



Public Meeting- 8 April, 2025 LOCAL WATER DONE WELL

What do we know about ‘Local Water Done Well’?

What are the (known and potential) impacts?

What will be the costs?

- What is the best option for future delivery of water services?**

The deadline for public input is 13 April 2025

Why doesn’t KCDC’s ‘Consultation Document’ cover all the relevant issues?

What information do you need to make your submission?

What is the Council telling us, and not telling us?



Focus for Today

- What we know (and don't know) about LWDW and consideration of impacts and options
 - What is central government imposing and what is local authorities' choice?
 - Issues related to 'what will it cost'
 - Issues relating to delivery of water services
- KCDC'S Consultation Document focuses on options for delivery of water services
 - Cart before the horse
 - Analysis of KCDC's options - 'The One' and 'The Four'
 - Missing information, possible alternatives, risks and cost/benefit considerations
- Having your say
 - Writing your submission
- Wrap up and and next steps - discussion



Background to Local Water Done Well

Central Government is imposing a reform of water resources management and service delivery in the form of a ‘new water services system’:

- ‘Three Waters’ (Labour Government) has become ‘Local Water Done Well’ (current Government) - with changes to the model between 2021 and 2025
- Government has (currently) decided that water infrastructure, water resources management and delivery of water services will remain 100% in local ownership
- New regulatory framework
 - Imposing new requirements (and costs) for water quality standards, performance standards for supply/stormwater/wastewater management, infrastructure upgrades and maintenance, and
- New requirements for monitoring performance of water services will be carried out by the Commerce Commission



Background to Local Water Done Well (cont.)

Central Government is imposing this reform via several stages of legislation:

- Water Services Acts Repeal Act 2024 – repeal of all previous water legislation passed between 2021 and 2023 – passed February 2024
- Local Government (Water Services Preliminary Arrangements) Act 2024 – enacted February 2024
 - Established requirement for Councils to develop Water Services Delivery Plans by 3 September 2025 and
 - Public consultation required on options for management of water services – councils must offer at least 2 options for public consideration
- Local Government (Water Services) Bill
 - Introduced to Parliament December 2024
 - Public submissions closed February 2025



Proposed water reform - combination of what central government imposes and what local authorities can choose

