Local Water Done Well

Kōrero mai mō:
Have your say on:

Te anamata o ngā ratonga wai i Te Upoko o Te Ika

The future of water services for Greater Wellington

This is the most important decision we'll make for decades.

Have your say by 22 April 2025.

Greater Wellington
Te Pane Matua Taiao

Whakatakinga
Introduction

Over the last couple of years, our water treatment and supply problems across the region have become much more visible. Water shortages, leaking pipes, rāhui over our harbours due to pollution – all signs that the system isn't working as it should be.

Our region's water supply is interconnected and best thought of as a whole system, rather than defined by city boundaries. When someone does a load of laundry or has a shower in the Wellington metropolitan region (Wellington City, Lower Hutt, Upper Hutt and Porirua), that wastewater is processed in one of four plants at Moa Point, Karori, Porirua and Seaview. When you turn on your tap for a drink in Wellington city, you're drinking water from the Hutt River. When you flush your toilet in Johnsonville, your wastewater will travel to Porirua for treatment.

Greater Wellington has a unique position, being the only regional council in Aotearoa New Zealand with a dual role in water services delivery. Its role includes being the environmental regulator which means issuing and monitoring resource consents to councils to extract and treat water for drinking supply, allow treated wastewater to be released and discharge stormwater. It also has a unique role for a regional council in providing drinking water to city councils for them to distribute to houses and businesses (also called 'bulk drinking water supply'). Under the Wellington Region Water Board Act 1972, we provide bulk drinking water to four councils (Wellington, Hutt, Upper Hutt and Porirua City Councils). Those local councils fund the bulk drinking water services that we provide and include this cost as part of your rates.

Greater Wellington has been working with other councils across the region, and mana whenua representatives, considering all the challenges and exploring a range of delivery options for how water services could be delivered differently in the future. In late 2024, Greater Wellington provisionally decided, subject to consultation, that the best way forward is to work with other councils (Porirua City, Hutt City, Wellington City, and Upper Hutt City) to establish a multi-council-owned water organisation to deliver water services in the region. This would replace the current arrangement whereby Wellington Water delivers these services on our behalf. We are seeking your feedback on this proposal.

Daran Ponter
Chair, Greater Wellington

Ros Connelly
Councillor, Greater Wellington and Deputy Chair, Wellington Water Committee

Te kawe i ngā ratonga wai pai mō te anamata

Delivering better water services for the future

The future of water services in the Wellington region is at a crossroads. To ensure clean, safe, and sustainable water for generations to come, we are considering two options for the delivery of water services which we are seeking feedback from you on.

Our preferred option is a new multi-council-owned water organisation, which would take ownership of public water services. This model allows for better long-term planning, investment, and environmental protection while keeping costs to consumers lower.

The alternative is a modified version of the current Wellington Water model, where councils retain asset ownership while Wellington Water manages services. While this maintains the status quo, it may limit future investment, sustainability and lead to higher costs to consumers.

Regardless of the chosen approach, water infrastructure will remain publicly owned and managed on behalf of ratepayers and the community. We have outlined the challenges facing our water network, the need for reform, and the details of both options.

Te Awa Kairangi/Hutt River in the Kaitoke Regional Park.

He aha e raru nei ngā ratonga wai?

What's the problem with water services?

Like many parts of the country, our water networks face significant challenges. We experience water leaks, ageing infrastructure, and water shortages during the summer months. Wastewater plants sometimes fail to meet quality standards and many waterways remain in poor condition.

It's challenging to meet the long-term needs of a growing population for drinking water, wastewater and stormwater systems. Adding to these challenges, climate change means we have storm events that are more frequent and more devastating and more frequent periods of severe drought, putting pressure on water networks.

The Government's **Local Water Done Well** reform introduces new regulatory standards for water services that all council must meet, as well as mandatory planning and accountability mechanisms for new water organisations.

The amount of money Councils have set aside in their Long Term Plans (LTP) is not enough to keep our water networks up to scratch. This puts all of us at risk if services were to fail.

While we've all put more funding into water services, especially for leak repairs, our efforts are limited by what ratepayers can afford, and our ability to borrow for necessary developments to increase water storage for the future, critical infrastructure upgrades and renewals.

Here in Wellington, we are also limited by the cumbersome and inefficient arrangements underpinning our current way of delivering water services.

As a country, we have not been paying enough for water services for about a generation, so whatever happens, it's going to cost more than it has previously. We must address these issues urgently and over time, but in a way that we can all afford and is fit for purpose.

Te āhua o te kaupapa ināianei

How it works now

The local councils own the water networks in their areas. Greater Wellington owns the drinking water treatment plants and main pumps and pipelines to get water to the city reservoirs in Wellington, Upper Hutt, Lower Hutt and Porirua. Greater Wellington also issues and monitors resource consents to councils to extract and treat water for drinking supply, allow treated wastewater to be released and to discharge stormwater. Greater Wellington does not have any role in supplying bulk water in the Wairarapa or Kāpiti, this is handled by their local councils.

Wellington Water Limited is the water services provider for the councils. It is fully funded by and delivers water services to the Councils that currently own it: Hutt, Porirua, Upper Hutt and Wellington City Councils, South Wairarapa District Council and Greater Wellington. Wellington Water provides safe and healthy drinking water, collects and treats wastewater, and ensures the stormwater network is well managed. A representative from each council sits on the Wellington Water Committee that provides overall direction for the company.

Wellington Water is governed by a board of independent directors.

The Kaitoke Pipe Bridge Project is part of efforts to ensure a resilient connection for the region's primary water supply, transporting water from Te Awa Kairangi | the Hutt River to Te Mārua Water Treatment Plant.

