

# Local Water Done Well

## Water services delivery planning and water delivery model

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# Purpose of briefing

- To provide a high-level overview of the new water legislation
- Outline requirements for a water services delivery plan (WSDP)
- Outline options for a future water delivery model
- Provide an overview of the regional model and joint WSDP
- Overview of how stormwater may be treated
- Next steps



# Legislation

## Local Government (Water Services Preliminary Arrangements) Act 2024

- Council must prepare and submit a WSDP by 3 September 2025
- It can do so jointly with other Councils or on its own
- One-off transitional document
- Covering a minimum of 10 years but preferable for a 30-year horizon
- Council must give effect to the plan
- Requires an Implementation Plan



# Legislation

## Local Government Water Services Bill (Bill 3)

- To be introduced in December 2024 and enacted in mid 2025
- Will establish water services delivery models (including WSCCO)
- Will set minimum requirements for regulatory standards, financial sustainability and protect against privatisation
- Will introduce new economic regime
- Will change how Taumata Arowai regulates both drinking water and wastewater
- Will provide new planning and accountability framework



# WSDP requirements

- To include information disclosure on:
  - Current delivery arrangements
  - State of assets and regulatory compliance
  - Estimate of investment required to meet new regulatory standards
- To include proposed service delivery model
  - Description of proposed arrangements
  - Assessment of revenue, investment and financial sustainability
  - For a joint WSDP must identify parties and services
  - Implementation plan with timelines and milestones
- Consultation must occur on service delivery model
  - Note that consultation on balance of WSDP is optional



# Service Delivery Models

Councils may choose from a range of service delivery models and consider:

- Whether to deliver in-house or establish a water organisation
- Whether to deliver services independently or jointly with other Councils
- How to structure ownership and governance arrangements
- How to set up to access long-term borrowing



# Service Delivery Models

DIA has set out five service delivery models:

- Internal Business Unit or Division
- Single Council-owned water organisation
- Multi Council-owned water organisation
- Mixed Council/Consumer Trust owned
- Consumer Trust owned



# Service Delivery Model





# Service Delivery Models – Hutt City

Council required to consult and consider at least two options:

- Current model versus proposed regional model

Council may consider other options but not recommended

- Stand alone
- Hutt Valley

# Asset Service Life Comparison

Council Water Entity



Regional Water Entity



# Overview of Proposed Regional Model

- 10 Councils participating in considering to form a regional WSCCO
- Around 224,000 households and population of 588,000
- Premise is that economies of scale and critical mass will better enable long term efficiencies and will be better placed to respond to the new regulatory environment (staffing and resources)
- Proposal is for a full breadth water utility vested with ownership of all regional water assets, revenues and liabilities
- Would have an independent skills-based Board
- Would be non-profit making but financially sustainable



# Overview of Proposed Regional Model

- The primary relationship of the new regional WSCCO will be with its customers not Councils as owners
- The WSCCO will have direct control of investment planning including growth investment
- Councils input confined to Board appointments, issuing an SOE and feedback on the Water Services Strategy.
- The new WSCCO will be able to access borrowing from LGFA up to equivalent of 500% of revenues, subject to backing from Councils



# Financing the Proposed Regional WSSCO Model

- LGFA can currently lend to CCO's, subject to Board approval
- LGFA will only lend to WSSCO that is financially supported by parent Council(s)
- Will require either a guarantee or uncalled capital to match the liabilities of the WSSCO
- Financial covenants will be agreed between the Council and LGFA
- WSSCO will have additional borrowing capacity than Council
- Equivalent of 500% debt to revenue limit (compared to 280% for Council)
- Aiming for investment grade credit rating of WSSCO

***(Note more details on this are attached in the LGFA's September Update to Councils)***

# Stormwater Services



Councils will retain legal responsibility for stormwater services



Can deliver in-house or transfer service delivery to a water organisation or a combination of both



Councils can set levels of service and performance targets



Council may continue to collect rating revenue



Such revenue will need to be ring-fenced within Council accounts



Appears to allow for Council to transfer stormwater assets and their funding to a water organisation



# Next steps



# Pātai