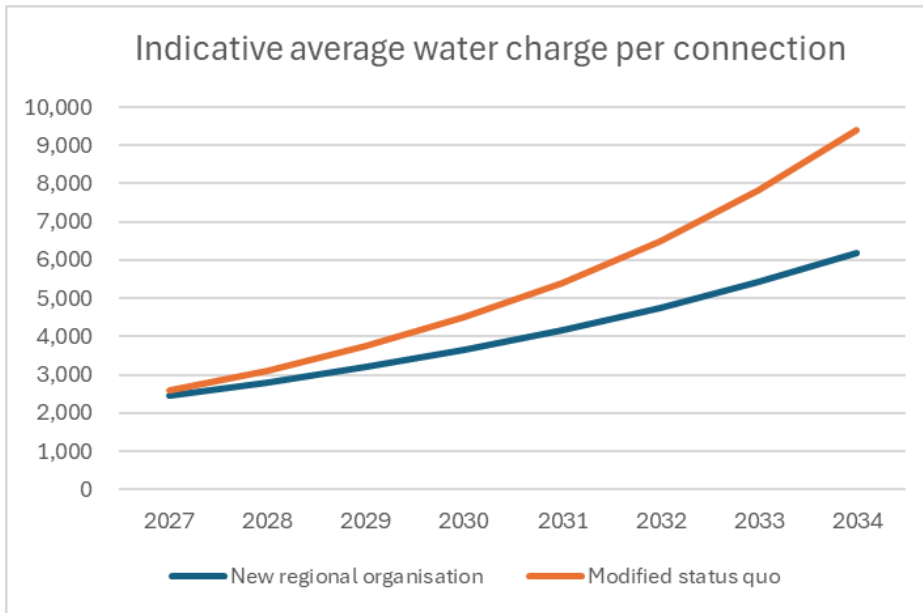
Council will likely have some influence over the water organisation's pricing and charging approach through the statement of expectations and water services strategy.

The high-level financial modelling completed so far indicates the multi-Council-owned water organisation option will likely provide the most efficient and effective financial solution.

This is due to greater efficiencies and economies of scale and additional borrowing capacity available to the multi-Council-owned water organisation.

Indicative average water charges per connection (including inflation and GST) are shown in the graph below. The preferred option is estimated to be about a third lower than the status quo over time.

Graph 2 – Indicative average water charges per water connection



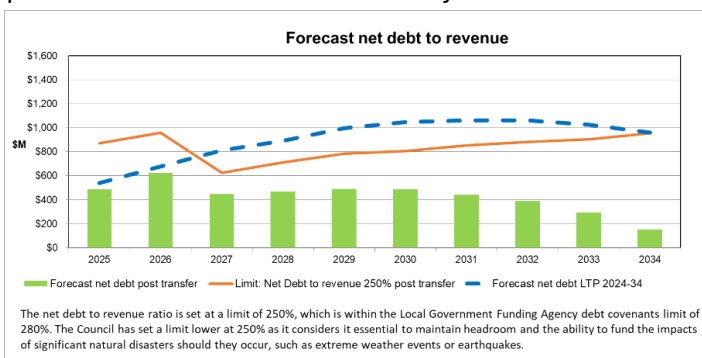
Note: These charges are indicative only and are provided to compare delivery options. The information is subject to change as we further work through the implications of finalised legislation, compliance requirements, investment priorities, cost impacts, and affordability for communities.

Council Debt

Under the preferred option, the debt associated with water assets would be removed from Council books and transferred to the proposed new water organisation on establishment (assumed 1 July 2026).

The graph below shows the impact of the water services transfer on debt compared to the Long Term Plan. This assumes water services debt is transferred to the new water organisation on 1 July 2026, with a drop in forecast debt levels for Council.

