



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Extraordinary Council Meeting Agenda

Thursday, 24 July 2025

9:00am

Council Chamber

28-32 Ruataniwha Street

Waipawa

Order Of Business

1	Welcome/Karakia/Notices	3
2	Apologies	3
3	Declarations of Conflicts of Interest.....	3
4	Standing Orders.....	3
5	Confirmation of minutes.....	3
6	Report Section	11
6.1	Local Water Done Well Update	11
6.2	Local Water Done Well – Endorsement of Capital Modelling Principles – <i>Late paper to follow</i>	41
7	Date of Next Meeting	42
8	Public Excluded Business	42
9	Time of Closure.....	42

- 1 WELCOME/KARAKIA/NOTICES**
- 2 APOLOGIES**
- 3 DECLARATIONS OF CONFLICTS OF INTEREST**
- 4 STANDING ORDERS**

RECOMMENDATION

That the following standing orders are suspended for the duration of the meeting:

- **21.2** Time limits on speakers
- **21.5** Members may speak only once
- **21.6** Limits on number of speakers

That 22.4 Option C under section 22 General procedures for speaking and moving motions be used for the meeting.

5 CONFIRMATION OF MINUTES

Ordinary Council Meeting – 3 July 2025.

RECOMMENDATION

That the minutes of the Ordinary Council Meeting held on 3 July 2025 as circulated, be confirmed as true and correct.

**MINUTES OF CENTRAL HAWKE'S BAY DISTRICT COUNCIL
EXTRAORDINARY COUNCIL MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON THURSDAY, 3 JULY 2025 AT 9:00 AM**

UNCONFIRMED

PRESENT: Mayor Alex Walker
Deputy Mayor Kelly Annand
Cr Tim Aitken
Cr Pip Burne
Cr Jerry Greer
Cr Gerard Minehan
Cr Brent Muggeridge
Cr Kate Taylor
Cr Exham Wichman
Pou Whirinaki Piri Galbraith

IN ATTENDANCE: Doug Tate (Chief Executive)
Nicola Bousfield (Group Manager People and Business Enablement)
Brent Chamberlain (Chief Financial Officer)
Dylan Muggeridge (Group Manager Strategic Planning & Development)
Mark Kinvig (Group Manager Community Infrastructure and Development)
Jane Budge (Strategic Governance Manager)
Sarah Crysell (Communications and Engagement Manager)
Pam Kupa (Pou Whātuaia – Maori Relationships Manager)
Annelie Roets (Governance Lead)

5 WELCOME/KARAKIA/NOTICES

Her Worship, The Mayor Alex Walker welcomed everyone to the meeting opened with a karakia.

6 APOLOGIES 25.27

Moved: Cr Kate Taylor
Seconded: Cr Pip Burne

That the apology from Pou Whirinaki Amiria Nepe-Apatu be received, and the apology for lateness from Pou Whirinaki Piri Galbraith be noted.

CARRIED

7 DECLARATIONS OF CONFLICTS OF INTEREST

There were no Declarations of Conflicts of Interests declared.

8 STANDING ORDERS

1. RESOLVED: 25.28

2. Moved: Cr Kate Taylor

3. Seconded: Deputy Mayor Kelly Annand

4. That the following standing orders are suspended for the duration of the meeting:

- 21.2 Time limits on speakers
- 21.5 Members may speak only once
- 21.6 Limits on number of speakers

5. And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

6. Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

7. CARRIED

9 CONFIRMATION OF MINUTES

RESOLVED: 25.29

Moved: Cr Gerard Minehan

Seconded: Deputy Mayor Kelly Annand

That the minutes of the Ordinary Council Meeting held on 5 June 2025 as circulated, be confirmed as true and correct.

CARRIED

Discussed the remit around security payments, noting that this remit had been raised and would likely be withdrawn from the agenda.

Pou Whirinaki Piri Galbraith arrived at 9.04am.

6 REPORT SECTION

6.1 TAMATEA POKAI WHENUA - ADOPTION OF THE MEMORANDUM OF UNDERSTANDING

PURPOSE

To seek agreement to enter into a Memorandum of Understanding (MOU) between Tamatea Pōkai Whenua and Central Hawke's Bay District Council (Council).

RESOLVED: 25.30

Moved: Cr Pip Burne

Seconded: Cr Exham Wichman

That Council:

1. **Agrees and adopts the Memorandum of Understanding with Tamatea Pōkai Whenua Trust.**
2. **Agrees to the Ngā Ara Pou Work Plan for implementation.**

CARRIED

Doug Tate introduced the report, highlighting the following key points:

- Recognised staff efforts and the value of coordination between the two organisations.
- Highlighted the purpose of the Memorandum of Understanding (MOU): to strengthen collaboration at both governance and operational levels.
- Emphasised the goal of achieving statutory acknowledgements under relevant legislation.
- Noted a formal MOU signing is planned for **24 July 2024**, pending adoption.
- Clarified future reporting processes, suggesting **six-monthly updates to Council**, with details to be finalised.

5.2 LOCAL WATER DONE WELL DELIBERATIONS

PURPOSE

Under the Local Government (Water Services Preliminary Arrangements) Act 2024 public consultation on water service delivery options was required. The purpose of this report is to:

- Consider feedback from the public consultation.
- Deliberate on the public consultation on the different future water services delivery options, including on key areas of concerns raised by community.
- Consider Council's preferred future water services delivery model for the Central Hawke's Bay District, under the Local Government (Water Services Preliminary Arrangements) Act 2024. This will inform the development and eventual adoption of the Council's Water Services Delivery Plan to be provided to the Department of Internal Affairs by 3 September 2025.

RESOLVED: 25.31

Moved: Mayor Alex Walker

Seconded: Cr Pip Burne

That Council:

1. Thanks, and notes the points made by submitters.
2. Confirms that to comply with Local Water Done Well legislation, a Regional, Hawke's Bay Water Services Council Controlled Organisation (HBWSCCO), owned by Central Hawke's Bay District Council (CHBDC), Hastings District Council (HDC), Napier City Council (NCC) and Wairoa District Council (WDC) remains the preferred water service delivery model.
3. Directs the Chief Executive to prepare a draft Water Services Delivery Plan on the basis of a HBWSCCO being established as the preferred delivery model.
4. Directs the Chief Executive to explore regional transitional arrangements to proceed with the planning for a joint operating model between the Councils in respect of the delivery of water services in their respective regions.
5. Expects that progression of the preferred model of the HBWSCCO will address the following matters:
 - a. Responding to the affordability challenges for the community by:
 - i. Developing a revised 10-year water services plan with a reduced level of investment, whilst maintaining community levels of service for drinking water quality and wastewater and stormwater management.
 - ii. Including this revised 10-year plan in the regional Water Services Delivery Plan, noting this revised plan may expose Council to residual regulatory and resilience risks.
 - iii. Advocating regionally and nationally for any transitional arrangements to immediately consider affordability, including affordability standards in line with international standards.
 - iv. Advocating for any regional transitional arrangements to immediately consider the impact of a 30-year investment strategy for the HBWSCCO.
 - v. Advocating for any regional transitional arrangements to immediately consider approaches to the sharing of operational costs and capital investment that ensures more equitable access to services in the region.
 - vi. Advocating regionally and nationally for specific rates-relief mechanisms for pensioners, fixed and low-income earners, clubs and entities to be

established if/when a new water services delivery CCO is established.

