



**Title:** 25-45 Our Water [Local Waters Done Well] Engagement Plan and Consultation Document

**Section:** Communications & Engagement  
Finance & Affordability

**Prepared by:** Jade Lister-Baty - Principal Advisor to Chief Executive

**Meeting Date:** Thursday 27 March 2025

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Legal: Yes

Financial: Yes

Significance: **Medium**

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## Report to COUNCIL/TE KAUNIHERA for decision

### PURPOSE - TE TAKE

The purpose of this report is to seek Council's agreement to adopt the draft consultation document Local Water Done Well, and to approve for consultation with the community. Consultation will inform decisions on the future delivery model for water services in Tairāwhiti in response to the Government's *Local Water Done Well* policy.

### SUMMARY - HE WHAKARĀPOPOTOTANGA

Council is required to submit a Water Services Delivery Plan (WSDP) to the Department of Internal Affairs (DIA) by 3 September 2025. This plan must set out how our water services will be delivered sustainably and meet future health, economic, and environmental regulations.

To meet this requirement, five delivery model options have been assessed, with two models being selected as viable for Tairāwhiti:

1. **Our Water, Our Way (Modified In-House Delivery Model)** – Council retains control, with water services managed within a ring-fenced business unit.
2. **Council-Controlled Organisation (CCO)** – A separate entity, wholly owned by Council, operates independently to manage water services.

Council must consult with the community on a preferred option to be applied to the WSDP.

This report outlines both options and presents a recommended approach based on financial sustainability, governance, affordability, and community consultation.

The decisions or matters in this report are considered to be of **Medium** significance in accordance with the Council's Significance and Engagement Policy.

## **RECOMMENDATIONS - NGĀ TŪTOHUNGA**

**That the Council/Te Kaunihera:**

- 1. Adopts draft Local Water Done Well Consultation Document – subject to any minor changes.**
- 2. Approves the draft Consultation Document for formal consultation from 1 April to 1 May 2025.**

*Authorised by:*

**Anita Reedy-Holthausen - Director Engagement & Maori Partnerships**

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** our water, future delivery model, water services, Local Water Done Well.

## BACKGROUND - HE WHAKAMĀRAMA

1. The [Local Government \(Water Services Preliminary Arrangements\) Act 2024](#) requires councils to submit a **Water Services Delivery Plan (WSDP)** by 3 September 2025. This plan must outline how water services will be delivered in a way that is financially sustainable, meets regulatory requirements, and supports long-term infrastructure investment.
2. The Government's *Local Water Done Well* framework provides councils with flexibility to determine their own water service models but introduces stricter financial sustainability thresholds, regulatory oversight, and economic quality standards.
3. The five delivery models outlined by central government include:
  - **Internal business unit (Our Water, Our Way – Preferred Option)** – Water services remain part of Council operations as it is now, overseeing management. Funding is ring-fenced to ensure financial transparency and compliance with sustainability requirements.
  - **Single council-owned water organisation (Council-Controlled Organisation – CCO Option)** – A separate legal entity owned by a single council, operating independently with its own governance structure, including a board of directors and CEO.
  - **Multi-council-owned water organisation** – A jointly owned entity where multiple councils share water service responsibilities.
  - **Mixed council/consumer trust-owned water organisation** – A co-governed model where ownership is shared between Council and a consumer trust.
  - **Wholly owned consumer trust water organisation** – A model where water services are managed by a trust, independent of local government.
4. Based on statutory timeframes, affordability, and feasibility for Tairāwhiti, only two options were viable:
  - **Our Water, Our Way (Modified Status Quo – Preferred Option)** – Retaining water services within Council ring-fencing funding, ensuring local control and financial transparency.
  - **Council-Controlled Organisation (CCO)** – Establishing a standalone water services entity owned by Council but operating independently with a separate governance structure.
5. These two models were selected after assessing financial sustainability, operational efficiency, and the ability to meet regulatory requirements within the required timeframes.
6. Council 14 December 2024 Local Water Done Well – Delivery Options Business Case **[24-348]** approved the two options to be included for public consultation.

## DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA

7. The discussion that follows outlines:
  - Considerations for Water Delivery.
  - Consultation Document, the underlying benefits, main issues, and the options for the public to consider and give their feedback.
  - Engagement Plan.

## Considerations for Water Delivery

8. In response to Government's Local Water Done Well policy, Water Services delivery must provide and fund reliable, high-quality water services for Tairāwhiti in the future.
9. The main objectives for the Water Services delivery as set out by Central Government is:
  - More transparency.
  - Financially Sustainable.

### More Transparency in Water Services

10. The Government is introducing new requirements to improve transparency around the cost of water services. Councils will be required to clearly separate revenue collection for drinking water, wastewater, and stormwater from other council funding. This means all water services will be charged separately, rather than being partially funded through general rates.

### Financial sustainability requirements

11. Under the Local Government (Water Services Preliminary Arrangements) Act, the WSDP must demonstrate financial sustainability by 30 June 2028. This means the chosen water service delivery model must ensure:
  - **Sufficient revenue** to cover operational and infrastructure costs.
  - **Adequate investment** to maintain and upgrade water services.
  - **Viable financing arrangements**, ensuring the ability to borrow as required.
12. Additionally, charges to users must remain affordable over both the short and long term while meeting all regulatory and growth requirements.

## Consultation Document

### Options for Water Service Delivery

13. The Consultation Document outlines the two options for delivery of Water Services.
  - 1) Preferred Option Our Water, Our Way - a modified in-house delivery.
  - 2) Council Controlled Organisation.
14. Key considerations guiding this decision include:
  - **Affordability** – Spreading investment over time avoids sudden financial shocks for ratepayers.
  - **Fair cost distribution** – Current and future generations will share the costs of maintaining and upgrading water infrastructure.
  - **Flexibility** – This model allows for future adjustments if another approach proves to be more beneficial.
15. Both options considered would enable the necessary water service improvements to proceed. However, the primary difference lies in cost structure and governance, particularly in the initial setup and long-term financial flexibility.

16. Comparison of Water Service Delivery Options:

<b>Criteria</b>	<b>Option 1: Our Water, Our Way (Modified In-house)</b>	<b>Option 2: Council-Controlled Organisation (CCO)</b>
<b>Governance &amp; Control</b>	Managed within Council. Decision-making remains local.	Operates independently under a board of directors, while still owned by Council.
<b>Financial Transparency</b>	Funding is ring-fenced. Revenue collected for water services can only be used for that purpose.	Separate financial structure ensures transparency but may lead to increased setup and compliance costs.
<b>Short-Term Affordability (First 10 years)</b>	Lower costs due to minimal structural changes.	Higher costs due to governance setup, operational transition and borrowing requirements.
<b>Long-Term Financial Flexibility (20+ years)</b>	Less financial headroom, as debt is managed within Council's overall borrowing capacity.	Greater borrowing capacity, allowing for long-term investment and infrastructure resilience.
<b>Implementation Complexity</b>	Simple to implement, as it builds on the existing structure.	More complex to establish within the timeframe due to governance requirements, legal structures, and transition planning.
<b>Operational Efficiency</b>	Integrated within Council, competing with other priorities.	Focused solely on water services, with dedicated operational and financial management.
<b>Impact on Rates &amp; Revenue Structure</b>	Predictable, staged increases over time; minimal disruption to ratepayers.	Higher initial charges, but potential for lower costs in the long term.
<b>Regulatory &amp; Compliance Capacity</b>	Must meet all financial sustainability and regulatory requirements within Council's structure.	May allow for a more streamlined approach to meeting compliance and investment obligations.

**Our Preferred Option**

17. Our preferred option avoids the high setup and transition costs associated with CCO, resulting in the lowest short-term impact on rates. It's similar to what we have now and simpler to set up. It maintains local control, ensures financial transparency and spreads the costs of gradual improvements over time without front-loading or sudden increases in charges for ratepayers.
18. Borrowing capacity, capped at 280% of revenue, is sufficient for the region's anticipated investment needs. As an in-house option, it offers the most predictable and stable financial approach.
19. This option also doesn't lock us into one model forever, so we can adapt or change if another approach, like a joint arrangement with other councils or switching to a CCO if there's a better opportunity in the future.

