Report Summaries for Local Waters Done Well
Extraordinary Council Meeting of 11 December 2024

A brief summary is given in this section of each report attached to this meeting and its importance to the decision-making process.

Contents Page

1.1 00 Wai+T and MW - Milestones LWDW Groups Nov-Dec 2024 - updated 1 November 2024

This report sets out the timelines leading up to Christmas for the respective Councils in the Wairarapa, Tararua and Manawatu-Whanganui regions. The immovable date is the requirement to have completed a Water Services Delivery Plan, single or jointly by 3 September 2025.

1.2 02 Wai+T - DIA - Wairarapa and Tararua Water Done Well analysis - 11 Nov 24

This report provides a comprehensive assessment of the financial sustainability of a potential joint Wairarapa/Tararua water services CCO (Council-Controlled Organisation). Here is a detailed summary of the key points:

Overview
The report has been prepared to provide information to Carterton District Council, Masterton District Council, South Wairarapa District Council, and Tararua District Council (collectively referred to as the Wairarapa/Tararua councils) on the financial sustainability of water services provision. It also explores the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the councils and aims to support their decision-making process.

Financial Viability of a Joint 'WAI + T' Water CCO
The analysis indicates that a joint 'WAI + T' model would be financially viable at Long-Term Plan (LTP) projected levels of revenue, debt, and investment. Each council has different investment requirements and costs of service, and the analysis retains these regional differences to ensure that prices reflect the direct costs of service to each community. There is no requirement to harmonise prices across communities under Local Water Done Well.

Benefits of a 'WAI + T' Water CCO
The report outlines several benefits of establishing a 'WAI + T' Water CCO:

Access to Additional Debt Financing: The CCO would be able to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues, significantly higher than what individual councils can achieve.

Improved Financial Resilience: The CCO would improve the financial resilience for water services delivery across the Wairarapa and Tararua regions.

Funding Required Investment: The CCO would provide the ability to fund the required levels of water services investment, with scope to increase or accelerate proposed investment.

Lower Water Charges: The CCO could deliver lower water charges to consumers compared to stand-alone in-house delivery.

New Borrowing Headroom: The CCO would create new borrowing headroom for owning councils, which could be used to fund non-water investment and reduce projected rates increases.

Efficient Financing Strategy: The CCO would enable the development and implementation of an efficient financing strategy for water services.

Trade-offs and Opportunities
The report outlines several trade-offs and opportunities for the councils and their communities under a 'WAI + T' Water CCO:

Funding Capital Investment: The transfer of water services into a joint CCO could enable the full capital investment requirement to be funded sustainably and create significant borrowing headroom for the councils.

Reducing Water Charges: The additional borrowing capacity could be used to reduce projected water charges for consumers.

Balancing Investment and Affordability: Each council has trade-off decisions to make between levels of investment, debt financing, and affordability for consumers.

Financial Projections and Scenarios
The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

Base Case Scenario: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'WAI + T' Water CCO.

Alternative Scenarios: Scenarios where councils make trade-off decisions to deliver more affordable services and reduce projected charges to consumers.

Investment Requirements and Household Charges
The report highlights that the proposed levels of investment in the 2024-34 LTP result in higher charges for Tararua consumers compared to the 'WAI + T' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that councils may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

Key Financial Metrics
The report provides key financial metrics for water services, including:

Projected Operating Revenues and Expenses: Detailed projections of operating revenues and expenses for each council.

Net Debt to Operating Revenue Ratios: Projections of net debt to operating revenue ratios for each council.

Funds from Operations to Debt Ratios: Projections of funds from operations to debt ratios for each council.

Projected Water Services Investment and Funding Sources: Detailed projections of water services investment and funding sources for each council.

Conclusion
The report concludes that a 'WAI + T' Water CCO would be financially viable and sustainable, providing significant benefits to the councils and their communities. The councils should continue to investigate their water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs.
This summary captures the main points and insights from the document, providing a comprehensive overview of the financial sustainability analysis and the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO

1.3 02 Wai+T - DIA - Tararua District Council -1 Nov4.PDF

This reports This report provides an in-depth analysis of the financial sustainability of Tararua District Council's water services delivery and considerations for a potential joint Wairarapa/Tararua water services CCO (Council-Controlled Organisation). Here is a summary of the key points:

Overview

The report assesses the financial sustainability of Tararua District Council's water services delivery and explores the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the Tararua District Council and aims to support the council's decision-making process.

Financial Sustainability of Status Quo Water Services Delivery

The report evaluates the financial sustainability of continuing with the current in-house water services delivery model. It highlights that the Long-Term Plan (LTP) projections for water services would likely meet the 'revenue sufficiency' test, with projected investment representing a significant capital programme that meets the 'investment sufficiency' test. However, the projected borrowing requirements for water services exceed 500% over the LTP period, which would be manageable if included in a 'WAI + T' Water CCO.

Benefits of a 'WAI + T' Water CCO

The analysis demonstrates that a combined 'WAI + T' Water CCO would be financially sustainable at LTP projected levels of investment, revenues, and debt financing. Key benefits include:

- Access to additional debt financing from LGFA up to 500% of operating revenues, significantly higher than what individual councils can achieve.
- Improved financial resilience for water services delivery across Wairarapa and Tararua.
- Ability to fund required levels of water services investment, with scope to increase or accelerate proposed investment.
- Potential to deliver lower water charges to consumers compared to stand-alone in-house delivery.
- Creation of new borrowing headroom for owning councils, which could be used to fund non-water investment and reduce projected rates increases.
- Development and implementation of an efficient financing strategy for water services.

Trade-offs and Opportunities

The report outlines several trade-offs and opportunities for Tararua District Council and its communities under a 'WAI + T' Water CCO:

- The transfer of water services into a joint CCO could enable the full $150 million water services capital investment requirement to be funded sustainably and create $42 million of borrowing headroom for the council, potentially eliminating all council net debt by FY33/34.
- The additional capacity could be used to fund non-water investment to offset or eliminate projected rates increases or potentially be capitalised to reduce projected water charges.
- If $50 million of the council's headroom is utilised for water services, it could decrease average water bills by $7,000 + GST per household over the first eight years of operation, representing a1% saving.

Financial Projections and Scenarios

The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

- **Scenario**: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'WAI + T' Water CCO.
- **Scenario**: $50 million capitalisation scenario where $50 million of the total maximum internal borrowing requirement is capitalised, resulting in lower charges for consumers.
- **Scenario 3**: $25 million capitalisation scenario where $25 million of the internal borrowing requirement is capitalised, with the other half funded by new borrowings by 'WAI + T'.

Investment Requirements and Household Charges

The report highlights that the proposed levels of investment in the024-34 LTP result in higher charges for Tararua consumers compared to the 'WAI + T' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that Tararua District Council may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

Key Financial Metrics

The report This report provides key financial metrics for water services, including:

- Projected operating revenues and expenses.
- Net debt to operating revenue ratios.
- Funds from operations to debt ratios.
- Projected water services investment and funding sources.

Conclusion

The report concludes that a 'WAI + T' Water CCO would be financially viable and sustainable, providing significant benefits to Tararua District Council and its communities. The council should continue to investigate its water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs.

1.4 02 Wai+T - DIA - Wairarapa and Tararua Water Done Well analysis -1 Nov4

This report provides a comprehensive assessment of the financial sustainability of a potential joint Wairarapa/Tararua water services CCO (Council-Controlled Organisation).

Overview

The report has been prepared to provide information to Carterton District Council, Masterton District Council, South Wairarapa District Council, and Tararua District Council (collectively referred to as the Wairarapa/Tararua councils) on the financial sustainability of water services provision. It also explores the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the councils and aims to support their decision-making process.

Financial Viability of a Joint 'WAI + T' Water CCO

The analysis indicates that a joint 'WAI + T' model would be financially viable at Long-Term Plan (LTP) projected levels of revenue, debt, and investment. Each council has different investment requirements and costs of service, and the analysis retains these regional differences to ensure that prices reflect the direct costs of service to each community. There is no requirement to harmonise prices across communities under Local Water Done Well.

Benefits of a 'WAI + T' Water CCO

The report outlines several benefits of establishing a 'WAI + T' Water CCO:

- **Access to Additional Debt Financing**: The CCO would be able to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues, significantly higher than what individual councils can achieve.
- **Improved Financial Resilience**: The CCO would improve the financial resilience for water services delivery across the Wairarapa and Tararua regions.
- **Funding Required Investment**: The CCO would provide the ability to fund the required levels of water services investment, with scope to increase or accelerate proposed investment.
- **Lower Water Charges**: The CCO could deliver lower water charges to consumers compared to stand-alone in-house delivery.
- **New Borrowing Headroom**: The CCO would create new borrowing headroom for owning councils, which could be used to fund non-water investment and reduce projected rates increases.
- **Efficient Financing Strategy**: The CCO would enable the development and implementation of an efficient financing strategy for water services.