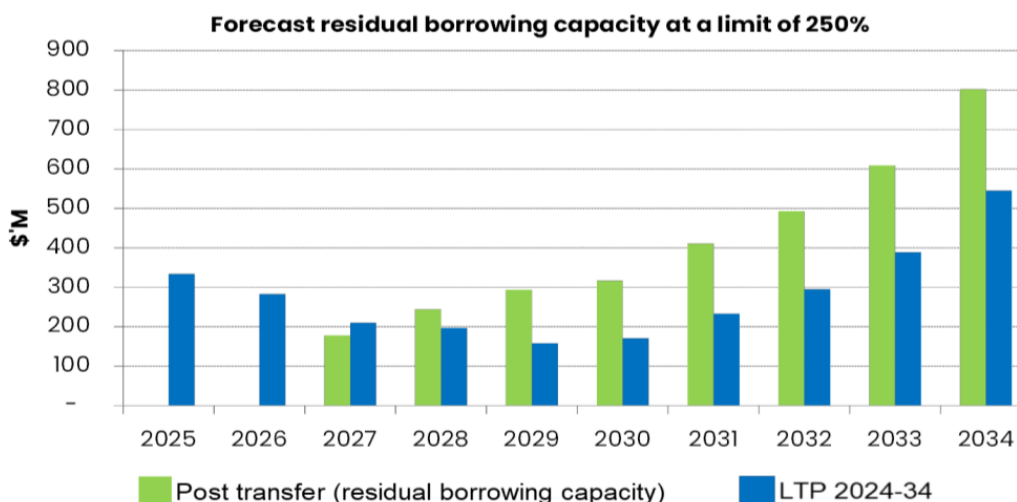
Graph 3 – Forecast net debt for Hutt City Council



As a result of lower debt and revenue, Council’s remaining borrowing capacity would change. Based on the Long Term Plan, this would mean a more favourable position for the Council. This position assumes all debt would be repaid when the new regional

organisation is set up on 1 July 2026. Should the debt be repaid over a longer period, the position would be less favourable.

Graph 4 – Forecast residual borrowing capacity



Levels of service

All the water service assets, money we receive, and debt will be transferred to the new water organisation.

The new water organisation will be responsible for all planning and delivery functions, including providing appropriate levels of service for communities.

This will enable the new water organisation to improve asset management and investment across the whole network, from source to tap in the case of water, and from businesses and households to treatment and discharge in the case of wastewater.

Access to increased borrowing will enable the water organisation to better manage key risks and deliver major long-term infrastructure that is currently unaffordable for councils. Borrowing will allow increased investment in water quality, growth and compliance activity.

Addressing the challenges and risks for water will take 20 – 30 years of ongoing investment. This will result in better levels of service for communities through reduced leaks, outages and unplanned disruptions while also enabling growth and delivering cleaner harbours and waterways.

While decisions on service levels are ultimately for the new water organisation to make, the changes outlined in the previous paragraph are expected to lead to the following improvements in service levels over time:

- Increased reliability and availability of water services to customers and reduced outages. This will be achieved slowly over the short term as we catch up on replacing assets.
- Improved water use efficiency and conservation with universal water metering rolled out for all councils.
- Improvement in regional water security, including new water storage lakes.
- Compliance issues with the Seaview outfall pipe will be addressed.
- Improved water quality and reduced compliance risks at all the wastewater treatment plants.
- Cleaner streams and harbours.
- Population growth can be supported across the region rather than in pockets within some councils.

As this will take time and ongoing investment, not all risks will be managed immediately, with some ongoing challenges regarding water supply, environmental compliance and seismic resilience in the short to medium term. The new water organisation will be better placed than individual councils and Wellington Water Ltd currently are to manage these risks as it will have greater scale and borrowing capacity.

Modified status quo – a modified version of Wellington Water Ltd

Council Rates

Under this option, Council would continue to fund water services through rates. Council would need to ringfence water services revenue for water supply, wastewater and stormwater activities.

Rates for water services would be determined via Council's long term planning processes, adjusted to meet the new planning and accountability framework for water services under Local Water Done Well, including the oversight of the economic regulator (Commerce Commission).

The modelled impact on rates is based on the same investment programme used in the preferred option, which allows a like-for-like comparison to be made. Based on high-level modelling, rates for water services will be significantly higher.

