# Local Water Done Well

Consultation
May 2025







# **Contents**

Water reform in New Zealand	4
Water reform timeline	5
Where you come in	6
We've done our homework	6
About our water services and infrastructure	7
What about stormwater?	9
Why the need to change?	10
Our preferred option	11
How the proposed CCO would work	12
Advantages of a CCO	13
Disadvantages of a CCO	14
Key waters assets	15
Longer term	16
The other option	17
What this means for me	18
Affordability	18
Borrowing	18
Debt	19
Levels of service	19
What the options cost	20
Certainty	20
Cross subsidisation	20
How the options compare	21
Feedback form	22



# **Water reform in New Zealand**

As a community, we have a big decision to make about how water services are delivered now and for future generations. And it's more than just about the water you drink and flushing the loo! It's about keeping things affordable and looking after the environment too.

The Government has introduced its Local Water Done Well legislation replacing the previous government's water reform programme.

#### **Local Water Done Well aims to:**

- address how waters infrastructure across New Zealand is funded and delivered in a financially sustainable manner
- introduce a new regulatory regime for water services delivery, which sets out increased environmental, economic and human health standards and regulations.

Under the new legislation, councils need to develop water services delivery plans and submit them by 3 September 2025 for Government approval. These plans must provide a current and long-term assessment of councils' water infrastructure, outline the necessary investment required in water services to deliver on projected population growth and development needs, and detail how Councils plan to finance and deliver these plans through their preferred water services delivery model.

Like all councils, we are facing a number of complex issues when it comes to delivering Matamata-Piako's drinking water, wastewater and stormwater services, and it is going to get more expensive.

No matter what delivery model we choose, the cost of water services will go up due to the new government rules and other factors.

# Water reform timeline

#### September 2024

legislation introduced to direct councils on next steps <u>Local</u> <u>Government (Water Services</u> <u>Preliminary Arrangements) Act</u> <u>2024 (Preliminary Arrangements</u> Act)

#### **December 2024**

the Water Services Bill

#### March-May 2025

councils consulting on preferred options

#### Approx. 30 June 2025

councils adopt preferred option

#### By 3 September 2025

Water Services Delivery Plans submitted to Department of Internal Affairs for approval

#### **Sept 2025 - June 2026**

councils amend key plans and policies to reflect the decision on water services

#### **By 1 July 2026**

start operating under the Water Services Delivery Plan

# Preferred option

Before adopting the model that best meets their [future] needs councils must:

- assess the advantages and disadvantages of at least two options
  - one of these must be the existing arrangement but restructured to meet the new regulations for water and wastewater services
  - one of these must be some kind of joint arrangement or CCO
- compare the options against each other based on impacts on rates, debt, levels of service and water charges
- identify a PREFERRED option and consult the community on this (information on the other option that was considered needs to also be made publicly available)
- take into account the feedback received and make a decision on the final model.



#### Where you come in

The Local Government (Water Services Preliminary Arrangements) Act 2024, requires Council to consult on its future delivery model options, with the chosen option required to be included in the Council's Water Services Delivery Plan.

We are not required to consult on the plan itself, only the future delivery model.

This consultation must include our current approach to delivering water services, even though this option is not considered to be financially sustainable or preferred by the Council. Our preferred water services delivery option we are asking you to consider, is a Council Controlled Organisation (CCO) with other Waikato rural/provincial councils known as Waikato Water Done Well.

If the decision is made to proceed with the Waikato Water Done Well option, it is proposed Matamata-Piako's drinking water and wastewater assets transfer to the CCO on 1 July 2026. This would require an amendment to the Long-Term Plan to reflect that decision.

Your feedback will help inform the final decision on what the future of water services delivery looks like for Matamata-Piako.



# We've done our homework

We want what is best for Matamata-Piako. We know Local Water Done Well will significantly change the way water services are delivered in New Zealand, will impact generations to come, and change who we are as a council too. The reality is, central government has told us we can't keep things as they currently are.

We have done a lot of work and analysis, obtained expert advice, and undertaken the due diligence needed to understand our options for water services delivery, and what is required to satisfy the requirements of a water services delivery plan.

After initially considering a range of options, we further investigated two options for Matamata-Piako:

- Waikato Water Done Well, with other rural/provincial councils in the region – this is our preferred option
- Keep delivering water services within Council, but make major changes to our structure and reporting to meet new regulations - we refer to this as an internal business unit

Following further work and careful consideration of the options, Waikato Water Done Well has emerged as the Council's preferred option.

