

Water Reform Programme Briefing to Elected Members

September 2024

Introduction

- Purpose of today's briefing is to provide an update on
 - the Water Reform programme
 - discussions with peer councils in the regional, and
 - outline the series of discussions and decisions we'll be seeking from you over the coming few months

Legislation Overview

- **Water Services Acts Repeal Act ('Bill 1) – enacted in February 2024**
 - Repealed previous legislation
- **Water Services Preliminary Arrangement Act ('Bill 2') – enacted 2 Sept 2024**
 - Water Services Delivery Plan (WSDP) required to be submitted to DIA no later than 3 September 2025; the plan is binding
 - Provision for streamlined consultation and decision making – although there is a need for further clarification in relation to the LGA
 - Not exempted from LTP Amendment
 - But no requirement for SCP with streamlined process
 - The Minister may appoint a Crown Facilitator/Specialist under certain circumstances (at Councils cost); e.g; failed to submit a Plan by 3 Sept 2025 or failed to give effect to the plan.

Legislation Overview - continued

- **Local Government Water Services Bill ('Bill 3')** - expected introduced Dec 2024; enacted mid 2025

Bill 3 is expected to establish the enduring settings for the new water services system including:

- Objectives for all water services providers
- Additional objectives for water organisations i.e. CCOs
- Protections against privatisation
- Economic regulation
- Changes to Taumata Arowai and te mana o te wai
- Stormwater legal responsibility to remain with councils

WSDP – what's required?

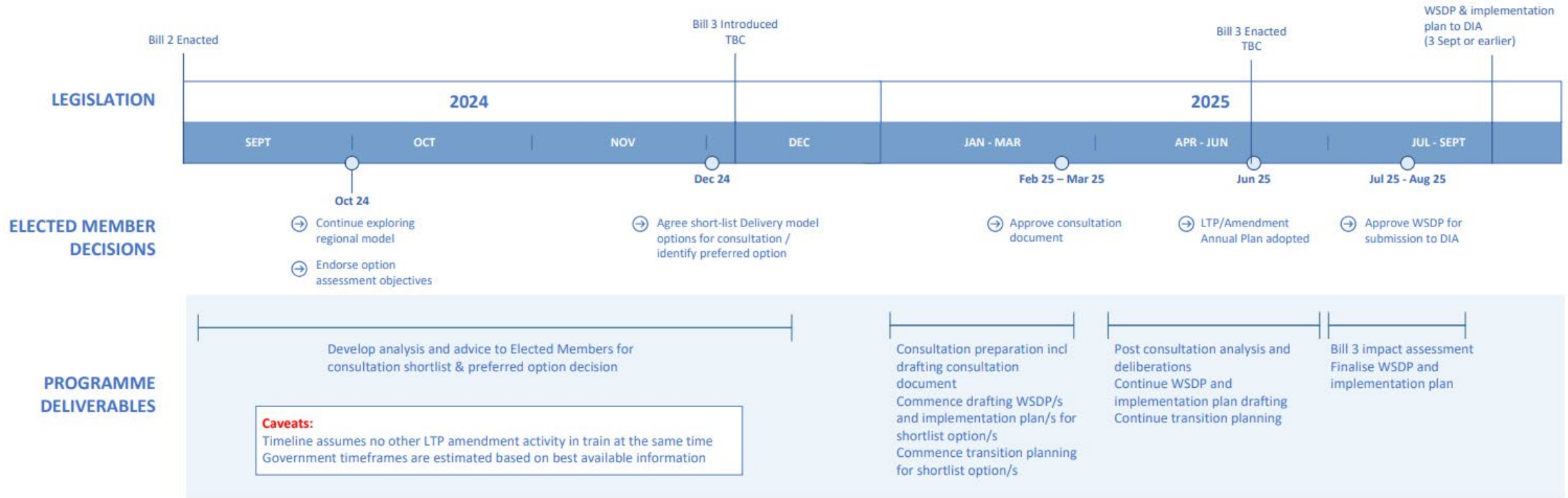
INFORMATION DISCLOSURE includes

- current delivery arrangements, state of assets and regulatory compliance, estimate of investment required to bring the network up to the new regulatory standards (asset condition, public health and environmental regulation).
- These sections will not change no matter which option.

DELIVERY MODEL includes

- description of the proposed arrangements, assessment of revenue, investment and financing sufficiency and the implementation plan (process, timelines and milestones).