Key:

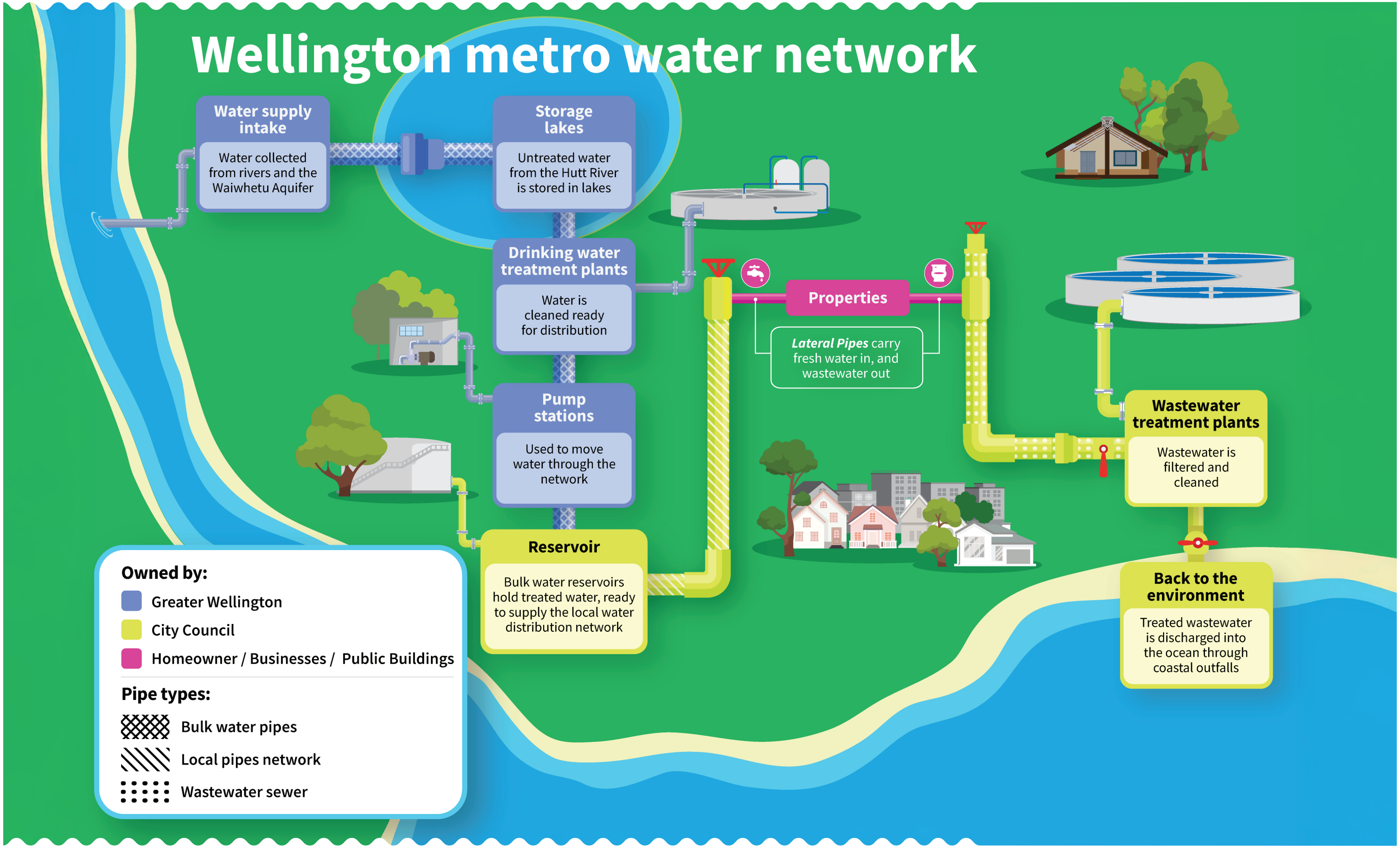
A Te Mārua water treatment plants

B Waterloo treatment plant

C Gear Island treatment plant (a backup plant)

D Wainuiomata treatment plant

This diagram illustrates the bulk water supply pipes and drinking water treatment plants owned by Greater Wellington and the catchment areas where water is naturally channeled down to the river.



This diagram shows the journey of water from its source through the network to your home or business then through the wastewater network.

He aha e mate nei tātou ki te whakahou i te pūnaha wai?

Why is water reform needed?

To address challenges facing water around the country, the Government has now introduced **Local Water Done Well** which aims to:

- **Strengthen the regulation of water services by:**
  - Implementing new water quality and wastewater standards regulated by the Water Services Authority - Taumata Arowai
  - Introducing economic regulation covering price, quality and affordability issues through the Commerce Commission.
- **Enable water services to continue being delivered locally -** with a mixture of measures that encourage Councils to work together in new water Council Controlled Organisations (CCOs), ringfence the money going into water (to prevent cross subsidisation of other Council activities) and have greater borrowing ability to better spread costs over the life of water assets.

Under Local Water Done Well, the Government has committed that water services will remain in public ownership. Councils and water organisations will not be able to privatise water services.

He aha i mimiti ai te wai i tērā raumati, he aha kei te anamata?

Why did we almost run out of water last summer, what does the future hold?

Severe restrictions on drinking water were evident during the summer of 2023/24. Drought conditions put the drinking water system under stress from source to tap. These restrictions came at a time when the region was losing 44% of water through leaks. The lack of enough storage capacity also made a bad situation worse. With less than a fortnight's stored water, our ability to weather drought events or natural hazard events is very limited.

Te Awa Kairangi/Hutt River suffers from low flows and algal blooms on a regular basis. These algae can be toxic for pets and people. This is why Greater Wellington's Te Whanganui-a-Tara Whaitua committee recommended raising flows to result in a healthier river. More water in the river means less is available for drinking water in times of low rainfall. The problem is made worse by leaks and insufficient storage.

