

Tatunga wai mō āpōpō.

Planning for tomorrow's water, today.

LOCAL
WATER
DONE
WELL

HAVE YOUR SAY

Public consultation dates
12 May - 15 June 2025

kōrero
mai!

sayitnapier.nz



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Let's talk about the future of our water services.

We have three options for what a future model will look like and we need community voice to make sure we are heading in the right direction.



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Have your say on this important decision.
Consultation closes 5pm on Sunday 15 June 2025.

You can make a submission in three easy ways:

1. On our website www.sayitnapier.nz – simply scan the QR code.
2. Fill in a paper form from one of our libraries or our Customer Service Centre and drop it in a box in person.
3. Fill in a paper form and post it to us: Napier City Council, 215 Hastings Street Napier 4110, Private Bag 6010 Napier 4142.



say it!

Planning for Tomorrow's Water, Today

By September this year, we must provide central government with our proposal for the future delivery of water services in Napier. We have options for what that model will look like and we need community voice to make sure we are heading in the right direction.

When we talk about water services, we mean water supply (drinking water), the management of stormwater, and the collection, treatment and discharge of wastewater.

Our preferred option for consultation on the future delivery of these services is a multi-council water organisation for the region. In coming to this proposal, we took into account four criteria we see as essential: cost efficiencies, levels of service, resilience and engagement. These are fundamental to the lasting success of our future model. There are two other criteria important to the initial move from in-house delivery to a council-controlled organisation: ease of implementation and impact on the community.

When we look across all the measures, coming together as a region to collectively deliver water services will give us enhanced delivery and capability, increased resilience, and better value for money. It will also support us to develop a long-term vision to meet the needs of future generations.

In the area of costs alone, these will increase markedly whichever future model we adopt. We cannot control this because it is driven by

increased regulatory standards coming from central government. What we do have control over is how much those costs will increase. Based on indicative modelling, with a regional water organisation, we are looking at a potential 65% increase in costs over the next five years. If we were to 'go it alone', those costs could increase by 80%.

In terms of community voice, councils and our elected members will still have responsibility for ensuring our community is well represented and well served in the water space. Although the model for delivery may change, our role is still fundamental as kaitiaki of any new water organisation.

We need to consider how best to ensure our community has water that is safe and reliable, and a network that is resilient.

We need to make sure we can manage stormwater, day-to-day and during extreme weather events.

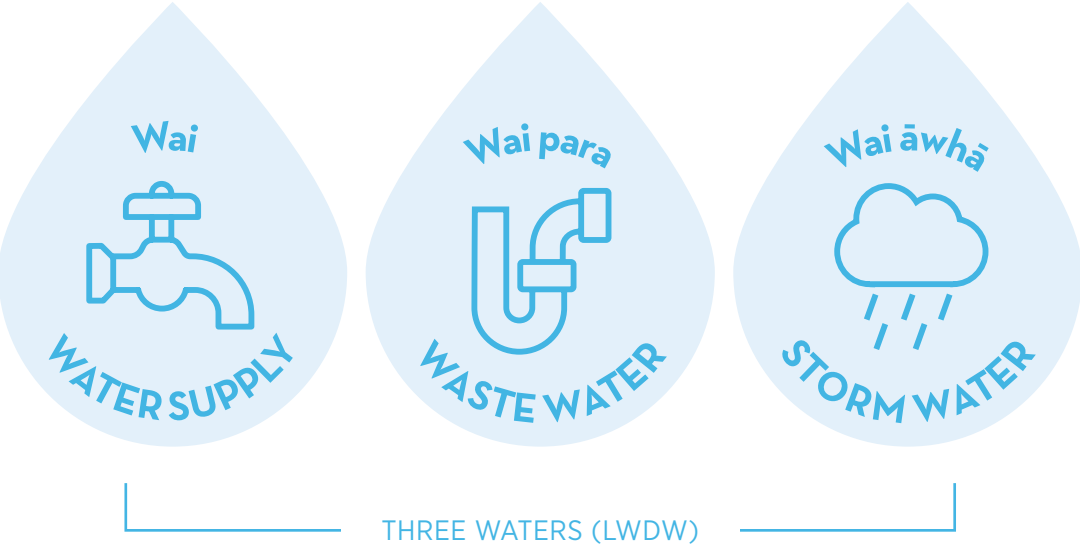


We also need to ensure we are financially sustainable in our delivery of water services, and that we are preparing for future needs as well as providing for what our community needs now.

We know the status quo – the way we do things now – is not viable in the long term. New government requirements continue to be released, with the most recent round of changes including stricter financial rules and the introduction of an economic regulator. Building on enhanced drinking water standards, the government will be releasing new wastewater regulations that councils must meet. They have also signalled that over the next few years new national requirements for urban stormwater management will be introduced. All these changes impact water services delivery. We need to use this opportunity to set a strong, sustainable pathway to ensure we have the most efficient and effective future model. Together, we need to think strategically, not just about what's right in front of us, but about the legacy we are leaving for generations to come.



Kirsten Wise
Mayor of Napier



What is LWDW?

Local Water Done Well (LWDW) is a programme introduced by central government to reform water services delivery. It takes the place of earlier governments’ Three Waters Reform. LWDW requires all councils to consider how they will manage and deliver water services in the future in a way that is financially sustainable. ‘Water services’ means water supply or drinking water, stormwater and wastewater.

To meet government-legislated reform, Napier City Council must change the way it delivers water services, explore alternative delivery options, consult with community, and ultimately decide on a path forward to meet the legislative requirements. Through these reforms, Council must ensure it has a firm foundation for success against a backdrop of increasing regulatory requirements and the need for resilient, cost-effective infrastructure.

There are also needs beyond those of new legislation. Our community has told us that Napier’s current delivery model is not meeting their expectations. The work programme required is beyond the capacity of the existing model. Current processes and internal resources hinder the ability to deliver on our ambitious capital programme. Compounding these factors is sufficient access to debt that is limited by current lending rules and regulations. Although significant investment and planning is underway to ensure parts of the network are brought up to appropriate levels, there is much work to do.

