

# Briefing to Elected Members & Pou Iwi LWDW Water Reform Preferred Option for Consultation

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December 2024

# Introduction

- Purpose of today's briefing is to
  - Introduce the committee paper
  - Step Elected Members & Pou Iwi through the drivers for the committee recommendations ahead of tomorrow's Q&A session and the committee meeting on Wednesday
  
- Slides will be available in Diligent at the conclusion of the briefing

# Water Services Legislation

- Water Services Preliminary Arrangements Act (WSPA Act) was introduced in September 2025
- The Act sets out alternative decision making and consultation requirements for water services
- These replace equivalent sections of the LGA 2002
- Councils must consult on a proposed water services delivery option; the consultation document must include the preferred option and status quo
- The Act also requires councils to submit a Water Services Delivery Plan by 3 September 2025. Councils must give effect to this plan
  
- The third piece of legislation in the LWDW reforms is expected to be introduced to the House sometime this month. This is expected to include environmental and economic regulations, protection against privatisation and requirements for Boards re: competency-based appointments and excluding current council staff and elected members from being appointed

# LWDW delivery model options - overview

|                   | <b>Internal BU</b>                 | <b>Single Council CCO</b>  | <b>Multi Council CCO</b>  | <b>Mixed Council /Consumer Trust</b>   | <b>Consumer Trust</b>  |
|-------------------|------------------------------------|--|---|--|--|
| <b>Ownership</b>  | 100% council owned                 | Ltd liability company; 100% owned by 1 council                       | Ltd liability company; 100% owned by 2+ councils  | Ltd liability company; owned by consumer trust with 1 or more councils                             | Ltd liability company; 100% owned by consumer trust                  |
| <b>Governance</b> | Usual council governance; LGA 2002 | CCO Board; independent & professional directors                      | CCO Board; independent & professional directors; Shareholding council agreement             | Shareholder council  | Trustees appoint company directors                                   |
| <b>Strategy</b>   | Water Services Strategy            | Council issues SoE; Water org prepares strategy and consults council | Councils use agreed process to issue SoE; Water org prepares strategy and consults councils | Shareholder use agreed process to issue SoE; Water org prepares strategy and consults shareholders | Trustees issue SoE; Water org prepares strategy and consults council |

# LWDW delivery model options – overview cont'd

|                            | Internal BU  | Single Council CCO  | Multi Council CCO  | Mixed Council /Consumer Trust   | Consumer Trust  |
|----------------------------|--|---|--|---|---|
| <b>Borrowing/Financial</b> | Ownership of assets remains with council;<br>Ringfencing of revenue legally mandated;<br>Cannot access increased borrowing (stay within existing 280% D/R)                           | Ownership of assets transferred to CCO;<br>Ringfencing of revenue legally mandated;<br>Eligible to access increased borrowing (up to 500% D/R)                    | Ownership of assets transferred to CCO;<br>Ringfencing of revenue legally mandated;<br>Eligible to access increased borrowing (up to 500% D/R)                     | No access to LGFA funding (at this time);<br>Ringfencing of revenue legally mandated;   | No access to LGFA funding (at this time);<br>Ringfencing of revenue legally mandated;                                       |
| <b>WCC credit rating</b>   | Neutral to negative impact   | Significant <u>negative</u> impact  | Neutral to positive impact   | Likely significant <u>negative</u> impact   | TBC   |
| <b>Accountability</b>      | Water BU reports to council;<br>Service delivery accountable through usual democracy process;<br>Enhanced water focused reporting will be required (more than is currently required) | Reports regularly to shareholding council;<br>Reporting on water strategy performance & financials etc;<br>Required to act consistently with statutory objectives | Reports regularly to shareholding councils;<br>Reporting on water strategy performance & financials etc;<br>Required to act consistently with statutory objectives | Reports regularly to shareholders;<br>Reporting on water strategy performance & financials etc;<br>Required to act consistently with statutory objectives | Reports regularly to trustees and consumers;<br>Annual reporting;<br>Required to act consistently with statutory objectives |

Refer to committee papers – Appendix Summary of delivery model key features – for further detail