- vii. **Seeking Government support to reduce the projected cost on ratepayers.**
- b. **Addressing concerns about the perceived loss of local voice in decision-making and asset ownership through the satisfactory negotiation of shareholding and governance arrangements in any regional transitional arrangements and in the eventual establishment of a HBWSCO.**
- c. **Advocating for the HBWSCO to review any 'ring fencing' of costs by Council jurisdiction if/when it is established, and then at a regular term thereafter in the Statement of Expectations.**
- d. **Continuing refinement of the strategy and governance framework for the HBWSCO and the role of CHBDC, regional structures and local community and hapu engagement requirements.**
- e. **Continuing refinement of the estimated costs (including set-up costs, ongoing operational costs and stranded overhead costs) through the preparation of the Water Services Delivery Plan.**
- f. **Ensuring ongoing engagement with community through the preparation of the Water Services Delivery Plan.**
- 6. **Notes that a further report will be presented to an extraordinary meeting of Council on 24 July 2025 to:**
 - a. **provide an update on a revised investment programme for CHBDC, and any decision-making required for the 2025/26 capital work programme and inclusion in the Water Services Delivery Plan.**
 - b. **Provide an update on progress with resolutions 3), 4) and 5) above.**
 - c. **Consider any appropriate transitional arrangements to be put in place.**
 - d. **Seek further decisions on any regional transitional arrangements.**

CARRIED

The report was introduced by Dylan Muggeridge and outlined the process to date. Key considerations included:

- Discussed legislative framework, previous council decisions, and the public consultation process.
- Majority of support from those connected was for the regional CCO option.
- Affordability remains a key concern raised in the submissions. Discussed various options including the impact of the 30-year investment strategy.
- Concerns about the perceived lack of local voice and decision-making ability in the regional CCO option.
- Emphasised the importance of ongoing engagement with the community and refining the strategy and governance framework.
- Ring fencing operational costs and ensuring equitable access to services in the region.
- Depreciation funding and how this could be managed. Clarified it would be used for renewals of assets and accumulated over time
- Stranded overheads and the need to refine the estimated costs around setup, and ongoing Opex.
- Accountability and the strategy and governance framework for the regional CCO, including CHBDCs role and how our strategies will be incorporated into the regional strategies, eg the use of local contractors.
- Metering, and will this be costed through any further LTPs.
- Outlined the next steps, including updates on the revised investment programme, further decision-making on the capital work programme, and considering appropriate transitional arrangements.

- Support was expressed for the regional CCO option, acknowledging the challenges, more information needed, and the importance of working together as a region. However, concerns and reservations were also raised, highlighting the need for more clarity on shareholding percentages, affordability impact, and setup costs.
- Council agreed to move forward with the regional CCO option, noting those that it affected the most, ie the connected ratepayers, overwhelmingly supported the regional CCO option.

The meeting adjourned for morning tea at 11.08am and reconvened at 11.30am.

6.3 MINUTES AND VERBAL UPDATE FROM THE MATARIKI GOVERNANCE GROUP

PURPOSE

This report presents the minutes of the Matariki Governance group meeting held on 6 June 2025, for Council's information.

Mayor Alex Walker and the Chief Executive will also provide a verbal update on key agenda items from the 6 June 2025 meeting, including:

1. Matariki Governance Group Review Work programme update.
2. Matariki Governance Group Regional Priorities - Update on the refreshed regional priorities.
3. Matariki Governance Group Terms of Reference: These will be workshopped at Council's 24 July Strategy, Growth and Community Committee Meeting for feedback before being endorsed by MGG at its 29 August 2025 meeting.
4. Regional Public Service Update.
5. Regional Recovery Agency Update – please see newsletter distributed by email from RRA to Councillors.
6. Regional Economic Development Agency – Further update on work programmes underway.

RESOLVED: 25.32

Moved: Deputy Mayor Kelly Annand

Seconded: Cr Kate Taylor

That Council receives the 'verbal update' and unconfirmed minutes of the Matariki Governance Group meeting held on 6 June 2025.

CARRIED

The report was introduced by Mayor Alex who provided an update on the programme, regional priorities, MGG Terms of Reference, Regional Public Services, Regional Recovery Agency and the Regional Economic Development Agency.

7 DATE OF NEXT MEETING

Moved: Cr Pip Burne

Seconded: Cr Jerry Greer

That the next Council meeting be held on Thursday, 7 August 2025.

CARRIED

8 PUBLIC EXCLUDED BUSINESS**RESOLUTION TO EXCLUDE THE PUBLIC****MOTION**

Moved: Cr Exham Wichman

Seconded: Cr Pip Burne

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
8.1 - Local Water Done Well - Agreement Terms	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED**RESOLVED: 25.33**

Moved: Cr Exham Wichman

Seconded: Cr Pip Burne

That Council moves into Public Excluded Business at 11.35am.

CARRIED**RESOLVED: 25.34**

Moved: Cr Exham Wichman

Seconded: Cr Brent Muggeridge

That Council moves out of Public Excluded Business at 2.32pm.

CARRIED**9 TIME OF CLOSURE**

The meeting closed at 2.32pm.

The Minutes of this meeting will be confirmed at next Ordinary Council meeting to be held on 7 August 2025.

.....
CHAIRPERSON

6 REPORT SECTION

6.1 LOCAL WATER DONE WELL UPDATE

Author: Doug Tate, Chief Executive

Authoriser: Doug Tate, Chief Executive

Attachments:

1. Response from Minister Watts - Local Water Done Well [↓](#) 
2. Letter to Minister Watts on Local Water Done Well Affordability [↓](#) 
3. Commerce Commission Affordability Response [↓](#) 
4. Minister Simpson - Commerce Commission Affordability Letter [↓](#) 
5. Minister Simpson Response - Commerce Commission Affordability [↓](#) 

PURPOSE

To provide an update on the recommendations from the deliberations of Local Water Done Well and to provide further context and updates on the Local Water Done Well Programme.

RECOMMENDATION(S)

That Council receives and notes the Local Water Done Well update.

EXECUTIVE SUMMARY

This report updates Council on the Local Water Done Well Programme, highlighting key decisions and the current status of those. Since 2024, significant progress has been made, with the Hawke's Bay Regional Water Services Council Controlled Organisation (HBWSCCO) being reconfirmed by Council as its preferred water service delivery model. Upcoming meetings in late July 2025 will finalise the water services delivery model for other Hawke's Bay councils.

Next steps include finalising the Heads of Agreement, and contingent on this being approved, forming governance and project groups, and preparing the Water Services Delivery Plan (WSDP) for submission by 3 September 2025. Progress has been made on several resolutions of Council since the meeting of 3 July 2025, including the continued development of the draft WSDP and addressing affordability challenges, which this report provides updates on.

BACKGROUND

The Governments Local Water Done Well Legislative Framework has been a major focus of Council since 2024. Council has taken a number of decisions, consulted with community and worked through the staged progress and variations of Local Water Done Well.

Following workshops and updates in January, February and March the key decisions of Council have included:

- Confirmation of proposed water service delivery models for consultation on 24 April 2025 available [here](#).
- Adoption of the Local Water Done Well Consultation Document on 8 May 2025 available [here](#).
- Local Water Done Well Updates and early modelling on 5 June 2025 available [here](#)
- Hearing of Local Water Done Well Submissions on 19 June 2025 available [here](#).
- Deliberations on Local Water Done Well on 3 July 2025 available [here](#).

Having completed the public consultation, hearings and deliberations on the Local Water Done Well options, Council has reconfirmed the Hawke's Bay Regional Water Services Council Controlled Organisations (HBWSCCO) remains its preferred water service delivery model, directing the Chief Executive to deliver a Water Service Delivery Plan to comply with the legislation on that basis.

Council has also made a number of other resolutions relating to addressing affordability and to progress the Water Services work. An update is provided on these matters.

An update on the Third and final Water Services Bill is also provided along with updates on other key matters, including early feedback from the Department of Internal Affairs on the regional Water Services Delivery Plan.

DISCUSSION

Overall Programme Update

At the time of writing, all other Hawke's Bay councils have yet to meet to agree their substantive decision on the future water services delivery model. These meetings are scheduled for the following dates:

- Wairoa District Council – 22 July 2025
- Hastings District Council – 31 July 2025
- Napier City Council – 31 July 2025

Key next steps in the programme for Central Hawke's Bay are:

1. Finalisation and confirmation of the Heads of Agreement – this process is being completed by all shareholder Councils. This is included at this meeting as a public excluded item for consideration.
2. Sign Heads of Agreement - following endorsement by all Shareholder Councils, the Heads of Agreement will be signed and the establishment work can begin immediately. This includes forming the Transition Governance Group, Project Steering Group and the Project Team, with each then undertaking their responsibilities as set out in the Heads of Agreement. This cannot commence until agreed to by all shareholding Councils.
3. Continue to develop draft WSDP (contingent on upcoming council decisions across participating Hawke's Bay councils) - including objectives and key principles of the implementation plan and any updates to areas of concern raised by DIA
4. WSDP workshop – to brief councillors on draft WSDP and DIA feedback ahead of approval decision. Two workshop dates are proposed being 7 and 21 August.
5. Approve WSDP – An extraordinary Council meeting is currently proposed on 28 August to align with other Council programmes, ahead of submitting the WSDP on 3 September.
6. Submit WSDP to Central Government by 3 September 2025.

