

# Financing water services delivery through establishing new water council-controlled organisations (CCOs)

## LOCAL WATER DONE WELL

December 2024

*This guidance provides advice on financing options for councils that are considering adopting the CCO model for water services delivery. It outlines criteria for accessing higher borrowing from LGFA and the benefits of this for financially sustainable water services delivery, and includes worked examples showing the impact of utilising the additional debt headroom made available to CCOs by LGFA. Please note that this guidance does not constitute legal advice.*

# Local Water Done Well: A new approach to water services delivery

- The Coalition Government believes **communities are best placed** to make decisions about the future of their water assets.
- Local Water Done Well places **obligations on local authorities** to demonstrate their service delivery arrangements are fit for purpose.
- This includes setting out how their **delivery models** will ensure high-quality, financially sustainable services in the long run. Delivery model options include the establishment of new single-council or multi-council owned water organisations, and water organisations owned by consumer trusts.
- The Government expects councils will work together to address **financial sustainability and affordability challenges**.
- All councils are required to **develop Water Services Delivery Plans**, which will outline how **water services will be delivered in a financially sustainable manner** by 30 June 2028.







## Purpose of Water Services Delivery Plans

The Local Government (Water Services Preliminary Arrangements) Act 2024 sets out the content requirements, timeframe, and process for developing and accepting Plans.

Plans are intended to be a strategic decision-making tool for councils to consider current and future delivery of water services, and will:

- Set out how councils will deliver high-quality, financially sustainable water services in the long run; and
- Include information on councils’ water services, how much they need to invest, and how they plan to finance and deliver it through their preferred water service delivery model.

Most information required for the Plans is expected to come from councils’ existing documents, such as long-term plans, financial accounts and asset management plans.

-  One-off, transitional documents
-  Cover drinking water, wastewater and stormwater
-  Information to support development of economic regulation
-  Can be developed by individual or joint councils
-  Streamlined approach to consultation
-  10-year timeframe; may cover up to 30 years, with detailed info on first three

# Council-controlled water organisations and consumer trust owned water organisations are among the delivery models proposed under Local Water Done Well

The LGFA financing solution is currently available for these two delivery models, and is the focus of this guidance	1	<b>Internal business unit or division</b>	<ul style="list-style-type: none"> <li>• Status quo for many councils</li> <li>• New legislative requirements for water service providers will apply</li> <li>• Financial sustainability and ringfencing rules, and economic regulation will apply</li> </ul>
	2	<b>Single council-owned water organisation</b>	<ul style="list-style-type: none"> <li>• New company established, 100% owned by the council</li> <li>• Financial sustainability and ringfencing rules will apply, but retains a financial link to the council</li> <li>• Councils with existing water council-controlled organisations will be required to meet new legislative requirements for water organisations/water service providers</li> <li>• Can access LGFA financing up to the equivalent of 500% of operating revenues with the provision of parent support (through guarantee or uncalled capital)</li> </ul>
	3	<b>Multi-council owned water organisation</b>	<ul style="list-style-type: none"> <li>• New company established with multi-council ownership</li> <li>• Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement</li> <li>• Can access LGFA financing up to the equivalent of 500% of operating revenues with the provision of parent support (through proportional guarantee or uncalled capital)</li> <li>• New legislative requirements for water organisations / water service providers will apply</li> </ul>
Consumer trust models have different financing considerations and are not currently able to borrow from LGFA	4	<b>Mixed council/consumer trust owned</b>	<ul style="list-style-type: none"> <li>• Consumer trust established to part-own a water organisation</li> <li>• One or more councils own the remainder of the shares</li> <li>• Structure enables financially independent organisation to be established while retaining some council ownership</li> </ul>
	5	<b>Consumer trust owned</b>	<ul style="list-style-type: none"> <li>• Council transfers assets to consumer trust owned organisation</li> <li>• Consumers elect trustees to represent their interests in the organisation</li> <li>• Most financially independent delivery model</li> </ul>

# **LGFA have agreed to lend to council-controlled water organisations up to the equivalent of 500% of water services operating revenues**

In August 2024, the Local Government Funding Agency (LGFA) confirmed that it will provide financing to support water council-controlled organisations (CCOs) established under Local Water Done Well and look to assist high growth councils with additional financing.

LGFA will extend its existing lending to CCOs to new water organisations that are CCOs and are financially supported by their parent council or councils. The ability for councils to establish water organisations will be provided for by the Local Government (Water Services) Bill.

- LGFA will support leverage for water organisations up to a level equivalent to 500% of operating revenues (around twice that of existing councils), subject to water organisations meeting prudent credit criteria. LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.
- LGFA will lend to multi council-owned water organisations, who are supported by the parent councils.
- LGFA will make available to water organisations its existing suite of financial products that are currently made available to councils and CCOs.