The required changes present an opportunity for Napier City Council to respond to the challenges. Local Water Done Well recognises the importance of local decision making and flexibility for councils to decide the best way to deliver water services for communities in the future, while ensuring a strong emphasis on meeting environmental, water quality and economic regulatory requirements. New Zealand has long been facing growing water infrastructure issues such as ageing assets, underinvestment, and rising costs, which makes it increasingly challenging for councils to maintain and future-proof water services. Local Water Done Well aims to address these challenges by:

- Improving the **quality** and **sustainability** of water services nationwide.
- Ensuring **water services** are **future-proofed** and **financially sustainable** (able to pay for themselves).
- Introducing **new economic** and **quality regulations** to raise service standards.
- Making water service delivery **more effective** and **efficient**.



What do we mean by financially sustainable water services? The revenue generated from water services meets the cost of delivering those water services.

Key changes:

- Under Local Water Done Well, city and district councils must:
- Ensure water services are financially sustainable (self-funded through water charges).
 - Invest in infrastructure upgrades to address historical underinvestment and meet new standards.
 - Set fair prices that reflect the cost of delivering water services.
 - Develop a fit-for-purpose Water Services Delivery Plan for Ministerial approval by September 2025.
- These changes will shape how water services are delivered, maintained and regulated in the years ahead.



What are the options?

We have considered a number of options, with three final options for your feedback.

Our preferred option, endorsed by our council, is a joint water services organisation with Napier City Council, Hastings District Council, Central Hawke's Bay District Council and Wairoa District Council all working together.

OPTION 1 REGIONAL CCO



A joint water services organisation.

This option would require us to transfer our water assets to the new organisation. Napier City Council would be a shareholder.

OPTION 2 NAPIER CCO

A water services organisation owned by Napier City Council.

This option would also require us to transfer our water assets to the new organisation but in this case, Council would be the sole shareholder.

OPTION 3 IN-HOUSE DELIVERY

Keep our water services delivery in-house.

Additional resourcing would be required to ensure we meet new regulatory requirements. This would include ringfencing water services revenue and expenses, and new reporting requirements.

What is a Council-Controlled Organisation (CCO)?

A CCO is different to a council. It is a company set up and owned by a council, but is governed by an independent board of directors. It is established for specific purposes (i.e.. water delivery) and works to meet clear expectations set by shareholding councils and their elected representatives. Each year, CCOs must formally report back to their shareholding councils to ensure those expectations are met.



5 WSDP FACTS

1 Water Service Delivery Plans (WSDPs) are one-off, transitional documents that set a pathway to ensure water service delivery is sustainable in the future and does not impact other council activities.

2 WSDPs must include drinking water, wastewater and stormwater, but councils have flexibility about how to transfer stormwater assets and services.

Economic regulation

A key feature of Local Water Done Well is economic regulation. The intention is to ensure consumers pay efficient, cost-reflective prices for water services, that those services are delivered to an acceptable quality, and that water services providers are investing sufficiently in their infrastructure. The Minister of Commerce and Consumer Affairs is leading development of an economic regulation system for water services.

Economic regulation ensures water services are delivered efficiently and transparently. The Commerce Commission will check that water organisations are charging a fair price for water services.

Water quality standards

Taumata Arowai is New Zealand's water services regulator. It ensures communities have access to safe and reliable drinking water, and works to protect the environment from negative impacts of stormwater and wastewater.

In Napier, Taumata Arowai's regulations have significant implications. Our current water supply network in Napier is deemed non-compliant by Taumata Arowai and does not meet current standards. This has led to investments in new bores, treatment plants and storage reservoirs to provide compliant water for now and into the future. The new standards have also seen the installation of UV treatment within Napier's water supply network.

Borrowing and investing

Council's capital investments are typically funded from debt. This is limited by the level of debt it can take on through the Local Government Funding Agency (LGFA). The LGFA has said it will provide special financing to support water services CCOs, in both single-council and multi-council organisations. This means new water organisations will be able to access a higher level of financing to invest in water infrastructure, at a relatively low cost, ensuring investment is spread across the life span of the asset. If we can access cost-effective finance to invest in water services delivery, we can pass cost savings on to our community, meaning smaller increases in water charges than would otherwise be required. Councils that opt for in-house delivery will be restricted to their existing foundational debt covenants with LGFA. Further, LGFA is not able to provide funding for consumer trust or mixed consumer trust/council water delivery models.

Governance

If Council was to shift responsibility for delivering water services to a new CCO, this organisation would be governed by a professional 'board of competence'. Council, as a shareholder, would provide strategic direction to the organisation through a Statement of Expectations that the board must give effect to. The board would then report back to the shareholding council on the organisation's performance through an annual report. Shareholders (councils) will also be able to set direction of the CCO by approving, providing recommendations, and ultimately amending water services strategies that the CCO must develop. These strategies provide financial projections over a ten-year horizon. The first three years are provided in detail with the following seven as an overview, much like the way councils produce a Long Term Plan.

3 WSDPs have no regulatory function. Long Term Plans (LTPs) continue to be councils' primary planning and accountability documents.

4 WSDPs can be developed by individual councils, or jointly where groups of councils are planning to establish a water entity together.

5 WSDPs cover a ten-year timeframe, with detailed information provided on the first three years.

Water Service Delivery Plans

Local Water Done Well requires councils to submit Water Service Delivery Plans (WSDP) to central government in early September 2025. Through these Plans, councils will be asked to provide information about their water services operations, assets, revenue, expenditure, pricing and projected capital expenditure, as well as necessary financing arrangements. WSDPs must provide an assessment of the current condition and expected lifespan of assets and the overall network. It must include existing consents, those at risk of non-compliance, and those due to expire. Projected future capital expenditure, financing and pricing/revenue will also be included in the WSDP. Central to the WSDP is a proposal for the governance, management and operations of water services delivery. Our preferred option is to establish a joint council-controlled organisation to deliver water services.

WSDPs cover information across three key areas:

1. Council's water services delivery financial and asset information and performance measures, pricing and other related policies, methodologies and assumptions.
2. Planned levels of investment in water services delivery, approach to operations, and whether these are sufficient to deliver the proposed level of service, meet infrastructure standards and meet regulatory standards.
3. Council's proposed water services delivery arrangements, including proposals for any joint arrangements across more than one council.

Our Water



Water assets make up around **30%** of Council assets. Our underground asset replacement value is roughly **\$1.3 billion**, with above-ground assets having a replacement value of **\$1.5 billion**.



Day-to-day water costs are about **13%** of Council's operating costs.