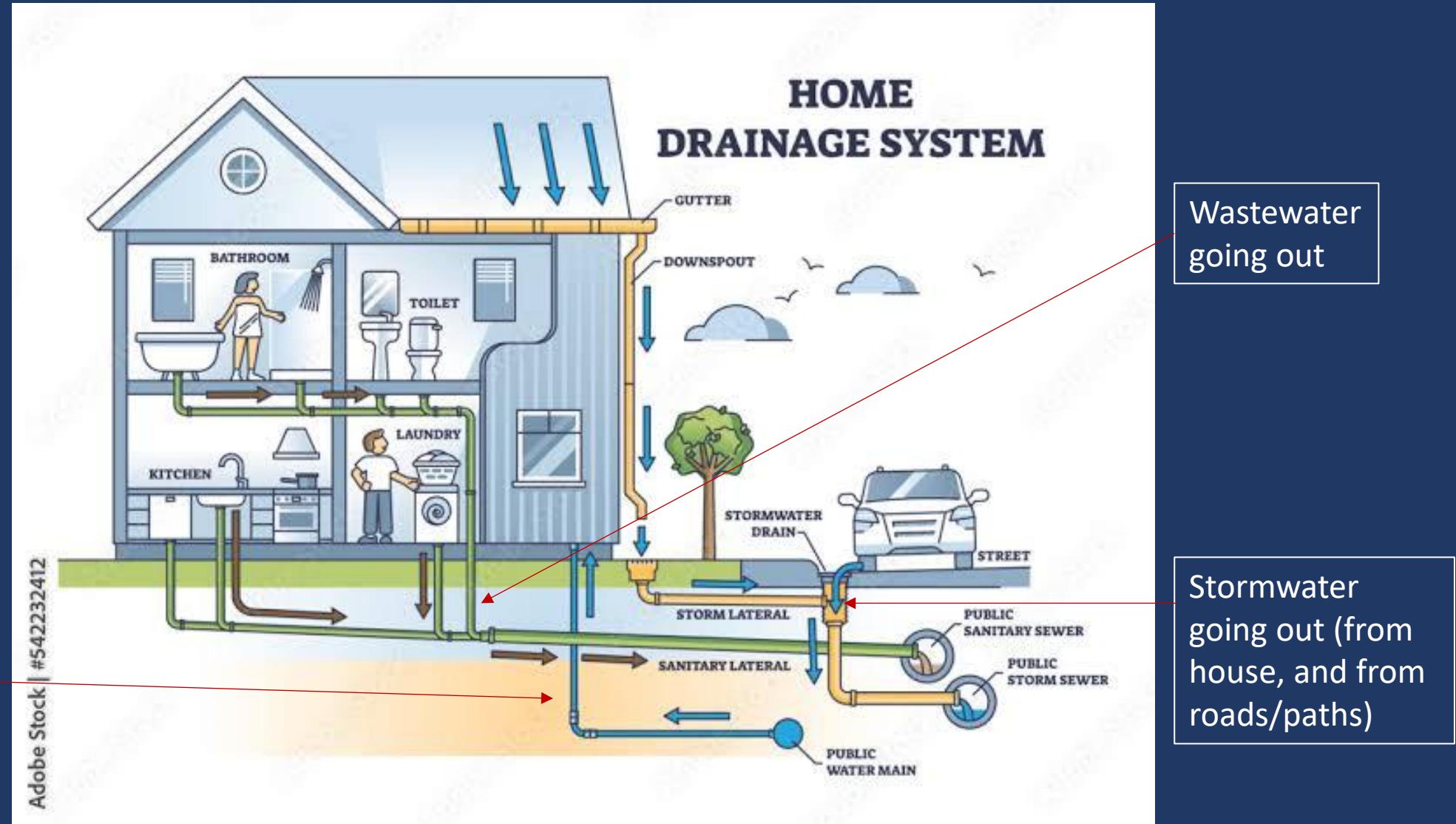
- Central Government is imposing the ‘new water services system’ – with more regulation and oversight on quality, delivery and cost
- Local authorities can choose:
 - What entity should deliver water services in their district/region and how this entity will operate – options for different ‘water organisations’
 - Deadlines and process for public consultation and decision-making
 - Note Councils are choosing different deadlines