Councils will also retain the ability to borrow through LGFA should they choose to keep water services ‘in house’ rather than establish a water organisation.

# Criteria for accessing higher borrowing from LGFA

## LGFA will require a water CCO to have the following in place to access higher borrowing:

- Limited liability company, with ownership rights described in a constitution and/or shareholder agreement.
- Parent council guarantee or uncalled capital that is proportionate amongst shareholders. The proportionate share is for shareholders to agree.
- Asset ownership established for the CCO through transfer agreement.
- Board comprised of independent and professional directors.
- Powers for the water CCO board to assess, set, and collect water services charges.
- 10-year asset management plan (and can be longer).
- 10-year finance plan (including revenue and financing).
- Borrowing documents agreed with LGFA.
- All shareholders of a water CCO must be councils or central government, and if a council they must be a guarantor of LGFA.

## Other credit considerations:

- Financial covenants will be agreed between Councils and LGFA, with a FFO to debt ratio the most likely covenant\*
  - The FFO to debt ratio to be set up to an equivalent level of 500% of water revenues.
  - The level of the ratio will be different between water CCOs.
- An interest servicing covenant such as FFO to Interest expense.
- LGFA will require standard reporting / covenant testing for CCOs on an annual basis.
- LGFA would expect to see water CCOs projected financial position move to an equivalent standalone investment grade credit rating (BBB- minimum) within 10 years of establishment.
- LGFA encourages water CCOs to obtain a credit rating but not required.
- LGFA will lend to the water CCO based on the financial support of the parent council(s).

*If councils wish to test a proposed CCO structure that requires variations to LGFA's criteria, they should reach out to discuss with DIA and LGFA.*

\* The Department advises councils to target an FFO range of 8% - 10% when investigating service delivery models. Multi-council owned CCOs and single metro council owned CCOs could set minimum FFO requirements to the lower end of this range, with single (non-metro) council owned CCOs targeting the upper end of the range.

# Accessing higher levels of borrowing from LGFA can improve the financial sustainability of water service delivery

LGFA have agreed in principle to lend up to an equivalent of 500% of operating revenues to council-controlled water organisations.

This creates additional debt borrowing capacity for both the water organisation and for owning councils.

There are significant benefits for councils that establish water CCOs to access the additional debt financing LGFA can provide. We encourage councils to consider what a water CCO could achieve for your council and communities.

**Potential to reduce to cost to ratepayers**

Utilising debt financing for capital investment reduces the requirement to generate operating revenues and surpluses to direct fund capital expenditure. This has the potential to reduce the cost to ratepayers.

**Spreading the cost over time**

Debt financing allows the CCO to spread the cost of large investments over years or decades. By using debt, the council ensures that the cost of the asset is shared across those who will benefit from it in the future.

**Immediate access to funding**

Debt provides immediate access to capital, enabling necessary investment to be funded and delivered, without having to wait years to accumulate sufficient rates revenue. For water infrastructure assets, enabling timely investment reduces the risk of further network degradation.

**Maintaining service levels**

Debt financing allows councils to avoid steep rate hikes, while still being able to fund important projects and maintain or improve service levels for the community.

**Utilising rates for operating costs and debt servicing**

By using debt to fund capital expenditure, critical services are not being compromised or traded off to fund large projects. Operating revenues can be set to an appropriate level to cover the operating cost of service (including servicing debt) and operating cash margins required to access debt financing.

**Cash reserve and flexibility**

Debt financing can allow the council to preserve financial reserves for emergencies or other priority areas.

# Increased access to financing enables the adoption of a fit-for-purpose financing strategy for water services delivery

## An efficient financing strategy for water services enabled by a water CCO that can borrow through LGFA

- **Operating revenues pay for operating costs plus provide minimum operating cash margins required to access debt financing.**
- **Capital investment requirements funded by capital sources - i.e., capital revenues (such as development contributions) and debt financing.**
- It is highly inefficient to fund capital investment for long-lived water services infrastructure through operating revenues.
- In LTPs, councils are proposing approximately \$40 billion of capital investment for water services over ten years. Only \$13.4 billion of this investment is proposed to be debt funded on a net basis over ten years (34% of the total); with operating revenues proposed to fund \$20.7 billion worth of investment (53% of the total).
- Establishing a water CCO that can access additional debt financing from LGFA enables councils to increase the proportion of infrastructure investment that is debt financed, reducing the incidence of operating revenues paying for capital investment, leading to lower charges to consumers.

