



ARE WE BETTER TOGETHER?

**Water Services
Consultation**

28 March - 30 April 2025



Waitomo
District Council

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INTRODUCTION

As a community, we have a big decision to make about how water and wastewater services are delivered. It is important more than ever to keep things affordable while also looking after the environment.

The Government has told every council across the country to look at the options for their water delivery services and to make sure everyone is getting a high-quality service that is affordable for the future.

Over the past decade, our council has spent a considerable amount on upgrading our wastewater infrastructure and water treatment plants. However, significant investment is needed to continue upgrading and repairing aging watermains and pipes, and to meet new legislation and increased compliance.

We are inviting submissions on two options for delivering water services:

- Stand-alone (existing arrangements)
- Creating a joint Council-Controlled Organisation (CCO) with other Waikato councils.

We have done a lot of work to determine what is best for our district, and the CCO proposal – currently called ‘Waikato Water Done Well’ – has emerged as Council’s preferred option.

Regardless of the chosen option for each council, water service delivery will look different to how it is delivered now, and communities are encouraged to participate in this decision making process because of its far-reaching future impact.



John Robertson, QSO
Mayor






Ben Smit
Chief Executive

SETTING THE SCENE

Local Water Done Well (LWDW) has replaced the previous government's Three Waters reform programme.

The aim is:





-  Fit-for-purpose service delivery models and financing tools
-  Ensuring water services are financially sustainable
-  Introducing greater central government oversight, economic and quality regulation.

All councils need to develop a water services delivery plan (WSDP) by 3 September 2025.

A WSDP must describe the current state of council's water assets and services and also describe the future arrangements for the delivery of waters services.

It also must demonstrate how the water services will be financially sustainable by June 2028. Financial sustainability means water services revenue is sufficient to meet the costs of delivering water services.

If council's preferred option is a joint arrangement, before adopting the model that best meets their [future] needs councils must:

-  assess the advantages and disadvantages of the 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 the joint arrangement
-  compare the options against each other based on impacts on rates, debt, levels of service and water charges
-  identify a PREFERRED option and consult with 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.



WHY THE NEED TO CHANGE?

Councils in our region are facing significant challenges.

Aging infrastructure - many water 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 cost of building sewage systems has risen 30% over the past three years, while water supply systems are up 27%.

New regulations - new regulations are being introduced that will bring additional standards and further cost increases.

Limited funding options - councils have few ways to raise the funds needed, and many communities are already stretched financially.

TIMELINE

2024 – 2025

February - March 2025

Choose preferred option and prepare for community consultation.

June 2025

Waitomo District Council decision on preferred option for future water services delivery.

July - August 2025

Develop and finalise Water Services Delivery Plan.

3 September 2025

Water Services Delivery Plan sent to Department of Internal Affairs for approval.

November - December 2024

Develop decision making documents for Elected Members to evaluate options for waters governance and delivery. Heads of Agreement to Council approved to participate in Waikato Waters CCO modelling.

March / April 2025

Public Consultation on Water Services delivery model.

April - September 2025

Transition Planning and establish Waikato CCO. Board and Chief Executive appointed. Stage 1 shares issued. Establishment team in place.

July - December 2025

Transition plan updated and ratified by Board. Implementation Plan confirmed.

11 October 2025

Local Government Elections.

2026 – 2031

Jan - Jun 2026

Regional Waikato Waters CCO implementation.

Two layers of activity:
Stage 1. Councils sign Service Level Agreement. Decide on services being provided by CCO.

Stage 2. Issuing of shares. Assets and liabilities transferred.

People and change processes occur

Jul - Dec 2026

Waikato Waters CCO responsible for delivery of water services for the Stage 1 and Stage 2 councils that have chosen this option.

