

Report to Council



DATE: 28 August 2025

TO: Mayor and Councillors

FROM: Chief Executive

ADOPTION OF WATER SERVICES DELIVERY PLAN

1. Summary

- 1.1. The purpose of this report is to seek Council adoption of the Water Services Delivery Plan and the draft Heads of Agreement, ahead of certification and submission to the Secretary for Local Government, developed in accordance with the Local Government (Water Services Preliminary Arrangements) Act 2024.
- 1.2. This issue arises from Local Government (Water Services Preliminary Arrangements) Act 2024 requiring Councils to develop and submit Water Services Delivery Plans, either individually or with other councils, by 3 September 2025.
- 1.3. Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in June 2024, which are set out in the Enhanced Annual Plan 2024/2025. Refer page 2 of the agenda.
- 1.4. This report concludes by recommending that Council adopts the Water Services Delivery Plan, attached as **Appendix 1** to this report.

2. Background

- 2.1 Water Services Delivery Plans (WSDPs) are a key statutory requirement under the Local Government (Water Services Preliminary Arrangements) Act 2024. The WSDP is intended to be the mechanism for Council to demonstrate its commitment to delivering water services that meet regulatory requirements, and what actions it will take to be financially sustainable by 30 June 2028. Department of Internal Affairs provided a range of prescribed models.
- 2.2 The WSDP outlines the intended delivery models and investment requirements for Drinking Water, Wastewater, and Stormwater services as resolved by Council 24th July 2025. It describes the current state and future arrangements for delivering drinking water, wastewater, and stormwater services. The plan aligns with national expectations under the "Local Water Council 18 June 2025 Public Agenda 248 Done Well" policy, emphasising financial sustainability, regulatory compliance, and local decision-making.
- 2.3 The WSDP is a one-off requirement, giving effect to Council's delivery model decision for water services. Further planning will be undertaken through Water Services Strategies to be prepared three-yearly by the Joint West Coast Council Controlled Organisation.

2.4 The WSDP is to be submitted by 3 September 2025, using the best information available at the time of development. The WSDP will then be assessed and either accepted or rejected.

3. Current Situation

- 3.1. The WSDP and this paper builds on the substantial amount of information gathered over the last several months as part of Council's Local Water Done Well programme, including analysis of legislative requirements and delivery options under the Local Government (Water Services Preliminary Arrangements) Act 2024 as recorded in the Council meetings of 17th April, 26th June (Hearings and Deliberations), and 24th July.
- 3.2. The WSDP is attached as **Appendix 1** to this report. The WSDP is structured as follows:
- Part A: Statement of financial sustainability, delivery model, implementation plan and assurance
 - Part B: Network performance
 - Part C: Revenue and financing arrangements
 - Part D Financial sustainability assessment
 - Part E: Project financial statements for water services
 - Water services Delivery Plan – Additional information (Significant capital projects & risks and assumptions)
- 3.3. The purpose of this document is to meet the requirement for councils to include in their WSDP baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements, as a first step towards future economic regulation.
- 3.4. The WSDP uses the template published by the Department of Internal Affairs along with associated guidance and financial spreadsheets which provided an overview of each Council's financial sustainability. The joint WSDP has been prepared based on the previous resolutions by the three Councils, using previously approved documentation including each Council's Long-Term Plan, Infrastructure Strategy and their Asset Management Plans, as underlying information, and building on this to meet the legislative requirements.
- 3.5. Emphasis throughout has been placed on regulatory compliance, local decision making and strengthening long term financial health.
- 3.6. In preparing the WSDP project teams ran workshops, commissioned technical assessments, and engaged closely with neighbouring councils and iwi.
- 3.7. Stantec were contracted on behalf of all 3 Councils to support the pulling together of the WSDP and Marshall Moore Consultancy as well as Townsend Consulting were contracted to complete the combined financial modelling for the joint West Coast Council Controlled Organisation (WSCCO). It is the basis for parts C, D and E of the joint WSDP. While this combination is being presented for the first time in the joint WSDP, the trends show that the proposed delivery model will deliver the greatest scale of benefit for the community in terms of three waters services.
- 3.8. The joint WSDP outlines the proposed delivery model for the joint WSCCO and includes a transition period and phased implementation with a transition date of 1 July 2027 when the three councils will transfer ownership for the waters assets and responsibility for delivering water services to the joint WSCCO.
- 3.9. The WSDP has been reviewed by Simpson Grierson in terms of legislative compliance, to ensure the WSDP includes all sections required.

