



# FINANCIAL ASSESSMENT

## Aromatawai Ahumoni

We have made good investment decisions in the past and have budgeted for increased investment in three waters infrastructure in the Long Term Plan 2024-34. However, the new requirements of **Local Water Done Well** are expected to increase the cost to deliver water services in the future.

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 1 The financial modelling for Model 3 was carried out as part of the 2024 Manawatū-Whanganui Regional Options Appraisal Project.

## IMPACT ON RATES

Councils and the government agree that water will cost all communities a lot more in the future – regardless of what model we proceed with. That’s due to a range of things like mitigation for climate change, population growth, ageing infrastructure, new standards increasing the cost of compliance, health requirements and government policy.

Below is a financial projection of what Rangitikei residents could expect to pay on average for water under our preferred future water services delivery model (Model 1). We have compared this with continuing to deliver water services via in-house management (Model 2), and our largest model option – all seven councils in the Manawatū-Whanganui region (an idealist model that is not currently practicable as other councils have chosen not to put it forward for consultation – Model 3).

	2025/26	2026/27	2027/28	2028/29	In 10 years	In 30 years
<b>OUR PREFERRED OPTION</b> <b>UNDER MODEL 1:</b> Rangitikei, Ruapehu, Whanganui Council Controlled Organisation	-	-	-	\$2,274	\$2,884	\$3,811
<b>UNDER MODEL 2:</b> In-house management	\$2,177	\$2,609	tbc	\$2,846	\$4,160	\$5,467
<b>UNDER MODEL 3:</b> Manawatū-Whanganui Council Controlled Organisation (Rangitikei, Ruapehu, Whanganui Manawatū, Palmerston North, Horowhenua, Tararua)	-	-	-	\$2,200	\$2,250	\$3,428

Until price harmonisation is introduced, the costs for bill payers in each district are expected to be similar to charges under Model 2.

Assumed point of price harmonisation\*

Estimates include GST. The above numbers show the projected average cost for a resident connected to all three water services (drinking water, wastewater, stormwater). They include a provision for 'public good' charge. It is important to remember that the purpose of modelling is to provide a comparison between options, not a prediction of precisely what bill payers will pay in future.

### Factors which impact why the development of a water-services multi council-controlled organisation is more financially viable than continuing under in-house management:

1. Water services charges are shared across everyone, including compliance costs (see page 10).
2. Access to greater debt facilities, with associated ability to spread cost over a longer period.
3. The cost of debt is lower as a multi council-controlled organisation will likely pay lower interest rates than individual councils will (this is because being financially rated and having scale gives lenders more confidence).

**\*Price Harmonisation** is where all water users would pay the same price, regardless of which district their property resides. It is important to note price harmonisation as a principle of Model 1 has not been formally adopted and therefore is not guaranteed. Price harmonisation underpins the benefits of a joint model, but the details and the point at which it would come into effect still need to be finalised. For the purpose of financial analysis, model 1 and model 3 have assumed price harmonisation from year 2028/29. This is when the Council Controlled Organisation would likely become fully responsible for water services delivery - and the first year you would likely see a bill from the organisation for water services connection.



**What is a 'public good' water charge?**  
 A 'public good water charge' refers to a fee charged to all rate payers for water that is accessible to the public. The charge is applied to cover the cost of water services in public places – i.e. public toilets, parks and reserves.



## IMPACT ON LEVELS OF SERVICE

Rangitikei District Council already has an agreed levels of service for its three waters. This levels of service is committed in Long Term Plans and reported on annually. No change is forecast to levels of service for the short term under any of the proposed models. However, it is important to note that a multi council-controlled organisation established in response to **Local Water Done Well** may subsequently reprioritise or address levels of service to ensure alignment between the geographical areas serviced by the multi council-controlled organisation, meet new regulatory requirements, and could develop efficiencies through shared purchasing power.

Additionally, there will be advantages and efficiencies in coordinating response and recovery efforts to emergencies and natural disasters across the region by a single entity.

## HOW DEBT WORKS UNDER LOCAL WATER DONE WELL

Water infrastructure is expensive – more expensive than the amount of money we charge you annually for water in your rates bill.

One way councils can afford to pay for big improvements to water services infrastructure is borrowing money. Currently, Rangitikei District Council is signaling it will have \$73M of debt by the end of 30 June 2025. **\$43.6M of this is water services debt.**

Taking into account the key water projects in progress (see page 21), and improvements we need to make to our water infrastructure to ensure it is compliant and resilient, we anticipate we will need to spend \$253M in capital alone by 30 June 2054. Under the current model (in-house management), the Rangitikei District Council does not have the capacity to raise that level of debt.



### If we progressed with Model 1 or Model 3 (The development of a multi-council controlled organisation):

**Local Water Done Well** would allow the new water organisation to borrow more money to fund infrastructure projects than what councils can. Currently we can borrow 1.75 times our revenue (or up to 175% debt to revenue ratio). A new multi-council controlled organisation would be able to borrow up to five times its revenue (up to 500% debt to revenue ratio) for water construction projects, and at a lower cost.

***If we progressed with this model, our current water services debt would transfer to the new organisation, along with the water-related assets.***

### If we progressed with Model 2 (In-house management):

**Local Water Done Well** requires any assets, revenue, expenses and debt associated with water services to be kept separate or 'ring-fenced' from the wider services of council.

