



**AGENDA FOR THE
EXTRAORDINARY MEETING OF
SELWYN DISTRICT COUNCIL**

**TO BE HELD ON
WEDNESDAY 2 APRIL 2025
COMMENCING AT 1PM**

Extraordinary Council 2 April 2025

Attendees: Mayor Sam Broughton, Councillors, P M Dean, S N O H Epiha, L L Gliddon, D Hasson, M B Lyall, S G McInnes, G S F Miller, R H Mugford, E S Mundt & N C Reid & Ms M McKay

02 April 2025 01:00 PM

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Public portions of this meeting are audio-recorded and livestreamed via the Council's YouTube channel.

The Severe Weather Emergency Legislation Bill has, until October 2024, suspended the requirement for members to be physically present to count as 'present' for the purposes of a quorum. Members attending by means of audio link or audiovisual link are therefore able to be counted as present for the purposes of a quorum and able to vote. The recently enacted Local Government Electoral Legislation Act has made these emergency provisions permanent.

Opening Karakia

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the sea
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day
Tīhei mauri ora!	

COUNCIL AFFIRMATION

Let us affirm today that we as Councillors will work together to serve the citizens of Selwyn District.

To always use our gifts of understanding, courage, common sense, wisdom and integrity in all our discussions, dealings and decisions so that we may solve problems effectively.

May we always recognise each other's values and opinions, be fair minded and ready to listen to each other's point of view.

In our dealings with each other let us always be open to the truth of others and ready to seek agreement, slow to take offence and always prepared to forgive.

May we always work to enhance the wellbeing of the Selwyn District and its communities.

**MINUTES OF THE SELWYN DISTRICT COUNCIL
YOUR WATER DONE WELL DELIBERATIONS
HELD IN THE COUNCIL CHAMBER, ROLLESTON
ON WEDNESDAY 26 MARCH 2025 COMMENCING AT 10.30AM**

PRESENT

Mayor Sam Broughton, Councillors, P M Dean (online), S N O H Epiha, L L Gliddon, D Hasson (online), M B Lyall, S G McInnes, G S F Miller, R H Mugford, E S Mundt, & N C Reid and Ms M McKay

IN ATTENDANCE

S Mason (Chief Executive Officer), R Love (Executive Director Development & Growth), T Mason (Executive Director Infrastructure & Property), M McGrath (Chief Digital Officer), M England (Head of Asset Management), A Coskun (Digital Operations Support Officer), D Kidd (Executive Director Community Services & Facilities), A Sneddon (Chief Financial Officer), S Carnoutsos (Communications Manager), N Livermore (Consultation Coordinator), P Swift (Senior Communications Contractor), J Hands (Head of Legal), T Cockburn (Finance Analyst), N Koch (Head of Financial Control), G Brown (Interim Senior Analyst / CFO), B Hammond (Head of Financial Operations), J Gallop (Executive Assistant), Ms T Davel (Senior Governance Advisor),

Online

Allan Prangnell (Chief Executive Taumata Arowai), Tim Codogen (Taumata Arowai), Mike Wakefield (Simpson Grierson), Natalie McClew and Georgia Walker (PWC)

The meeting was livestreamed.

APOLOGIES

No apologies were received.

OPENING COMMENTS

Introduction and Welcome

Mayor Broughton acknowledged staff, Councillors and others who are attending to support this discussion.

Overview from the Chief Executive

The Chief Executive outlined the plan for the day explaining that a presentation from staff will be provided. She also acknowledged the external speakers Allan Prangnell, Natalie McClew and Mike Wakefield.

REPORT

1. Local Water Done Well Deliberations

The Chief Executive and staff provided an overview of the timeline and legislative requirements for LWDW, including the Local Water Delivery Plan (LWDP) as referred in the Local Government (Water Services Preliminary Arrangement Act) 2024 (PA Act), the community views and identified the key themes from the Long Term Plan (LTP) research, while acknowledging that the growth in Selwyn will impact water.

Allan Prangnell introduced Tim Codogen (ex-Mayor, Central Otago) who is assisting Local Government to work through options and embed the new regulatory options.

Mr Prangnell provided an overview of what the water services authority's expectations are for drinking water supplies across the country, noting that Selwyn is in a good position. There is still work to be done to ensure that the 'kit' that has been installed and operating correctly, as E.coli is being detected in water across the country.

There are also revised acceptable solutions for rural water supplies. Consultation will be out within the next few weeks. New Zealand has a number of small water supplies, Selwyn has some of those, and this may affect costs and economics used across the country.

The differences between a WSCCO and retaining water services in-house were discussed. There is better financial access through the WSCCO to upgrade the assets and Council will always have the governance and ownership of the assets.

Councillors noted the understanding as to why the status quo is no longer viable but asked how Taumata Arowai, as the regulator of water will work with the Commerce Commission, the regulator of economics.

Mr Prangnell explained that the best way to think about this is that Tuamata Arowai will regulate the water going in or out of the pipe, whereas the Commerce Commission regulates the pipe itself. He acknowledged that there hasn't been a lot of visibility of what has been going on behind the scenes, although work is being undertaken including to ensure that there is one point of contact for Councils, rather than through multiple regulators.

The Compliance Monitoring and Enforcement Strategy will provide guidance on how to approach the job of regulation and enforcement. Once this is live, communication to the sector from both the Commerce Commission and Taumata Arowai will occur so there is consistent information around priorities.

A discussion followed on the initial collection of information, consulting with the community and submitting the application.

After the information has been collected, Council will decide which standard they want to use, along with community input, and then the application will be submitted, ie is the wastewater treatment plant good or does it need an upgrade.

It was noted by Councillors that Selwyn currently has an exemption for chlorine and going forward the standards are critical to how we manage any liquid to land.

Mr Prangnell encouraged councillors to review and provide feedback on the draft standard for discharge to land. The first stage would be to assess the land where the discharge will occur

and if the land can't handle the discharge, then there are performance issues. This information should be provided up front.

Cost and affordability were discussed, and it was noted that these are the drivers for reform, to provide drinking water, with acceptable solutions and end point treatment. Regulation cannot be enforced if the council and/or community are unable to comply. Some of the country's wastewater consents have lapsed over the past 10 years so we have a system that is under performing with aging technology. The standards produced must be affordable for wastewater treatment to comply.

Mayor Broughton introduced Natalie McClew from PWC, who talked through the process to date, including discussions with Councillors about models for water delivery.

Concern was raised that Iwi are seeking property or ownership rights over water. Ms McKay responded that this has not been raised in any forum that she has been in and was confirmed by Natalie.

Meeting adjourned for lunch at 12.12pm and reconvened at 1pm.

Mayor Broughton welcomed everyone back.

Finance

Finance staff presented the finances which were in the Consultation Document and illustrated on the presentation.

Borrowing potential was discussed and was confirmed by Allison, that for the in-house model, the debt limit from the LGFA is 280%, whereas a WSCCO is up to 500%. To date the LGFA borrowing Council has prioritised water projects.

They provided an overview of the water finance table in the presentation, which was based on the assumptions underlying the Council's current LTP accounting for additional regulatory and operating costs.

Debt limit for high growth councils can be increased by LGFA via an application. Our own Treasury Policy limits debt limits to 280%. Discussions are occurring around this, but no decision has been made to increase debt limit.

Cr Hasson re-joined the meeting at 1.13pm.

The current percentage of water debt was queried, bulk of borrowings for water and roading. Will need to split segments out as were grouped together in the LTP. With regard to the relativity of head room between the two options, both are fairly similar although when played out longer, with a high growth Council, there will be restriction within the 280% cap, possibly 350% if that is what is agreed, with an inhouse model this would have to cover everything, including water, roading and any other facilities and renewals, whereas with the WSCCO, the debt level would be purely for water.

If water services were to remain inhouse, income and debt would have to be ringfenced and would need to be in a separate place in MagiQ, Council's financial system.

Councillors asked that at a basic level, can this be afforded if remained inhouse. Modelling that has been done has factored in population growth and affordability for Council and ratepayers. The capital program will need to be balanced with other programs which may be slowed to accommodate the delivery of water services if kept inhouse.

Cr McInnes queried the LGFA potentially increasing debt caps for high growth councils up to 350% and asked for clarification as according to their website on 8 August 2024, this is only available before 1 July this year. Staff confirmed that this wasn't what was discussed with LGFA a couple of weeks ago.

Opportunity for others to join a WSCCO, what does it look like to amalgamate with another district. SDC has tried to talk to partners especially in the canterbury region which did not come to fruition. The Minister has indicated that there will not be price harmonisation, ie residents can pay their own district's water rates even if using one WSCCO.

The management of development contributions was discussed and noted in the LTP, that generally speaking growth will pay for growth, development contributions payments may be out of sync so there could be some borrowing aspect, and debt associated with water and not funded through development contributions would be water charges through the new WSCCO or inhouse model.

Consultation

Communications staff provided an overview of the community feedback and consultation approach.

Legal Considerations

Staff presented the legal considerations. They explained that this is a specific decision-making process and differs from the normal Local Government Act Council decision making process. Council was doing this because of new policy by government. The Local Government Water Service Bill (referred to as Bill #3) is with the select committee who are currently considering submissions. Their report update is due in June this year with the Bill implemented around September this year.

WSDP must be adopted and submitted by 3 September and needs to go through a certification process by the Chief Executive.

The 'existing model' will be operating in a different and very regulated environment.

LTP amendments can be made under PA Act if a WSCCO option is agreed then councils will only need to consult once. The WSCCO model can be scaled up in the future, which cannot be done within an inhouse model.

Under the Act, there is an ability for shareholding and Councils can set a statement of expectations which will provide a level of control over those expectations. There is provision in the Bill that the organisation must act in accordance with those expectations. This policy reform is intended to achieve an arrangement that Councils will have a level of control over the WSCCO but also that operationally the WSCCO has a separation from the Council.

Further clarity was provided from the feedback received in the submissions. This included the concern around privatisation and that the Bill makes it clear that this is not possible. The second concern was regarding reduced transparency if the CCO model is opted for. The CCO will be subject to similar accountability requirements as per the council under the LGA via the

water services strategy document and a water services annual report and a budget all of which will align with the water services strategy document, and any requirements or determinations from the Commerce Commission. There will be a high degree of transparency. All documents will be publicly available.

Good decision making

A number of considerations for making a decision included the following:

- The outcome of the consultation - Councillors need to consider the reviews and feedback which was outlined in the deliberations report. It is not a poll or referendum so not binding as there are other considerations.
- Community views on the proposal, including previous views. Consider all views based on all considerations. The timing of the consultation as part of the feedback was clarified. The PA Act did not prescribe any timeline for consultation. Three weeks is slightly less but not as reduced as some consultations around the country and only two options are being consulted on, so the timeframe is appropriate.
- Impact on and views of mana whenua which has been touched on.
- Finance impact - Taumata Arowai provided a good overview of what the Commerce Commission will prescribe in terms of regulations which will apply to all water entities. Charges need to be set in accordance with the water services strategy which does have input from the shareholder council.

Regarding ringfencing; the council will need to show through the water services plan how they will separate water related revenue from all the other revenue that is needed to deliver its other services.

There are financial principles in Bill #3 to be aware of. The water service provider must act in accordance with the financial principles and to note a couple of key ones which relate to ringfencing, it includes that the provider must spend the revenue from water services on providing water services and that the provision for maintenance is sufficient to sustain those water services. This will be transparent via the annual budget which can be an audited budget.

The concern raised earlier about the community not wanting to pay for growth and the development contribution discussion about who collects these, etc was explored further. It was stated that we don't know yet what any development contribution policy will look like, but it is important to know that Bill #3 deals with this issue as lift and shift from the Local Government Act. A WSCCO will be able to develop own development contribution policy, so the council doesn't need to transfer across. In the meantime, until the development contribution policy has been adopted a WSCCO can rely on council policy and transfer across. A development levy policy model is being looked at with the overall intent to ensure that growth pays for growth.

- General advantages and disadvantages are outlined in the report and included in the consultation document.
- Overall objectives for water service delivery are included in the PA Act regarding setting out a water services delivery plan which requires to demonstrate publicly the commitment to deliver water services in a way that supports urban development aligned with the council's long term plan.

Response to Councillor questions:

Statement of Expectation process - the council can show how the CCO will engage with its community. Section 187 in Bill #3 includes the ability to include how the CCO relates to community and mana whenua. It's quite broad enabling provision so not limited.

Heard from community that we are rushing this. The deadline is the 3 September date for the water service delivery plan submitting to the DIA. A lot of councils are going early for plans as there could be an influx on that date. Best to get on and make the decision so the team have the time to develop the water services delivery plan.

The Bill #3 has been seen as a separate piece of legislation, but the PA Act is the governing legislation in the meantime for this process. Bill #3 doesn't have any legal requirements on the Council until it is enacted.

Who has the final say on the water services charges rated to our communities is captured in Bill #3. The inhouse model will require Council to set rates as per current approach, but tools to service growth are through a development contributions policy. Will need to satisfy the requirement to ringfence. For a WSCCO, they will take direction from the statement of expectation as to what goes into the water service strategy document and the charges will be set through that.

Cr McKay noted that she is here to represent a view of mana whenua and has been engaging with Taumutu to test what they want advocated, which is who has control, what is the level of accountability, and how can we enable partnership/shared services economy of scale which has been presented well already.

The level of accountability was discussed and will be enabled through legislation and framework of documentation. This applies to WSCCO and Councils.

Water should be as accessible and affordable to everyone as possible. The statement of expectation will include performance indicators and measures to monitor the CCO and what is important for the community can be included.

Future aggregation for future water services delivery model, implementation model is not locked in in perpetuity. It is scalable over time with provision in Bill #3 through a change proposal process. This is a future decision. For an inhouse model there is scope for working with other parties will be limited to a contract type model which may not be able to realise the same financial benefits of a WSCCO.

A delay in decision making was expressed due to uncertainty in what Bill #3 proposes. It was explained that no matter which way Bill #3 lands, the WSCCO will still be council controlled, and there won't be any fundamental change that will influence decision making. The timeline would be too tight to meet the required deadlines.

There is a process for disestablishing a CCO if that was what council wanted in the future. It is fundamentally dealt with by shareholders after community input. This is speculation and not what the Council is being asked to decide.

Any debt that Council leverages, is not registered against any personal property title and debt cannot be secured against personal property.

Mayor Broughton thanked everyone for their contributions.

Meeting adjourned for afternoon tea at 3.02pm and reconvened at 3.22pm.

URGENT BUSINESS

Mayor Broughton noted that amendments were required in respect of the earlier extraordinary council meeting to adopt Council's Annual Report. The Chief Executive had obtained advice in this regard and said council would be asked to discuss an item of business not on the agenda pursuant to Standing Order 9.12. The reason that the item is not on the agenda is that it has been discovered that the process that the Council used this morning to adopt the annual report requires amendment to ensure compliance with the LGA 2002. This item for discussion cannot be delayed until a subsequent meeting, as the annual report must be adopted today.

A report to support the discussion of this item has been circulated to councillors from the Chief Executive.

Moved – Councillor Lyall / **Seconded** – Councillor Gliddon

'That Council:

- a. Rescind resolutions made at the 9am Council adoption meeting held on 26 March 2025.*
- b. Note that on 24 March 2025 the Audit and Risk Committee endorsed the Draft Annual Report for the year ended 30 June 2024 for adoption.*
- c. Approve the 'Letter of Representation for the year ended 30 June 2024' signed by the Mayor and Chief Executive at the Council adoption meeting on 26 March 2025.*
- d. Note that subsequent to issuing the signed Letter of Representation, Audit NZ has issued their signed Independent Auditor's Report.*
- e. That Council adopt the Annual Report for the year ended 30 June 2024 at the meeting on 26 March 2025.*

CARRIED

The deliberations reconvened at 3.25pm

Mayor Broughton asked if anyone had any further comments that they wished to share from the conversations held today.

Ms McKay provided an overview of Taumatu's position. She is confident that nothing discussed today will change the views of the community. Concerns about the iwi ownership over fresh water was addressed and has not been position of mana whenua, it is good water quality at lowest policy price point.

A WSCCO was a preferred model for the following reasons:

- Greater efficiency through sole focus will enable clearer KPIs to be met.
- Skills of professional directors shouldn't be undervalued.
- Heard from the legal team that a WSCCO will enable easier and better partnering and enable economies of scale.

- Ability and affordability of partnering.
- High level of transparency and oversight and will enable communities to hold council and the WSCCO to account.
- Control was initially a concern but now understand now that level of control was clarified through the statement of expectation and an element of direction with KPIs stating link to environmental bottom lines and a user pay system that won't reduce quality or quantity.
- Further borrowing to allow services for growth.
- Manakatanga – staff need some certainty as they have been subject to change so long now and are exhausted by the challenge of change.

Cr McKay congratulated the Chief Executive and the team bringing this information together so quickly.

Cr McInnes stated that it has been interesting, and she was glad to have this opportunity to fact check.

Cr Mundt was happy with the details that have come out today and still wanting to understand it more for clarity as she was concerned that the report from PWC stated that any amalgamation doesn't financially stack up for a WSCCO.

Cr Dean wanted to ensure consultation was robust as there was some confusion for the community. The second question was about how will a WSCCC enhance resilience? How would we know when an LTP is triggered for both the WSCCO and inhouse model.

Cr Hasson had a question regarding the disestablishment of a CCO process and what would be the cost be to our ratepayers?

Cr Reid noted that it was a very informative day and has been very helpful.

Cr Mugford stated that he has seen many of the submission points resolved today, which seem to be based on misinformation. This is a generational decision and is a big strategic decision supporting growth and development for future generations.

Cr Epiha thanked everyone for the information being given today and for the submitters coming in last week. He agreed with generational decision mentioned by Cr Mugford.

Moved – Councillor Epiha / **Seconded** – Councillor McInnes

'That the Council

- a) Receives the report "Local Water Done Well Deliberations"*
- b) Receives 417 submissions to the Your Water Done Well consultation*
- c) Agrees to accept an additional six late submissions'*

CARRIED

CLOSING COMMENTS

A further report will come to the extraordinary council meeting scheduled for 2 April 2025. The report will present a staff recommendation, noting there are only two options to choose from. If one is unsupported then the other option will be implemented.

The Chief Executive thanked the team for the work that has been undertaken.

The deliberations closed with a Karakia at 3.49pm on Wednesday 26 March 2025.

DATED this day of 2025

MAYOR

COUNCIL PUBLIC REPORT

TO: Council

FOR: Extraordinary Council Meeting (Local Water Done Well) – 2 April 2025

FROM: **Tim Mason** - Executive Director Infrastructure and Property

DATE: 28 March 2025

SUBJECT: **LOCAL WATER DONE WELL DELIVERY MODEL**

RECOMMENDATION

‘That Council:

a) **Resolves** *that its water services delivery model is:*

- i) *a Council Controlled Organisation fully owned by Selwyn District Council for drinking water and wastewater delivery (WSCCO); and*
- ii) *continued in-house delivery for stormwater services.*

This resolution is made pursuant to the Local Government (Water Services Preliminary Arrangements) Act 2024 and these models are directed for inclusion in Council’s Water Services Delivery Plan and implementation.

b) **Directs** *that Council prepares and executes an implementation plan for the establishment of a WSCCO and to achieve completion of the transition of drinking and wastewater services from Council to a WSCCO by 20 December 2025.’*

1. PURPOSE

The purpose of this report is to seek Council decision on the water services delivery model, and to set the direction for the development of a Water Services Delivery Plan, as required by the Local Government (Water Services Preliminary Arrangements) Act 2024 which will be adopted later.

2. HISTORY/BACKGROUND

Water services across New Zealand have faced significant challenges in recent times, the most notable being issues with aging and poorly maintained infrastructure, underinvestment, and varying levels of service quality across different regions, with some leading to significant public health concerns such as the Havelock North Water contamination that led to a government inquiry.

Multiple governments have recognised the need for change and improvement by councils across the country. The intent to drive water reform across New Zealand has

been a political feature of the past 5 years, and the last and current governments agree the status quo is not an option.

The Government has initiated a comprehensive legislative reform agenda aimed at improving the management and delivery of water services in New Zealand. In December 2023, the Government announced Local Water Done Well as a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation.

A full description of the legislative framework, and work undertaken by Council in response to the Local Water Done Well programme is outlined in the Deliberations paper – (Refer Appendix 2: Council Report 26 March 2025, Item 2). This includes an overview of the Your Water Done Well consultation process, and high-level and detailed assessments by staff of feedback received through 423 submissions (including six late submissions) from the community as part of the consultation.

This report builds on the substantial amount of information gathered over the last several months, as recorded in the Council meeting of 26 March 2025 on Local Water Done Well deliberations (Appendix 2), including a review of the current and signalled legislative context from central government, an outline of the various decisions Council has taken to reach this point, and an overview of the Your Water Done Well consultation process. Analysis of delivery options under the Local Government (Water Services Preliminary Arrangements) Act 2024 is contained in Appendix 1: Council Report 13 November 2024, Item 14.

3. PROPOSAL

The subject of this Decision report is the two options available to Council, in line with the options presented in the consultation document:

- a) **Option 1:** Resolve to establish a WSCCO, wholly owned by Selwyn District Council, for the delivery of drinking water and wastewater services, and the continued in-house delivery of stormwater services.
- b) **Option 2:** Confirm in-house delivery of drinking water, wastewater and stormwater services, noting future in-house delivery of water services will require enhancements to meet new legislation and increased compliance requirements.

For clarity, it is noted that Option 2 is not maintaining the status-quo for in-house delivery of water service, due to new legislation and increased compliance that would require new investment and therefore changes to the existing in-house model.

Recommended Option

Option 1 is the preferred and recommended option in accordance with the consultation document and supporting material which identified Council's proposal as a: *"new Water Services Council Controlled Organisation (WSCCO) as out delivery model for drinking water and wastewater services, with stormwater services to be delivered by an internal business unit of Council"*¹.

¹ Your Water Done Well Consultation Document

Option 2 is not the preferred option included in the consultation as the continuation of an in-house water delivery model would require increased investment to meet anticipated legislative and compliance requirements, but this model would have limited access to additional funding for vital infrastructure.

Option 1: Establish a wholly owned Council Controlled Organisation (WSCCO) to deliver wastewater and drinking water and continue to deliver stormwater in-house.

Option 1 was identified as Council's preferred option for consultation (Refer Appendix 1: Council Report 13 November 2024, Item 14), as described in the Your Water Done Well consultation document.

Post-consultation and Council deliberations, Option 1 remains the Officers' recommended option for the reasons outlined in this report.

The WSCCO model is one of the core options of the LWDW policy and is designed to be enduring and adaptable over time. Establishing a WSCCO ensures that water services are managed separately from other council operations, providing a focused and sustainable approach to managing water infrastructure. Given the complexities of Council's stormwater delivery and the interface of these with other core council assets, we propose the WSCCO be established to provide services for drinking water and wastewater, with stormwater responsibility continuing to sit with Council. Land drainage and water races will also continue with in-house delivery and are unaffected by this decision.

A WSCCO has been assessed as providing greater financial flexibility in the medium to long term, more effective management of economic and water quality regulations, and enhanced resilience in the face of rapid growth. This model enables Council to respond to the legislative change immediately, while simultaneously positioning Council to maximise partnering and efficiency opportunities as they arise.