Local Water Done Well Legislative Update

On 3 July 2025, the Finance and Expenditure Select Committee reported back on the Local Government (Water Services) Bill. This is the final piece of legislation to implement the Government's Local Water Done Well policy.

The select committee has recommended the bill pass, with extensive amendments (the select committee report notes there are more than 360 amendments proposed – although most are technical). From here, the bill is expected to pass in the coming weeks.

A summary of changes relevant to Local Government and/or the Hawke's Bay Councils' submission on the Bill includes:

Clause / Bill Section	Comments
<p>Clause 15 - Objectives of water service providers</p>	<ul style="list-style-type: none"> • The committee has agreed with submitters that an additional objective be added to support housing growth and urban development. This was a request included in the joint submission provided to select committee by the four Hawke's Bay Councils. • The Hawke's Bay joint submission also suggested that objectives be added around being resilient and responsive to population growth and supporting economic development objectives, however these were not added. Our submission had also suggested a more explicit objective around water services being provided in a "cost-effective and financially sustainable manner", as well as provide direction on the relationship between water organisations and Māori (such as acting consistently with the obligations of its shareholding councils) but these suggestions were not picked up. • The select committee did amend the way that Treaty settlement obligations are referred to in the legislation, by bringing the requirement to act consistently with Treaty settlement obligations earlier in the bill, and to make it clear that it is a requirement for all persons in relation to the Act (not just the water services providers, as previously drafted). • The select committee has also removed the objective to provide water services that do not have adverse effects on the environment, noting that any environmental effects would be regulated under the Resource Management Act 1991 rather than this legislation.
<p>Clauses 184 – 189 – Statement of Expectations: <i>Shareholder role and influence in water organisations</i></p>	<ul style="list-style-type: none"> • The select committee report notes that some submissions were concerned that the statement of expectations would give shareholders too much power and control over a water organisation. While the report notes that the accountability framework in the bill, including the statement of expectations, is intended to be flexible and differ from the existing provisions around CCOs in the Local Government Act, the select committee has made some amendments. • In particular, the select committee has removed one of the purposes of the statement of expectation – to set the priorities and strategic direction of the water organisation – noting that instead strategic priorities should be set by the board of the water organisation. • The amendments also now state that, unless provided for in the foundational documents of a water organisation, a statement of expectations cannot include any requirements or expectations relating to the water organisation's performance or exercise of a duty, function or power under the Act, or require the water organisation to perform, or not perform, a specified act, or to achieve a specified result, in relation to a specified person or persons.
<p>Clauses 190 – 199, Schedule 3, Clause 9: Process for making water services strategy</p>	<ul style="list-style-type: none"> • The select committee has inserted a new clause to increase transparency in shareholder involvement in water services strategies, by requiring the final strategy to include a summary of the comments provided by shareholders, and an explanation of whether shareholders required changes and approved the final strategy. • The Hawke's Bay joint submission did note that proposals in the bill as introduced around allowing shareholders to amend water services strategies and annual budgets seemed to undermine the purpose of the legislation and having water organisations operate independently of political influence.

Clause / Bill Section	Comments
Development contributions	<ul style="list-style-type: none"> • The transitional provisions in the bill around development contributions have been amended. This is to ensure a smoother transition from the status quo (where councils charge development contributions) to water organisations charging development contributions under this bill – and ahead of the Government’s future development levy regime under its “Going for Housing Growth” work programme. • Amendments include enabling asset-owning water organisations to adopt the relevant aspects of councils’ policies as their first development contributions policy, and ensuring that water organisations can calculate development contributions based on previous capital expenditure incurred by the council. • The Hawke’s Bay joint submission noted there was a lack of clarity around how developers were meant to interact between a water organisation and the Territorial Authority.
Facilitating transfers to new arrangements	<ul style="list-style-type: none"> • The select committee has made a series of changes around transfer agreements, including to clarify that a council can discharge most of its responsibilities for providing water services by entering into a transfer agreement, and to make it clear that no person can require councils or water organisations to provide them with water services. Amendments have also been made to remove "gaps" in the process for entering into transfer agreements, and to expand on the required content of transfer agreements to add transparency.
The financial sustainability of water organisations	<ul style="list-style-type: none"> • In the Hawke’s Bay submission, we noted that ‘financial sustainability’ was a core requirement of Water Services Delivery Plans under the Preliminary Arrangements Act, but that this had not been carried over to the financial principles for water services providers, and suggested that this be added for consistency. This was not included, but several amendments to the principles have been made, particularly relating to dividend payments. • The select committee made changes to support greater transparency and financial disciplines including to require information around dividends must be transparent to the public (in the same way as revenue and expenses are) and that water organisations must not pay a dividend that would compromise a water organisation’s ability to act in accordance with the financial principle that revenue and funding is sufficient to sustain the provider’s long-term investment in its water services. • There have also been changes to the clauses around the Commerce Commission’s regulation of water services, including to more directly link the Commission’s monitoring and enforcement powers to the financial principle of spending revenue and funding on providing water services, and enabling the Commerce Commission to limit dividends paid by a water organisation.

Update on Council Resolutions from 3 July 2025

This section of the report outlines the progress made across the resolutions Council passed in deliberating on the Local Water Done Well options. A summary is provided below:

3. Directs the Chief Executive to prepare a draft Water Services Delivery Plan on the basis of a HBWSCCO being established as the preferred delivery model.

Progress has continued by officers on the regional Water Service Delivery Plan (WSDP). This has largely been financially input driven to date, given the key implementation sections of the WSDP would need to be completed once all councils had made decisions on their water service delivery model and endorse the draft Heads of Agreement (containing majority of this information in terms of transitional steps for establishment).

The draft WSDP and figures were submitted to DIA for an initial review and feedback. At the time of authoring this report, officers are organising a meeting with the DIA WSDP team to work through feedback and recommended changes required for final submission. The initial assessment has noted identified issues with affordability, in particular for Central Hawke's Bay District Council and Wairoa District Council – requiring further explanation or commentary on how this will be addressed.

The next key milestone in the development of the WSDP is providing an update to Council on the draft WSDP planned for 7 and 21 August workshops. The intention is that Council will adopt the Draft WSDP for submission at an Extraordinary Council meeting planned for 28 August.

4. Directs the Chief Executive to explore regional transitional arrangements to proceed with the planning for a joint operating model between the Councils in respect of the delivery of water services in their respective regions.

This work has commenced regionally, noting that it is still subject to other Councils reconfirming the HBWSCCO as their preferred model for delivery following their consultation process with community.

The Draft Heads of Agreement sets out proposed transitional arrangements for the entity, including the establishment of a Transitional Governance Group, Project Steering Group and a project team. Again this is subject to other Councils confirming the HBWSCCO and confirming the Heads of Agreement. Council has the Heads of Agreement as a Public Excluded item to further consider in this agenda.

