

What's next for our water?

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Mayoral introduction

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Local Water Done Well: An Overview

In November 2023, the New Zealand Government announced Local Water Done Well (LWDW) – a new government-led direction for the delivery of water services, which seeks to address New Zealand's long-standing challenges with water, wastewater, and stormwater infrastructure.

LWDW provides communities and councils with some flexibility to determine how their water services will be delivered in the future while also establishing a regime of oversight and stronger regulation to monitor the cost and quality of these services.

Key characteristics of LWDW *[Design note – breakout box]*

Under Local Water Done Well, the Government requires that water services must meet three key characteristics:

- i. The delivery model must be fit for purpose:**
This means the chosen model should be structured and governed in a way that meets both the Government's requirements and our community's needs.
- ii. Water services must be financially sustainable:**
This means that revenue is sufficient to fund water services to meet regulatory standards and cover the costs of maintenance, renewals and ongoing long-term investment in infrastructure to meet future challenges.
- iii. The services must meet new economic and water quality regulations:**
New economic regulation will ensure that consumers pay fair prices for water services, and this will be enforced by the Commerce Commission. We also must meet any water quality standards set by the Water Services Authority - Taumata Arowai.

What decision do we need to make?

[Design note – breakout box to make this prominent]

With the help of the community, Council must decide which service delivery model will be used to deliver water services to you in the future.

We must consult on at least two options, including a standalone in-house model. Other options can include establishing a single Water Services Council Controlled Organisation (or WSCCO) or partnering with other councils to form a joint WSCCO.

(Design note: Breakout Box) This is just a summary of the LWDW programme. You can view more information at [itsourplace.nz](https://www.itsourplace.nz)

Breakout Box: What is a CCO?

A Council Controlled Organisation or CCO, is a standalone company in which Council holds the majority of the shareholding or appoints over 50% of the governing board. A local example is Ashburton Contracting Ltd (ACL), which provides civil contracting, construction and other contracting services and is 100% owned by Ashburton District Council.

Why do we need to do this?

Under LWDW legislation, Councils must prepare a Water Services Delivery Plan (WSDP). This plan assesses the current state of our water services infrastructure, identifies any necessary future investment based around the chosen model we will use to deliver and finance water services in the future. Our WSDP must be submitted to the Department of Internal Affairs by 3 September 2025.

Further legislation is progressing through parliament which will govern these future water service delivery arrangements.

What are our water services?

Council is currently responsible for providing drinking water, wastewater, and stormwater services, essential for the smooth functioning of Ashburton District. However, maintaining and improving these services costs a lot of money – in 2024/25 almost 20% of all council expenditure is spent running these services and nearly 50% on work to improve them (e.g. upgrades, pipe renewals), and these costs are expected to rise in the future.

The charges you pay through your rates cover daily operations and replacement of crucial infrastructure such as pipes, pumps, and treatment facilities. By funding these services, you ensure access to clean drinking water, proper treatment and disposal of wastewater, and stormwater management.

(Design note – infographic for each service to show extent of schemes, treatment plants, piped network, customers served for each etc)

Drinking Water. Drinking water is what's provided when you turn on the tap, clean, treated water that is safe for drinking but also used for other purposes such as cooking, showering and watering the garden. Our responsibilities include constructing and operating water supplies, treating the water, maintaining equipment and pipes and monitoring water quality.

- 10 drinking water schemes with 14 water treatment plants
- Service more than 10,800 homes and businesses
- Provide safe drinking water to 70% district residents

- 520 kilometres watermains across the district
- 14 wells (30-145 metres)
- 3 surface & gallery intakes

Wastewater: Our wastewater system collects the used water from homes and business, including what's flushed down toilets, and 'greywater' from sinks, showers and washing machines. Some wastewater is also created from industrial activity. We ensure safe, reliable and proper disposal of wastewater. This includes meeting strict regulations for wastewater treatment and maintaining and upgrading our wastewater network.