This model offers numerous advantages for the Selwyn community, including:

- a) **Enhanced Funding and Investment:** Improved access to funding and financing tools ensures we can upgrade our water and wastewater systems to meet increasing demand without placing undue pressure on rates, including ability to borrow up to 500% of its operating revenue through the Local Government Funding Agency (LGFA), compared to the 280% cap for councils managing water in-house.
- b) **Improved Water Quality and Services:** Increased investment will directly translate into improved water quality and service reliability for our residents.
- c) **Enhanced Resilience:** A WSCCO will enhance resilience in the face of rapid population growth, ensuring our water infrastructure can handle increased demand.
- d) **Certainty and Stability:** Establishing a WSCCO provides immediate certainty for the Selwyn residents, allowing us to move past a period of reform uncertainty. The reforms have led to professional uncertainty across the local government sector for water engineers and staff associated with 3 Waters service provision.
- e) **Futureproofing:** The WSCCO model is designed to be adaptable, future-proofing our water services for regional collaboration and increased efficiency in the future.

- f) **Depoliticised Model for Water Services:** While Selwyn's rapid growth has meant water infrastructure is largely new and in a well-maintained state, this may not always be the case. As assets age and need more maintenance and repair, additional funding will be required. Nationally, water under direct control of elected officials who change every three years and come with different ideologies, presents a risk that spending is deferred in the interest of keeping rates low and to allow for funding of non-water related projects. This can ultimately create an intergenerational, infrastructure deficit. By supporting the move to a depoliticised model, with a focus solely on water delivery (removing the need for the balancing of competing priorities) now, Selwyn has the opportunity to protect its current position and remove the risk of this intergenerational infrastructure deficit in its water and wastewater networks.

While not a matter for the decision before Council, a WSCCO model does not preclude future opportunity to explore partnership opportunities, which could deliver greater efficiencies, standardisation, knowledge sharing, and ultimately lower costs for consumers. While any future arrangements would be subject to a later, separate decision of Council, and negotiations with potential partnering authorities, points that could be considered to inform a future decision or negotiation may include:

- sharing of establishment costs via negotiated contribution to costs incurred;
- wider revenue base enabling increased debt capacity (up to 500%) with costs spread across a wider consumer base.

Partnering with other councils is not mandatory under the new legislation, however, we believe it is an inevitable step in the long-term. Given the complexity in previous discussions with other South Island councils, we do not anticipate partnerships will happen quickly, particularly given the proposed reform timelines. However, we believe that any water delivery model we adopt must be flexible and ready to adapt to future partnerships and regional collaboration to support future strategic planning and to optimise water delivery costs over time.

In considering the two options, Council identified benefits and risks, as described in the Your Water Done Well Consultation Document:

Table 1: WSCCO Benefits and Risks²

Benefits of WSCCO Model	Risks
<ul style="list-style-type: none"> Enhanced Service Delivery: A WSCCO will have a sole focus on improving water quality and service reliability, which would deliver better customer service. Dedicated Water Governance: A WSCCO streamlines operations and over time will improve costs through specialised drinking and wastewater governance and management, leading to better resource allocation and improved service delivery. It also offers a specific focus on water services. Improved Access to Funding: A WSCCO has greater borrowing capacity and access to funding specific to water, supporting necessary infrastructure upgrades and expansions, 	<ul style="list-style-type: none"> Initial Setup: Establishing a WSCCO requires significant initial effort and coordination, including legal, financial, and operational setup. This process can be complex and involves increased investment at setup. Uncalled Capital: From Council's perspective, there would be some contingent risk that the uncalled capital could be called on in the event of WSCCO financial distress. However, it is expected that this would be a last resort, and that LGFA would work with the WSCCO to address any issues before seeking to have recourse to Council. The uncalled capital structure is also expected to be a precondition for any WSCCO seeking to obtain financing from and gaining the benefits of LGFA financing.

² Selwyn District Council Your Water Done Well Consultation Document

<p>ensuring long-term financial stability. Improved access to funding ensures that the WSCCO can upgrade water and wastewater systems to meet increasing levels of service.</p> <ul style="list-style-type: none"> · Resilience and Adaptability: A WSCCO is adaptable and scalable, effectively responding to changing demands and future challenges specific to the delivery of water services, such as rapid population growth and evolving regulatory requirements. This would help ensure our water infrastructure can manage increased growth. · Community Benefits: A WSCCO maintains local control and accountability, ensuring that local needs and priorities are addressed while maintaining transparency in operations, through the establishment of a dedicated board and accountability back through Council. 	
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Implementation

Council directed in November 2024 that should a WSCCO be set up, the target date for establishment of the WSCCO would be 1 July 2025. This was based, in part, on achieving first mover advantage, to provide assurance for staff who have been through several years of uncertainty under previous water reforms and to seek alignment with the commencement of a financial year and budget setting.

It is recommended that, should Council resolve to establish a WSCCO, a transitional approach be undertaken from 1 July 2025. This would enable a phased transition of operational components of water delivery to the WSCCO from 1 July, with the full transfer of responsibility and assets to be completed following the enactment of Bill 3 (Local Government Water Services Bill).

The advantages of a phased transition include the allowance for:

- Services to be transitioned and processes established progressively to ensure continuity of level of service and customer experience;
- Financing to be established - Council is subject to LGFA timelines establishing access for a WSCCO;
- Transfer of assets and obligations until Local Government Water Services Bill (Bill 3) following enactment to ensure advantages can be realised;
- A longer timeframe to prepare the Long-Term Plan Amendment (which must precede the final asset transfer);
- The adoption of Council's Annual Plan 2025/26 which will remain reflective of Year Two of the Long-Term Plan;
- The setting of rates for 2025/26 on this basis provides greater certainty for the community in 2025/26;
- Retain flexibility and adaptability to respond to unforeseen changes in the regulatory, financial, or operational landscape during transition;

- Potential to shape implementation, as the first WSCCO under the Local Water Done Well programme, SDC's processes for establishment (transfers etc) could influence later WSCCO implementations;
- Maintain continuity of customer-centered Levels of Service by implementing a comprehensive transition plan to address any disruptions, ensuring that customer expectations for water quality, reliability, and responsiveness are consistently met throughout the transition process; and
- Minimise disruption to staff, maintain open communication and ensure water expertise and experience is retained to enable continuity of delivery.

As identified in the advantages above, a transition model will provide greater certainty for the coming financial year for the community. There are no impediments on Council striking rates under the proposed transition. Legal advice has confirmed that Council can continue to collect water rates in line with current practice, and that these would be transferred to the WSCCO at the end of the financial year. In setting the Annual Plan 2026/27, Council would strike revised rates which would not include the provision of drinking water or wastewater services, following a LTP amendment. The WSCCO would be responsible for collecting water services charges (drinking water and wastewater) from 1 July 2026.

The new entity will design its own fit for purpose corporate structure, however it is expected that all current dedicated Water Services roles will transfer to the new entity. The WSCCO would ensure a careful transition plan to ensure there is no interruption or change in the level of service.

A transitional service agreement will be put in place where Council will continue to provide some services on behalf of the WSCCO on an interim basis and that services would progressively transfer to the WSCCO. While any shared services would be more clearly defined closer to implementation, these could include functions such as payroll, billing and digital support. Services would be charged to the WSCCO at a rate that covers the costs of delivery.

Option 2: Confirm an In-House Delivery Model for drinking water, wastewater and stormwater services

Confirm in-house delivery of drinking water, wastewater and stormwater services, noting future in-house delivery of three water services will require enhancements to meet new legislation and increased compliance requirements.

Assessment detailed in consideration of delivery options (Refer Appendix 1: Council Report 13 November 2024, Item 14) and Council's Your Water Done Well consultation document, notes that a Selwyn water in-house delivery model would likely provide shorter term financial benefit through limited change internally to staff and operational structures. However, challenges include how Council would manage and respond to the range of economic and water quality regulations, that are expected from the legislative reform programme.

In considering the two options, Council identified benefits and risks, as described in the Your Water Done Well Consultation Document:

Table 2: In-house Delivery Benefits and Risks³

Benefits of In-house Delivery Model	Risks
<ul style="list-style-type: none"> Political Influence and Control: Enables Council to maintain full control over decision-making processes, which ensures decisions are made with an understanding of local needs and priorities. Residents can engage with their elected representatives about water service issues. Familiarity and Continuity: Council can continue using existing systems and processes, which staff and management are familiar with, reducing the need for extensive training and transition periods. 	<ul style="list-style-type: none"> Limited Funding Capacity: Council may struggle to secure sufficient funding for necessary infrastructure upgrades and maintenance, leading to deferred projects and potential service degradation. Limited borrowing capacity can restrict the Council's ability to finance large-scale improvements, resulting in higher long-term costs. To date, Council has funded the required upgrades for water and wastewater. In the future, funding priorities may change with department capacity allocated to other activities like transportation or facilities, rather than drinking water or wastewater. Operational Costs: Any deferred investment in our assets to manage debt levels could increase operational costs. Unexpected repairs or emergencies can strain the Council's financial resources, leading to budget reallocations or increased rates. Regulatory Compliance: Ensuring compliance with evolving regulatory standards can be challenging, but Council currently has a good level of compliance. Maintaining rigorous monitoring and reporting systems to meet regulatory requirements can be resource intensive and complex and is set to increase. Infrastructure and Service Delivery: In recent years the Council has made significant investment in water infrastructure, but it is critical to continue maintenance and further investment to manage our growing population. Ageing infrastructure increases the risk of service failures, including water outages and quality issues. Taking a long-term view, there is a risk the in-house model may struggle to scale effectively to meet the ever-increasing demand on our district's assets, impacting service reliability and quality. Political interference: The country has a \$200 billion deficit in water funding in the next 30 years. Much of this is because of political leaders delaying investment over the past 30 years. Lack of clear strategy: Minor projects have time and resource allocated that would otherwise be spent on strategic investment. Competing funding: Water is only one factor in the Council decision making and investment. Water priorities can lose out to other funding priorities.

³ Selwyn District Council Your Water Done Well Consultation Document

It is noted that retaining an in-house model would ensure water services are managed together with other council operations, providing a coordinated approach to managing water infrastructure.

Partnership opportunities within an in-house delivery model are limited to contract or service agreements established under the Local Government Act 2002. This would not achieve the same benefit that could be realised under the partnership opportunities of a WSCCO (as described in Option 1).

4. DISCUSSION

Considerations for Decision Making

In addition to the matters described in Section 6-9 of this report, the following decision-making considerations are outlined as follows. Detailed analysis was included in Council Deliberations (Refer Appendix 2: Council Report 26 March 2025, Item 2).

Relevant legal decision-making criteria

Council is required to decide which of the models consulted on for the future delivery of its wastewater, stormwater and drinking water services will be adopted, and in turn included in its Water Service Delivery Plan (WSDP). Council's WSDP must be prepared, certified by the Chief Executive, and then submitted to the Secretary for Local Government by 3 September 2025.

Consultation on the water service delivery model options was required to use and comply with the alternative requirements for decision-making under the Local Government (Water Services Preliminary Arrangements) Act 2024 (PA Act). These alternative requirements assist to streamline decision-making and prescribe the content of the information that must be presented as part of public consultation. Council's Your Water Done Well consultation document, and engagement process was developed in accordance with the requirements of the PA Act, whilst also aligning with the principles of consultation, prescribed under section 82 of the Local Government Act 2002 and aiming to meet the intent of Council's Significance and Engagement Policy.

The effect of the PA Act is that it displaces some, but not all, of the decision-making requirements under the Local Government Act 2002 (LGA). Where a requirement of the LGA is not displaced, the Council still needs to comply with that requirement.

One example is the PA Act displaces the requirements in section 77(1)(a) and (b) of the LGA. As a result, Council was not required to identify, assess and consider "*all reasonably practicable options*". Instead, it was required to consult on a baseline of two "*reasonably practicable options*", one of which was its existing delivery model, and the other, either a joint arrangement or WSCCO. In this case, the Council has consulted on the WSCCO and its existing model, with the advantages and disadvantages of those options outlined in the consultation information.

Council is not required to consider any other option that may have been raised through submissions received as part of consultation.

As the usual provisions of the LGA continue to apply to decision-making, unless expressly displaced, in addition to the requirements above, the Council will need to comply with the following (which are related by also separate requirements):

- If any of the options involve a significant decision in relation to land or a body of water, it will need to take into account the relation of Māori and their culture and traditions with their ancestral land, water, sites, waahi, tapu, valued flora and fauna, and other taonga (section 77(1)(c));
- consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter (section 78(1));
- consider the views presented during consultation with an open mind (section 82(1)(e)); and
- provide clear reasons for its decisions (section 82(1)(f)).

These requirements are addressed in the relevant sections below.

It should be noted that the requirement to consider the views of those affected or interested in the decision, and to consider the views raised during consultation are related but separate matters. This recognises that there are valid community perspectives that can be elicited outside consultation and where Council or Councillors themselves have knowledge of these views they can and should also be considered. Examples include views expressed during other consultations such as LTP or through Councillors' own engagements with their communities (which may have occurred outside consultation or when discussing distinct but related issues). The key point being, all views of all parties must be considered, consultation views are only one consideration.

Council, as the substantive decision-makers, were provided with all submissions as part of the deliberations report, as well as a summary prepared by Council staff. Council should read and consider the information in the consultation material, and the submissions, so they are fully informed when considering oral submissions and when making their final decisions.

There are two other points worth noting ahead of decision-making:

- Firstly, that the Council will need to make decisions in a way that aligns with its statutory role in section 12 of the LGA, and the principles in section 14 of the LGA; and
- Secondly, that the PA Act requirements for a WSDP, of which the delivery model decision is a required input, requires the WSDP to demonstrate that water services will be delivered in a way that:
 - will meet all relevant regulatory quality standards for its water services; and
 - is financially sustainable for the territorial authority; and
 - ensures that the territorial authority will meet all drinking water quality standards; and

- supports the territorial authority's housing growth and urban development, as specified in the territorial authority's long-term plan.

These matters will need to be considered by the Council when making its decisions on both the delivery model and adoption of the WSDP.

Regulation

Bill #3, together with earlier regulatory reform including the Water Services Act 2021 have indicated that there is going to be a large volume of regulation imposed on water service delivery. Regulation will relate to quality and environmental performance for water delivery networks, as well economic regulation. While the final shape of this regulation continues to develop, it will substantially increase regulatory burden for either model. We are aware of the following in this space:

- Quality and performance regulation
- Economic regulation

Taumata Arowai plays a critical role in Local Water Done Well by regulating drinking water suppliers to ensure they meet drinking water quality standards and providing oversight of the environmental performance of water, wastewater and stormwater services. Under the Local Government (Water Services) Bill (Bill #3), additional requirements are anticipated to be overseen by Taumata Arowai. Alan Pragnell, CEO of Taumata Arowai provided a verbal briefing on the future state of regulation for quality and performance to the meeting during deliberations.

The Commerce Commission is responsible for economic regulation and is already the regulator for several important infrastructure sectors. Under the Local Government (Water Services) Bill (Bill #3), the Commission will oversee the new economic regulation and consumer protection regime for water services. This regime will apply to councils and water organisations who are responsible for deciding capital and operating expenditure, revenue recovery, and charging levels for local government water services.

The Commerce Commission has stated that *“information and transparency are at the heart of the economic regulation of water”*.

The Local Government (Water Services) Bill will enable the Commerce Commission to:

1. Require local government water services providers to disclose performance information to promote transparency and inform regulatory needs.
2. Set revenue thresholds to ensure sufficient funding for maintaining and developing water infrastructure.
3. Ensure that revenue collected for water services is spent solely on water services.
4. Set and enforce quality standards for water services to ensure reliable and safe water supply.
5. Regulate the maximum or minimum revenue levels that providers can collect.

Bill #3 also includes provisions to protect consumers' rights including access to necessary information, a complaint framework, and a dispute resolution process.

Risk and mitigation options

The Your Water Done Well consultation document identified risks associated with each of the two options before Council.

Option 1: Establish a wholly owned Council Controlled Organisation (WSCCO) to deliver wastewater and drinking water and continue to deliver stormwater in-house.

WSCCO Risk: INITIAL SETUP

Establishing a WSCCO requires significant initial effort and coordination, including legal, financial, and operational setup. This process can be complex and involves increased investment at setup.

A transitional service agreement will be put in place where Council will continue to provide some services on behalf of the WSCCO on an interim basis and that services would progressively transfer to the WSCCO. While any shared services would be more clearly defined closer to implementation, these could include functions such as payroll, billing and digital support. Services would be charged to the WSCCO at a rate that covers the costs of delivery. This staged process would be programmed to reduce risk during transition and prevent any interruption to day-to-day water services. The capital programme would continue to be delivered, mitigating any immediate risk to service delivery and the ongoing project works.

WSCCO Risk: UNCALLED CAPITAL

From Council's perspective, there would be some contingent risk that the uncalled capital could be called on in the event of WSCCO financial distress. However, it is expected that this would be a last resort, and that LGFA would work with the WSCCO to address any issues before seeking to have recourse to Council. The uncalled capital structure is also expected to be a precondition for any WSCCO seeking.

As part of the LGFA's financing arrangements for WSCCOs there is a requirement for credit support from the shareholding council (SDC) that is sufficient to cover the projected LGFA borrowings by the WSCCO. This support takes the form of uncalled capital security, which is an arrangement that requires the shareholding council to subscribe for capital in the WSCCO but leaves that capital uncalled and unpaid. The right to call on that capital is assigned in favour of LGFA, who would exercise that right in the event of a default under the WSCCO's financing arrangements. Given this requirement, and to ensure that the WSCCO can access the benefits of LGFA finance under the Local Water Done Well policy, it is proposed that SDC would subscribe for uncalled capital that is expected to cover the initial and future borrowings of a WSCCO for period. SDC would recognise the uncalled capital as a contingent liability disclosure within the Annual Report. SDC would mitigate risks through a Statement of Expectation to any WSCCO (current process with CORDE) along with regular meetings on operational and financial performance.

Option 2: Confirm an In-House Delivery Model for drinking water, wastewater and stormwater services

In-house delivery: Risk: LIMITED FUNDING CAPACITY

Council may struggle to secure sufficient funding for necessary infrastructure upgrades and maintenance, leading to deferred projects and potential service degradation. Limited borrowing capacity can restrict Council's ability to finance large-scale improvements, resulting in higher long-term costs. To date, Council has funded the required upgrades for water and wastewater. In the future, funding priorities may change with department capacity allocated to other activities like transportation or facilities, rather than drinking water or wastewater.

In-house delivery: Risk: OPERATIONAL COSTS

Any deferred investment in our assets to manage debt levels could increase operational costs. Unexpected repairs or emergencies can strain Council's financial resources, leading to budget reallocations or increased rates.

In-house delivery: Risk: REGULATORY COMPLIANCE

Ensuring compliance with evolving regulatory standards can be challenging, but Council currently has a good level of compliance. Maintaining rigorous monitoring and reporting systems to meet regulatory requirements can be resource intensive and complex and is set to increase.

In-house delivery: Risk: INFRASTRUCTURE AND SERVICE DELIVERY

In recent years Council has made significant investment in water infrastructure, but it is critical to continue maintenance and further investment to manage our growing population. Ageing infrastructure increases the risk of service failures, including water outages and quality issues. Taking a long-term view, there is a risk the in-house model may struggle to scale effectively to meet the ever-increasing demand on our district's assets, impacting service reliability and quality.

In-house delivery: Risk: POTENTIAL INTERFERENCE LEADING TO LEAKY PIPES

The country has a \$200 billion deficit in water funding in the next 30 years. Much of this is because of political leaders delaying investment over the past 30 years.

In-house delivery: Risk: LACK OF CLEAR STRATEGY

Minor projects have time and resource allocated that would otherwise be spent on strategic investment.

In-house delivery: Risk: COMPETING FUNDING

Water is only one factor in the Council decision making and investment. Water priorities can lose out to transport or solid waste investment.

In-house delivery risks will not be realised if the recommended resolution to establish a WSCCO for the delivery of drinking water and wastewater services is adopted.

Other considerations

Governance and control

WSSCO delivery model

The WSSCO would be governed by a commercial board appointed under its own constitution and in compliance with the legislation. This Board must consist of independent members, with Councillors and staff not eligible for appointment under the Local Water (Water Services) Bill.

It is anticipated that the decision on who board members would be would occur via an appointments panel, in the same manner as currently occurs with CORDE. This appointment process would be phased. It is also anticipated that a rotation schedule will be embedded to provide continuity and retirement to allow for renewal as the organisation matures. On retiring, the board appointments panel could choose to reappoint a retiring board member or appoint a new board member in their place.

In addition, the Constitution will outline the process for the removal of a Director (or the Board) should they fail to meet standards met in the constitution or a material breach of the appropriate legislation or regulations, failure to fulfil the statement of expectations; and/or a breach of the Companies Act 1993.

Key performance and accountability frameworks will be developed and implemented. Under this option the Council and the community would agree the high-level expectations on strategy and performance of the new organisation through a Statement of Expectations. These expectations would include the Council's commitment to the ongoing partnership with mana whenua in the delivery of water and wastewater services. When setting up the WSSCO, the Council would develop accountability standards and monitoring arrangements for performance of the assets it transfers to the WSSCO. These will be set out across the Statement of Expectations, the Constitution and Water Strategy.

The WSSCO's Annual Report will be a key document for monitoring performance. If adopted, the WSSCO would be established and included in the Council's WSDP, which is due to be adopted in early September 2025.

In-house delivery model

Under an in-house model governance would continue unchanged from the existing delivery model. Councillors would have primary governance. There is a greater potential under this model, where governors are not solely focused on water to make trade-offs on water investment that have wider impacts across Council services. These include:

- Reducing investment in repair and maintenance to keep rate rises low;
- Reducing investment in non-water related activities such as roading or community facilities to fund water.
- Rate-smoothing to defer or reduce rate costs

There is a greater risk of politicisation of governance of water under the in-house model than a WSSCO.

Continuity of Delivery - Impact on Levels of Service

Transition planning will prioritise the continuity of service delivery and customer expectations. A communications plan, including question-and-answer page will be developed to support the communication of Council's decision and confirm the continuity of service and customer experience.

Long Term Plan amendment requirement

If a WSCCO is established a Long-Term Plan Amendment will be required to give effect to *i*. If the in-house model is chosen, consideration will need to be given to if a Long-Term Plan Amendment is required on the basis it may fundamentally change our investment in water under a new in-house delivery model, particularly once forthcoming regulation takes effect.

Under section 63 of the Local Government (Water Services Preliminary Arrangements) Act 2024, Council can prepare a Long-Term Plan amendment to give effect to the decision to establish a WSCCO, following consultation, without the requirement for further consultation to be undertaken on the Long Term Plan amendment.

5. ALIGNMENT WITH COUNCIL PLANS, STRATEGY, POLICY AND REGULATORY/COMPLIANCE OBLIGATIONS

Being proactive in considering our water services delivery model is in line with our Future Selwyn strategy and our One Water Strategy. It will help set a clear direction for water services delivery, enable us to consider investment beyond our 30 Year Infrastructure Strategy, provide a sustainable intergenerational price path for water and provide certainty for our staff and communities who have experienced significant disruption following nearly 5-years of central government water reform policy development.