Trade-offs and Opportunities

The report outlines several trade-offs and opportunities for the councils and their communities under a 'WAI + T' Water CCO:

- **Funding Capital Investment**: The transfer of water services into a joint CCO could enable the full capital investment requirement to be funded sustainably and create significant borrowing headroom for the councils.
- **Reducing Water Charges**: The additional borrowing capacity could be used to reduce projected water charges for consumers.
- **Balancing Investment and Affordability**: Each council has trade-off decisions to make between levels of investment, debt financing, and affordability for consumers.

Financial Projections and Scenarios

The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

- **Base Case Scenario**: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'WAI + T' Water CCO.
- **Alternative Scenarios**: Scenarios where councils make trade-off decisions to deliver more affordable services and reduce projected charges to consumers.

Investment Requirements and Household Charges

The report highlights that the proposed levels of investment in the024-34 LTP result in higher charges for Tararua consumers compared to the 'WAI + T' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that councils may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

Key Financial Metrics

The report This report provides key financial metrics for water services, including:

- **Projected Operating Revenues and Expenses**: Detailed projections of operating revenues and expenses for each council.
- **Net Debt to Operating Revenue Ratios**: Projections of net debt to operating revenue ratios for each council.
- **Funds from Operations to Debt Ratios**: Projections of funds from operations to debt ratios for each council.
- **Projected Water Services Investment and Funding Sources**: Detailed projections of water services investment and funding sources for each council.

Conclusion

The report concludes that a 'WAI + T' Water CCO would be financially viable and sustainable, providing significant benefits to the councils and their communities. The councils should continue to investigate their water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs.

1.5 03 Wai+T Local Water Done Well analysis -1 Nov4

This report provides a comprehensive assessment of the financial sustainability of a potential joint Wairarapa/Tararua water services CCO (Council-Controlled Organisation).

Overview

The report has been prepared to provide information to Carterton District Council, Masterton District Council, South Wairarapa District Council, and Tararua District Council (collectively referred to as the Wairarapa/Tararua councils) on the financial sustainability of water services provision. It also explores the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the councils and aims to support their decision-making process.

Financial Viability of a Joint 'WAI + T' Water CCO

The analysis indicates that a joint 'WAI + T' model would be financially viable at Long-Term Plan (LTP) projected levels of revenue, debt, and investment. Each council has different investment requirements and costs of service, and the analysis retains these regional differences to ensure that prices reflect the direct costs of service to each community. There is no requirement to harmonise prices across communities under Local Water Done Well.

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The report outlines several benefits of establishing a 'WAI + T' Water CCO:

- **Access to Additional Debt Financing**: The CCO would be able to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues, significantly higher than what individual councils can achieve.
- **Improved Financial Resilience**: The CCO would improve the financial resilience for water services delivery across the Wairarapa and Tararua regions.
- **Funding Required Investment**: The CCO would provide the ability to fund the required levels of water services investment, with scope to increase or accelerate proposed investment.
- **Lower Water Charges**: The CCO could deliver lower water charges to consumers compared to stand-alone in-house delivery.
- **New Borrowing Headroom**: The CCO would create new borrowing headroom for owning councils, which could be used to fund non-water investment and reduce projected rates increases.
- **Efficient Financing Strategy**: The CCO would enable the development and implementation of an efficient financing strategy for water services.

Trade-offs and Opportunities

The report outlines several trade-offs and opportunities for the councils and their communities under a 'WAI + T' Water CCO:

- **Funding Capital Investment**: The transfer of water services into a joint CCO could enable the full capital investment requirement to be funded sustainably and create significant borrowing headroom for the councils.
- **Reducing Water Charges**: The additional borrowing capacity could be used to reduce projected water charges for consumers.
- **Balancing Investment and Affordability**: Each council has trade-off decisions to make between levels of investment, debt financing, and affordability for consumers.

Financial Projections and Scenarios

The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt.

Key scenarios include:

- **Base Case Scenario**: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'WAI + T' Water CCO.
- **Alternative Scenarios**: Scenarios where councils make trade-off decisions to deliver more affordable services and reduce projected charges to consumers.

Investment Requirements and Household Charges

The report highlights that the proposed levels of investment in the024-34 LTP result in higher charges for Tararua consumers compared to the 'WAI + T' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that councils may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

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The report This report provides key financial metrics for water services, including:

- **Projected Operating Revenues and Expenses**: Detailed projections of operating revenues and expenses for each council.
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- **Projected Water Services Investment and Funding Sources**: Detailed projections of water services investment and funding sources for each council.

Conclusion

The report concludes that a 'WAI + T' Water CCO would be financially viable and sustainable, providing significant benefits to the councils and their communities. The councils should continue to investigate their water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs and acknowledge that there will be trade-offs to establishing a joint Wairarapa/Tararua water services CCO.

1.6 [04 Wai+T - LWDW Councillor MCA Update August024]

This report provides an update on the Wai + T project, which is supported by the three Wairarapa and Tararua Councils. The project aims to investigate the benefits, opportunities, and risks of a joint water services arrangement.

Overview of Wai + T

Wai + T is a project supported by the three Wairarapa and Tararua Councils to explore the benefits, opportunities, and risks of a joint water services arrangement. It is one of several practicable options being considered, including Wellington Regional Water Service Delivery Planning, Provincial Planning, and maintaining the status quo.

Legislative Context

The Local Government (Water Services Preliminary Arrangements) Bill is at its third reading stage and is expected to receive Royal Assent by the end of August024. This bill requires Territorial Authorities (TAs) to submit water services delivery plans (WSDPs) within2 months of enactment, by August02 The bill outlines the form and delivery of WSDPs, including joint arrangements, and This report provides alternative consultation options if the status quo is not maintained. Guidelines and templates will be released upon enactment.

The Local Government Local Services Bill, with a broad policy direction, is set to be introduced in December024. This bill will establish enduring legislative settings for economic and quality/environmental regulations and enable financing and water organisations.

Options for Joint Arrangements

The document outlines various options for joint arrangements among the Wairarapa Councils:

- **Wellington Region**: An MOU was signed on0 May024, led by an external project team. It involves a non-binding commitment to collaborate with defined exit ramps at the end of each phase.
- **Wai + T**: A TOR was signed on 5 July024, led by senior staff internal to the councils. It involves a binding commitment to fund a defined scope of work, with progressive decision-making required and a recommendation lined up before 31 October024.

Timeline for Joint Water Services Delivery Plan

The timeline for the Wairarapa + Tararua Joint Water Services Delivery Plan includes council briefings, combined council forums, and the development of a draft joint WSDP. Key decisions are required by October024, with consultation and hearings linked to the Long-Term Plan (LTP) or Annual Plan (AP). The finalisation of the joint WSDP and council decisions are expected by June02

Multi-Criteria Analysis (MCA) Steps

The document outlines the steps for conducting a Multi-Criteria Analysis (MCA):

1. Identify assessment criteria.
2. Assess the criticality of criteria (High, Medium, Low).
3. Develop definitions and anchored scales for evaluation.
4. Investigate individual criteria.
5. Evaluate multiple options of water service delivery using the agreed criteria and anchored scale.

Practicable Options

The practicable options for water service delivery include:

- Regional (10 councils)
- Wai + T
- MDC alone
- CDC alone
- SWDC + WWL (status quo)
- TDC alone
- Wairarapa Only

Criteria for MCA

The document This report provides a detailed set of criteria for the MCA, including financial, level of service, operational, relationships and trust, strategic, and legislative requirements. Each criterion is assessed for its impact on affordability, service delivery, operational efficiency, relationships, strategic goals, and legislative compliance.

MCA Preliminary Results

The preliminary results of the MCA show that the Wairarapa Only option ranks highest, followed by Wai + T, MDC alone, CDC alone, TDC alone, Regional (10 councils), and SWDC status quo. The results are based on weighted scores for each criterion.

Key Differentiators

The document highlights key differentiators between the regional and provincial options, including iwi support, strategic alignment, local accountability, spatial logic, innovation, cost efficiencies, and future optionality.

Next Steps

The next steps include briefing all councils on the multi-criteria analysis result for joint water services arrangements, completing the full report, that lead to key decisions in October/November 2024 for the Wairarapa Council, and in December for Tararua.

The councils will need to Consult and then decide whether to adopt a joint WSDP, establish a CCO or other model, and confirm resources and funding.

1.7 05 Wai+T - Tararua District Council -1 Nov4

This report provides an in-depth assessment of the financial sustainability of Tararua District Council's water services delivery and considerations for a potential joint Wairarapa/Tararua water services CCO (Council-Controlled Organisation).