Water projects make up nearly **50%** of our proposed capital work in the next ten years.



Some businesses that use a lot of water also pay for their water consumption and wastewater treatment separately. This is called trade waste. When new development in the city occurs, the developers are also required to contribute to the costs of infrastructure through development contributions.



\$701 million of capital expenditure is required over the next ten years to upgrade and renew our water assets. Then in the following 20 years we're expecting to invest an additional **\$1.5 billion**.




\$265 million of operational expenditure is required to maintain and operate our water network over the next ten years. This averages out to **\$24 million** per year – **20%** higher than the 2024/25 financial year.



17%* of total rates goes towards funding our water network.

*Financial year 2025/26 estimate.



Napier has comparatively low debt when it comes to water services, and we are in a strong position to navigate water reform requirements.

Our water story

Napier, Hawke's Bay and New Zealand currently face several significant challenges with water service delivery due to infrastructure improvements, the demands of enhanced drinking water standards, compliance requirements and evolving regulations.

In Napier, we have been making water our number one priority with \$111 million invested in the last five years. We have a comprehensive water network capital programme of \$408 million through to 2034. This includes a water supply masterplan with a significant investment of \$140 million being made to drinking water projects, including new bores, treatment plants and storage reservoirs.

Bores that were once compliant now need additional treatment not because the water is unsafe but because new mandatory drinking water standards have been made more stringent. Substantial investment is being made to meet these new standards, with \$7.2 million allocated in the current financial year.

Included in the capital delivery programme is the replacement of the Wastewater Treatment Plant outfall pipeline. This is considered the most critical asset in Napier's water utility network, with a projected replacement cost of over \$40 million. We have \$9.5 million allocated to wastewater this year.

Napier's stormwater network is also receiving a much-needed boost in strategic planning, investment and infrastructure. Investments in the stormwater network include the Maraenui to Te Awa stormwater project and Ahuriri Regional Park stormwater treatment at Lagoon Farm. This year, our stormwater commitment is \$7.2 million.

Napier has comparatively low debt when it comes to water services and we are in a strong position to navigate water reform requirements. There are financial benefits to working collaboratively with other councils. There are also benefits in terms of workforce, with a joint approach providing additional pathways for workforce development and professional growth.

The Government has made clear its strong preference for councils to collaborate and form larger water organisations with the financial capacity to invest in water services infrastructure.

By joining together and achieving economies of scale, as a region we can:



Keep water services more affordable for residents



Improve efficiency in water services delivery



Access more borrowing capacity to fund infrastructure upgrades

Adopting a larger-scale water services delivery model - in partnership with other Hawke’s Bay councils - aligns with the Government’s clear expectations around collaboration and efficiency and offers key advantages.



A larger Water Services Delivery Model offers several advantages.

Cost Efficiency

Larger organisations reduce the per-user costs for infrastructure investment, maintenance and regulatory compliance. This is because costs are spread across a larger pool of residents.

Shared Expertise

Pooling resources allows access to a broader range of technical expertise, skilled staff and operational capabilities. This improves service quality and drives innovation.

Enhanced Resilience

A larger-scale model provides greater capacity to respond to emergencies, manage risks, and adapt to future challenges such as population growth and climate change.

Improved Investment Capability

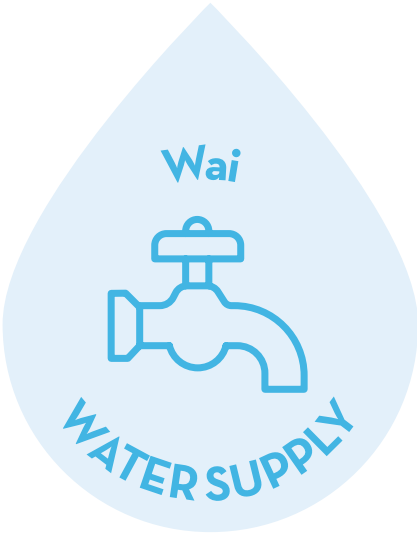
The bigger the organisation, the greater the ability to access higher levels of debt funding for water infrastructure upgrades (and at a lower cost). This could lead to accelerated investment in water infrastructure, which has positive flow on economic impacts such as local job creation.

Regulatory Compliance

Scaling up enables more efficient implementation of health, environmental and economic regulations, ensuring compliance with the advancing government standards.

Water Supply *Wai*

Napier City Council provides safe potable water for drinking and firefighting from the water supply network. A safe and cost-effective drinking water supply is key to sustaining the health of the community. The system draws water directly from the Heretaunga Plains aquifer through seven Council-managed bores.



Our network consists of:



Almost **1 billion** litres delivered to homes and businesses each year



7 operative ground water bores



8 booster pump stations



11 service reservoirs



482km of water mains



2 dechlorinated water stations

Where we're at:



Approximately **28,000** connections



Based on age, roughly **70km** of pipe needs to be replaced in the next five years with an additional **14km** by year ten.



Total asset replacement value of **\$357m**



Current water supply is non-compliant and does not meet mandatory drinking water standards for bacteria and protozoa barriers. It continually does not meet target levels of service based on annual reports.



Graphical representation of Mataruahou Reservoir from the corner of Simla Terrace and Havelock Road looking north.

About **93%** of Napier's population is served by reticulated water supply.

Our projects:

Mataruahou Reservoir – \$45m*

A new reservoir site is set to be constructed atop Mataruahou (Hospital Hill). Two new reservoirs will replace the current Enfield Reservoir, which is approaching the end of its operational lifespan. Provision for a third reservoir will bring the total storage capacity at the new site to approximately 18 million litres, compared to 9.5 million litres in Enfield Reservoir.

Mataruahou – Taradale Rising and Falling Mains – \$25m+*

The Rising (pressurised) and Falling (gravity) Mains projects are crucial parts of Napier City Council's Water Supply Network Master Plan. These pipelines will improve water distribution reliability and safety by connecting borefields and treatment plants to storage reservoirs, ensuring a secure and efficient water supply.

Taradale – Awatoto Borefields and Treatment Plants – \$20m+*

New borefields and treatment plants at our existing Taradale and Awatoto sites will replace most of the existing aged bores at these sites. As part of this project, each borefield will consist of four bores, one existing and three new.