3.10. The Chief Executive has reviewed the attached WSDP and has signed off on the document for certification required by the Act.

3.11. The governance arrangements for the Council Controlled Organisation have been discussed and agreed, as recorded in a Heads of Agreement between the West Coast Councils. The Heads of Agreement (HoA) is attached as **Appendix 2**.

4. Financial Summary

Changes to future water charges for the WSCCO

4.1 In May 2025, the consultation process used \$ values that had not been adjusted for inflation or GST. That approach is used when comparing economic analysis of 2 options such as the consultation process undertaken.

4.2 For the adoption of this plan, we have used the charges in the model that are adjusted for inflation and include GST. This approach is consistent with how Local Government consults e.g. the LTP and Annual Plan consultation process. This results in a higher \$ value for each of the 2 options consulted on but does not change the reasons behind the CCO option being selected which is still the lower cost option.

4.3 The connection charges forecast for each District have also been updated to include information that we now know in August 2025 that would impact on the future charges. It is important to highlight that the charges calculated do not allow for any harmonisation (transfer) of costs.

4.5 Approximately 41% of the change (using an averaging approach) relates to a change in a key covenant (rule) relating to future borrowing from the Local Government Funding Agency (LGFA). Until March 2025, the LGFA was indicating that the Funds from operations (FFO) ratio should be maintained in a range of 8% to 12% and that water entities had 5 years to achieve that ratio. This ratio is used to assess the risk of an organisations ability to pay its borrowings back from net operating income. In March 2025, the LGFA advised that water entities the size of that proposed for our region should ensure that the FFO ratio was 10%.

4.6 The other main movements increase but also decrease the charges in different ways and relate to:

- Capital expenditure.
- Operating expenditure.
- Changes in connection charges because of the above increases or decreases.

Forecast water charges 30 June 2034

- all values are GST inclusive

- all charges have been adjusted annually by inflation

		Grey District		Buller		Westland	
May 2025 Consultation	Stand Alone Business Unit (STABU)	\$4,665		\$5,724		\$5,028	
	Water Services CCO		\$3,464		\$4,871		\$3,554
August 2025 Adoption	Stand Alone Business Unit (STABU)	\$4,665		\$5,564		\$4,999	
	Water Services CCO		\$4,101		\$4,456		\$4,285
Changes increase/(decrease)		\$0	\$636	(\$160)	(\$414)	(\$30)	\$731

4.7 The key financial information is shown in Table 1 below. The charges that will apply for each of the districts within the first 7 years of the entity's existence. It also highlights the water services charge as a % of the average household income per region.

4.8 The charges are averages over each of the districts, but there is no harmonisation between districts, and this has not been modelled as previously agreed. The benefit of the WSCCO will see various staff and contractor resources used across the region as opposed to the current arrangement, where we work on contracts individually per area. The use of shared resources and potential shared services is something that will have to be continually investigated as we move forward.

Table 1. Average Charge per Connection including GST

Average charge per connection including GST	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Buller District							
Average charge per connection including GST	\$3,416	\$3,575	\$3,771	\$4,016	\$4,264	\$4,325	\$4,456
Projected median household income	\$111,791	\$114,586	\$117,450	\$120,387	\$123,396	\$126,481	\$129,643
Water services charges as % of household income	3.1%	3.1%	3.2%	3.3%	3.5%	3.4%	3.4%
Grey District							
Average charge per connection including GST	\$2,405	\$2,758	\$3,116	\$3,474	\$3,889	\$4,005	\$4,101
Projected median household income	\$133,233	\$136,564	\$139,978	\$143,477	\$147,064	\$150,741	\$154,509
Water services charges as % of household income	1.8%	2.0%	2.2%	2.4%	2.6%	2.7%	2.7%
Westland District							
Average charge per connection including GST	\$2,863	\$3,118	\$3,402	\$3,725	\$4,116	\$4,201	\$4,285
Projected median household income	\$111,825	\$114,621	\$117,487	\$120,424	\$123,434	\$126,520	\$129,683
Water services charges as % of household income	2.6%	2.7%	2.9%	3.1%	3.3%	3.3%	3.3%

4.9 The WSCCO model has the most financially prudent (lowest) charges for the ratepayers and residents of Buller, Grey and Westland District when compared to a Stand-Alone Business Unit option. This is shown in Figures 1 – 3 below.