### 'Operating revenues pay for operating costs'

- Financial sustainability and ringfencing requirements mean that operating revenues should be set to a level that covers the operating cost (including servicing debt) of water services.
- Operating revenues should cover all cash operating expenses plus a minimum FFO requirement (indicatively equivalent to 8 – 10%+ of net debt each year, depending on credit profile).
- This ensures that sufficient operating cashflows are secured to support borrowing and investment requirements (including staying below borrowing limits).
- Setting operating revenues to levels higher than needed to cover cash operating costs and debt servicing/support requirements is inefficient when there is available debt capacity to fund investment requirements.
- Operating cashflows can be used to manage or repay existing debt, rather than fund new capital expenditure.

### 'Capital sources pay for capital investment'

- Capital expenditure should be funded from capital sources – i.e., capital revenues (such as development contributions) and debt financing.
- New debt drawdowns for capital investment reduces the cost burden on current ratepayers and consumers; and enables this cost to be spread over the useful life of the asset.
- Capital inflows (including new borrowings) and capital outflows (i.e., investment) should balance, once accounting for any free operating cash flow generated from revenues that is used to pay down existing debt.
- Utilising capital sources of funding for capital investment limits the operating revenues needed to what is required from a FFO to debt covenant requirement, and to prudently pay down existing debt over time.
- This approach could replace current council approaches to funding of depreciation to generate cash reserves to fund capital investment. Depreciation funding in effect pre-funds capital investment and results in a higher cost to consumers than using effective debt financing for investment.

# How utilising additional borrowing capacity enables financially sustainable water services provision – a worked example

This slide and the slides following illustrate a worked example to demonstrate the benefits from establishing a council owning water CCO.

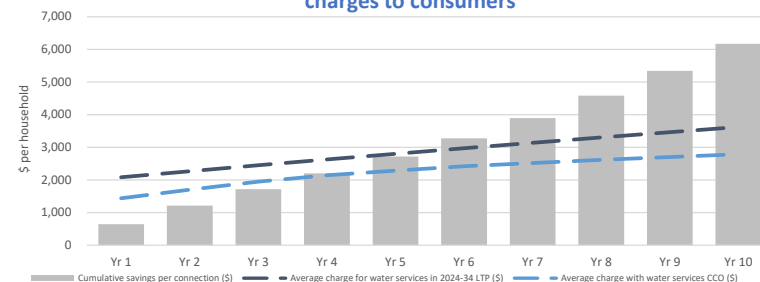
This is a hypothetical example which has been designed to match the current state of water services delivery for a typical council.

*Additional debt financing can enable existing investment programmes to be delivered at a lower cost to ratepayers.*

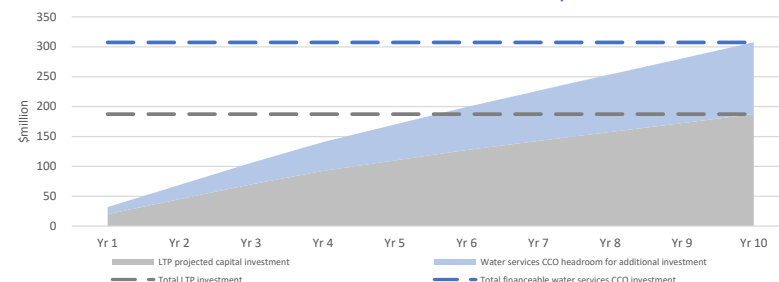
*Higher borrowing limits means that investment programme can be significantly scaled or accelerated if needed*

*Establishing a water services CCO creates additional borrowing headroom for the parent council*

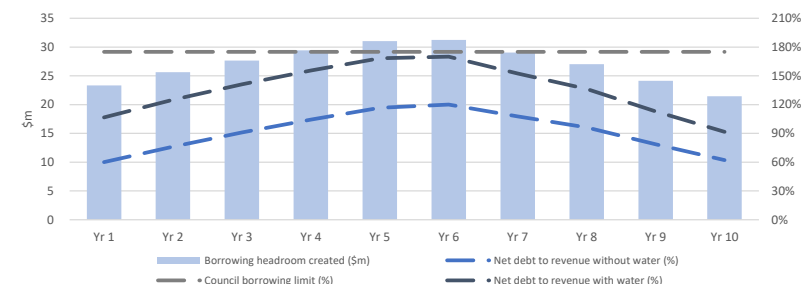
**A water services CCO could deliver the same level of investment for lower charges to consumers**



**A water services CCO could deliver more or accelerated capital investment**



**A water services CCO will generate borrowing headroom capacity for council**





# Worked example – Council ‘X’ water services

The hypothetical Council ‘X’ has a 2024-34 Long-Term Plan which:

- Ensures the council remains within its borrowing limit of 175% of revenues. Borrowings are used to fund investment to Year 6 of LTP, then revenues are used to repay debt.
- Delivers \$187 million of water services investment over ten years. There are 12,000 water connections and growth in connections of 1% per annum.
- Sees water services revenues increase by 109% over ten years, with consumer charges increasing by 89% over the ten-year period (the difference being new connections over ten years).