5. Expects that progression of the preferred model of the HBWSCCO will address the following matters:

a. Responding to the affordability challenges for the community by:

- i. Developing a revised 10-year water services plan with a reduced level of investment, whilst maintaining community levels of service for drinking water quality and wastewater and stormwater management.**
- ii. Including this revised 10-year plan in the regional Water Services Delivery Plan, noting this revised plan may expose Council to residual regulatory and resilience risks.**
- iii. Advocating regionally and nationally for any transitional arrangements to immediately consider affordability, including affordability standards in line with international standards.**

- iv. Advocating for any regional transitional arrangements to immediately consider the impact of a 30-year investment strategy for the HBWSCCO.**
- v. Advocating for any regional transitional arrangements to immediately consider approaches to the sharing of operational costs and capital investment that ensures more equitable access to services in the region.**
- vi. Advocating regionally and nationally for specific rates-relief mechanisms for pensioners, fixed and low-income earners, clubs and entities to be established if/when a new water services delivery CCO is established.**
- vii. Seeking Government support to reduce the projected cost on ratepayers.**
- b. Addressing concerns about the perceived loss of local voice in decision-making and asset ownership through the satisfactory negotiation of shareholding and governance arrangements in any regional transitional arrangements and in the eventual establishment of a HBWSCCO.**
- c. Advocating for the HBWSCCO to review any 'ring fencing' of costs by Council jurisdiction if/when it is established, and then at a regular term thereafter in the Statement of Expectations.**
- d. Continuing refinement of the strategy and governance framework for the HBWSCCO and the role of CHBDC, regional structures and local community and hapu engagement requirements.**
- e. Continuing refinement of the estimated costs (including set-up costs, ongoing operational costs and stranded overhead costs) through the preparation of the Water Services Delivery Plan.**
- f. Ensuring ongoing engagement with community through the preparation of the Water Services Delivery Plan.**

Across all of these areas, Officers have made substantial progress, including many of these points where the substantial progress has been made in the development of the Draft Heads of Agreement, for Council to consider as part of the public excluded agenda of this meeting. Once confirmed by all of the shareholding Councils, aspects of the Heads of Agreement could become publicly available, on the basis that the Heads of Agreement are no longer commercial in nature and its release is agreed by the shareholding Councils..

Key additions to the Heads of the Agreement that address these points include:

- The inclusion of a revised 10-year programme based on guidance from Council sought in an additional report in this agenda, to inform a different future investment profile for Central Hawke's Bay.
- The requirement for 30-year modelling
- Encouraging and seeking early efficiency gains from the entity
- Including requirements around shareholding voting and board representation
- Changes to the proposed project make up and project plan
- Other areas of relating specific consideration of affordability in the entities establishment.

Mayor Alex on behalf of Council has also proactively written to Minister Watts on suggested tools that could support affordability challenges. She has also proactively written to the Commerce Commission on behalf of Council to advocate for improved affordability metrics in

their future regulation also. Additionally, Minister Simpson, Minister of Commerce and Consumer Affairs has also been written to, outlining the concerns relating to affordability.

The communication with both Ministers and the Commerce Commission are included as attachments to this report.

6. Notes that a further report will be presented to an extraordinary meeting of Council on 24 July 2025 to:

- a. **provide an update on a revised investment programme for CHBDC, and any decision-making required for the 2025/26 capital work programme and inclusion in the Water Services Delivery Plan.**
- b. **Provide an update on progress with resolutions 3), 4) and 5) above.**
- c. **Consider any appropriate transitional arrangements to be put in place.**
- d. **Seek further decisions on any regional transitional arrangements.**

Included in this agenda is a separate report that outlines an approach to a revised investment programme for Councils Three Waters programme, based on key principles relating to risk, resilience and other matters that Council will need to trade-off to achieve a revised investment programme.

The intention is to seek the endorsement of the programme principles, before seeking confirmation of the final programme for the 2025/2026 financial year at Councils Finance, Infrastructure and Performance Committee meeting on 21 August 2025.

From feedback regionally, Council will be supplying an addendum to the Regional Water Service Delivery Plan to satisfy this recommendation of Council. The current modelling in the draft water service delivery plan will remain. This process has been agreed to regionally, noting the costs and timing to rerun Central Hawke's Bays numbers as part of the regional model is cost and time prohibitive. There will be opportunities to further update these regionally as part of the development of the Water Services Strategy development and other foundational documents in the event the HBWSCCO is established.

This report also seeks to provide an update and satisfy other points in 3,4 and 5 confirmed at the 3 July Council meeting.

Water Service Delivery Plan Draft Feedback

The Region's draft Water Services Delivery Plan (WSDP) was submitted to the Department of Internal Affairs (DIA) for feedback.

The WSDP is a series of templated questions that investigates the proposed delivery model, its proposed implementation, what consultation has led to this point, do the networks included meet the regulatory standards, revenue and financing arrangements, financial sustainability assessments, projected financial statements, and details of significant capital programmes.

The basis for completing the draft WSDP is the four Council's Long-term Plans, Water Asset Management Plans, and the modelling completed by PricewaterhouseCoopers.

The DIAs high level feedback includes:

- More detail is required on the management structure and contractual arrangements of the WSCCO (reflects the negotiations that are still progressing on the Heads of Agreement and transitional arrangements).

- Investment Sufficiency – compliant
- Renewals – Concerned about the renewal backlog and lack of asset conditioning commentary in the document.
- Revenue Sufficiency - Note the affordability issues for CHBDC and Wairoa, while the region, as a whole, is at 3.4% which is aligned to affordability benchmarks. Wairoa and CHBDC would not meet the benchmark if they were assessed individually.

Alternative Options

Feedback was sought at Councils 3 July meeting on options available to it, if Council was to opt out of the Regional WSCCO and choose at this late stage to either set up a Central Hawke's Bay WSCCO or a standalone business unit, what would be required to develop a WSDP in its own right.

We already know from the draft DIA feedback that Council could not just pick up the PricewaterhouseCoopers modelling and would need to undertake additional financial work.

DIA has already indicated that CHBDC would not meet the affordability benchmark if we were assessed individually. For this reason, Council would need to assess options to reduce costs and is already exploring an alternative, reduced capital program and rates pathway.

The final WSDP is due to DIA by 3 September, with Council approval scheduled for an extraordinary Council meeting on 28 August 2025.

Given the capital program and rates projections will be different to that of the PWC modelling that Council consulted on originally, there is also the question of whether this newer information would require a separate consultation, or whether Council could still rely on the outcomes of the first consultation in its decision making. Officers would need to seek legal advice on this or any alternate option if Council sought to explore this.

While not impossible, it would be a significant body of work for Council within tight timeframes, that would require external support to progress this and additional Council funding.

STRATEGIC ALIGNMENT

The development of a HBWSCCO for the region aligns directly with Council's fundamental strategic philosophy of 'Together we Thrive'. Working together Central Hawke's Bay and the wider Hawke's Bay region will benefit our community, based on the financial modelling and non-financial analysis completed.

Importantly, a HBWSCCO can unlock the major barriers and constraints the district faces relating to its Three Waters Infrastructure. This has been outlined in Council's Infrastructure Strategy, Financial Strategy and other key financial documents for several years.

This update provides further information on Councils Three Waters service delivery for the future.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed of high significance. Council has completed a formal consultation process recognising the significance of this matter.

RISK ASSESSMENT AND MITIGATION

The matters raised in this report is of a low risk to Council, with the progress of the project in some areas decreasing the potential risk exposure, as matters are clarified, formalised and considered.

DELEGATIONS OR AUTHORITY

Council has the authority to make these decisions.

COMMUNICATION

Further communications on LWDW with community will occur as previously outlined in our most recent report of 3 July 2025, being notably in conjunction with the ongoing development of the WSDP.

NEXT STEPS

Council will continue to receive updates on the Local Water Done Well Programme, with considerable milestones ahead of Council submitting its Water Service Delivery Plan by 3 September 2025.

The next key decision point is the consideration of the Heads of Agreement to establish the HBWSCCO, a public excluded item in this agenda.

Council can expect to see a draft of the Water Service Delivery Plan in August, before being asked to adopt the final Water Service Delivery Plan at an extraordinary meeting of Council in late August.

Hon Simon Watts

Minister of Climate Change
Minister for Energy
Minister of Local Government
Minister of Revenue



COR1713

Alex Walker
Mayor of Central Hawke's Bay
alex.walker@chbdc.govt.nz

Dear Mayor Walker

I write to respond to your letter of 30 June 2025 where you outlined the challenges Central Hawke's Bay District Council (CHBDC) is facing in considering a preferred model for delivering water services under Local Water Done Well, particularly in relation to affordability.

I would like to start by acknowledging the proactive approach and the leadership you and your council have shown in progressing local water reform in your region. I am pleased to see the progress that has already been made, including the decision CHBDC made on 3 July 2025 to further commit to the regional model following consultation.