Indicative timeline – subject to change



LGFA

- LGFA is the lowest cost provider of financing to local government
- LGFA has confirmed it will extend its existing lending to CCOs to new water CCOs that are financially supported by their parent council or councils (includes both joint and individual CCOs)
- LGFA could lend up to 500% of operating revenue for water CCOs supported by their parent council/s - this is not a right but can be negotiated with the LGFA on a case by case basis
- Water CCOs that are not financially supported by parent council/s via a form of guarantee will not be eligible for LGFA funding, however some form of onlending can be arranged by negotiation but this will have a large impact on the Council's balance sheet
- Water CCO borrowing will be considered separate to borrowing of parent council/s; the range of outcomes for the Council's balance sheet range from full consolidation and a contingent liability (via security arrangements)
- These arrangements have been in place since foundation documents were updated in 2019, however there is a negotiation process to be considered

Stormwater

- Councils will retain legal responsibility for stormwater services – but will have some flexibility to choose arrangements to best suit circumstances
- Bill 3 (expected to be introduced in December 2024 and enacted mid-2025) is expected to introduce a range of changes relating to stormwater network services. It has been announced that:
 - Councils may choose to transfer or contract all or some of the stormwater network to a water services organisation
 - *However* councils would still be legally responsible for stormwater outcomes for the community – managing this via levels of service and performance management targets
 - Where delivery is contracted or transferred, stormwater revenue would be shared between council and the relevant entity
- Given the mid-2025 timeframe of Bill 3 alongside the legislated WSDP timeframe of 3 September 2025, there will need to be decisions made with ‘best available’ information for stormwater.

Consultation

The Water Services Preliminary Arrangements Act states:

- Councils must consult on the proposed model for delivering water services
- Councils are only required to identify and assess the advantages & disadvantages of two options:
 - Remaining with the existing approach (status quo)
 - Establishing, joining or amending a water services CCO or joint local government arrangement
 - However, noting that councils may choose to include additional options
 - Important note: *status quo* should not be interpreted as our current state; the introduction of government minimum requirements (Bill 3) will result in an *enhanced status quo*
- Consultation on the part of the WSDP outlining service delivery model is mandatory: consultation on rest of the WDSP is optional
- This consultation need not be a Special Consultative Procedure
- Note: the details provided here are in relation to water reform only. These details assume no other LTP amendment activity in train at the same time

Delivery model options & timeframe

- Detailed modelling and analysis needs to be undertaken before any recommendations can be presented
- Officers are developing assessment objectives to support further discussions, advice and recommendations to elected members between now and December
- In parallel with this we are working with Wellington regional councils to explore a joint regional model