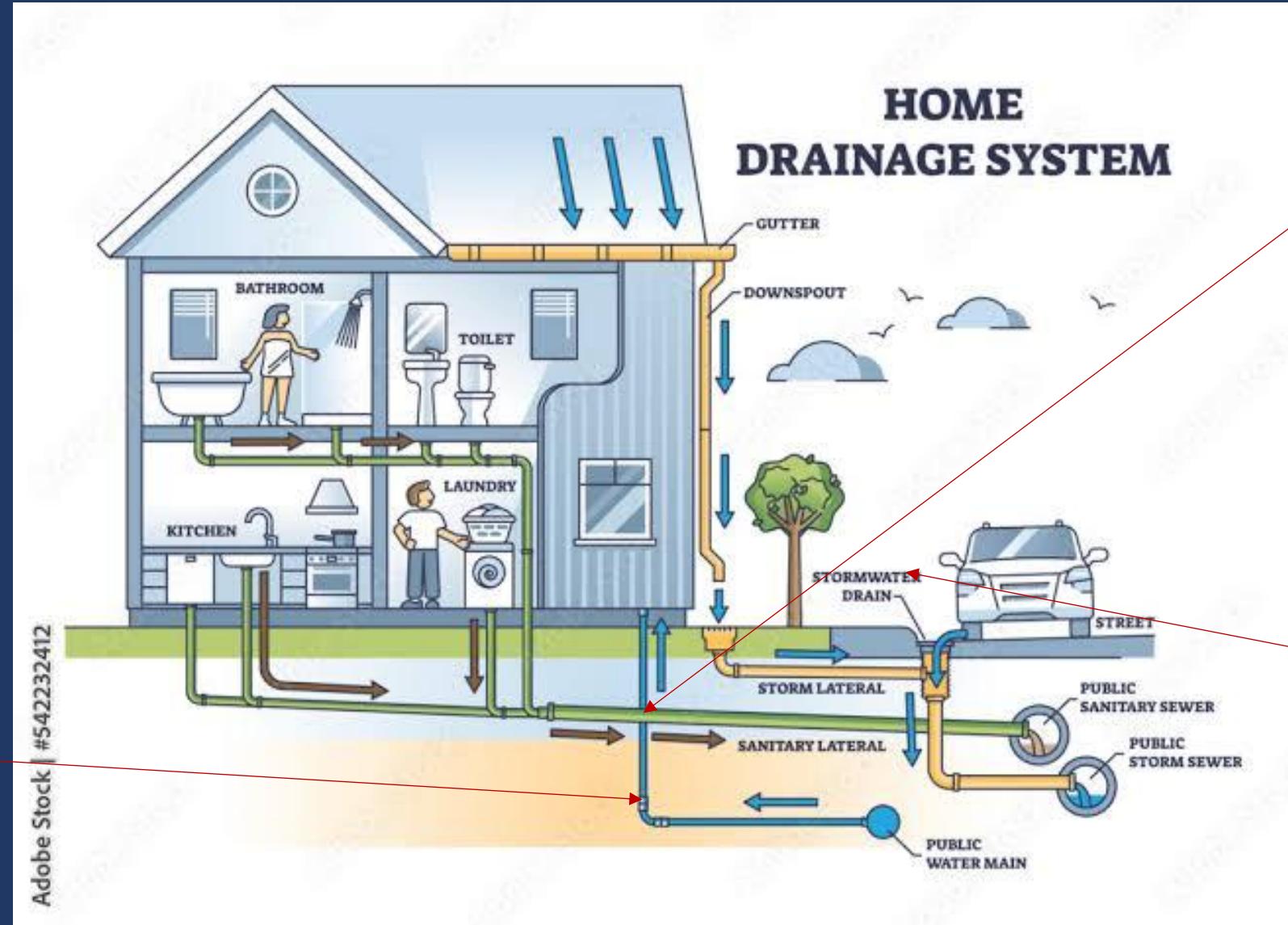
Key questions for Kapiti residents and ratepayers

- What will these changes mean?
- What will it cost?
- Who will pay and how?
- What is the most efficient and effective option for a Kapiti 'water organisation', to deliver water services? AND.....
- KCDC is required to give the public sufficient information to enable proper consideration of options proposed, for informed decision-making.
 - Have they done that?
 - Is the information clear?
 - What information is missing?
 - KCDC is directing the public to approve their preferred option. Have they provided adequate information on that, and on possible benefits of other options?
 - Can you confidently make a submission now, given the information provided?

Lets clarify what 'water services' are - Using a residential home to illustrate...
(rural properties may vary)



How are these “three waters” paid for now?





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When the Council suggests that your water cost could be (estimated) \$1,645 in 2025, they say that cost is made up of...

The cost of supplying your fresh water - billed separately each year based on user volume of water (through your water meter) and the general rate

+

The cost of discharging/collecting/treatment of your wastewater – this is currently an allocation (on formula basis) included as part of your property rates. The amount you pay is based on the value of your property

+

The value of the stormwater management - as above, this is currently an allocation included as part of your property rates. The amount you pay is based on the value of your property



BUT – an analysis of data, KCDC estimates and current rates bills suggests...