Jan - Jun - 2031

All councils to be at stage 2



WATER IN WAITOMO DISTRICT

In the year to 30 June 2024

Provided drinking water to

2659

properties



Supplied **1.55**

million cubic metres of
water to households

..... THAT'S



622 Olympic
size pools

Provided wastewater
connections to



2269

properties

Treated

1.27

million cubic
metres of
wastewater

THAT'S

508

Olympic
size pools



89.5KM

of water network



70.4KM

of wastewater network

**COUNCIL ALSO
MAINTAINED
THESE ASSETS**

44.3KM

of stormwater pipes



WHAT ARE THE OPTIONS?

Delivery Model Options

Option 1: Stand-alone - WDC continues to deliver water services

Under legislation, councils can continue managing and delivering water services directly.

This involves preparing and adopting a Water Services Delivery Plan that outlines how they will sustain their existing water services infrastructure and operations. However, the 'Stand-alone' option is not status quo. If delivery remains internal there needs to be separation as a business unit from other council activities.

The economic and water standards regulators will impose additional costs and resource requirements, irrespective of who is the provider of that service.

The level of resource to manage these new regulatory requirements and what the changes we will be required to undertake are not absolutely known because the new legislation that details this is still being developed.

Option 2: WDC combines with other Councils to deliver water services

Multiple independent reports have said that managing water services regionally would save money and improve infrastructure by leveraging scale.

The Waikato Water Done Well initiative is one of the options that several Waikato councils are exploring.

Under Waikato Water Done Well, participating councils would transfer their assets and related loans and the operation of their water services to the new organisation (a CCO).

These councils will collectively own and have a say in the strategic priorities of this CCO.

The CCO would be established in July or August 2025, following community consultation.

Following this there will be an implementation period that will support the safe transition of council's water services. It is planned that the CCO will become operational by mid-2026.



Option 2 continued...

A key requirement is that this is seamless from a customer experience perspective. Not all council operations relating to waters would transfer immediately.

For example it is likely that WDC would continue to provide services to the new CCO for a period of time, such as customer contact, finance services, rates and information systems.

The outcome of the community consultation and subsequent decisions by each council will determine which councils formally adopt the Waikato Water Done Well model and become a shareholder in the new water CCO.

If this option is approved it is planned that WDC would move its water and wastewater assets, liabilities, and operations in mid 2026.

If we do join a CCO then the Council support functions that remain would need to be evaluated. This will create opportunities for resource to be allocated where there are currently shortfalls.

What about stormwater?

When it rains, our stormwater system helps drain the water away.

Legislation requires that roading corridor stormwater assets would be retained under council ownership.

A decision on whether the CCO would be contracted to provide the services, or these services will continue to be provided by the council is yet to be made.

Other options considered

WDC has considered a number of delivery options over the past year which included joining together the water services of a smaller group of councils close to ours.

While this option had different advantages and disadvantages there was not enough firm commitment from these councils to develop this option further.

This left our Council with two options to consider, with the CCO our preferred delivery model.

THE PROPOSAL:

A Waikato Water Council Controlled Organisation

The proposed model is establishing a water services company/Council Controlled Organisation (CCO)

The CCO would:

- be owned and controlled by the shareholding councils (each participating council would be a shareholder)
- be the employer of the waters workforce and manager of the related processes and systems
- be the 'regulated' party under new regulation/s
- be operational by July 2026*
- be responsible for delivery of councils' drinking water and wastewater services including seamless service delivery for customers
- provide stormwater management services for those councils who choose this option (responsibility for stormwater will otherwise remain with each council)
- be accountable to its shareholders (each council) via a Shareholder Representative Forum and adhere to an agreed shareholder decision-making framework
- report regularly to shareholding councils
- comply with the new economic regulatory regime that will be progressively introduced by the Government from January 2026

The Board of the Waikato CCO would:

- operate under governing legislation, a Constitution and Shareholders Agreement
- have regard to Shareholders' expectations
- have independent directors appointed by the shareholding councils (i.e. they cannot be elected members or staff of those councils)







Note: nominal directors may need to be appointed for a very short period pending the professional Board being in place and it is possible that these people may need to be staff or elected members

There will be an agreed process for other councils to join the CCO as shareholders, subject to approval of the existing shareholding councils.