Figure 1. Comparison for Westland District Council

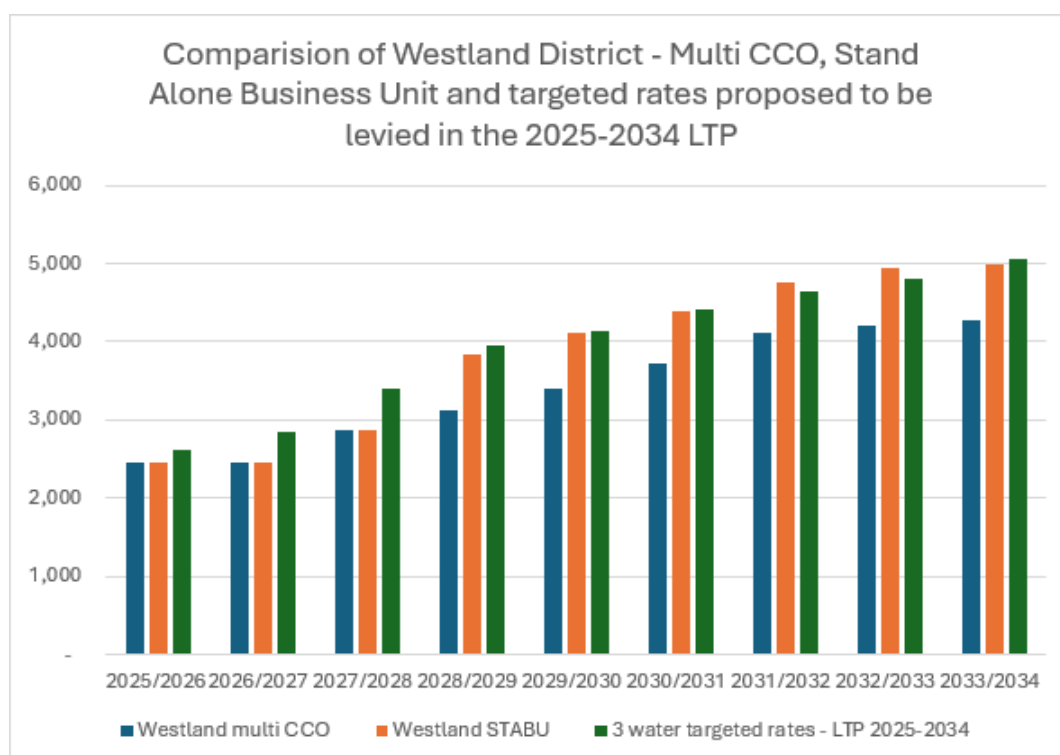


Figure 2. Comparison for Buller District Council

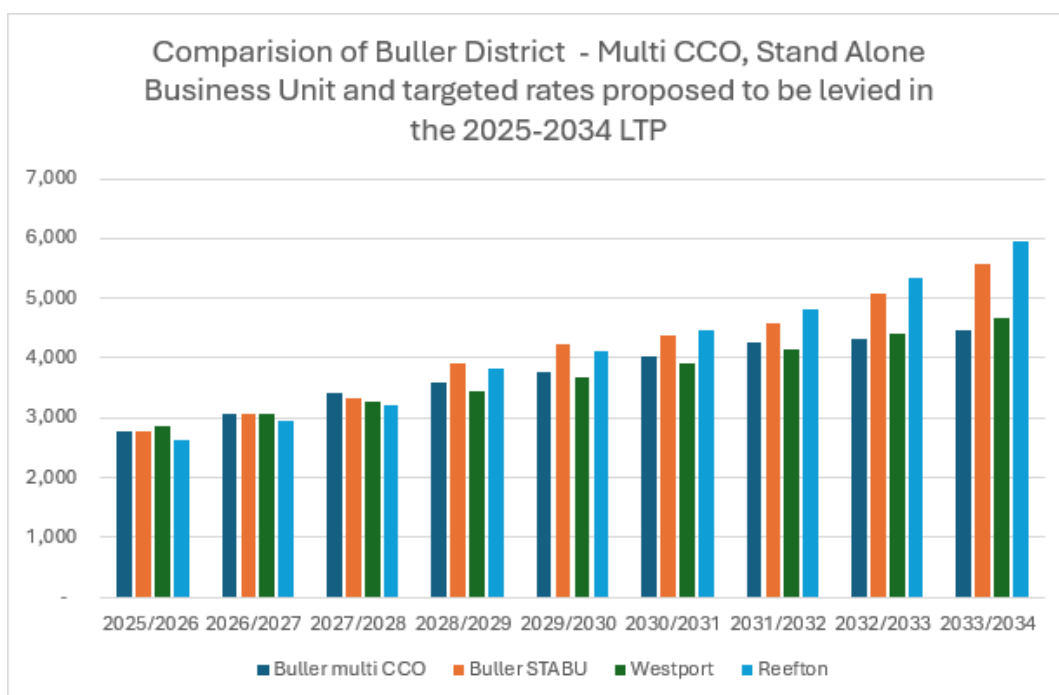
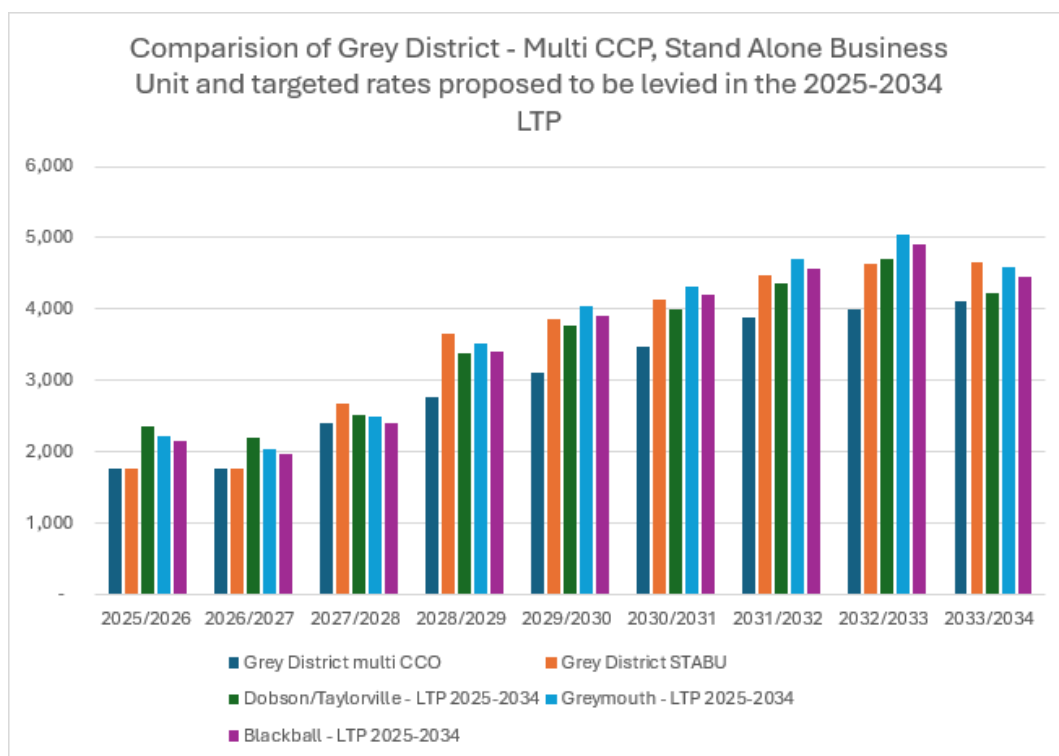


Figure 3. Comparison for Grey District Council



- 4.10 Over the next 9 years until 30 June 2034, there is a significant requirement for investment into improvements into the West Coast 3 Water Services. The investment is a combination of quality improvement, renewal and replacement and increases in capacity where required. The investment is detailed in part B of each of the WSDP for each Council. A summary is as follows:
- Buller District Council - \$120.6 million
 - Grey District Council - \$118.5 million

- Westland District Council - \$65.9 million

- 4.11 The principal source of funding the WSCCO comes from water charges and the raising of debt. The forecast debt outstanding as at 30 June 2034 for the CCO is \$220.9 million with debt forecast to peak as at 30 June 2040 at \$229.6 million. Debt will then start to slowly reduce from the period.
- 4.12 Water charges, as shown above, will increase to fund operating expenditure, a value of capital expenditure and the interest costs of the borrowings. As the capital programme starts to reduce, more of the money created from the charges, reduce the overall borrowings.
- 4.13 The majority, if not all of the borrowings will be obtained through the Local Government Funding Agency (LGFA). This increased borrowing option would not be possible if the Councils chose the of a Stand Alone Business Unit, so therefore the investment requirements, as per the Local Government (Preliminary Arrangements) Act 2024, would not be achieved.