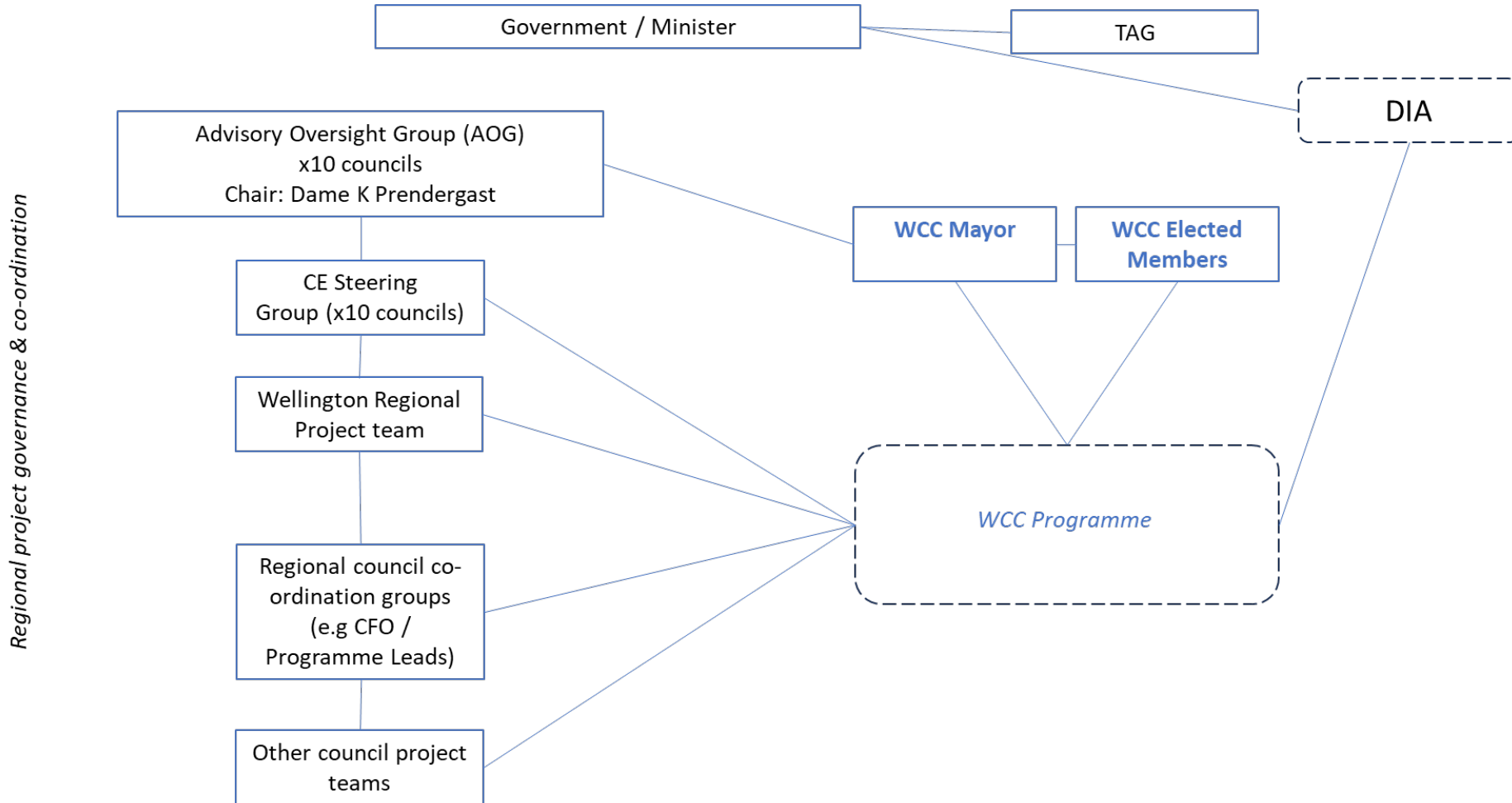
Timeframe

- To develop the legislated WSDP and transition plan for Sept 2025 Officers will be aiming to seek a shortlist of delivery model options for consultation and preferred option by end of CY2024; a very ambitious timeline that the team will aim to meet
- To support this decision point modelling and data analysis will be progressed between Oct – Dec; to be shared with elected members

Regional model discussions – update

- Multi council MoU signed with: Porirua, Lower Hutt, Upper Hutt, Kāpiti, Masterton, Carterton, South Wairarapa, Greater Wellington and Horowhenua councils to work collaboratively
- Regional project team have prepared a *Regional Approach to Joint WSDP and Delivery Model report* for all councils; this is expected to be released in October
 - A councillor briefing will be scheduled with confirmation of the release date
- Two key data models are currently undergoing independent reviews:
 - DIA facilitating a peer review of the network modelling
 - Regional team, with council CFOs, is facilitating independent peer review of the debt, revenue, and liability proposed to be transferred from each council to the proposed new entity
- Both are expected to be available in October
- Our partner councils are working through their briefings and discussions over Sept/Oct i.e. the same time as WCC planned discussions/decisions

Programme Delivery



Financial assessments

- Work is underway to understand the financial implications of a possible change of approach to water services delivery; this includes modelling the impacts to ratepayers
- To date regional discussions have used a placeholder debt position
- An external peer review of the fairness of the debt, revenue, and liability proposed for transfer by each council is currently in progress; this should enable us to confirm an actual debt position to feed into financial modelling
- Our intention is to work through the financial assessments with you over the Nov-Dec period ahead of the December decision point

Immediate Next Steps

- Briefing in **October** on the *Regional Approach to Joint WSDP and Delivery Model report* (likely early-mid October)
- Report presented at the **October** LTP committee seeking two decisions:
 - endorse objectives to be used to assess water services delivery model options
 - approve WCC to continue exploring the regional model (noting that this decision will require additional funding), in addition to other options
- Briefings will be scheduled in the lead up to the **December** decision point to agree shortlist delivery model options for consultation

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