* The Waikato Councils would transfer their water services at different times - with all Councils having transferred by 1 July 2028. The earliest date any Council would transfer its business into the CCO would be 1 July 2026.

COMPARING THE TWO OPTIONS:

Six evaluation criteria have been selected to help determine which of these two options are best for the Waitomo community in the long term.

Customer focussed	
<ul style="list-style-type: none"> Dedicated to being responsive New technology to support customers Build customer awareness and understanding of water systems and the value of water 	
Stand-alone Option	Combined CCO Option
<p>Local councils may not always have the ability to deliver financially or operationally on the expectations of their community because of limited resources.</p> 	<p>Increased investment in systems will improve the delivery of information and responsiveness to customers.</p> <p>There will still be local staff delivering the operational services (running the treatment plants).</p> <p>Council will still have oversight for the community and council can field concerns if things are not right.</p> 
Ensure local voice	
<ul style="list-style-type: none"> Having local voice represented in critical decision making around water investment and management Input on water takes and discharges, investment in infrastructure replacement, growth and technology 	
Stand-alone Option	Combined CCO Option
<p>Our district residents can have a say in the operations and future planning of our water services through the WDC by having elected representation.</p> <p>There is transparency and accountability through the Council.</p> 	<p>Combining services into one organisation may reduce the ability to have a local voice.</p> <p>The Board and management of the new CCO will make the decisions.</p> <p>A shareholder group (which we will be part of) will provide input to the CCO and indicate priority works. The CCO will form strong relationships with iwi and mana whenua. It is critical that our treaty settlements, Joint Management Agreements and other partnership responsibilities are recognised and protected.</p> 
Key stakeholder expectations	
<ul style="list-style-type: none"> Regional solutions to enhance decision making, save costs and support growth Recognise all key stakeholders Represent treaty obligations 	
Stand-alone Option	Combined CCO Option
<p>Individual councils can only work within the boundaries of their district when looking at resource consenting and other opportunities.</p> <p>Central government has indicated that small councils who retain water services will be closely monitored to ensure they meet all the legislative requirements and ensure they are financially sustainable.</p> 	<p>A multi council CCO can have large-scale planning and possibly combined consenting options over wider areas and river catchments. This should have improved financial and environmental outcomes.</p> <p>Working as one with our neighbours will provide synergies for working with iwi, mana whenua, Māori, government agencies and other regional entities. Scale is likely to translate into more creative solutions.</p> 

The ability to create scale and community affordability

- Service affordability through efficiency
- Future proof development
- Ability to manage environmental, reporting and economic regulation

Stand-alone Option

- WDC's water charges will continue to increase.
- If the percentage of household income spent on water rates is over 2%, it is considered unaffordable. WDC is at 3% and is currently the highest in the Waikato region.
 - Cost of compliance for environmental, reporting and economic regulations is largely unknown but won't be insignificant.
 - WDC does not fully rate-fund the replacement of water assets, so those costs will increase over time to allow this to happen.
 - WDC will likely pay above market rates to retain staff and contractors.
 - No scale to negotiate better supply deals

WDC will continue to use current staff and existing systems to provide the services so there is less disruption and cost to change.

Waters activities compete with other council activities so prioritising expenditure while keeping rates affordable is challenging and can result in underinvestment.



Combined CCO Option

Joining with other councils to create "scale" which will have a number of benefits:

- Cost efficiency
- Procurement advantages (bulk buying/large contracts)
- Averaged pricing – Waitomo users could pay less if prices are averaged across councils
- A bigger team to meet compliance for environmental, reporting and economic regulation.
- More expertise in asset management
- More innovation (better ways of doing things)
- More ability to navigate changing weather patterns

Conservative savings are modelled in the CCO and will be achieved in the medium to long term.