- 4 wastewater treatment plants
- 18 wastewater pump stations
- 202 km of wastewater mains

Stormwater: Stormwater is collected from roads, footpaths and other hard surfaces in urban areas during wet weather. Our stormwater services include collecting, treating and disposing of excess stormwater.

- 42 km of stormwater mains
- 7.5 ha of stormwater detention and infiltration basins

Our current spending

The Long-Term Plan 2024-34 (LTP) allocates around \$133M to be run daily water services and \$136M to improve water services infrastructure over the next decade.

The average Ashburton township ratepayer in 2024/25 will pay around \$1,450 for water services, broken down as follows:

- \$706 for drinking water (targeted rate)
- \$604 for wastewater (targeted rate)
- \$144 for stormwater (part of the urban amenity rate/general rate, based on the capital value of your property)

These charges vary across the district, depending on your location and property value. The LTP forecasts these charges to rise over the next 10 years.

What's next for our water?

The way water services are delivered is set to change and your feedback will help us decide what's the best future model for our community.

In 2021, a Council survey found that 97% of over 500 residents felt it was important for the community to have a say in how water services are provided. Over the past four years, Council has prioritised ensuring that local voices at the heart of any new water service delivery model. It also recognised concerns about the uncertainties of collaborating with other Councils, including potential impacts on infrastructure networks and price harmonisation.

In October 2024, Council decided to focus on three options, but ruled out in March 2025 the single-CCO model involving a shared arrangement with EA Networks, instead emphasising the need to retain strong control and oversight.

We're presenting two service delivery models and both options meet the requirements of LWDW.

The options are:

1. Stand-Alone Business Unit (SABU) – Our proposal
2. Water Services Council Controlled Organisation (WSCCO)

Outlined below are the characteristics and potential pros and cons of each model.

(Design note: Breakout Box) This is just a summary of the two options. Want more info? Go itsourplace.nz to read more

Proposal: Stand-Alone Business Unit (SABU)

Our proposal is a **Stand-Alone Business Unit (SABU)** within Council that meets the additional requirements under LWDW.

Under the SABU model, Council will still be responsible for daily operations, long term strategic planning, and managing and developing water services infrastructure, while meeting new regulatory requirements and remaining accountable to the community.

The new regulatory requirements include:

- Compliance with drinking water quality and environmental standards set by the Water Services Authority - Taumata Arowai
- Compliance with investment and pricing regulations set by the Commerce Commission.

Key features

The SABU model will integrate these additional requirements into its existing practices.

- Council continues to own and manage water assets, infrastructure, and operations (unchanged)
- Elected members are responsible for governance and oversight (unchanged)
- Water rates are set by Council (unchanged)
- Council will prepare and implement a Water Services Strategy (new)
- Council must comply with regulators like Taumata Arowai and Commerce Commission (new)
- Financial ringfencing meaning water revenue is only spent on water services (new)
- New water focused annual performance and financial reporting (new)
- Funding capacity restricted by Council's overall borrowing limits (unchanged)

Advantages/Benefits/Pros

Adaptability: Ashburton District Council's existing organisation allows for the efficient integration of the new requirements.

Direct local accountability: Accountability and transparency remain with democratically elected members.

Integrated services: Existing relationships and structures in place within the Council including planning, asset management, property, strategy, civil defence emergency management, and external relationships with key stakeholders including mana whenua and Environment Canterbury.

Affordability: The SABU model is financially viable, with modelling indicating a lower household cost compared to the alternative model.

Pricing: Council maintains full control over charging mechanisms, but would be subject to oversight from the Commerce Commission.

Funding capacity: Maintains current borrowing capacity provide by the Local Government Funding Agency (LGFA) of 250%, with sufficient debt headroom.

Disadvantages/Risks/Cons

Funding limitations: Since the Council has low debt for non-water services activities, it can handle higher debt for water services. However, this could limit investment in other Council services, as most new debt funding will go towards water services.