Council ‘X’ is considering establishing a water CCO. Water services are higher leveraged than other council activities. Council ‘X’ has 15,000 ratable properties, of which 12,000 receive connected water services.

Council ‘X’ Financial Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Total revenue	\$m	75.0	80.0	85.0	90.0	95.0	100.0	105.0	110.0	115.0	120.0
Net debt	\$m	80.0	100.0	120.0	140.0	160.0	170.0	160.0	150.0	130.0	110.0
Net debt to revenue	%	107%	125%	141%	156%	168%	170%	152%	136%	113%	92%
Borrowing limit	%	175%	175%	175%	175%	175%	175%	175%	175%	175%	175%
Average rates bill	\$	4,917	5,206	5,490	5,767	6,038	6,303	6,563	6,817	7,065	7,307
Average rates bill increase	%	10%	6%	5%	5%	5%	4%	4%	4%	4%	4%

Council ‘X’ Water Services Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Revenue	\$m	25.0	27.5	30.0	32.5	35.0	37.5	40.0	42.5	45.0	47.5	362.5
Operating expenses	\$m	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	145.0
Finance costs	\$m	2.3	2.7	3.2	3.6	4.1	4.3	4.1	3.8	3.4	2.9	34.2
Operating cash margin	\$m	12.8	13.8	14.9	15.9	17.0	18.2	20.0	21.7	23.6	25.6	183.3
Investment	\$m	20.0	25.0	25.0	22.5	17.5	17.5	15.0	15.0	15.0	15.0	187.5
Net debt	\$m	50.0	60.0	70.0	80.0	90.0	95.0	90.0	85.0	75.0	65.0	
Net debt to revenue	%	200%	218%	233%	246%	257%	253%	225%	200%	167%	137%	
Revenue increase	%	10%	10%	9%	8%	8%	7%	7%	6%	6%	6%	109%
Price incr for consumers (1% growth)	%	9%	9%	8%	7%	7%	6%	6%	5%	5%	5%	89%

Council ‘X’ Non-Water Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Revenue – other council business	\$m	50.0	52.5	55.0	57.5	60.0	62.5	65.0	67.5	70.0	72.5	612.5
Net debt – other council business	\$m	30.0	40.0	50.0	60.0	70.0	75.0	70.0	65.0	55.0	45.0	
Net debt to rev – other council business	%	60%	76%	91%	104%	117%	120%	108%	96%	79%	62%	

# A water CCO could reduce projected water charges for consumers by more effectively utilising debt to fund infrastructure investment

Projected water charges could be reduced by 21% over ten years with a water CCO, delivering savings to each household of \$6,173 + GST, whilst still delivering the same level of investment and service levels.

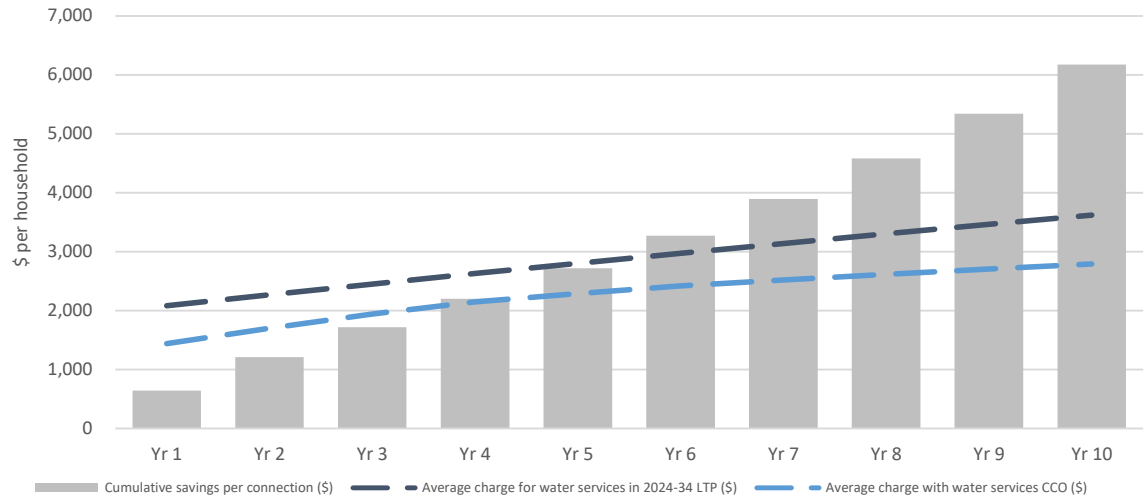
The establishment of a council owned water CCO under Local Water Done Well will create additional borrowing headroom for water services (up to the equivalent of 500% of water services revenues).