- This estimate doesn't tell all of the story.....AND
- We're not confident of the calculations – there is insufficient data on how this figure has been arrived at and what is included and not included
- The figure does not seem to tally with rates statements about how water services are currently costed and where the costs lie and are allocated
- KCDC's 'Consultation Document' presents a lot of generic statements and not much detail.....SO - We have a list of unanswered questions!



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We'll talk about the list of unanswered questions a bit later.....
But first let's look at what the Council has told us about the two options it has put forward for water services delivery



What do we now know about 'The One'- preferred by KCDC

- This is the status quo option. KCDC would run water services as part of its business as usual.
- It will cost more - around \$1.4m per annum as additional operating costs – it's said that this is to manage the additional economic regulations, compliance with new water standards and cost recovery levies (page 31 consultation document) – *but its unclear why this costs \$1.4 million.*
- Revenues would be ring-fenced to cover the total cost of water services. The costs charged for water services will not be able to be used for anything else. *There is no detail on how this would happen, other than there will be a role for the Commerce Commission.*
- The cost per household is projected to be \$1,645 in 2025 rising to \$2,023 by 2034 (including projected inflation).
- By 2054 the cost is projected to be \$2,749. *By comparison, in 2054, costs for 'The Four' are projected to be \$2,594 .*

The Council's modelling says this is the least expensive option in the short term but it may also be the least resilient due to vulnerabilities in being a smaller scale operation.



What do we now know about the 'The Four' - Kapiti, Horowhenua, Palmerston North, Manawatu

- This option would set up a new entity as a “Council Controlled Organisation” which would be legally separate from any individual Council.
- The new entity would be owned by the participating councils - they would appoint the Board
- KCDC water assets and about \$167 million of KCDC debt would be transferred to the new entity
- Ratepayers would receive a bill from the new entity rather than from KCDC – probably a volume-based water bill for fresh water (water meters) and a bill based on property value to pay for wastewater and stormwater.
- The set-up costs and ongoing costs are higher with a new entity.

BUT

- *The Council's consultants Morrison Low estimate lower costs for water services under the new entity after the first 10 years (February 2025, page 32)*
 - *Lower procurement costs because of the ability to use the entity's size to get better deals*
 - *Lower financing costs*



Is the Council's preference for 'the One" justified?

- The consultation document says you would pay more initially under the 'Four' (\$2,656 in 2034, \$633 more than 'The One') ... even if you would pay less later.
- This option is entirely dependent on what is agreed between the four Councils – currently not progressed and thus not resolved
- The Council's case is based on you not wanting to pay more for water now and wanting to retain direct control of the water services

BUT

- It does not have to be the case that you have to pay more now, before you get lower bill later