The proposed area where the Pākuratahi Stroage Lakes are proposed to be built -increasing water storage capacity and long term water security for the Wellington Metro area.

For Greater Wellington the full cost of adding additional large scale water storage is unaffordable under the current funding model.

The Pākuratahi Lakes project is an essential component of the Wellington metropolitan area's water supply strategy to enable growth in demand, comply with environmental regulations and address long term challenges from climate change and sea level rise. This project involves the construction of two storage lakes at Pākuratahi, designed to ensure sufficient water supply during the summer months to meet the demands of Wellington, Porirua, and the Te Awa Kairangi/Hutt Valley.

This project is an important investment in the future for water in our region because we are not meeting our one in 50-year drought resilience level of service with the current level of available water supply. The demand for water to meet population growth will ultimately exceed the capacity of the existing system and these Lakes are the lowest cost source of additional supply.

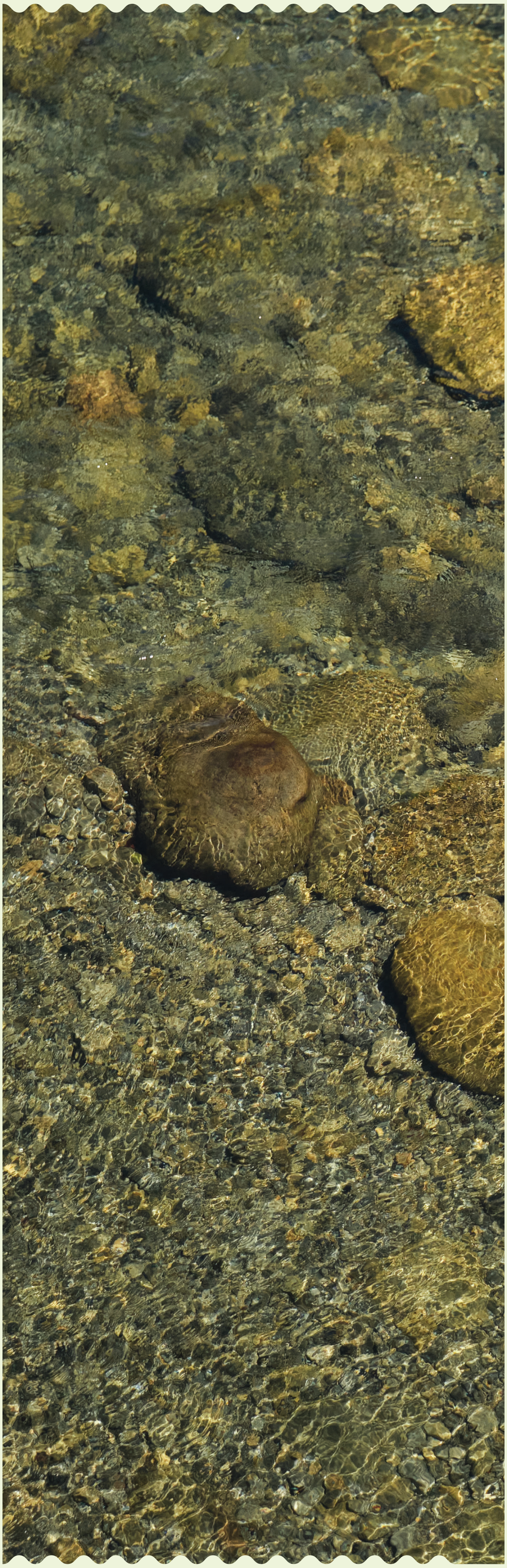
The Pākuratahi Lakes project is expected to take around 10 years to complete from planning to commissioning. Greater Wellington have submitted this project to the Government's Infrastructure Priorities Programme as a project of national significance.

Greater Wellington have allocated $35.5m towards the pre-construction phase of the Te Mārua Water Treatment Plant Scheme Expansion Stage 1 (Pākuratahi Lakes 1 and 2) in its current Long Term Plan (2024-2034). This includes the concept design, consenting, preliminary design and procurement planning for the additional storage lakes over the next three years. This work will progress the region towards increased resilience to climate change, however full implementation of the project is required to improve drought resilience. Construction and preliminary work estimates vary depending on method used, but most recent advice suggests the cost to complete could be as much as $500m or more.

There are considerable constraints for Greater Wellington to manage this project on our own. Greater Wellington receives $700m - $800m in income and has debts of around $1.1 – 1.3 bn. The debt covers existing projects including flood protection, public transport and our current water infrastructure. All of these projects reduce our ability to borrow more for future large projects. Greater Wellington may not be able to borrow the additional $500m (or more) required to build the Pākuratahi Lakes. This is because we have limits on our income to debt ratio that this project could exceed, and we would have to put up the bulk water levy considerably (which may impact local council rates) to meet debt repayments.

By comparison, the new entity will be able to borrow the money required. This is because the new organisation will be able to have a higher debt to income ratio i.e. it will be allowed to borrow more money and over a longer period of time. The new organisation will also be different in terms of having a higher value asset base and generating more revenue. This is because it will have taken over the assets and water income from all the city councils and Greater Wellington.

Building the Pākuratahi Lakes will be a costly undertaking for the region whichever path is followed, but the new entity will allow the project to happen in the timeframes required and prevent dangerous water shortages in the medium term.



He aha te tino aratuku e pai ai te kawe i ngā ratonga wai pai mō te anamata?

What is the best way to deliver our water services in the future?