### Transition to a ring-fenced funding structure

20. From 1 July 2027, under the modified in-house delivery model, Gisborne District Council will transition to a fully ring-fenced funding structure for water services. While a portion of water service costs is currently covered by general rates, this will stop. Instead, only those who receive water services will pay targeted rates for them.
21. Although full cost forecasts are yet to be finalised in the Water Services Delivery Plan, based on 2024/25 rates, this shift would mean:
  - Households connected to reticulated water services would see an estimated increase of \$100 per year.
  - Households not connected to one or more water services (e.g. rural properties with their own water supply or wastewater systems) would see a reduction of around \$100 per year.
22. This shift enhances **financial transparency**, ensuring that water users directly fund the services they receive. It also aligns with new national requirements for cost-reflective water pricing.
23. The In-House Delivery Model offers the most predictable and stable financial approach. It avoids the high setup and transition costs associated with CCO, resulting in the lowest short-term impact on rates. Its borrowing capacity, capped at 280% of revenue, is sufficient for Gisborne's anticipated investment needs.

### Impact on different property types

24. The financial impact of the proposed water service changes doing Our Water, Our Way will depend on the type of property and the services received.
  - **Commercial and industrial properties** - Most commercial and industrial properties already pay for drinking water through volumetric charges (water meters). This will remain unchanged. These properties will also see a separate rate for wastewater and stormwater, similar to the current system. The difference in costs between a CCO and an internal business unit will follow the same trend as for residential users.
  - **Land and capital value-based charges** - After the five-year transition period, water service charges cannot be applied based on land or capital values, meaning all charges must be structured through direct user fees or targeted rates.

### Separate Water Charges

25. From 1 July 2027, regardless of whether a CCO is formed, Council rates bills will continue to show separate charges for drinking water, wastewater, and stormwater. However, the small proportion of costs currently covered by general rates will be removed, with all water services funded through targeted rates.
26. Properties connected to water services will pay targeted rates for the services they receive.
27. Properties not connected to a reticulated water service (e.g., rural properties with private water or wastewater systems) will not be charged for those services.

### **Impact on different property types**

28. The Consultation Document forecasts what it costs under average residential household for the preferred ring fence internal business option and compares it to the CCO average residential user fees.
29. The financial impact of the proposed water service changes doing Our Water, Our Way will depend on the type of property and the services received. Costs for non-residential users has not been included, other than to say that the differences between the two options, is that the inhouse delivery will be cheaper than the CCO option.
30. It should be noted that most commercial and industrial properties already pay for drinking water through volumetric charges (water meters). This will remain unchanged. These properties will also see a separate rate for wastewater and stormwater, similar to the current system.
31. Other considerations include:
  - **Land and capital value-based charges** - After the five-year transition period, water service charges cannot be applied based on land or capital values, meaning all charges must be structured through direct user fees or targeted rates.

### **How the In-House Business Unit Will Affect Ratepayers**

32. For most ratepayers, it will be business as usual under the in-house business unit model. Water services will continue to be charged through rates, as they are now, and most ratepayers will see minimal change to how they receive their bills.
33. Some properties may see a small increase compared to projections in the 2024-2027 Three-Year Plan.
34. Properties not connected to one or more water services may see a small decrease in their charges.

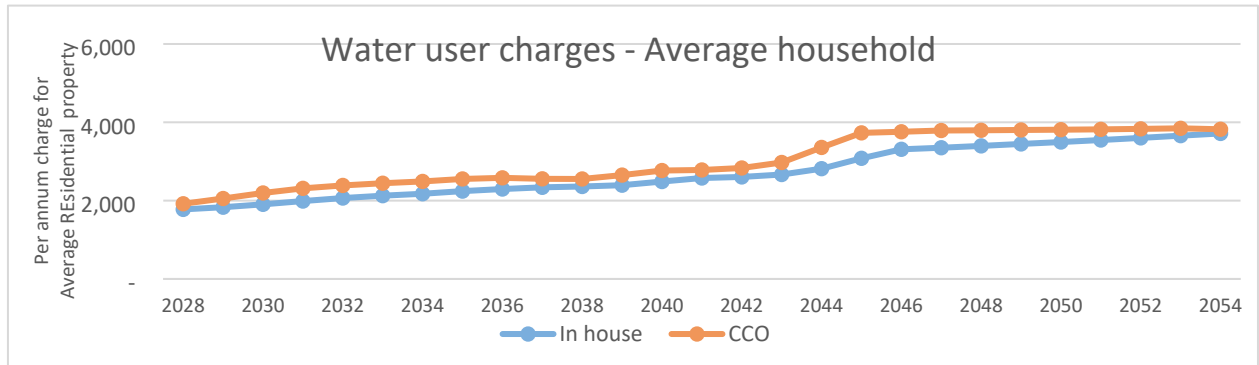
### **How a CCO Would Affect Ratepayers**

35. If a CCO is formed, from the start of operation, ratepayers will receive a separate bill for drinking water and wastewater. Initially, Council may continue to collect water charges on behalf of the CCO before transitioning to direct billing by the CCO.

## Financial Considerations

### User Fees

36. The graph below shows that the inhouse option has lower average residential user fees for the medium term. In the long term, because costs are spread out over time, charges with a CCO could eventually become the same or slightly cheaper.



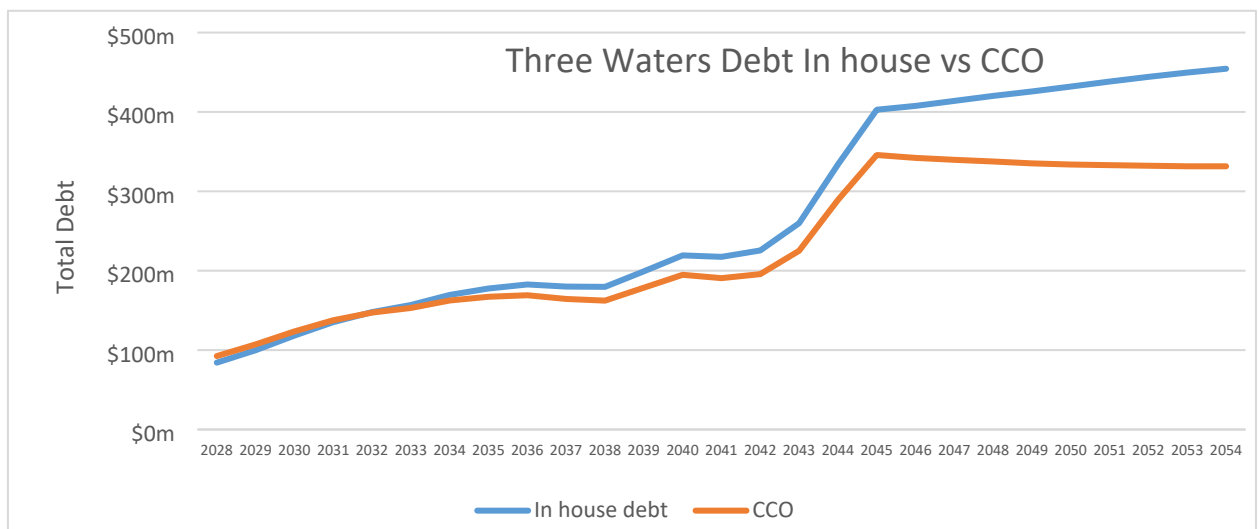
**Graph 1** – Comparison of User charges.

### Total Debt and Borrowing Capacity

37. In the initial years, total debt under the CCO option is projected to be slightly higher than under the in-house approach. This is due to the higher upfront costs required to establish and transition to a CCO structure. However, over the first ten years, debt levels are expected to equalise between the two options.