Mission Hills Reservoir – \$5-10m*

The Mission Hills Development (MHD) will add 1,200 new houses to Napier. The current Tironui Reservoir cannot meet the increased demand. Two new reservoirs with a two-million litre capacity will support MHD with provision for two additional reservoirs catering for future city growth.



*Project costs are estimates.

Wastewater *Wai para*

Napier City Council provides and maintains a safe, effective and efficient domestic wastewater collection, treatment and disposal system to help maintain community health. A separate industrial wastewater collection and disposal system is provided to selected trade waste customers.



What we do:



Public Health and Sanitation

We operate and maintain the network to minimise the occurrence of wastewater overflows into habitable areas.



Minimise Environmental Impacts

We treat wastewater to the legally required standard before discharging into the environment.



Customer Responsiveness and Satisfaction

We respond to and restore loss of service and address complaints, and deliver a consistently high level of customer satisfaction.

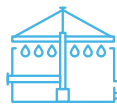
Our network consists of:



390km of wastewater mains



51 pump stations

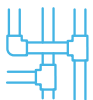


2 biological trickling filter tanks



1 milliscreen plant

Where we're at:



Approximately **27,000** connections



Based on age, roughly **225km** of pipe needs to be replaced in the next five years with an additional **30km** over the next ten years.



Total asset replacement value of **\$610m**

The current wastewater outfall pipe, classed as Napier's most critical asset, is in need of replacement due to potential risk of failure. This is currently prioritised as our top capital expenditure project.

Our wastewater network serves about **97%** of Napier.



Our projects:

Wastewater Outfall – \$40m*

Wastewater from Napier is collected and treated at the Wastewater Treatment Plant at Awatoto. It is pumped 1,500m offshore. The current concrete pipe, installed during the 1970s, has had issues since construction. Major leaks have been repaired in 1984, 2012 and 2020. With the pipe now considered end-of-life, the project to replace it is underway and expected to be completed in four years.



Wastewater Treatment Review and Masterplan

To meet the conditions of Council's wastewater discharge consent, we are undertaking a comprehensive review of our treatment processes with a focus on:

- Actual and potential effects of the existing wastewater discharge;
- Changes to environmental standards and statutory requirements;
- Technological innovations;
- Community expectations; and
- Community affordability.

The review will consider the above with a lens on the new National Wastewater Environmental Performance Standards, and what additional treatment options will be to meet those standards. The standards are currently out for review and are intended to be published in August 2025.

Subsequent to the treatment review, Council will undertake a Wastewater Treatment Plant Master Plan review to refine treatment options, prioritise implementation, and provide budget forecasting to inform the 2026 Long Term Plan.

*Project costs are estimates.

Stormwater *Wai āwhā*

Napier City Council’s stormwater system consists of open watercourses, stormwater pipes, sumps, and pump stations that carry rainwater to the ocean. About 75% of Napier relies on pumping systems for stormwater drainage.



Our network consists of:



244km of pipe network



5,337 manholes



37 coastal outfalls



2 detention dams



47km of open drains



10 pump stations

Where we’re at:



Approximately **25,100** connections

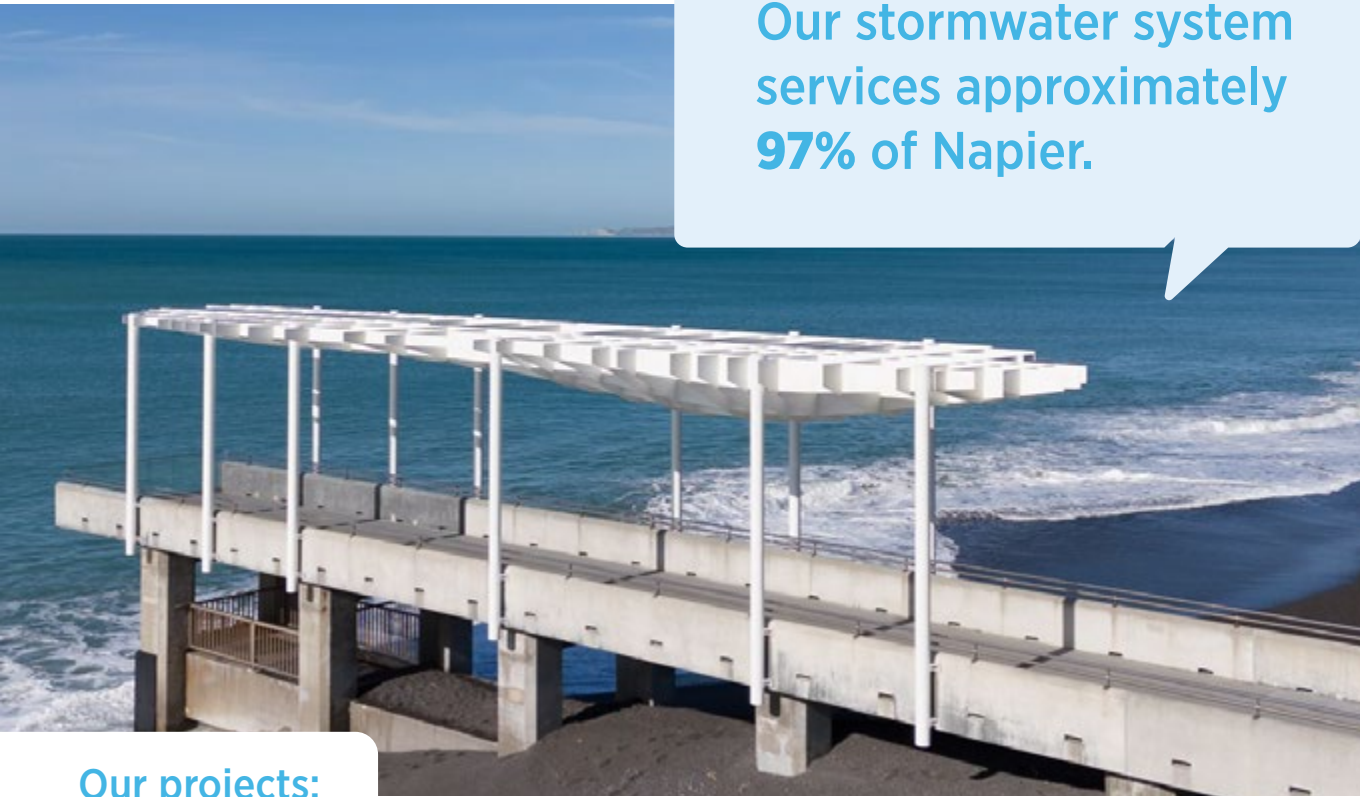


Much younger pipe network so in relatively good condition with only **11km** of pipe reaching end of life in the next ten years.