Under the CCO option, the drinking water and wastewater assets would be owned by the CCO. However, the councils would be shareholders, or the owners, of the CCO. With an internal business unit, Council would retain ownership of these assets. Both of those options will come at a cost to implement.

# About our water services and infrastructure

We currently provide drinking water, wastewater and stormwater services to Matamata-Piako residents and businesses.

# Water





**Treating 5.5 million litres of water** 

# \$45 million

To be spent in the next 9 years on infrastructure to treat and supply water



# **Wastewater**

wastewater treatment plants

- one in Matamata, Te Aroha, Morrinsville and Tahuna



**11,099** properties

**39** 

**Pump stations** 

Treating 3.32 million litres of wastewater\*



of wastewater mains

\$88 million

for infrastructure development



for planned upgrades of Morrinsville, Te Aroha and Tahuna

Around \$64 million to complete

NEW Matamata Wastewater Treatment Plan

\*Denotes the quantity treated in the 2023/24 financial year





## Why the need to change?

Councils in our region are facing significant challenges.

**New regulations -** new regulations are being introduced that will bring additional standards and further cost increases (over and above the current requirements). These regulations are about reducing health risks for drinking water, and improving the impacts on the environment.

**Ageing infrastructure -** many water and wastewater systems need replacing or upgrading.

**Population growth -** demand for water services is growing faster than the national average, with population increases ranging from 3% to 10.2% in the last five years.

**Rising costs -** the costs of building sewage systems has risen 30% over the past three years, while water supply systems are up to 27%. The new regulations mean we were going to have to spend more - but these rising costs add more on top.

**Limited funding options -** councils have few ways to raise the funds needed - for example, there is a limit to how much debt Councils can carry.

**Workforce challenges -** our ability to attract critical water staff is under pressure. The workforce is highly skilled but also ageing.

**Contractor availability -** Councils are competing for the same civil construction contractors (the people who build and construct large infrastructure projects). If projects aren't coordinated, this drives up costs and can cause delays.

# Our preferred option

#### **Waikato Water Done Well**

We are proposing to create a new water organisation jointly-owned with a number of other district councils in the Waikato, which could include:

- o Hauraki District Council
- o Ötorohanga District Council
- o South Waikato District Council
- o Taupō District Council
- o Waipā District Council
- Waitomo District Council

The model involves creating a joint Council-Controlled Organisation (CCO) to manage and deliver drinking water and wastewater services.

A CCO is an organisation owned by participating councils that delivers services on their behalf.

The CCO would be a separate legal entity, owned by the shareholding councils, and employ the staff to deliver the services across the district they serve. The CCO would also be responsible for informing the community and involving it in future water decisions, and ensuring that the enhanced environmental standards are met.

If the decision is made to proceed with the CCO option, it is proposed Matamata-Piako's water assets transfer to the CCO on 1 July 2026. This would require an amendment to the Long-Term Plan to reflect that decision.

Each of the councils has reviewed the options available to them and is proposing a CCO as their preferred option – but need feedback from the community before making any final decisions.

You can find more details about the model at www.waikatowaters.co.nz

Hamilton City and Waikato District Councils are consulting on a proposal to form a separate CCO.

"We believe that in the long term there will be one Council controlled water services entity for the Waikato. But in the short to medium term, we want what is best for Matamata-Piako. Even though all the options will ultimately cost more, the Waikato Water Done Well model is the most affordable for our communities into the future."



- Mayor Adrienne Wilcock

"We do a good job now with our water services, but the new standards mean we'll need to do better. We're all facing tougher rules around how we manage water, and working with our neighbouring councils gives us a real opportunity to improve how we deliver these services. By joining forces, we bring together the vast experience and strengths of our teams, and will have a stronger voice with government - and that means delivering better services for our communities."