Under **Local Water Done Well** every local authority in New Zealand is now required to consider its future service delivery model, keeping in mind:

- **Ageing infrastructure –** Major upgrades and renewals are required.
- **Water quality risks –** Leaks and pollution of waterways must be addressed. New water standards set by the Water Services Authority Taumata Arowai will help to improve drinking water quality and stormwater and wastewater networks over time.
- **Growing populations put pressure on core infrastructure –** Investment is needed to keep pace.
- **Financial sustainability –** More investment is needed for the long term and the current model is unsustainable.
- **Affordability –** Paying for water services will increase no matter what. What option is going to be less costly for ratepayers over time?
- **Environmental impact and sustainability -** We know that expectations and regulatory standards are increasing and that we need to be prepared to invest if we are to meet our aspirations in this area.
- **Government requirements –** A service delivery model must be submitted to the Department of Internal Affairs by 3 September 2025.

The Wainuiomata River in Greater Wellington's Wainuiomata Regional Park.

Te tīpako i te tino tauira mō te kawe ratonga

Choosing the best service delivery model

As part of **Local Water Done Well** the Government has mandated that councils review how water services are delivered based on a range of options.

This consultation is to help guide the decision about the type of organisation that is best suited to deliver water services. Five Councils have agreed to work together – Hutt City, Upper Hutt City, Porirua City, Wellington City and Greater Wellington. We have worked in partnership with Ngāti Toa Rangatira and Taranaki Whānui ki Te Upoko o te Ika to consider and test a range of delivery model options.

The South Wairarapa District Council has decided to work with other Wairarapa Councils while Kāpiti Coast District Council is exploring whether to keep services inhouse or work with other councils outside the Wellington Region.

These five Councils have worked together for 10 years with Wellington Water as our shared water services provider. Each Council has considered the issue and separately arrived at a common view that it's time to change the way we deliver our water services.

Greater Wellington is asking you to consider and give feedback on two options:

1. **Our preferred approach –** a new multi-Council-owned water organisation which will own and operate public water, wastewater and stormwater assets/networks. This means the responsibility for providing bulk water services would be delivered by the new organisation.

2. **Modified status quo –** a modified version of Wellington Water where asset ownership and investment decisions remain with each individual Council. As the existing Wellington Water model would not comply with all aspects of the new legislation, this option has been updated to comply with legislation.

He aha e pai nei mātou ki tētehi whakahaere hou i raro i te maru o ngā Kaunihera

Why we prefer a new multi-Council-owned organisation

We know there are many challenges with our current delivery setup and we think that our preferred model offers a range of benefits and opportunities.

Future water charges will increase – but by less than the modified Wellington Water option.

One of the key issues for our community is how much each model will cost to run and how much this will cost you.

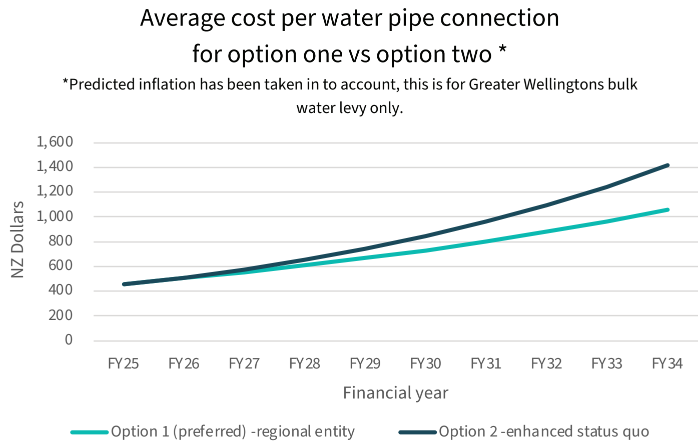
Two things are clear:

1. Costs are going to be higher under each delivery model given the backlog of investment and the poor state of our water services infrastructure. Under either option set out in this document, what communities pay for water services will need to increase to address the challenges we face.

2. **Based on our financial projections, the preferred option would mean water charges are about a third less than the modified status quo by 2033/34**. Note these are estimates only and subject to change as plans are further progressed, but water charges are still expected to be lower under the preferred model when compared to the alternative.

Replacing the bulk water pipe that crosses Te Awa Kairangi/Hutt River. The pipe supplies drinking water to Upper Hutt, Stokes Valley and Porirua.

The modelling of these water charges is indicative only and provided solely for the purposes of comparing delivery model options. The information is subject to change as the implications of new and future legislation, the new regulatory environment, compliance requirements, investment priorities and cost impacts and community affordability are yet to be understood in detail and more comprehensive work is required to be completed for the Water Services Delivery Plan.



Funds from operations (FFO) show how much cash a business brings in from its operating activities, without counting money spent capital expenditures on big purchases like equipment or buildings.

There are several reasons for this:

- The organisation would own all the water services infrastructure covered by the five councils and be able to generate its own income and manage its own debt. It would be expected to deliver economies of scale and have a strong focus on efficiency and value for money.
- The new organisation would have more ability to borrow money than councils currently do. This means that costs to fund assets that typically have very long lives and serve many generations of consumers will be able to be spread over a longer period.

More information on the financial impacts and costs are here PART B

Regional approach and independence

We have an interconnected water system, with drinking water from the Hutt Valley supplying the whole metropolitan area and communities sharing wastewater treatment plants.

The new organisation would have the resources, independence, and a wider perspective to effectively manage and improve our drinking water, wastewater and stormwater networks, for current and future communities, rather than being limited by council funding, electoral and decision-making cycles. This is a big advantage compared to the current service delivery model.

Wellington Water Ltd currently takes direction from six different councils (five under the modified Wellington Water model), meaning it is constantly reacting to issues within each area. The new water organisation would consider the networks as a whole, enabling a holistic and longer-term approach to planning, and resulting in a more reliable water network.

