



Water Services Delivery Plan

05 / 03 / 2025

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Purpose of this Discussion



Update Elected Members on the modelling of Water Services Delivery Plan options.



Seek feedback on proposed consultation and preferred option



Outline the timeline for upcoming decisions

Background



Local Water Done Well is the Government's plan to address New Zealand's water infrastructure and future water services challenges.



It recognises the importance of local decision-making and provides flexibility for communities and Councils to determine how their water services will be delivered in the future.



The Government's Plan and relevant legal framework adopted anticipate how it will do this while ensuring a strong emphasis on meeting economic, environmental, and water quality regulatory requirements.

Legislation

Local Water Done Well is being implemented in three stages, each with its own piece of legislation.

1. Repeal of previous water services legislation (completed)
2. Establish framework and preliminary arrangements for the new water services system (enacted)
 - Develop Water Services Delivery Plans by 3 September 2025.
 - Streamlined consultation and decision-making processes.
3. Establish enduring settings (Bill)
 - Structural arrangements for water services provision
 - Economic regulation and consumer protection regime.
 - Changes to the water quality regulatory framework and the water services regulator

Water Services Delivery Plan



Identify the current state of water services.



Meet all relevant regulatory quality standards.



Financially sustainable for the territorial authority.



Support housing growth and urban development.

Consultation

Consultation on water services delivery plan not required.

But, must undertake consultation on anticipated or proposed model for delivering water services.

Consultation must identify at a minimum, two options for delivering water services:

- (i) remaining with existing approach; and
- (ii) establishing, joining, or amending a single council-owned water services CCO or multi-council owned water services CCO.

I&E Committee agreed to create WSDP on the basis of an in-house model, while options to explore other arrangements enabled by the legislation remain open and explored.

Options modelled



In-house Council waters division



Council owned water organisation (council controlled organisation)



Multi-Council owned water organisation (council controlled organisation)

LOCAL WATER DONE WELL

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Overview

	Option 1: In house Council waters division	Option 2: Council owned water organisation	Option 3: Multi-Council owned water organisation
Ownership	Wholly council owned waters division	Wholly council-owned separate water organisation	Ownership is shared across member Councils
Governance	Council direct operational and governance oversight	Appointed Board of independent, professional directors accountable to elected members	Appointed Board of independent, professional directors accountable to owner Councils elected members
Strategy	Council prepares water services strategy and consults with their communities before adoption and implementation.	Council issues statement of expectations to the CCO. Water organisation Board prepares a water services strategy and consult only with Council.	Shareholding Councils issue combined statement of expectations to the CCO. Board prepares a water services strategy and consults with shareholding Councils.

Overview

	Option 1: In house Council waters division	Option 2: Council owned water organisation	Option 3: Multi-Council owned water organisation
Accountability	Will report to Council	Board accountable to council shareholder and will report regularly on performance.	Board accountable to council shareholders and reports regularly on performance.
	Monitored by the public through established Council and local democracy processes. Performance accountability expectations through LTPs.	Required to give effect to an agreed statement of expectations and to meet relevant statutory requirements. Council has ability to dismiss or replace the Board for unsatisfactory performance.	Required to give effect to agreed statement of expectations and meet relevant statutory requirements. Councils have ability to dismiss or replace the Board for unsatisfactory performance.
	Water services annual report	Water organisation annual report.	Water organisation annual report.

Overview

	Option 1: In house Council waters division	Option 2: Council owned water organisation	Option 3: Multi-Council owned water organisation
Borrowing	Borrowing undertaken by council and with the water activity group meeting their true share of financing costs Borrowing levels affect the whole of Council debt capacity.	Borrowing via Council or from LGFA directly but supported by a council guarantee or uncalled capital.	Borrowing arrangements and credit rating implications dependant on whether shareholding councils provide direct or guarantee financial support.
		Higher borrowing levels will be reflected in charges/rates.	
	250% of operating revenue under Council's financial strategy, and 280% of operating revenue under LGFA covenants	500% of operating revenues with the provision of Council support.	