This additional borrowing headroom could be used to debt-finance capital investment and reduce the charges required to fund the investment over the LTP period.

Council 'X' could deliver its proposed \$187.5m of water services investment over ten years at significantly lower prices to consumers.

Additional debt financing is utilised – with net debt to revenue peaking at 408% (compared to 257% in LTP due to council borrowing constraints and existing financing strategies).

A water services CCO could deliver the same level of investment for lower charges to consumers



Water CCO Price/Revenue Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Average charge: water services in LTP	\$	2,083	2,269	2,451	2,629	2,803	2,973	3,140	3,303	3,463	3,619	28,734
Average charge: water CCO	\$	1,439	1,701	1,944	2,146	2,287	2,418	2,519	2,614	2,704	2,789	22,561
Savings per connection: water CCO	\$	645	568	507	483	516	555	621	689	759	830	6,173
Cumulative savings per connection	\$	645	1,213	1,719	2,202	2,718	3,273	3,894	4,584	5,343	6,173	
Net debt to revenue	%	337%	373%	397%	408%	408%	407%	401%	396%	390%	385%	
Free funds from operations to debt	%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	
Water revenues – per 2024-34 LTP	\$m	25.0	27.5	30.0	32.5	35.0	37.5	40.0	42.5	45.0	47.5	362.5
Water revenues – water CCO	\$m	17.3	20.6	23.8	26.5	28.6	30.5	32.1	33.6	35.1	36.6	284.7
Revenue reduction	\$m	7.7	6.9	6.2	6.0	6.4	7.0	7.9	8.9	9.9	10.9	77.8
Revenue reduction %	%	31%	25%	21%	18%	18%	19%	20%	21%	22%	23%	21%
Number of connections	#k	12.0	12.1	12.2	12.4	12.5	12.6	12.7	12.9	13.0	13.1	

# A water CCO could increase or accelerate investment at currently projected water charges

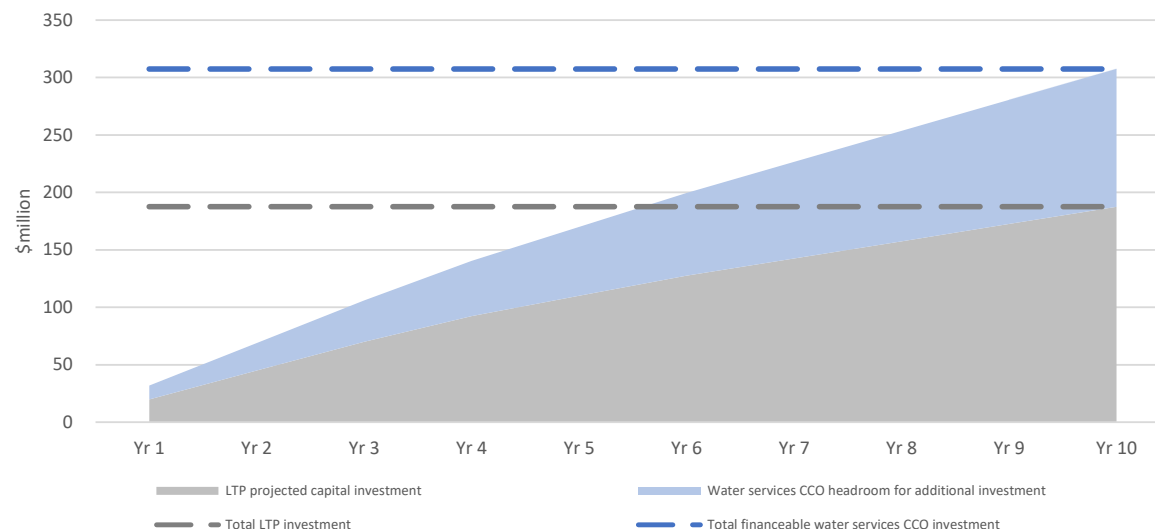
At currently projected revenues, an extra \$120m of investment could be delivered (64% more); or proposed investment could be accelerated.

Council 'X' is proposing to deliver \$187.5m capital investment into water services infrastructure over ten years.

The additional borrowing headroom for a water CCO means that at current projected revenues, Council 'X' could fund a total of \$307.5m over ten year, an increase of \$120m (+64%).

This additional fundable investment is shown in blue in the chart opposite, which represents potential investment uplift headroom. Alternatively, Council 'X' could theoretically finance its entire LTP capex requirement of \$187.5 million by Year 6 – an acceleration 4 years (almost twice as fast).