Better able to meet higher standards

While ownership of the water networks and control over its own revenue and financing will give the new water organisation the ability to make decisions itself, it would operate in a much more regulated environment with oversight from the Commerce Commission (pricing), Greater Wellington (environmental impacts/ resource consents) and Taumata Arowai (safe and secure drinking water supply). This will provide a strong focus on water and service quality, customer-focused delivery and value for money.

Supported by our mana whenua partners

The preferred approach has been developed jointly by the five councils working in partnership with our mana whenua partners Ngāti Toa Rangatira and Taranaki Whānui ki Te Upoko o Te Ika.

Mana whenua seek these key outcomes:

- That wai needs to be protected and managed for the benefit of current and future generations.
- There will be an enduring focus on the best possible outcomes for wai, taking a holistic approach across the whole water system.

- There will be a commitment to achieving the outcomes articulated in te Mana o te Wai, as these endure beyond changing political cycles and direction.
- Iwi will have an active role in all levels of the water services eco-system – from long-term planning, governance, operations/ management, through to engagement with communities.
- The approach will be tūpuna-led and mokopuna focused, meaning that we need to be driven by the goal of creating a thriving environment for future generations.
- A culture where committing to and resourcing these outcomes will be at the core of any new water entity, partnership or agreement.

To deliver these outcomes, Ngāti Toa Rangatira and Taranaki Whānui ki Te Upoko o Te Ika have confirmed a joint council-owned water organisation as their preference. The primary drivers for this are:

- Water sources across Wellington are connected and for Māori are considered as one, from the water source of Te Awa Kairangi / Hutt River through to Te Whanganui-a-Tara / Wellington Harbour, Te Awarua-o-Porirua Harbour and the south coast.
- Working with one single organisation for water services would enable consistency across the region (supporting end-to-end protection and management) and will remove duplication of similar work across multiple organisations or councils.

For this reform mana whenua partners have been around the table from the start and the new model will continue this practice. All the partners seek to support these outcomes to the fullest extent possible.

Other benefits of a multi-Council-owned entity

- **Focus on accountability –** The preferred model is a new dedicated water organisation that takes full responsibility and accountability. Owning its assets helps the organisation deliver better financial results and service to customers, shareholders, mana whenua partners, and government regulators.
- **Simplicity –** the preferred model is a one-stop shop for customers to get their water issues sorted.
- **Effectiveness in decision making –** The preferred model will ensure clear, aligned long-term decision-making and will be able to plan and invest more effectively.
- **Efficiencies through economies of scale -** We know that a single larger organisation can achieve greater efficiency and better value for money, through more depth and breadth of skills and expertise, and holding a greater asset base.
- **Better access to debt financing -** means we can spread cost over a longer period.

Te mahere mō te anamata o ngā ratonga wai, me te whakahaere i ngā utu

The plan for future water services and managing costs

Under the new legislation each Council must prepare a Water Services Delivery Plan (WSDP) by 3 September 2025 that:

- Identifies the state of our water assets (intakes, treatment plants, storage lakes, pumping stations, bridges, bulk water pipelines.)
- Meets all regulatory water quality standards
- Is financially sustainable
- Supports population growth
- Covers 10 years.

The councils are working together on this plan and it will be July 2025 before we have final figures. We have done some preliminary work to enable us to compare different delivery models but the costs need more work before we finalise our Water Services Delivery Plan.

Under either delivery model we plan to:

- Continue to deliver our capital investment programme like upgrades to the Te Mārua water treatment plant to increase supply. We are reluctant to make significant changes at this stage of the process because we know this work is urgent.
- Drive efficiencies through more joined up decisions, better procurement practices, process improvements and a strong focus on value for money.
- Use longer term debt and the greater borrowing ability of the new water organisation to smooth these costs.
- Look at other funding sources and ways to structure debt.
- Look at how pricing is applied to different users and parts of the region to ensure that this is fair and reasonable. This includes developing a Customer Charter as part of establishment to ensure fair pricing, provision for customer hardship and other public good expectations of the new entity.
- Retain Greater Wellington ownership of all water collection areas and regional parkland on which water services facilities are located. This is to ensure we retain public recreational access where currently available and continue our biodiversity and pest control activities.

Me pēhea te kōrero mai

How you can have your say

Visit https://www.gw.govt.nz/localwaterdonewell by 22 April 2025 to share your feedback. Your local council will also be consulting on the future of water. We encourage you to participate in both consultations, as while we are working together, they cover different aspects of the water network.

Survey questions

Which option do you believe is the best for delivering reliable drinking water services?

- **Option 1 –** Multi-council-owned water organisation (Council's preferred option).
- **Option 2 –** Modified version of the current Wellington Water model (with a new planning, regulatory and accountability framework).

Greater Wellington will collect, store, use and/or share your personal information in accordance with the Greater Wellington Privacy statement.

All responses will be de-identified as part of the analysis, before overall themes are shared with the public and the other councils in the Wellington Region consulting on options for a water organisation.

Greater Wellington treats all responses received through its public consultation processes as public information. As such, we may be required to release all or part of your response if a request is made under the Local Government Official Information and Meetings Act 1987.

A Clarifier at Te Mārua drinking/portable water treatment plant - clarifiers are large, open tanks designed to allow particles to settle by gravity, separating them from the clearer water above.

He aha e whai ake nei?