I understand you have received a number of submissions from your community relating to projected water charges under the proposed Regional Water Services CCO (RWSCCO). By progressing a multi-council CCO model with neighbouring councils, you are using the funding and financing tools we have made available through Local Water Done Well to ensure that your communities will be paying less for water services in the years to come than they would be under the status quo and therefore decreasing the burden on ratepayers.

Additionally, with a water CCO having a professional board, this will enable greater focus on issues such as affordability for the communities they serve. They will be able to enact positive change over time to address this issue, particularly if given strong guidance by shareholding councils.

I know that affordability will be a significant consideration for many areas of the country, particularly as we work to address New Zealand's long-standing water infrastructure challenges. I want to ensure that you and your councillors have the information you need to have these discussions with your community, particularly as you look to progress a future delivery model that will deliver more affordable water services.

Please find below a response to each of the points raised in your letter:

1. *A nationally defined approach to what "affordable" means for access to clean water and sanitation.*
2. *Consideration of how affordability and price paths will be more transparently considered by the Commerce Commission*

Local Water Done Well does not include a set definition across the country for affordability, instead acknowledging that what is affordable can vary across communities and leaves it up to Councils to determine what this means in their own context. In developing your Water Services Delivery Plan, I would encourage you to explain how you have considered affordability, what measures you are taking to mitigate price impacts, and the trade-offs made in reaching those decisions.

The introduction of economic regulation, by the Commerce Commission, will play a critical role in providing independent oversight and helping to ensure that water services are delivered efficiently, transparently, and at a price that reflects value for money, long-term affordability and revenue sufficiency to ensure the necessary investment is made into infrastructure. The Commerce Commission will also be focussed on consumer outcomes and will enforce appropriate changes over time. The Local Government (Water Services) Bill (the Bill) sets out the new economic regulation and consumer protection regime which is a key part of Local Water Done Well.

I understand that officials from the Commerce Commission have met with your council, alongside the other Hawke's Bay councils, during the development of the joint model to provide some understanding of how regulation will be applied in practical terms. I have asked my officials at the Department to forward your correspondence onto the Commerce Commission and the office of my colleague Hon Scott Simpson, Minister of Commerce and Consumer Affairs, to get in contact with you directly to provide further advice and guidance on the anticipated future regulatory regime.

3. Expanding the Government's Rates Rebate Scheme to include an additional component for a hardship rebate of Water Services charges.

The Bill, as it is currently written, expands the Rates Rebate Scheme so that it also covers water charges. This means that people who receive water services from a Council and people who receive them from a water organisation will have the same access to the support available through the Rates Rebate Scheme.

4. One-off capital injections into RWSCCOs to support rural communities to address their backlog of investment, especially for wastewater treatment upgrades.

I acknowledge the challenge your council faces in having a large number of small-scale wastewater treatment plants requiring improvements and significant affordability challenges across a small ratepayer base. The Government has a range of regulatory initiatives in the new water legislation that should assist in addressing cost efficiencies for wastewater treatment plants.

In addition, I understand that my officials at the Department have connected you with National Infrastructure Funding and Financing (NIFF) to assist with assessing what investment is needed and how the proposed wastewater standards can be used to achieve savings.

The Department recently commissioned a study through NIFF to provide examples of the impact of the proposed wastewater environmental performance standards for discharges to water from small wastewater treatment plants (the small plant standard). Although the standards are still under development, this study indicatively showed that the small plant standard may result in cost savings of 40-60 percent in the design and consenting phases for small wastewater treatment plants. These figures were based on looking at treatment plant case studies across three council areas – Southland District, Horowhenua District and Thames-Coromandel District. The report is available at this link - [Wastewater standards cost efficiency case studies – Small Treatment Plants](#).

This Government is actively working to reduce costs and regulatory burden to assist councils through the proposed wastewater environmental performance standards which will be in place later this year. Through our new legislation we have also provided for 'infrastructure design solutions' which are a new regulatory tool that will set the design and operating requirements for modular wastewater treatment plants or components. These solutions will be similar to Acceptable Solutions, such as those for drinking water (under the Water Services Act), and

under the Building Act. The infrastructure design solutions will help reduce the costs of design and consenting by enabling standardised treatment plants or components of treatment plants to be commissioned and delivered faster. The infrastructure design solutions are proposed to be in place next year.

The Bill that will also provide new powers to the Water Services Authority to develop a mandatory set of National Engineering Design Standards (NEDS) for water service network (reticulation) infrastructure. This will provide for one common set of engineering design standards across New Zealand.

The initiatives outlined above will help enable cost efficiencies in the design, consenting, procurement, build, and operations associated with wastewater treatment plants.

5. *Financial support to RWSCCOs which take on harmonisation policies to soften the perceived impacts on the larger councils/communities that would assist smaller ones like ours through the tough times.*

Under Local Water Done Well, there is no requirement for price harmonisation. The intention behind this is to allow regional price differences to remain where they reflect variations in investment, borrowing levels, and service delivery costs. Shareholding councils in the multi-council CCO model, retain discretion over pricing arrangements, which can be formalised through legal establishment documents such as entity constitutions and shareholder agreements. I am pleased to see that CHBDC is looking to allocate \$1,550,000 of the \$2,830,000 better off funding that is available to go towards projects related to water services in your district.

Overall, the delivery of financially sustainable water services sits at the core of Local Water Done Well, and it will form the basis for how the Department will assess water services delivery plans after the 3 September 2025 submission date. From what I have seen in the progress you have made alongside your neighbouring councils, I am confident that you are using the tools available to you to address the existing barriers CHBDC faces under the status quo by implementing a financially sustainable future model. We have also introduced legislation that will continue to allow water organisations to amalgamate over time. This will allow communities to take advantage of further efficiencies from scale.

As we approach the 3 September 2025 deadline for submission of water services delivery plans, I encourage CHBDC to maintain its current momentum and make the decisions required to ensure clean, safe, reliable, and financially sustainable water services for your community.

I recognise these are challenging conversations, and I back the efforts you are making to get water services right for your community now and for future generations.

In future, please do not hesitate to reach out directly to my office if you would like to set up a discussion to work through any issues.

Yours sincerely,



Hon Simon Watts
Minister of Local Government



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30 June 2025

Minister of Local Government
Hon Simon Watts
Parliament Buildings
Wellington
Via email: s.watts@ministers.govt.nz

Re: Local Water Done Well and Affordability challenges for small rural communities

E te Minita, tēnā koe Simon

Thank you for your continued work on water reform in Aotearoa New Zealand. There is clear consensus across the country that the current system is not fit-for-purpose and change is essential.

Central Hawke's Bay District Council (CHBDC), along with our wider Hawke's Bay whānau, have been proud to lead and champion change. However, implementing Local Water Done Well (LWDW) is not easy for small rural communities like ours. I would like to share our challenges with you and suggest some possible solutions.

We, in Central Hawke's Bay (CHB), remain aligned to the LWDW principles: scale that unlocks vital system improvement, regulation creating a successful utility environment for this type of network infrastructure, and ensuring the decisions on how to move forward sit with our communities.

However, I want to share with you how the silence in the policy, legislation and the broader regulatory environment on issues of affordability is creating challenges – which is where we need your support.

Our community is suffering from several decades of poor leadership decisions and a significant lack of investment in our local water infrastructure. This means that even with a bare-bones approach to operations, capital renewals and improvements, the next ten years is a perfect storm of costs for our households.

Catching up on this historic underinvestment, combined with the significant investment required for wastewater treatment upgrades, in particular, results in an intimidating investment profile for the next ten years. Even with the scale of a Regional Water Services CCO (RWSCCO), this ten-year hump of investment creates an [unaffordable cost for the 4,450 connected household ratepayers in CHB.](#)

For context, a median valued residential property in CHB will pay \$3,200 for three waters services this year. These costs are projected to increase to \$7,000 by 2034, even with the scale and benefits from being part of a RWSCCO. Our community has a median household income of \$82,100 and a deprivation index of 7-8 across several parts of our district (in particular in urban areas connected to water services). These costs represent a significant chunk of household expenses.