Waikirikiri Ki Tua/Future Selwyn

The following aspects of [Waikirikiri Ki Tua/Future Selwyn](#) have been identified as relevant to this issue, proposal/decision/activity/project, and inform both the outcomes of the project as well as the way the project develops:

Outcome and/or Direction	Relevance
Inclusive Communities IC1 Honour Te Tiriti and strengthen our partnership with Mana Whenua	High relevance: new delivery models for water services depend on partnership with mana whenua to sustainably manage water now and into the future.
Healthy Water HW1 Prioritise the health and wellbeing of water	High relevance: Our Waiora One Water Strategy states that 'the health and wellbeing of water is prioritised and all water systems are protected and enhanced'. The Supporting outcome of 'Healthy Water' aligns with our Waiora One Water Strategy.
Healthy Water HW2 Protect and restore the mana and mauri of water	High relevance: Our Waiora One Water Strategy vision states 'Hei Wakamana kā wai tūpuna, Hei whakahaumanu kā wai oraka – upholding the mana of our ancestral waters, restoring the mauri of our lift giving waters'
Healthy Water HW4 Protect sources of water and human health	High relevance: The water services delivery options would support improving water quality and service reliability
Living within Environmental Limits LWEL2 Conserve and manage finite resources	Moderate relevance: Water services provision intends to provide sustainable and efficient water service delivery, recognising water is a precious taoka.

Quality Infrastructure Q11 Strategically plan and coordinate infrastructure	High Relevance: the future delivery of water services requires strategic planning and coordination, with water services responsible for planning, funding, building and maintaining drinking and wastewater infrastructure.
Quality Infrastructure Q12 Strengthen the resilience of infrastructure to shocks and stresses	Medium Relevance: Resilience of water services infrastructure is a key component of the activity.
Quality Infrastructure Q13 Deliver timely and intergenerational infrastructure	High Relevance: We are committed to ensuring water services are delivering benefit to long-term communities and infrastructure needs.
Quality Infrastructure Q14 Make efficient use of existing infrastructure	High Relevance: water services are reliant on the efficient use of existing infrastructure.
Quality Infrastructure Q15 Maintain and operate infrastructure efficiently and affordably	High Relevance: the Local Water Done Well programme highlights financial sustainability is a key priority.
Quality Infrastructure Q16 Prioritise investments in infrastructure that deliver on multiple outcomes over generations	High Relevance: We are committed to making cost-effective decisions that balance affordability for communities with long-term infrastructure needs.

Other Council Plans, strategy policy and regulatory/compliance obligations

The following strategies have been identified as relevant to this issue.

SDC Strategic context	How the document relates
<u>Waiora One Water Strategy</u>	The Waiora One Water Strategy expresses a collective desire that, rūnanga and the Council have an agreed strategic framework and roadmap for those involved in water management to upholding the mana and mauri of all water, (irrespective of the future management structures for water)
<u>Rautaki Tūāhaka Infrastructure Strategy 2024-2054 (includes our approach to sustainability)</u>	Our Infrastructure Strategy highlights the significant infrastructure issues and challenges we think we're going to face in managing our infrastructure over the next 30 years. It identifies options of how we might address these, and the implications of those options
<u>Kai Aku Rika Economic Development Strategy</u>	The Kai Aku Rika Economic Development Strategy serves as both a blueprint and a call to action for our community to participate in shaping an economy that fits with the future aspirations of Waikirikiri Selwyn.
<u>Piki Amokura (Selwyn Youth Strategy)</u>	Piki Amokura aims to enhance Selwyn as an exceptional place for young individuals (ages 12 - 24) to thrive. Water services plays a critical role in supporting the health and wellbeing of our young people.
<u>Te Paepae (Ageing Well Strategy)</u>	Te Paepae Ageing Well is a strategy for Waikirikiri Selwyn. It identifies what residents aged 65 and over need so they can age in place well, supported by comprehensive and equitable services within a vibrant, connected, and inclusive community. Water services plays a critical role in supporting the health and wellbeing of our young people.
Te Rautaki Tikaka Rua (Bicultural Strategy)	Te Tiriti represents a foundational and ongoing relationship between Māori and the Crown. SDC strives to honour this relationship, and this is exemplified through our Bicultural Strategy – Te Rautaki Tikaka Rua, which provides a framework for strengthening partnerships with mana whenua and enhancing our bicultural competence.

Operational Policy	
	All existing drinking water and wastewater related Operational Policies will transfer to the WSCCO should this option be preferred. The WSCCO would then review, update and maintain these policies.
Regulatory/Compliance requirements or obligations	
<ul style="list-style-type: none"> Local Government (Water Services Preliminary Arrangements) Act 2024 Regulatory Oversight by Taumata Arowai including Drinking Water Quality Assurance Rules 	Water service providers must adhere to several regulatory and compliance requirements to ensure safe and effective water service delivery.

6. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

The decisions and matters of this report are assessed as being of High significance, in accordance with the Council's Significance and Engagement Policy.

A consultation document, and engagement process was developed, whilst also still meeting the intent of the Council's Significance and Engagement Policy. The Local Water Done Well Subcommittee recommended that Council adopt the consultation document and endorse the proposed engagement process (Refer Appendix 1: Local Water Done Well Subcommittee – 12 February 2025, Item 4).

7. VIEWS OF THOSE AFFECTED / CONSULTATION

In making a decision Council needs to know enough about and give adequate consideration to the views and preferences of affected and interested parties. The degree to which Council seeks views of affected and interested parties will be proportionate to the significance of the decision or issue being considered.

(a) Views of those affected and Consultation

Public consultation has been undertaken between 20 February and 12 March 2025, in accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024, with the views presented in submissions and the hearings summarised in the Deliberation report (Refer Appendix 2: Council Report 26 March 2025, Item 2), the Hearing minutes (Refer Council – 2 April, Item 2), and the Your Water Done Well submission booklets.

A total of 423 submissions (including six late submissions) were received from across the district.

Responses to the Your Water Done Well consultation included:

- 11.5% of the 423 submissions support the transition to a Water Services Council Controlled Organisation (WSCCO)

- 87.3% of the submitters oppose the transition, and support retaining water services in house
- 49.9% of people left additional comments on the WSCCO model (Q3)

Those in support of the WSCCO can be grouped into the below general themes:

- Long-Term Benefits: Potential for improved infrastructure and service delivery.
- Funding and Investment: Better access to funding for infrastructure projects.
- Expert Management: Belief in operational efficiencies from specialised management.

Those in support of the future in house delivery model can be grouped into the following feedback themes:

- Increased Costs and Bureaucracy: Concerns about higher costs (particularly rates), financial burden and additional bureaucracy.
- Debt Concerns: Worries about increased borrowing and long-term debt for ratepayers.
- Efficiency Doubts: Scepticism about the new entity's efficiency compared to the current system. Believe the current system is cost-efficient and effective.
- Local Control: Importance of maintaining local council control for accountability, transparency, and responsiveness.
- Privatisation Concerns: Fear of higher costs and reduced control potential privatisation with a WSCCO.

There were also mixed responses from some submitters which included the following themes:

- Conditional Support: Support contingent on further details about governance and cost management.
- Request for More Information: Desire for more detailed information and a longer consultation period.
- Consultation Process: Criticism of the consultation process for being rushed and lacking information.

In addition to the feedback received through the Your Water Done Well engagement, including submissions summarised in this report, other feedback on water services has been heard by council through recent engagements as outlined below.

Consultation on the development of the Long-Term Plan 2024-2034 highlighted water as a priority: 97% of residents consider the protection of local water sources as very high or high importance. There is a heightened sensitivity and protectiveness of local water sources throughout the Selwyn region. Residents recognised Wai as essential to life, and protecting those local water sources was an important priority for the region's ongoing sustainability. This was a sentiment shared, and responsibility felt by farmers and non-farmers alike and was supported in the quantitative data, with 97% of residents stating the protection of local water sources was of 'very high importance' or 'high importance'.

The primary vision for Selwyn residents over the next decade is a sustainable future. Residents welcome the projected population growth and diversity but prioritise retaining the core values and charm of the region. Key aspects of this sustainable vision include:

- Self-sufficiency: Enabling residents to live, work, and play within Selwyn.
- Infrastructure & Amenities: Emphasising services, healthcare, and community spaces.
- Environmental and Developmental Sustainability: Managing land use, housing, and green spaces effectively.

(b) Māori and Treaty implications

The decision whether to establish a WSCCO is a significant decision in relation to bodies of water, and therefore the Council must consider the relationship of Māori and their culture and traditions with water.

The Waioira One Water Strategy has agreed to uphold the mana and mauri of all water in its decision making and to work in partnership to sustainably manage water now and into the future. This partnership approach will remain in any delivery option chosen.

Te Taumutu Rūnanga representative McKay has actively participated in Council workshops to determine an appropriate response to the Government's Local Water Done Well legislation. She has also been appointed as a member of the newly established Local Water Done Well committee, which has the authority to oversee the establishment of a WSCCO.

Te Taumutu Rūnanga and Te Ngāi Tūāhuriri Rūnanga have verbally indicated their support for the establishment of a WCCO and SDC remains committed to high levels of engagement on this kaupapa moving forward.

Te Taumutu Rūnanga representative McKay provided an overview of mana whenua position on behalf of Te Taumutu Rūnanga to the deliberations meeting (Refer Council – 2 April, Item 2), confirming a WSCCO for the delivery of drinking water and wastewater services as the preferred delivery model.

(c) Resiliency and Sustainability considerations

The Local Water Done Well programme has placed an emphasis on achieving financial and environmental sustainability in the delivery of water services by 2028.

Both models have the potential to align with Selwyn's sustainability goals, but the choice depends on the council's priorities for control, flexibility, specialisation, and efficiency.

An in-house model would allow the council to retain direct control over water services, ensuring seamless integration with the sustainability strategy, greater flexibility in aligning projects with sustainability goals, and clear accountability within the council for meeting these targets. This model would also enable the council to directly implement and monitor environmental sustainability initiatives, such as reducing water wastage, enhancing water quality, and protecting local ecosystems.

The WSCCO would need to adhere to strict environmental regulations and sustainability goals set by the council to be managed through the Statement of Expectations, ensuring that water services are managed in an environmentally responsible manner. This could include initiatives like advanced water treatment technologies, sustainable water sourcing, and comprehensive environmental impact assessments.

Climate Change

The decision before Council has limited impact on consideration of climate change matters. Climate change remains an important component of the sustainable management of water services infrastructure, as expressed in Council's Long Term Plan, Infrastructure Strategy and Waioira One Water Strategy.

8. FUNDING IMPLICATIONS

Assessment of the two options confirms that a WSCCO would provide greater financial flexibility in the medium to long term, more effective management of economic and water quality regulations, and enhanced resilience in the face of rapid growth. This model enables response to the legislative change, while simultaneously positioning the Council to maximise partnering and efficiency opportunities as they arise.

Under the WSCCO model the financing will be available exclusively for the growth and level of service projects of drinking water and wastewater and will not be at risk of changing priorities moving financing to other activities of the Council.

Rates

Rates are expected to be impacted regardless of the model that is chosen due to baseline costs changing and moving to a more highly regulated environment.

The figure below illustrates the 10-year projection of what the rates are modelled to be under a future in-house model or under the WSCCO model. Four scenarios are illustrated to demonstrate impact on an urban residential property with or without sewerage and a property on restricted water supply with or without sewerage.

While the modelling does show an initial increase in the cost under a WSCCO model the modelling illustrates that from year 10 onwards the WSCCO charges will be reduced.

Summary Rates	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034
Example: Urban Residential Property With Sewerage									
LTP Water Bill Under future in-house model	\$ 1,552	\$ 1,769	\$ 1,948	\$ 2,070	\$ 2,195	\$ 2,324	\$ 2,465	\$ 2,614	\$ 2,730
WSCCO Water Bill	\$ 1,700	\$ 2,018	\$ 2,635	\$ 2,635	\$ 2,668	\$ 2,668	\$ 2,668	\$ 2,668	\$ 2,668
Comparison	\$ 148	\$ 248	\$ 687	\$ 565	\$ 473	\$ 343	\$ 203	\$ 54	\$ 62
% Increase LTP to WSCCO	10%	14%	35%	27%	22%	15%	8%	2%	-2%
Example: Urban Residential Property Without Sewerage									
LTP Water Bill Under future in-house model	\$ 745	\$ 841	\$ 955	\$ 1,022	\$ 1,095	\$ 1,169	\$ 1,252	\$ 1,340	\$ 1,392
WSCCO Water Bill	\$ 808	\$ 965	\$ 1,287	\$ 1,287	\$ 1,307	\$ 1,307	\$ 1,307	\$ 1,307	\$ 1,307
Comparison	\$ 63	\$ 123	\$ 332	\$ 265	\$ 212	\$ 137	\$ 55	\$ 33	\$ 85
% Increase LTP to WSCCO	9%	15%	35%	26%	19%	12%	4%	-2%	-6%
Example: A Property on Restricted Water Supply with Sewerage									
LTP Water Bill Under future in-house model	\$ 1,579	\$ 1,805	\$ 1,993	\$ 2,120	\$ 2,251	\$ 2,387	\$ 2,532	\$ 2,689	\$ 2,808
WSCCO Water Bill	\$ 1,729	\$ 2,056	\$ 2,689	\$ 2,689	\$ 2,722	\$ 2,722	\$ 2,722	\$ 2,722	\$ 2,722
Comparison	\$ 150	\$ 251	\$ 696	\$ 569	\$ 471	\$ 335	\$ 190	\$ 33	\$ 86
% Increase LTP to WSCCO	9%	14%	35%	27%	21%	14%	8%	1%	-3%
Example: A Property on Restricted Water Supply without Sewerage									
LTP Water Bill Under future in-house model	\$ 772	\$ 877	\$ 1,000	\$ 1,072	\$ 1,151	\$ 1,232	\$ 1,319	\$ 1,415	\$ 1,470
WSCCO Water Bill	\$ 837	\$ 1,003	\$ 1,341	\$ 1,341	\$ 1,361	\$ 1,361	\$ 1,361	\$ 1,361	\$ 1,361
Comparison	\$ 65	\$ 126	\$ 341	\$ 269	\$ 210	\$ 129	\$ 42	\$ 54	\$ 109
% Increase LTP to WSCCO	8%	14%	34%	25%	18%	10%	3%	-4%	-7%

Figure 1: Summary Rates and Water Charges⁴

It is noted that in the current WSCCO modelling the charges flatline after year 5 (FY2029/2030) as there is an assumption that the charges will be at a level that they cover the operating costs of the proposed WSCCO. The assumption is that any additional costs and the impact of inflation will be covered by the growth in the number of water and wastewater connected households rather than requiring an increase in the water charges.

The setting of water services rates from 1 July 2025 through the Annual Plan 2025/26 will be in keeping with year 2 of the Long-Term Plan. These rates will remain until June 30th. 2026.

Debt

Under Local Government Funding Agency (LGFA) guidelines, Councils are currently constrained and can only borrow up to 280% of their operating revenue. The SDC's Treasury Policy restricts this to 220% of operating revenue. This constraint limits the Councils investment options. Restricting the Council's ability to finance large-scale improvements, potentially resulting in higher long-term costs.

To date the Council has prioritised borrowing to fund Water Supply and Wastewater projects. However, if waste and drinking water activities were moved to a WSCCO this would allow Council to better prioritise funding toward other activities of the Council like transportation or facilities. In an in-house model, drinking water and wastewater by contrast would likely continue to demand more than its proportional share of funding which would in turn restrain investment in other activities.

Under the proposed WSCCO model, the LGFA have extended their financing support to allow Water CCOs to borrow up to 500% of their operating revenue. Whilst this debt limit will be based on a reduced level of revenue (only Drinking Water and Wastewater revenue), the increased facility limit will enable the WSCCO to continue to fund the existing capital projects that were included in the LTP. Because the WSCCO's revenue will only consist of income from these core water services, even though the borrowing limit is a higher percentage, the actual amount of additional borrowing capacity needs to be considered in this context.

Nevertheless, the establishment of a WSCCO is considered a positive move from a financial and asset management perspective due to several key factors identified in the

⁴ Selwyn District Council Your Water Done Well Consultation Document

report, including: improved and dedicated access to funding for water infrastructure, ensuring ring-fenced investment in essential water services, the benefit of specialised governance and management focused on water assets, enhanced resilience and adaptability to meet future demands, the aim for long-term financial sustainability, and the potential for the depoliticisation of critical water service investments.

Under the WSCCO model the financing will be available exclusively for the growth and level of service projects of drinking water and wastewater and will not be at risk of changing priorities moving financing to other activities of the Council. Recognising all water services debt with a WSCCO would increase Council's headroom, within its current Financial Strategy limits. This would improve Council's financial resilience through increasing debt availability for response to significant or emergency events, such as AF8.

9. LEGAL/POLICY IMPLICATIONS HEADING

- Relevant legislation includes: Water Services Acts Repeal Act
- Local Government (Water Services Preliminary Arrangements) Act 2024
- Local Government Act 2002

10. NEXT STEPS

The following steps are required to ensure the successful development and implementation of the Local Water Done Well programme:

Water Services Delivery Plan (WSDP) development

A WSDP will be developed on the basis of the Council decision on delivery model. The WSDP will be reported back to Council for adoption, and the Chief Executive will be required to certify the WSDP prior to lodgement to the Secretary for Local Government for approval by 3 September 2025. The Secretary for Local Government can only accept a Water Services Delivery Plan if it complies with the Act. Once the WSDP is submitted to DIA for approval, amendments to the WSDP may be required should DIA propose changes to ensure the WSDP aligns with the Act.

Long Term Plan Amendment

If approved, a LTP amendment will be progressed to be the subject of a future Council decision.

Endorsed For Agenda



Tim Mason
EXECUTIVE DIRECTOR INFRASTRUCTURE AND PROPERTY

REPORT

TO: Chief Executive Officer
FOR: Council Meeting – 13 November 2024
FROM: Executive Director Infrastructure and Property – Tim Mason
DATE: 8 November 2024
SUBJECT: **CCO IMPLEMENTATION**

RECOMMENDATION

‘That Council:

- (a) agrees to progress with and fund preliminary investigations and steps toward the establishment of a Council Controlled Organisation for water services with an expectation that the model is consulted on next year and decision paper brought to Council post consultation.*
- (b) notes the requirements for Selwyn District Council from Local Water Done Well legislation, including delivery of a Water Services Delivery Plan and changes to requirements for water services delivery*
- (c) agrees to fund the development of the Water Services Delivery Plan and proposed establishment of the CCO up to \$2 million in line with this paper, as required by legislation;*
- (d) agrees to delegate oversight of the activities referred to in (a) and (b) to the Local Water Done Well subcommittee; and*
- (e) agrees that Council can hire a CCO establishment Board chair.*

1. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

The decision before the Council is whether to establish a water services CCO in accordance with section 58(a)(i)(A) of the Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPAA) and section 56 of the Local Government Act 2002 (LGA).

The issue and decision that is the subject of this report has been assessed against the Significance and Engagement Policy (Policy) and consideration has been given to criteria set out in the Policy including:

- the extent to which matters impact on the people of Selwyn now and in the future (assessed as higher degree of impact);
- the extent to which individuals, organisations, businesses, groups, communities, and sectors within the community are particularly affected by, or are interested in, the matter (assessed as higher degree of impact);
- the extent to which decisions relate to mana whenua and the impact on mana whenua relationship with land (including tapatapa and development on Māori

land), water, culture and traditions with ancestral sites, wāhi tapu (and wāhi taoka), valued flora and fauna, and other taoka (assessed as higher degree of impact);

- the extent to which the matter is consistent with the Council's community outcomes, existing strategies, and policies (assessed as lower degree of impact);
- the impact of the decision on the ability to achieve the objectives set out in the Council's 2024-2034 Long-Term Plan (LTP) and Financial Strategy (assessed as higher degree of impact); and
- the extent to which a decision, proposal, matter, impacts on climate mitigation and adaption initiatives (assessed as lower degree of impact).

In summary, the overall significance of the issue and decision that is the subject of this report is considered to be of **high significance**. For the purposes of decision making and consultation on this issue and decision:

- the Council will be able to rely on the alternative requirements specified in sections 61 to 64 of the WSPAA; and
- for the avoidance of doubt, pursuant to section 60(2) of the WSPAA, all other relevant requirements in the LGA will continue to apply (including the requirements in sections 77(1)(c), 81 and 82).

2. PURPOSE

This paper seeks Council approval to progress with the establishment of a Council Controlled Organisation (CCO) to enhance the delivery and financial sustainability of water services in the Selwyn District. This approach is aligned with the "Local Water Done Well" (LWDW) legislation.

The Water Services Delivery Plan (WSDP) is a legislative requirement under LWDW that requires Councils to submit a WSDP by September 2025.

To support establishment of a CCO and submission of the WSDP, this paper is seeking from Council:

- **Approval to progress with the development of a CCO model:** As outlined in this paper, we seek approval to move forward with the development of a water services CCO.
- **Approval of funding:** Secure Council approval for up to \$2M in funding to support the proposed establishment of the CCO and development of WSDP. This funding will cover initial setup costs, including legal, financial, and operational preparations. It also includes the additional resources to develop the WSDP on behalf of Selwyn District Council.
- **Delegation of approval of key items to a Water Services subcommittee:** Per legislation, a CCO will require a constitution, a statement of expectations from the Selwyn District Council and a water services strategy from the CCO. There will be a range of other approvals needed during the establishment, which will require an agile delegation approach. We seek approval for the Water Services subcommittee to provide guidance and oversight in line with this paper regarding preliminary steps towards establishment of CCO, and WSDP development and consultation. A final decision regarding adoption of WSDP and

establishment of the CCO will be referred to Council following consultation, subject to endorsement via this subcommittee.

- **Consultation of the CCO model:** Engage in a public consultation process (early 2025) on establishment of a water services CCO via the alternative streamlined consultation requirements specified in sections 61 to 64 of the WSPAA. This will ensure community input and support for the proposed changes.

3. HISTORY/BACKGROUND

Historically, water services in New Zealand have faced significant challenges, including aging infrastructure, underinvestment, and varying levels of service quality across different regions. These challenges led the Crown to initiate comprehensive reforms aimed at improving the management and delivery of water services nationwide.

The Local Water Done Well (LWDW) legislation drives an increased focus on the investment in and delivery of water services and their long-term water financial sustainability

LWDW is being implemented in three stages, each with its own piece of legislation. The first Bill (enacted February 2024) repealed the previous water services legislation.

The second Bill (enacted September 2024) outlines the LWDW framework including requirements for councils to develop WSDPs. As per the second Bill, councils must develop WSDPs by September 2024. The act requires that:

- WSDPs outline future water services delivery arrangements, and that councils commit to an implementation plan.
- WSDPs include baseline information from councils 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.

The Bill also streamlines consultation and decision-making processes for establishing CCOs.

The third Bill (to be introduced December 2024) will provide the enduring settings for water services.

While not yet finalised, the guidance released by the Department of Internal Affairs (DIA) outlines new delivery models for water service delivery that councils can choose to adopt and outlines the minimum requirements that will apply for water services. Requirements are likely to state that water service providers:

- Will be subject to economic, environmental and water quality regulation
- Will be subject to a new planning and accountability framework for water services, including the need to produce stand-alone financial statements for water supply, wastewater, and stormwater
- Must be financially sustainable
- Must act consistently with statutory objectives
- Will be subject to restrictions against privatisation.