The initial set-up costs to establish the new CCO will be spread across all councils in the CCO and recovered over time.

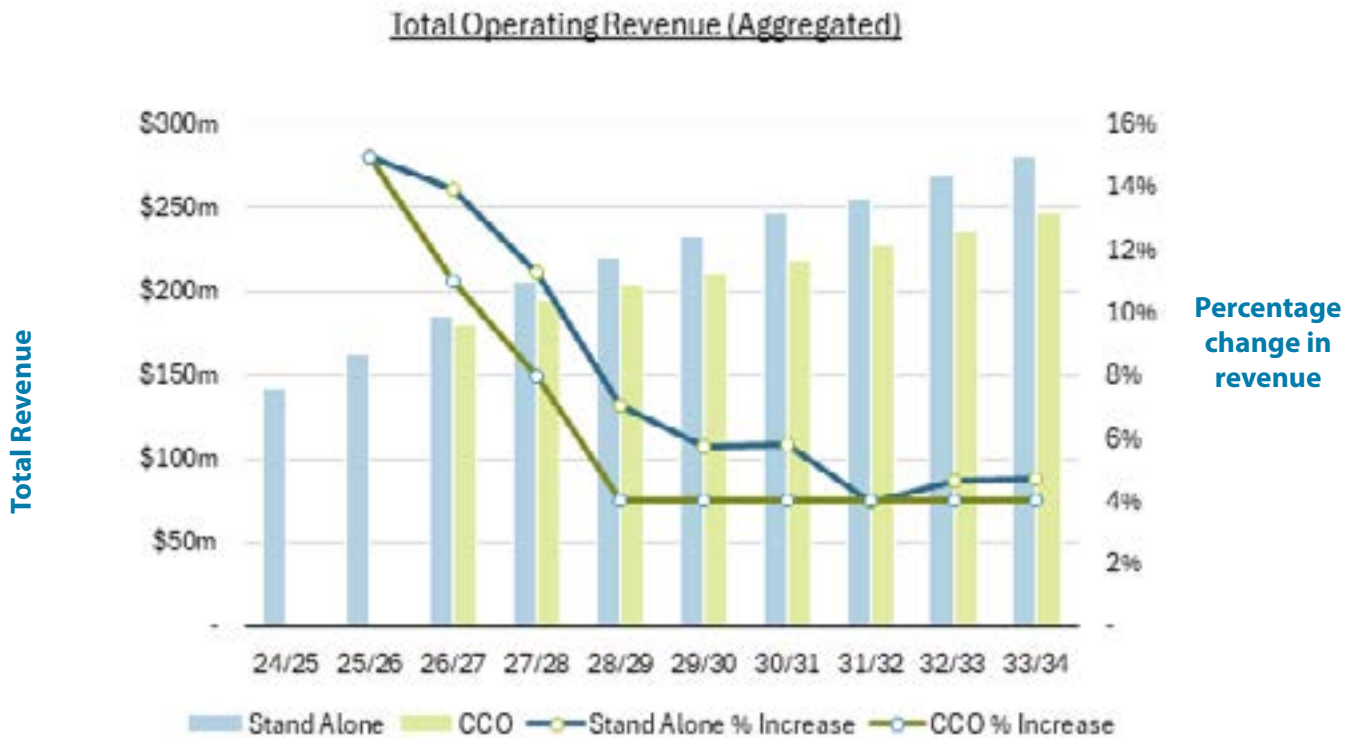
Council will need to downsize the organisation given wastewater and water will no longer be provided.



* The financials included in this document are for comparing the options. They are not final or committed costs, revenues or charges.



AGGREGATED ACROSS ALL PARTICIPATING CCO COUNCILS



The graph compares the forecast operating revenue of the individual councils combined and the proposed results of the CCO option. It shows that operating revenue from water and wastewater users, is estimated to be significantly lower by 2034 under the CCO option.