Advantages

	Option 1: In house Council waters division	Option 2: Council owned water organisation	Option 3: Multi-Council owned water organisation
Advantages	<p>Council retains direct oversight and operational</p> <p>Better link to other Council strategic objectives alignment.</p>	<p>Access to increased borrowing levels.</p> <p>Council retains indirect control and has the ability to leverage expert professional director's involvement and governance.</p> <p>Ability to instruct through the statement of expectations</p>	<p>Scale advantage particularly with procurement and planning standards and documents.</p> <p>Better opportunities for specialist water services staff recruitment and retention.</p> <p>Increased debt leverage.</p>

Disadvantages

	Option 1: In house Council waters division	Option 2: Council owned water organisation	Option 3: Multi-Council owned water organisation
Disadvantages	<p>May not achieve benefits of scale.</p> <p>Debt leverage constrained by Council's borrowing limits.</p>	<p>May not achieve the benefits of scale.</p> <p>Higher debt level is contingent and impactful on Council's capacity to guarantee debt.</p>	<p>Less direct control over water organisation.</p> <p>Further removed from key local issues and priorities.</p> <p>Level of disconnection.</p> <p>Development constrained</p> <p>Greater water services needs may be in other districts.</p>

Outcome of Financial Modelling



Modelling of the options shows all three are sustainably viable based on current information.

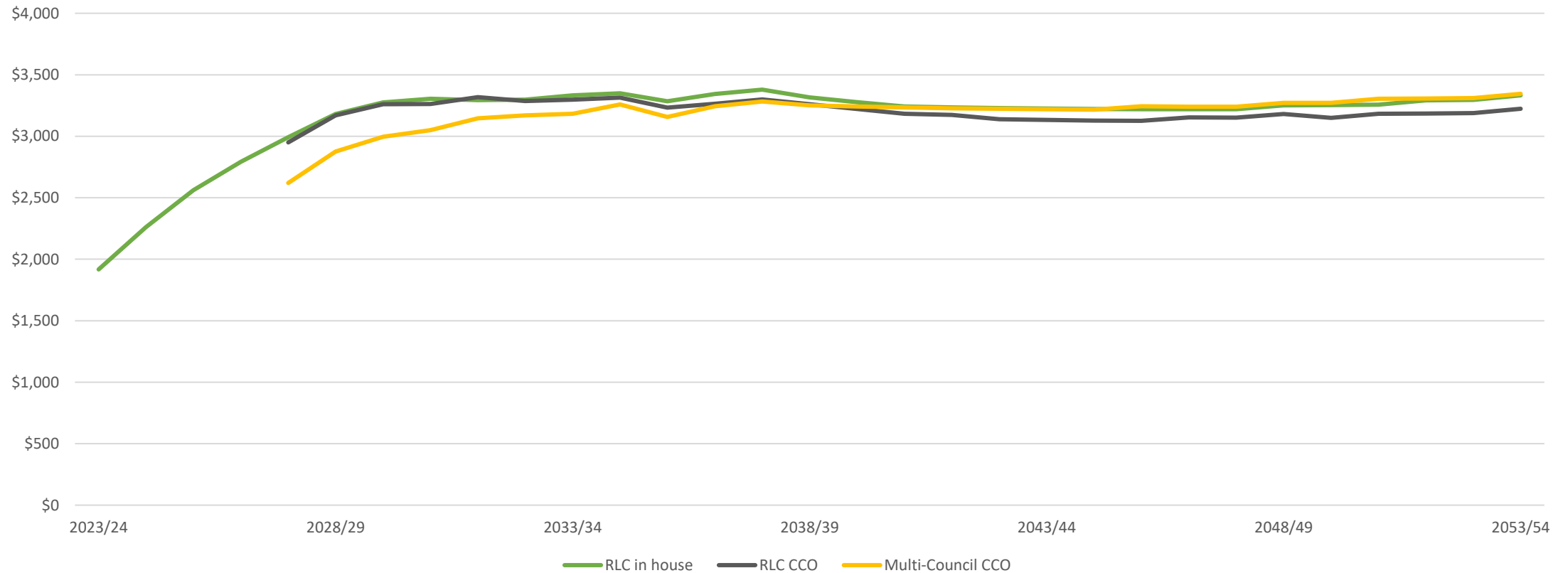


Key differences are different borrowing limits and household charges.

4.6% difference in forecast average household charges by 2033/34 primarily driven by financing efficiencies.