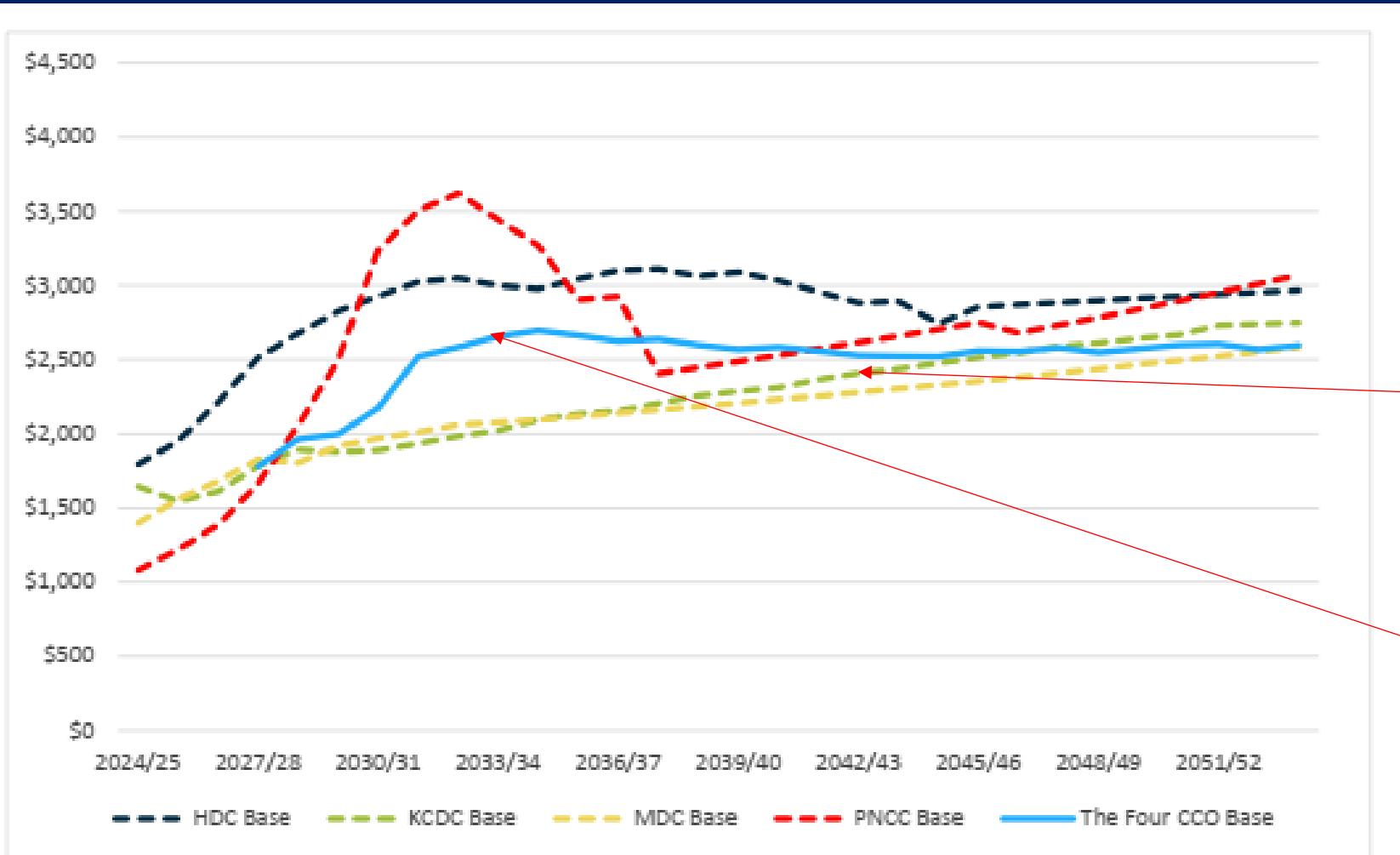
AND

- The Council has not included the relevant information in the consultation material



How might you end up paying more for water under the ‘Four’ in the short term?

(source: Morrison Low report February 2025, page 5)



This graph shows the costs per consumer for each of the four Councils going alone, and if they operate as the ‘Four’

Kapiti’s cost per consumer under the ‘One’ is the green dotted line

The blue line shows what you could pay if everyone under the ‘Four’ pays the same. Under this option, Kapiti residents would be helping to pay for Palmerston North’s large water investment



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But.....

- The cost projections on the previous slide assume:
 - There is a unified water charge for each resident across all four districts
 - That Kapiti residents would help pay for the costs of water services in Palmerston North and Horowhenua (they have some major infrastructure catch-ups to do!)

