



Open Briefing: Local Water Done Well.

01 October 2024 – 4:00pm

Attendees

Elected Members: Mayor Barry (via audio-visual link)(part meeting), Cr Briggs, Cr Brown (via audio-visual link), Cr Dyer, Cr Edwards, Deputy Mayor Lewis (via audio-visual link)(part meeting), Cr Mitchell, Cr Morgan, Cr Parkin, Cr Stallinger, Cr Tupou (via audio-visual link) (part-meeting).

Staff: J Livschitz, Group Chief Financial Officer; A Blackshaw, Director Neighbourhoods and Communities; J Griffiths, Director Strategy and Engagement; A Geddes, Director Environment and Sustainability; B Hodgins, Strategic Advisor.

Apologies

Cr Barratt.

Presenters

Bruce Hodgins, Strategic Advisor; Dougal List, Associate Director at Scott Consulting.

Key Objectives of the Briefing

To provide an update on the Local Water Done Well Water services delivery planning and water delivery model.

Introduction

The purpose of the briefing was to ask any questions in light of an upcoming report to be considered by Council regarding the water service delivery model and the future of three waters.

Presentation by Bruce Hodgins and Dougal List

Slide 1 (Header)

Slide 2 – Purpose of briefing

Slide 3 –Legislation

Slide 4 –Legislation

Slide 5 – WSDP requirements

- The key document required by the legislation was the Water Services Delivery Plan (WSDP), which was due by 3 September 2025.
- Council was required to identify a Water Services Model (WSM).
- Council could choose to work with other council's on a joint WSM and WSDP.
- Wellington Water would need to be involved in any WSDP and WSM planning as they had the knowledge and expertise in water management.

Slide 6 –Service Delivery Models

- DIA has stated that those councils who opted for a new CCO would have greater efficiency and effectiveness. DIA wanted Councils to work together to improve efficiencies.

Slide 7 –Service Delivery Models continued

Slide 8 –Service Delivery Models continued

- Officers advised that a joint model was the preferred model, including as many of the 10 councils as possible.

Slide 9 –Service Delivery Models –Hutt City

- The inefficiencies of Wellington Water Limited (WWL) should be prevented for a future entity. WWL had a number of stakeholders with different goals and needs, which had made management of WWL difficult.
- The long term estimated cost of continuing with the present model being considered to the consumer was a third higher than what customers would pay if Council adopted a regional model.
- If no wider regional deal could be reached, a Hutt Valley model could be considered.

Slide 10 –Asset Service Life Comparison

- The state of the water assets of council's were even across the region outlined in the life comparison graph.
- There were a significant number of assets at the end of their life needing renewal.
- The reporting was being peer-reviewed to provide confidence and would be available within a week.

Slide 11 –Overview of Proposed Regional Model

- A draft of the proposed regional model would be available on Monday 7 October 2024.
- Stormwater differed from the other two waters assets, and it was proposed that stormwater assets would stay within the ownership of councils.

Slide 12 – Overview of Proposed Regional Model continued

- Co-ordination of growth across the region should be prioritised fairly and delivered by the new entity. This was something Council should be concerned about.
- In terms of renewing assets, over time each Council would invest to renew their Councils' assets. Investment would be managed and balanced over a period of time.
- The ability of a new asset-owning CCO to borrow more was the key.

Slide 13 – Financing the Proposed Regional WSCCO Model

- Parent councils would need to stand behind the new entity financially for it to be viable.

Slide 14 – Stormwater Services

- The issue of stormwater services was something which officers recommended Council should make a submission on when the Bill reached select committee. Officers felt it was in Councils best interests for stormwater assets to also be transferred to a new water organisation.

Slide 15 – Next steps

- Council would consider the WDSP and WSM at its meeting on 29 October 2024.