38. Beyond ten years, the CCO option is forecast to have lower total debt compared to the in-house business unit. This is primarily because a CCO would collect higher revenue in its early years, allowing it to better manage borrowing needs over the long term.

39. Under the in-house model, while total debt remains within acceptable limits, Council will still have sufficient borrowing capacity to meet future investment needs. The graph below illustrates Council's long-term borrowing headroom under this option.



**Graph 2** – Total debt comparison between the in-house model and CCO over time.

## CCO

40. There are a number of other differences of how a CCO would operate and impact on the overall management of Water Services Delivery. These include
- a) Stormwater
  - b) Debt underwritten by Council
  - c) 30% Cap of Rates Revenue.

### Stormwater

41. In recognising the difficulty of identifying stormwater assets, the Government has decided stormwater will remain a Council responsibility and that Councils will be able to continue to rate for stormwater. The regulatory framework for stormwater will be developed over a longer timeframe (still to be determined), than the economic regulatory framework for water and wastewater. Councils will be able to transfer stormwater assets to water services CCO and fund the CCO to maintain those assets and/or deliver stormwater services.
42. Even if Council was to transfer stormwater assets to the CCO option, it will remain responsible for stormwater. It should be noted that there are limited charging tools available to a waters CCO, and suggests that it doesn't make sense to transfer any stormwater assets to a CCO.
43. However, due to economies of scale, it may make more sense to transfer the delivery of stormwater services to a CCO, where Council would then purchase the stormwater services from CCO.
44. Option 2 costings include all three Water services within its charging to show the comparability of service fees, when managed by CCO.

### Debt

45. Council's ability to leverage debt, is through its rating mechanism and overall revenue. Rates being a form of tax has certainty. However, CCO does not have the rating mechanism or assurance of taxable income.
46. Council will need to support CCO, in terms of its debt, by providing an underwrite or provide uncalled capital.

### Impact to Council's rates revenue and the 30% cap

47. The transfer to CCO, might cause changes to Council rates to the residual activities under its control. Council has a high number of fixed charges, but the maximum fixed charge rates as part of its total revenue is less than 30%. This is referred to 30% cap. When Water services are transferred to CCO, we are likely to exceed the 30% cap based on how we currently rate for the rest of our activities. This means we would need to charge more rates by capital rates or on land value. This would see a shift in the incidence of rates for residual Council services.
48. Currently there are no proposed changes to Local Government Act, to increase the 30% rates cap or to phase the impact over time. While Council has made a submission to central government, the outcome is uncertain if legislation changes will be made.
49. There is no breach of 30% cap under the modified Inhouse business unit.

## Community Consultation

50. The **Local Water Done Well Consultation Document** outlining the options and impacts is attached for approval. Written submissions will be captured online, post and in person at scheduled hui and events during the consultation period 1 April – 1 May 2025.
51. The decision on the options affects the region as a whole with a focus on those within the reticulated boundary. The approach to promoting consultation and receiving submissions will be done through a wide range of channels:
- Website
  - Direct mail – rates database
  - Email – He Panui
  - Social Media – digital campaign and livestream
  - Radio and News Media
  - Billboards
  - Static displays at public locations
  - Presentations at Engagement Hui
52. Preliminary engagement on the consultation for Local Water Done Well has been a focus within 13 hui held around the region with communities and mana whenua in the last three months. A series of drop-ins and targeted engagements are planned for April to capture a range of groups, including:
- Tiriti Partners - Iwi, hapū and mana whenua – concentrated on rohengā with water sources and interests in communities connected to water.
  - Households, residents and ratepayers – connected to services in City, Te Karaka, Whatatūtū, Muriwai, Manutūkē and Makaraka.
  - Businesses, Chamber of Commerce – With a focus on City and industry
53. A high level **Our Water Consultation schedule** is attached. Councillors are recommended to attend any engagements they are available for.
54. Community hearings will be scheduled for submitters to present in person 21 – 22 May. Submissions will be summarised for Council deliberations 18 June 2025.
55. Decisions will be communicated to submitters and publicised in July 2025.

## ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

**Overall Process:** **Medium** Significance

**This Report:** **Low** Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** **Medium** Significance

**This Report:** **Low** Significance

Inconsistency with Council's current strategy and policy

**Overall Process:** **Medium** Significance

**This Report:** **Low** Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** **High** Significance

**This Report:** **Low** Significance

The effects on individuals or specific communities

**Overall Process:** **High** Significance

**This Report:** **Low** Significance

The level or history of public interest in the matter or issue

**Overall Process:** **Medium** Significance

**This Report:** **Low** Significance

56. The decisions or matters in this report are considered to be of **Medium** significance in accordance with Council's Significance and Engagement Policy.

## TREATY COMPASS ANALYSIS

### Kāwanatanga

57. Council is already displaying commitment to co-governance and management approaches with tangata whenua. Legislation currently secures this commitment which would continue under Option 1. This ensures the ongoing ability of tangata whenua to contribute to decision making at all levels. Capacity of tangata whenua across business with Council remains a challenge. A review of appropriate decision making for a stand-alone business unit may be required.

### Rangatiratanga

58. Under the current constitution the expression of tino rangatiratanga is restricted as common law and legislation provide the framework in which the treaty relationship is considered. This does not prevent Council from seeking to understand what self-determination looks like within the parameters given. Iwi leaders' priorities relating to water storage, supply, and water quality are areas where Council can look for opportunities to devolve or partner. Option 1 provides for this to occur.

## **Oritetanga**

59. Option 1 provides for the ongoing commitment by Council to partnering for shared outcomes. Equity of information, capacity, capability and resourcing are an ongoing challenge for the ability to partner well. Finding an approach that suits the diversity of Treaty rights and interests will be crucial and partner involvement at the earliest opportunity ensures awareness and best alignment.

## **Whakapono**

60. In line with earlier discussion, from a Māori worldview water is a taonga as opposed to a resource. The tikanga and kawa that surround interaction and use of water will vary between marae, hapū and iwi groupings. It is important that the opportunity for Māori worldview and belief systems is provided for. Option 1 caters to the provision of this article.

## **TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA**

61. In December 2024 Council held a workshop with iwi Chief Executives to discuss the changes and various delivery models. The options for delivery models are Government directed, this limited Council's ability to develop models in partnership.

62. A Tiriti compass lens was applied to identify the preferred options within the business case. Council staff sought to engage on the two options. Iwi were supportive in principle of the options going to consultation, but would seek to engage further at the point of community consultation.

63. Engagement with mana whenua groups has been undertaken over February and March, where the consultation has been signalled.

## **COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI**

64. Information on Government's Local Water Done Well policy and legislation changes has been publicly available on Council's [website](#), and the upcoming community consultation promoted to the community through [media](#) and community hui held through November 2024 – March 2025.

65. This report outlines the approach for community consultation in line with Special Consultative Procedure during April – May. Submissions received will be considered through public hearings and deliberations in May – June. Council's decision on 26 June will be communicated to submitters and publicised through media and Council's channels.

## **CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga**

66. Climate change is already affecting Tairāwhiti, with increasing frequency of extreme weather events, changing rainfall patterns, and rising temperatures. The future water service delivery model must account for these impacts to ensure long-term resilience and sustainability.

67. Upgraded stormwater and wastewater systems will be designed to handle increased rainfall intensity, reducing the risk of flooding and wastewater overflows.

68. Strengthening water infrastructure will ensure a stable drinking water supply during periods of drought, which are expected to become more frequent due to climate change.
69. More robust infrastructure will reduce vulnerability to extreme weather events, minimising disruptions and improving response times when climate-related emergencies occur.
70. Transitioning to a fully ring-fenced funding model will enable long-term planning and investment in climate-resilient water systems.