Also on the same graph are lines that show the percentage change in operating revenue under both options. The percentage increase in estimated operating revenue is more for the seven councils operating individually. New legislation will mean that increases in revenue and reviewing of costs will be undertaken by the Commerce Commission.

WAITOMO – COMPARISON OF STAND-ALONE AND CCO



The graph shows Waitomo's operating revenue under the stand-alone option compared to Waitomo's share of operating revenue under the proposed CCO option. Under the stand-alone option, more money needs to be collected from users compared to the proposed CCO option from 2028/29 onwards.

In the early years while the CCO is being set up, customer charges are expected to be more for the CCO option. In the stand-alone option WDC will have to compete for resources with larger CCOs which would increase costs even further.

Ability to borrow funds for development

Ability to borrow funds from the Council borrowing agency Local Government Funding Agency (LGFA).

Stand-alone Option

WDC's loan levels are relatively low, so this is not an immediate problem but could be in the future.



WDC can borrow 1.75 times our revenue.

Combined CCO Option

The combined CCO will be able to borrow more money for future development.



CCOs will be able to borrow up to 5 times the CCO's revenue.

Workforce availability and development

- Maintain a highly skilled and innovative workforce.
- Create a stable and competitive contractor environment

Stand-alone Option

WDC has a small, dedicated team but we struggle to recruit and retain qualified and experienced staff which creates:



- uncertainty with long term management of our assets (pipes and treatment plants)
- issues for capital works delivery
- difficulty with complex consenting, planning and design, procurement.
- minimal risk management and performance optimisation.
- additional outside resource often required which can be hard to find and costly.

A larger CCO is likely to attract staff and contractors with better conditions and opportunities, making it even more difficult for WDC.

Combined CCO Option

A larger entity has the ability to attract and retain higher skilled and specialised staff.



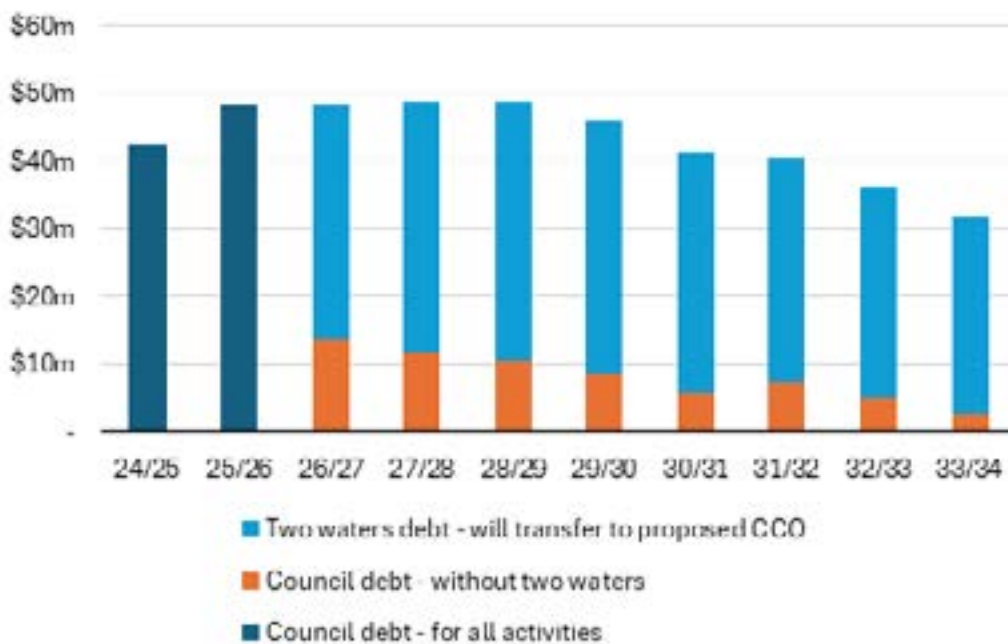
This allows:

- more innovative approaches
- efficient operations
- capacity to plan and deliver large capital works.
- staff dedicated to providing good asset data.
- more attractive for staff and contractors to work in the industry.
- long term capital works pipeline will provide more certainty and better pricing within the industry.