- CEO Manaia Te Wiata

Let's kōrero wai

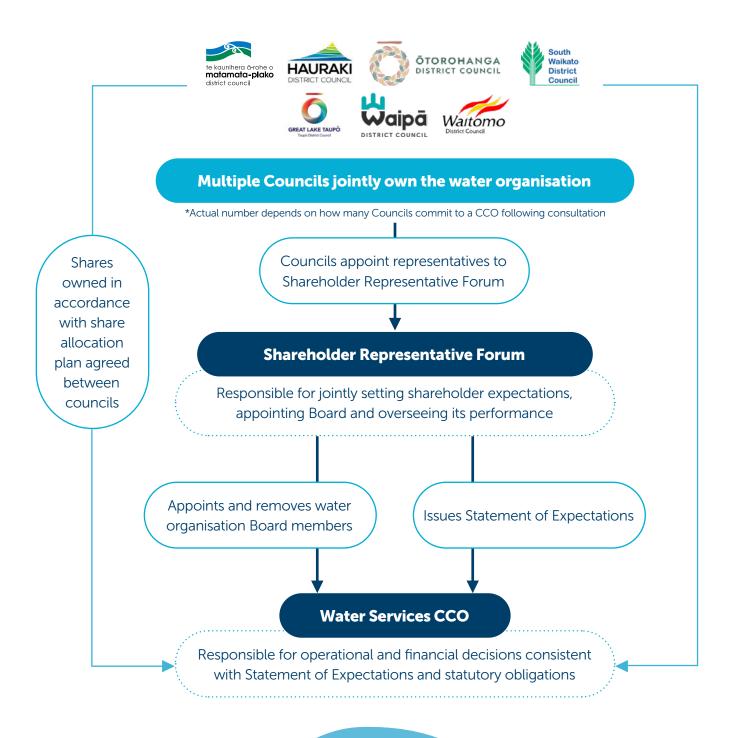
Talk watei

# How the proposed CCO would work

Healthy Water, Healthy People | Te Mana o Te Wai, Te Mana Te Tangata. That's the vision of Waikato Water Done Well.

Under this option, the CCO would be responsible for all the activities needed to deliver drinking water, wastewater services and, for those councils who choose to, stormwater services to their communities. This includes sourcing, treating and discharging drinking water and wastewater, planning for future repairs and upgrades.

Delivery of stormwater services in our district would remain with Council for now.



















## **Advantages of a CCO**

Most affordable in the long term - no matter which option we choose, we face significant price increases in the coming years - both to implement these changes, and deliver on the improvements to our water services. Going alone would be cheaper for the first few years, but the CCO is the most cost effective option in the long term.

Better efficiency - by combining operations like maintenance, management, procurement, and workforce planning, the CCO can deliver better services and improve processes. While setting up a CCO is going to cost money, current financial modelling shows that the efficiency gains will cover set up costs within the first eight years.

**Meeting legal requirements -** the CCO model would ensure we meet all legal obligations. We believe that MPDC alone would struggle to do this - we don't think we could deliver on a work programme that would meet the tougher requirements of the new regulator.

More borrowing capacity - one of the challenges Council faces in delivering the required work is being able to borrow enough money. The rules for Water CCOs are different - they will be able borrow more money than Council. This means they'll be able to deliver on improvements faster, and spread the costs more over a longer timeframe than Council could.

**Tackling climate -** with greater efficiency and borrowing power, we can take stronger action to address climate change and its impacts.

**Improved workforce sustainability -** as with any specialist trade, it can be difficult to attract and keep skilled workers - especially in rural areas. Many of these workers currently move from Council to Council. With one or two regional CCO's, it will become easier to provide career pathways that keep those skilled workers in our region.

#### Additional benefits:

- If we join the CCO early, we would be an 'anchor council', helping shape and guide the CCO's establishment and transition.
- A catchment-based approach will enhance water quality across the Waikato region, encouraging innovation in resource management and water services.