New requirements: New rules around financial ringfencing and increased regulatory oversight will put additional scrutiny and pressure on Council resources.

Resourcing: New requirements and industry competition may make it challenging to recruit or retain staff and will require changes to current Council systems.

Competing priorities: May lack the specialised focus of CCOs with competing demands across other Council functions.

Alternative option: Establishment of a Water Services Council Controlled Organisation (WSCCO)

Under this option, Ashburton District Council will establish a Water Services Council Controlled (WSCCO) to manage and deliver water services to the community.

The new WSCCO will operate independently, with its own governance and management structures, while the Council will act as its shareholder.

Key features

- Council owned organisation focused on water services
- Council or its committee appoints a competency-based board of directors
- WSCCO board is accountable to council as shareholder and reports regularly on performance (shareholder is accountable to community)
- Council issues a Statement of Expectations to the WSCCO
- WSCCO prepares Water Services Strategy guided by Council's Statement of Expectations
- WSCCO implements Water Services Strategy and reports regularly on performance including financial statements
- WSCCO must comply with regulations set by Taumata Arowai and the Commerce Commission.
- Water charges are set annually by WSCCO, but it must transfer to volumetric or fixed charges within five years of establishment
- Funding capacity allows borrowing up to 500% of operating revenue

Advantages/Benefits/Pros

Water focused governance: Professional, competency-based, independent board dedicated to water services with access to specialist skills, offers greater potential for improved water services delivery.

Funding capacity: Offers borrowing limit of up to 500% of total revenue supported by Council guarantee.

Sustainable: The water-focused nature of WSCCO eliminates the competing priorities scenario, which is inherent in the SABU model, offering greater potential for long-term sustainable growth.

Disadvantages/Risks/Cons

Accountability: Less direct accountability to the community, but WSCCO will be accountable to Council

Affordability: Establishing and transitioning to the WSCCO will incur costs, and financial modelling indicates a slight increase in household costs compared with a SABU.

Industry competition: Although existing staff can transfer to the WSCCO, the organisation's small scale may not be sufficient to retain or attract staff or expertise.

Setup costs: Initial setup costs to establish the organisation and governance

Transition period: Transferring staff and existing relationships (e.g. Environment Canterbury, Mana whenua) to the WSCCO will take time to achieve and transition risks would require strong collaboration with Council

Why is the SABU our proposal?

Our community has expressed satisfaction with our delivery of water services and a desire to maintain local control over water services ownership, governance, operational management and development. Council considers the SABU approach is the best option because it:

- **Balances new requirements** like economic regulation while leveraging decades of work already completed with our water services.
- **Maintains the highest level of direct control and accountability with Council**
- **Ensures financial sustainability**, while continuing to provide other essential services to ratepayers and residents
- **Enhances local accountability**, allowing ratepayers and residents to stay engaged with the delivery of water services
- **Maintains existing integration** of services within Council and relationships with key stakeholders.

The Council acknowledges that keeping water services in-house means meeting new reform conditions, including regulatory requirements and financial ring-fencing. However, it considers it has the capability, financial headroom and resources to successfully support this transition.