A water services CCO could deliver more or accelerated capital investment



Water CCO Investment Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
Water services revenues per LTP	\$m	25.0	27.5	30.0	32.5	35.0	37.5	40.0	42.5	45.0	47.5	362.5
Investment per LTP	\$m	20.0	25.0	25.0	22.5	17.5	17.5	15.0	15.0	15.0	15.0	187.5
Net debt per LTP	\$m	50.0	60.0	70.0	80.0	90.0	95.0	90.0	85.0	75.0	65.0	
Net debt to revenue per LTP	%	200%	218%	233%	246%	257%	253%	225%	200%	167%	137%	
Incremental investment for CCO	\$m	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	120.0
Total funded investment for CCO	\$m	32.0	37.0	37.0	34.5	29.5	29.5	29.5	27.0	27.0	27.0	307.5
Uplift in investment achievable	%	60%	48%	48%	53%	69%	69%	80%	80%	80%	80%	64%
Net debt for CCO if incremental investment is delivered	%	248%	302%	345%	380%	407%	416%	398%	382%	355%	331%	

# Establishing a water CCO would increase the owning council's borrowing headroom

The establishment of a water CCO would enable Council X to pay down its current water services debt. This will create up to \$30m of new borrowing headroom for Council 'X' against the status quo.

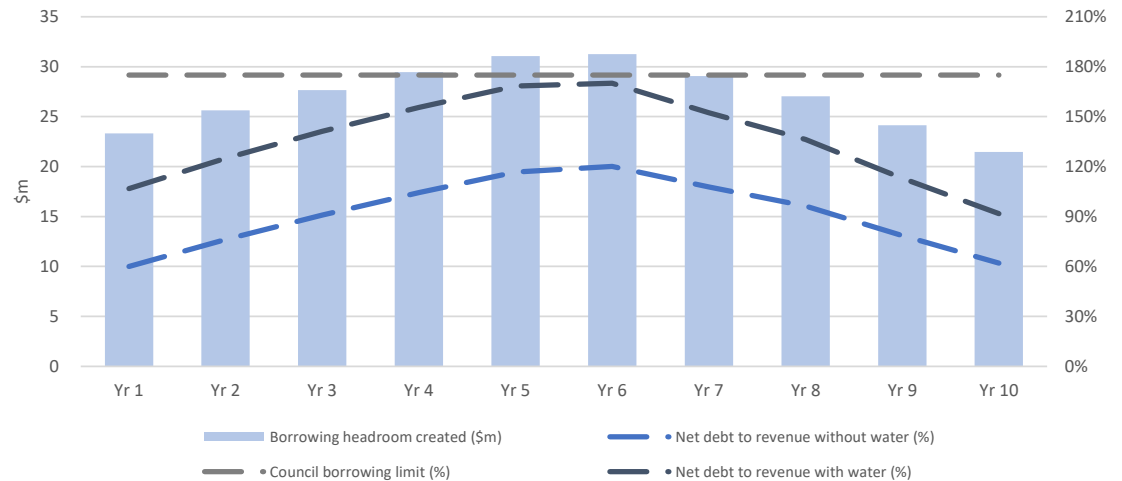
This new headroom could allow general rates to be reduced, using this new borrowing capacity to fund non-water infrastructure investment that is currently projected to be rates funded.

The water CCO will borrow through LGFA to pay Council 'X', enabling Council 'X' to repay its debt attributable to water services activities.

This reduces Council 'X's leverage, creating initial 'day 1' borrowing headroom of \$23.3m.

As the water CCO's debt is treated as separate by LGFA, Council 'X' is also unburdened by future water services borrowing requirements (covered by a guarantee or uncalled capital only).

A water services CCO will generate borrowing headroom capacity for council



Council 'X' Borrowing Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Council 'X' borrowing limit	%	175%	175%	175%	175%	175%	175%	175%	175%	175%	175%
Net debt to revenue including water	%	107%	125%	141%	156%	168%	170%	152%	136%	113%	92%
Net debt to revenue excluding water	%	60%	76%	91%	104%	117%	120%	108%	96%	79%	62%
Net debt including water	\$m	80.0	100.0	120.0	140.0	160.0	170.0	160.0	150.0	130.0	110.0
Less: CCO water borrowings	\$m	(50.0)	(60.0)	(70.0)	(80.0)	(90.0)	(95.0)	(90.0)	(85.0)	(75.0)	(65.0)
Council 'X' net debt post transfer	\$m	30.0	40.0	50.0	60.0	70.0	75.0	70.0	65.0	55.0	45.0
New borrowing headroom created	\$m	23.3	25.6	27.6	29.4	31.1	31.3	29.0	27.0	24.1	21.5
Water CCO net debt	#k	50.0	60.0	70.0	80.0	90.0	95.0	90.0	85.0	75.0	65.0

# Council 'X' has opted to utilise new headroom to fund investment and decrease projected rates rises

The new borrowing headroom can be used to fund non-water capital investment, which decreases the amount of rates funding required for this investment.