5 Options

- 5.1 Option 1: Adopt the Water Services Delivery Plan and Heads of Agreement.
- 5.2 Option 2: Do not adopt the Water Services Delivery Plan and Heads of Agreement.

6 Risk Analysis

- 6.1 If Council chose not to proceed with Option 1, the following risks may apply:
- Non-compliance with the statutory requirements, including demonstration of financial sustainability (investment sufficiency, revenue sufficiency, and financing sufficiency), with the current WSDP meeting requirements in accordance with the Local Government (Water Services Preliminary Arrangements) Act 2024.
 - Reputational risk should Council seek to change or defer the delivery model outlined in the WSDP, consistent with the resolution of Council 24th July 2025.
 - Potential for the joint West Coast Council Controlled Organisation delivery model not to be established from 1 July 2027, with a later WSDP development (if deferred or altered significantly).
 - Potential for DIA to use ministerial powers and appoint a water services specialist to complete the plan on behalf of Council if we do not delivery a WSDP by 3 September.

7 Health and Safety

- 7.1 Health and Safety has been considered and no items have been identified.

8 Significance and Engagement

- 8.1 The level of significance has been assessed as being of low significance, in accordance with the Councils Significance and Engagement Policy. However, this report is part of a broader process that is assessed as of High Significance.
- 8.2 A consultation and engagement process was followed, with public consultation occurring from Friday 16th May and closed 16th June 2025 at 5pm (32 days).
- 8.3 Having consulted on the proposed delivery model, Council is not required to consult on the WSDP.

9 Assessment of Options (including Financial Considerations)

- 9.1 Option 1 – Adopt the Water Service Delivery Plan and Heads of Agreement.

The advantages of proceeding with this option are:

- Confirms compliance with the Local Government (Water Services Preliminary Arrangements) Act 2024, avoiding potential non-compliance penalties.
- Confirms Councils chosen delivery model.
- Agrees with the previous decision of Council resolving that it *“approves to progress with the establishment of a joint water organisation owned by Westland, Grey and Buller District Councils”*.
- Establishes a clear roadmap to achieve financial sustainability by 30 June 2028, including revenue, expenditure, and financing arrangements.
- Integrates with our Long Term Plan, Infrastructure Strategy and Activity Management Plans.
- Includes financial modelling based on 20 year investment requirements, remaining within borrowing limits.
- Encourages collaboration across 3 Councils to enhance services for all West Coast residents by creating economies of scale and sharing expertise.
- Shifts Water Services to a WSCCO, from 1 July 2027, noting that rates harmonisation will not occur for at least 5 years as this is yet to be agreed.

9.2 Option 2 – Do not Adopt the Water Services Delivery Plan and Heads of Agreement.

The advantages of proceeding with this option are:

- Water services would remain inhouse.
- Mitigates the risk of overcommitting to financing arrangements that could become less favourable in a changing economic climate.
- Minimises the risk of inaccurate modelling

10 Preferred Option(s) and Reasons

10.1 The preferred option is Option 1.

10.2 The reason that Option 1 has been identified as the preferred option is that it meets the requirements of the legislation, it is also in line with the option previously chosen by Council and the one that is modelled to be the most effective for the community.

11 Recommendation(s)

11.1 That the report be received.

11.2 That Council adopts the Water Services Delivery Plan, attached as **Appendix 1** to this report.

11.3 That Council adopts the Heads of Agreement, attached as **Appendix 2** to this report.

11.4 Authorises the Chief Executive to certify the Water Services Delivery Plan and submit to the Secretary for Local Government.

Barbara Phillips
Chief Executive

Appendix 1: Water Services Delivery Plan

Appendix 2: Heads of Agreement