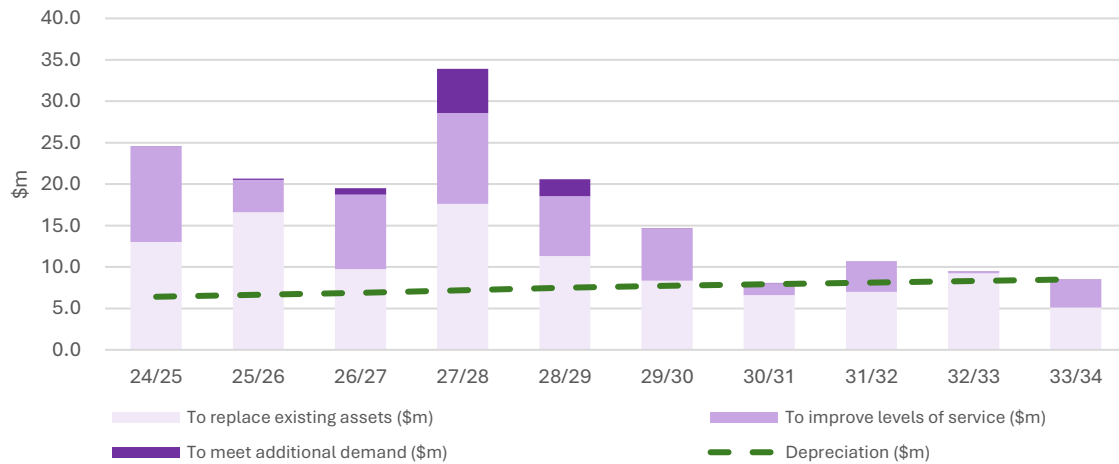
For these reasons, Council considers the SABU model the best option for delivering sustainable, resilient, and high-quality water services while retaining local control. In the future, Council could choose to move to a different model if there were clear benefits of greater scalability or specialisation.

Comparison of models

This section outlines the impact of the options on the service you receive, water charges and rates and debt, based on modelling completed. This assessment considers the *likely*¹ expenditure on water services over the next decade based on upcoming capital investment needs and meeting new regulations from LWDW. The graph shows projected water services expenditure over the next ten years.

¹ The likely scenario builds on the base case from the LTP 2024-34, adding an extra 25% to capital investment to cover potential upgrades, remedial actions, or network expansions expected over the next decade.

Projected water services investment requirements



The service you receive

Water services have strict regulations, set by Taumata Arowai and soon by the Commerce Commission. We need to keep investing in our water services to meet these standards and maintain the services you receive.

No matter which model is selected, water services must adhere to these standards (such as drinking water compliance), ensuring that the current service levels you enjoy will be maintained or improved. However, under a SABU model, investment in water services might affect other services provided by Council due to less borrowing capacity, which could mean reviewing their service levels.

The price of water services

Currently, you pay for water services through rates, with specific targeted rates for drinking water and wastewater.

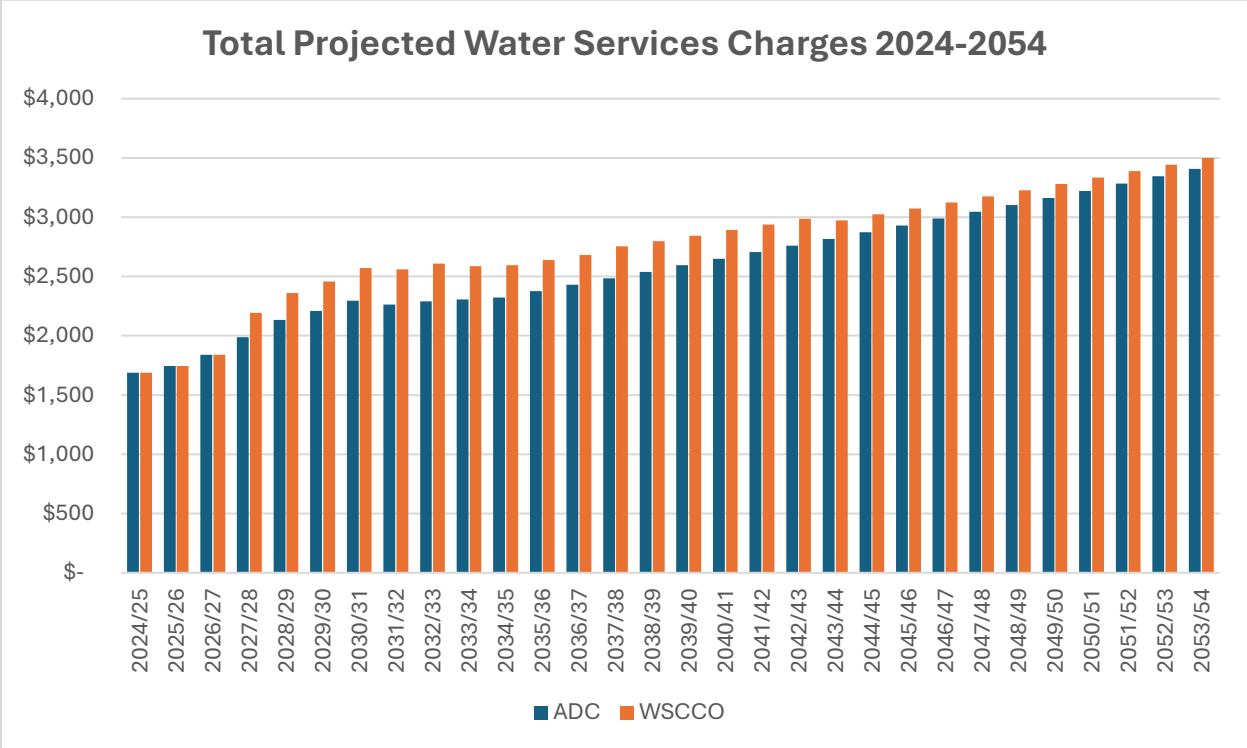
If the SABU model is chosen, this system will likely continue in the short term. In the future, the Council might explore alternative charging methods, like fixed charges or charging based on water usage, to ensure fairness and affordability.