Average Household Charges

Average Annual Waters Charge per Residential Household

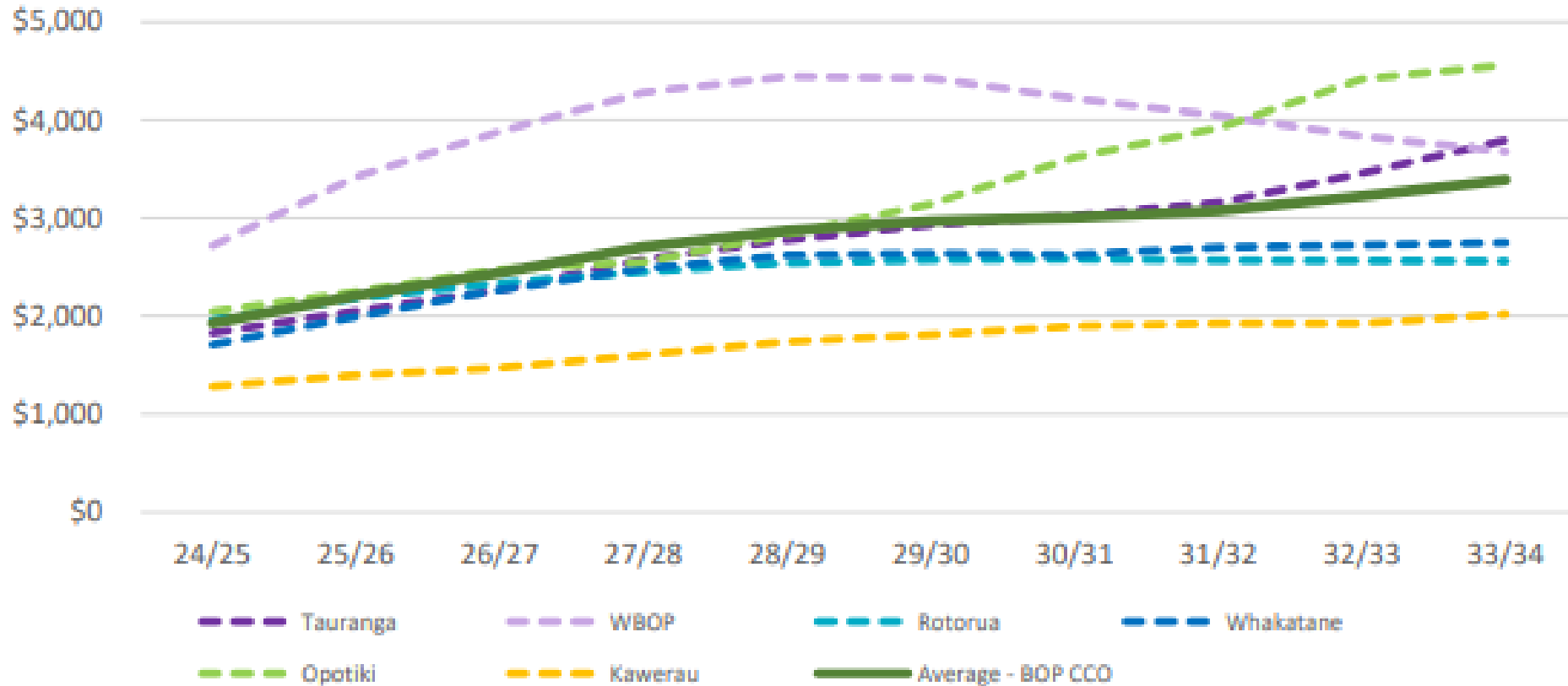


THREE WATERS REFORM

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Effect of Price Harmonisation

Multi-Council Water CCO average water services bill per connection (ex GST)