Slide 16 – Pātai

Questions and discussion points

Bruce Hodgins, Strategic Advisor, took questions:

- The current system WDM was not working, Council's held stewardship of water assets for some time and Council and the assets were now in a terrible condition. A new model was needed, and it was important to acknowledge that Council could not manage the water assets anymore. It

was crucial to meet the costs of renewal with Councils rates in a sustainable way.

- Jo Miller added that previously water has been something the council provided with rates, whereas now it would be a utility where consumers would have more of a say. It would be better regulated. It is important that communication around the change was clear.
- Council was required to confine itself to two options. The two options had to be as a minimum the current option, and the new option. Regarding the new option, the vehicle would be the same regardless of how many Councils joined.
- Dougal List noted there wasn't a status quo. WWL needed more resourcing, and had costs itself.
- Mayor Barry noted the only options were an asset owning CCO or a non-asset owning CCO, the current situation with WWL.
- Mayor Barry questioned whether other Council's modelling differently would cause Councils to reject a new model.
- Dougal List stated that GRAVELROAD had helped to inform a range of different scenarios around a regional WSM. Council's could compare different clusters of Council's, a full regional model, and individual Council options. A number of Councils were considering different multi-Council options. The LGFA report and governments advice was an asset-owning model to allow for additional borrowing.
- Mayor Barry asked whether there was anything Council could do to convince other Councils to favour a joint WSM.
- Jo Miller noted that the regions Council CEs were aware of the numbers. She noted that the economic regulator had significant power to ensure financially prudent outcomes. She pointed to water reform overseas, which demonstrated initial smaller entities often agglomerated to form more efficient, larger entities.
- Cr Parkins noted that it would be difficult for Council to maintain ownership of stormwater assets given the cross-connections with other water assets.
- Bruce Hodgins said that interconnections between stormwater and wastewater networks would make it difficult to own stormwater assets. He

Ownership by the entity specialised in water management would be preferred.

- Jo Miller noted that the legislation was designed to ensure that Council's who needed stormwater asset ownership to function could keep them.
- Cr Mitchell questioned whether there would be a consumer trust model explored.
- Bruce Hodgins noted that Council did not have the internal resources to consider the Consumer Trust model. There were only a few Councils considering the model.
- Dougal List noted he had considered at a high level the range of models. He noted that Consumer Trust models were not aligned with Council's requirements.
- Cr Mitchell asked about whether projects would be pushed out further.
- Bruce Hodgins noted that under the new WSM need would be gauged on strict criteria for investment. The new entity would prioritise investments.
- Cr Stallinger asked whether under the proposed WSM, everything went into a pot with consistent charging across the region, or separate buckets and charging apportioned to that?
- Dougal noted that there would have to be a degree of harmonisation, a transition period based on LTP rating costs, and a period where differentials between Council's would be maintained. Economic regulation would ensure prices were based on cost to serve. This means there would not be cross-subsidisation across the region.
- Cr Stallinger asked whether information could be provided as to where the additional costs of rejecting the proposed route were drawn (33%).
- Cr Stallinger noted that Castalia Limited Had critiqued the previous model and was interested to know why they were selected again.
- Bruce Hodgins noted officers could provide that information.
- Dougal List said that prices would need to increase regardless of the WSM, and it was the rate of increase that would be lowered. One of the reasons they opted for Castalia Limited was their ability to provide insight into how to ensure cost increases were fair and equitable.

- Bruce Hodgins noted that the high level plan was to work regionally on communications. He understood that as part of the next phase there would be coordination of communications.
- Jo Miller noted the Water Oversight Group would drive Communications, along with CEs and Council Officers.
- Cr Brady asked what the new water done well proposed to level the playing field.
- Bruce noted that there was nothing.
- Dougal stated that fair and equitable transfer of debt was being looked at. Council's would have substantial debt which would transfer to the new entity, and this transfer would need to be fair.

Next steps

Text

Briefing materials

Attachment 1 – Presentation: Local Water Done Well.

The briefing closed at 4:43pm