WAITOMO'S DEBT PROFILE BEFORE AND AFTER THE ESTABLISHMENT OF THE CCO

Waitomo District's debt profile
before and after establishment of Proposed CCO

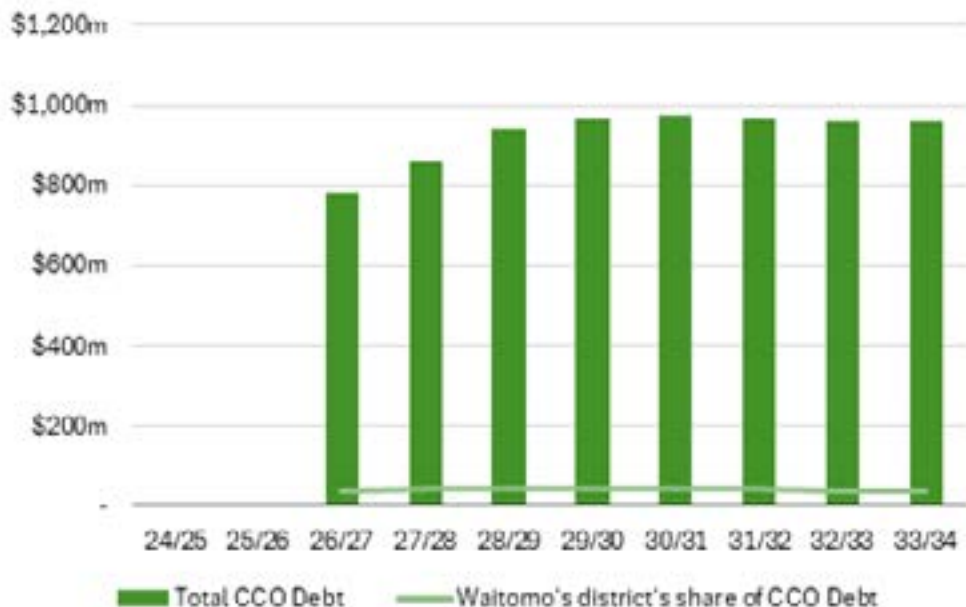


The graph shows Council's debt based on stand-alone. The first two years show total debt for all council activities (dark blue bars).

Under the CCO option waters debt will transfer to the CCO in mid 2026 (light blue bars). The transfer of water and wastewater debt to the CCO will see the remaining council debt reduce significantly (orange bars on the graph).

WAIKATO CCO – AGGREGATED ACROSS ALL PARTICIPATING COUNCILS

Waitomo district's share of proposed CCO Debt



The graph shows the forecast debt profile of the proposed CCO after the transfer of all councils' water and wastewater activities to the CCO. Waitomo's share of the CCO's debt is indicated by the line on the graph.

FINANCIAL SUMMARY

The financial summary provided in the tables show the forecast for 2026/27, midway through (2030/31) and after seven years of operation (2033/34).

The stand-alone and CCO options are modelled with updated inflation assumptions from the forecast in the LTP 2024-34.

Under Stand-alone Model

Water and Wastewater Estimated Cost of Service Statement
\$000's

	2026/27	2030/31	2033/34
Revenue			
Rates Revenue	8,170	11,074	11,949
Other Revenue	886	995	1,068
Total Revenue	9,056	12,069	13,017
Expenditure			
Operating expenditure	6,609	7,475	8,003
Finance costs and depreciation	3,498	4,317	4,136
Total Expenditure	10,107	11,792	12,139
Net surplus/(deficit)	- 1,051	277	878
Capital Expenditure	1,371	1,456	2,204
Net Debt	34,804	35,560	29,403

Under Proposed CCO (Waitomo's share)