# Clarifying 'status quo'

- LWDW refers to 'existing arrangements' or 'status quo'
- It's important to understand that our current delivery model i.e. WWL will not be viable as a future delivery model
- Four of the WWL shareholding councils have committed to exploring other delivery models, resulting in WWL – in it's current form – will be disestablished
- Using the terminology in the new water legislation, our existing arrangements / status quo is an in-house services delivery model – contracted out
- When considering the delivery model options available it's best to think about status quo with this new framing

# Assessment Approach

- LTP committee noted the assessment framework to be used to prepare the advice at the October committee meeting
- Two sets of criteria – requirements & objectives
- Two waters – “The model for delivering drinking water and wastewater services enables access to increased LGFA borrowing” requirement therefore resulted in inhouse BU, consumer trust and mixed council/consumer trust not shortlisted for further consideration
- MCA was developed and run internally with a group of cross-council functional leads with water interests/responsibilities
- Engaged Mafic to provide external independent advice on efficiency gains. Mafic (with Martin Jenkins) have been working with several councils on their water reform analysis
- Capital efficiency for regional CCO 1.4 – 1.7% pa compared to 0.5 -1.0% for a go alone CCO; opex 2.0 – 2.5% vs 1.0 – 1.5%

# Stormwater

- Stormwater network comprises of piped network, roads, recreational spaces, streams, rivers and private land
- Under LWDW councils will retain legal responsibility for stormwater - even if the assets are transferred to a CCO
- Advantages include: An inhouse stormwater delivery model would deliver greater connection between legal responsibility and investment decision making; Integrated approach to planning and delivering across the piped network, roading network, rec/green spaces etc
- Risks of this approach include no access to cheaper LGFA borrowing; WCC balance sheet impacts and limited access to technical resources
- Recommendation is to consult on a WCC stormwater only option (noting that a three waters 'regional' CCO remains the preferred option)



# Preferred Option

Key considerations in determining our recommended preferred option:

- Access to sufficient funding available to invest in critical water infrastructure
- Access to technical resources able to complete the infrastructure works
- Preference of our Tākai Here partners for a regional, three waters approach to water
- Minimise / eliminate impacts on WCC's balance sheet and credit rating to enable investment in other services & infrastructure

**Recommended preferred option is a 'regional' three waters, multi council CCO**

# Revenue & Debt transfer

- WCC bring the opportunity of revenue to multi owned CCO – relatively low levels of debt in comparison to revenue

Need to consider number of factors;

- IFF funding was used for the sludge minimization facility (therefore it's off WCC balance sheet)
- WCC manages its debt on a portfolio basis to most effectively and efficiently manage its balance sheet and interest cost
- The underpinning principle we're working towards in transfer discussions is to have WCC in an equivalent position to that before any transfer
- This is an ongoing discussion with the other confirmed councils – report back on agreed methodology

# Water Meters

- During community engagement and LTP committee deliberations for the 2024-34 LTP, water meters were included in discussions, resulting in a financial provision of opex and capex included in the LTP
- We have yet to engage with the community on the implementation of water meters
- WWL are preparing a water meter business case; expected to be presented for approval in June 2025
- Water meters are very likely to be part of any future solution; they are referred to by:
  - LGFA
  - Regional report – Recommended Option
  - WCC 2024-34 LTP
- Recommendation is to include water meter *level of service change* in water reform consultation

# Consultation

- Councils are required to consult on the proposed option
  - Legislation requires that we consult on:
    - how the proposed option is likely to affect rates, debt, and levels of service; any charges for water services and how not proceeding will also affect these same items
    - how not proceeding with the proposal is likely to affect
    - as well as accountability or monitoring arrangements to be used to assess performance (as relevant to CCOs)
  - Councils committed to the Wellington metro CCO have agreed the need for co-ordinated messaging and timing; this will be important for our communities to assist in understanding the key and common messages re: the joint CCO
  - Consultation will not be exactly the same for each council
    - e.g WCC will also be asking about water meters (HCC have already consulted on this)
    - WCC will also be seeking feedback on a stormwater option (subject to Elected Member approval)
  - Consultation is planned for on or around WCCs consultation timeframe of 20 March – 20 April 2025
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# Next Steps

- Begin preparing consultation document and communications & engagement approach
- Subject to decisions taken by the committee, this will include working with the other confirmed councils to prepare consistent messaging for consultation & engagement
- Update Elected Members and Pou Iwi with progress on revenue & debt transfer discussions with the other confirmed councils
- Assess the implications of Bill 3 once it becomes available

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