Hutt mayor Campbell Barry warns against council spend-ups after water reforms

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Hear how Local Water Done Well tracking in last month before deadline

VIDEO CREDIT: BRUCE MACKAY

Outgoing Hutt City mayor Campbell Barry has warned against councils spending up or taking on additional debt after removing water services from their balance sheets.

Councils across the country will next week deliver their water service delivery plans to the Government, with many making use of the Local Water Done Well policy to form new council-controlled water providers with neighbouring councils.

When new water service providers are created – such as Metro Water in Wellington – the cost of water services and infrastructure will be shifted onto the new entity, which will bill households for these services to earn revenue.

Barry told *The Post* he was concerned that some candidates in the coming local government election were suggesting that shifting water services from council balance sheets opened up new spending or debt to invest.

“It's a dangerous position because there will potentially be the desire to load up with additional spending, additional debt – councils may want to do that because their financial or balance sheet may look a lot better.

“But of course, it will be the ratepayers who get hit with that, because they will still have to be paying water bills.”

He said with rates rises already unaffordable in many places, there should instead be a corresponding drop in rates, in line with that of water bills.

For example, he said if the new Wellington water provider had already been created, the rates rise at Hutt City Council would have dropped from 12.6% to 7.6% -- a 5 percentage point decrease.

Any decrease in rates less than 5 percentage points would therefore actually be an increase to the ratepayer.

Hutt City mayor Campbell Barry says there should be a corresponding drop in rates, in line with that of water bills. (file photo)
BRUCE MACKAY / THE POST

Local Government Minister Simon Watts said the Government “expects” councils which transfer water services to a new water entity to reflect the change in their rates bills.

However, he said councils should also consider using extra debt headroom gained through the move to fund “appropriate capital expenditure”, and reduce the need for rates rises for this.

Barry’s warning comes as Prime Minister Christopher Luxon suggests Auckland Council could make use of debt headroom created by its separation from Watercare to fund efforts to secure major events in the city.

Luxon, in opposing Auckland Council’s suggestion of a bed tax for this purpose, said, “When you look at Auckland Council, which has actually managed its three waters assets and put Watercare into an independent structure that has created $800 million worth of investment opportunity in their own balance sheet.

“They have forever had an events arm, Auckland Unlimited, that have brought events to the city, and they can well and truly do that. So I just reject the narrative that that's exactly how it has to be funded.”

But Auckland mayor Wayne Brown said it was “absurd” to suggest the council should borrow to pay for major events.

“He can be the one to tell Auckland ratepayers that their rates should be paying for Taylor Swift instead of maintaining infrastructure and core services like rubbish collection. That is the trade-off Mr Luxon is asking us to make and it’s ridiculous,” he says.

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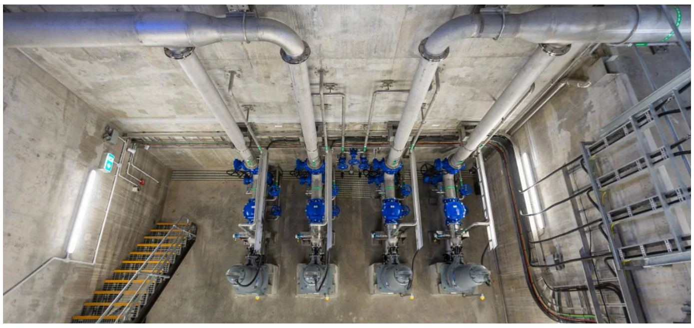

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