BUT this may not have to be the case

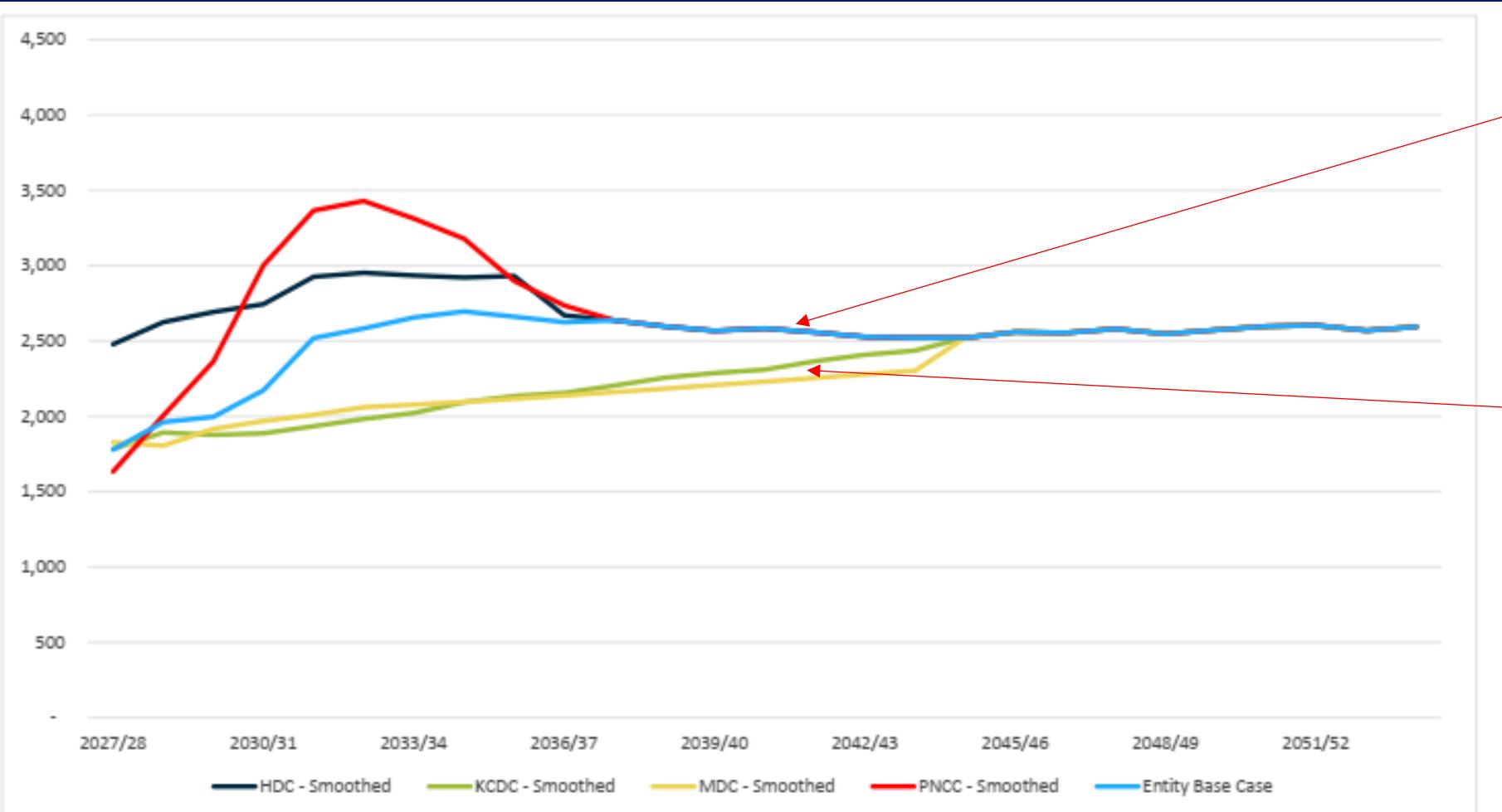
- The Morrison Low report from February 2025 identifies ways to “smooth” prices for Kapiti residents
- It may be possible under ‘The Four’ to get more efficient water services in the future (and pay less in the future) without having to pay more now.



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What price smoothing could look like under ‘The Four’ (source: Morrison Low report February 2025, page 13)



The blue line shows again what you would pay IF everyone under the ‘Four’ pays the same.