## **CONSIDERATIONS - HEI WHAKAARO**

### **Financial/Budget**

#### **Financial Costing Model Overview – Morrison Low**

71. This financial analysis is derived from a detailed financial model created for an internal business unit and a single council-owned water entity, conducted by Morrison Low. For the full report and analysis refer to Council 14 December 2024 Local Water Done Well – Delivery Options Business Case [24-348].

#### Summary of the Business case

72. The model presented within the Business Case, follows a cost-based approach, specifically designed to ensure the financial sustainability of three waters services. Both options presented in the Consultation Document adhere to the following key principles:
- All operating expenses, including depreciation and interest, are fully covered by operating revenue.
  - Capital expenditures are financed either through debt or surplus cash flows generated by operations.
  - Borrowing limits are closely monitored, with additional revenue raised when necessary to ensure compliance with the borrowing thresholds set by the Local Government Funding Agency. The model assumes a borrowing cap of 280% of total council operating revenue, maintaining debt levels well below 250%.
73. The business case incorporates inflation assumptions based on the BERL LGCI rates for the first 10 years, followed by a 2% annual inflation rate thereafter. Borrowing costs are estimated at 5% per annum, calculated based on the prior year's closing debt balance.
74. For CCO option, all establishment costs are assumed to be capitalised and financed through additional borrowing. Additionally, all debt related to the three waters services is anticipated to transfer to the water organisation upon its establishment.
75. The assumed establishment date is 1 July 2027.

## **LEGAL**

### **Statement on Statutory Legal Implications for Gisborne District Council's Water Services Delivery Model (WSDM)**

76. Gisborne District Council (Council) must prepare and submit a Water Services Delivery Plan (WSDP) by 3 September 2025 under the Local Government (Water Services Preliminary Arrangements) Act 2024 (PA Act). Council's preferred water service delivery model (WSDM) involves a potential transition to a new Water Services Council-Controlled Organisation (CCO).

### **LTP Amendments and Consultation**

77. Council's Long-Term Plan (LTP) may need amending if strategic assets are transferred to a CCO. However, the PA Act allows for a streamlined consultation process, and the Severe Weather Emergency Recovery (Local Government Act 2002— Long-term Plan) Order 2023 (SWERLA Order), currently removes the obligation to amend the LTP before such transfers, until 30 June 2027. If assets are transferred before that date, no audit will be required. After 1 July 2027, Council would need to follow the regular LTP amendment process.

### **Audit Requirements**

78. If Council proceeds with a CCO before 30 June 2027, there will be no audit requirement for the LTP. Post-1 July 2027, an audit would be necessary, but this audit will be captured as part of the 2027-2037 Long Term Plan.

### **30% Rate Cap under the Local Government (Rating) Act 2002 (LGRA)**

79. If Council shifts to a CCO model, the revenue from uniform annual general charges (UAGC) or fixed rates may exceed the 30% cap under section 21 of the Local Government (Rating) Act 2002 (LGRA), due to the removal of targeted water and wastewater rates. There is no exemption in the PA Act for this cap. Council may need to amend its rating policy or seek an exemption or transitional relief.

80. In summary, there are legal obligations related to LTP amendments, consultation processes, and the 30% rate cap, particularly if Council moves forward with the WSCCO model.

## **POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE**

81. As the new Water Services unit commences on 1 July 2027, this will coincide with 2027-2037 Long Term Plan (2027-2037 LTP). Underlying the 2027-2037 LTP will be a revised Financial Strategy and Infrastructure Strategy.

## RISKS - NGĀ TŪRARU

82. Several risks are associated with the decision on the future water service delivery model. These include financial risks, implementation risks and potential impacts on the community.

### Financial risks

83. **Affordability for ratepayers** –The cost of water services will increase under both options. The in-house option spreads costs gradually, whereas the CCO option has higher initial costs but may provide long-term savings.
84. **Debt management** – The in-house model must balance borrowing within Council's overall debt capacity, which may limit flexibility. The CCO option can optimise borrowing over time but requires strong financial oversight.
85. **Revenue uncertainty** – The transition to targeted water rates may create variability in revenue collection, impacting financial planning and stability.

### Implementation Risks

86. **Time constraints – The Government has set strict deadlines for submitting the Water Services Delivery Plan (WSDP) by 3 September 2025.** Any delays in decision-making or implementation may impact Council's ability to meet regulatory requirements.
87. **Complexity of transition** – Establishing a CCO involves significant structural changes, governance setup, and legal arrangements. This complexity may result in unforeseen costs and delays.
88. **Legislative and regulatory compliance** – Both options must comply with Local Water Done Well legislation and financial sustainability thresholds. Any changes to national policy could impact future obligations and investment planning.

### Community and political risks

89. **Public perception and acceptance** – Ratepayers may express concerns over increased costs, changes to service delivery, or loss of direct Council control under a CCO option. Managing public expectations through engagement and communication will be critical.
90. **Potential for future reforms** – The national water reform landscape remains uncertain, and future government decisions could further alter water service delivery requirements, affecting the long-term viability of either model.

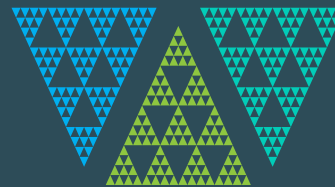
## NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
1 April – 1 May	Consultation	
21-22 May	Hearings	
18 June	Deliberations	
26 June	Adoption of Water Services Delivery Plan	
3 September	Water Services Delivery Plan submitted to DIA	
March 2027	Consultation of the 2027-2037 Long Term Plan	
1 July 2027	Our Water Our Way Delivery entity commences	

## ATTACHMENTS - NGĀ TĀPIRITANGA

1. Local Water Done Well Consultation Document APRIL 2025 [25-45.1 - 20 pages]
2. Our Water - High Level Engagement Plan [25-45.2 - 2 pages]

# LOCAL WATER DONE WELL



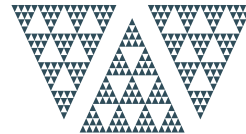
**CONSULTATION DOCUMENT**

**APRIL 2025**

**In response to Government's Local Water Done Well policy, Council must decide how we will provide and fund reliable, high-quality water services for Te Tairāwhiti in the future.**

**We've identified two options that we want your feedback on to determine the best option for how water services will be delivered in our region from 2027.**

**LOCAL  
WATER  
DONE WELL**



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# HE KUPU WHAKATAKI NĀ TE KAHURANGI

## A MESSAGE FROM THE MAYOR

**Ko te wai te ora o ngā mea katoa.**

**Water is essential for everyone—for the health of our people, environment and economy.**

Government has presented us with a clear task—to rethink how we will manage our water infrastructure in the future. This is not a choice we asked for, but it's one we have to make.

Every council in Aotearoa must decide how drinking water, wastewater and stormwater services will be managed and funded from 2027. This consultation is about making that significant decision together.

Gisborne District Council has consistently invested in our critical water infrastructure, including \$77m in upgrades to our wastewater treatment plant. We have a proven track record for providing safe drinking water – and we want to keep it that way.

We're in a better position than many councils, however we face major challenges. With tighter regulations and the risk of increasing severe weather events, significant investment is needed to ensure our water services remain reliable, sustainable and affordable for our communities in the long term.


Why now? By September 2025, in response to Government's Local Water Done Well policy, we must submit a Water Services Delivery Plan, outlining how we will meet these challenges.

Our preferred choice is Our Water, Our Way. This model keeps control of water services under Council's direct management. Every dollar set aside for water will be spent on water services—nothing else. This approach keeps decisions local and allows us to plan for the unique needs of our region with direct input from our community.