In addition, by 2034, over 25% of our population will be aged over 65, with many attempting to cover all of their living cost from superannuation alone. The combination means it will be impossible for many of our senior citizens to afford to live in our small towns if water charges are this high. [One of our local communities has been vociferous on this point.](#)

We held a series of community meetings across our district, discussing the LWDW policy and its impacts on CHB in some detail. More than half of our submissions chose the option of accessing scale through a Hawke's Bay RWSCCO. However, the overwhelming and consistent feedback was that even with these system changes, affordability is not being adequately addressed.

We understand that the new RWSCCO is assumed to provide the best platform to address these affordability challenges. But it is hard for our isolated, rural communities to trust that regional and national levels of planning, investment, regulation and policy will service them well, in a way they feel connected and can trust that affordability challenges will be addressed. Other rural districts are voicing [similar concerns](#).

It is my view, with the support of my Councillors and officers, that there are some policy changes and refinements that you could consider to assist rural communities like ours as we navigate the next steps of LWDW.

1. **A nationally defined approach to what “affordable” means for access to clean water and sanitation.** Affordability is not currently described in the LWDW legislation, an omission that we think creates a challenging flaw.

The World Health Organisation and others consider benchmarks for equitable access to water services – in particular, drinking water and wastewater. Current international thinking is that 2-5% of household income is an equitable and realistic level. Water NZ has published some additional thoughts on this, but we think there is a role for Government to consider what is right-sized and appropriate for New Zealand.

The way that DIA interprets affordability will be part of how officials review and assess our Water Service Delivery Plans (WSDPs) but without consistent policy

frameworks on what is meant by ‘affordable’, we are putting communities like ours at some risk.

For context, the \$7000 per year in 2034 for CHB, quoted above, will be 7.1% of median household income (assuming 2% per annum CPI) – well above current international and national benchmarking.

2. Consideration of **how affordability and price paths will be more transparently considered by the Commerce Commission** as the economic regulator of water entities.
3. **Expanding the Government’s Rates Rebate Scheme** to include an additional component for a hardship rebate of Water Services charges. This would need to be in addition to the current rates rebate structure.
4. **One-off capital injections into RWSCCOs to support rural communities to address their backlog of investment, especially for wastewater treatment upgrades.** With the importance of the rural economy to New Zealand Inc, and the considerable burden that our rural farming communities take on in the current property tax model of local government, this would give a strong vote of confidence for our local rural economies. This alone has the potential to halve the projected increases in water charges.
5. **Financial support to RWSCCOs which take on harmonisation policies to soften the perceived impacts on the larger councils/communities that would assist smaller ones like ours through the tough times.** We all know that over 30-50 years, investment and pricing needs will gradually even themselves out as infrastructure renewal cycles turn over. But it is the early years, as we deal with the aforementioned humps of historical underinvestment and non-compliance, that we will need assistance with.

Assistance from you, your agencies and regulators on at least some of these points would assist us to move forward with more trust and confidence in the larger system. This would provide critical support to the actions we, CHBDC, are already taking to reduce the impacts at a local and regional level:

1. Re-phasing our investment pipeline to a ‘no regrets’ approach, taking on more infrastructure failure risk and delaying renewals investments.
2. Utilising the (yet to be confirmed) new wastewater treatment standardised approach from Taumata Arowai to reassess our Wastewater Strategy. This will

result in CHBDC taking on further regulatory risk to operate non-compliant treatment for longer and to consider potentially cheaper options for treatment and investment.

3. Reducing impact of our ten-year investment hump by advocating for the Hawke's Bay Region to create a joint 30-year investment strategy urgently through the transition phase to a RWSCCO and ensuring affordability considerations are part of the direction to the new RWSCCO.

For clarity, these last three points are not enough to reduce the price path to an affordable level on their own. We will need further assistance. Our initial modelling shows that this *may* further reduce the price path to between \$5,000 and \$6,000 by 2034, which is still not affordable for our connected ratepayers.

Thank you for your consideration of these points. I want to be able to move forward with LWDW reform with confidence for my community and would appreciate your assistance.

I am available to speak with you directly to clarify any questions or issues and welcome you to visit us in Central Hawke's Bay at any time.

Ngā manaakitanga



Alex Walker
Mayor of Central Hawke's Bay

From: [Doug Tate](#)
To: [Doug Tate](#)
Subject: FW: Commerce Commission - economic regulation and water frequently asked questions and answers
Date: Wednesday, 16 July 2025 2:07:56 pm
Attachments: [image002.png](#)
[image003.png](#)
[image004.png](#)
[image005.png](#)
[image006.png](#)
[image007.png](#)

From: Charlotte Reed <Charlotte.Reed@comcom.govt.nz>
Sent: Thursday, July 10, 2025 5:08:45 PM
To: Alex Walker (Mayor) <alex.walker@chbdc.govt.nz>
Cc: Dylan Muggeridge <dylan.muggeridge@chbdc.govt.nz>
Subject: RE: Commerce Commission - economic regulation and water frequently asked questions and answers

Hi Alex,

Thank you for your email, and we have also read your open letter to the Minister.

We have been asked on one other occasion about how we would act where prices are significantly different between Council areas within a CCO, although with a different lens to your query. In the first instance, the Commission will focus on the performance of the regulated entity *in its entirety*. However, we note that Council responses to our ID Discussion Document have indicated that using information disclosure to shine a light on the relative costs, and prices, of services to ratepayers of different Councils within a CCO would be of interest to consumers and we are considering this as we set our initial disclosure requirements. CCOs or owner councils could also require this level of transparency through their letters of expectation or management accounts.

As you note in your close, your query at its heart is really about price harmonisation. As reflected in the [DIA Q+A response](#) (question 36), the Commission will be able to consider whether prices are efficient – for example whether they appropriately signal the cost of service and support efficient demand management. In the example you provide below, the regulated entity *could* be asked to demonstrate that the proposed different *prices* reflect different *costs*. You have asked what the Commission would do in the case of “unnecessarily” high costs for some communities compared to others. Taking an efficiency lens,

- Price differences in the two different Council regions of a joint CCO that makes its own pricing decisions would not necessarily signal there is a pricing *efficiency* issue under the economic regulation regime’s statutory purpose. Cost reflective prices will generally more consistent with that purpose.
- The *higher* price may or may not be the issue. For example, if prices and costs are both \$6000 per connection in one area, but in the other area prices are \$2000 per connection, but costs are \$1000 (or \$3000) per connection, then we could conclude that the potential issue would be with the *lower* price.

You have queried whether revenue thresholds (either maximum or minimum) (or price paths, in your letter to the Minister) could be applied to one group of customers within an entity if it is operating separate price paths for different communities. In the event an additional type of regulation is imposed in future that may allow more direct intervention on the regulated entity's pricing decisions, then this would generally apply to the supply of regulated water services by the entire regulated entity (eg, the joint CCO). However, Bill 3 allows for a type of regulation to be implemented taking into account cost and other differences within that entity's supply area.

As you note in your letter, affordability is not a stated tenet of the Government's Local Water Done Well policy, including for the Commerce Commission. The Commission's purpose statement is to promote the long term benefits of consumers, which can be interpreted to include the ability to recover sufficient revenue to cover efficient costs. Where we have concerns about revenue sufficiency we would consider all relevant matters, including the prioritisation, timing and efficiency of necessary investment.

I would be happy to answer any further questions you have on this or other matters.

Ngā mihi

Charlotte

Charlotte Reed (*she/her*)

Head of Water Regulation

Commerce Commission | Te Komihana Tauhokohoko

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From: Alex Walker (Mayor) <alex.walker@chbdc.govt.nz>
Sent: Wednesday, 2 July 2025 1:16 pm
To: Charlotte Reed <Charlotte.Reed@comcom.govt.nz>
Cc: Dylan Muggeridge <dylan.muggeridge@chbdc.govt.nz>
Subject: FW: Commerce Commission - economic regulation and water frequently asked questions and answers

You don't often get email from alex.walker@chbdc.govt.nz. [Learn why this is important](#)

Kia ora Charlotte

Thank you for this information – it is incredibly timely clarification for us as we head into our next stage of decision-making tomorrow, following our community consultation.