The reform will also include the new economic regulatory regime administered by the Commerce Commission, as well as new financing options available through the New Zealand Local Government Funding Agency (LGFA) to support water services.

The Government is developing models to enable increased investment which should support councils to deliver more for our communities

To support councils in meeting these new requirements, DIA has outlined a range of illustrative water service delivery models designed to ensure that communities receive enhanced water services without placing undue financial pressure on ratepayers. They are intended to have the flexibility to be financially independent from Council's credit rating.

Table 1: Overview of illustrative service delivery models¹:

Service delivery model	
Internal business unit or division	<ul style="list-style-type: none"> • Status quo for many councils • Minimum requirements for water service providers will apply • New financial sustainability, ringfencing rules, and economic regulation will apply
Single council-owned water organisation	<ul style="list-style-type: none"> • New company established, 100% owned by the council • Financial sustainability rules will apply, but retains a financial link to the council • Councils with existing water council-controlled organisations will be required to meet minimum requirements
Multi-council owned water organisation	<ul style="list-style-type: none"> • New company established with multi-council ownership • Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement • Option to access LGFA finance with the provision of parent support or to create a more financially independent organisation
Mixed council/consumer trust owned	<ul style="list-style-type: none"> • Consumer trust established to own majority of shares • Mixed ownership, with one or more councils owning minority of shares • Structure enables financially independent organisation to be established while retaining minority council ownership
Consumer Trust owned	<ul style="list-style-type: none"> • Council transfers assets to consumer trust owned organisation • Consumers elect trustees to represent their interests in the organisation • Most financially independent of the available models

DIA have also released requirements for establishing a CCO, including:

- Current council staff and elected members cannot be appointed to boards
- Water organisations must be companies
- Activities of water organisations will be limited to the provision of water services and directly-related activities
- Only councils or consumer trusts can be shareholders
- Board appointments must be competency-based and have the appropriate mix of skills, knowledge, and experience
- There will be a range of protections against privatisation

¹ DIA, [Water service delivery models: Guidance for local authorities](#), August 2024

The policy landscape is continuing to evolve, including in regards to economic regulation, and there may be significant changes to the LWDW landscape that arise in the upcoming months. However, in order to meet the proposed legislative timelines we are progressing with a 'no regrets' proposal.

4. PROPOSAL

The LWDW legislation acknowledges the historical underfunding of water infrastructure within councils and aims to address this by enabling greater levels of direct borrowing for necessary infrastructure improvements. While Selwyn has invested heavily in its water assets, we believe that the incoming regulation will mean we will still need to consider new delivery models to ensure that water services are managed effectively and sustainably.

Under our current delivery model, we continue to be limited by budget constraints and competing priorities under our current borrowing limits. By providing better access to funding tools and financing mechanisms, we believe these models will allow us to invest more in our water infrastructure, supporting both current and future long term needs. Our models show a short term debt limitation for the CCO model.

Partnering with other councils is not mandatory under the new legislation, however, we believe it is an inevitable step in the long-term

Collaborating with other councils can lead to greater efficiency, standardisation, knowledge sharing and ultimately lower costs for consumers. We have worked with other South Island councils to explore opportunities to partner. Given the differing levels of investment by councils to date, the varying water prices for consumers, and various growth and level of service requirements, we do not anticipate such partnerships will happen quickly, particularly given the proposed reform timelines. However, we believe that any water delivery model we adopt must be flexible and ready to adapt to future partnerships and regional collaboration to support future strategic planning and to optimise water delivery costs over time.

A new water services delivery model is underpinned by Selwyn's new fit-for-future strategic approach, ensuring the region grows in a way that benefits everyone for generations to come

Selwyn is the fastest-growing district in the country, with a 29% increase in population between 2018 and 2023, and projections indicate that the population could reach 140,000 by 2050². Our long-term strategic initiative, Future Selwyn aims to improve the social, environmental, economic, and cultural well-being of Selwyn, aiding in strategic planning and coordination of public and private investment.

While we have invested in water and invested more than many other councils, we need to deliver more investment to support this continued growth and changing regulation. Continuing to ring-fence water and being able to access additional investment through a new model enables us to invest with greater certainty in Selwyn's future communities.

We believe that change in our water delivery model is inevitable. We are proud to be a Council that considers the best long term options for our communities. Being proactive

² Stats NZ, 2023 Census

in considering our water services delivery model is in line with our Future Selwyn strategy. It will help set a clear direction for water services delivery, enable us to consider investment beyond that in our 30 Year Infrastructure Strategy, provide a sustainable intergenerational price path for water and provide certainty for our staff and communities who have experienced significant disruption following nearly 5-years of central government water reform policy development.

To meet our immediate needs, new regulation and our long-term strategy, we are proposing establishment of a Selwyn water CCO

We have considered the range of options available to Selwyn to deliver water. Our assessment is that a Selwyn water CCO would provide greater financial flexibility in the medium to long term, more effective management of economic and water quality regulations, and enhanced resilience in the face of rapid growth. This model enables us to be able to respond to the legislative change immediately, while simultaneously positioning us to maximise partnering and efficiency opportunities as they arise.

Establishing a CCO ensures that water services are managed separately from other council operations, providing a focused and sustainable approach to managing water infrastructure. Given the complexities of our stormwater delivery and the interface of these with other core council assets, we propose that initially the CCO will be established to provide services for drinking water and wastewater, with stormwater responsibility continuing to sit with the core Council in the short to medium term. This includes land drainage and water races.

The CCO model is one of the core options of the LWDW policy and is designed to be enduring and adaptable over time. This model offers numerous benefits for the Selwyn community, including:

- **Enhanced Funding and Investment:** Improved access to funding and financing tools ensures we can upgrade our water and wastewater systems to meet increasing demand without placing undue pressure on rates.
- **Improved Water Quality and Services:** Increased investment will directly translate into improved water quality and service reliability for our residents.
- **Enhanced Resilience:** A CCO will enhance our resilience in the face of rapid population growth, ensuring our water infrastructure can handle increased demand.
- **Certainty and Stability:** Establishing a CCO provides immediate certainty for our Council staff and Selwyn residents, allowing us to move past the period of uncertainty that has surrounded water services.
- **Futureproofing:** The CCO model is designed to be adaptable, future-proofing our water services for regional collaboration and increased efficiency in the future.

Next steps to progress with establishing a CCO

There is no prescribed timeline for Selwyn to establish a CCO for water services delivery. However, there are several factors that mean we would like to progress this option in the current financial year with a target establishment date for 'minimal viable product' structure of 1 July 2025 (subject to consultation):

- Under the legislation, Selwyn will need to deliver a Water Services Delivery Plan by September 2025. It is important that the CCO, who will ultimately deliver this

WSDP is able to input into and endorse the approach that is proposed in this plan.

- A new Water Services CCO can access the different borrowing levels via LGFA. We would like to ensure we have this option available to us as soon as possible, so we can look to smooth our funding costs over time with this finance. This may also provide borrowing headroom for Selwyn to invest further in other services.
- Our staff have faced significant disruption and uncertainty. Providing a clear pathway forward is important.

As there are several areas of detail needed in the WSDP's that will determine how the CCO needs to operate in the medium-long term, we propose to set the CCO up to mirror the current service and operational structures. This means that initially the CCO may have agreements in place with Council to provide services and systems. This approach minimises the level of risk, effort and cost to establish the CCO and means the CCO can make operating decisions in a timely manner.

Our focus over the period to entity establishment will be to ensure the right service agreements are in place and that there is no disruption to service levels. We will also focus on the governance arrangements for the entity to ensure the structure is fit for the future and delivers to the needs of our Selwyn community.

Development of the WSDP: The WSDP documents are substantive and require us to consider not only how we deliver water services now, but how we will look to deliver, fund and finance these in the future. To complete these plans, we will need to allocate resources which will require additional contractor/consultant support to ensure we have no loss of service during this process.

In the event there is a policy shift before consultation early next year, we will incorporate implications and any revised analysis into the consultation material. We are progressing with the CCO establishment on a 'no regrets' basis with the expectation that work will underpin future water services delivery and submission of the WSDP.

5. OPTIONS

Determining the best option for Selwyn is not straightforward, particularly given uncertainty around economic regulation, water financing prudential requirements, and where partnering arrangements between councils will ultimately land.

The analysis of options that was completed in advance of this paper, was based on LWDW legislation and policy guidance available as of 1 September 2024. Recent policy announcements that have been factored into the analysis include:

- Water Services Preliminary Arrangements Bill
- Guidance on Water Service Delivery Plans and financial sustainability metrics
- Policy announcement for water organisation financing mechanisms, including potential for LGFA lending to water organisations.

In addition, Selwyn explored the potential for joint water services delivery arrangements with other South Island councils. At the time of preparing this paper information has been received from Buller, Clutha, Central Otago, and Waitaki district councils, in addition to Selwyn's own Long-term Plan forecasts.

Longlist options

Five long list options were identified for Selwyn water services delivery under the LWDW legislation. These are outlined in the table below.

Table 2: Longlist options overview

Longlist options	
Option 1 - Council delivered services (baseline)	Water service delivery remains integrated into SDC operations, but water revenue and expenditure will be ring-fenced internally to comply with financial sustainability requirements and economic regulation.
Option 2 - Selwyn CCO	A Selwyn-only (100% owned) CCO is established, with ownership of two water assets transferred with stormwater being delivered internally by Council.
Option 3 - Joint CCO	Selwyn establishes / joins a joint CCO arrangement with multiple councils, and owns a portion of the CCOs on an agreed basis (e.g. value of assets or revenues contributed).
Option 4 - Consumer trust	Establish a trust to deliver water services. This includes both a 100% consumer trust owned entity or majority owned consumer trust (minority Council ownership).
Option 5 - Shared delivery model	Regional shared delivery model established.

Longlist options assessment

An initial analysis was completed on the longlist options and two options were discounted and not progressed for additional analysis:

Consumer Trust: this was discounted because, while operationally similar to establishing a new CCO (from a governance perspective), the financial structure would differ significantly. A trust would have to borrow independently from the Council(s), unlike a CCO where the Council provides financial support or guarantees. Consequently:

- A trust would not have access to the LWDW financing tools, including the ability to borrow from the LGFA at higher gearing than other council assets, which is crucial for funding the entity's required investment pathway.
- A trust would need to secure financing from alternative sources, such as banks and capital markets, which is typically more expensive and would likely necessitate an investment-grade credit rating.
- A trust model is more complex and costly to administer.

Shared Service Delivery Model: Akin to Wellington Water, this model assumes a shared services delivery model with assets retained by the Council. Given the lack of partnering opportunities in the region and the uncertainty of how this could achieve efficiencies, this model was discounted, noting it does not preclude shared services being part of an operating model within a CCO.

Shortlist options

Following the initial analysis, the shortlist options were further defined to allow for a more granular analysis.

Table 3: Shortlist option descriptions


Shortlist options	Description
Option 1 - Council delivered services (baseline)	<p>Selwyn continues to deliver all water services for the district.</p> <p>Water service delivery remains integrated into council operations, but water revenue and expenditure will be ring-fenced internally to comply with financial sustainability requirements and economic regulation.</p> <p>Borrowing will be undertaken by the council (e.g. via LGFA in most cases) and allocated specifically to the relevant water service.</p>
Option 2 - Selwyn CCO	<p>A Selwyn-only (100% owned) CCO is established, with ownership of two water assets transferred with stormwater being delivered internally by Council.</p> <p>The entity's governance framework will set the parameters under which the CCO will operate, with direction from Council coming via the Statement of Expectations.</p> <p>The CCO would borrow directly from the LGFA, up to an indicative 500% debt-revenue limit. Selwyn would provide a financial guarantee to enable the CCO to borrow.</p>
Option 3 - Joint CCO	<p>Selwyn establishes / joins a joint CCO arrangement with multiple councils, and owns a portion of the CCOs on an agreed basis (e.g. value of assets or revenues contributed).</p> <p>The option progressed for analysis involves councils that have collaborated with Selwyn on a joint scenario so far, including Central Otago, Buller, Waitaki and Clutha.</p>

Shortlist options assessment

The shortlist options were assessed based on governance, shareholding and financial sustainability objectives. Key evaluation criteria are included in the table below.







Table 4: Evaluation approach and criteria

Element	Key criteria	How to evaluate
Governance arrangements	<ul style="list-style-type: none"> Selwyn can continue to influence water outcomes for the district (but not necessarily have full control). Enable effective community and iwi participation and be highly responsive to local needs. Enable Selwyn to have influence on any future changes to arrangements. 	✓ or ✗
Shareholding structure	<ul style="list-style-type: none"> Ensure Selwyn's historical and planned investment in water infrastructure & services is fairly reflected in shareholding arrangements (economic shareholding). 	

	<ul style="list-style-type: none"> Model provides structural longevity and adaptability. 	
Risk	<ul style="list-style-type: none"> Understand and minimise implementation risk as part of any change in water service delivery arrangements. 	<ul style="list-style-type: none"> Implementation risk and long-term risk. 
	<ul style="list-style-type: none"> Understand and minimise long-term risk associated with water delivery arrangements (e.g. disparity in pricing / service levels between districts, asset data quality of partner districts). 	
Financial sustainability and affordability	<ul style="list-style-type: none"> To deliver water services that are as financially affordable as possible for the Selwyn community. Meets all financial sustainability requirements under LWDW legislation: <ul style="list-style-type: none"> Revenue sufficiency - is there sufficient revenue to cover costs (including servicing debt) of water services delivery? Investment sufficiency - is the projected level of investment sufficient to meet regulatory requirements and provide for growth? Financing sufficiency - are funding and financing arrangements sufficient to meet investment requirements? 	<ul style="list-style-type: none"> Commentary on likely water pricing impact. Assessment of ability to meet financial sustainability requirements.

A summary of the shortlist options assessment is included in Table 5 below. Detailed option scoring and rationale is included in Appendix 2.

Table 5: Shortlist options assessment summary

		Option 1 - Council delivered services	Option 2 - Selwyn CCO	Option 3 - Joint CCO
Meets governance objectives		✓	✓	✓ Yes, but reduced influence
Meets shareholding requirements		May not provide longevity and adaptability.	✓	✓
Implementation risk profile				
Long-term risk profile				
Financial sustainability requirements	Revenue sufficiency	✓	✓	? Marginal at baseline price path, may require more revenue or efficiencies.
	Investment sufficiency	✓	✓	? Some uncertainty around partner council investment sufficiency.
	Financing sufficiency	? Will depend on the economic regulatory approach. Initial financial sustainability metrics show the model may require more revenue to be sustainable.	? Will depend on the economic regulatory approach. Initial financial sustainability metrics show it may have a price benefit in the medium term from financing and assuming operating model efficiency.	✗ Insufficient revenue at baseline price path, likely to require more revenue.
Pricing impact (vs current proposed price path)		Unlikely to lower the cost of water services over the long-term.	May provide lower pricing over the medium-long term with commercial focus on water services and long term financing.	The high level analysis showed financial sustainability was challenging in the absence of significant efficiencies or operating model changes. Other partnering combinations could result in a different outcome. Detailed operating model work would be required to validate this.
Credit rating considerations		Water services continue to be 'on balance sheet' for Selwyn.	Water services continue to be 'on balance sheet' for Selwyn.	Water services are likely to be a contingent liability for Selwyn. Potentially improves Council's credit position / headroom for other investments over time.

Recommended option: Selwyn CCO

We recommend a Selwyn owned CCO as the preferred water services delivery option. While there is the option of services remaining within core council as currently delivered, we feel the CCO offers the following benefits that cannot be obtained via the status quo delivery model:

- *Better access to funding tools and financing to support growth without undue rate hikes*
- *Improved water quality and services (in line with dedicated water CCO Board)*
- *Resilience in the face of growth (in line with dedicated water CCO Board)*
- *Greater certainty for our people and our community*
- *Futureproofing for regional collaboration*
- *Water assets and services are retained within the council family*

6. VIEWS OF THOSE AFFECTED / CONSULTATION

Views of those affected

Consultation on the proposed model expected early 2025 at which point the views of those affected / consulted will be understood. Alternative streamlined consultation requirements are specified in sections 61 to 64 of the WSPAA.

Māori implications

Te Taumutu Rūnanga representative McKay has actively participated in Council workshops to determine an appropriate response to the Government's Local Water Done Well legislation. She has also been appointed as a member of the newly established Local Water Done Well committee, which has the authority to oversee the establishment of the Council-Controlled Organisation (CCO). However, that does not negate the need to engage with mana whenua directly. We intend to engage with Te Taumutu Rūnanga and Te Ngāi Tūāhuriri Rūnanga to determine levels of engagement on this kaupapa moving forward.

7. FUNDING IMPLICATIONS

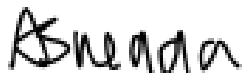
Estimated costs to establish the CCO, and submit the WSDP per legislation, up to \$2M. Level of costs in the following indicative estimate are variable depending on the level of activities that can be completed by the CCO, at their own costs, after establishment.

Cost breakdown	Estimate
Costs for to develop the WSDP, CCO principles and preliminary operating model, establishment programme management (including temporary programme director)	\$900k - \$1.3M
Direct legal, tax and compliance costs for establishment	\$200k - \$500k
New CCO costs including the CCO Board and Chief Executive costs, any legal or wider advice	\$100k - \$200k

These costs would be treated as a long-term internal loan between SDC and the CCO.

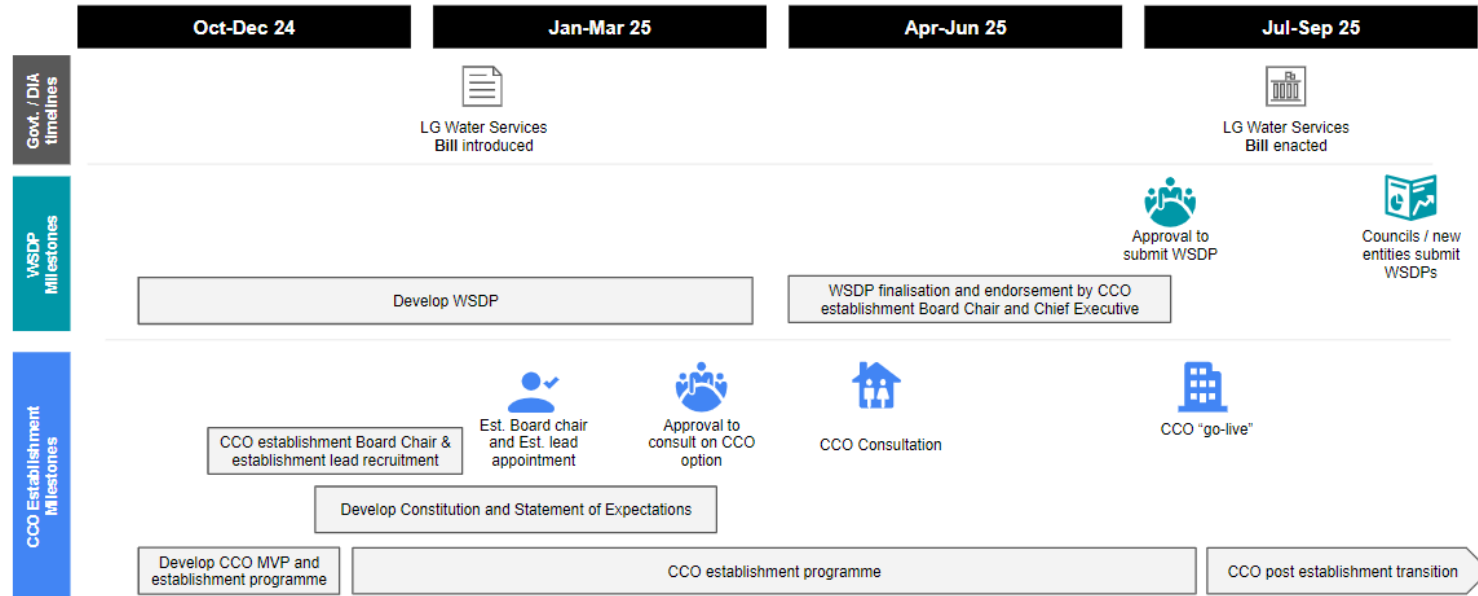
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Tim Mason
EXECUTIVE DIRECTOR INFRASTRUCTURE AND PROPERTY



A handwritten signature in black ink, appearing to be 'A. Sneddon', with a stylized 'A' and 'S'.

Allison Sneddon
CHIEF FINANCIAL OFFICER

APPENDIX 1: LWDW AND SELWYN CCO ESTABLISHMENT INDICATIVE TIMELINE










APPENDIX 2: SHORTLIST OPTIONS ASSESSMENT AND RATIONALE**Option 1 - Council delivered services (baseline)**

Objective		Rationale
Governance	✓	<ul style="list-style-type: none"> Water services are delivered by an internal business unit / division which is directly accountable to elected members, and subject to Council's governance oversight and monitoring processes. Selwyn prepares the district's water services strategy, and continues to have control of water decision making within regulatory parameters and economic regulation requirements (reduced flexibility relative to the status quo). Selwyn has autonomy around future changes to the district's water services arrangements such as forming or joining a CCO.
Shareholding	-	<ul style="list-style-type: none"> Selwyn continues to directly own the district's water assets, reflecting the communities historical investment in infrastructure. Structure provides limited adaptability and does not easily enable Selwyn to enter a joint water services arrangements in the future, or have full control of shareholding terms if joining a CCO in the future.
Implementation risk profile		<ul style="list-style-type: none"> Low risk associated with implementation as there is no requirement to integrate with other districts or make organisational changes. However, this option may require changes to internal operations and processes to support economic regulation, and demonstrate that water related costs and revenues are ring-fenced.
Long term risk profile		<ul style="list-style-type: none"> Water services would not specifically be set up to enable integration with other districts in the future. Low flexibility to provide for future investment and less opportunity to deliver more efficient water services in the future (relative to a CCO). Selwyn would need to implement any future changes to regulatory standards rather than sharing compliance requirements across a wider service area, and respond to potential events using its balance sheet (e.g. severe weather / climate change related).
Financial sustainability requirements	Revenue sufficiency ✓	<ul style="list-style-type: none"> Council has sufficient operating cash relative to operating costs; therefore, we expect it is likely to meet the revenue sufficiency test.
	Investment sufficiency ✓	<ul style="list-style-type: none"> Over the 10-year LTP period Selwyn is planning significantly more investment than the current rate of asset depreciation, reflecting the significant growth and improvements to level of service planned over the period. This results in an asset investment ratio of well over 100%.

	Financing sufficiency ?	<ul style="list-style-type: none"> The Council (including water services) meets the financing sufficiency test under the current and new LGFA covenant threshold, indicating Selwyn is generating sufficient revenue from its assets to cover debt obligations during the LTP. The preliminary cash flow / leverage assessment indicates that water services are operating at a "highly leveraged" risk profile until it stabilises in FY34. We are uncertain whether this will meet financial sufficiency requirements; despite the Council's overall financial position being sufficient, there may be an immediate need to increase revenue to reduce leverage and achieve a lower-risk position by 2028 when financial sustainability must be met.
Pricing impact		<ul style="list-style-type: none"> Unlikely to lower the cost of water services over the long-term.
Credit rating considerations		<ul style="list-style-type: none"> Given water services will be delivered within Council, the debt will be treated as part of council's tax-supported debt by S&P ("on balance sheet"). We expect S&P will continue to assess water services using the Local Government Methodology.