Total asset replacement value of **\$433m**

Issues with current ownership/management arrangement with Hawke’s Bay Regional Council regarding urban waterways. Difficulties meeting minimum level of service for flood management and a highly capital-intensive upgrade programmed to address this.



Our stormwater system services approximately **97% of Napier.**

Our projects:

Maraenui to Te Awa stormwater – \$25m+* (+ \$12.4m from Kāinga Ora)

Plantation Watercourse

Stormwater from Maraenui currently discharges into the Plantation Drain, which then flows north through a series of pump stations into the Ahuriri Estuary. Upgrading all the stormwater infrastructure along Plantation Drain to handle increased storm intensity is unlikely to be cost-effective. Instead, Napier City Council has proposed redirecting high level flows for a portion of the Plantation Drain catchment south, through Te Awa into Te Matau-o-Māui Hawke Bay. The project involves reversing the storm level flow in a portion of the Plantation Drain southwards into the Te Awa Serpentine Pond and adding additional stormwater treatment to improve water quality.

Te Awa Pump Station

Development and intensification in Te Awa and Maraenui will increase stormwater run-off, necessitating upgrades to the stormwater system in the area. A new stormwater pump station (with backup generator) and outfall is proposed to manage stormwater in the Te Awa Serpentine Pond, which will connect with the Maraenui catchment via the plantation watercourse upgrade.

Lagoon Farm Project – \$20m+*

Lagoon Farm is the area north of Prebensen Drive, bordered by the airport and the expressway. This project will involve constructing wetland treatment areas to improve water quality before it is released back to the Ahuriri Estuary. From the Ahuriri Estuary and Coastal Edge Masterplan, focus was given to developing a Regional Park on the site. The Lagoon Farm Strategy for Future Land Use was developed along with the Napier City Stormwater Masterplan, which was informed by the Napier City Council Stormwater Model Build Report.

Taradale and Herrick Culverts – \$5m+*

The Napier City Council Stormwater Master Plan identified the Taradale Road and Herrick Street culverts as being undersized to handle the volume of stormwater in the Napier Central catchment. The existing culverts along the Georges Drive watercourse (the old Tutaekuri Riverbed) beneath Taradale Road (State Highway 51) and Herrick Street will be replaced and upsized. Enlarging the culverts will increase their ability to move stormwater away from the city. Both culverts are planned for construction simultaneously. The Herrick culvert has completed the design stage, while the Taradale culvert is currently in the design stage.

*Project costs are estimates.

Our Options

LOCAL
WATER
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HAVE YOUR SAY



We need to change the way we deliver water services.

As part of the Government’s Local Water Done Well reform and its associated legislation, all councils must consult with their communities on how they will manage and deliver water services in the future.

We are asking our community what they would like to see for the future delivery of water services in Hawke’s Bay. This is an important topic that needs public voice and views. Local Water Done Well has flexibility for councils to choose the model and governance structure that works best for their community.

We don’t yet know what form our future water services will take but we do know we need to change the way we do things. There are two pathways open to us: ‘go it alone’ or work together with other councils in our region.

If we were to ‘go it alone’ we could either deliver water services from a ringfenced, in-house delivery model or from a council-controlled organisation. Across the country, different councils are looking at different models. There is no one-size-fits-all and there are pros and cons with all avenues.

Regardless of which model is chosen we know the cost of water will increase, there will be economic regulation to ensure financial sustainability, and we will have higher standards for environmental and water services regulation.

In identifying our preferred option, we assessed three options against six criteria weighted in terms of importance to our community. Although there are some benefits in moving forward with a Napier-only model, our preferred option is to work together across the region. We believe this will be better overall, in the long term.

As part of the Government’s Local Water Done Well reform and its associated legislation, all councils must consult with their communities on how they will manage and deliver water services in the future.

Hawke’s Bay’s population is growing at an average rate of 5.2% per annum and expected to surpass

200,000 by 2048. In the face of climate change we are seeing more and more frequent severe weather events. As well as building resilience into our critical infrastructure, we must ensure it is future-proofed and sized correctly to support future demand.

Through this reform, central government intends to address the issues faced and future-proof the nation’s most critical assets. A key feature of this reform is it focuses on empowering local councils to determine their own model for future water services delivery, while implementing increased oversight of the way water assets are managed.

Under Local Water Done Well policy, we have the option of keeping our water services in-house, but with some big changes to meet the new requirements, meaning continuing with the ‘status quo’ for delivering water services is not an option. Alternatively, we could set up an independently run ‘water organisation’, which we would own – either by ourselves or jointly with other councils – to deliver our water services.

While each option has its pros and cons, in the context of the Government’s approach to water service delivery in the future, scale brings value for many reasons. While there is no doubt the cost of water services is going to increase, our modelling shows the more people (and water connections to homes and businesses) we have contributing to costs, the more affordable we can make it for our communities in the future.

This decision will shape the future of water services in our district for generations to come.

Assessment criteria

Value for Money
Services are cost effective, and efficiencies are realised where possible. Provides long-term financial sustainability.

Enhanced Delivery and Capability
Ability to optimise the delivery of the capital programme, increased service levels, and overall customer satisfaction. Model provides long-term, sustained growth potential for employees and enables a high level of professionalism.

Increased Resilience
How well the organisation can respond to a significant event both from an operational level but also the ability to access funding if large-scale recovery works are required.

Community and mana whenua engagement
The organisation has the capacity to meaningfully consult and engage with mana whenua partners and community. The organisation has a strong ability to meet partner and community expectations.

Ease of Implementation
The difficulty and risk of establishing an organisation or implementing the requirements needed to meet legislation, regulation and new water quality standards.

Minimises Impact to Community
On implementation, what the expected disruption to customers is and what the change requirement is to mitigate effects.

Challenges ahead

The challenges facing Napier and Hawke’s Bay can be found in areas across New Zealand.