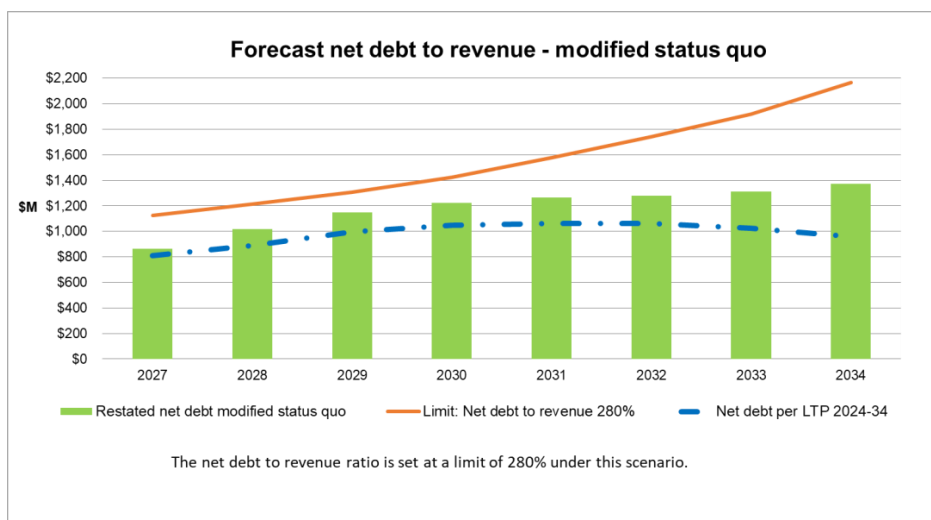
This is shown in Graph 2 above. The preferred option is estimated to result in water charges that are about a third less than the modified status quo by 2033/34.

Council Debt

Debt associated with water assets would continue to be held within Council and would need to be managed within Council's borrowing limits.

The graph below shows the impact of retaining water services on debt compared to the long term plan forecast. Forecast debt would be higher than in the Long Term Plan, reflecting higher investment to meet new regulatory requirements.

Graph 5 – Forecast net debt



Levels of Service

All the water service assets, revenues (such as targeted rates, any metering charges, development contributions) and debt remain with each council. Councils would continue to have significant constraints on increasing debt, meaning increases in rates to pay for required work.

Under the current model, Wellington Water Ltd must agree on maintenance, capital works and funding programmes separately with each council. This reduces Wellington Water Ltd’s ability to make the most of investment across the network.

We have modelled the same investment programme for this option as for the preferred option. If water charges were considered unaffordable, investment levels would need to be reduced.

This would mean that network risks may increase, and levels of service would likely continue to deteriorate as it would be challenging to fund high-cost infrastructure while also continuing to increase investment in repairs and replacements, water quality, growth and compliance activity.

Over time, this may have a poor effect on environmental compliance, water supply and seismic resilience.

It is likely that there would be ongoing level of service challenges such as leaks, outages and unplanned disruptions with constraints on growth and continued impacts on water quality of harbours and waterways

What are the implications for communities throughout the proposed new organisation's service area?

The new water organisation can be expected, in time to result in the delivery of more consistent levels of service to communities across its entire service area (Porirua, Wellington City, Hutt and Upper Hutt).

This will be due to its ability to take a strategic, network-wide approach to investment and prioritise parts of the network that are in the greatest need of renewal or repair. The organisation can also be expected to take a more consistent approach to charging for water services across the region: currently, the average household or commercial water user in Porirua, Wellington, Hutt and Upper Hutt pays different amounts for water services through the rates set by each council.

Communities across the region can also expect the same approach to invoicing, customer enquiries and complaints from the new water organisation, regardless of where they live.

How would the new organisation be monitored and kept accountable by the Council?*Under the preferred option:*

The board of the new water organisation will be appointed by and accountable to shareholders (Councils), who are accountable to and represent their communities and consumers.

Under the Government's Local Water Done Well policy and Local Government (Water Services Preliminary Arrangement) Act, all water organisations are required to meet a minimum set of expectations about how they plan and deliver water services, which will ensure they are held accountable. The Commerce Commission and Water Services Authority / Taumata Arowai will also oversee key aspects of the organisation's performance (and they will still be subject to existing public health safe drinking water and environmental regulation).

The proposed multi-Council organisation will be owned by shareholder Councils, who will each appoint representatives to a joint Council oversight body. This body will enable the coordination of multiple Council interests, lead the development of the statement of expectations (see below), appoint directors to the water organisation's board, and oversee the water organisation's performance (including in regard to strategic assets). This will ensure that a high-quality service is provided to everyone across the region. The participating Councils will enter into a shareholders' agreement to set out how they will work together effectively.

Under the preferred status quo:

This would happen in a similar way to the current arrangements, with adjustments as necessary to reflect the new legislation.

This would include oversight from the Wellington Water Committee (that is made up of Council representatives), who deliver an annual statement of expectations and receive quarterly reporting on performance. Councils (via the Wellington Water Committee) would appoint the Wellington Water Board as they currently do. Councils would continue to set the budget for Wellington Water Ltd through their long term plans with oversight from the Commerce Commission as the economic regulator.