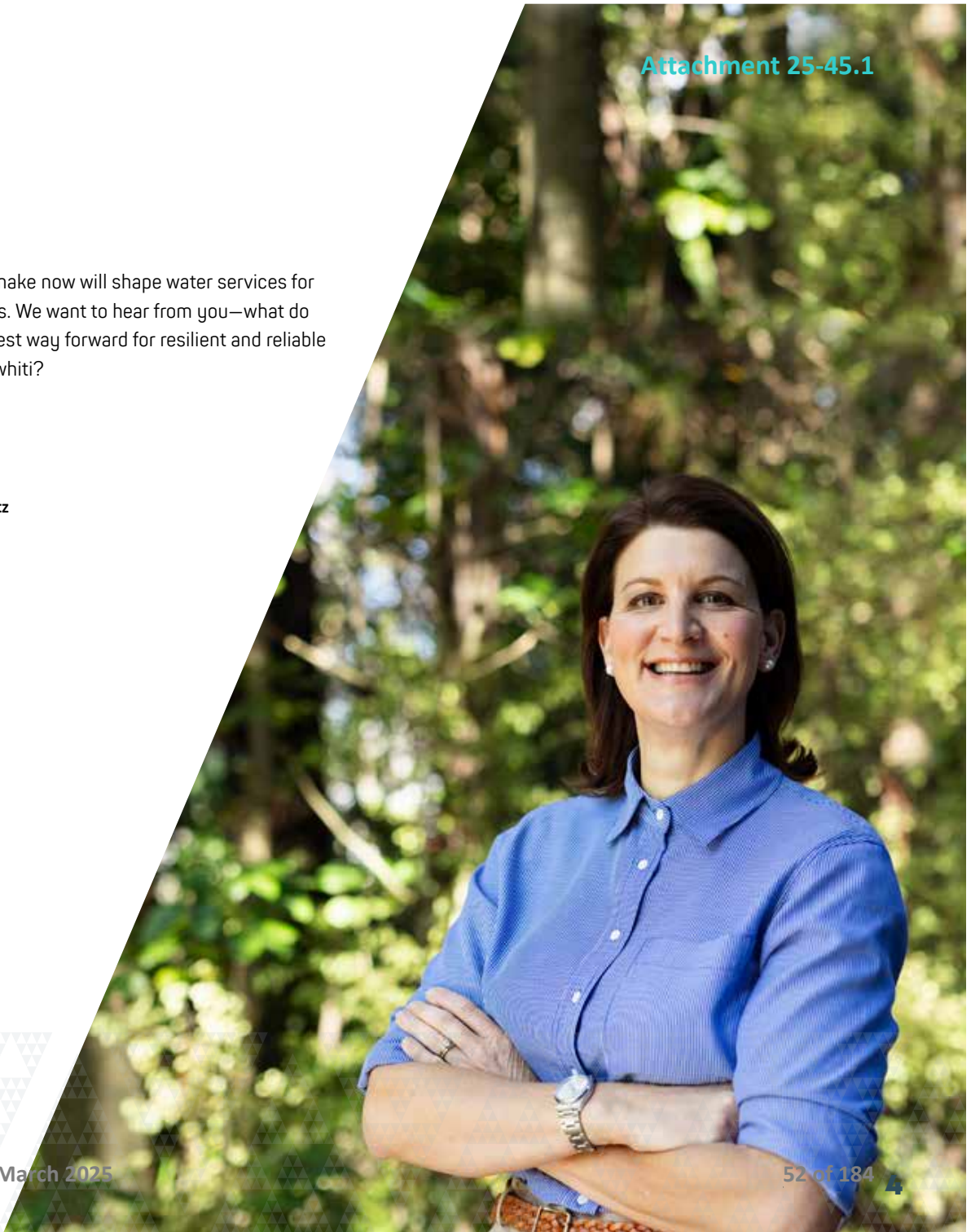
Another option is creating a Council-Controlled Organisation (CCO), owned by Council, but managing water services separately. While this could provide access to more funding for faster upgrades, it would require higher upfront costs, introduce extra governance layers and reduce direct oversight of how our services are run.

Both options allow for potential partnerships with other councils in the future if they benefit our region, but for now, keeping control of our own water services gives us flexibility to respond to change while focusing on recovery and resilience.

The decision we make now will shape water services for future generations. We want to hear from you—what do you think is the best way forward for resilient and reliable water for Te Tairāwhiti?



Mayor Rehette Stoltz



2016

The Havelock North water contamination crisis led to a nationwide review of water services and stricter national water regulations.

2021

The Labour Government launched the Three Waters Reform, proposing the transfer of water services from councils to four new entities.

2023

The Water Services Bill was amended to change from four entities to ten.

2024

The new National-led Government repealed the Three Waters Reform, replacing it with the Local Water Done Well framework, returning decision-making powers to councils.

2025

Councils must consult their communities and submit their Water Services Delivery Plan.

How did we get here?

# HE AHA TE KAUPAPA WAI MĀORI TAIRĀWHITI KEI WHEA MAI! WHAT IS LOCAL WATER DONE WELL?

**Under Local Water Done Well, Council will continue to own our drinking water, wastewater and stormwater assets, but we need to determine a delivery model that is sustainable, affordable and meets compliance requirements.**

Every council must submit a Water Services Delivery Plan by 3 September 2025. These plans must outline:

- ▶ The current state of our drinking water, wastewater and stormwater systems.
- ▶ The level of investment required and how it will be funded.
- ▶ How we will meet regulatory requirements, support regional growth and ensure financial sustainability.

We've independently assessed the challenges for our water services and future needs for growth and resilience. Then we completed an analysis of the various delivery models Government provided and potential cost of these models.

The models included delivering water services in-house with separate funding, establishing a separate water organisation, or establishing a joint arrangement with other councils.

Only two options are realistic for Tairāwhiti, taking into account what is most cost-effective for our community and practical in the timeframes, while still allowing us to retain control of our assets and ensure local accountability.

We've also engaged our iwi partners to weigh in on the options so that we ensure future water management is aligned with our Tiriti responsibilities and te ao Māori values.

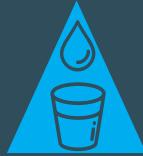
Submissions from our community will be considered during April – May, before Council makes a decision on 26 June 2025.

Changing to the new model and separating the funding for water services from other Council operations must be in place by 1 July 2027.

# Ō TĀTAU RATONGA WAI

## OUR WATER SERVICES

### Drinking water



#### What we do

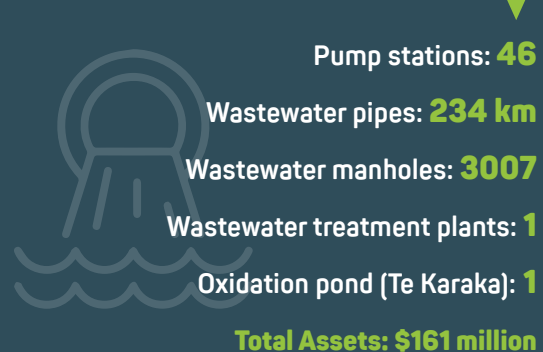
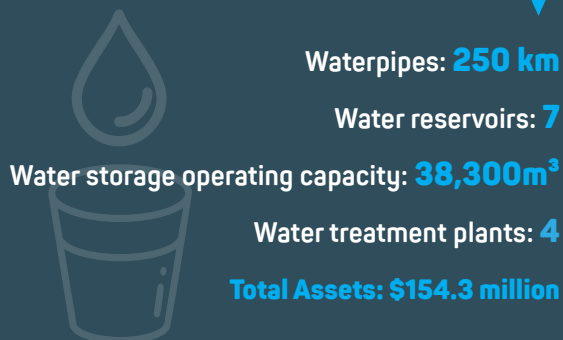
- ▶ Source water from local catchments and dams (Mangapoike Dams/ Te Arai Bush Catchment) and treat it at our water treatment plants.
- ▶ Manage drinking water supply for Gisborne city and supplement supply for Te Karaka, Whatatūtū, Mākaraka, Muriwai and Manutūkē.
- ▶ Provide safe drinking water for homes, businesses and essential services like hospitals and firefighting.

### Wastewater



#### What we do

- ▶ Collect, treat and dispose of wastewater from Gisborne city, the western industrial zone and Te Karaka.
- ▶ Maintain wastewater pipes, pump stations and treatment plants to ensure safe disposal.
- ▶ Regulate and manage trade waste to protect the environment and public health.