The cost of maintaining and replacing aged assets. Pipes, pumps and plants are reaching end of life after many were built during a boom between the 1950s and 1970s. Councils need to find significant funding to replace them. Changing the model of water services delivery will enable the community to borrow more money to fix assets or replace them.

New rules and regulations around drinking water safety and security. Safety standards and environmental protection requirements are increasing and many water service providers are currently not compliant.

Increased investment needed to build new infrastructure. As our population grows, there is increased need to improve network resilience to natural hazards and a changing climate.

Costs

Costs will rise no matter which option we propose to the government in our water services delivery plan (WSDP). At this stage actual costs are yet to be confirmed. Costs are a forecast only and are based on all known information to date.

We know, for the ratepayer, a Regional CCO delivering water services for the whole region will be cheaper than each council having its own in-house or single-council water organisation.

In-House:
\$2,300 by FY30
and increasing to
\$3,100 by FY34

Regional WO:
\$2,000 by FY30
and increasing to
\$2,800 by FY34

A Regional CCO

Development of a Council-Controlled Organisation (CCO) jointly owned by Napier City Council, Central Hawke’s Bay District Council, Hastings District Council and Wairoa District Council.

Under this model, the Regional CCO would be responsible for delivering water supply (drinking water), wastewater and stormwater services across council boundaries.



Working together

Together, our councils serve 182,700 people and span an area of 14,164 kilometres, which is made up of a number of dense urban areas and more dispersed rural populations. Joining together to deliver water services provides efficiencies and financial benefits that will help keep costs per household down.

By working together, we can also save money and reduce costs over time, including buying supplies in bulk, using shared software and vehicles, and streamlining decision making.

Staffing shortage

There is already a well-known shortage of specialist resources in the water services delivery sector both in New Zealand and globally. Hawke’s Bay councils have struggled to fill key roles and attract the necessary skills. This gap in strategic capacity has been a contributing factor in councils being unable to deliver on planned capital projects. A larger dedicated water organisation would have a higher chance of attracting and retaining the required skills and expertise into the future.

Governance and strategic planning

Councils would work together to set up the organisation, which would start with the tasks of developing a transition plan. That includes appointing a skills-based board of professional directors. This could be done through councils appointing representatives to a joint committee known as a shareholder council, who would be responsible for appointing the board. The shareholding council committee could also create

a ‘Statement of Expectations’ to guide the CCO’s priorities, strategic direction, and performance expectations.

Legislation also requires the new water organisation to prepare a water services strategy that would detail its approach to water management. The strategy would be reviewed every three years and relates to a period of at least ten financial years, so it would act like a council long-term plan.

The board of directors would be appointed based on competencies consistent with the needs of the new organisation and specific to water governance. The transition plan would include subject areas such as the expected timelines, mana whenua involvement, scope of delivery services, location, customer experience and staff transitions.

Day-to-day decisions and operations

While the councils would be shareholders, the water organisation would operate independently from other council business. This means, unlike how we manage water services currently, no council staff or elected members would be involved in the organisation’s daily decisions. Like council, the community would not be directly involved in decision making, although there would be consultations from time to time.

Responsibilities

The organisation would be responsible for planning, funding, building and maintaining water supply, wastewater and stormwater infrastructure, as well as running the day-to-day customer-facing services for those water services. Ownership of water assets (and all associated debt and liabilities) would transfer to the water organisation.

Key Points

Who owns the water assets?	Under this option, the assets for water and wastewater would be owned by the water organisation, but council remains a shareholder. As a result, all water assets will remain in public ownership, but they will be held by the regional water services CCO.
Who makes decisions?	The board of the water organisation, but this would be informed by the Statement of Expectations from the shareholding councils.
Iwi involvement	The important role of Iwi/Hapū still needs to be confirmed and agreed to with Iwi/Hapū and the councils.

While currently we have to balance our spending on water with other services we manage as councils, this new water organisation would be able to borrow money for water construction (capital costs) separate from council borrowing. This would mean we have greater capacity to invest in other infrastructure and community projects. We would consult and seek feedback on these other services through our Long Term Plan and other community consultations, before committing to any other expenditure.

As these assets are strategic assets belonging to councils, the transfer of each council’s water assets will need to be provided for in each of the relevant Long Term Plans. This would involve a Long Term Plan amendment. In accordance with the LWDW legislation, this consultation covers this requirement.

What would the costs look like?

Indicative modelling shows this to be the most affordable way to deliver water services for our communities in the future. By 2034 Napier residents who are connected to all three waters could expect to pay \$300 less per year for water services delivery compared to a council delivered water services model and a standalone Napier CCO model.

What would Council’s borrowing look like?

The CCO would be responsible for managing and paying for all water services. Ownership of water-related assets (and any related debt) would be transferred to the new CCO. This would see Council’s debt/revenue ratio reduce from 156% to 75% by FY34. As well, transferring this debt off our balance sheet does not put Council at risk of breaching our debt covenants in FY31 like the other options of single-council CCO and in-house delivery.

This is our preferred option for many reasons with a key one being it is the most affordable way to deliver water services for our communities in the future.

Advantages

Financial Sustainability	The most affordable option for communities.
Debt	A regional CCO would be able to access higher levels of debt funding for water infrastructure investment, and at a lower cost than councils borrowing on their own. This could lead to accelerated investment in water infrastructure, which has positive flow on economic impacts such as local job creation.
Service Provision	Would meet legal requirements. It is likely that water services could improve, as with more people able to pay, and an increased ability to borrow, the water organisation could invest in this work sooner than individual councils could. Centralising investment planning, service delivery, and customer engagement could lead to efficiencies and improved customer service.
Scale and efficiencies	By working together we respond to the Government’s call for scale and collaboration. We can also save money and reduce costs over time in a number of ways, including buying supplies in bulk, using shared software and vehicles, and streamlining decision making.
Resilience	A larger-scale model with greater access to capital provides greater capacity to respond to emergencies and manage risks. This option is also likely to allow more climate change mitigation actions and preparation for population growth than Options 2 and 3 due to the advantages of scale and improved efficiencies.
Impact on other council services	We would be able to transfer the current water-related debt to the new Regional CCO. This would mean that Council is able to borrow more capital if needed for other needs such as during emergency situations and for roading, parks and reserves, and community facilities in the future if that is required. We would also have more ability to focus time on these other council services.
Specialist workforce	A larger dedicated water organisation would have a higher chance of attracting and retaining the required skills and expertise into the future and reduces competition for staff. It will also provide opportunities for specialisation in water services delivery.