One of our big challenges, that we have spoken about before, is how we would be able to see our local CHB affordability challenges handled by ComCom once the water assets are with the RWSCCO. Your guidance below almost side-steps it!!

Under the question *When would the Commission apply its additional tools?* it would be really helpful to have a point that speaks to “If charges in one or more communities are unnecessarily high compared to other communities within the Water Service Entity footprint”. And relevant to that – would you pose Revenue Thresholds (either max or min) on one group of customers within an entity if it is operating separate price paths for different communities? Ultimately, will you have tools that will require a RWSCCO to use harmonisation of some sort?

My community and councillors (and I) are struggling to see where the specifics of this guidance are, to give use confidence that the RWSCCO will be regulated in a way that will manage our (terrifying) path to >\$7000 per household by 2034! How this plays into the assessment of financial sustainability is totally unclear at present. My Chair of Finance, Infrastructure and Performance said to me last night that “it feels like we are heading into a tunnel that has no light at the end!”

Additional clarity would be very helpful. I have written to the Min Watts on this point this week as well

Ngā mihi

Alex



Alex Walker (Mayor)
Mayor of Central Hawke's Bay | Koromātua
Central Hawke's Bay District Council

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Got an idea or feedback? Fantastic! You can let us know [here](#).

From: Infrastructure Regulation <infrastructure.regulation@comcom.govt.nz>

Sent: Wednesday, 2 July 2025 11:51 am

Subject: Commerce Commission - economic regulation and water frequently asked questions and answers

Tēnā koutou,

In our capacity as economic regulator for water services under the Government's Local Water Done Well regime, we've been busy engaging with Councils and other stakeholders to explain what economic regulation will likely mean for them.

Parliament will soon pass legislation giving us enduring powers set out [here](#), and Councils are finalising their delivery models and Water Service Delivery Plans. These are significant decisions, and we know the impact of future economic regulation is one factor being weighed in the balance. At this important point we wanted to circulate a few frequently asked questions and answers about economic regulation.

FAQ 1: Will there be economic regulation of an in-house service delivery model? Will this be different to a CCO model?

We are the economic regulator for all forms of local government water services provider, including in-house models. Water supply and wastewater services will be subject to our initial regulation. We could also recommend the regulation of stormwater services.

We will initially require the audit or certification, and public disclosure of detailed financial and asset management information. All water service providers will have to comply with this, whatever their form. Some Councils are already setting up CCOs and working through the complexities of separating out their services. Their initial work will likely make ongoing regulatory reporting easier when compared to Councils that retain services in-house, which is one benefit of a CCO model.

FAQ 2: What will the Commission do with the published information?

We ask for information to be published so that customers, stakeholders and third parties can consider and challenge water service providers' performance. We will publish consolidated information in a form that makes it easy to compare between water organisations, and to look at trends over time.

The Commission will use this information, along with other public information like Water Service Delivery Plans and Water Services Strategies, to assess and comment on the performance of suppliers. We will look at levels of investment and revenue, approaches to customer pricing, and overall service performance. Our focus will be on ensuring the right outcomes for customers over the long term.

FAQ3: How will you set a price path for Councils or CCOs?

Once legislation passes we will develop our approach to setting a price-quality path for Watercare from 1 July 2028. Our [information disclosure \(ID\) technical paper](#), which is relevant to all water services providers, can be seen as a start of this process. We will consult widely as we set our approach and methods and will include how these might apply to different forms of water service provider, who could be subject to price-quality regulation at a future date.

FAQ4: When would the Commission apply its additional tools?

In general, we will recommend to the Minister that our additional tools are applied where we see there are risks or potential harms to consumers and the benefits from addressing these exceed the costs. We can make these recommendations at any time once the Local Government (Water Services) Bill is enacted. If our recommendation is accepted, examples of when we might apply our initial or additional tools include:

- Where we consider customers are not getting a minimum standard of service, we could set infrastructure quality standards for aspects such as interruptions to supply.
- If a water service provider plans a large investment without clear justification, we could require that they seek our approval to proceed.
- If customers are unclear about the level of service they should expect, or if complaint information suggests they are not well protected, we can create a compulsory customer service quality code.
- If evidence suggests a water service provider is not recovering enough revenue to cover costs in the long term we could set a minimum revenue threshold.
- If charges appear relatively high while service performance is low, we could set a price-quality path.

More information

We look forward to playing our role in the economic regulation of water infrastructure. Some of this is already underway, including our work with Watercare and Wellington Water.

We also recognise there is significant work for Councils to do. If you are a Council or a Council Controlled Entity and want to know more about what economic regulation will likely mean for you, you can:

- Read the information on [our website](#)
- Follow us on LinkedIn
- Ask a member of our team to come and speak to you, your Councillors or technical staff
- Watch one of the webinars we have done with [Water NZ](#) and LGNZ
- Connect with our team via wai@comcom.govt.nz
- Say hello to us at LGNZ's upcoming [SuperLocal](#) conference in Christchurch 16-17 July
- Come and listen to us, or find us at our booth at the [WaterNZ conference](#) in Christchurch 29 September – 3 October

Ngā mihi,

Charlotte Reed (she/her)

Head of Water Regulation

Commerce Commission | Te Komihana Tauhokohoko



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OFFICE OF THE MAYOR

2 July 2025

Minister of Commerce & Consumer Affairs
Hon Scott Simpson
Parliament Buildings
Wellington
Via email: s.simpson@ministers.govt.nz

Re: Local Water Done Well and Affordability challenges for small rural communities

E te Minita, tēnā koe Scott

I am writing to you regarding the economic regulation in place under the Local Water Done Well policy of the current government.

I share with you a letter that I sent to Hon Simon Watts this week in his capacity as Minister of Local Government.

Implementing Local Water Done Well (LWDW) is not easy for small rural communities like ours. I would like to share our challenges with you and suggest some possible solutions.

Two of the requests that we made to Minister Watts are of direct relevance to your responsibilities for the rules and direction for regulation of Water Services, and of the Commerce Commission in their implementation.

Essentially, the silence in the policy, legislation and the broader regulatory environment on issues of affordability are creating challenges for small rural councils like ours – which is where we need your support.

Our community and our council need to be able to better see how affordability pathways will be dealt with by the Commerce Commission. In seeking to be flexible, the approach is leaving too much uncertainty for small councils, particularly in these decisions of whether to step away from our financial autonomy and into a RWSCCO.

We understand that the new RWSCCO is assumed to provide the best platform to address these affordability challenges. But it is hard for our isolated, rural communities to trust that regional and national levels of planning, investment, regulation and policy will service them well, and in a way they feel connected and can trust affordability challenges will be addressed.

We think it would be helpful to consider:

- **A nationally defined approach to what “affordable” means for access to clean water and sanitation.** Consumers and customers need this surety.
- **Consideration of how affordability and price paths will be more transparently considered by the Commerce Commission** as the economic regulator of water entities. It is not clear enough for the situations like we find ourselves in at CHBDC

I appreciate your time and attention to this matter for my community. I am available to speak with you directly to clarify any questions or issues, and welcome you to visit us in Central Hawke’s Bay at any time.

Ngā manaakitanga



Alex Walker
Mayor of Central Hawke’s Bay

Following this is the letter to Hon Simon Watts, 30 June 2025, Re: Local Water Done Well and Affordability Challenges for small rural communities



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30 June 2025

Minister of Local Government
Hon Simon Watts
Parliament Buildings
Wellington
Via email: s.watts@ministers.govt.nz

Re: Local Water Done Well and Affordability challenges for small rural communities

E te Minita, tēnā koe Simon

Thank you for your continued work on water reform in Aotearoa New Zealand. There is clear consensus across the country that the current system is not fit-for-purpose and change is essential.

Central Hawke's Bay District Council (CHBDC), along with our wider Hawke's Bay whānau, have been proud to lead and champion change. However, implementing Local Water Done Well (LWDW) is not easy for small rural communities like ours. I would like to share our challenges with you and suggest some possible solutions.