What happens next

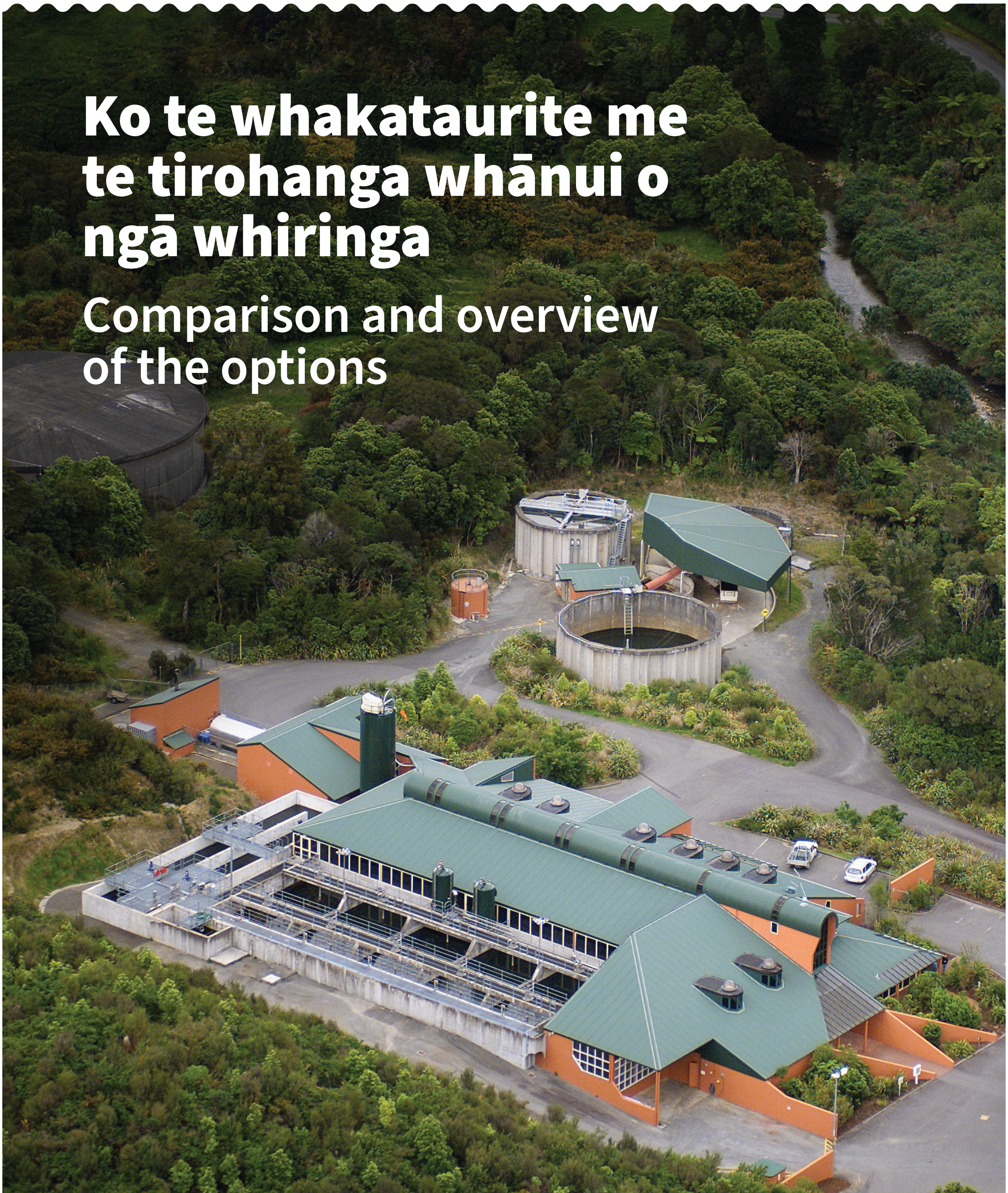
- Consultation opens:
  20 March – 22 April 2025
- Greater Wellington Councillors decide on the new water services delivery model: 26 June 2025
- Greater Wellington Councillors adopt the Water Services Delivery Plan on 21 August 2025
- Water Services Delivery Plan submitted to Department of Internal Affairs: 3 September 2025
- Government confirms acceptance or requests changes to the Water Services Delivery Plan
- Establishment planning: mid-2025 to mid-2026
- New model takes effect (if approved): 1 July 2026

Legal Disclaimer. This consultation is being undertaken at a time when further legislation to complete the Local Water Done Well reforms is still being finalised. Some key aspects of the options and details contained in this consultation may change as a result of the final legislation which is expected to be enacted mid-2025.

Upgrades at Greater Wellingtons Te Mārua drinking water treatment plant.

Ko te whakataurite me te tirohanga whānui o ngā whiringa

Comparison and overview of the options



The Wainuiomata water treatment plant –which receives water from the Wainuiomata and Orongorongo rivers and three smaller creeks (Georges, Big Huia, and Little Huia).

The following table provides more information about the options.