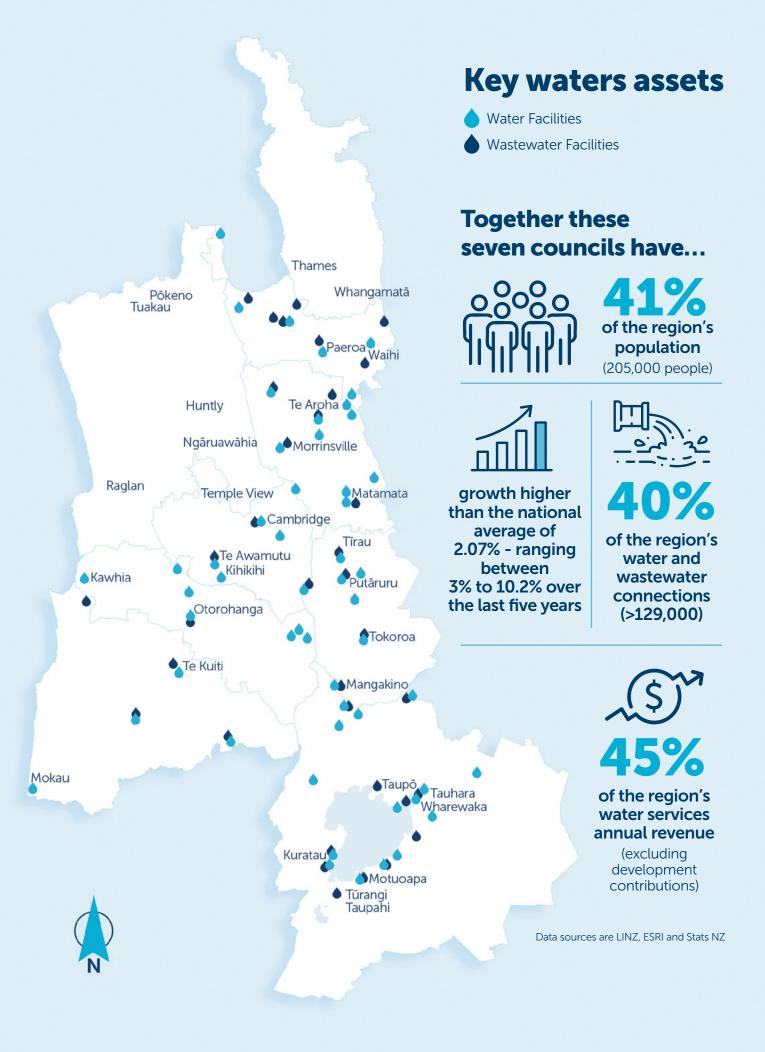


## **Disadvantages of a CCO**

**Perceived loss of control -** some may worry about losing direct control. However, ratepayers can still influence Council as shareholders, take part in planning processes, and directly engage with the CCO. Consumers will also have protections through the Commerce Commission.

**Upfront costs -** choosing the CCO option involves some upfront costs to set up the organisation and implement a targeted investment plan aimed at improving service delivery efficiency. This approach means spending more initially to achieve greater savings over time. While this adds costs during the first nine years, the efficiencies gained from increased scale and strategic investments are expected to lead to significant long-term savings for the community. These projected efficiencies are based on experiences from other entities that have adopted similar models.





#### Longer term

The long-term preference is for one water services CCO to serve the whole of the Waikato.

All Waikato councils engaged in discussions about the future water services delivery model have expressed that preference in the medium to long term (possibly within five to 10 years). If the Waikato Water Done Well and Hamilton-Waikato District CCOs are established in the short term, the goal would be to create a pathway for their eventual merger. This would maximise benefits for water consumers through greater scale efficiencies and a range of other advantages. While this vision cannot be realised in the short term, whatever path we choose now should keep this long-term objective in mind.

As stormwater assets will continue to be owned by Council for the foreseeable future, the debt remains in the balance sheet. Rates will continue to be charged by Council for this service.

"This is a legacy decision, and one that Council hasn't taken lightly because we know it will affect generations to come.

The costs will be higher, no matter which option we choose - so we need to make a decision that is best for this community in the long term.

The CCO option means working together to deliver better long term outcomes for our community and the environment."



- Mayor Adrienne Wilcock

# The other option

#### **Internal Business Unit**

We've been providing your water, wastewater and stormwater services since...way back!

But things are changing, and we need to find a new model that is most cost effective for our communities.

Every time you turn on your tap, flush the toilet or there is heavy rain, our council teams are working behind the scenes to make sure everything is working the way it should. Our dedicated water teams are made up of 43 staff. This does not include the staff who support the delivery of water services in some way, for example, the finance and customer service teams.

Providing safe and reliable water services comes at a cost.

The internal business unit model estimates that over the next nine years, \$166 million will be needed for day-to-day water and wastewater services, plus \$134 million for upgrades and new infrastructure.

You can find more details about this option at mpdc.nz/ibu



#### Advantages of an internal business unit

- Local decision making. Council stays in charge of day-to-day decision making.
- **Local voice.** You have a say through the Long-Term Plan and Annual Plan budget consultation processes.
- Familiarity. This is a model that people know and understand.