We, in Central Hawke's Bay (CHB), remain aligned to the LWDW principles: scale that unlocks vital system improvement, regulation creating a successful utility environment for this type of network infrastructure, and ensuring the decisions on how to move forward sit with our communities.

However, I want to share with you how the silence in the policy, legislation and the broader regulatory environment on issues of affordability is creating challenges – which is where we need your support.

Our community is suffering from several decades of poor leadership decisions and a significant lack of investment in our local water infrastructure. This means that even with a bare-bones approach to operations, capital renewals and improvements, the next ten years is a perfect storm of costs for our households.

Catching up on this historic underinvestment, combined with the significant investment required for wastewater treatment upgrades, in particular, results in an intimidating investment profile for the next ten years. Even with the scale of a Regional Water Services CCO (RWSCCO), this ten-year hump of investment creates an [unaffordable cost for the 4,450 connected household ratepayers in CHB.](#)

For context, a median valued residential property in CHB will pay \$3,200 for three waters services this year. These costs are projected to increase to \$7,000 by 2034, even with the scale and benefits from being part of a RWSCCO. Our community has a median household income of \$82,100 and a deprivation index of 7-8 across several parts of our district (in particular in urban areas connected to water services). These costs represent a significant chunk of household expenses.

In addition, by 2034, over 25% of our population will be aged over 65, with many attempting to cover all of their living cost from superannuation alone. The combination means it will be impossible for many of our senior citizens to afford to live in our small towns if water charges are this high. [One of our local communities has been vociferous on this point.](#)

We held a series of community meetings across our district, discussing the LWDW policy and its impacts on CHB in some detail. More than half of our submissions chose the option of accessing scale through a Hawke's Bay RWSCCO. However, the overwhelming and consistent feedback was that even with these system changes, affordability is not being adequately addressed.

We understand that the new RWSCCO is assumed to provide the best platform to address these affordability challenges. But it is hard for our isolated, rural communities to trust that regional and national levels of planning, investment, regulation and policy will service them well, in a way they feel connected and can trust that affordability challenges will be addressed. Other rural districts are voicing [similar concerns](#).

It is my view, with the support of my Councillors and officers, that there are some policy changes and refinements that you could consider to assist rural communities like ours as we navigate the next steps of LWDW.

1. **A nationally defined approach to what “affordable” means for access to clean water and sanitation.** Affordability is not currently described in the LWDW legislation, an omission that we think creates a challenging flaw.

The World Health Organisation and others consider benchmarks for equitable access to water services – in particular, drinking water and wastewater. Current international thinking is that 2-5% of household income is an equitable and realistic level. Water NZ has published some additional thoughts on this, but we think there is a role for Government to consider what is right-sized and appropriate for New Zealand.

The way that DIA interprets affordability will be part of how officials review and assess our Water Service Delivery Plans (WSDPs) but without consistent policy

frameworks on what is meant by ‘affordable’, we are putting communities like ours at some risk.

For context, the \$7000 per year in 2034 for CHB, quoted above, will be 7.1% of median household income (assuming 2% per annum CPI) – well above current international and national benchmarking.

2. Consideration of **how affordability and price paths will be more transparently considered by the Commerce Commission** as the economic regulator of water entities.
3. **Expanding the Government’s Rates Rebate Scheme** to include an additional component for a hardship rebate of Water Services charges. This would need to be in addition to the current rates rebate structure.
4. **One-off capital injections into RWSCCOs to support rural communities to address their backlog of investment, especially for wastewater treatment upgrades.** With the importance of the rural economy to New Zealand Inc, and the considerable burden that our rural farming communities take on in the current property tax model of local government, this would give a strong vote of confidence for our local rural economies. This alone has the potential to halve the projected increases in water charges.
5. **Financial support to RWSCCOs which take on harmonisation policies to soften the perceived impacts on the larger councils/communities that would assist smaller ones like ours through the tough times.** We all know that over 30-50 years, investment and pricing needs will gradually even themselves out as infrastructure renewal cycles turn over. But it is the early years, as we deal with the aforementioned humps of historical underinvestment and non-compliance, that we will need assistance with.

Assistance from you, your agencies and regulators on at least some of these points would assist us to move forward with more trust and confidence in the larger system. This would provide critical support to the actions we, CHBDC, are already taking to reduce the impacts at a local and regional level:

1. Re-phasing our investment pipeline to a ‘no regrets’ approach, taking on more infrastructure failure risk and delaying renewals investments.
2. Utilising the (yet to be confirmed) new wastewater treatment standardised approach from Taumata Arowai to reassess our Wastewater Strategy. This will

result in CHBDC taking on further regulatory risk to operate non-compliant treatment for longer and to consider potentially cheaper options for treatment and investment.

3. Reducing impact of our ten-year investment hump by advocating for the Hawke's Bay Region to create a joint 30-year investment strategy urgently through the transition phase to a RWSCCO and ensuring affordability considerations are part of the direction to the new RWSCCO.

For clarity, these last three points are not enough to reduce the price path to an affordable level on their own. We will need further assistance. Our initial modelling shows that this *may* further reduce the price path to between \$5,000 and \$6,000 by 2034, which is still not affordable for our connected ratepayers.

Thank you for your consideration of these points. I want to be able to move forward with LWDW reform with confidence for my community and would appreciate your assistance.

I am available to speak with you directly to clarify any questions or issues and welcome you to visit us in Central Hawke's Bay at any time.

Ngā manaakitanga



Alex Walker
Mayor of Central Hawke's Bay

Hon Scott Simpson

Minister for ACC
Minister of Commerce and Consumer Affairs



17 July 2025

Alex Walker
Mayor of Central Hawke's Bay, Koromatua
Central Hawke's Bay District Council
alex.walker@chbdc.govt.nz

CCSS 2025-149

Dear Alex

Proposed economic regulation regime

Thank you for your letter of 2 July 2025 regarding the proposed economic regulation regime under the Local Government (Water Services) Bill, and for passing on your letter to my colleague, Hon Simon Watts.

The economic regulation regime will promote sufficient revenue recovery, and efficient investment and maintenance, by all forms of local government water services provider. The Commerce Commission (the Commission) will be able to require information on, and monitor, a range of water services information, including prices. The Commission will also comment on performance which will improve transparency and better enable consumers to hold their provider to account.

Affordability is not an explicit objective for the Commission because it is dependent on individual consumer circumstances and would risk undermining investment incentives. Instead, the Commission must exercise its powers for the long-term benefit of consumers generally by incentivising monopolistic entities to make efficiency gains (which includes lower prices) and share the benefits of those gains with consumers.

As you are aware, the Local Water Done Well regime directly promotes affordability through mechanisms that are targeted to those who need support. For example:

- The Council-administered Rates Rebates Scheme will continue to provide support to low-income owner-occupier households.
- The proposed consumer protection regime will promote quality of service that reflects consumer demands. The Commission will be able to issue service quality guidelines, which could specify conditions for the provision of water services to consumers experiencing hardship or other vulnerabilities.

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The Commission has offered to meet with Councils that want to know more about what economic regulation will mean for them and how the Commission will utilise its powers to ensure the right outcomes for consumers over the long-term. I would encourage you to take up this offer by emailing wai@comcom.govt.nz.

Thank you again for taking the time to write on this matter.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'SAS', followed by a long horizontal flourish.

Hon Scott Simpson
Minister of Commerce and Consumer Affairs

6.2 LOCAL WATER DONE WELL – ENDORSEMENT OF CAPITAL MODELLING PRINCIPLES – *LATE PAPER TO FOLLOW*

AUTHOR: BEN SWINBURNE, 3 WATERS MANAGER

AUTHORISER: DOUG TATE, CHIEF EXECUTIVE

7 DATE OF NEXT MEETING

RECOMMENDATION

That the next Ordinary Council meeting of the Central Hawke's Bay District Council be held on 7 August 2025.

8 PUBLIC EXCLUDED BUSINESS

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
8.1 - Recommendation of the Chief Executive Employment and Performance Committee Meeting held on 10 July 2025	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
8.2 - Local Water Done Well - Adoption of Heads of Agreement	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

9 TIME OF CLOSURE