## Stormwater



### What we do

- ▶ Manage stormwater systems in Gisborne city, Wainui/Okītū, Mākaraka and 12 rural communities.
- ▶ Maintain stormwater pipes, drains and channels to reduce flooding and protect waterways.
- ▶ Work with tāngata whenua to improve water quality in rivers and coastal areas.



Sumps: **6390**

Stormwater pipes and drains: **234 km**

Channel and swales: **32 km**

**Total Assets: \$83.7 million**



Our  
preferred  
option

## HE AHA NGĀ KŌWHIRINGA? WHAT ARE THE OPTIONS?

### Option 1: Our Water, Our Way

**This option keeps water services ‘in-house’ under direct Council control. We’ll manage operations the same way we do now, but with modifications to financial reporting and planning.**

Funding for all water services will be ‘ring-fenced’ – separated from other Council operations – to show transparently how funds are exclusively used for water services.

Water charges will be removed from the general rate and instead appear on rates bills as a targeted rate. Only those who use or access water services in the reticulated boundary will pay for them and Council will need to decide on introducing water metering for rating based on usage.

Some properties will see an increase (compared to rates forecasted for 2024-2027) while others may see a decrease if they are not connected to certain water services.

### Advantages

- ▶ **Local decision-making remains with Council** ensuring community input and direct accountability for services and investment decisions.

- ▶ **Least disruption** – Water services stay as they are, with minimal disruption to operations and no major changes to how things work.
- ▶ **Lowest cost to set up** – Avoids expensive transition costs, keeping rates lower in the short term.
- ▶ **Financial transparency** through separated water funding, reporting and planning.
- ▶ **Simple and easy to implement** and no complex set up or governance changes.
- ▶ **Makes rate increases predictable**, with the ability to smooth impacts of increases over time, avoiding sharp increases for properties.

### Challenges

- ▶ **Less borrowing flexibility** compared to a CCO, Council has less room to borrow for big water projects, which may slow down major upgrades.
- ▶ **Limited by other Council needs** – Since borrowing is shared across all Council services, water projects might take longer to complete and cost more over time.


 The  
alternative  
option

## Option 2: Single Council CCO

**This option establishes a separate entity to manage drinking water and wastewater services, owned by Council but governed and operated independently, with its own CEO and board of directors.**

Initially Council will collect charges on behalf of the CCO, but in time properties with connections will receive a separate bill for water charges – removing them from Council rates, also moving to user pays water metering for those connected or in the reticulated boundary.

Under a CCO, stormwater charges will remain as a separate targeted rate with Council due to the close link needed to manage our stormwater assets with other services such as roads and parks.

The CCO would come with higher initial costs and debt in the short term to set it up. Within the first ten years properties connected to the services are likely to pay more.

Beyond ten years, the costs for services are likely to level out and be slightly cheaper than the in-house unit.

## Advantages

- ▶ **More borrowing capacity for upgrades** – The CCO can access more funding for water infrastructure by charging for services, without affecting Council's overall borrowing limits.

- ▶ **Faster and more cost-effective projects** – With fewer debt restrictions, upgrades can be completed sooner, spreading costs over a longer period and potentially reducing overall expenses.

## Challenges

- ▶ **Independent management and decision-making** means less direct influence from elected councillors.
- ▶ **Harder to set up** - establishing a separate entity with its own governance and administration will be challenging to set up within the statutory timeline .
- ▶ **User charges are higher** in the short-medium term due to the need to match debt requirements and higher start up costs.
- ▶ **Cost of borrowing may be more** than what it would be to Council because user charges are less secure than Council rates.
- ▶ **Council will need to provide underwriting** to support financial stability.
- ▶ **Changes to other Council rates** may be needed as Council has a legal requirement to keep its revenue from fixed uniform charges under 30% of total revenue.

## HE AHA TE UTU? WHAT'S THE COST?

How much different properties will pay in the future will depend on:

- ▶ The delivery model (Our Water, Our Way or a CCO).
- ▶ The level of investment identified in our Water Service Delivery Plan.
- ▶ Consultation on revenue and financing in Council's 2027 – 2037 Long Term Plan.

The Plan must show that the delivery of our water services can be financially sustainable, meaning there's sufficient revenue from water services, investment set aside for future improvements and the ability to borrow money if needed.

While the level of investment in the Plan is still being completed, we've estimated what the cost could be over

time for Our Water, Our Way vs a CCO to replace old infrastructure, make upgrades and build resilience.

Costs will increase and move to user pays water metering, but in the short-medium term, charges to the average household doing Our Water, Our Way are lower than those from a CCO model by about \$200 – 300.

In the long term, because costs are spread out over time, charges with a CCO could eventually become the same or slightly cheaper.

Most commercial and industrial properties already pay for drinking water based on their usage (via a water meter) and this won't change. Like households, these properties will also see separate charges for wastewater and stormwater, and the same comparative difference in cost.

### Differences in debt

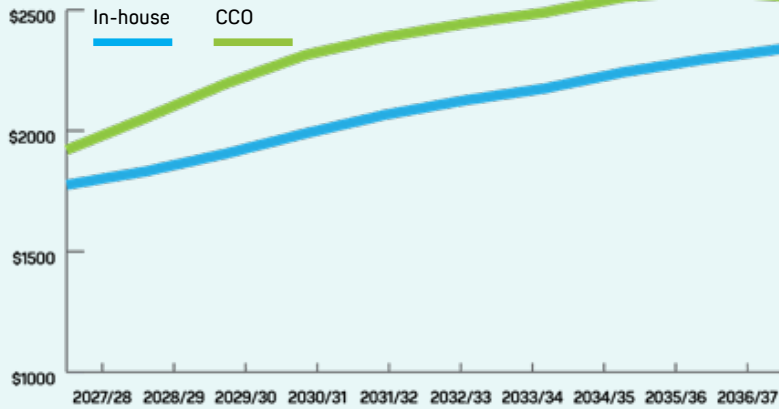
Council has a maximum borrowing limit, much like a credit card limit. With the level of debt needed to invest in replacements and resilience, doing Our Water, Our Way, we will still be able to borrow money and have enough room under the 280% debt cap for future borrowing or unexpected events like natural disasters.

A CCO will initially have slightly higher debt compared to Our Water, Our Way, due to the higher investment needed during the CCO's startup. This affects the overall affordability of a CCO model in the early years.

It must also earn at least 10% of its debt, which means it needs to charge higher user fees in the beginning to meet this requirement. Council will need to provide financial backing, such as an underwriting or uncalled capital, to support the CCO's financial stability.

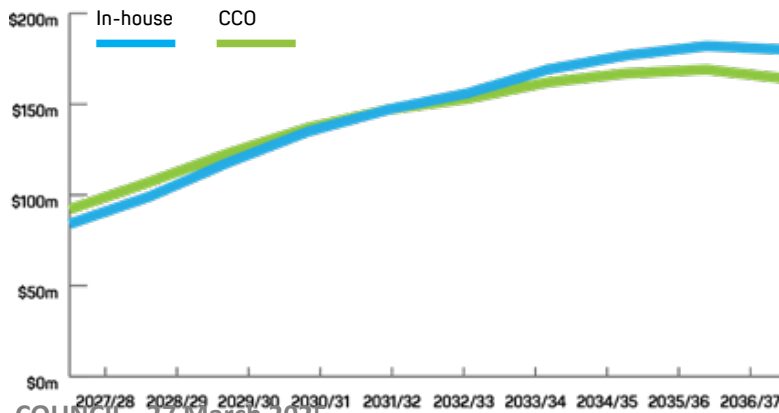
However after the first 10 years, debt levels will be about the same for both and over the long term, debt under the CCO is expected to be lower than the in-house model.

### Average household water charges over 10 years



The actual amount different properties will pay would be determined through consultation on our next Long Term Plan.