Option 2 - Selwyn CCO

Objective	Rationale
Governance 	<ul style="list-style-type: none"> Board appointments will be competency-based. Current council staff and elected members cannot be appointed to boards. The board and management has autonomy for operational and financial decision-making, including setting the price path. The development of a governance framework will support Board approval of key documents (SoE, Asset Management Plan, Funding Plan). CCO will act consistently with local authority land use, growth and development plans and strategies. The CCO will have a direct relationship with customers. Provisions will be in place to ensure that consumer voice is heard through consumer panel and/or advocacy council, disputes resolution process, consultation requirements.
Shareholding 	<ul style="list-style-type: none"> The Council will own 100% of shares in CCO, with the CCO owning the water assets. Stormwater will continue to be delivered by Selwyn, with the option to transfer to the CCO at a future date. Local authorities will hold shares in the CCO, but these shares will have limited voting rights, primarily restricted to decisions on privatisation and merger proposals. Council's influence in the governance of the CCO is via the Statement of Expectations and the LTP requirements.

Implementation risk profile 		<ul style="list-style-type: none"> • We estimate the initial legal and establishment costs of this option to be between \$500k and \$1m. • The CCO can utilise and build upon existing Council processes. However, forming a new company will require additional resourcing, time, and costs to determine staffing changes, establish new resourcing models, and execute setup tasks (e.g. SLAs for the initial period).
Long term risk profile 		<ul style="list-style-type: none"> • Flexibility to provide for future investment and / or commercial opportunities. • Ringfenced and separate operations from a regulatory and risk perspective. • The structure and governance enables more districts to join the CCO in the future (subject to council approvals).
Financial sustainability requirements	Revenue sufficiency 	<ul style="list-style-type: none"> • Similar to the baseline Council delivered services scenario, both the Council and the CCO present a positive operating cash ratio, which grows over the LTP period. • The CCO has forecast sufficient cash generated from operations to cover its operating cash expenses.
	Investment sufficiency 	<ul style="list-style-type: none"> • Over the 10-year LTP period Selwyn is planning significantly more investment than the current rate of asset depreciation, reflecting the significant growth and improvements to level of service planned over the period. This results in an asset investment ratio of well over 100%.
	Financing sufficiency 	<ul style="list-style-type: none"> • The impact of forming a separate CCO is that water and wastewater services need to borrow within the LGFA covenant threshold for water organisations and be financially sustainable. These two waters are the most highly geared of the water services. As a result of this higher leverage, our analysis suggests this option will likely require a price increase for the CCO to be covenant compliant and continue to borrow from the LGFA.
Pricing impact		<ul style="list-style-type: none"> • May provide lower pricing over the medium-long term with commercial focus on water services and long term financing.
Credit rating considerations		<ul style="list-style-type: none"> • Selwyn will be 100% shareholder of the CCO, therefore credit rating agencies will view the Council as having a high level of control over the CCO as well as a moral obligation to intervene should the CCO need financial support. • The Selwyn CCO will be treated as part of council's tax-supported debt or "on balance sheet" by credit rating agencies.

Option 3 - Joint CCO

Objective	Rationale
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Governance 		<ul style="list-style-type: none"> Selwyn appoints one position on the CCO board, and has [20%] of voting rights. Selwyn is able to continue to plan and consult publicly through the LTP process, noting that an iterative planning approach is likely to be needed between councils and the CCO to ensure LTPs reflect the balance of strategic / investment priorities. The Council continues to set strategic priorities for the district. Selwyn can influence pricing through its planning processes; however, pricing would ultimately be driven by investment requirements for the district as well as measures set out by the economic regulator. Levels of service could potentially be influenced by the Council; however, there may be benefits or requirements for the CCO to standardise levels of service between districts over time.
Shareholding (if optimised) 		<ul style="list-style-type: none"> Council's water assets would be transferred to, and owned by, the CCO, with each council holding economic shares. Each Council's shareholding would be based on an agreed shareholding basis, such as net assets contributed, population, or equal shareholding.. The shareholding structure will enable additional districts to join the CCO in the future (subject to council approvals). Stormwater continues to be delivered by Selwyn, with the option to transfer to the CCO at a future date.
Implementation risk profile 		<ul style="list-style-type: none"> We estimate the initial legal and establishment costs of this option to be between \$500k and \$1m. The CCO can utilise and build upon existing processes. However, forming a new company will require additional resourcing, time, and costs to determine staffing changes, establish new resourcing models, and execute setup tasks (e.g. SLAs for the initial period). Additionally, a joint company will bring higher risks in aligning resourcing and processes across multiple districts.
Long term risk profile 		<ul style="list-style-type: none"> The structure and governance of the CCO can be set up to enable more districts to join the CCO in the future, subject to council approvals. Geographic expansion of the service area has the potential to enhance future investment and commercial opportunities. However, the benefits of partnering depend heavily on the assets and performance of the shareholding councils. Non-contiguous arrangements carry higher risks due to the added complexity of cost-sharing between communities. This can influence the extent to which economic efficiencies can be realised and affect the ability to achieve price harmonisation and cross-subsidisation.
Financial sustainability requirements	Revenue sufficiency ?	<ul style="list-style-type: none"> The outcome for the Council is the same as the Selwyn CCO, with a small deterioration in the operating cash ratio when excluding two waters from Council. The joint CCO's operating balance deteriorates over the forecast period compared to the Selwyn CCO. However the entity's forecast operating cash ratio position remains positive and steadily improves to FY34.
	Investment sufficiency ?	<ul style="list-style-type: none"> There is uncertainty around partner council investment sufficiency.
	Financing X	<ul style="list-style-type: none"> Based on a grouping of councils that have provided data so far (Selwyn, Central Otago, Buller, Waitaki and

	sufficiency	Clutha), excluding Selwyn stormwater, the joint CCO will not meet financial sustainability requirements under baseline assumptions.
Pricing impact		<ul style="list-style-type: none">• The high level analysis showed financial sustainability was challenging in the absence of significant efficiencies or operating model changes. Other partnering combinations could result in a different outcome. Detailed operating model work would be required to validate this.
Credit rating considerations		<ul style="list-style-type: none">• CCO debt would likely be treated as a contingent liability of councils by S&P, but not impinge on councils' credit quality until it becomes significant. Policy, commercial and financial structuring decisions will be considered holistically, as collectively they will affect how control is viewed and balance sheet impacts recognised.

COUNCIL PUBLIC REPORT

TO: Council

FOR: Local Water Done Well Deliberations – 26 March 2025

FROM: Executive Director Infrastructure and Property – Tim Mason

DATE: 22 March 2025

SUBJECT: **LOCAL WATER DONE WELL DELIBERATIONS**

RECOMMENDATION

‘That the Council

- a) Receives the report “Local Water Done Well Deliberations”*
- b) Receives 417 submissions to the Your Water Done Well consultation*
- c) Agrees to accept an additional six late submissions’*

1. PURPOSE

The purpose of this report is to support Council deliberations on the Local Water Done Well programme, and to outline the next steps for the Council decision in relation to the water delivery model, and Water Services Delivery Plan, as required by the Local Government (Water Services Preliminary Arrangements) Act 2024.

The report provides a substantial amount of information gathered over the previous six-seven months and includes a review of the current and signalled legislative context from central government, an outline of the various decisions Council has taken prior to reach this point, and an overview of the Your Water Done Well consultation process. It also provides a high-level and detailed assessment by staff of feedback received through 423 submissions from the community as part of the consultation. The full schedule of submissions received through the Your Water Done Well engagement is included in the deliberations pack, with submission analysis including officer comments provided as Appendix 4.

2. HISTORY/BACKGROUND

Water services across New Zealand have faced significant challenges in recent times, the most notable being issues with aging and poorly maintained infrastructure, underinvestment, and varying levels of service quality across different regions, with some leading to significant public health concerns such as the Havelock North Water contamination that led to a government inquiry.

Multiple governments have recognised the need for change and improvement by councils across the country. The intent to drive water reform across New Zealand has been a political feature of the past 5 years and it is clear that the last and current governments agree the status quo is not an option.

The Crown has initiated a comprehensive legislative reform agenda which is aimed at improving the management and delivery of water services nationwide. In December 2023, the Government announced a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation, referred to as Local Water Done Well.

Key components of Local Water Done Well include:

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

Legislative Reform – Local Water Done Well Framework

The Local Water Done Well (LWDW) framework drives an increased focus on the investment in and delivery of water services and their long-term financial sustainability, established through three stages of legislation:

1. Water Services Acts Repeal Act passed in February 2024, repealing the previous water services legislation (Water Services Entities Act 2022, Water Services Legislation Act 2023 and the Water Services Economic Efficiency and Consumer Protection Act 2023);
2. Local Government (Water Services Preliminary Arrangements) Act 2024 passed in September 2024, establishing the Local Water Done Well framework and the preliminary arrangements for the new water services system, including a requirement for councils to develop water services delivery plans (WSDP); and
3. Local Government Water Services Bill, introduced on 10 December, sets out provisions that enable the efficient and effective transfer of ownership, powers, assets, liabilities, and staff to new delivery models.

Local Government (Water Services Preliminary Arrangements) Act 2024 ("Preliminary Arrangement Act")

This was the first piece of substantive legislation the Government introduced in respect of Local Water Done Well.

As a key requirement of the Local Government (Water Services Preliminary Arrangements) Act, councils are required to develop a Water Services Delivery Plan (WP) by September 2025. The WSDP is intended to be the mechanism for Council to demonstrate its commitment to delivering water services that meet regulatory requirements, support growth and urban development, and the actions it will take to be financially sustainable by 30 June 2028. The WSDP must include an implementation plan that sets out how Council will deliver the new model or arrangements for delivering water services proposed in the plan.

The WSDP covers information across three key areas:

1. Financial and asset information, the investment required, and
2. Service delivery arrangements (including drinking water, wastewater and stormwater). Through the development of the WSDP, Council is required to provide an assessment of water infrastructure, the level of investment required, and plans for the financing and delivery through a preferred service delivery model. Ring-fencing of water services and revenue from other council activities is a key feature of the WSDP.
3. Each WSDP must include information about "*the anticipated or proposed model or arrangements for delivering water services*" (section 13(1)(k)) and be submitted to the Secretary for Local Government by 3 September 2025, unless an extension is granted.

The short time frame between the Preliminary Act coming into force (December 2024) and the date for submission of WSDPs (3 September 2025), requires Councils to make large and impactful decisions around the long-term future of some of its most critical infrastructure assets and operational activities.

To facilitate Councils meeting this compressed timeline, the Preliminary Arrangements Act also provided for councils to undertake streamlined consultation and decision-making processes. The key change was that the Preliminary Arrangements Act removed any requirement for a Special Consultative Procedure to be undertaken under the normal Local Government Act requirements, despite the proposals around water service delivery concerning strategic assets and significant activities that impact significantly on levels of services.

Councils were instead given a wide discretion to determine what effective consultation and engagement with their communities meant, while not imposing the requirements of a four-week consultation, public workshops, hearings and deliberations. SDC Councillors however chose to undertake a process which came much closer to the engagement level of a Special Consultative Process than the Bill strictly required.

The Local Government (Water Services Preliminary Arrangements) Act 2025 aims to facilitate efficient decision-making about future water delivery models (in-house, joint CCO, standalone CCO or consumer trust) enabling quicker responses to infrastructure needs.

Other key requirements of the Act include:

1. the introduction of a clear framework for accountability and economic regulation measures,
2. financial principles mandating that revenue from water services be reinvested in the sector.

The Act has also made provision for, the Local Government Funding Agency to provide access to improved financing options with higher borrowing limits to support critical infrastructure investments. This improved finance options will not be accessible to councils retaining an in-house delivery model.

Local Government Water Services Bill

The Bill (referred to as Bill #3), will require Councils to provide water services in a flexible, cost-effective, financially sustainable, and accountable manner. In addition to directing the development of the WSDPs, the Bill sets out minimum requirements for:

- Arrangements for the new water services delivery system including,
 - establishment, ownership, and governance of water organisations,
 - operational matters such as arrangements for charging, bylaws, and management of stormwater networks,
 - planning, reporting, and financial management provisions;
- A new economic regulation and consumer protection regime for water services
- Changes to the water quality regulatory framework and the water services regulator; and
- Singular environmental performance standards and infrastructure design solutions (developed by Taumata Arowai) which could substantially streamline consenting processes for wastewater and stormwater infrastructure.

The Bill intends to introduce a new regulation for water services delivery, providing a range of structural and financing tools, and by implementing a new economic regulation regime for water services providers.

From 1 July 2025, the Commerce Commission will oversee and implement new economic regulation and consumer protection regime for water services and will have a range of regulatory tools, including mandatory information disclosure, to promote transparency and ensure investments are made where they are needed most. Information disclosed in the WSDP, including capital and operating expenditure, financial projections, and asset information, will be shared with the Commerce Commission as it works towards implementing the enduring economic regulation regime.

The Local Government (Water Services) Bill provides for a full economic regulation regime to promote sufficient revenue recovery, and efficient investment and maintenance so that water services are delivered at a quality that communities expect. All regulated suppliers will be required to disclose information to promote transparency about their performance and inform the need for any further regulatory intervention.

The Bill also includes a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commerce Commission quality regulation, performance requirement regulation and price-quality regulation as additional tools, if needed for specific suppliers.

Informed by the investigative work progressed by Council, including the development of the proposal to establish a WSCCO, a submission on the Local Government Water Services Bill was made to the Finance and Expenditure Select Committee, with Mayor Sam Broughton speaking to the Select Committee supported by key staff. The submission raised several issues identified by Council, presenting various recommended amendments and clarifications. Key among these were:

1. Ensuring a stronger framework for the depoliticisation of water decisions under the legislation to ensure that future generations do not inherit degraded infrastructure;

2. Ensuring the governance and reporting frameworks are clear and right sized so as to not increase cost of compliance and burden for water consumers;
3. Clarifying the purpose of dividend to remove any suggestion the WSCCOs could be profit making which is at odds with the remainder of the legislation;
4. Ensuring a better regime to allow for fuller recovery of growth-related costs under the development contributions regime; and
5. Ensuring any WSCCO has equivalent powers such as powers of entry to enable effective operational management.

These proposed changes will, in the Councils view, ensure that the Bill provides a workable regime for councils and new water organisations established under the Local Government (Water Services Preliminary Arrangements) Act 2024 and operating under the Bill, Local Government Act 2002 and other relevant legislation.

Delivery Options Identified by Council – change is needed

The LWDW reform programme acknowledges the historical underfunding of water infrastructure within councils across the country and aims to address this by enabling greater levels of direct borrowing for necessary inter-generational infrastructure improvements. While Selwyn has arguably invested heavily in its water assets, we believe that the incoming regulatory framework means Council needs to consider new delivery models to ensure that water services are managed effectively and sustainably with an intergenerational view.

Under our current delivery model, we continue to be limited by budget constraints and competing priorities under our current borrowing limits. One key advantage of a WSCCO is its ability to borrow up to 500% of its operating revenue through the Local Government Funding Agency (LGFA), compared to the 280% cap for councils managing water in-house. By providing better access to funding tools and financing mechanisms, we believe these models will allow us to invest more in our water infrastructure, supporting both current and future long-term needs.

A new water services delivery model is underpinned by Selwyn's new fit-for-future strategic approach, ensuring the region grows in a way that benefits everyone for generations to come.

Selwyn is the fastest-growing district in the country, with a 29% increase in population between 2018 and 2023, and projections indicate that the population could reach 140,000 by 2050¹. Our long-term strategic initiative, Future Selwyn aims to improve the social, environmental, economic, and cultural well-being of Selwyn, aiding in strategic planning and coordination of public and private investment.

While we have invested in water and invested more than many other councils, we need to continue to deliver more infrastructure investment to support continued growth and to keep pace changing regulatory standards. Our ability to continue to ring-fence water and the ability to access additional investment, enables us to invest with greater certainty in Selwyn's future which is at the core of this proposal.

¹ Stats NZ, 2023 Census

Change in our water delivery model is inevitable. We are proud to be a Council that considers the best long-term options for our communities. Being proactive in considering our water services delivery model is in line with our Future Selwyn strategy and our One Water Strategy. It will help set a clear direction for water services delivery, enable us to consider investment beyond our 30 Year Infrastructure Strategy, provide a sustainable intergenerational price path for water and provide certainty for our staff and communities who have experienced significant disruption following nearly 5-years of central government water reform policy development.

Range of Service Delivery models considered

To support councils in meeting the new requirements, the Department of Internal Affairs (DIA) outlined a range of water service delivery models designed to ensure that communities receive enhanced water services without placing undue financial pressure on ratepayers. They are intended to have the flexibility to be financially independent from Council's credit rating.

Table 1: Overview of illustrative service delivery models²

Service delivery model	
Internal business unit or division	<ul style="list-style-type: none"> · Status quo for many councils · Minimum requirements for water service providers will apply · New financial sustainability, ringfencing rules, and economic regulation will apply
Single council-owned water organisation	<ul style="list-style-type: none"> · New company established, 100% owned by the council · Financial sustainability rules will apply, but retains a financial link to the council · Councils with existing water council-controlled organisations will be required to meet minimum requirements
Multi-council owned water organisation	<ul style="list-style-type: none"> · New company established with multi-council ownership · Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement · Option to access LGFA finance with the provision of parent support or to create a more financially independent organisation
Mixed council/consumer trust owned	<ul style="list-style-type: none"> · Consumer trust established to own majority of shares · Mixed ownership, with one or more councils owning minority of shares · Structure enables financially independent organisation to be established while retaining minority council ownership
Consumer Trust owned	<ul style="list-style-type: none"> · Council transfers assets to consumer trust owned organisation · Consumers elect trustees to represent their interests in the organisation · Most financially independent of the available models

In response to the development of the Local Water Done Well programme, Council has undertaken substantial work, exploring and analysing the various delivery options provided for within the Local Government (Water Services Preliminary Arrangements) Act 2024 (Refer Appendix 1: Council Report 13 November 2024, Item 14).

² DIA, [Water service delivery models: Guidance for local authorities](#), August 2024

To aid the process of working through a solution for Selwyn, a series of workshops were held by PWC and their team of experts to guide the subcommittee and senior staff to discuss the requirements of the Act, and what the various options available could look like for water delivery and management in the Selwyn District.

Council explored all options put forward by government, including potential partnerships with other councils, both nearby and further afield. However, each came with challenges such as differing priorities, logistical complexities, and significant additional costs (Refer Table 5 Council – 13 November 2024, Item 5).

Partnering with other councils is not mandatory under the new legislation, however, we believe it is an inevitable step in the long-term

Collaborating with other councils can lead to greater efficiency, standardisation, knowledge sharing and ultimately lower costs for consumers. Council staff have engaged with several other South Island councils to explore opportunities to partner. Initially 5 councils (including Selwyn) explored working together through assessing the differing levels of investment by councils to date, the varying water prices for consumers, and various growth and level of service requirements exceeded the borrowing levels proposed by the reform.

Given the complexity in those initial discussions, we do not anticipate such partnerships will happen quickly, particularly given the proposed reform timelines. However, we believe that any water delivery model we adopt must be flexible and ready to adapt to future partnerships and regional collaboration to support future strategic planning and to optimise water delivery costs over time.

Following the workshop process there were two options identified for further detailed analysis and assessment:

- ***Option 1:*** Set up a WSCCO to deliver wastewater and drinking water and continue to deliver stormwater in house (this was Councils preferred option for consultation with the community)
- ***Option 2:*** Deliver water services through a future in house delivery model.

Option 1: Set up a WSCCO to deliver wastewater and drinking water. Continue to deliver stormwater in-house.

Our assessment is that a Selwyn water CCO would provide greater financial flexibility in the medium to long term, more effective management of economic and water quality regulations, and enhanced resilience in the face of rapid growth. This model enables us to respond to the legislative change immediately, while simultaneously positioning us to maximise partnering and efficiency opportunities as they arise.

Establishing a CCO ensures that water services are managed separately from other council operations, providing a focused and sustainable approach to managing water infrastructure. Given the complexities of our stormwater delivery and the interface of these with other core council assets, we propose initially the CCO will be established to provide services for drinking water and wastewater, with stormwater responsibility continuing to sit with the core Council in the short to medium term. This includes land drainage and water races.

The CCO model is one of the core options of the LWDW policy and is designed to be enduring and adaptable over time. This model offers numerous advantages for the Selwyn community, including:

- *Enhanced Funding and Investment:* Improved access to funding and financing tools ensures we can upgrade our water and wastewater systems to meet increasing demand without placing undue pressure on rates.
- *Improved Water Quality and Services:* Increased investment will directly translate into improved water quality and service reliability for our residents.
- *Enhanced Resilience:* A CCO will enhance resilience in the face of rapid population growth, ensuring our water infrastructure can handle increased demand.
- *Certainty and Stability:* Establishing a CCO provides immediate certainty for the Selwyn residents, allowing us to move past a period of reform uncertainty. The reforms have led to professional uncertainty across the local government sector for water engineers and staff associated with 3 Waters service provision.
- *Futureproofing:* The CCO model is designed to be adaptable, future-proofing our water services for regional collaboration and increased efficiency in the future.
- *Depoliticised Model for Water Services:* While Selwyn's rapid growth has meant water infrastructure is largely new and in a well-maintained state, this may not always be the case. As assets age and need more maintenance and repair, additional funding will be required. Nationally, water under direct control of elected officials who change every three years and come with different ideologies, presents a risk that spending is deferred in the interest of keeping rates low and to allow for funding of non-water related projects. This can ultimately create an intergenerational and infrastructure deficit. By supporting the move to a depoliticised model, with a focus solely on water delivery (removing the need for the balancing of competing priorities) now, Selwyn has the opportunity to protect its current position and remove the risk of this intergeneration, infrastructure deficit in its water and wastewater networks.

Table 2: WSCCO Benefits and Risks³

Benefits of WSCCO Model	Risks
<ul style="list-style-type: none"> • Enhanced Service Delivery: A WSCCO will have a sole focus on improving water quality and service reliability, which would deliver better customer service. • Dedicated Water Governance: A WSCCO streamlines operations and over time will improve costs through specialised drinking and wastewater governance and management, leading to better resource allocation and improved service delivery. It also offers a specific focus on water services. 	<ul style="list-style-type: none"> • Initial Setup: Establishing a WSCCO requires significant initial effort and coordination, including legal, financial, and operational setup. This process can be complex and involves increased investment at setup. • Uncalled Capital: From Council's perspective, there would be some contingent risk that the uncalled capital could be called on in the event of WSCCO financial distress. However, it is expected that this would be a last resort, and that LGFA would work with the WSCCO to address any issues before seeking to have

³ Selwyn District Council Your Water Done Well Consultation Document

<ul style="list-style-type: none"> Improved Access to Funding: A WSCCO has greater borrowing capacity and access to funding specific to water, supporting necessary infrastructure upgrades and expansions, ensuring long-term financial stability. Improved access to funding ensures that the WSCCO can upgrade water and wastewater systems to meet increasing levels of service. Resilience and Adaptability: A WSCCO is adaptable and scalable, effectively responding to changing demands and future challenges specific to the delivery of water services, such as rapid population growth and evolving regulatory requirements. This would help ensure our water infrastructure can manage increased growth. Community Benefits: A WSCCO maintains local control and accountability, ensuring that local needs and priorities are addressed while maintaining transparency in operations, through the establishment of a dedicated board and accountability back through Council. 	<p>recourse to Council. The uncalled capital structure is also expected to be a precondition for any WSCCO seeking to obtain financing from and gaining the benefits of LGFA financing.</p>
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Option 2: Deliver water services through a future in-house delivery model.