If the WSCCO model is selected, you would eventually pay water services charges directly to the WSCCO. Within five years, the WSCCO is required to transition to a direct charging system, like a fixed charge or usage-based system, changing how costs are distributed amongst users. This change would likely result in a reduction to your current rate bill but you would still receive a separate invoice from the WSCCO.

The LTP 2024-34 forecasts an increase in water services charges over the next ten years. Whatever model is chosen, there will be higher costs to delivering these services, both to meet the increased costs of a new regulatory environment and to deliver the expected capital expenditure. Based on the modelling completed using the likely scenario, average household charges for water services for the two models are summarised here.

| | Average over 10 years | Average over 20 years | Average over 30 years |
|-------|-----------------------|-----------------------|-----------------------|
| SABU | \$2,076 | \$2,322 | \$2,593 |
| WSCCO | \$2,261 | \$2,536 | \$2,776 |

The table presents the average charges for water services over three distinct periods: 10, 20, and 30 years, based on the completed modelling. The graph illustrates these charges on an annual basis over a 30-year span, comparing the two models:



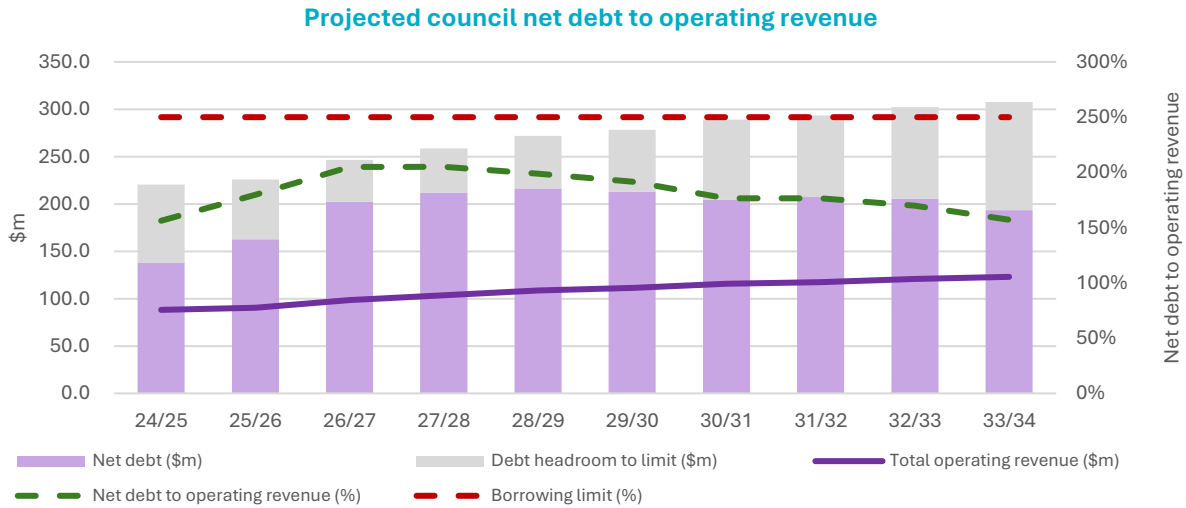
How is debt affected

How debt is treated under each model is a key difference, shown by the table below:

| SABU | WSCCO |
|---|--|
| <ul style="list-style-type: none"> Debt is managed at the total Council level. Uses a consolidated net debt to revenue (DTR) limit of 250%. This limit applies to the entire Council, not individual activities. | <ul style="list-style-type: none"> Can borrow up to 500% of total WSCCO revenue. Must maintain a Funds from Operations (FFO) to debt ratio of 8-12%. |

Debt is an important tool for funding water services, as it can help ensure the costs of infrastructure which will serve multiple generations are paid for by both today's and tomorrow's ratepayers. The Council secures debt from the Local Government Funding Agency (LGFA) to get the best rates. Under both models, debt is expected to rise to meet water service standards.

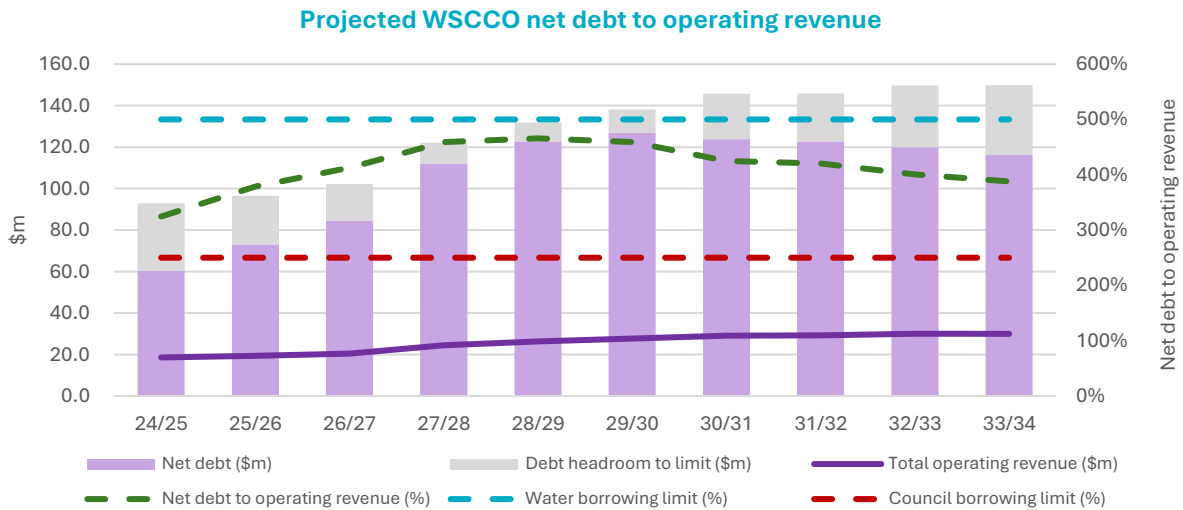
Under the SABU model, the Council’s strong debt position allows more use of debt for water services expenditure while staying within the net Debt to Revenue 250% limit. We also maintain debt headroom to fund other activities of Council. However, this may limit the Council’s ability to borrow in emergencies. The graph outlines the net debt to operating revenue and available debt headroom of this model.