The green line shows what Kapiti consumers would pay under this “price smoothing” option. Kapiti residents pay \$2,023 in 2034, the same as under ‘the One’

In this option, Palmerston North residents would pay for their own water upgrades, not Kapiti residents



What else haven't we been told?

- We don't know how ongoing discussions with "The Four" have been progressed (or are ongoing) - it may be we don't have a four to progress with and if that's the case, what are we actually providing feedback on?
- The concerns about not being able to influence the prioritisation for local priorities seems spurious. Water services provided by a shared entity would be managed by a Board - of which KCDC would be a proportional shareholder. The Board would theoretically be accountable to its shareholders – the public of four Councils. The performance of all water services providers will be monitored by the Commerce Commission.
- Council notes 'The Four' option would mean lack of confidence in mana whenua aspirations. This also seems spurious for the reasons above.
- All water services entities have to submit a water services delivery plan outlining how the chosen option will be governed and operate by 3 September 2028 (page 32, consultation document). We have not seen any of the early planning for this and it should have been modelled for both options offered, and discarded options. We are entitled to see and understand the detailed planning, modelling, structural changes etc that both options would necessitate.



List of unanswered questions in KCDC's Consultation Document?

- What is the ratio of funding for water services from user charges versus rates? (current and projected)
 - That is - what does the average ratepayer currently pay in user charges and that proportion of their rates bill that is allocated for water services?
 - How will this ratio change under LWDW - for Options 1 (in-house status quo) and Option 2 (the 'Four')
 - What is the estimated average reduction in property rates per customer as a result of changes to water charging policy?
 - When will the increased charges come into effect for each option?
 - Will cross-subsidization of water services charges (including interest on debt, water services policy, planning and governance costs, operational staffing costs etc.), cease for those who do not use some or any of the three water services?



List of unanswered questions in KCDC's Consultation Document?

- Taking into account the changes that LWDW will bring, what is going on regarding the Council's calculations and projections for rates increases over the life of the LTP?
 - What is the actual timeline and projections for a shift to all/most funding for water services being transferred to user charges?
 - Why did KCDC 'frontload' all Kapiti ratepayers with an accumulating rates increase of 7.3% per year over the remaining 9 years of the LTP, with the full knowledge that revenue for LWDW would be split off? KCDC seems to be planning on the basis that the additional 7.3% pa increase will still apply. Why, if rates will decrease and user charges will increase (with the intention to transfer to 100% cost recovery for Water Services through user charges)?
 - Why is 68% of all KCDC net debt being attributed to Water Services assets when, for the past six years, Water Services assets have averaged only 20% of the total operating costs of KCDC?

IS KCDC RATE FARMING BY AIMING TO KEEP THE EXTRA REVENUE GENERATED THROUGH RATES INCREASES, WHEN THE DEMAND ON RATES WILL DECREASE DUE TO LWDW?



List of unanswered questions in KCDC's Consultation Document? (cont.)

- Why will the 'in-house business unit' (KCDC's preferred option) cost an additional estimated \$1.4m per year?
 - KCDC has identified the need to provide for new regulatory levies, but this amounts to about \$300,000. What are the rest of the costs that make up the additional \$1.4m per year?
 - Will the 'in-house business unit' for water services (KCDC's preferred option) be defined as a 'water organisation' under the new legislation, and therefore will have to have a Board? (Page 13 KCDC Consultation Document)
-



List of unanswered questions in KCDC's Consultation Document? (Cont.)

- And there are many gaps in information relating to consideration of 'the Four'
 - What is the actual timeline and projections for a shift to all/most funding for water services being transferred to user charges?
 - Under 'the Four' option, about \$170m of KCDC debt would be transferred to the joint entity.
- Would KCDC still need to increase rates to the extent projected in the LTP to reduce debt, if this debt is being transferred?
- Each of 'the Four' Councils is undertaking its own consultation, to different deadlines. When will a detailed final option be available for 'the Four', for consideration by the public?
- Since negotiations have not been finalised with 'the Four', what will happen to the shape of the proposal if one or more of these Councils decides to drop out?
- How does KCDC's ratio of water charges and water-related allocation from rates compare to that of the other three Councils?