Our assessment is that a Selwyn water in-house delivery model would likely provide shorter term financial benefit through limited change internally to staff and operational structures. There is a challenge with this model in how it would manage and respond to the range of economic and water quality regulations, that are expected from the legislative reform programme. This model would likely require further amendments and consultation with the community should we wish to enter into a partnering arrangement in the future.

Retaining an in-house model ensures that water services are managed together with other council operations, providing a coordinated approach to managing water infrastructure. This would enable all infrastructure assets to be prioritised collectively and would remain a part of the whole and not a focus in and of its own right.

Table 3: In-house Delivery Benefits and Risks⁴

Benefits of In-house Delivery Model	Risks
<ul style="list-style-type: none"> Political Influence and Control: Enables the Council to maintain full control over decision-making processes, ensuring decisions are made with an understanding of local needs and priorities. Residents can engage with their elected representatives about water service issues. Familiarity and Continuity: The Council can continue using existing systems and processes, which staff and management are already familiar with, reducing the need for 	<ul style="list-style-type: none"> Limited Funding Capacity: The Council may struggle to secure sufficient funding for necessary infrastructure upgrades and maintenance, leading to deferred projects and potential service degradation. Limited borrowing capacity can restrict the Council's ability to finance large-scale improvements, resulting in higher long-term costs. To date, Council has funded the required upgrades for water and wastewater. In the future, funding priorities may change with department capacity allocated to other activities like transportation or facilities, rather than

⁴ Selwyn District Council Your Water Done Well Consultation Document

extensive training and transition periods.	<p>drinking water or wastewater.</p> <ul style="list-style-type: none"> Operational Costs: Any deferred investment in our assets to manage debt levels could increase operational costs. Unexpected repairs or emergencies can strain the Council's financial resources, leading to budget reallocations or increased rates. Regulatory Compliance: Ensuring compliance with evolving regulatory standards can be challenging, but Council currently has a good level of compliance. Maintaining rigorous monitoring and reporting systems to meet regulatory requirements can be resource intensive and complex and is set to increase. Infrastructure and Service Delivery: In recent years the Council has made significant investment in water infrastructure, but it is critical to continue maintenance and further investment to manage our growing population. Ageing infrastructure increases the risk of service failures, including water outages and quality issues. Taking a long-term view, there is a risk the in-house model may struggle to scale effectively to meet the ever-increasing demand on our district's assets, impacting service reliability and quality. Political interference: The country has a \$200 billion deficit in water funding in the next 30 years. Much of this is because of political leaders delaying investment over the past 30 years. Lack of clear strategy: Minor projects have time and resource allocated that would otherwise be spent on strategic investment. Competing funding: Water is only one factor in the Council decision making and investment. Water priorities can lose out to other funding priorities.
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Note: Maintaining current in-house delivery for delivering water services is not an option due to new legislation and increased compliance. A future in-house water delivery model would still require increased investment, but that model would have limited access to additional funding for vital infrastructure.

Councils preferred option for Consultation

At its meeting on 13 November 2024, Council resolved to:

- Progress with investigating the development of a CCO model.
- Approve \$2 million funding to support the establishment a water services programme office. This funding has been used to cover initial setup costs, including legal, financial, and operational preparations. It also includes the additional resources to develop the WSDP on behalf of Selwyn District Council.
- Delegate approval of key items to a Water Services subcommittee
- Consult with the community on a proposed CCO model as the preferred option and to also consult on an in-house model.

Consultation Overview

As required under the Local Government (Water Services Preliminary Arrangements Act) 2024, Council has undertaken consultation under the engagement programme of Your Water Done Well. As noted above under the provisions of the Preliminary Arrangements Act, Council is not required to run a Special Consultative Procedure. However, Council defaulted back to the principles of consultation, prescribed under section 82 of the Local Government Act 2002, with discretion to the length of consultation provided by the Preliminary Arrangements Act.

A consultation document, and engagement process was developed, whilst also still aiming to meet the intent of the Council's Significance and Engagement Policy. The Local Water Done Well Subcommittee recommended that Council adopt the consultation document and endorse the proposed engagement process (Refer Appendix 2: Local Water Done Well Subcommittee – 12 February 2025, Item 4).

At the subsequent Council meeting, the consultation document was adopted and the proposed process for public consultation was endorsed (Refer Appendix 3: Council – 19 February 2025, Item 10).

The consultation document, and supporting material identified Council's proposal to: *"transition Selwyn District Council drinking water and wastewater assets and services into a new publicly owned Water Services Council Controlled Organisation (WSCCO) with stormwater services to remain within the Council"*.

The second option, included in the consultation was the continuation of an in-house water delivery model, noting that this would require increased investment to meet anticipated legislative and compliance requirements, but this model would have limited access to additional funding for vital infrastructure.

	Drinking Water	Wastewater	Stormwater	Water Race	Land Drainage
<i>Existing arrangements</i>	In-house, by Council	In-house, by Council	In-house, by Council	In-house, by Council	In-house, by Council
Our Proposal	Transfer to new WSCCO	Transfer to new WSCCO	No change, in-house by Council	No change, not subject to consultation	No change, not subject to consultation

Figure 1: Your Water Done Well Consultation Options

Public consultation on the proposal was undertaken from 9am Thursday 20th February and 5pm Wednesday 12th March, under Your Water Done Well. Council set a consultation timeframe that recognises the timing in connection with the tight delivery timeframes for the WSDP (by September 2025) and the expectations of the community.

Consultation activity included widespread distribution of information through digital and traditional media and face to face drop-in sessions across the district. Opportunities for residents to make submissions were provided both online, through the Council's

engagement website, and through printed information and submission forms available at Council facilities. Community feedback and questions were collated into Frequently Asked Questions throughout the consultation period and posted online. Videos were also created explaining the process, and the various components of the consultation.

Consult 24 was used for this consultation and managed in the same way the Representation Review and Long-Term Plan 2024-2034 submission processes were managed, with submissions being received online and in writing.

Your Water Done Well Consultation Response

A total of 423 submissions (including 6 late submissions) were received from across the district, via a combination of online and on paper submissions.

Late Submissions

Six submissions to the Your Water Done Well consultation were received late:

1. Charlotte Barraclough received by Council on 14 March 2025;
2. Clint Madden, received by Council 14 March 2025;
3. Bronwen Quigley, received on 14 March 2025;
4. Jeff Quigley, received on 14 March 2025;
5. Helen Madden, received on 14 March 2025; and
6. Vince Barry on behalf of National Public Health Service, Te Waipounamu Region, Health New Zealand – Te Whatu Ora, received on 18 March 2025.

All six of the late submissions identified have been incorporated into the analysis in support of the deliberations process. It is recommended that these submissions are formally accepted.

Consultation Analysis

- 11.5% support the transition to a Water Services Council Controlled Organisation (WSCCO)
- 87.3% oppose the transition, and support retaining water services in house
- 49.9% of people left additional comments on the WSCCO model (Q3)

Those in support of the WSCCO can be grouped into the below general themes:

- Long-Term Benefits: Potential for improved infrastructure and service delivery.
- Funding and Investment: Better access to funding for infrastructure projects.
- Expert Management: Belief in operational efficiencies from specialised management.

Those in support of the future in house delivery model can be grouped into the following feedback themes:

- Increased Costs and Bureaucracy: Concerns about higher costs (particularly rates), financial burden and additional bureaucracy.
- Debt Concerns: Worries about increased borrowing and long-term debt for ratepayers.

- **Efficiency Doubts:** Scepticism about the new entity's efficiency compared to the current system. Believe the current system is cost-efficient and effective.
- **Local Control:** Importance of maintaining local council control for accountability, transparency, and responsiveness.
- **Privatisation Concerns:** Fear of higher costs and reduced control potential privatisation with a WSCCO.

There were also mixed responses from some submitters which included the following themes:

- **Conditional Support:** Support contingent on further details about governance and cost management.
- **Request for More Information:** Desire for more detailed information and a longer consultation period.
- **Consultation Process:** Criticism of the consultation process for being rushed and lacking information.

Key responses and feedback are further summarised below:

Question 1: Do you support the proposed transition of the Selwyn District Council drinking and wastewater assets and services into a new Water Services Council Controlled Organisation (WSCCO) with stormwater services to remain within Council?					
11.5% (49)	Support	87.3% (371)	Do not support	1.2% (5)	No preference stated
Theme Analysis					
Support for the proposed WSCCO: <ul style="list-style-type: none"> • Long-Term Benefits: Some submissions highlight potential long-term benefits, such as improved infrastructure and service delivery. • Funding and Investment: Supporters believe that a WSCCO could provide better access to funding and investment for necessary infrastructure projects. • Expert Management: There is a belief that a specialised entity could bring in expert management and operational efficiencies. 					
Opposed to the proposed WSCCO: <ul style="list-style-type: none"> • Increased Costs and Bureaucracy: Many submissions express concern about the potential for increased costs and rates associated with setting up a new entity. There is a desire from respondent not to add another layer of bureaucracy which is seen to lead to increased cost. • Debt Concerns: Concerns about the increased borrowing capacity and the long-term debt implications for ratepayers are frequently mentioned. • Efficiency Doubts: Doubts about the efficiency and effectiveness of a new entity compared to the current council-managed system are common. • Concern about loss of Local Control: A significant number of submissions emphasise the importance of keeping water services under local council control to ensure accountability and responsiveness to the community. 					
Neutral/Mixed Responses to the Proposed WSCCO <ul style="list-style-type: none"> • Conditional Support: Some submissions express conditional support, depending on further details and assurances about governance, cost management, and accountability. • Request for More Information: Several submissions request more detailed information and a longer consultation period to make an informed decision. 					

Question 2: Do you prefer that the Selwyn District Council continues with a future in-house water delivery model?					
86.1% (365)	Support	13.5% (57)	Do not support	0.4% (2)	Unsure
Theme Analysis					
Support for in-house delivery:					
<ul style="list-style-type: none"> Continuation of Current Operations: Submitters cited reasons such as better local control, accountability, and cost efficiency. Comments highlight that the current system is working well and there is no need to change it. Concerns About Costs and Bureaucracy: A significant number of submissions express concerns about the potential increase in costs associated with establishing a new entity (WSCCO). Respondents are worried about the financial burden on ratepayers and prefer to keep costs low by maintaining the current in-house model. Accountability and Transparency: Several submissions emphasise the importance of accountability and transparency in managing water services. Respondents believe that keeping the services in-house ensures that the council remains directly accountable to the community. Some respondents are concerned that a WSCCO might lead to increased bureaucracy and less direct control over water services. Local Expertise and Control: Many submissions highlight the value of local expertise and control in managing water services. Respondents believe that local management is better suited to address the specific needs and challenges of the community. Concerns About Privatisation: Some respondents express concerns that establishing a WSCCO could lead to the privatisation of water services in the future. They prefer to keep water services under public control to avoid potential negative impacts of privatisation. 					

Question 3: Do you have any comments on the WSCCO model?			
<i>This section did not contain a yes or no questions but allowed people to reinforce their main points and add any additional free text they wanted to.</i>			
49.9% (210)	Provided further comment	50.1% (211)	Did not provide further comment
Theme Analysis			
<ul style="list-style-type: none"> Concerns about Privatisation: Many respondents expressed concerns about the potential privatisation of water services. They fear that privatisation could lead to higher costs and reduced control over water resources. Financial Implications: There is concern about the financial burden on ratepayers. Many comments highlight concerns about increased rates and the long-term debt implications of the proposed changes. Governance and Accountability: Respondents are concerned about the governance structure of the proposed Water Services Council Controlled Organisation (WSCCO). They fear that it may reduce transparency and accountability to the local community. Quality and Efficiency of Services: Some comments question the efficiency and quality of services under the new model. There are concerns that the WSCCO may not deliver better services compared to the current in-house model. Consultation Process: Several respondents criticised the consultation process, stating that it was rushed and lacked sufficient information. They feel that more time and detailed information are needed for the community to make an informed decision. 			

Hearings

A total of 44 people asked to be heard by Council. Of those, 14 withdrew citing other commitments, unable to leave work (covering for a colleague), illness, out of town etc.

In total, 28 people spoke across 30 speaking slots to their (or on behalf of others) submissions for 5 minutes, including the opportunity for councillors to ask clarifying questions, on 20 March 2025 (Refer Council 'Your Water Done Well Hearings' – 20 March).

Following the hearing, additional feedback was received, which indicated there was a degree of misunderstanding about several key matters outlined in the following points:

- *There not being a need to respond because the Act hasn't been finalised.* This may be a combination of the name of the act including the term *preliminary* and that Bill #3 has not yet been adopted.
- *Concerns around privatisation.* This is addressed in the detail in section 2 around guidelines from DIA.
- *Concerns around the consultation timeframe and process.* Timing for this consultation has previously been discussed and responded to within this paper and historically, including in the November 2024 Council meeting. The consultation process was consistent with the LTP and Representation Review consultation processes and contained similar elements including drop ins, digital and traditional advertising, and the ability to submit online or on paper. The response of 423 submissions was good suggesting the level of promotion and advertising was appropriate.

2. DISCUSSION

Considerations for Deliberations

Relevant legal decision-making criteria

The Council is required to decide which of the models consulted on for the future delivery of its wastewater, stormwater and drinking water services will be adopted, and in turn included in its Water Service Delivery Plan (WSDP). The Council's WSDP must be prepared, certified by the Chief Executive, and then submitted to the Secretary for Local Government by 3 September 2025.

The Secretary for Local Government has an approval role in relation to WSDPs, as well as intervention powers, which can be used in certain circumstances. This report outlines those powers at a high level below.

For the mandatory consultation on the water service delivery model options, the Council is required to use and comply with the alternative requirements for decision-making under the Local Government (Water Services Preliminary Arrangements) Act 2024 (PA Act). These alternative requirements assist to streamline decision-making and prescribe the content of the information that must be presented as part of public consultation.

The effect of the PA Act is that it displaces some, but not all, of the decision-making requirements under the Local Government Act 2002 (LGA). Where a requirement of the LGA is not displaced, the Council still needs to comply with that requirement.

One example is the PA Act displaces the requirements in section 77(1)(a) and (b) of the LGA. As a result, the Council was not required to identify, assess and consider "*all reasonably practicable options*". Instead, it was required to consult on a baseline of two "*reasonably practicable options*", one of which was its existing delivery model, and the

other, either a joint arrangement or water services CCO. In this case, the Council has consulted on the water services CCO and its existing model, with the advantages and disadvantages of those options outlined in the consultation information.

The Council is not required to consider any other option that may have been raised through submissions received as part of consultation.

As the usual provisions of the LGA continue to apply to decision-making, unless expressly displaced, in addition to the requirements above, the Council will need to comply with the following (which are related by also separate requirements):

- If any of the options involve a significant decision in relation to land or a body of water, it will need to take into account the relation of Maori and their culture and traditions with their ancestral land, water, sites, waahi, tapu, valued flora and fauna, and other taonga (section 77(1)(c));
- consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter (section 78(1));
- consider the views presented during consultation with an open mind (section 82(1)(e)); and
- provide clear reasons for its decisions (section 82(1)(f)).

It should be noted that the requirement to consider the views of those affected or interested in the decision, and to consider the view during consultation are related but separate matters. This recognises that there are valid community perspectives that can be elicited outside consultation and where Council or Councillors themselves have knowledge of these views they can and should also be considered. Examples include, views expressed during other consultations such as LTP or through Councillors own engagements with their communities (which may have occurred outside consultation or when discussing distinct but related issues). The key point being, all views of all parties must be considered, consultation outcome is only one consideration.

The Council, as the substantive decision-makers, are being provided with all submissions as part of this deliberations report, as well as a summary prepared by Council staff. The Council should read and consider the information in the consultation material, and the submissions, so they are fully informed when considering oral submissions and when making their final decisions.

There are two other points worth noting ahead of decision-making:

- Firstly, that the Council will need to make decisions in a way that aligns with its statutory role in section 12 of the LGA, and the principles in section 14 of the LGA; and
- Secondly, that the PA Act requirements for a WSDP, of which the delivery model decision is a required input, requires the WSDP to demonstrate that water services will be delivered in a way that:
 - will meet all relevant regulatory quality standards for its water services; and
 - is financially sustainable for the territorial authority; and
 - ensures that the territorial authority will meet all drinking water quality standards; and
 - supports the territorial authority's housing growth and urban development, as specified in the territorial authority's long-term plan.

These matters will need to be considered by the Council when making its decisions on both the delivery model and adoption of the WSDP.

Regulation

Bill #3, together with earlier regulatory reform including the Water Services Act 2021 have indicated that there is going to be a large volume of regulation imposed on water service delivery. Regulation will relate to quality and environmental performance for water delivery networks, as well economic regulation. While the final shape of this regulation continues to develop, it will substantially increase regulatory burden for either model. We are aware of the following in this space:

- Quality and performance regulation*
- Economic regulation

Given the substantial reform coming which will direct both options equally, *Alan Pragnell, CEO of Taumata Arowai will provide a verbal briefing on the future state of regulation for quality and performance to the meeting during deliberations.

The Commerce Commission is responsible for economic regulation and is already the regulator for several important infrastructure sectors. Under the Local Government (Water Services) Bill (Bill #3), the Commission will oversee the new economic regulation and consumer protection regime for water services. This regime will apply to councils and water organisations who are responsible for deciding capital and operating expenditure, revenue recovery, and charging levels for local government water services.

The Commerce Commission has stated that “*information and transparency are at the heart of the economic regulation of water*”.

The Local Government (Water Services) Bill will enable the Commerce Commission to:

1. Require local government water services providers to disclose performance information to promote transparency and inform regulatory needs.
2. Set revenue thresholds to ensure sufficient funding for maintaining and developing water infrastructure.
3. Ensure that revenue collected for water services is spent solely on water services.
4. Set and enforce quality standards for water services to ensure reliable and safe water supply.
5. Regulate the maximum or minimum revenue levels that providers can collect.

Bill #3 also includes provisions to protect consumers’ rights including access to necessary information, a complaint framework, and a dispute resolution process.

Financial implications

Rates

Rates are expected to be impacted regardless of the model that is chosen due to baseline costs changing and moving to a more highly regulated environment.

The table below illustrates the 10-year projection of what the rates are modelled to be under a future in-house model or under the WSCCO model. Four scenarios are illustrated to demonstrate impact on an urban residential property with or without sewerage and a property on restricted water supply with or without sewerage.

While the modelling does show an initial increase in the cost under a WSCCO model the modelling illustrates that from year 10 onwards the WSCCO charges will be reduced.

Summary Rates	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034
Example: Urban Residential Property With Sewerage									
LTP Water Bill Under future in-house model	\$ 1,552	\$ 1,769	\$ 1,948	\$ 2,070	\$ 2,195	\$ 2,324	\$ 2,465	\$ 2,614	\$ 2,730
WSCCO Water Bill	\$ 1,700	\$ 2,018	\$ 2,635	\$ 2,635	\$ 2,668	\$ 2,668	\$ 2,668	\$ 2,668	\$ 2,668
Comparison	\$ 148	\$ 248	\$ 687	\$ 565	\$ 473	\$ 343	\$ 203	\$ 54	\$ 62
% Increase LTP to WSCCO	10%	14%	35%	27%	22%	15%	8%	2%	-2%
Example: Urban Residential Property Without Sewerage									
LTP Water Bill Under future in-house model	\$ 745	\$ 841	\$ 955	\$ 1,022	\$ 1,095	\$ 1,169	\$ 1,252	\$ 1,340	\$ 1,392
WSCCO Water Bill	\$ 808	\$ 965	\$ 1,287	\$ 1,287	\$ 1,307	\$ 1,307	\$ 1,307	\$ 1,307	\$ 1,307
Comparison	\$ 63	\$ 123	\$ 332	\$ 265	\$ 212	\$ 137	\$ 55	\$ 33	\$ 85
% Increase LTP to WSCCO	9%	15%	35%	26%	19%	12%	4%	-2%	-6%
Example: A Property on Restricted Water Supply with Sewerage									
LTP Water Bill Under future in-house model	\$ 1,579	\$ 1,805	\$ 1,993	\$ 2,120	\$ 2,251	\$ 2,387	\$ 2,532	\$ 2,689	\$ 2,808
WSCCO Water Bill	\$ 1,729	\$ 2,056	\$ 2,689	\$ 2,689	\$ 2,722	\$ 2,722	\$ 2,722	\$ 2,722	\$ 2,722
Comparison	\$ 150	\$ 251	\$ 696	\$ 569	\$ 471	\$ 335	\$ 190	\$ 33	\$ 86
% Increase LTP to WSCCO	9%	14%	35%	27%	21%	14%	8%	1%	-3%
Example: A Property on Restricted Water Supply without Sewerage									
LTP Water Bill Under future in-house model	\$ 772	\$ 877	\$ 1,000	\$ 1,072	\$ 1,151	\$ 1,232	\$ 1,319	\$ 1,415	\$ 1,470
WSCCO Water Bill	\$ 837	\$ 1,003	\$ 1,341	\$ 1,341	\$ 1,361	\$ 1,361	\$ 1,361	\$ 1,361	\$ 1,361
Comparison	\$ 65	\$ 126	\$ 341	\$ 269	\$ 210	\$ 129	\$ 42	\$ 54	\$ 109
% Increase LTP to WSCCO	8%	14%	34%	25%	18%	10%	3%	-4%	-7%

Figure 2: Summary Rates and Water Charges⁵

It is noted that in the current WSCCO modelling the charges flatline after year 5 (FY2029/2030) as there is an assumption that the charges will be at a level that they cover the operating costs of the proposed WSCCO. The assumption is that any additional costs and the impact of inflation will be covered by the growth in the number of water and wastewater connected households rather than requiring an increase in the water charges.

Debt

Under Local Government Funding Agency (LGFA) guidelines, Councils are currently constrained and can only borrow up to 280% of their operating revenue. The SDC's Treasury Policy restricts this to 220% of operating revenue. This constraint limits the Councils investment options. Restricting the Council's ability to finance large-scale improvements, potentially resulting in higher long-term costs.

To date the Council has prioritised borrowing to fund Water Supply and Wastewater projects. However, if waste and drinking water activities were moved to a WSCCO this would allow Council to better prioritise funding toward other activities of the Council like transportation or facilities. In an in-house model, drinking water and wastewater by contrast would likely continue to demand more than its proportional share of funding which would in turn restrain investment in other activities.

Under the proposed WSCCO model, the LGFA have extended their financing support to allow Water CCOs to borrow up to 500% of their operating revenue. Whilst this debt limit will be based on a reduced level of revenue (only Drinking Water and Wastewater revenue), the increased facility limit will enable the WSCCO to continue to fund the existing capital projects that were included in the LTP. Because the WSCCO's revenue

⁵ Selwyn District Council Your Water Done Well Consultation Document

will only consist of income from these core water services, even though the borrowing limit is a higher percentage, the actual amount of additional borrowing capacity needs to be considered in this context.