## Disadvantages of an internal business unit

- **Legal hurdles.** New financial requirements may make this option unworkable. If the Council's water services delivery plan included this delivery model, it may not be accepted.
- **Higher costs in the long term.** This model looks cheaper than the alternative for the first few years but after 10 years, our costs would continue to spike, and the CCO would level out. Maintaining an internal business unit model is likely to lead to steadily increasing costs, with limited opportunities for efficiency gains or future savings. When looking at the 'long game' this option is the least affordable.
- **Financial risks.** It may struggle to meet increased environmental standards and fund long-term growth.
- **Workforce retention.** Staff are likely to be attracted to new regional water entities that can offer better career pathways and support.
- **Environmental limits.** A lack of scale and catchment based approach could reduce our ability to make any significant environmental improvements.



"The reality of this option is that we'd be investing everything we have, and everything we can borrow into our waters infrastructure. That would mean we couldn't invest in other Council services the community value - like libraries, pools, or playgrounds." - Mayor Adrienne Wilcock

# What this means for me

Water will still flow from your tap and your toilet will flush! It's who provides the services and ultimately how those services are paid for that could change.

The proposed CCO would be able to invest more in maintenance and infrastructure, share costs across the wider area, and be able to use these efficiencies to reduce future costs to consumers.

The cost to deliver water services are increasing for everyone, but this new approach would help lessen the increases, allow the costs to be spread over a longer period, and ensure costs are shared by future generations who use new waters infrastructure. Government regulation would set limits on what the organisation could charge, and how much it needs to invest in the future.

#### **Affordability**

In the options within this consultation document, we refer to affordability. The legislation requires us to consider the financial sustainability of our options. In other words, we need to prove we will be able to pay for our water not just now, but over the years and generations to come.

We understand that affordability means different things to different people, and some may not see any of the options as affordable. In our explanations, we have outlined the cost differences between the options, showing one is more affordable than the other.

There is no official definition of affordable water costs in New Zealand, but international indicators suggest that there is an affordability challenge if drinking water and wastewater services cost more than two percent of median household income.

Our preferred option and the internal business unit have been modelled on that basis.

#### **Borrowing**

Borrowing is one of the few financing tools councils can use to fund big infrastructure projects, and like a mortgage, it helps spread the cost over the generations that will benefit from the infrastructure. There are clear rules for borrowing money depending on whether councils keep their water services in-house, or join-up to form a multi-council water organisation.

New water organisations can borrow more money to fund infrastructure projects than what councils can now. Currently we can borrow 1.75 times our revenue (or up to 175 percent debt to revenue ratio). Water organisations will be able to borrow up to five times their revenue (up to 500 percent debt to revenue ratio) for water and wastewater construction projects.



#### **Debt**

Under Waikato Water Done Well, the CCO would be responsible for all drinking water and wastewater services and assets.

The transfer of drinking water and wastewater activities to the Waikato Water Done Well CCO would include the transfer of debt the Council has that relates to those activities. That means that Council's debt would be less than it is right now.

The forecast debt relating to those assets as at 30 June 2026 for Matamata-Piako is approximately \$113 million. This debt would transfer to the water CCO. All the shareholding councils involved in establishing the CCO would do this too.

All of Matamata-Piako's future drinking water and wastewater debt would be the responsibility of the CCO, this is estimated to peak at around \$137 million in 2027/28, based on the 2024-34 Long Term Plan. Removing the spending and forecast revenue for the Council, results in an increase of debt headroom from July 2026, which reduces financial risk.

#### Levels of service

Both of the options presented ultimately aim to improve the services you receive. Residents might not 'see' any difference, but improvements will reduce health risks and improve environmental outcomes.

If we do decide to enter into a CCO, one of our clear expectations would be that there is no drop in the quality of service.



#### What the options cost

	Water charges per residential connection (incl. GST)				
	2024/25	2029/30	2033/34	2039/40	2043/44
Waikato Water Ltd (CCO)	\$1,478	\$2,084	\$2,332	\$2,679	\$2,939
Internal Business Unit	\$1,478	\$2,131	\$2,766	\$3,204	\$3,364
Difference - additional cost/ (saving)	(\$0)	(\$47)	(\$434)	(\$525)	(\$425)

<sup>\*</sup> Based on the 2024-34 Long Term Plan forecasts

## **Certainty**

No matter which model we run, the CCO option keeps coming out as the best long term, or financially sustainable, option for Matamata-Piako.

These numbers have been developed using best practice financial modelling, and reviewed by industry experts, based on financial information from Council's 2024-34 Long Term Plan (LTP).