This results in a lower rates requirement and enables a reduction in planned rates increases.

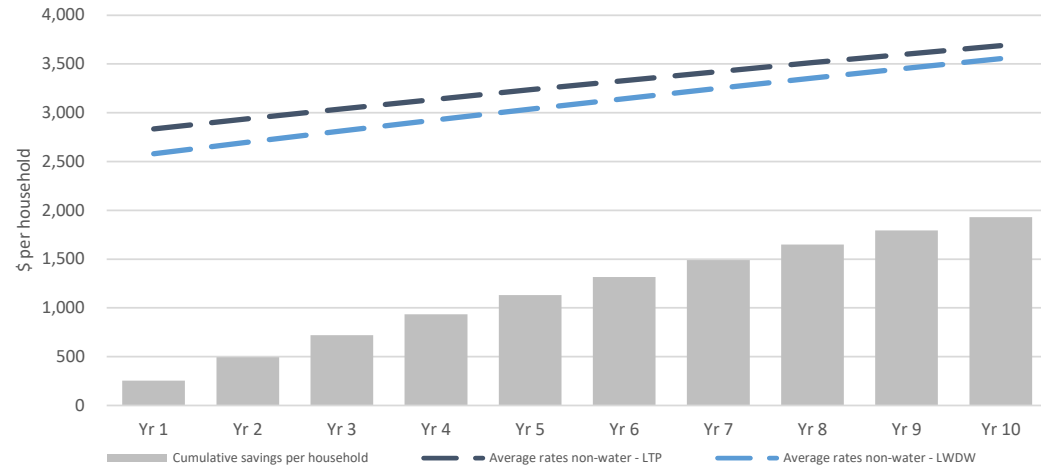
Council 'X' has opted to utilise the new borrowing headroom to fund its non-water investment in the LTP.

Council 'X' has determined that \$40m of non-water capital investment that is currently rates funded can now be debt funded.

This leads to a corresponding decrease in non-water rates required.

Ratepayers will save on average \$1,929 + GST over ten years on their rates bills.

New council borrowing headroom used to fund capital investment, reducing projected rates rates



Council 'X' Non-Water Projections		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Total non-water council revenues LTP	\$m	50.0	52.5	55.0	57.5	60.0	62.5	65.0	67.5	70.0	72.5
Total non-water rates (90%) LTP	\$m	42.5	44.5	46.5	48.5	50.5	52.5	54.5	56.5	58.5	60.5
Average non-water rates bill LTP	\$	2,833	2,937	3,039	3,138	3,235	3,330	3,423	3,513	3,602	3,688
Net debt to revenue excl. water LTP	%	60%	76%	91%	104%	117%	120%	108%	96%	79%	62%
Total non-water council revenues NEW	\$m	46.2	48.9	51.5	54.2	56.9	59.6	62.3	64.9	67.6	70.3
Total non-water rates (90%) NEW	\$m	38.7	40.9	43.0	45.2	47.4	49.6	51.8	53.9	56.1	58.3
Average non-water rates bill NEW	\$	2,579	2,697	2,813	2,926	3,037	3,145	3,251	3,354	3,455	3,554
Net debt to revenue excl. water NEW	%	74%	98%	120%	140%	158%	166%	157%	149%	135%	121%
Savings to average household	\$	255	240	226	212	199	185	172	159	147	134
Cumulative savings to ave household	\$	255	495	721	933	1,132	1,317	1,489	1,648	1,795	1,929
Savings % of current rates projections	%	9%	8%	7%	7%	6%	6%	5%	5%	4%	4%