Nevertheless, the establishment of a WSCCO is considered a positive move from a financial and asset management perspective due to several key factors identified in the report, including: improved and dedicated access to funding for water infrastructure, ensuring ring-fenced investment in essential water services, the benefit of specialised governance and management focused on water assets, enhanced resilience and adaptability to meet future demands, the aim for long-term financial sustainability, and the potential for the depoliticisation of critical water service investments.

Under the WSCCO model the financing will be available exclusively for the growth and level of service projects of drinking water and wastewater and will not be at risk of changing priorities moving financing to other activities of the Council. Recognising all water services debt with a WSCCO would increase Council's headroom, within its current Financial Strategy limits. This would improve Council's financial resilience through increasing debt availability for response to significant or emergency events, such as AF8.

Establishment costs

On 13th November 2024, Councilors passed that SDC would fund the development of the Water Services Delivery Plan and proposed establishment of the CCO up to \$2m (Refer Council 13 November 2024, Item 14). To date, actual spend has been \$578,048, consisting of:

Advisory costs	\$ 262,332
Internal staff secondments	\$ 155,622
Contractor costs	\$ 113,846
Office costs (including allocation of rent)	\$ 46,248

Transitional arrangements

The process for implementation and transition varies for each option.

Should Selwyn Council decide to retain in-house delivery, initially there is unlikely to be any change and status quo will be maintained. As new water delivery and economic regulation is imposed Council will need to rescope its water function. Additional capability will be required as will new procurement and commercial contract management functions. This will incur further cost.

In turn, overall operational cost will increase the cost base in determining Council rates. If an in-house model were chosen, it is expected that the timeline for implementation would need to be rescope. Rescoping of the function would come after Council have had their WSDP accepted in September to avoid unnecessary changes.

For the WSCCO, implementation would occur on 1 July and there would be a full transfer of assets, functions and staff related to the new entity. The new entity will design its own fit for purpose corporate structure, however it is expected that all current dedicated Water Services roles will transfer to the new entity. The WSCCO would ensure a careful transition plan to ensure there is no interruption or change in the level of service.

A transitional service agreement will be put in place where Council will continue to provide some services on behalf of the WSCCO on an interim basis and that services would progressively transfer to the WSCCO. While any shared services would be more clearly defined closer to implementation, these could include functions such as payroll, billing and digital support. Services would be charged to the CCO at a rate that covers the costs of delivery.

This staged process would be programmed to reduce risk during transition and prevent any interruption to day-to-day water services. The capital programme would continue to be delivered, mitigating any immediate risk to service delivery and the ongoing project works.

Impact on Levels of Service

Performance requirements are set by national regulations. The Council does not foresee an immediate difference in service delivery between the two models. Impacts on service delivery when comparing the two models come down to the focus of having a dedicated WSCCO and associated water specific governance, asset management, long-term investment policy and implementation. This would replace the priorities being set by elected members across a broader scope of activity.

Regardless of the delivery model, it is critical that water infrastructure investment and management practices are sustainable and resilient, benefiting not only current residents but also future generations.

Transitioning water services to a WSCCO, along with the associated existing debt, enables a larger debt facility to invest in Councils remaining infrastructure services.

Impact on asset investment and ability to respond to growth

As New Zealand's fastest-growing district, we need an appropriate model that ensures safe, reliable water services both now and for future generations. One key advantage of a WSCCO is its ability to borrow up to 500% of its revenue through the Local Government Funding Agency (LGFA), compared to the 280% cap for councils managing water in-house.

Governance and control

WSCCO delivery model

The WSCCO would be governed by a commercial board appointed under its own constitution and in compliance with the legislation. This Board must consist of independent members, with Councillors and staff not eligible for appointment under the Local Water (Water Services) Bill.

It is anticipated that the decision on who board members would be would occur via an appointments panel, in the same manner as currently occurs with CORDE. This appointment process would be phased. It is also anticipated that a rotation schedule will be embedded in order to provide continuity and retirement to allow for renewal as the organisation matures. On retiring the board appointments panel could choose to reappoint a retiring board member or appoint a new board member in their place.

In addition, the Constitution will outline the process for the removal of a Director (or the Board) should they fail to meet standards met in the constitution or a material breach of

the appropriate legislation or regulations, failure to fulfil the statement of expectations; and/or a breach of the Companies Act 1993.

Key performance and accountability frameworks will be developed and implemented. Under this option the Council and the community would agree the high-level expectations on strategy and performance of the new organisation through a Statement of Expectations. These expectations would include the Council's commitment to the ongoing partnership with mana whenua in the delivery of water and wastewater services. When setting up the WSCCO, the Council would develop accountability standards and monitoring arrangements for performance of the assets it transfers to the WSCCO. These will be set out across the Statement of Expectations, the Constitution and Water Strategy.

The WSCCO's Annual Report will be a key document for monitoring performance. If adopted, the WSCCO would be established and included in the Council's WSDP, which is due to be adopted in early September 2025.

In-house delivery model

Under an in-house model governance would continue unchanged from the existing delivery model. Councillors would have primary governance. There is a greater potential under this model, where governors are not solely focused on water to make trade-offs on water investment that have wider impacts across Council services. These include:

- Reducing investment in repair and maintenance to keep rate rises low;
- Reducing investment in non-water related activities such as roading or community facilities to fund water.
- Rate-smoothing to defer or reduce rate costs

There is a greater risk of politicisation of governance of water under the in-house model than a WSCCO.

Community views and preferences

In addition to the feedback received through the Your Water Done Well engagement, including submissions summarised in this report, other feedback on water services has been heard by council through recent engagements as outlined below.

Long Term Plan

Through the recent Long-Term Plan 2024-2034 process research was conducted by an Independent Research company, Research First, into what residents valued about living in Selwyn.

The primary vision for Selwyn residents over the next decade is a sustainable future. Residents welcome the projected population growth and diversity but prioritise retaining the core values and charm of the region. Key aspects of this sustainable vision include:

- Self-sufficiency: Enabling residents to live, work, and play within Selwyn.
- Infrastructure & Amenities: Emphasising services, healthcare, and community spaces.
- Environmental and Developmental Sustainability: Managing land use, housing, and green spaces effectively.

Water is the priority: 97% of residents consider the protection of local water sources as very high or high importance. There is a heightened sensitivity and protectiveness of local water sources throughout the Selwyn region. Residents recognised Wai as essential to life, and protecting those local water sources was an important priority for the region's ongoing sustainability. This was a sentiment shared, and responsibility felt by farmers and non-farmers alike and was supported in the quantitative data, with 97% of residents stating the protection of local water sources was of 'very high importance' or 'high importance'.

Further to this on the topic of infrastructure residents strongly suggest future planning for infrastructure that looks beyond a Rolleston-centric view. They want a proactive, not reactive, strategy to infrastructure that ensures what we are building now, will be suitable to support the needs of the forecasted population growth.

Your Water Done Well

Overall response from the Local Water consultation was consistent with this feedback particularly with maintaining local control, and support for a long-term view on water services delivery.

Specific themes for discussion from this consultation and further discussed below, with most feedback able to be summarised and grouped by the benefits and risks of a WSCCO and in-house delivery model, as outlined in the consultation document.

OPTION 1: WSCCO

Benefit: ENHANCED SERVICE DELIVERY Consultation document: <i>A WSCCO will have a sole focus on improving water quality and service reliability, which would deliver better customer service.</i>	
Supporting feedback themes	Opposing feedback themes
<ul style="list-style-type: none"> o Access to specialist expertise o Access to appropriate funding o Potential to be more efficient o Future collaboration opportunities o Support a new water services body but concerned by the additional cost to consumers o Long term benefits outweigh short term costs and vocal minority opposition o Support simplified billing o In-house model is not sustainable long-term o Increased transparency and performance monitoring 	<ul style="list-style-type: none"> o No need for additional organisation - SDC responsibility o Organisation separation creates relationship, IT, data and strategy alignment risks o Better management by SDC: good current delivery and answerable to the ratepayers o Concerned by loss of operational control by Council o Council should focus on efficient and effective water services in-house o Inhouse can achieve the same benefit without the new organisation costs / Inhouse can be resourced to be just as effective as a WSCCO and meet additional government requirements o In-house reduces risk associated with the establishment of the WSCCO o Should utilise capabilities of SDC within existing budget o Separation of Council and CCO infrastructure programmes will result in inefficiency and additional cost o For now, SDC has the ability to retain these services in-house using existing staff who have the best understanding of the community and water services o Oppose separation of water services due to co-location of infrastructure, inefficiencies and risk

	<ul style="list-style-type: none"> ○ Retaining and building skills within the Council avoids reliance on expensive private contractors, ensuring efficient and effective water services directly managed by the Council. ○ Lack of evidence-based information on the benefits of a WSCCO and no detailed business case ○ Costs of establishment not justified / not justified in current economic climate ○ Concern that costs will increase over time ○ Support use of CORDE
Officer comments	
<ul style="list-style-type: none"> ○ It is agreed that the WSCCO option would bring long term benefits for delivery of Water Services. ○ A WSCCO would ensure specialist focus and funding on water infrastructure. ○ A WSCCO is designed to improve efficiency, not add unnecessary bureaucracy or duplicate roles. ○ A WSCCO would still be fully owned by the Council, meaning there's no loss of local control, ownership or accountability. Council would continue to set strategic objectives, oversee operations, and hold the WSCCO accountable for performance, safety, and affordability. ○ There is the future potential for a WSCCO to partner or merge with other WSCCOs. ○ We understand that rising costs are a major concern. Under the WSCCO model, water charges may be slightly higher in the early years, but financial modelling shows lower costs from Year 10 onwards. Keeping water services in-house would still require major investment to meet new government regulations, but Council's borrowing capacity is limited. This means the cost of upgrades would fall more directly to ratepayers in the in-house model. ○ Corde is not eligible to be a water service CCO under the new arrangement government have put in place via the Local Government (Water Services Preliminary Arrangements) Act, WSCCO can only provide services for the council(s) that own it. CORDE would need to terminate all non-Selwyn District Council contracts and all roading, facilities and other civil contracts meaning loss revenue and income. 	

Benefit: DEDICATED WATER GOVERNANCE

Consultation document: *A WSCCO streamlines operations and over time will improve costs through specialised drinking water and wastewater governance and management, leading to better resource allocation and improved service delivery. It also offers a specific focus on water services.*

Supporting feedback themes

- Support change to governance focus on water
- Support purpose-built organisation to meet future demands and political separation
- Access to specialist expertise and governance
- Support of WSCCO with mana whenua co-governance and partnerships
- Support of WSCCO for innovative thinking and leadership
- Support depoliticising water services
- Support condition on complete separation of decision making from Council
- Support subject to removing 3-yearly priorities of election cycles to enable long term deliveries
- Expertise should include good governance skills not just waters expertise

Opposing feedback themes

- Good current state of infrastructure a credit to existing staff and Council decisions. Raises the question of why additional specialised governance and management is required
- Should utilise existing governance and capabilities of SDC
- Limited number of water services experts available in NZ (governance and staff)
- Concerned by loss of democratic accountability and community influence
- Other CCO and regional water delivery entities performance highlight perceived responsiveness, added complexity and potential inefficiencies of coordinating across different priorities
- Local representatives understand local needs / localised services and decision making must be retained

Officer comments

- Positive endorsement of current SDC Management and Council is acknowledged. The WSCCO would have the additional benefit of a professional board.

- A WSCCO would be managed by specialists in water delivery, infrastructure funding, and long-term debt management. This dedicated expertise allows for more efficient operations, better long-term planning, and a stronger focus on water services without competing priorities within Council.
- A skill matrix would be developed that sets out the required mix of skills of the Board, which will include Mana Whenua expertise and competencies. The Board would likely be appointed via an appointments panel with representation from Council, WSCCO, mana whenua and independent expertise
- Staff recognise the importance of supporting iwi participation – SDC is committed to ensuring inclusivity and that ensuring everyone has an opportunity to benefit. Council considers this can lead to better outcomes for the whole community. For example, iwi knowledge about local environments including water can be invaluable in planning and resource management projects. Ensuring iwi perspective and partnerships reflects our commitment to the Te Tiriti o Waitangi, and our shared responsibility to create a more equitable and respectful society.
- An independent board would undertake the governance and assurance function, reducing the risk of political decision-making and interference that could delay necessary investment.
- One of the government's rationales for asking Council to consider separate delivery entities has been to allow for a depoliticisation of water which in some districts has meant a deterioration of water infrastructure to a critical point where elected officials have favoured retaining lower rates. Selwyn District Council in its recent submission on Bill 3 of Local Water Done Well strongly supported the depoliticisation of water and the decoupling of critical, life supporting infrastructure investments from political motives.
- SDC's proposed WSCCO is a fit-for-purpose, single-focus entity to deliver, protect and enhance the resilience of water services (fresh and waste) in the Selwyn District. The WSCCO would remain accountable to through the Statement of Expectations and "Charter" which prioritise service delivery and our communities.

Benefit: IMPROVED ACCESS TO FUNDING

Consultation document: *A WSCCO has greater borrowing capacity and access to funding specific to water, supporting necessary infrastructure upgrades and expansions, ensuring long-term financial stability. Improved access to funding ensures that the WSCCO can upgrade water and wastewater systems to meet increasing levels of service.*

Supporting feedback themes

- Support to enable access to funding necessary to upgrade waters infrastructure
- Support prioritising water funding
- Need increased investment required to meet growth and build resilience to climate change impacts
- Need to ensure capability and build capacity to service growth
- Ongoing maintenance and further investment in water infrastructure are crucial to manage the growing population.

Opposing feedback themes

- Selwyn has already invested large sums into water infrastructure
- LTP should already provide for appropriate funding depreciation and development levies
- Can see no clear need for SDC to need the ability to raise capital more easily through a WSCCO as it already has a high credit rating
- Benefit of increasing debt not required for the age of SDC's assets
- Query whether ability to increase debt is required given high growth and capital contributions
- Concerned planned debt is unsustainable and not financially prudent
- Higher borrowing capacity would come at the cost of democratic decision making and accountability
- Requirement for increased debt not clear beyond projects planned in LTP

Officer comments

- Under the new legislation, councils must fund water infrastructure upgrades without additional government funding. One key advantage of a WSCCO is its ability to borrow up to 500% of its revenue through the Local Government Funding Agency (LGFA), compared to the 280% cap for councils managing water in-house.
- Whilst our water infrastructure assets are relatively new, SDC is looking at the WSCCO as part of the region's growth (Future Selwyn) and ensuring the appropriate funding mechanisms are in place allowing us to meet future demands.

- This increased borrowing capacity allows for critical renewals and upgrades to be financed over a longer period, avoiding sharp rate increases for residents
- Borrowing enables council to continue to provide the required future infrastructure required for the community while limiting the cost to the rate payer by spreading the cost over the useful life of the asset. This results in lower costs to ratepayers when assets are built and spreads cost across current and future users.
- As New Zealand's fastest-growing district, we need an appropriate model that ensures safe, reliable water services both now and for future generations.

Benefit: RESILIENCE & ADAPTABILITY

Consultation document: *A WSCCO is adaptable and scalable, effectively responding to changing demands and future challenges specific to the delivery of water services, such as rapid growth and evolving regulatory requirements. This would help ensure our water infrastructure can manage increased growth.*

Supporting feedback themes	Opposing feedback themes
<ul style="list-style-type: none"> ○ Need increased investment required to meet growth and build resilience to climate change impacts ○ Support of WSCCO for future proofing climate resilience ○ Need to ensure capability and build capacity to service growth ○ Support of WSCCO on basis of water quality improvements - indicating preference for chlorine reduction ○ Support WSCCO to enable access to funding necessary to upgrade waters infrastructure ○ Ongoing maintenance and further investment in water infrastructure are crucial to manage the growing population ○ Stormwater should be considered in WSCCO 	<ul style="list-style-type: none"> ○ Good current state of infrastructure a credit to existing staff and Council decisions ○ Council should be able to manage compliance risk in-house with qualified staff and performance systems / requirements of the Bill should be able to be met by Council within in-house delivery model: Objectives for water services should already be in place. Financial principles, like matching revenue to expenditure, should be in place. Operating within a planning and financial framework is not new ○ Oppose enabling further growth beyond the environmental capacity of the district ○ Recommend restructuring the existing water/wastewater teams to accommodate the growth, continue to share expertise through consultancy and aligned services contracts, but retain ownership and hands on leadership (and accountability) within the Selwyn Council ○ Water services should not exclude stormwater as SDC has identified several flood prone areas
Officer comments	
<ul style="list-style-type: none"> ○ As New Zealand's fastest-growing district, we need an appropriate model that ensures safe, reliable water services both now and for future generations. ○ An in-house model would limit Council's ability to borrow for the large-scale infrastructure projects needed to support Selwyn's rapid growth. ○ Renewals and new investment would stall once the 280% limit is reached. ○ A WSCCO provides a more adaptable and financially sustainable solution, ensuring Selwyn's water infrastructure remains resilient, future-proofed, and capable of meeting the needs of generations to come. ○ Stormwater systems interact with other surface waters and transport and open spaces assets - splitting out stormwater from the other surface waters (water races, and land drainage) would result in inefficiencies and therefore it is recommended that Stormwater remains in Council. 	

Benefit: COMMUNITY BENEFITS

Consultation document: *A WSCCO maintains local control and accountability, ensuring that local needs and priorities are addressed while maintaining transparency in operations, through the establishment of a dedicated board and accountability back through Council.*

Supporting feedback themes	Opposing feedback themes
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<ul style="list-style-type: none"> ○ Support for WSCCO with increased transparency and performance monitoring ○ Long term benefits outweigh short term costs and vocal minority opposition ○ Support purpose-built organisation to meet future demands and political separation ○ Support of WSCCO for long-term investment and operational efficiency 	<ul style="list-style-type: none"> ○ Planning and water infrastructure should remain in-house, with accountability to ratepayers ○ Don't perceive a CCO would be well managed by Council ○ Without clear delivery benchmarks and accountability structures, there is a risk that the entity becomes an additional bureaucratic layer — detached from community needs and expectations. ○ Silo working is bad for Council and the community - especially in the case of essential services ○ Concerned by loss of operational control by Council ○ Concerned about potential application of commercial frameworks without community safeguards ○ Concerned that Council is responding to government direction over community need and interest ○ Draft SOI lacks necessary detail to assure the community of long-term safeguards
Officer comments	
<ul style="list-style-type: none"> ○ A key benefit of a WSCCO is its sole focus on water services, rather than competing with other Council priorities. This allows for better long-term planning and investment while keeping costs in check. ○ The WSCCO will remain accountable to Council. A statement of expectation will be put in place between the Council and the CCO. The Council also remains accountable to the community. ○ The CCO will remain accountable to Council who in turn have accountability to ratepayers. Bill 3 of the Local Water Done Well legislation also provides for economic regulation and oversight of any water services entity (in-house or CCO) by the Commerce Commission. It is expected this regulatory framework will look similar to regulation for the electricity and gas industries. There will also be a new Water Service regulator established to oversee standards and delivery of water activities. ○ Regardless of the water delivery model chosen, the Government has proposed the establishment of a new regulator who will monitor financial sustainability, pricing and water delivery standards. This regulator would provide a layer of monitoring for either Council or the WSCCO to ensure they make good decisions for the benefit of the community. 	

Risk: INITIAL SETUP

Consultation document: *Establishing a WSCCO requires significant initial effort and coordination, including legal, financial, and operational setup. This process can be complex and involves increased investment at setup.*

Supporting feedback themes	Opposing feedback themes
<ul style="list-style-type: none"> ○ Support a new water services body but concerned by the additional cost to consumers ○ A WSCCO should be considered on a regional basis ○ Long term benefits outweigh short term costs 	<ul style="list-style-type: none"> ○ No clear rationale on why SDC should lead ahead of other councils in setting up a WSCCO. ○ Short term costs not justified / do not outweigh the cost burden ○ Establishment costs will outweigh any benefit ○ Given the significant information gaps on WSCCO and its higher costs to ratepayers in 8 of the next 9 years, there is no clear evidence-based rationale for splitting ○ Not enough transparency and detail of costs for the establishment and operating model ○ Oppose the high costs with establishment if legislation drives more change ○ Concerned that risk of transition have not been sufficiently identified
Officer comments	

- Rising costs are acknowledged as a major concern and are unavoidable. While the modelling of the proposed WSCCO shows a short-term increase in the combined rates/charges it shows that in the medium term it will result in reduced cost to the rate payers.
- At this time, there is no viable option to join with other Councils for a Joint WSCCO. If the establishment of a Selwyn WSCCO proceeds and other Councils express an interest in integrating at a later time, this would be actively considered.
- A WSCCO is designed to improve efficiency, not add unnecessary bureaucracy or duplicate roles. While there are initial setup costs, these are balanced by the long-term financial and operational benefits of having a dedicated water entity.
- Council is required to submit Water Services Delivery Plans (WSDPs) by 3 September 2025. These plans must outline how water services will be delivered and financed over the next 10 years, ensuring compliance with new regulatory standards. The new model, whether an in-house model or a WSCCO, will be progress by 1 July to ensure staff are prepared, and the WSDP is developed in line with regulatory standards.

Risk: UNCALLED CAPITAL

Consultation document: *From Council's perspective, there would be some contingent risk that the uncalled capital could be called on in the event of WSCCO financial distress. However, it is expected that this would be a last resort, and that LGFA would work with the WSCCO to address any issues before seeking to have recourse to Council. The uncalled capital structure is also expected to be a precondition for any WSCCO seeking.*

Supporting feedback themes

- Support WSCCO to enable access to appropriate funding
- Risk of guarantees must be carefully monitored as WSCCOs increase borrowings for the sector, secured against member councils

Opposing feedback themes

- Concerned by uncalled capital arrangement as it could place assets at risk if a call is made on the outstanding capital
- Concerned about the risk if the WSCCO encounters financial distress

Officer comments

- To help manage and control the costs of the WSCCO over time, it is expected that the WSCCO will be able to secure financing through the Local Government Funding Agency (LGFA) under the Local Water Done Well policy. LGFA provides financial support to the local government sector, including CCOs, and as part of this, requires credit support from the shareholding councils. This support comes in the form of uncalled capital security, which means the Council will act as guarantor for the WSCCO, but the capital remains unused unless there's a default on the financing arrangements. In practice, the Council would subscribe for uncalled capital of at least \$450 million, which is anticipated to cover both the initial and future borrowings of the WSCCO for the next five years, ensuring financial stability and cost control.
- As part of the LGFA's financing arrangements for CCOs there is a requirement for credit support from the shareholding council (SDC) that is sufficient to cover the projected LGFA borrowing by the CCO,. This support takes the form of uncalled capital security, which is an arrangement that requires the shareholding council to subscribe for capital in the CCO, but leaves that capital uncalled and unpaid. The right to call on that capital is assigned in favour of LGFA, who would exercise that right in the event of a default under the CCO's financing arrangements. Given this requirement, and to ensure that that the WSCCO can access the benefits of LGFA finance under the Local Water Done Well policy, it is proposed that SDC would subscribe for uncalled capital that is expected to cover the initial and future borrowings of a WSCCO for period of time. SDC would recognise the uncalled capital as a contingent liability disclosure within the Annual Report. SDC would mitigate the risk through a Letter of Expectation to any CCO (current process with CORDE) along with regular meetings on operational and financial performance.