### Total debt Our Water, Our Way vs CCO



## TE TAKE MŌ TĀTAU AKE TŌ TĀTAU WAI Ō TĀTAU WAI WHY WE PREFER OUR WATER, OUR WAY

With both options, replacements, planned improvements and resilience upgrades will go ahead. Under both options we have to do more so there will be cost increases and a move to user pays. The difference with a CCO is the initial higher set-up and operational costs, with the potential to complete projects faster.

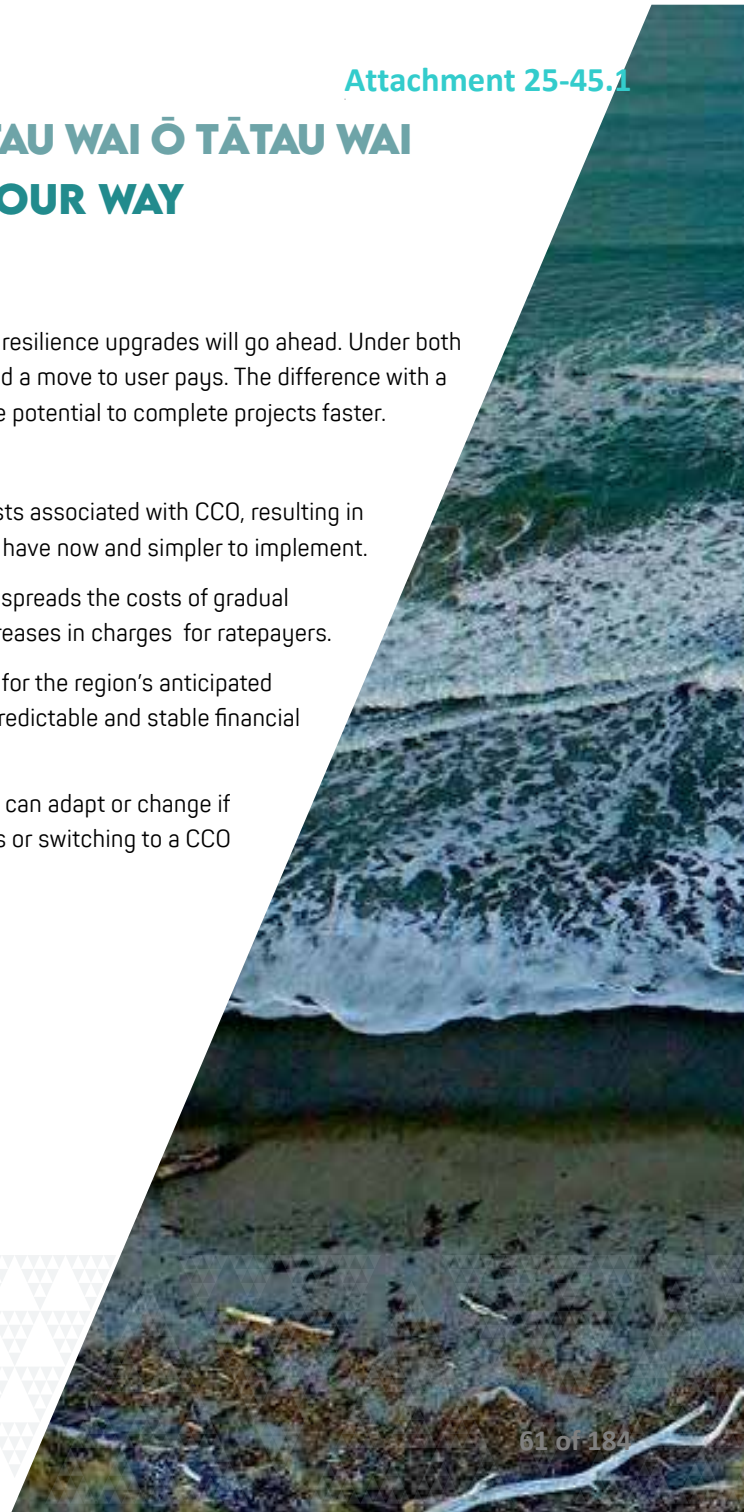
We know affordability matters for our communities.

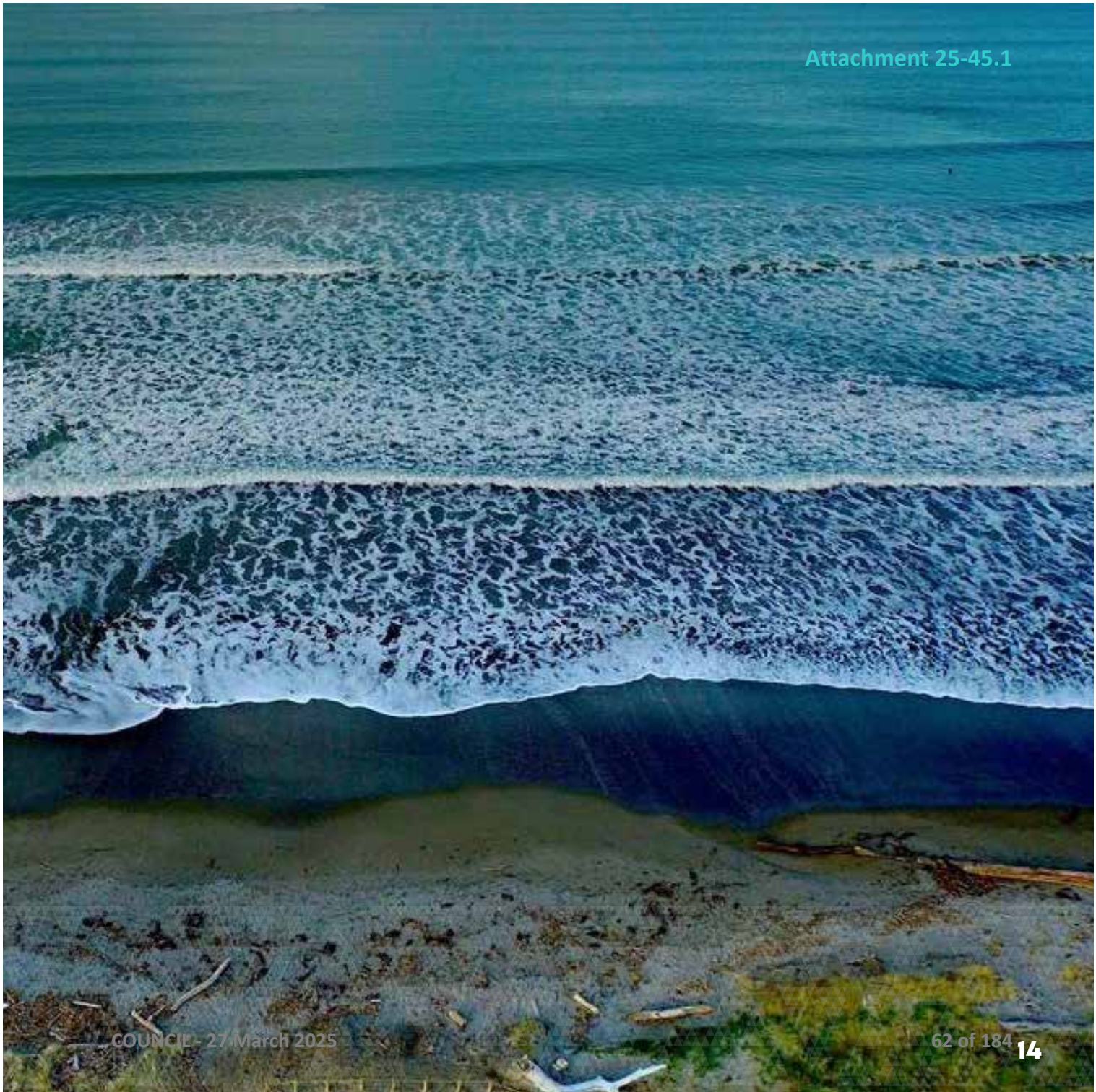
Our preferred option avoids the high set-up and transition costs associated with CCO, resulting in the lowest short-term impact on rates. It's similar to what we have now and simpler to implement.