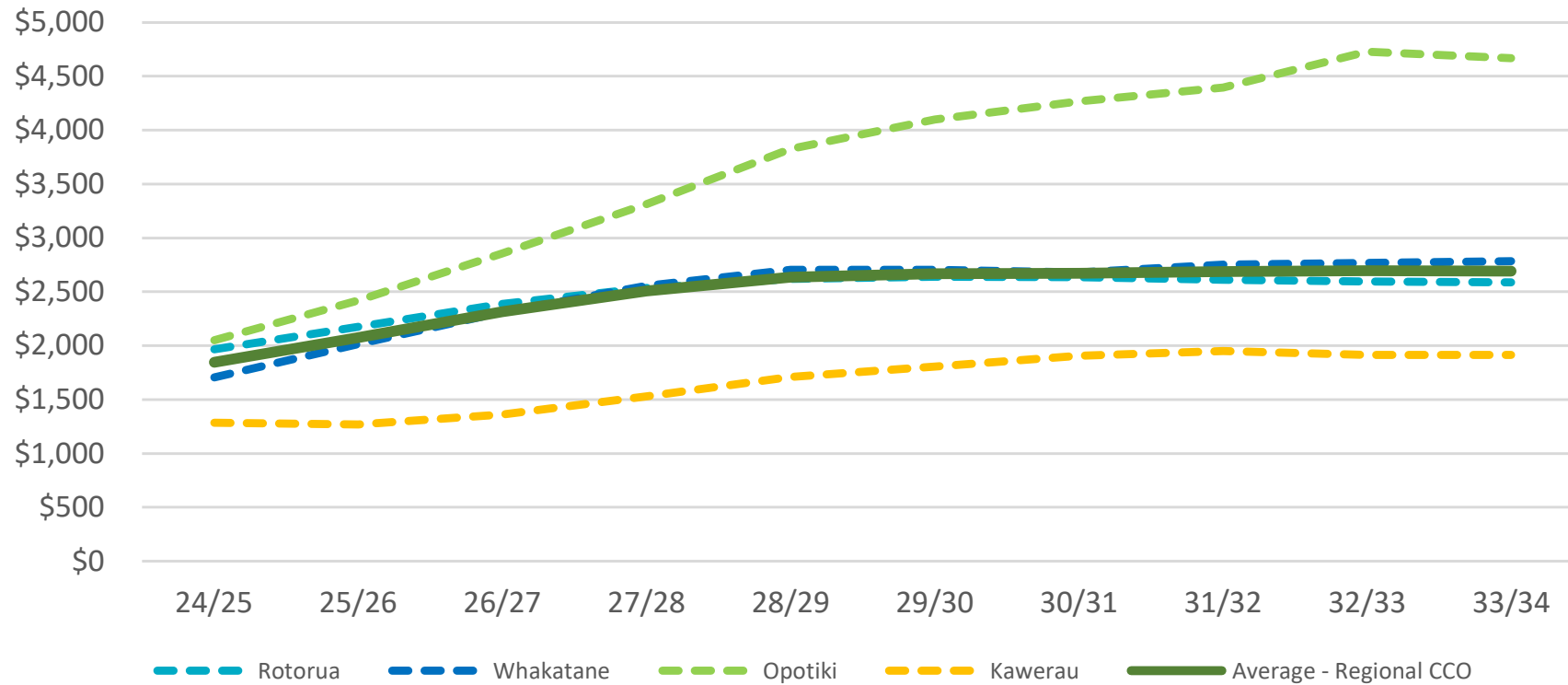


THREE WATERS REFORM

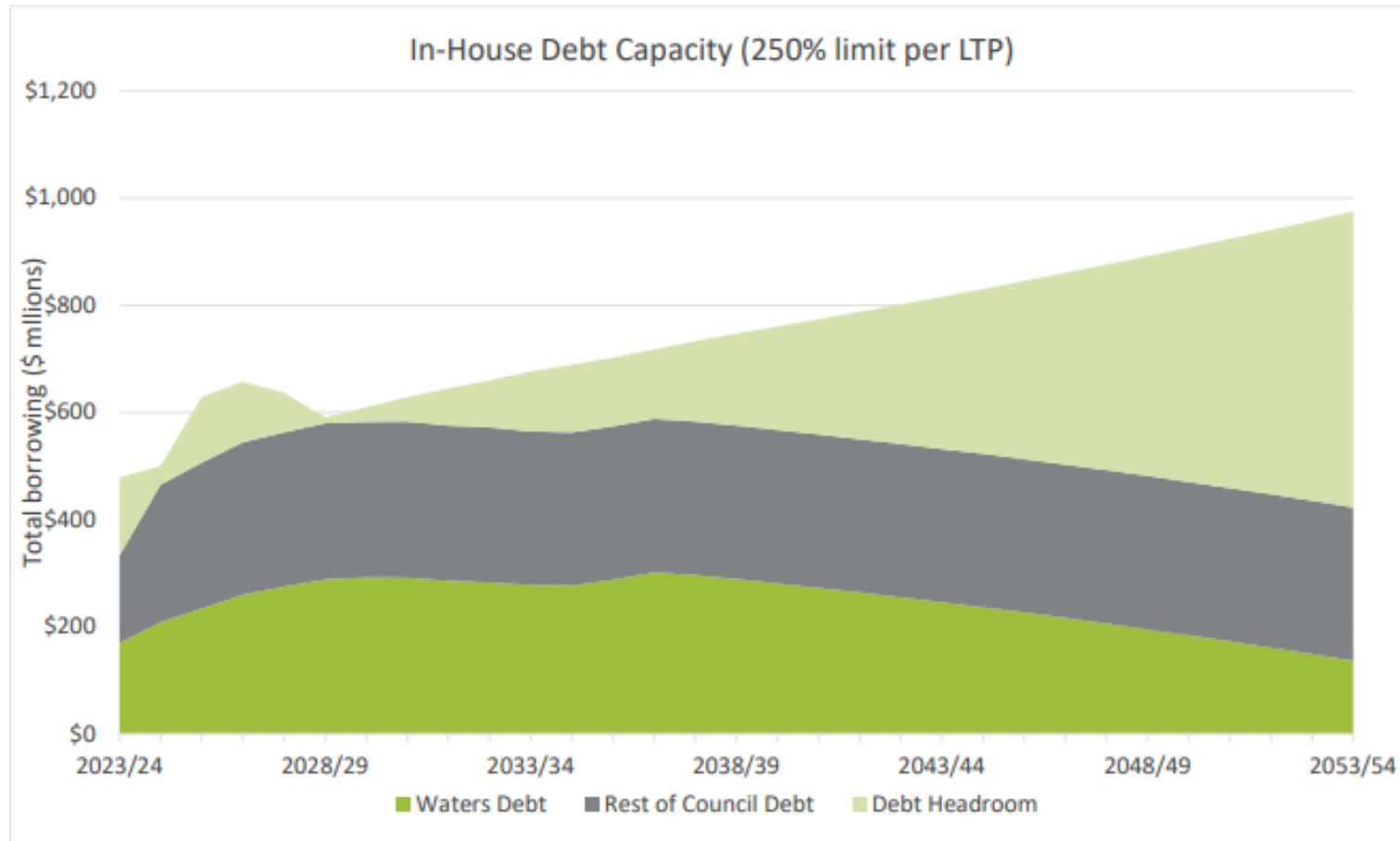
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Effect of Price Harmonisation