OPTION 2: IN-HOUSE DELIVERY MODEL**Benefit: POLITICAL INFLUENCE AND CONTROL**

Consultation document: *Maintaining water services in-house enables the Council to maintain full control over decision-making processes, ensuring decisions are made with an understanding of local needs and priorities. Residents can engage with their elected representatives about water service issues.*

Supporting feedback themes

- In-house retains accountability, transparency and responsiveness to ratepayers
- Requires appropriate governance and accountability
- Localised services and decision making must be retained
- Concerned by loss of operational control by Council under WSCCO model
- Don't perceive a CCO would be well managed by Council
- Recommend restructuring the existing water/wastewater teams to accommodate the growth, continue to share expertise through consultancy and aligned services contracts, but retain ownership and hands on leadership (and accountability) within the Selwyn Council.

Opposing feedback themes

- Support change to governance to meet future demands and political separation and access to specialist expertise and governance
- Support depoliticising water services
- Support for WSCCO only if depoliticised / political separation

Officer comments

- A WSCCO would remain accountable to Council. A statement of expectation would be put in place between the Council and the CCO. The Council also remains accountable to the community.
- One of the government's rationales for asking Council to consider separate delivery entities has been to allow for a depoliticisation of water which in some districts has meant a deterioration of water infrastructure to a critical point where elected officials have favoured retaining lower rates. Selwyn District Council in its recent submission on Bill 3 of Local Water Done Well strongly supported the depoliticisation of water and the decoupling of critical, life supporting infrastructure investments from political motive.
- An independent board would undertake the governance and assurance function, reducing the risk of political decision-making and interference that could delay necessary investment.

Benefit: FAMILIARITY AND CONTINUITY

Consultation document: *The Council can continue using existing systems and processes which staff and management are already familiar with, reducing the need for extensive training and transition periods.*

Supporting feedback themes

- Retaining and building skills within the Council avoids reliance on expensive private contractors, ensuring efficient and effective water services directly managed by the Council.
- Silo working is bad for Council and the community - especially in the case of essential services
- Separation of Council and CCO infrastructure programmes will result in inefficiency and additional cost
- Organisation separation creates relationship, IT, data and strategy alignment risks

Opposing feedback themes

- Potential of a CCO to be more efficient

Officer comments

- Shared service agreements could be established to ensure organisational relationship, strategies and systems are aligned.
- We recognise that our water team are a highly skilled and knowledgeable group of people who are passionate about delivering water services to our community.

Risk: LIMITED FUNDING CAPACITY Consultation document: <i>The Council may struggle to secure sufficient funding for necessary infrastructure upgrades and maintenance, leading to deferred projects and potential service degradation. Limited borrowing capacity can restrict the Council's ability to finance large-scale improvements, resulting in higher long-term costs. To date, Council has funded the required upgrades for water and wastewater. In the future, funding priorities may change with department capacity allocated to other activities like transportation or facilities, rather than drinking water or wastewater.</i>	
Relevant feedback themes	
<ul style="list-style-type: none"> ○ Can see no clear need for SDC to need the ability to raise capital more easily through a WSCCO as it already has a high credit rating ○ Improvements to in-house should be made within existing budget ○ LTP should already provide for appropriate funding depreciation and development levies 	<ul style="list-style-type: none"> ○ Support CCO access to improved funding and borrowing capacity ○ Support prioritising water funding ○ Ongoing maintenance and further investment in water infrastructure are crucial to manage the growing population.
Officer comments	
<ul style="list-style-type: none"> ○ Under the new legislation, councils must fund water infrastructure upgrades without additional government funding. One key advantage of a WSCCO is its ability to borrow up to 500% of its revenue through the Local Government Funding Agency (LGFA), compared to the 280% cap for councils managing water in-house. ○ This increased borrowing capacity allows for critical upgrades to be financed over a longer period, avoiding sharp rate increases for residents ○ Borrowing enables council to continue to provide the required infrastructure to the community while limiting the cost to the rate payer by spreading the cost over the useful life of the asset. This results in lower costs to ratepayers when assets are built and spreads cost across current and future users 	

Risk: OPERATIONAL COSTS Consultation document: <i>Any deferred investment in our assets to manage debt levels could increase operational costs. Unexpected repairs or emergencies can strain the Council's financial resources, leading to budget reallocations or increased rates.</i>	
Relevant feedback themes	
<ul style="list-style-type: none"> ○ Rates should fund the services the council is responsible for—ensure they're delivered effectively without waste ○ Require development contributions / increase development contributions rather than placing more financial pressure on ratepayers 	
Officer comments	
<ul style="list-style-type: none"> ○ We understand that rising costs are a major concern. Regardless of the water delivery model chosen, the Government has proposed the establishment of a new regulator who will monitor financial sustainability, pricing and water delivery standards. This regulator would provide a layer of monitoring for either Council or the WSCCO to ensure they make good decisions for the benefit of the community. ○ Increased borrowing capacity of a WSCCO would allow for critical upgrades to be financed over a longer period, avoiding sharp rate increases for residents ○ A WSCCO would provide flexibility to look at larger projects that would be difficult to fund with the in-house model given its additional borrowing capacity (500%) and ability to carry/spread debt over a longer period (an example is a Trade Waste facility). ○ Development Contributions will continue to be required under the proposed WSCCO. However, the details of how these contributions will be structured under a WSCCO are still being determined. The Local Government (Water Services) Bill, which will set the rules for development contributions, only recently closed for submissions and is expected to become law around September. This legislation will clarify how much councils can require developers to contribute and whether there is flexibility to adjust these amounts in the future. 	

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- Keeping water services in-house would still require significant investment to meet new government regulations, but Council would be limited in how much it could borrow to pay for these upgrades. This could lead to:
 - Higher costs over time – As compliance costs increase, they would need to be covered directly by ratepayers.
 - Financial restrictions – Limited borrowing capacity could delay necessary infrastructure projects.
 - Potential risks – An in-house model may struggle to keep up with regulatory changes, population growth, and future service demands.

Risk: REGULATORY COMPLIANCE

Consultation document: *Ensuring compliance with evolving regulatory standards can be challenging, but Council currently has a good level of compliance. Maintaining rigorous monitoring and reporting systems to meet regulatory requirements can be resource intensive and complex and is set to increase.*

Relevant feedback themes

- | | |
|---|---|
| <ul style="list-style-type: none"> ○ Council should be able to manage compliance risk inhouse with qualified staff and performance systems | <ul style="list-style-type: none"> ○ Support purpose-built organisation to meet future demands and political separation ○ Support on basis of water quality improvements - indicating preference for chlorine reduction |
|---|---|

Officer comments

- Both options will require ongoing review of capacity and delivery reviews to ensure they are appropriately resourced.
- Maintaining current in-house delivery is not an option due to the new legislation and compliance requirements.
- Under the Water Services Act 2021, Councils are legally required to ensure public drinking water supplies are treated with residual disinfectant (chlorine) unless they obtain an exemption from Taumata Arowai, the national water regulator.

Risk: INFRASTRUCTURE AND SERVICE DELIVERY

Consultation document: *In recent years the Council has made significant investment in water infrastructure, but it is critical to continue maintenance and further investment to manage our growing population. Ageing infrastructure increases the risk of service failures, including water outages and quality issues. Taking a long-term view, there is a risk the in-house model may struggle to scale effectively to meet the ever-increasing demand on our district's assets, impacting service reliability and quality.*

Relevant feedback themes

- | | |
|---|--|
| <ul style="list-style-type: none"> ○ Council should focus on efficient and effective water services in-house ○ Current operations satisfactory and no change to delivery model required | <ul style="list-style-type: none"> ○ Need increased investment required to meet growth and build resilience to climate change impacts ○ In-house model has not delivered sustainable level of service ○ Support of WSCCO for long-term investment and operational efficiency ○ Support of WSCCO for a separate entity with ring-fenced funding to maintain, upgrade, and expand 3 Waters services ○ Ongoing maintenance and further investment in water infrastructure are crucial to manage the growing population |
|---|--|

Officer comments

- A WSCCO would be managed by specialists in water delivery, infrastructure funding, and long-term debt management. This dedicated expertise allows for more efficient operations, better long-term planning, and a stronger focus on water services without competing priorities within Council.

Risk: POTENTIAL INTERFERENCE LEADING TO LEAKY PIPES Consultation document: <i>The country has a \$200 billion deficit in water funding in the next 30 years. Much of this is because of political leaders delaying investment over the past 30 years.</i>	
Relevant feedback themes	
<ul style="list-style-type: none"> ○ Better management by SDC ○ Concerned by loss of operational control by Council ○ There is no indication of how future-proofing Selwyn's water infrastructure would happen better with a WSCCO than in-house 	<ul style="list-style-type: none"> ○ Support for WSCCO only if depoliticized ○ Support prioritising water funding
Officer comments	
<ul style="list-style-type: none"> ○ A key benefit of a WSCCO is its sole focus on water services, rather than competing with other Council priorities. This allows for better long-term planning and investment while keeping costs in check. 	

Risk: LACK OF CLEAR STRATEGY Consultation document: <i>Minor projects have time and resource allocated that would otherwise be spent on strategic investment.</i>	
Relevant feedback themes	
<ul style="list-style-type: none"> ○ Council should have long-term development and asset management plans ○ Current operations satisfactory and no change to delivery model required 	<ul style="list-style-type: none"> ○ Need increased investment required to meet growth and build resilience to climate change impacts ○ Ongoing maintenance and further investment in water infrastructure are crucial to manage the growing population. ○ Support of WSCCO for long-term investment and operational efficiency
Officer comments	
<ul style="list-style-type: none"> ○ Council has a 10 Year Asset Management Plan along with 30 Year Infrastructure Strategy for water services and other asset types. ○ A WSCCO would still be fully owned by the Council, meaning there's no loss of local control or accountability. Council would continue to set strategic objectives, oversee operations, and hold the WSCCO accountable for performance, safety, and affordability. 	

Risk: COMPETING FUNDING Consultation document: <i>Water is only one factor in the Council decision making and investment. Water priorities can lose out to transport or solid waste investment.</i>	
Relevant feedback themes	
<ul style="list-style-type: none"> ○ Need to focus on essential expenditure and defer other programmes until they are affordable 	<ul style="list-style-type: none"> ○ Support prioritising water funding ○ Support of WSCCO for a separate entity with ring-fenced funding to maintain, upgrade, and expand 3 Waters services
Officer comments	
<ul style="list-style-type: none"> ○ A WSCCO would focus on the essential work of water and wastewater services ○ A WSCCO would be managed by specialists in water delivery, infrastructure funding, and long-term debt management. This dedicated expertise allows for more efficient operations, better long-term planning, and a stronger focus on water services without competing priorities within Council. 	

OTHER MATTERS RAISED

Relevant feedback themes	Officer comments
Timing of process	
<ul style="list-style-type: none"> Government's legislation and information on this matter has not been finalised - should wait before deciding Retaining services in-house allows more time for thorough investigation to understand the true impacts of having a WSCCO Defer a decision until more detail is known 	<ul style="list-style-type: none"> The Local Government (Water Services Preliminary Arrangements) Act 2025 requires Council to make a decision on model by September 2025
<ul style="list-style-type: none"> Stick with the working in-house model, with provision to review around 2033/34 if legislative requirements and finances then show a real need for change. 	
<ul style="list-style-type: none"> Concerned decision has already been made and money is being spent to advance Concerned that appointment of Establishment Team is premature and indicates undemocratic predetermination 	<ul style="list-style-type: none"> A proposal has been submitted for community feedback, and no decision will be made until 2nd April 2025 Any budget allocated to the programme team is there to support water services delivery plan development regardless of the delivery model chosen
<ul style="list-style-type: none"> Consultation and decision timeframes too short for the significance 	<ul style="list-style-type: none"> The three-week consultation period was chosen in response to tight timeframes set by new Government legislation, which requires councils to submit Water Services Delivery Plans (WSDPs) by 3 September 2025. These plans must outline how water services will be delivered and financed over the next 10 years, ensuring compliance with new regulatory standards. To meet this deadline, councils need to consult with their communities promptly on a preferred water services delivery model. Delaying consultation could jeopardise the ability to develop a comprehensive plan that reflects community input and meets governmental requirements within the required timeframes. While we understand concerns about the length of the consultation, we are also mindful that this is not a new conversation, we have had Government enforced changes in local water as a conversation for the past four years and the Council is aiming to be proactive in addressing the changes and providing certainty to both the community and our staff. The new model, whether an in-house model or a WSCCO, needs to be in place by 1 July to ensure staff are prepared, and the WSDP is developed in line with regulatory standards.
Concerns about privatisation	
<ul style="list-style-type: none"> Must prevent future possibility of privatisation Concern about shareholdings and potential for private equity partners 	<ul style="list-style-type: none"> Shares of water services entities cannot legally be held by any person or entity except territorial authorities (District Councils). The proposed WSCCO would be fully owned and controlled by SDC.

Relevant feedback themes	Officer comments
Role of mana whenua	
<ul style="list-style-type: none"> ○ Seek confirmation of governance role for mana whenua - recognition of their rights under Te Tiriti ○ Concern over iwi or mana whenua partnerships in association with ratepayer funded services ○ Concerns over Wairoa One Water Strategy and what this means for WSCCO ○ Seek delay of decision under implications of Ngāi Tahu claim are understood 	<ul style="list-style-type: none"> ○ Council is committed to giving effect to our Treaty-based future by continuing to strengthen relationships to provide outcomes that benefit our whole community. This is confirmed in Council's LTP 2024-2034 and Te Rautaki Tikaka Rua (Bicultural Strategy). ○ Council's goal is to ensure that all parties involved in managing water resources work towards protecting and enhancing the mana (spiritual authority) and mauri (life force) of all water bodies, regardless of any future changes in how water is managed or governed. ○ Our Wairoa One Water Strategy has agreed to uphold the mana and mauri of all water in its decision making and to work in partnership to sustainably manage water now and into the future. This partnership approach will remain in both delivery options being considered. ○ Council will continue to monitor the progress of Ngāi Tahu's statement of claim seeking recognition of rangatiratanga over its awa (rivers) and moana (sea)

Long Term Plan amendment requirement

If a CCO is established a Long-Term Plan Amendment will be required to give effect. If the in-house model is chosen, consideration will need to be given to if a Long-Term Plan Amendment is required on the basis it may fundamentally change our investment in water under a new in-house delivery model, particularly once forthcoming regulation takes effect.

Any other matters

The Secretary for Local Government can only accept a Water Services Delivery Plan if it complies with the Act. Once the WSDP is submitted to DIA for approval, amendments to the WSDP may be required should DIA propose changes to ensure the WSDP aligns with the Act.

Where a Plan is not submitted in accordance with the Act, or a resubmitted Plan does not meet the requirements of the Act, the Minister of Local Government may appoint a Crown Water Services Specialist (at the council's expense).

A Crown Water Services Specialist can prepare a Plan for the council(s), direct the council(s) to adopt a specified Plan (which may be a Plan that the Crown Water Services Specialist has prepared), or direct the council(s) to submit a specified Plan to the Secretary.

3. ALIGNMENT WITH COUNCIL PLANS, STRATEGY, POLICY AND REGULATORY/COMPLIANCE OBLIGATIONS

Waikirikiri Ki Tua/Future Selwyn

The following aspects of [Waikirikiri Ki Tua/Future Selwyn](#) have been identified as relevant to this issue, proposal/decision/activity/project, and inform both the outcomes of the project as well as the way the project develops:

Outcome and/or Direction	Relevance
Inclusive Communities IC1 Honour Te Tiriti and strengthen our partnership with Mana Whenua	High relevance: new delivery models for water services depend on partnership with mana whenua to sustainably manage water now and into the future.
Healthy Water HW1 Prioritise the health and wellbeing of water	High relevance: Our Waioira One Water Strategy states that 'the health and wellbeing of water is prioritised and all water systems are protected and enhanced'. The Supporting outcome of 'Healthy Water' aligns with our Waioira One Water Strategy.
Healthy Water HW2 Protect and restore the mana and mauri of water	High relevance: Our Waioira One Water Strategy vision states 'Hei Wakamana kā wai tūpuna, Hei whakahaumanu kā wai oraka – upholding the mana of our ancestral waters, restoring the mauri of our lift giving waters'
Healthy Water HW4 Protect sources of water and human health	High relevance: The water services delivery options would support improving water quality and service reliability
Living within Environmental Limits LWEL2 Conserve and manage finite resources	Moderate relevance: Water services provision intends to provide sustainable and efficient water service delivery, recognising water is a precious taoka.
Quality Infrastructure QI1 Strategically plan and coordinate Infrastructure	High Relevance: the future delivery of water services requires strategic planning and coordination, with water services responsible for planning, funding, building and maintaining drinking and wastewater infrastructure.
Quality Infrastructure QI2 Strengthen the resilience of infrastructure to shocks and stresses	Medium Relevance: Resilience of water services infrastructure is a key component of the activity.
Quality Infrastructure QI3 Deliver timely and intergenerational infrastructure	High Relevance: We are committed to ensuring water services are delivering benefit to long-term communities and infrastructure needs.
Quality Infrastructure QI4 Make efficient use of existing infrastructure	High Relevance: water services are reliant on the efficient use of existing infrastructure.
Quality Infrastructure QI5 Maintain and operate infrastructure efficiently and affordably	High Relevance: the Local Water Done Well programme highlights financial sustainability is a key priority.
Quality Infrastructure QI6 Prioritise investments in infrastructure that deliver on multiple outcomes over generations	High Relevance: We are committed to making cost-effective decisions that balance affordability for communities with long-term infrastructure needs.

Other Council Plans, strategy policy and regulatory/compliance obligations

The following strategies have been identified as relevant to this issue.

SDC Strategic context	How the document relates
Waioira One Water Strategy	The Waioira One Water Strategy expresses a collective desire that, rūnanga and the Council have an agreed strategic framework and roadmap for those involved in

	water management to upholding the mana and mauri of all water, (irrespective of the future management structures for water)
<u>Rautaki Tūāhaka Infrastructure Strategy 2024-2054 (includes our approach to sustainability)</u>	Our Infrastructure Strategy highlights the significant infrastructure issues and challenges we think we're going to face in managing our infrastructure over the next 30 years. It identifies options of how we might address these, and the implications of those options
<u>Kai Aku Rika Economic Development Strategy</u>	The Kai Aku Rika Economic Development Strategy serves as both a blueprint and a call to action for our community to participate in shaping an economy that fits with the future aspirations of Waikirikiri Selwyn.
<u>Piki Amokura (Selwyn Youth Strategy)</u>	Piki Amokura aims to enhance Selwyn as an exceptional place for young individuals (ages 12 - 24) to thrive. Water services plays a critical role in supporting the health and wellbeing of our young people.
<u>Te Paepae (Ageing Well Strategy)</u>	Te Paepae Ageing Well is a strategy for Waikirikiri Selwyn. It identifies what residents aged 65 and over need so they can age in place well, supported by comprehensive and equitable services within a vibrant, connected, and inclusive community. Water services plays a critical role in supporting the health and wellbeing of our young people.
Te Rautaki Tikaka Rua (Bicultural Strategy)	Te Tiriti represents a foundational and ongoing relationship between Māori and the Crown. SDC strives to honour this relationship, and this is exemplified through our Bicultural Strategy – Te Rautaki Tikaka Rua, which provides a framework for strengthening partnerships with mana whenua and enhancing our bicultural competence.
Operational Policy	
	All existing drinking water and wastewater related Operational Policies will transfer to the WSCCO should this option be preferred. The WSCCO would then review, update and maintain these policies.
Regulatory/Compliance requirements or obligations	
<ul style="list-style-type: none"> Local Government (Water Services Preliminary Arrangements) Act 2024 Regulatory Oversight by Taumata Arowai including Drinking Water Quality Assurance Rules 	Water service providers must adhere to several regulatory and compliance requirements to ensure safe and effective water service delivery.

4. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

“The decisions and matters of this report are assessed as being of High significance, in accordance with the Council’s Significance and Engagement Policy.”

A consultation process has been undertaken in accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024.

5. VIEWS OF THOSE AFFECTED / CONSULTATION

In making a decision Council needs to know enough about and consider the views and preferences of affected and interested parties. The degree to which Council seeks views of affected and interested parties will be proportionate to the significance of the decision or issue being considered.

(a) Views of those affected and Consultation

Public consultation has been undertaken between 20 February and 12 March 2025, in accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024, with the views presented in this report, the Hearing minutes, and the Your Water Done Well submission booklets.

(b) Māori and Treaty implications

The decision whether to establish a CCO is a significant decision in relation to bodies of water, and therefore the Council must consider the relationship of Māori and their culture and traditions with water.

The Waioira One Water Strategy has agreed to uphold the mana and mauri of all water in its decision making and to work in partnership to sustainably manage water now and into the future. This partnership approach will remain in any delivery option chosen.

Te Taumutu Rūnanga representative McKay has actively participated in Council workshops to determine an appropriate response to the Government's Local Water Done Well legislation. She has also been appointed as a member of the newly established Local Water Done Well committee, which has the authority to oversee the establishment of a WSCCO.

Te Taumutu Rūnanga and Te Ngāi Tūāhuriri Rūnanga have verbally indicated their support for the establishment of a WCCO and SDC remains committed to high levels of engagement on this kaupapa moving forward.

(c) Resiliency and Sustainability considerations

The Local Water Done Well programme has placed an emphasis on achieving financial and environmental sustainability in the delivery of water services by 2028.

Both models have the potential to align with Selwyn's sustainability goals, but the choice depends on the council's priorities for control, flexibility, specialisation, and efficiency.

An in-house model would allow the council to retain direct control over water services, ensuring seamless integration with the sustainability strategy, greater flexibility in aligning projects with sustainability goals, and clear accountability within the council for meeting these targets. This model would also enable the council to directly implement and monitor environmental sustainability initiatives, such as reducing water wastage, enhancing water quality, and protecting local ecosystems.

The WSCCO would need to adhere to strict environmental regulations and sustainability goals set by the council to be managed through the Statement of

Expectations, ensuring that water services are managed in an environmentally responsible manner. This could include initiatives like advanced water treatment technologies, sustainable water sourcing, and comprehensive environmental impact assessments.

6. FUNDING IMPLICATIONS

Funding implications of the matters under deliberation by Council are outlined in Part 3: DISCUSSION - Considerations for Deliberations: *Financial implications*.

7. LEGAL/POLICY IMPLICATIONS

Relevant legislation has been identified in the body of this report, including:

- Water Services Acts Repeal Act
- Local Government (Water Services Preliminary Arrangements) Act 2024
- Local Government Act 2002

8. NEXT STEPS

The following steps are required to ensure the successful development and implementation of the Local Water Done Well programme:

1. Direction to be given to Council staff
2. Council decision to be made on delivery model at its meeting of 2 April 2025
3. Officers then directed to develop WSDP: Following the Council's decision, officers will be tasked with developing the Water Services Delivery Plan (WSDP).
4. Council will consider and adopt WSDP, with the Chief Executive required to certify it before submission to the Secretary for Local Government for approval.



Tim Mason
EXECUTIVE DIRECTOR INFRASTRUCTURE AND PROPERTY

Endorsed For Agenda

Unuhia, unuhia
Te pou, te pou
Kia wātea, kia
wātea
Āe, kua wātea

Remove, uplift
The posts
In order to be
free
Yes, it has been
cleared