Disadvantages

Community voice and decision making	More stakeholders involved in decision making compared to in-house management could lead to risk of local voice having less influence. The CCO will be accountable to its independent board and to all communities within Hawke’s Bay, with shareholding councils able to influence the CCO via the Statement of Expectations.
Organisation setup	Higher one-off setup costs and complexities to develop an integrated water services delivery system than Option 3 (in-house delivery). It is important to note these costs would be shared across the four councils and should be considered in the context of cost savings and lower debt costs over time.



Napier CCO

Another option for delivering future water services involves the development of a Napier City Council Controlled Organisation (CCO).



What would this look like?

Like our preferred option, this option requires a new CCO being established, but just for Napier. This organisation would be responsible for delivering water supply (drinking water), wastewater and stormwater services to Napier communities only, managing approximately 28,000 water connections. It would build, maintain and operate critical waters infrastructure, based on strategic direction from the council shareholder.

While many of the key features to note about this model are the same as that of a regional CCO, in this instance the organisation would be 100%-owned by Napier City Council. This means Council would have more influence over the CCO as the only shareholder. It would also be solely responsible for developing a full transition plan to support the transition and implementation of this option.

Another key difference between this and Option 1 is Option 2 does not create the scale and efficiencies that come from a regional model. This means we wouldn't benefit from some of the potential savings outlined under Option 1 and attracting the required specialist skills and expertise could be more difficult.

Similar to Option 1, ownership of water assets (and all associated debt and liabilities) would transfer to the organisation, meaning it would be able to borrow money for water investment and construction (capital costs) separate from council borrowing in other areas.

This means the water debt could exceed current limits for councils. While the CCO's debt won't be added back to the Council's debt, credit rating agencies will still consider both water and non-water debt together when evaluating the Council's financial position.

As with Option 1, a Long Term Plan amendment would be required to transfer Napier's water assets to the new water services CCO.

What would the costs look like?

Our modelling shows this is not the most affordable way to deliver water services for our communities in the future. By 2034 ratepayers could expect to pay \$300 more per year for water services delivery compared to a multi-council CCO model but relatively similar costs to the in-house delivery model.

What would Council's borrowing look like?

The CCO would be responsible for managing and paying for all water services, including collecting water rates. Ownership of water-related assets (and any related debt) would be transferred to the new CCO. This is similar to a regional delivery model however borrowing costs will be higher given stricter lending criteria from LGFA, e.g. higher costs to community.

Key Points

Who owns the water assets?	Under this option, the assets for water and wastewater would be owned by the water organisation. Council will be the 100% owner of the water organisation.
Who makes decisions?	The board of the water organisation, but this would be informed by the Statement of Expectations from the shareholding council.
Iwi involvement	The important role of Iwi/Hapū still needs to be confirmed and agreed to with Iwi/Hapū and the council.

Advantages

Debt	A single CCO should be able to access higher levels of water-related debt funding than an in-house unit for water infrastructure upgrades, and at a lower cost, however, its borrowing power (ability to lock in lower borrowing costs) is not expected to be as great as for a regional CCO.
Service Provision	Would meet legal requirements. The CCO Board can focus on investment in water infrastructure, removing the need for trade-offs on investment decisions against other council activities. Service levels and standards will ultimately be set by the CCO and regulators, but the council will hold the CCO to account through a Statement of Expectations.
Scale and efficiencies	With this model we miss opportunities to achieve various efficiencies through the scale a Regional CCO would provide. There could be potential to achieve some efficiency gains through the new board that would be established, in the sense that the organisation will be solely focussed on water services delivery and not other aspects of Council business.
Impact on other council services	We would be able to transfer the current water-related debt to the new water services organisation. This would mean Council is able to borrow more capital if needed for other needs such as roading, parks and reserves, and community facilities in the future if desired.
Community voice and decision making	An individual CCO can establish and maintain a direct relationship with its community and be solely accountable to its independent board. It is likely that consumer panels would be established. The Council can also influence the CCO via the Statement of Expectations.

Disadvantages

Financial Sustainability	Our modelling shows this is not the most affordable way to deliver water services for our communities in the future. By 2034 ratepayers could expect to pay \$300 more per year for water services delivery compared to a multi-council CCO model but similar costs compared to the in-house delivery model.
Service Provision	Would meet legal requirements but it is unlikely that water services could improve without the scale of a regional model.
Resilience	Without the scale of a regional model, we don't benefit from that increased capacity to respond to emergencies, manage risks, engage in climate change mitigations and prepare for population growth.
Impact on other council services	While Council would be able to borrow more capital if required, of current staff engaged in water and non-water work, those who move to working in the CCO will not be available for their other Council-related work.
Specialist workforce	Without the scale of a regional CCO, it would be harder to attract and retain the required specialist skills and expertise into the future to manage the increased requirements for water investment under new legislation.
Organisation setup	Higher setup costs for a new entity, and complexities to develop an integrated water services delivery system, than Option 3 (in-house delivery).

In-House Delivery

This involves maintaining the existing in-house approach for delivery of water services, but through an enhanced version of the status quo to ensure it meets Government requirements under Local Water Done Well.



What would this look like?

This option would see Napier City Council continuing to manage and deliver Napier’s water services but under a different set of regulations. This can be described as the ‘new status quo’ because of the various additional challenges to navigate for this model to meet Government requirements under Local Water Done Well. This option is financially difficult to achieve for a number of reasons, largely due to the new financial sustainability requirements.

Councils are legally required to demonstrate this model as a baseline. It is more likely that Government considers in-house delivery is less able to meet legislative requirements for financial sustainability over the longer term.

Ringfencing water would cost you more as residents

Under the Local Water Done Well legislation, we will be required to ‘ringfence’ all money collected and spent on water services. Essentially we will have to separate all water-related revenue and costs from our other council services and set up a new business unit within the Council for water delivery. This ensures the community understands the true cost of their water services.

Currently, we operate in a way that allows some council-delivered services to indirectly help fund others. For water services in particular, we rely on revenue from other areas to meet the legal requirements for borrowing money for large construction projects. By needing to ringfence this money in the future, we will have no choice other than to significantly increase the cost to community for water to fund the required level of water services.

Limits on our borrowing will negatively impact other council services

If we continue with an in-house water services delivery model, under the new legislation we will have less capacity to borrow any additional money for water projects. We would have to work within our existing borrowing restrictions, which will be tough when there will be new regulatory requirements to meet. For council-controlled organisations, the legislation allows water borrowing to be separated from council borrowing, essentially creating higher borrowing limits to maintain and upgrade water infrastructure.

There are strict new and existing rules and regulations around water services delivery, and our water infrastructure needs to be upgraded in a timely manner to ensure we continue to meet those. Therefore, despite the limited borrowing cap, council would need to keep investing in water projects, meaning higher water rates than under the Regional CCO option for delivering the same amount of investment. It is also very likely that this could mean we wouldn’t have enough money to meet our community’s expectations in maintaining and investing in other areas such as transport, waste management, housing, parks and libraries, and be limited in our ability to respond to emergencies.

In the short term, continuing to deliver water services in-house may seem affordable as Council wouldn’t need to factor in transition costs. An in-house model, however, will place significant pressure on other Council services and may affect service levels for other activities as increased water investment is required.

As a council we would need to spend time considering different ways of reducing spending and get your feedback if these things were to change service levels on a significant scale.

Key Points

Who owns the water assets?	Council (and therefore ratepayers)
Who makes decisions?	Council. Also subject to regulatory oversight.
Iwi involvement	Status quo using our own internal iwi partners such as Te Waka Rangapu and Ngā Mānukanuka o te Iwi as well as fostering relationships with local PSGEs (Mana Ahuriri for example).

Importantly, this option is less likely to be considered by Government to meet its new legal requirements for water services.

Another requirement under Local Water Done Well is that we will need to prove financial sustainability for the future, over the long term. This option is not affordable for our council nor our residents. Our community would face major financial and, potentially, social impacts because of changing service levels and reduced investment in other council areas. We’d also risk not meeting legal requirements for other council services if we reduced investment in other key infrastructure areas.

Lastly, the Government has indicated a preference for councils to work collaboratively to share costs, resources and efficiencies. By working regionally we can better achieve benefits of scale for our community, and meet the objectives set out by central government.

What would the costs look like?

Our modelling shows this is not the most affordable way to deliver water services for our communities in the future. By 2034 residents could expect to pay \$300 more per year for water services delivery compared to a multi-council CCO model, and very similar compared to a single-council CCO model.

What would Council’s borrowing look like?

Despite water being its own business unit in Council, all water-related debt remains with Council. This means water debt will contribute to all-of-council debt and be measured by LGFA against the current LGFA net debt-revenue limit of 175%. Modelling suggests under an in-house delivery option, net debt/revenue will breach our covenant level by 2031 putting future investment at risk.



Advantages

- Community voice and decision making

Council would maintain total control of assets and continue to make decisions as it does now. Community influence remains through the Long Term Plan and Annual Budget processes.
- Organisation setup

Lower setup cost compared to the establishment of a multi-council controlled organisation.

Disadvantages

- Financial Sustainability

Our modelling shows this is not the most affordable way to deliver water services for our communities in the future. By 2034 ratepayers could expect to pay \$300 more per year for water services delivery compared to a multi-council CCO model and relatively similar compared to a single-council CCO model.
- Debt

Under this model, Napier City Council would not be able to access higher levels of debt funding for water infrastructure upgrades available to water CCOs.
- Service Provision

Council would retain control over investment prioritisation in water services, although the required ringfencing will mandate a certain level of investment that cannot be avoided by Council. All delivery and asset management would need to be undertaken within existing financial constraints. Councils will need to fund and prioritise recovering the full cost of services to meet the financial sustainability requirements, with regulation driving investment decisions.
- Scale and efficiencies

With this model we lose opportunities to achieve various efficiencies through scale, or through the establishment of a board.
- Resilience

Maintaining the status quo for water services could severely impact Council's ability to financially prepare for and manage climate change resilience and future growth needs. Individual councils would approach resilience differently, meaning less collective emphasis on funding resilient options across the region. Limited funding for water services could slow growth and development, as the necessary water infrastructure in growth areas would need to be funded through other means.
- Impact on other council services

Maintaining this 'new status quo' for water services could severely impact other council services due to the increased requirements for water services investment, which might be mandated by the new central government economic regulator. Some services might have to be discontinued and others could face significant cuts if additional or earlier water-related investment were required. This would have other major impacts on our community and its wellbeing.
- Specialist workforce

Without scale, it would be harder to attract and retain the required specialist skills and expertise into the future, and employees would need to be shared with non-water services.



Next Steps

Timeline

12 May – 15 June
Community consultation
Council will seek feedback from the community.

21 July
Hearings
Submitters can speak to their feedback in person.

July
Deliberations and final decision

June - September
Preparation and adoption of Water Service Delivery Plan (WSDP)
Based on the decision, staff will finalise a WSDP for Council to adopt in August.

By 3 September
Council submits adopted WSDP to Government

By 1 November
Advice from Government on acceptability of WSDP or changes required

From 2026/27
Implementation period
Establishment of Water Services Organisation or enhanced status quo compliance.

30 June 2028
Water Services Organisations or councils must prove financial sustainability

This will be one of the most important decisions we make in the coming decades.

Have your say on how water services will be delivered in the future.

We need your input to help shape the future of water services in Napier and Hawke’s Bay for generations to come. It’s important we get this right for our city, our community and our region.

- 1 Do you support Napier City Council’s preferred option of establishing a joint Council-Controlled Organisation to deliver drinking water, wastewater and stormwater services?
- 2 If not, what option do you support and why?
- 3 Please share any other feedback you have about water service delivery in the future.
- 4 Would you like to present your submission verbally to councillors at the hearings?

LOCAL WATER DONE WELL
HAVE YOUR SAY

Have your say on this important decision.
Consultation closes 5pm on Sunday 15 June 2025.

- You can make a submission in three easy ways:
- 1. On our website www.sayitnapier.nz – simply scan the QR code.
 - 2. Fill in a paper form from one of our libraries or our Customer Service Centre and drop it in a box in person.
 - 3. Fill in a paper form and post it to us: Napier City Council, 215 Hastings Street Napier 4110, Private Bag 6010 Napier 4142.



say it!



Have your say
before **5pm**
Sunday 15 June



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

say it!

sayitnapier.nz