Survey questions at Have Your Say:

1. **Are you a resident, ratepayer, or business owner in Lower Hutt?**
 - Yes (if yes, continue to survey)
 - No (if no, refer to other Council surveys)

2. **How important are the following water services to you?**
 - Drinking water (scale: Not important – Very important)
 - Wastewater services (scale: Not important – Very important)
 - Stormwater services (scale: Not important – Very important)

3. **How would you rate your experiences with the following water services in Lower Hutt?**
 - Drinking water (scale: Poor – Excellent)
 - Wastewater services (scale: Poor – Excellent)
 - Stormwater services (scale: Poor – Excellent)

4. **What do you think are the most important issues facing our water services that need to be addressed?**
 - (Open text box)

5. **Which option do you believe is the best for delivering reliable drinking water, wastewater, and stormwater services?**
 - Option 1 – Multi-Council-owned water organisation (Council’s preferred option)
 - Option 2 – Modified version of the current Wellington Water model (with a new planning, regulatory and accountability framework)

6. **How confident are you that the preferred option (multi-council-owned water organisation) will improve the quality and reliability of water services?**
 - (Scale: Not confident – Very confident)

7. **Do you have any additional comments or suggestions regarding the proposed water service delivery models?**
 - (Open text box)

Greater Wellington also wants to hear directly from the region’s residents. Visit GW.govt.nz to give them your feedback.

FREQUENTLY ASKED QUESTIONS – AVAILABLE ONLINE (NOT INCLUDED IN CONSULTATION DOCUMENT)

How are water services delivered in the Wellington region now?

Currently, each council owns the infrastructure (pipes and other facilities) within their city or area. For example, Hutt City Council owns the pipes underneath Lower Hutt and shares ownership of Seaview Wastewater Treatment Plant with Upper Hutt City Council.

Each council is also responsible for funding the maintenance and development of water infrastructure and does this by collecting rates through council. They are also responsible for the debt taken on to fund maintenance and improvement of the water network.

Service delivery (the actual work of maintaining the pipes, supplying drinking water, treating wastewater, managing stormwater, and improving the water network), is managed by Wellington Water Ltd, an organisation jointly owned and funded by six councils (Hutt City Council, Wellington City Council, Porirua City Council, Upper Hutt City Council, Greater Wellington, and South Wairarapa District Council). Wellington Water Ltd receives funding from each council, but that funding is to be spent only on that council's own pipes rather than across the whole water system in the region.

Because Wellington Water Ltd relies on money from councils, their work programme is restricted by how much they receive and the most immediate needs of each area, making them more reactive than proactive. Also, because money from each council must be spent only in that council's area, Wellington Water Ltd is constrained in being able to plan a work programme that enables efficient and effective management and improvement of the whole system.

What is Greater Wellington's role in water supply?

While Wellington Water Ltd manages the day-to-day water supply on behalf of shareholding councils, Greater Wellington is still ultimately responsible for collecting, treating and distributing safe and healthy drinking water across the region.

Greater Wellington owns the assets associated with supplying this water – that's 187 km of distribution pipework, four treatment plants, 9km of tunnels, three water storage dams, 15 pump stations, 45km of roads and tracks, 2,688 raw water intakes and wells, 18 aquifer wells, plus all the catchment lands (land where water collects and drains into bodies of water like rivers). The water provided by Greater Wellington goes to reservoirs owned by each city. From there, the water moves from the reservoir to local homes and businesses through council-owned pipes.

This large network of water collection areas, treatment plants, pumping stations and pipelines that supply drinking water is referred to as bulk water supply. Providing water to the city councils involves managing a network of infrastructure, ensuring safe, high-quality, secure, and reliable water sources, and ensuring that our freshwater is sustainable. Councils fund Greater Wellington's supply of these water services through

a charge (called the bulk water levy), which is calculated based on each city or district's water usage.

Greater Wellington also wants to hear from the region's residents – find their survey at gw.govt.nz

Why can't things stay as they are?

Much of New Zealand has significantly underinvested in water infrastructure and water services over several decades. Councils around the country now face stark challenges to meet the investment needed to ensure safe and reliable drinking water, wastewater, and stormwater infrastructure.