# Savings to Council 'X' ratepayers enabled through the establishment of a water CCO

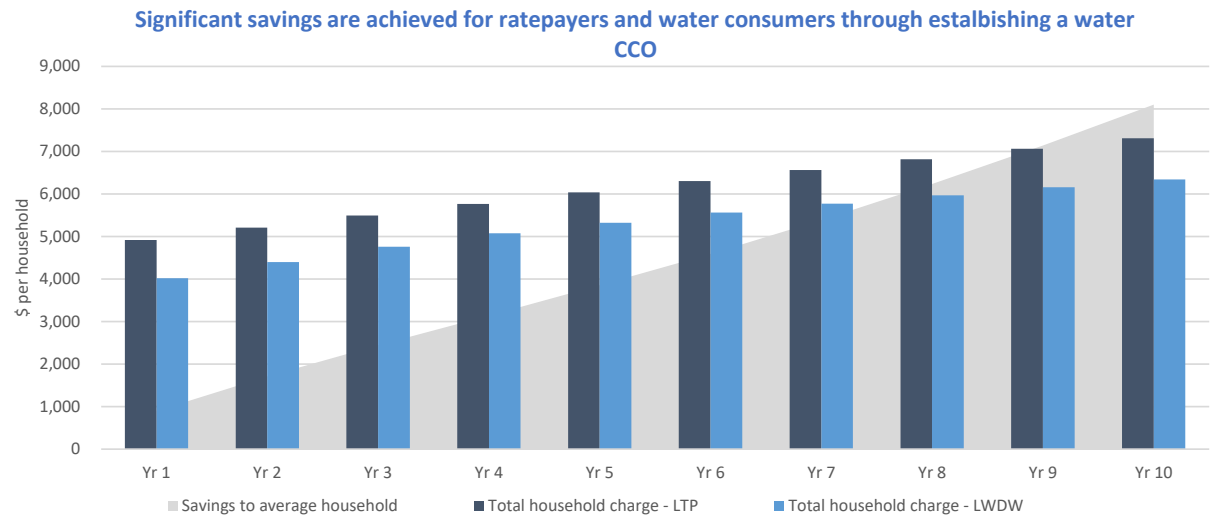
Council 'X' has reset its water charges and rates requirements, delivering savings of \$8,102 per household over ten years, against LTP projected rates.

This saves each household 12-18% off their rates bill every year.

Council 'X' has determined that its existing water investment profile is appropriate and will pass on savings to ratepayers/water consumers. Council 'X' has also utilised new debt headroom to reduce non-water rates.

This means that both water charges and council rates can be reduced, saving ratepayers 12-18% each year over ten years, and \$8,102 per household in total over ten years.

In Year 1, rates can be decreased by 10% to provide immediate rates relief. This then requires increases of 9%, 8% and 7%, before reducing to 3% per annum towards the end of the LTP period.



Household Bill Projections	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Average bill – water (LTP)	\$ 2,083	2,269	2,451	2,629	2,803	2,973	3,140	3,303	3,463	3,619
Average bill – other rates (LTP)	\$ 2,833	2,937	3,039	3,138	3,235	3,330	3,423	3,513	3,602	3,688
Average bill – total (LTP)	\$ 4,917	5,206	5,490	5,767	6,038	6,303	6,563	6,817	7,065	7,307
Average bill increase (LTP)	% 10%	6%	5%	5%	5%	4%	4%	4%	4%	4%
Average bill – water (NEW)	\$ 1,439	1,701	1,944	2,146	2,287	2,418	2,519	2,614	2,704	2,789
Average bill – other rates (NEW)	\$ 2,579	2,697	2,813	2,926	3,037	3,145	3,251	3,354	3,455	3,554
Average bill – total (NEW)	\$ 4,017	4,398	4,757	5,072	5,323	5,563	5,770	5,968	6,159	6,343
Average bill increase (NEW)	% (10%)	9%	8%	7%	5%	5%	4%	3%	3%	3%
Savings to average household	\$ 899	808	733	695	715	740	793	848	905	964
Cumulative savings to average household	\$ 899	1,708	2,440	3,135	3,850	4,590	5,384	6,232	7,137	8,102
Savings % of current rates projections	% 18%	16%	13%	12%	12%	12%	12%	12%	13%	13%

## Next steps for councils

Even if current water services delivery settings are financially viable, councils should **continue to investigate their water services financial projections and financial strategies to realise the full set of benefits** that Local Water Done Well and the LGFA financing solution for water CCOs can provide.

Each council should look to **strike an effective balance between levels of investment, debt financing and affordability** for consumers when developing a Water Services Delivery Plan, confirming financial projections and developing implementation plans.

Based on a review of published LTP information, there is **significant scope for debt financing to be more effectively utilised to increase and/or accelerate investment, or to reduce charges for consumers.**

Each council should also review the projected water services investment included in their 2024-34 LTP (or other council projections) against the minimum requirements required in Water Services Delivery Plans guidance and look to identify any potential savings or efficiencies that could be gained to reduce the total investment requirement.

Savings to investment programmes could be identified through:

- Councils working together on joint investment programmes, including identifying new opportunities to deliver regional solutions at lower cost, rephasing of investment, or developing efficient joint procurement approaches to lower costs; and/or
- Working through the impact that expected changes to regulatory standards signalled by the Government will have on water services investment requirements.

## To learn more

The Department can support you with financial projections and modelling to demonstrate the impact of additional borrowing on your water services delivery. We are currently providing this support to both individual councils and groups of councils investigating multi-council owned delivery model options.

Please contact us at [wSDP@dia.govt.nz](mailto:wSDP@dia.govt.nz).

The LGFA are available to discuss any questions you have, including credit criteria requirements for water CCOs. Please contact Andrew Michl ([andrew.michl@lgfa.co.nz](mailto:andrew.michl@lgfa.co.nz)).