When this work started, we had to use the LTP as a starting point to be able to fairly compare the options. We know some things have changed since then, and we expect the numbers will continue to change as more information becomes available. For example, the government is still finalising the rules and regulations that will guide cost estimates - and these may not be known until later this year.

The actual financial benefits of a CCO will be dependent on how many Councils choose to proceed – the current model is based on all seven Councils. However, it's expected that working together will still create efficiencies in the long term, even if fewer councils are involved. Council will receive an updated financial model before making a final decision.

#### **Cross subsidisation**

A common question or concern with this proposal is "will we be subsidising the delivery of water services for another community in the Waikato?". The short answer is no.

At the start, the CCO will continue to charge for water in the same way as councils – with money coming from our ratepayers being spent in our community. Councils have set a clear expectation that the CCO must target price increases lower than what councils could achieve on their own. This means it is likely that there will be different prices across the region to reflect differences in investment, borrowings and costs of service.

In the long-term, as the cost savings and efficiencies of working together are realised, the CCO may choose to use these savings to bring prices closer together. They can do this as and when it suits their customers, the CCO and its shareholding councils.

# How the options compare

	Under the CCO model	Under the alternative
Who provides the water from my tap?	The pipes and treatment plants would stay local but the water services would be provided by the CCO	Water services are delivered by your Council
Who looks after wastewater (the stuff that goes down the sink and through the toilet)?	The pipes and treatment plants would stay local but wastewater services would be provided by the CCO	Wastewater services would be delivered by Council
Who do I call if I have a problem?	The CCO – once it is up and running. The changes would occur over time but you would be able to call your council as your first port of call if you are unsure	Council
Who has control over decision about waters infrastructure?	The Board makes decisions based on a Statement of Expectations agreed to by Councils and regulatory requirements. This is the "what, when, where and how" for future infrastructure expenditure	The Mayor and councillors in accordance with regulatory requirements
What will it cost	Costs will increase – these costs are going up no matter what.  This approach means spending more initially to achieve greater savings over time. In the long term this is the most affordable option	Costs will increase – these costs are going up no matter what.  This model is likely to lead to steadily increasing costs, with limited opportunities for efficiency gains or future savings
Will I get charged differently?	Yes  There will be a separate invoice for water and wastewater services from the CCO over time (Council may initially invoice on their behalf)	No You would continue to be charged the same way - through rates

# **Local Water Done Well**Feedback form



**Submissions close: 5pm, Sunday 25 May 2025** 

Full name:	
Organisation: (if applicable)	
Address of correspondence:	
Email:	
Phone:	
<b>Privacy statement:</b> All submissions are available to elected members, with submitter names only provided along with the submissions. Submissions excluding identifying personal information is published on our website, and can be requested for viewing at our area offices. The personal information we request is to ensure we link submissions to the correct submitter, and to fulfil the requirements of the consultation process, including informing you of the outcome of the consultation. All information collected will be held by Matamata-Piako District Council, 35 Kenrick Street, Te Aroha with submitters having the right to access and correct personal information.	
I acknowledge that I have read the privacy statement and am happy to proceed.	_
Do you agree that the preferred option (a Council Controlled Organisation, or CCO) is the best option for water services delivery?  Yes, I support a CCO No, I do not support a CCO	
Do you currently receive Council water and/or wastewater services?	
☐ Yes ☐ No	
Are you employed in the water industry (either employed by Council or a contractor)?	
☐ Yes ☐ No	
If for some reason the Waikato Water Done Well Council Controlled Organisation did not proceed, do you believe it would still be in the best interests of the community to enter into a joint arrangement (e.g. a CCO with different Councils, or a smaller number of councils)?	
☐ Yes ☐ No	

Do you have any other feedback you would like to share about the preferred Waikato Water Done Well model, or the internal business unit?

If you need more space, please feel free to attach additional pages.

All submissions must be received by 5pm on Sunday 25 May 2025

#### **Submissions can be:**



**Online:** 

mpdc.nz/letstalk



Post:

PO Box 266 Te Aroha 3342 Attn: LWDW

#### **Emailed to:**

info@mpdc.govt.nz Subject heading should read: "LWDW Submission"

#### **Delivered to Matamata-Piako District Council offices:**

35 Kenrick Street56-62 Canada Street11 Tainui StreetTe ArohaMorrinsvilleMatamataAttn: LWDWAttn: LWDW