	Preferred option – new water services organisation	Modified status quo – Wellington Water modified to meet legislative requirements
Asset ownership (i.e. the pipes, pump stations, reservoirs, wastewater treatment plants etc)	Assets are owned by the new company.	Assets are owned by each individual Council.
Ownership of the organisation	The shareholders are the individual Councils.	The shareholders are the individual Councils.
Decisions on spending in a new regulatory environment for water services	The Board of the new company will make decisions based on input from Councils through a statement of expectation, and stricter regulation on price and quality (Commerce Commission) and water quality and wastewater standards (Taumata Arowai). Investment priorities will be set for the entire metro area.	Individual Councils make decisions based on the advice provided by Wellington Water Ltd. We consult through our planning – Long Term Plans/ Annual Plans. Stricter regulations would apply to the status quo. Investment priorities would continue to be set city-by-city.
Charging for services	The water services will be removed from rates and the new company will bill property owners separately. There may be some interim arrangements for each Council as the new organisation gets established.	Currently all water services are paid through each Council's rates and this would continue.
Costs to customers	Based on our modelling, the preferred option result in water charges that are about a third less than the status quo by 2033/34 but still challenging from an affordability perspective.	Early estimates are that the costs to customers will go up substantially. Based on current estimates, by 2034 the average cost per connection under a full capital programme would be significantly higher than the preferred option.
Debt capacity (noting that debt pays for long term assets to reflect the intergenerational benefits for these long run assets)	Local Water Done Well will allow for higher borrowing capacity for new water entities based on funds from operations as a proportion of debt. This enables water organisations to spread costs over a longer period.	Currently we can borrow 2.8 times our revenue (or up to 280% debt to revenue ratio). Our financial strategy shows that the Council is more constrained in our ability to invest appropriately over the long term than a new water entity would be.
Water meters	Highly likely to be introduced.	Highly likely to be introduced.
Customer enquiries	The new organisation would be the single point of contact for all service requests.	First point of contact is the individual city council, which passes these to Wellington Water
Population growth	Will improve the ability to meet population growth through access to greater borrowing.	May restrict new housing development. Without substantial investment to increase network capacity, some parts of the region have limited ability to add new housing.
Board appointments	A decision by shareholder Councils and mana whenua representatives on an oversight group. The details of this are still being worked through.	A unanimous decision by the Wellington Water Ltd shareholding Councils.

Ka pēhea ngā pānga ahumoni me ngā utu ki ia whiringa?

What are the financial impacts and costs of each option?

Our work so far is based on financial modelling and estimates of costs. The modelling is intended to help comparison of options, and does not represent final costs, water charges and investment programmes.

Our modelling approach and financial estimates have been independently reviewed to ensure robustness.

Under the preferred option: a new multi-Council-owned water organisation

Key Points

The proposed transfer of Greater Wellington's bulk water activities to a new water entity will include all water-related infrastructure assets and operations, including plant and equipment, investments, revenue, and debt. Greater Wellington's general overhead costs will not be included in the transfer, nor will the land it owns for water collection and treatment. The new water organisation will have accountability for and provide all services directly to water customers and bill directly for water usage and services provided.

The costs for preparing for this consultation process and setting up the new organisation are being shared between Greater Wellington and the Territorial Authorities.

This change will not have a significant impact on Greater Wellington rates, as water costs are currently charged directly through a levy to the Territorial Authorities that use the water.

The transfer will free up debt capacity for Greater Wellington to invest in other key projects, such as flood protection and public transport. This is because the water-related debt currently relies on revenue from other sources (e.g. rates, grants) to meet funding benchmarks.

The higher debt/revenue ratio proposed for the new water entities will enable these entities to take on the debt required to invest in infrastructure for the future.

This means the new water entity will be able to take on higher levels of debt, supported by its revenue, to fund future infrastructure investments. Financial modelling suggests that this new structure is likely to be the most effective way to manage water services and infrastructure in the long term.

Rating Impact

1. Direct water costs

The transfer of direct water costs will not impact Greater Wellington rates. Currently water is charged via levy to the Territorial Authorities as a volumetric charge set in July at the beginning of each financial year. The volume forecast is based on the previous year's usage. At the end of the financial year, a "wash-up" adjusts for any difference between forecasted and actual water usage. Territorial Authorities include this levy in their water rates.

Under the new water entity, these costs will still be recovered from the same group of ratepayers and water users. The charges will be set by the new entity's Board, with oversight from the Commerce Commission to ensure fairness and accountability.

2. Greater Wellington Overheads

Currently the Water activity contributes to GW overheads and corporate support.

This will have a minor effect on GW rates. In 25/26, it will amount to $3.5 million, leading to a one-time rate increase of 1.1% in that year.

3. Set up costs

The costs of developing data models, preparing for the consultation process, and setting up the new water entity are being shared between Greater Wellington and the Territorial Authorities. These costs are still estimates and may change. Greater Wellington has allocated $1 million from general reserves in 2024/25 to fund the reporting, data analysis, and consultation work, ensuring no additional rates are required.

The cost to establish the new entity over 2025/26, 2026/27 and 2027/28 is estimated at $76 million. Greater Wellington's estimated share of $11.4 million, will be debt-funded, with interest covered by reserves for the 2025/26 and 2026/27 financial years.

This debt is expected to be transferred to the new entity and be repaid over time through water charges.

If the debt transfer to the new entity for the set-up costs does not occur, it will be repaid over 5 years through a new targeted rate applied to ratepayers in Wellington, Porirua, Hutt City, and Upper Hutt City. This would result in a rate increase starting in 2027/28 of approximately 0.51% for a 5-year loan.

This amount is separate from the debt for capital investments outlined in the following section on debt capacity.

Debt capacity

The transfer of water activities will provide Greater Wellington with increased capacity to borrow for other core capital projects, such as flood protection or public transport. Currently, the higher debt-to-revenue ratio for water activities exceeds Greater Wellington's benchmark, meaning other revenue sources are subsidising debt capacity for bulk water investments.

Greater Wellington's maximum allowable debt-to-revenue ratio is 285%.

The new organisation would be able to raise long-term debt via the New Zealand Local Government Funding Agency (LGFA), significantly higher than what councils can currently fund or deliver. The new water entity expected debt-to-revenue ratio is proposed to be set at a maximum of 500%.

This higher ratio will allow the new entity to take on the necessary debt to invest in critical water infrastructure.