Regional Water CCO average water services bill per connection (ex GST)



Three Waters Debt

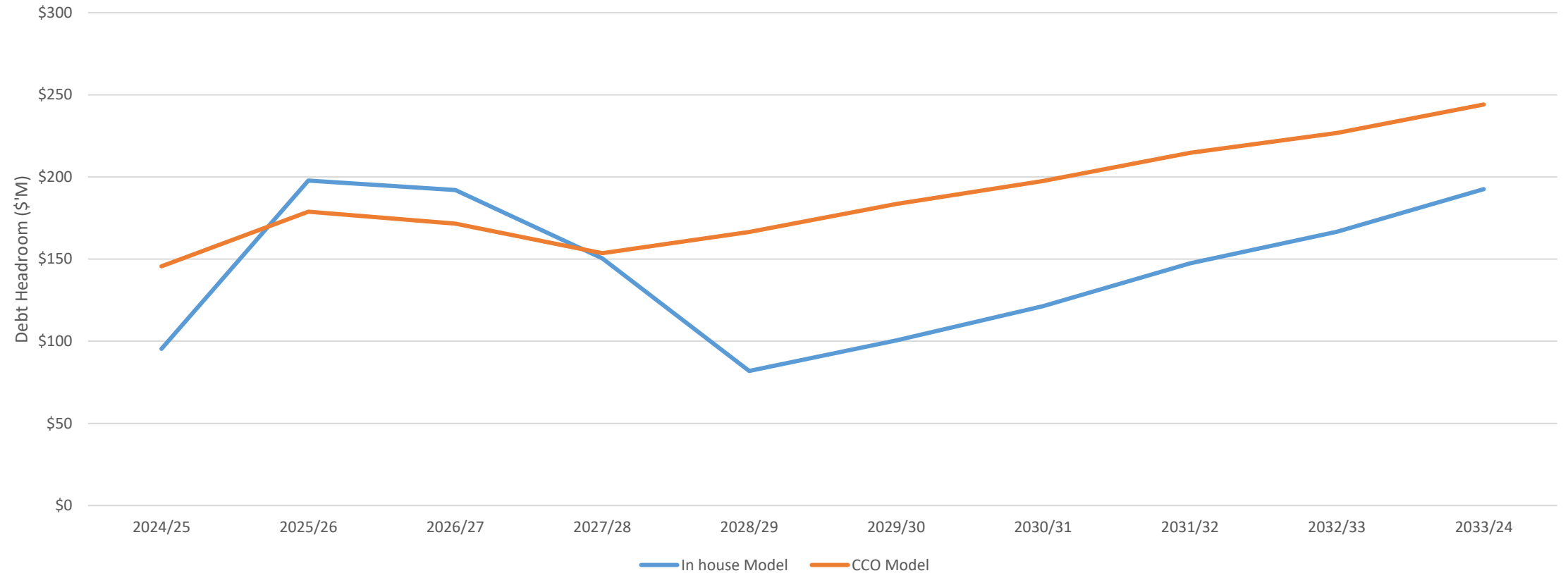


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RLC Debt Headroom

Debt Headroom



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•Questions?