We also would not have access to the ability to borrow up to five times our revenue (500%), and therefore we would be unable to deliver the extensive programme of works required to future-proof our infrastructure.

***This model does not meet the Government's standards for 'financial sustainability' and therefore is not feasible for Rangitikei.***

## KEY QUESTION 4

**What are they key factors influencing your rating of each of the three models?**

For example: cost, scale, local influence on decision making, shared connections to natural catchments \*

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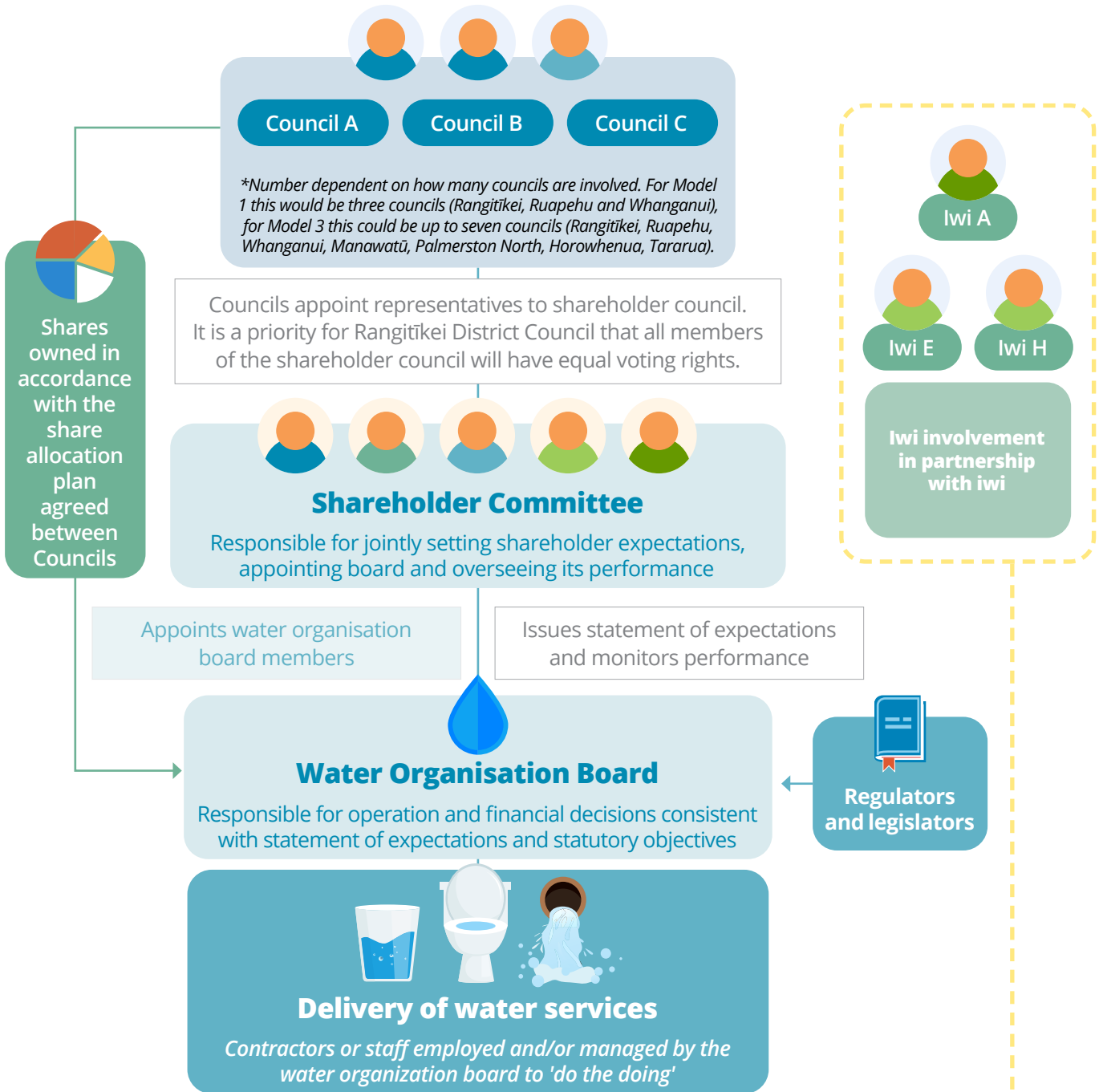
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\* Please record your response on the separate submission form.



**Model 1 and Model 3 involve the development of a multi council-controlled organisation.**

Sometimes it is difficult to provide your perspective on something that you cannot visualise. The following offers a graphic depiction\* of what a multi council-controlled organisation COULD look like, and how it might function in relation to each council, iwi, and the actual delivery of drinking water, wastewater, and stormwater services.



\*This is an example only.

Rangitikei District Council believes there is a role for iwi representation that brings a Te Ao Māori perspective to the shareholder decisions. The detail of iwi and hapū involvement should be addressed at the design phase of any water services council-controlled organisation, and draw on existing examples of good practice from local government and the water sector.

This sentiment is shared by both councils in our preferred option (Ruapehu and Whanganui). Once a model is decided by council (on May 22nd 2025), this involvement will be formalised in partnership with iwi and hapū. In the meantime, we will continue to work with iwi and hapū to identify meaningful opportunities for mana whenua input (for example through regular hui with Te Rōpū Ahi Kā).