Under the WSCCO model, all existing water services debt would transfer to the WSCCO. The ability to raise debt is more limited, as the WSCCO is only able to borrow against its own revenue. This transfer, which is only supported by waters revenue, means the WSCCO is likely to have to raise household water charges to raise sufficient revenue and stay within its debt limits.

The graph shows the WSCCO operating within a 500% debt limit, including the expected work programme and operating costs of the WSCCO. The model assumes what’s needed for financial sustainability and additional regulatory and operating costs. If the WSCCO was selected as the service delivery model, it would set its own capital programme and operating model, so actual

costs may vary from the model.



Breakout box: This just provides a brief summary of the financial modelling that has been completed. See the full financial modelling report from Morrison Low at [itsourplace.nz](https://www.itsourplace.nz)

Want to learn more?

We have two meetings planned to discuss the future of our water services with the community. Don't miss the chance to hear from your elected representatives and ask questions.

- Methven – Tuesday 8 April, 6pm, Mt Hutt Memorial Hall Theatre
- Ashburton – Wednesday 9 April, 6pm Te Whare Whakatere Event Space
This meeting will also be livestreamed on our Facebook page and YouTube channel.

Consultation Timeline

We're accepting feedback from the community until Sunday 27 April 2025.

Thursday 27 March - Sunday 27 April

Community consultation

Consultation opens with supporting information on itsourplace.nz and feedback open.

12-16 May

Hearings

Submitters can speak to their feedback in person.

21 May

Deliberations and final decision on water service delivery model

Council deliberates on all the submissions received

June to August 2025

Water Service Delivery Plan (WSDP) preparation and adoption

Council staff will finalise a WSDP based on the agreed water services delivery model. Council will formally adopt WSDP in August

By September 3, 2025

Council submits its adopted WSDP to the Central Government

Have your say

Your feedback will help us make informed decision on how our water should be delivered in the future.

Please note all submissions are public documents and will be made available on Council's website with the names of submitters included.

Submissions presented in the form of a petition or accompanied by multiple signatures will be processed as a single submission.

The easiest way to provide your feedback is online at itsourplace.nz

Alternatively, you can provide feedback by filling in the attached submission form and returning it using one of the following methods:

Freepost to Ashburton District Council
Freepost 230444
PO Box 94
Ashburton 7740

Email to submissions@adc.govt.nz

Hand in to Council reception, Baring Square West OR Mt Hutt Memorial Hall

You have until Sunday 27 April 2025 to get your feedback in.

Your details

Name*

Organisation (if appropriate)

Address

Phone

Email*

*these fields are required

Do you wish to speak in support of your submission at the submissions workshop?

(if no boxes are ticked, it will be considered that you do not wish to be heard)

Yes:

The hearings will be held in Hine Paaka (Council Chamber) from 12-16 May (dates to be confirmed).
Please note hearings will be live streamed to our online channels.

No:

I do not wish to speak in support of my submission and ask that the following written submission be fully considered.

Please note that by making a submission, your information will be used in the following ways:

- Submission material, including your name and organisation (if applicable) but excluding your contact details, will be included in material available to Council, media and the public at our office and on our website.

- The contact details you provide will be used for administration of the consultation process, including informing you of the outcome of the consultation.

- The information you have provided will be stored and held by Council. If you would like to request access to, or make a correction to your personal information, please contact the Council staff.

You can submit on any or all the questions below. You can provide attachments to support your submission. Detailed supporting information is available at itsourplace.nz

1. Please choose the water service delivery model that you support.

Stand-Alone Business Unit (Our proposal) – Ashburton District Council continues to deliver drinking water, wastewater, and stormwater services after making all necessary changes to meet new requirements.

Water Services Council Controlled Organisation – Ashburton District Council establishes a WSCCO which manages and delivers water services independently, with Council as shareholder.

Don't know/Other

2. Please provide further comment on the option you have selected