List of unanswered questions in KCDC's Consultation Document? (Cont.)

KCDC has stated that it does not need to consult on amendments to the Long-Term Plan (LTP) unless 'the Four' is the agreed option. Why?

- KCDC has already decided not to consult on the Annual Plan for 2025/26 (this decision may be in contravention of the Local Government Act).
- If the LWDW chosen option requires KCDC to make amendments to the LTP and the Annual Plan for 2025/26, what consultation will take place?



Are you actually in a position to make an informed assessment?

- We have dug hard into the available material but we don't think that it's really possible to make an informed assessment at this stage:
 - Key information about the two options is not in the consultation document. Instead, you have to go digging deep into the Council's website and even then you have to know what technical reports to look for
 - Information about the alternative options – the ones discarded by the Council - is not readily accessible
 - Information, that could present the financial implications of the 'Four' option in a different light, has not been presented to you
- It is not clear to us that the latest Morrison Low material was presented to Council before it decided its preference
 - The documents for the March Council meeting – that kicked off this consultation – did not include the February 2025 Morrison Low report (just a shorter and less detailed draft report from January 2025)



Are you actually in a position to make an informed assessment?

- **We think more information is needed before adequate consideration of options is possible**
 - More detailed information needs to be available about financial and governance systems that KCDC will set up
 - More detailed information is needed to properly assess 'the Four' option. This is partly dependent on progress with negotiations/finalisation of options with the other Councils, but should also include information about price smoothing.
 - Proper analysis is needed to show the impact on general rates generally, and the projected levels and amounts of user charges
 - Proper analysis is needed on the impact on rates regarding debt and assets
- **Community confidence in Council decision-making is not high and neither is Council performance**
 - Public rating of valuation-for-money satisfaction in 2023/24 was only 46% and confidence in decision-making by Council was only 45%
 - Performance achievement of the Infrastructure group was overall only 77% achieved (although better for specific water services) – 2023/24 KCDC Annual Report
 - Many parts of Council are attaining less than 50% performance achievement – 2023/24 Annual Report



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We do not think this is an effective consultation process that gives you the information you need. Thus we think it needs to be done again

- With the full information provided – particularly about costing and impacts (e.g. estimated rates/user charges funding ratios)
- Including the information about alternative options for water services delivery
- Accordingly, we have written to the Council asking that they extend the deadline for this initial consultation and/or it should be done again – but properly next time.
- The Council will argue: “But we have to steam ahead or we will miss our deadline for submission of our Water Services Delivery Plan to the Government” (by 3 September 2025).

BUT

- KCDC has discretion to change the deadline for public consultation.....or
- KCDC could change its process so that full information is provided to you before a referendum later in the year (as required by the Council’s own standing orders - see page 13 of the consultation document).
- The Government would not punish KCDC if it needs to delay its report to the Government so that it can properly consult with its community.



Making your submission (for those who have not done this before)

Do

Begin with a short introduction about yourself or the organisation you represent

Keep to the topic- it will be stronger and easier for the Council to understand.

Keep your submission as brief as possible. Try to use just one paragraph to explain each of your main points and aim for no more than four pages.

Use clear and simple language that everyone will understand.

Make it clear which option you support and why.

- Clearly state any issues you have and how you would like these to be addressed
- If you think that the proposed options should be amended or added to, specify why and explain what your preferred option would be.

Do Not

Be frivolous, vexatious or offensive with your language – if you do this, your submission will likely be disregarded.

Quote sources that cannot be referenced or validated as reliable

Refer to issues or effects that are not related to the proposal you are submitting submit on

Raise matters that are not within the council's control



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Thank you