The level of investment required to improve the water network is high. For the Wellington region, we set up Wellington Water Ltd to run the region's water networks. This hasn't worked as well as it could have because the organisation is not able to make investment decisions, which are instead set by the shareholding councils. Another model is now proposed that provides a financial model that helps to address decades of underinvestment.

Is this a step towards privatisation of water?

No. Under Local Water Done Well, the Government has committed that water services will remain in public ownership. Councils and water organisations will not be able to privatise water services. The Local Government (Water Services) Bill states that a water organisation must be owned by a council (or councils) and/or a consumer trust.

Additionally, the Bill introduces a range of restrictions against privatisation. For example, it is proposed that a water service provider may not use water assets as security on a loan.

Why are only these options being considered and not others?

Under the Government's Local Water Done Well reforms, there are five delivery model options for councils to choose from. Over the last 12 months, all councils have been working through the pros and cons of these options, considering the advantages and disadvantages for ratepayers. Wellington's five partner councils have determined that the preferred option is best placed to deliver the long-term outcomes needed – a safe, reliable and affordable water network. You can read more about how we got to this stage at hutt.city/LWDW

How is the preferred option of a multi-council-owned water organisation different to Wellington Water Ltd?

- The proposed new multi-council-owned water organisation would own all the pipes and facilities in the region covered by councils for Lower Hutt, Upper Hutt, Porirua and Wellington, and be able to generate its own income and manage its own debt.
- Wellington Water Ltd is a management-only council-controlled organisation. It does not own the water assets and is reliant upon councils for strategic direction and resources.

- Wellington Water Ltd currently takes direction from six different councils, meaning it is responding to issues within each area and is limited by council funding and funding cycles.
- The new water organisation would be able to view the network as a whole and be more proactive in planning for the long term, resulting in more efficient investment and thus enabling a more reliable water network.
- The proposed new water organisation would have the resources, the independence, and the region-wide perspective to effectively manage and improve our water network for current and future communities rather than being limited by council funding and funding cycles.
- Because Wellington Water Ltd relies on money from councils, their work programme is restricted by how much they receive and the most immediate needs of each area, making them more reactive than proactive. Also, because money from each council must be spent only in that council's area, they are constrained in being able to plan a work programme that enables efficient and effective management and improvement of the whole system.
- Wellington Water Ltd's reliance on council funding means they need to regularly request further funding to do the work required.
- While it would have much more independence than the current joint council-owned Wellington Water Ltd, the new water organisation is required by law to operate in a much more regulated environment, which will provide a strong focus on water and service quality, customer-focused delivery and value for money.

How will the preferred option of a multi-council-owned water organisation address the challenges that have arisen under the existing approach?

Whatever option is agreed upon, it will operate in a much more regulated environment due to new government legislation, which will provide a strong focus on assurance, quality, delivery and value for money. The primary relationship of the organisation will be with its customers, not its shareholders (or owners).

Council direction and oversight would be less than under the current Wellington Water Ltd model, giving the new organisation the independence and accountability to deliver. The new organisation will have an increased ability to borrow money, compared to a Council, and it will be able to deliver their investment programme more efficiently.

Why is this happening so quickly?

The issues with water services have been known for many years, and the need for significant change is now overdue. The Government has given all councils in New Zealand a deadline to submit Water Services Delivery Plans that demonstrate commitment to deliver water services that meet regulatory requirements. These plans must be submitted to the Government by 3 September 2025, and councils must start delivering on the plans as soon as they are submitted.

What is happening to Wellington Water Ltd? Is it involved in this process?

Under the proposal for a new multi-council-owned water organisation, Wellington Water Ltd would be disestablished following the transition of staff, operations, work in progress, facilities, plant and equipment, and contracts to the new water organisation.

Wellington Water Ltd is not responsible for the establishment of the new water organisation; they do, however, have an integral role in supporting and advising councils with the development of the water services delivery plan and would support the establishment of the proposed water organisation.

Under the preferred option of a multi-council-owned water organisation, will rate payers now get two bills – one for water and one for other council services?

Yes. The proposed water organisation would have a direct relationship with customers. Property owners will no longer pay for water services in council rates bills, and instead, the new water organisation will invoice property owners directly, much like gas, phone or power companies do.

Would direct billing for water services affect tenants?

Water meters are expected to be introduced across the region over the coming years. Until that happens, the new water organisation is likely to charge a fixed amount for water services regardless of usage or whether the property is occupied or not. The landlord (owner) would be directly responsible for paying those charges.