The tables below illustrate the debt-to-revenue ratios:

BULK WATER $'000	Actual 23/24	Budgeted 24/25	Budgeted 25/26	Budgeted 26/27
Revenue	56,535	70,823	78,924	83,781
Net Debt	246,337	340,146	374,827	393,768
Ratio	436%	485%	475%	470%

GREATER WELLINGTON $'000	Actual 23/24	Budgeted 24/25	Budgeted 25/26	Budgeted 26/27	Budgeted 26/27 without water
Revenue	567,488	729,089	797,468	870,996	787,215
Net Debt	711,281	1,115,586	1,336,640	1,421,221	1,027,453
Ratio	125%	153%	168%	163%	131%
Maximum allowable Ratio	290%	285%	280%	280%	280%

The source of these numbers are the actuals from the Greater Wellington 2023-24 Annual Report and the budgeted numbers are from the Greater Wellington Long Term Plan 2024-34

Financial Accountability

The new water services legislation includes the principle that 'water revenues should be spent on water services'. The new water entity would be required to develop standalone financial statements for all water services (drinking water, wastewater, stormwater, and aggregated water services). These statements will separate water services charges, expenses and liabilities from other council activities.

The standalone financial statements will provide accountability and transparency relating to water charges and expenditure, and evidence that water services revenues are being spent on water services. They will also provide transparency and accountability over the amount of council debt that is allocated to water services.

***Modified status quo** – a modified version of Wellington Water*

If Greater Wellington keeps its bulk water activities instead of transferring them to a new water entity, the following impacts will occur:

Ownership and Operations
Greater Wellington would continue owning and managing bulk water-related infrastructure, plant, equipment, and investments. Water services would still be provided via the current system, with costs recovered through a levy to the Territorial Authorities.

Debt Constraints; Limited Water Investment Capacity
Greater Wellington's ability to invest in future water infrastructure would remain constrained by its financial limits, as it would not benefit from the higher debt capacity (up to 500% debt-to-revenue) proposed for the new water entity. This means that Greater Wellington would be unable to fund the full cost of new water storage lakes without external financial support.

Furthermore, water-related debt would remain part of Greater Wellington's financial structure, keeping its debt-to-revenue ratio under pressure. This would limit borrowing capacity for other projects, such as flood protection and public transport.

Accountability and Billing
Accountability for bulk water services would remain with Greater Wellington, and the current system of charging water costs via a volumetric levy to the Territorial Authorities would continue. Decisions about water billing would remain with the territorial authority.

Avoided Setup Costs
The over three years $76 million in setup costs for the new water entity, including Greater Wellington's $11.4 million share, would be avoided.

Transparency and Financial Reporting
Financial reporting under the status quo would continue under each of the authorities delivering water and not be consolidated in a new entity

Rating Impact of Maintaining the Status Quo

Direct Water Costs
Water costs would continue to be charged as a volumetric levy to the Territorial Authorities, with no changes to Greater Wellington rates. The current system of forecasting and annual wash-ups based on usage would remain unchanged.

The below table provides the Greater Wellington Long Term Plan water levy revenue which will be recovered on an actual volume bases from the territorial authorities each year.

	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31	2031/ 32	2032/ 33	2033/ 34
Water supply levy	53,140	67,731	75,963	80,739	85,057	92,612	99,927	107,622	115,023	122,119	129,938
Percent increase		27.46%	12.15%	6.29%	5.35%	8.88%	7.90%	7.70%	6.88%	6.17%	6.40%

A clarifier at Greater Wellingtons Te Mārua drinking water treatment plant.

Overhead Contributions
Greater Wellington's overhead costs would continue to be partially funded by water activities, avoiding the 1.1% rate increase projected for 2026/27 under the transfer scenario.

Conclusion
Maintaining the status quo (assuming all councils also agree to a modified status quo option) avoids the setup costs and structural changes of a transfer but has more limited capacity to invest in water infrastructure. The current system would be constrained by existing debt limits, reducing opportunities for long-term improvements.

The current structure would preserve the existing financial framework but forego the potential long-term benefits of a specialised and financially independent water entity. There would also need to be substantial investment made in the operating systems, governance and processes at Wellington Water to ensure it is set up for success over the long term.

We have two large storage lakes at Te Marua - the Macaskill Lakes - as back-up to the Hutt River supply.

Ka pēhea tā te Kaunihera aroturuki, whai hoki kia mau te whakahaere hou ki ngā kawenga?

How would the new organisation be monitored and kept accountable by the Council?

Under the preferred option:

The board of the new water organisation will be appointed by and accountable to shareholders (the councils) – who are accountable to and represent their communities and consumers.

Under the Government's Local Water Done Well policy and Local Government (Water Services Preliminary Arrangement) Act, all water organisations are required to meet a minimum set of expectations about how they plan and deliver water services, which will ensure they are held accountable. The Commerce Commission and Water Services Authority / Taumata Arowai will also oversee key aspects of the organisation's performance (and they will still be subject to existing public health safe drinking water and environmental regulation).

The proposed multi-council organisation will be owned by shareholder councils, who will each appoint representatives to a joint council oversight body. This body, with mana whenua representatives, will enable the coordination of multiple council interests, lead the development of the statement of expectations (see below), appoint directors to the water organisation's board, and oversee the water organisation's performance (including in regard to strategic assets). This will ensure a high-quality service is provided to everyone across the region. The participating councils will enter into a shareholders' agreement, which will set out how they will work together effectively.

Under the modified status quo:

This would happen in a similar way to the current arrangements with adjustments as necessary to reflect the new legislation.

This would include oversight from the Wellington Water Committee (that is made up of council representatives) who deliver an annual statement of expectations and receive quarterly reporting on performance. Councils (via the Wellington Water Committee) would appoint the Wellington Water Board as they currently do. Councils would continue to set the budget for Wellington Water through their long-term plans with oversight from the Commerce Commission as the economic regulator and Greater Wellington as the environmental regulator.