Overview

The report has been prepared to provide information to Tararua District Council on the financial sustainability of water services provision, as indicatively assessed against the requirements for Water Services Delivery Plans. It also explores the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the council and aims to support its decision-making process.

Financial Viability of a Joint 'WAI + T' Water CCO

The analysis indicates that a joint 'WAI + T' model would be financially viable at Long-Term Plan (LTP) projected levels of revenue, debt, and investment. Each council has different investment requirements and costs of service, and the analysis retains these regional differences to ensure that prices reflect the direct costs of service to each community. There is no requirement to harmonise prices across communities under Local Water Done Well.

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- **Access to Additional Debt Financing**: The CCO would be able to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues, significantly higher than what individual councils can achieve.
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- **Efficient Financing Strategy**: The CCO would enable the development and implementation of an efficient financing strategy for water services.
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Trade-offs and Opportunities

The report outlines several trade-offs and opportunities for Tararua District Council and its communities under a 'WAI + T' Water CCO:

- **Funding Capital Investment**: The transfer of water services into a joint CCO could enable the full capital investment requirement to be funded sustainably and create significant borrowing headroom for the council.
- **Reducing Water Charges**: The additional borrowing capacity could be used to reduce projected water charges for consumers.
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Financial Projections and Scenarios
The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

- **Base Case Scenario**: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'WAI + T' Water CCO.
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Investment Requirements and Household Charges
The report highlights that the proposed levels of investment in the024-34 LTP result in higher charges for Tararua consumers compared to the 'WAI + T' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that councils may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

Key Financial Metrics
The report This report provides key financial metrics for water services, including:
- **Projected Operating Revenues and Expenses**: Detailed projections of operating revenues and expenses for each council.
- **Net Debt to Operating Revenue Ratios**: Projections of net debt to operating revenue ratios for each council.
- **Funds from Operations to Debt Ratios**: Projections of funds from operations to debt ratios for each council.
- **Projected Water Services Investment and Funding Sources**: Detailed projections of water services investment and funding sources for each council.

Conclusion

The report concludes that a 'WAI + T' Water CCO would be financially viable and sustainable, providing significant benefits to Tararua District Council and its communities. The council should continue to investigate its water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs. It shows the financial sustainability analysis and the potential benefits and trade-offs of establishing a joint Wairarapa/Tararua water services CCO.

1.8 06 Wai+T - Tararua-AMP-on-a-page

This report provides a concise overview of the water, wastewater, and stormwater systems managed by the Tararua District Council.

Three Waters: Water, Wastewater & Stormwater

The document assesses the overall data confidence and reliability rating for the council's water services, which is rated as medium to high. The council has an overall average data confidence score of 71.7 out of00, where00 is considered excellent.

Water Supply System

The water supply system includes various treatment plants that use different methods such as chlorine, multimedia, microfiltration, ultraviolet, and combinations of these. The system comprises:

- 267 kilometres of water supply pipelines
- 47 kilometres of laterals
- 8 water intakes, including bores
- 14 reservoirs
- 1 pump station
-

Wastewater System

The wastewater system involves treatment processes such as screening, removal of dissolved solids, ponds and aeration, microfiltration, and ultraviolet. The treated wastewater is then discharged to land and/or waterways, ultimately reaching the ocean. The system includes:

- 95 kilometres of wastewater pipelines
- 1,100 maintenance chambers
- 21 sewer pump stations

Stormwater System

The stormwater network consists of an urban network of pipes and open channel drains that safely direct stormwater to inland streams and the ocean. The system comprises:

- 28 kilometres of stormwater pipelines
- 26 kilometres of open channel drains and streams
- 1,160 maintenance chambers and sumps

This summary captures the main points and insights from the document, providing a comprehensive overview of the water, wastewater, and stormwater systems managed by the Tararua District Council.

1.9 07 Wai+T - LWDW--Public-workshop-Presentation-17-18-October-2024-1

This report provides a comprehensive overview of the Wai + T project, which is supported by the three Wairarapa Councils and Tararua Council. The project aims to investigate and evaluate the benefits, opportunities, and risks of joint arrangement options for water service delivery.

Introduction
The presentation begins with the whakataukī (proverb) "E HARA TAKU TOA I TE TOA TAKITAHI HE TOA TAKITINI," which translates to "My strength is not as an individual, but as a collective." This sets the tone for the collaborative nature of the Wai + T project.

Project Scope
The Wai + T project is designed to investigate and evaluate the benefits, opportunities, and risks of joint arrangement options for water service delivery. The scope includes considering various practicable delivery options/groupings such as Wellington Regional Water Service Delivery Planning, Wai + T or Wairarapa, and Manawatu/Whanganui. The project must assess the advantages and disadvantages of at least one option against the status quo and consult with the public.

Options for Joint Arrangements
The presentation outlines two main options for joint arrangements among the Wairarapa Councils:

1. **Wellington Region (10 councils)**: An MOU was signed on0 May024, led by a largely external project team to councils. It involves a non-binding commitment to collaborate with defined exit ramps at the end of each phase and progressive decision-making required.
2. **Wai + T (4 councils)**: A TOR was signed on 5 July024, led by senior staff internal to councils. It involves a binding commitment to fund a defined scope of work, with progressive decision-making required.

Project Team Scope
The project team is tasked with developing a joint arrangement option encompassing the Wairarapa and Tararua councils that is sufficiently detailed to enable it to be assessed against other options. The team will provide supporting evidence and a decision-making framework to evaluate a joint operating model against other options for water services delivery, including the status quo. The team will also establish assessment criteria, assess the Wellington Region joint arrangement option, workshop the options with elected members and iwi, and commence work on the details of a preferred joint arrangement option if directed by the Project Steering Group.

Multi-Criteria Analysis (MCA)
The presentation outlines the steps for conducting a Multi-Criteria Analysis (MCA):

1. Identify assessment criteria.
2. Assess the criticality of criteria (High, Medium, Low).
3. Develop definitions and anchored scales for evaluation.
4. Investigate individual criteria.
5. Evaluate multiple options of water service delivery using the agreed criteria and anchored scale.

Criteria for MCA
The criteria for the MCA include financial, level of service, operational, relationships and trust, strategic, and legislative requirements. Each criterion is assessed for its impact on affordability, service delivery, operational efficiency, relationships, strategic goals, and legislative compliance.

MCA Preliminary Results

The preliminary results of the MCA show that the Wairarapa Only option ranks highest, followed by Wai + T, MDC alone, CDC alone, TDC alone, Regional (10 councils), and SWDC status quo. The results are based on weighted scores for each criterion.

Affordability Models and Tests

The presentation includes affordability models and tests, such as the Network Economics Approach and the Funding & Pricing Path (FPP) Model. These models provide theoretical and practical pricing paths for water services delivery, considering factors like investment levels, debt optimisation, and intergenerational equity.

Economies of Scale and Scope

The presentation discusses the opportunities and limitations of economies of scale and scope, considering factors such as implementation feasibility, climate change resilience, regional council views, operational benefits, and the uniqueness of the Wai + T location and network.

Key Differentiators

The presentation highlights key differentiators between the regional and provincial options, including iwi support, strategic alignment, local accountability, spatial logic, innovation, cost efficiencies, and future optionality.

Next Steps

The next steps include briefing all councils on the MCA results, completing the full report, and making key decisions by October024. The councils will need to decide whether to adopt a joint WSDP, establish a WCCO or other model, and confirm resources and funding. Public consultation on the entity structure and establishment will follow, with the completed WSDP to be submitted by 3 September 2025.

1.10 08 Wai+T Wairarapa-3x-councils-model-output-summary-slide-pack

This report provides a detailed comparison of the water network economic model for the three Wairarapa councils against the regional model. Here is a comprehensive summary of the key points:

Introduction

A regional water network economic model was developed, providing increasingly refined insights to support critical decisions at required milestones. The current phase involves strategic-level analysis to facilitate informed decision-making.

Key Assumptions and Caveats

The comparison between the council model scenario and the regional model scenario aligns key data inputs for consistency, including interest rates, compliance, network recovery period, and price rise rate. Data inputs have been confirmed with council officers, and uninflated values are used, with all prices and costs in $FY24. Additional overheads for economic regulation compliance and capital for metering are noted. The regional model does not assume efficiency gains at this phase, and the calculated price is illustrative, not an accurate estimate of actual price increases.

Modelling Observations

- **Asset Condition**:6.7% of assets are in poor or very poor condition, worse than the regional average but better than DIA's assessment for Masterton (34%), Carterton (29%), and South Wairarapa (14%). 58% of assets are in good or excellent condition, indicating that bulk renewal may not be necessary over the next0-30 years.
- **Water Prices**: The combined Wairarapa councils have the highest average water prices in the region, leading to earlier self-funding of network remediation compared to the regional option. An additional cost of ~$6 million per annum to run a council-owned CCO is included in input costs. The Debt-to-Revenue ratio is within the LGFA 5% limit, but the FFO to Debt ratio falls outside the required max FFO ratio of 9% in the initial years.

Pricing Summary

The indicative pricing summary compares the council model (v3.14) and the regional model (v3.14):

- **Starting Price (FY25)**: $1,909 (Council Model) vs. $1,711 (Regional Model)
- **Peak Price (~2036-2050)**: $5,017 (Council Model) vs. $4,288 (Regional Model)
- **Long Term Sustainable Price**: $3,305 (Council Model) vs. $2,622 (Regional Model)

Input Data for Model

The slide pack This report provides a comparison of input data for the 3x Council specific model and the regional model, covering aspects such as cash use, pricing, debt, starting asset condition, worn-out assets, estimate faults cost from worn-out assets, and the chance of network critical failure.

Output Data from Model

The output data from the model includes detailed comparisons between the 3x Council specific model and the regional model, highlighting differences in pricing, debt, asset condition, and network performance. This provides a comprehensive overview of the comparison for the three Wairarapa councils against the regional model.

1.11 **10 Wai+T - Townsend Consulting Water Services Delivery Plan Options - Wai+T (Final)**

This report provides a comprehensive assessment of the potential benefits and financial implications of forming a multi-council water services CCO (Council-Controlled Organisation) for the Masterton, Carterton, South Wairarapa, and Tararua councils.

Background and Legislative Context
The report begins by outlining the new policy direction under the coalition Government of National/Act/NZ First, which has repealed the previous '3 waters / Affordable waters reform' program and introduced the 'Local Waters Done Well' initiative. This new policy emphasizes local government control and accountability for water services, requiring councils to produce a 'Water Services Delivery Plan' within2 months of the enabling legislation passed in July024.

Investment Requirements
The report This report provides a detailed analysis of the investment required in the water network to meet the new legislated standards for water quality, wastewater, and storm resilience. The total investment required over the first0 years is estimated to be $706.41 million in nominal dollars, with significant capital spend per household across the four councils.

Operational and Overhead Expenses
The report addresses the cost of operations and overhead back-office expenses needed to deliver water services. It highlights the potential efficiencies that can be achieved through aggregation, estimating a.17% annual operational cost savings, capping out at8% after5 years.

Financial Sustainability and Debt Management
The analysis indicates that a multi-council CCO would be financially sustainable, with the ability to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues. The report This report provides detailed financial projections and scenarios, illustrating the impact of different levels of investment and internal borrowing arrangements on household charges and council debt.

Economic Efficiency and Pricing
The report outlines the potential economic efficiencies that can be obtained through a multi-council CCO, including capital investment planning, operational cost savings, and proactive maintenance. It also This report provides a detailed pricing summary, comparing the costs for domestic and non-domestic water services under single council and multi-council CCO scenarios. The analysis shows that residents and businesses would pay significantly less under a multi-council CCO.

Risk Assessment and Financial Assumptions
The report includes a risk assessment, highlighting the key variables that impact pricing and financial sustainability. It also documents the major assumptions used in the financial modelling, including interest rates, inflation, population growth, and operational expenses.

Conclusion and Next Steps
The report concludes that forming a multi-council water services CCO would provide significant benefits to the participating councils and their communities. It recommends that the councils proceed with the necessary steps to establish the CCO, including negotiating debt vesting, prioritizing capital investment, and developing a unified asset management plan.

Waterfall Graphs
Further work has recently been completed to look at how a new CCO and all cost and contingencies might apply.

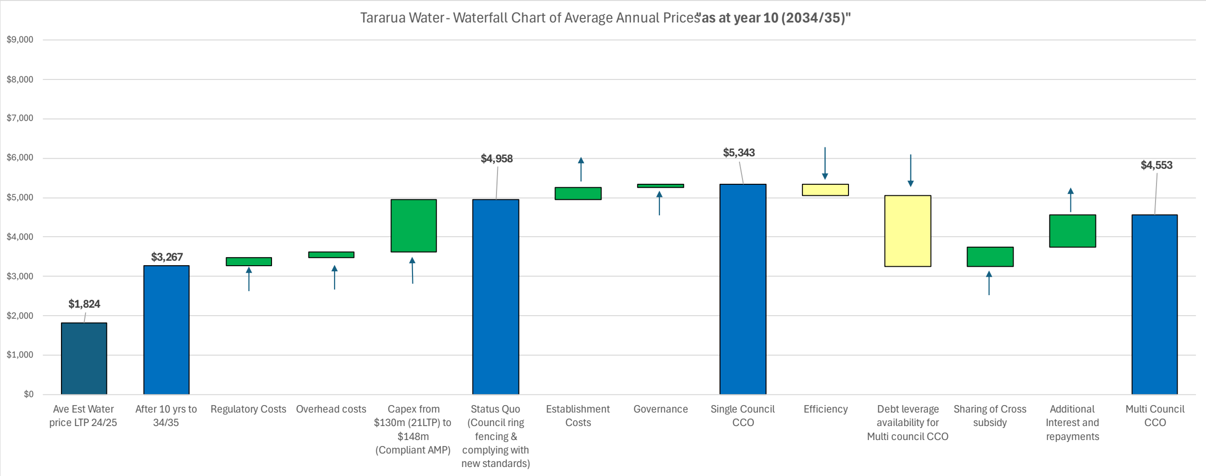
The Waterfall graphs can step through the effect of costs and savings at key stages of a project. The starting point is on the left bar lines, and the effects of each stage or assumption (plus or minus) are then stepped through on the way to the projected outcome of all changes in the right-hand bar.

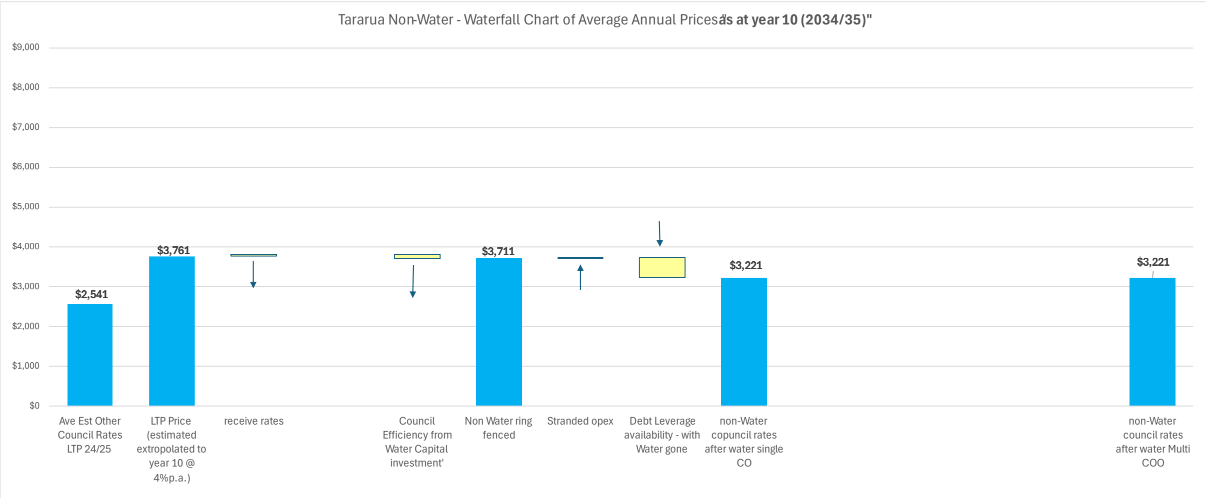
A preliminary assessment has been made on how the costs and savings of moving to a joint CCO with the Wai-T group may apply.

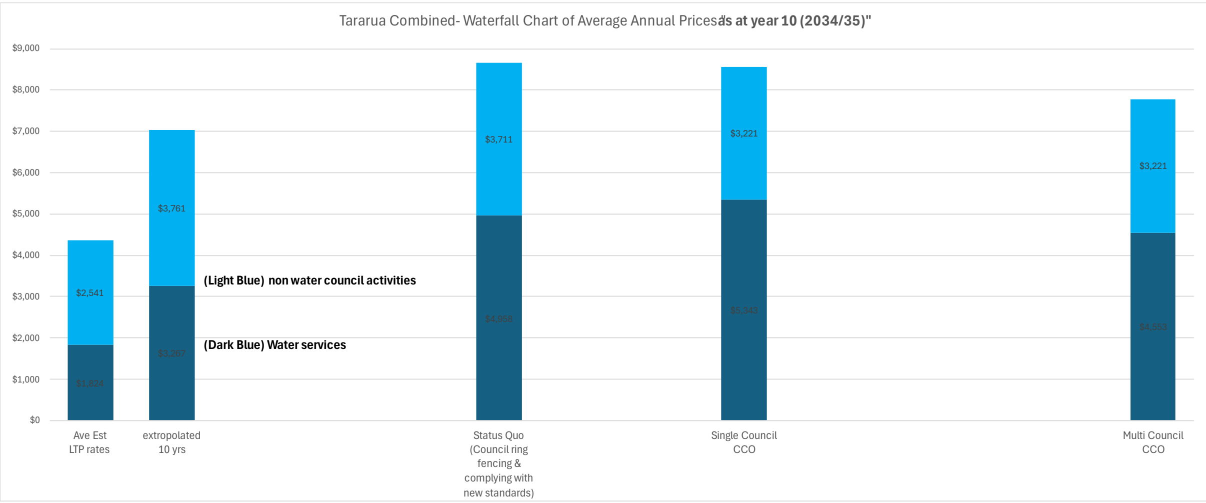
These consider a range of factors that will need to be developed in the New Year:

- Regulatory Costs
- Overhead costs
- Capital Expenditure – Additional Contingency, if required
- Establishment Costs
- Governance
- Efficiency Saving
- Debt leverage availability for multi council CCO
- Sharing of cost - harmonisation

These are indicative but indicate the difficulty of any model to meet future delivery of water services.


Tararua Water - Waterfall Chart of Average Annual Prices "as at year 10 (2034/35)"
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$1,824
$3,267
$4,958
$5,343
$4,553
Ave Est Water price LTP 24/25
After 10 yrs to 34/35
Regulatory Costs
Overhead costs
Capex from $130m (21LTP) to $148m (Compliant AMP)
Status Quo (Council ring fencing & complying with new standards)
Establishment Costs
Governance
Single Council CCO
Efficiency
Debt leverage availability for Multi council CCO
Sharing of Cross subsidy
Additional Interest and repayments
Multi Council CCO


Tararua Non-Water - Waterfall Chart of Average Annual Prices "as at year 10 (2034/35)"
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$2,541
$3,761
$3,711
$3,221
$3,221
Ave Est Other Council Rates LTP 24/25
LTP Price (estimated extropolated to year 10 @ 4%p.a.)
receive rates
Council Efficiency from Water Capital investment'
Non Water ring fenced
Stranded opex
Debt Leverage availability - with Water gone
non-Water copuncil rates after water single CO
non-Water council rates after water Multi COO


Tararua Combined - Waterfall Chart of Average Annual Prices "as at year 10 (2034/35)"
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
$2,541
$3,761
$3,711
$3,221
$3,221
(Light Blue) non water council activities
(Dark Blue) Water services
Ave Est LTP rates
extropolated 10 yrs
Status Quo (Council ring fencing & complying with new standards)
Single Council CCO
Multi Council CCO

1.12 11 Wai+T Castalia-review-of-Wai-T-water-sector-evaluation-criteria-111024

This report provides a comprehensive review of the evaluation criteria developed by the Wai + T team for assessing water services restructuring options.

Executive Summary

The Wairarapa (Masterton District, Carterton District, and South Wairarapa District Councils) and Tararua District Council (together Wai + T) are considering options to jointly deliver water, wastewater, and stormwater services. This follows the Government passing the Local Government (Water Services Preliminary Arrangements) Act024. The team advising Wai + T council executives has created evaluation criteria to evaluate the options for restructuring and has asked Castalia to review these criteria using local and international best practices. Castalia finds that Wai + T's criteria provide a robust framework for assessing restructuring options but suggests some improvements for the next stage.

Wai + T's Evaluation Criteria

Wai + T's evaluation criteria include six key parameters: financial, level of service, operational, relationship and trust, strategic, and legislative. Each parameter includes weighted evaluation criteria to be scored out of 100.

- **Financial**: This parameter includes criteria that will impact consumer affordability, such as average price adjustments, free funds from operations, borrowing capacity, efficiency, establishment cost, transition cost, and complexity and time of transition.
- **Level of Service**: This parameter evaluates customers' experience, including responsiveness to faults, funds for major disasters, increased delivery service, ability to cater to growth, agility to adapt and improve, and responsiveness to emergencies.
- **Operational**: This parameter evaluates efficiencies and opportunities for districts, including procurement of resource availability, buying power, broader economic outcomes, attraction and retention of staff, managing risks of critical roles, spatial logic, network similarity and connectivity, operational efficiency, values and culture, stakeholder relationship cost, and systems complexity and scale.
- **Relationships and Trust**: This parameter includes criteria developed by Iwi and relates to the delivery entity's economic benefit to the community and accountability and performance monitoring.
- **Strategic**: This parameter evaluates the achievement of the district's strategic goals, including influence of strategic direction, transparency and clarity, alignment with other regional initiatives, and future optionality.
- **Legislative**: This parameter evaluates whether the proposed arrangement supports achieving the criteria required in any Water Service Delivery Plan (WSDP) to be accepted by the Minister.

Castalia's Recommended Parameters

Castalia recommends six high-level criteria for evaluating water sector reforms, which have been developed during major water sector reforms in several countries and adopted by the New Zealand Government during the Local Water Done Well policy development process.

- **Maximising Available Economies of Scale and Scope**: Assessing whether the reform interventions lead to cost savings from increased scale or scope.
- **Improving Access to Financing**: Evaluating the ability of water service providers to access finance that reflects the riskiness and revenues of the water business and its projects alone.
- **Lifting Management and Operational Capability**: Assessing the likelihood and extent to which the competence of management and operations is improved.

- **Flexibility to Future Change**: Evaluating the responsiveness of water service providers to change and new information.
- **Improving Incentive Alignment**: Assessing the institutional settings that incentivise governance and management to make decisions that achieve the overarching objective.
- **Ensuring Accountability to Owners/Customers and Stakeholders**: Evaluating the accountability of service providers to customers for the cost and quality of water services.

Evaluation of Wai + T Criteria

Castalia finds significant alignment between Wai + T's criteria and Castalia's recommended approach but suggests some improvements to address overlap and repetition.

- **Financial**: Split the criteria into access to financing and economies of scope and scale to provide appropriate weighting for each factor.
- **Level of Service**: Separate the alignment of governance and management's incentives from how management and operational capabilities will lift.
- **Operational**: Take care including economies of scope and scale here because size does not necessarily lead to improved operations.
- **Relationship and Trust**: Consider how accountability to owners, customers, and stakeholders can be incorporated.
- **Strategic**: Consider assessing accountability to customers and owners separately from how the entity option is flexible to future change.
-

Conclusion and Recommendations

Castalia concludes that Wai + T's criteria provide a robust framework for assessing restructuring options but recommends refining the criteria to address overlap and repetition. This will ensure that the criteria are weighted appropriately and consider all factors for delivering safe, resilient, customer-responsive water services at least cost.

1.13 **20 MW - Local Water Reform Update to Mayoral Forum_FINAL0241203**

This report provides the December 2024 update on the progress of the Local Water Done Well reforms and the work packages agreed upon by the Mayoral Forum.

Purpose and Executive Summary

The purpose of the report is to update the Mayoral Forum on the progress of the agreed work packages from the Three Waters Regional Options Appraisal Project. The report also This report provides an update on each council's progress in concluding their individual options appraisals and decisions about their proposed models for consultation. The Local Government (Water Services Preliminary Arrangements) Act024, passed in September, places a legal obligation on councils to produce a Water Services Delivery Plan (WSDP) and an accompanying implementation plan by 3 September02 The government is driving a tight timeframe for these changes, with further legislation expected in December024 to establish the economic and regulatory oversight regime for water services.

Recommendations

The report includes several recommendations for the Mayoral Forum, such as receiving the report, noting the decisions already reached by some councils, and agreeing to formally close the Three Waters Regional Options Appraisal Project. It also recommends that any regional or sub-regional joint delivery models be subject to bespoke governance and oversight mechanisms determined by the participating councils.

Decision-Making to Date

The report outlines the decision-making process to date, including the early decision of Manawatu District Council to discontinue participation in the full regional model and consider sub-regional approaches. The remaining councils are still working through their decision-making processes, with final decisions expected to be circulated by email following the relevant council meetings.

Appraisal of Service Delivery Models

Councils have a choice of six delivery models: in-house business unit, single council WS-CCO, multi-council WS-CCO, mixed council/consumer trust, consumer trust owned, or arrangements under s137 of the LGA002. The models were assessed against five categories: financial, levels of service, operational, relationships and trust, and strategic. The multi-council WS-CCO was found to be the best option for the participating councils.

Appraisal of Shareholding Options

The report discusses the shareholding options and the structure and membership of the 'Shareholder Committee' for a WS-CCO. The proposed principles include equal representation for participating councils, a role for iwi representation, and drawing on existing examples of good practice. The analysis concluded that equal representation for all shareholding councils on the Shareholding/Constitutional Committee remains the first preference.

Feedback from Regional Iwi Hui

The report includes feedback received at a hui held with iwi chairs and other key iwi/hapu stakeholders. Key points include the importance of sufficient time for consultation, genuine participation, economic participation, the centrality of Te Mana o te Wai, and the need for collaboration across iwi, councils, and stakeholders.

Developing an Implementation Plan

The report outlines the proposed approach to developing an implementation plan for a joint WS-CCO. The plan includes phases such as finalising shareholding and governance arrangements, recruiting an independent board, transferring assets, and consolidating managerial and back-office functions. The transition team proposes a 'CCO led' approach to implementation, with the first phase expected to begin after the WSDP is confirmed as acceptable.

Analysis of Financial and Asset Information

The report This report provides an updated analysis of financial and asset information to meet legislative requirements. The outputs of this modelling show that the financial impact on customers of a new joint CCO and on rates charged by the council following the transition is marginal. Any decision to join up will be for strategic reasons rather than financial.

Analysis of Stormwater Options

The report finally discusses the options for stormwater management under the Local Water Done Well reforms. Councils will retain legal responsibility and control of stormwater services but have flexibility to choose the arrangements that best suit their circumstances. The options include continuing to deliver stormwater services in-house, contracting a new water organisation to deliver services, or transferring aspects of stormwater service delivery to a water organisation.

Conclusion

The work packages agreed upon by the Mayoral Forum at the outset of this project have now concluded, with the respective Councils now in a position to make informed decisions regarding how to meet the requirements of this stage of the Government's Local Waters Done Well reform.

1.14 [21 MW - DIA - Water Done Well analysis - FINAL]

This report provides a comprehensive assessment of the financial sustainability of a potential joint Manawatu-Whanganui water services CCO (Council-Controlled Organisation).

Overview

The report has been prepared to provide information to Horowhenua District Council, Manawatu District Council, Palmerston North City Council, Rangitikei District Council, Ruapehu District Council, Tararua District Council, and Whanganui District Council (collectively referred to as the Manawatu-Whanganui councils) on the financial sustainability of water services provision. It also explores the potential benefits and trade-offs of establishing a joint Manawatu-Whanganui water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the councils and aims to support their decision-making process.

Financial Viability of a Joint 'Manawatu-Whanganui' Water CCO

The analysis indicates that a joint 'Manawatu-Whanganui' model would be financially viable at Long-Term Plan (LTP) projected levels of revenue, debt, and investment. Each council has different investment requirements and costs of service, and the analysis retains these regional differences to ensure that prices reflect the direct costs of service to each community. There is no requirement to harmonise prices across communities under Local Water Done Well.

Benefits of a 'Manawatu-Whanganui' Water CCO

The report outlines several benefits of establishing a 'Manawatu-Whanganui' Water CCO:

- **Access to Additional Debt Financing**: The CCO would be able to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues, significantly higher than what individual councils can achieve.
- **Improved Financial Resilience**: The CCO would improve the financial resilience for water services delivery across the Manawatu-Whanganui region.
- **Funding Required Investment**: The CCO would provide the ability to fund the required levels of water services investment, with scope to increase or accelerate proposed investment.
- **Lower Water Charges**: The CCO could deliver lower water charges to consumers compared to stand-alone in-house delivery.
- **New Borrowing Headroom**: The CCO would create new borrowing headroom for owning councils, which could be used to fund non-water investment and reduce projected rates increases.
- **Efficient Financing Strategy**: The CCO would enable the development and implementation of an efficient financing strategy for water services.

Trade-offs and Opportunities

The report outlines several trade-offs and opportunities for the councils and their communities under a 'Manawatu-Whanganui' Water CCO:

- **Funding Capital Investment**: The transfer of water services into a joint CCO could enable the full capital investment requirement to be funded sustainably and create significant borrowing headroom for the councils.
- **Reducing Water Charges**: The additional borrowing capacity could be used to reduce projected water charges for consumers.
- **Balancing Investment and Affordability**: Each council has trade-off decisions to make between levels of investment, debt financing, and affordability for consumers.

Financial Projections and Scenarios

The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

- **Base Case Scenario**: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'Manawatu-Whanganui' Water CCO.
- **Alternative Scenarios**: Scenarios where councils make trade-off decisions to deliver more affordable services and reduce projected charges to consumers.

Investment Requirements and Household Charges

The report highlights that the proposed levels of investment in the024-34 LTP result in higher charges for Tararua consumers compared to the 'Manawatu-Whanganui' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that councils may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

Key Financial Metrics

The report This report provides key financial metrics for water services, including:

- **Projected Operating Revenues and Expenses**: Detailed projections of operating revenues and expenses for each council.
- **Net Debt to Operating Revenue Ratios**: Projections of net debt to operating revenue ratios for each council.
- **Funds from Operations to Debt Ratios**: Projections of funds from operations to debt ratios for each council.
- **Projected Water Services Investment and Funding Sources**: Detailed projections of water services investment and funding sources for each council.

Conclusion

The report concludes that a 'Manawatu-Whanganui' Water CCO would be financially viable and sustainable, providing significant benefits to the councils and their communities. The councils should continue to investigate their water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs and considering the potential benefits and trade-offs of establishing a joint Manawatu-Whanganui water services CCO.

1.15 22 MW - GHD - 3W-Summary Report Final Report

This report provides a comprehensive assessment of the financial sustainability and potential benefits of forming a regional Council-Controlled Organisation (CCO) for the delivery of Three Waters services in the Manawatū-Whanganui region.

Executive Summary

The report outlines the purpose of the Manawatū-Whanganui Three Waters – Regional CCO Project, which is to equip Chief Executives and Elected Members with sufficient information to make an informed decision about whether to recommend proceeding with a regional asset-owning CCO for the future delivery of Three Waters services.

Initial Modelling for the Long-Term Plan (LTP) Period

The financial model combines information from each council's ten-year funding impact statements for stormwater, wastewater, and drinking water. It includes assumptions for costs and efficiency savings to determine the impact on each council's rates per connection cost or debt position. The ten-year modelling suggests that the impact of the Wastewater Treatment Plant (WWTP) was significant, leading to its inclusion in the rest of the modelling.

Scenarios and Financial Projections

The report presents various scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

- **Keep Debt Equal (Change Rates)**: This scenario shows the impact of allocating net costs or savings to rates while keeping debt levels equal. The debt position exceeds the LGFA Cap of80% in the initial years but comes under the cap again in year five.
- **Keep Rates Equal (Change Debt)**: This scenario shows the impact of allocating net costs or savings to debt while keeping rates equal. The debt levels exceed the LGFA Cap in the initial years but remain below the 500% cap.

Council Inclusion/Exclusion Scenarios

The report explores different combinations of council participation in the CCO, highlighting the impact on rates and debt levels. For example, including all seven councils results in a more stable debt position compared to a three-council CCO, which shows more volatility due to a smaller ratepayer base.

Minimum Tariff Scenario

A scenario was developed to assess the shortfall of a minimum tariff scenario, where all members of the CCO charge tariffs equal to the lowest tariff in the region. The results show an immediate shortfall of $25 million in year one, peaking at $165 million in year seven, suggesting that this model is not suitable for the Manawatū-Whanganui regional CCO.

Extending the Model: Years1-30

The analysis was extended to assess the impact across all councils for years1-30, capturing large capital projects that sit outside the0-year LTP period. The debt position flatlines due to the model setup, but caps continue to increase, leaving substantial headroom in the later years to flatten the rates per connection cost by attributing some of the cost increases to debt.

Shareholding Options

The report explores potential ways to allocate shareholding in the proposed CCO among the councils, including options based on capital value, land value, population, number of connections, volume of water processed, asset values, equity, and a combination of these factors.

1.16 22 MW - GHD - 3W-Summary Report Final Report

A regional approach would have clear strategic benefits

- A regional approach could deliver on the evaluation criteria set for it and would have strategic benefits to help meet the challenges of increased regulation and increasing costs in the future:
- Retains ownership and strategic direction
- Improved ability to meet Treaty obligations and community expectations
- A shared voice and strengthened negotiating position to influence Government and regulators
- Enables access to improved funding tools
- Improved delivery outcomes from streamlining and consistency
- Greater capacity to manage change

The strategic benefits of including all capital projects outweigh the potential cost

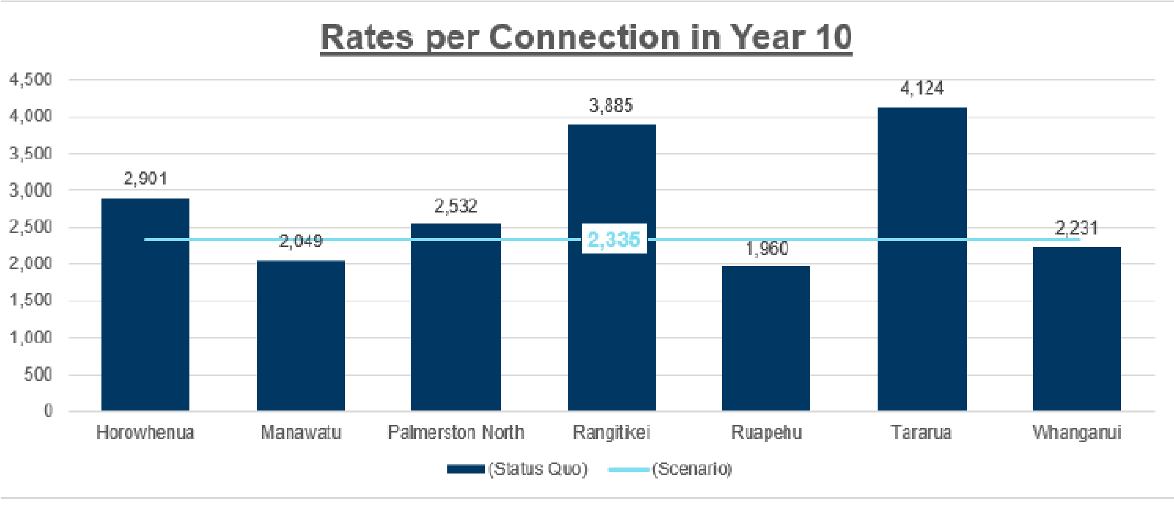
The financial modelling has shown that including the PNCC WWTP in any Regional CCO has a marginal difference on the annual cost per connection in 2033. Any disadvantages are therefore considered to be outweighed by the strategic benefits of adopting a principle of including all the major capital projects of all the participating councils in any future WS-CCO.

		WWTP paid by PNCC	WWTP incl in CCO	Addtnl cost per conntn
Debt	Conservative	$ 2,268	$ 2,406	$ 138
Kept	Mid-range	$ 2,198	$ 2,335	$ 137
Equal	Optimistic	$ 2,152	$ 2,290	$ 138
Rates	Conservative	$ 2,446	$ 2,446	$ -
Kept	Mid-range	$ 2,446	$ 2,446	$ -
Equal	Optimistic	$ 2,466	$ 2,466	$ -

!: Additional cost per connection in 2033 if PNCC WWTP included in WS-CCO

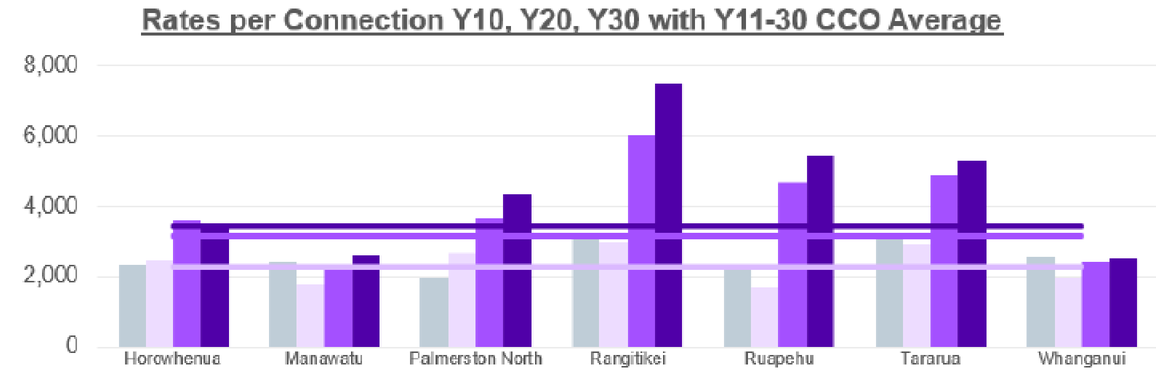
The financial case is marginal

In the fully regionalised scenario, the modelled cost for water connections in Yr 10 is cheaper than LTP projections for four out of seven councils.



Rates per Connection in Year 10

However, the picture changes when considering a 30-year horizon. For example, Ruapehu moves from net contributor to net beneficiary after year 10, while Horowhenua moves to a small net contributor. Beneficiaries also show benefits increasing at a faster rate than contributors show increased contributions over time.



	Horowhenua	Manawatu	Palmerston North	Rangitikei	Ruapehu	Tararua	Whanganui
Y4	2,312	2,417	1,923	3,068	2,267	3,054	2,537
Y10	2,459	1,783	2,683	2,966	1,692	2,916	1,946
Y20	3,595	2,256	3,625	6,042	4,691	4,892	2,420
Y30	3,365	2,567	4,324	7,502	5,439	5,283	2,516
Y10	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Y20	3,145	3,145	3,145	3,145	3,145	3,145	3,145
Y30	3,428	3,428	3,428	3,428	3,428	3,428	3,428

Rates per connection - Status Quo vs CCO Average

Consideration of regional sub-options also showed a marginal financial case between any of the options considered. The range between the options is $2,178 to $2,422 ($244) and the fully regionalised option sits in the middle of these.

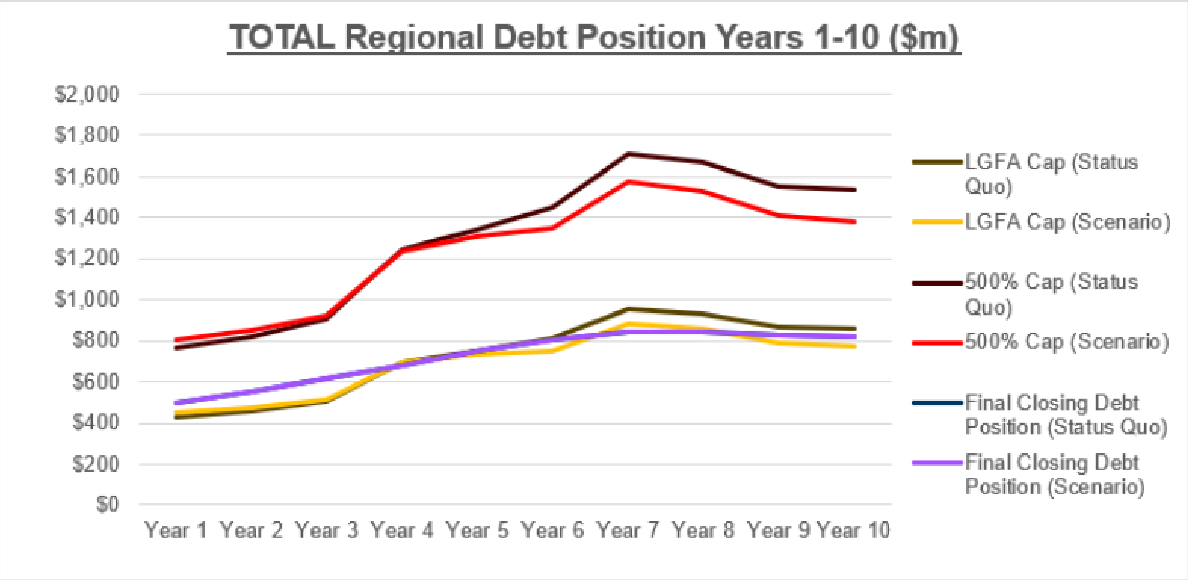
Scenario	Council Combination	Yr10 rate per conctn
0	**All in**	**$ 2,335**
1	HDCout	$ 2,294
2	WDCout	$ 2,407
3	TDCout	$ 2,220
4	RuDC	$ 2,376
5	HDC, RuDC, TDC, WDCout	$ 2,244
6a	RaDC, RuDc WDC	$ 2,178
6b	HDC, MDC, PNCC, TDC	$ 2,409
7	PNCCout	$ 2,357
8	MDCout	$ 2,422
9	RaDCout	$ 2,287

Yr10 Cost per connection of Sub-regional options in Debt kept Equal, mid-range assumptions

The region will need to address its borrowing to revenue ratio
In all the Scenarios, the LGFA borrowing cap of 280% is always exceeded at some point, but debt often remains substantially below a limit of 500%. (above)

This suggests that there is room to allocate a significant portion of the capital costs to debt and make use of the increased debt cap available to WS-CCO's supported by their parent councils. This would help flatten the cost per connection from the current projection.

The Year 11-30 projections show a similar trend of headroom in later years, suggesting further flattening or reduction of rates is also possible.