If charges for volumetric water use (how much you use) are introduced in future (via water meters), landlords will be able to require those costs to be met by tenants.

As the new water organisation would be taking over water delivery from the councils, does that mean council rates will decrease?

Yes, the water services component would be removed from your Hutt City Council rates bill, and you would be charged directly by the new organisation.

Will I be paying more for water?

Councils have not set aside enough money to fund everything that is needed for our water services to operate safely and effectively. Under any delivery model, water bills will need to increase to meet the needs of our ageing network. The key thing is that we adopt a water service delivery model that allows for increasing investment into the network in a manageable and sustainable way. Based on high-level financial modelling, the proposed model will result in lower water charges for ratepayers than the modified status quo.

Does this mean all properties will get a water meter?

Water meters are highly likely under all possible future models of water services delivery as they are already being investigated by councils and Wellington Water Ltd. Water meters are critical to helping identify where water loss is occurring.

The government has signaled, via proposed legislation, that in future, water charges will have to be based on levels of use rather than being based on property values (as they generally are now) and water meters help to identify usage.

Will I have to pay to fix issues in other areas?

Under the preferred option of a multi-council-owned water organisation, water would be managed with the whole network in mind, as opposed to focusing separately on each city's needs. Our water network is connected, so investments made in one area positively impact another.

What role will Iwi have in the proposed new multi-council-owned water organisation?

The approach for the proposed new organisation has been developed jointly by the five councils working in partnership with Iwi.

Iwi have advised that a joint council-owned water organisation is their preferred option. The primary drivers for this are that water sources across Wellington are connected and for Māori are considered as one, from the water source of Te Awa Kairangi / Hutt River through to Te Whanganui-a-Tara / Wellington Harbour, Te Awarua-o-Porirua Harbour and the south coast.

The water organisation will have a range of relationships with Iwi, which will be confirmed through foundational documents such as the constitution and shareholders' agreement. The Board would also need to have suitable competencies and skills in relation to te ao Māori and the Treaty of Waitangi.

What would be the implications for the preferred approach of a multi-council-owned water organisation if one of the five councils decides to pull out ahead of the required Water Services Delivery Plan being submitted to Government?

If, following public consultation, a council does not adopt the currently preferred service delivery option, the remaining councils will continue to work towards a joint Water Services Delivery Plan. This would require the recalculation of a range of things, including the levels of investment needed to ensure a financially sustainable plan.

Because our region has a connected water network, the exit of one council would also require the development of arrangements and agreements around shared or interconnected infrastructure.

It would require a significant reworking of the Water Services Delivery Plan, and it is highly likely the remaining councils would need to seek an extension from the Government for submitting the joint plan. It would also likely delay the establishment of the proposed water organisation.

Why are five councils consulting at the same time but separately?

Greater Wellington and the Councils for Lower Hutt, Wellington, Upper Hutt and Porirua are consulting on Local Water Done Well reform options around the same time. These five councils have each identified a multi-council-owned water organisation as the preferred option for how water services are delivered.

Government legislation requires each council to consult with their communities on the planned changes to water services delivery. It is critical that consultation is carried out in line with legislated requirements to ensure the Government's key date of 3 September 2025 can be achieved.

How can the shareholding councils keep the new organisation accountable and influence its direction?

The new legislation is proposing that the shareholding councils will be able to influence the direction of the new water organisation through a statement of expectations and the ability to comment on and potentially modify the water services strategy that the water organisation prepares.

The councils' preferred option involves transferring ownership of the councils' water supply, wastewater and stormwater network assets to the water organisation.

The statement of expectations will inform the water organisation's long-term water services strategy (prepared every three years), which will outline how they plan to deliver on these expectations and priorities and their intended approach to pricing and charging consumers.

The water organisation will be required to provide an annual report to the shareholding councils. The shareholding councils will have the power to require the organisation to provide additional reports, such as an asset management plan or quarterly reports, if they wish. The shareholding councils will appoint directors to the board of the water organisation and will be able to remove directors or decide not to renew their appointments.

Councils will need to introduce ways to kōrero with communities on water needs and concerns so that they can be fed into the statement of expectations. At a minimum, the new water organisation will be required to prepare an annual budget and performance report to the owning councils. It is highly likely that the owning councils will require more frequent performance reporting to ensure a strong focus on quality customer service, delivery and management of assets.