Water and Wastewater Estimated Cost of Service Statement
\$000's

	2026/27	2030/31	2033/34
Revenue			
Rates Revenue	8,413	10,220	11,497
Other Revenue	949	1,153	1,297
Total Revenue	9,362	11,373	12,794
Expenditure			
Operating expenditure	6,809	7,141	7,308
Finance costs and depreciation	4,097	4,763	4,467
Total Expenditure	10,906	11,904	11,775
Net surplus/(deficit)	- 1,544	(531)	1,019
Capital Expenditure	1,395	1,412	2,087
Net Debt	36,566	40,984	36,592

Financial figures are based on modelling prepared for the Waikato CCO participating Councils to show trends and indicative figures only

EXPLAINING THE FINANCES

A comparison of the two options shows initially forecast revenue will be more for the proposed CCO option, however in subsequent years this reduces, meaning lower user charges and rates.

Waitomo’s share of operating expenses is forecast to be less under the proposed CCO option, largely due to expected efficiencies and savings. This is after the CCO initial set up process has been completed. It is expected that the scale created by councils coming together will realise savings in the capital works programme and day to day operations over the medium and longer term.

Waitomo’s share of debt, and therefore the finance costs, is estimated to be greater under the CCO option due to higher levels of debt under the proposed CCO option.

The forecast debt will be used to finance the initial spend to set up the CCO, get the right infrastructure in place for the CCO, fund expenditure needed to identify and deliver savings for the future, and maintain water services revenue at a comparatively low and stable level.

In addition to this, depreciation assumptions differ between the two options.

A forecast deficit in 2026/27 for the stand-alone option is due to reserve funding being used for wastewater sludge removal costs. In later years this turns to a surplus as additional rate funding for asset replacement is received to make good the under-funding of asset replacement in the previous years.

Deficit in the CCO option for 2026/27 relates to the smoothing of user charges / rates. This turns into surpluses in future years as these deficits are funded.

What does this mean for future rates?

The following table provides an estimate of the combined water and wastewater residential rates per residential connection under the stand-alone and CCO options.

In the initial years, estimated residential rates are lower under the stand alone option, however in the later years, residential rates per connection are estimated to be more in the stand-alone model compared to the CCO model.

Estimate of Residential Rates Revenue/Average Residential Connections (incl GST)

Residential property based on estimated residential rates revenue/average residential connections (water and wastewater)

	2026/27	2030/31	2033/34
Under stand-alone model	\$3,423	\$4,585	\$4,907
Under Waikato water CCO	\$3,525	\$4,231	\$4,721
Comparison	\$102	-\$354	-\$186



The graph is an estimate of the rating impact for a residential connection on average under the stand alone and proposed CCO options for both water and wastewater.

It shows on average rates will be lower under the proposed CCO option. This is achieved from expected efficiencies and savings under the CCO option.

YOUR COUNCIL

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More contact details can be found on our website: <https://www.waitomo.govt.nz/council/elected-representatives/>

MORE INFO

Visit our website to learn more about Local Water Done Well and Waikato Water Done Well
www.waitomo.govt.nz



SUBMISSION FORM

You can share your views by:

- Completing this feedback form and returning it to us by:
 - o Visiting our Customer Service Centre at 160 Rora Street, Te Kūiti
 - o Emailing it to: haveyoursay@waitomo.govt.nz (scan and pdf or take a photo)
 - o Posting to: FREEPOST 112498, Waitomo District Council, PO Box 404, Te Kūiti 3941
- [Submissions are due by 5pm on Wednesday 30 April 2025](#)

FULL NAME: _____ PHONE: _____

ADDRESS: _____

EMAIL: _____

I wish to speak to Council about my submission Y / N

Proposal: WDC combines with other councils to deliver water services as a Council Controlled Organisation

Do you support Council’s proposal to form a Council Controlled Organisation (CCO) to own and operate water services?

- YES** - I support Council’s preference to form a CCO.
- NO** - I do not support the CCO option. I prefer the Stand-alone option.

Feedback or comments:

