LOCAL WATER DONE WELL – PROPOSED WATER SERVICES DELIVERY MODELS FOR CONSULTATION

APPENDIX 1: Summary of the Hawke's Bay water services reform journey

Hawke's Bay councils have a long-standing history with water, pre-dating the various reform agendas of the last two Governments. It has been considered through multiple reports and Council workshops. Being the centre of the initial water outbreak that triggered the government inquiry and then initiated water reform across the country, Hawke's Bay has been invested in being at the forefront of this change – commissioning a business case and modelling before the Government announced any updates on water standards and reform.

As a region, we have kept financial modelling up to date through the various changes within Government to ensure we are best placed to make the right decisions for our communities. We have continued to advocate for a localised model with local decision making.

The current Government has repealed the previous Three Waters / Affordable Waters legislation and developed a replacement model under the Local Water Done Well policy. As a result of previous work and investment to date, Hawke's Bay councils and elected members were in a strong position with much greater understanding than many other local authorities.

We have been working together a region from the beginning – irrespective of the different positions of member councils at various times, and there has always been a common agreement that the status quo is no longer an option. As a result, our most recent financial modelling to support the current reform and public consultation, is some of the most comprehensive across the country – and has been developed in partnership (with agreed inputs and assumptions) across all member councils.

BACKGROUND SUMMARY – PRE-LOCAL WATER DONE WELL REFORM

1. 2016 – Havelock North water outbreak.
2. 2017 – Havelock North water outbreak Government inquiry finding released. Highlighted widespread systematic failures and triggers regulatory changes, structural reforms and establishment of a regulator.
3. 2019 – First regulatory reform proposed. Adoption of Health (Drinking Water) Amendment Act.
4. July 2020 - Hawke's Bay Councils received a commissioned business case prepared by Morrison Low, to assess delivery options for three water services in Hawke's Bay. Through this process, workshops were held in partnership with mana whenua representatives to establish initial principles and investment objectives. On completion of this business case, this process was paused as the Government announced the Three Waters reform programme.
5. 2020 – Regulator (Taumata Arowai) established, water services bill introduced to the House, revitalised Three Waters reform announced.
    5.1. This reform had all Hawke's Bay councils as part of 'Entity C'. This included the local government areas stretching from Gisborne, down the east coast of the North Island through to Wellington, the local government areas from Manawatu south on the west coast and either the entire Nelson, Tasman and Marlborough areas or parts of them.
    5.2. There was a strong regional opposition to the Entity C delivery model, with leaders advocating to Central Government for a localised Hawke's Bay standalone model – as assessed in the business case developed above.
6. August 2021 - Hawke's Bay Councils received an updated financial analysis section of the initial

business case prepared by Morrison Low, to assess the impact of Entity C model and incorporate new parameters/guidance received from DIA under new reform.

7. December 2021 - Hawke's Bay Councils received an updated 30-year debt projection, prepared by Morrison Low. This was to update the existing financial analysis to meet further reform updates by Central Government.

    7.1. Particularly, answering key debt constraint and borrowing capacity questions – and bridging the gap between the WICS (Water Industry Commission of Scotland) analysis that the Government was using as a basis for Three Waters reform – and financial analysis completed for Hawke's Bay to date.

8. April 2023 – Government announced changes to water services reform programme. These changes included increasing the number of new water service entities from four to ten in order to strengthen local representation and voice.

    8.1. Out with 'Three Waters' terminology, and in with 'Affordable Water'

    8.2. Increase of the number of water service entities from four to ten

    8.3. Hawke's Bay moved from Entity C, to Model F. The new model included all four Hawke's Bay councils and Gisborne District Council

    8.4. Financial modelling was updated to incorporate Gisborne – to assess 'East Coast Water' against the initial 'Hawke's Bay Water'

9. May 2023 onwards – Hawke's Bay councils supported Model F, however continued to advocate for improvements. The model as is was not going to work.

    9.1. Key advocacy areas included balance sheet separation (with a heightened importance post-Cyclone), equivalent of Watercare legislation, and streamlined process for formation that protected against delay and judicial review

BACKGROUND SUMMARY – LOCAL WATER DONE WELL REFORM

10. November 2023 – New Government sworn in and repeal of Three Waters reform

11. September 2024 - Local Government (Water Services Preliminary Services Arrangements) Act passed, establishing the Local Water Done Well (LWDW) framework and starting the 12-month timeframe for local councils to develop Water Services Delivery Plans (WSDP)

12. October 2024 – Hawke's Bay councils engaged Price Waterhouse Coopers (PwC) to undertake financial modelling for the new LWDW reform parameters, and with updated council LTP numbers to support decision making, public consultation and WSDP requirements.

    12.1. Hawke's Bay councils continued to meet with DIA, Commerce Commission, LGFA and the Minister for Local Government – to share feedback on the current parameters and highlight policy ambiguity that was creating uncertainty

    12.2. In March 2025, LGFA responded – officially, providing the debt ratios and parameters required to fine tune inputs and complete modelling

13. April 2025 – financial modelling and outputs complete, councils began workshops and council meetings to respond to legislation and meet Government's deadlines.

    13.1. The detailed financial modelling showed that for all councils, the Regional CCO option presents the most affordable price path for water users of the three options assessed. The In-House option is the second most affordable, with Single Council CCOs being the least affordable.