It maintains local control, ensures financial transparency and spreads the costs of gradual improvements over time, without front-loading or sudden increases in charges for ratepayers.

Borrowing capacity, capped at 280% of revenue, is sufficient for the region's anticipated investment needs. As an in-house model, it offers the most predictable and stable financial approach.

This option also doesn't lock us into one model forever, so we can adapt or change if another approach, like a joint arrangement with other councils or switching to a CCO if there's a better opportunity in the future.





## KA PĒHEA ĪNĀIANEI? WHAT HAPPENS NOW?

Council must decide how we will provide and fund reliable, high-quality water services for Te Tairāwhiti in the future.

We've outlined the options, and our preferred option is Our Water, Our Way.

Now we need your feedback to determine the best option for how water services will be delivered in our region from 2027.

### Have Your Say - Make a submission by 1 May

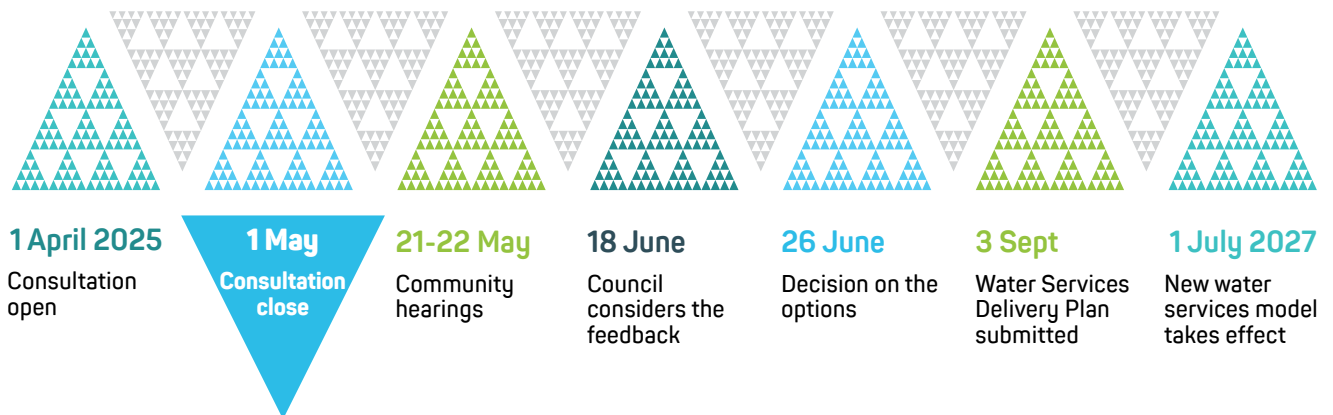


See dates and locations on our website

- ▶ Join a community conversation:
- ▶ Complete the online form:
- ▶ Send feedback:
  - Email: [ourwater@gdc.govt.nz](mailto:ourwater@gdc.govt.nz)
  - Post: PO Box 747, Gisborne 4040

Your feedback will shape the future of water services in Tairāwhiti.

### Key dates





# NGĀ PĀTAI E KAWATAU ANA

## FREQUENTLY ASKED QUESTIONS

### Why are changes needed now?

The Government want more transparency around the cost of waters services. All councils will be required to separate revenue and expenditure for water supply, wastewater and stormwater from other council activities by 1 July 2027.

### Will rates go up?

Yes, but under Our Water, Our Way, increases will be gradual and manageable to avoid sudden financial shocks.

### Who will own our water assets?

Council will retain ownership of all our water assets. Under Our Water, Our Way investment decisions will be made by elected councillors rather than an appointed board of directors.

### What happens if we don't act?

Ageing infrastructure and new national regulations demand immediate action to plan and pay for sustainable infrastructure for the future. Delays could result in infrastructure failures and penalties for non-compliance with national water regulations.

### How does this help the environment?

Under the new legislation we're required to invest in infrastructure to meet higher health and environmental standards for drinking water, wastewater and stormwater.

# HE WHAKAMĀRAMA ANŌ FIND MORE INFORMATION



- ▶ Gisborne District Council - Local Water Done Well Business Case
- ▶ Gisborne District Council - Webpage
- ▶ Department of Internal Affairs - Water Services Policy and Legislation



📮 PO Box 747  
Gisborne 4040 NZ

📍 15 Fitzherbert Street, Gisborne  
Waipatu Road, Te Puia Springs

☎ 06 867 2049  
0800 653 800

✉ service@gdc.govt.nz

🌐 www.gdc.govt.nz

📘 @GisborneDC

▶ Antenna app



LOCAL  
WATER  
DONE WELL



# Our Water – Consultation Plan

1 April – 1 May 2025

Channel	Date	Notes
<b>Consultation Document</b>	1 April – 1 May	<ul style="list-style-type: none"> <li>• Static Displays – Council offices, Kiwa Pools, Library</li> <li>• Distribution via engagement hui, shopping centres, cafes</li> </ul>
<b>Billboards</b>	1 April – 1 May	<ul style="list-style-type: none"> <li>• GDC Billboard sites</li> </ul>
<b>Radio and Digital Ad Campaign</b>	1 April – 1 May	<ul style="list-style-type: none"> <li>• Tūranga FM, More FM</li> </ul>
<b>Social Media Campaign</b>	1 April – 1 May	<ul style="list-style-type: none"> <li>• Council Facebook, Instagram</li> <li>• Community Pages</li> </ul>
<b>Radio interviews</b>	Monday 7 April Thursday 10 April (*Date confirming)	<ul style="list-style-type: none"> <li>• Radio Ngati Porou</li> <li>• MoreFM,</li> <li>• Tūranga FM</li> </ul>
<b>Direct Mail</b>	Friday 4 April – Monday 7 April	<ul style="list-style-type: none"> <li>• 16,000 Households</li> </ul>
<b>E-News</b>	Monday 30 March Monday 14 April	<ul style="list-style-type: none"> <li>• He Panui EDM</li> <li>• Trust Tairāwhiti EDM</li> </ul>
<b>Media Release</b>	Thursday 27 March Thursday 24 April	<ul style="list-style-type: none"> <li>• Local Media distribution + GDC Website</li> </ul>

# Our Water – Consultation Plan

1 April – 1 May 2025

Engagement Hui	Date	Notes
<b>Awarua - Council</b>	Wednesday 2 April 10am – 12pm	<ul style="list-style-type: none"> <li>• Drop-in</li> </ul>
<b>HB Williams Library + Online livestream</b>	Tuesday 8 April 5pm – 7pm	<ul style="list-style-type: none"> <li>• Presentation, Q&amp;A Panel</li> <li>• Youtube livestream w Rangai</li> </ul>
<b>Farmers Market</b>	Saturday 12 April 9am – 12pm	<ul style="list-style-type: none"> <li>• Stall Pop-up</li> </ul>
<b>Muriwai School</b>	Saturday 12 April (TBC) (TBC)	<ul style="list-style-type: none"> <li>• Presentation, Q&amp;A Panel</li> </ul>
<b>Awarua - Council</b>	Wednesday 16 April 10am – 12pm	<ul style="list-style-type: none"> <li>• Drop-in</li> </ul>
<b>Kaiti Hub Market</b>	Saturday 26 April 7am – 10am	<ul style="list-style-type: none"> <li>• Stall Pop-up</li> </ul>
<b>Te Karaka</b>	(TBC)	<ul style="list-style-type: none"> <li>• Presentation, Q&amp;A Panel</li> </ul>
<b>Chamber of Commerce</b>	(TBC)	<ul style="list-style-type: none"> <li>• Presentation, Q&amp;A Panel</li> </ul>

*\* Iwi/Mana whenua engagements scheduled separately*