Total Regional Debt Position

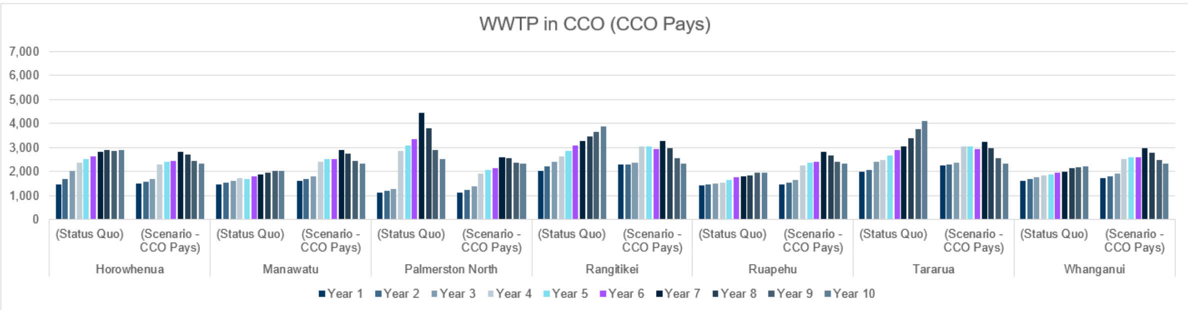
There are multiple ways to smooth tariff normalisation
Along with making use of the increase debt headroom for WS-CCO's to reduce tariff increases, the Regional Appraisal Project identified a variety of differences in approaches to charging across the seven councils. "Normalisation" of pricing in a regional CCO scenario is likely to also mean normalisation of the approaches, none of which were modelled in this work, meaning there are

opportunities to smooth the changes and gain efficiencies rather than simply 'cross-subsidising'.

For example, there is a variety of charging and metering regimes across the region. No district has full residential metering and there is a mix of approaches to trade waste charging.

Similarly, five out of seven councils charge development contributions. The model assumes no change to this policy, but a more aggressive approach of fully charging for growth or assuming 25% of capex is recovered from DC's reduces the average cost per connection in year 10 by up to $200, significantly reducing the amount by which net contributors are contributing.

The model has also taken a particular approach to normalising rates – creating a straight-line increase for each council between Yr1 and the normalised cost in Yr 10. This fails to fully account for the already planned increases for each individual council with some of them seeing smaller increases in later years of their LTP, or even a peak and then reduction back to the Yr10 normalised figure (Figure 8). This suggests that the reality of rates normalisation will be different from the projection, particularly in earlier years and may see less stark additional costs for those ratepayers who appear to be contributing to Yr 10.



The extension of the model out to Yr 30 showed MDC and WDC remaining as net contributors and net beneficiaries but with some changes - RuDC moves to net beneficiary and HDC moving to net contributor. Therefore, one potential solution to mitigate the variation in the tariff differences would be to normalise them over the thirty years rather than ten years (both benefits and contributions scale down, over time to reach a more equitable outcome).

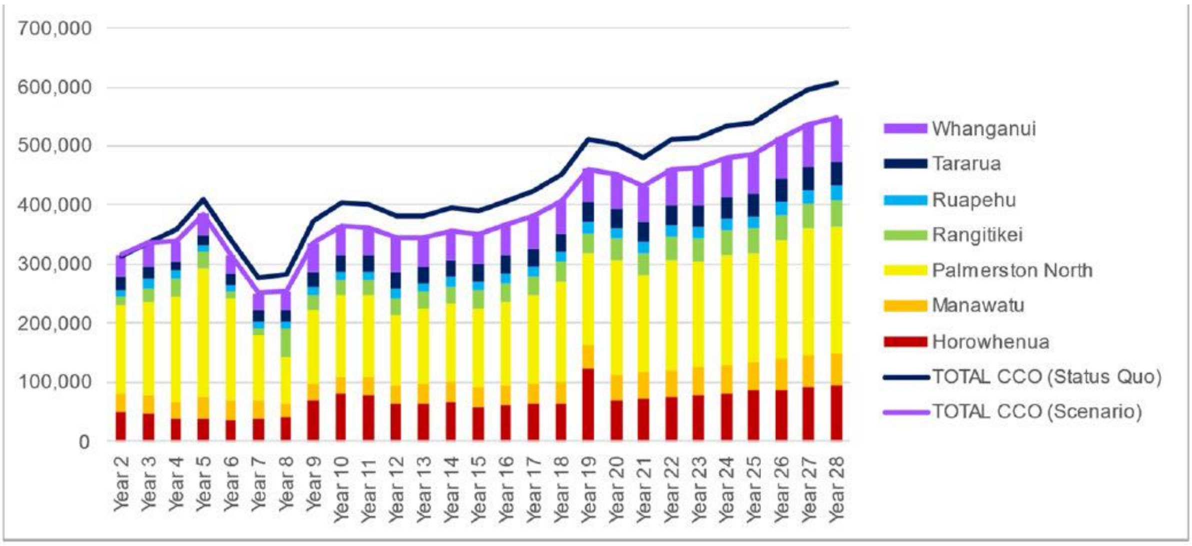
Tangible opportunities to realise the projected Savings and efficiencies

Further review has given a better understanding of the reason for the (so-far) marginal financial case – our efficiency savings assumptions are the same as the transition costs for the first five years, and the efficiency savings are assumed to start small in Yr 2 and increase to the stated assumption %.

The financial modelling shows regional savings per year increase from approx. $5m per year from Yr4 onwards reaching $50m per year by year 30. (Figure 9 .) Whilst a percentage-based approach, it has been matched by an assessment of the operations across the region, which has identified tangible opportunities for efficiency gain. These include: 5.22.1 Consolidation of the procurement and management of the approximately 500 waters related active contracts.

Harmonisation of the 51 ICT and operational technology systems being used across 9 system areas. Whilst some system overlap, there's nearly as many answers as councils and functions! The maximum number of councils using the same system is 4 using Assetfinda for Asset Management. This also represents an opportunity for those councils who currently don’t use any specialist system for elements of their work to have access to better tools and technology. (This harmonisation would also be a significant risk and expense through the establishment phase of any regional approach but would offer opportunity for efficiency in the long-term.)

Greater efficiencies through holistically managing the nearly 300 water related consents across the region, a quarter of which are expired, another quarter expire in the next five years and a third will expire within the life of the Infrastructure Strategies.



Annual Regional Spend Yrs 1-30

Household affordability remains in line with, or more affordable, than current projections

A high level assessment of the impact on household affordability was carried out by calculating the cost per connection as a percentage of the region's median household income. The normalised Yr10 cost per connection for the All-in scenario is 3.2%, compared to a range of 2.6-5.5%. (Figure 10) For the net contributors this is less than 1% increase (MDC=0.5%; RuDC=0.6%, WDC=0.1%) while for the net beneficiaries it is a significant improvement of up to 2.3%

Regional Median HH income	$ 75,197						
	Horowhenua DC	Manawatu District	Palmerston North C	Rangitikei DC	Ruapehu DC	Tararua	Whanganui DC
Yr 10 Status Quo Water Charges	$ 2,901	$ 2,049	$ 2,682	$ 3,885	$ 1,960	$ 4,124	$ 2,231
% of Regional Median HH Income	3.9%	2.7%	3.6%	5.2%	2.6%	5.5%	3.0%
YR 10 normalised Water Charge	$ 2,387	$ 2,387	$ 2,387	$ 2,387	$ 2,387	$ 2,387	$ 2,387
% of Regional Median HH Income	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

A similar trend is seen in an assessment of the sub-regional options; ranging between 2.9-3.2% of median household income, compared with 2.6-5.5% in the status quo.

Conclusion

The report concludes that forming a regional CCO for the delivery of Three Waters services in the Manawatū-Whanganui region would be financially viable and sustainable.

This report provides significant benefits, including access to additional debt financing, improved financial resilience, and the ability to fund required levels of investment. The councils should continue to investigate their water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative.

1.17 23 MW - GHD - 3W-High-level Financial Model Scenarios50524

This report provides a detailed analysis of various financial modelling scenarios for the Manawatū-Whanganui Three Waters project. Here is a comprehensive summary of the key points:

Introduction

The financial modelling scenarios are designed to test high-level assumptions and different combinations of councils that will be included in the CCO (Council-Controlled Organisation).

The key settings applied to the status quo and scenarios are explained to allow appropriate comparisons.

Financial Modelling Inputs and Assumptions

The financial modelling inputs include several key points:

1. The model allows for the inclusion or exclusion of councils for scenario analysis.
2. Key model assumptions, such as efficiencies, transition costs, and interest rates, can be varied between conservative, mid-point, and optimistic scenarios.
3. The new CCO scenario allows changes in efficiencies and costs to be allocated to rates or debt.
4. Development contributions (DCs) collection policy is currently set to status quo numbers, with options to change this to cover capital expenditure (capex) spend on additional demand or based on growth in connections.
5. The Palmerston North City Council (PNCC) Wastewater Treatment Plant (WWTP) is able to be included or excluded in the CCO scenarios.

Net Savings and Efficiencies

The document highlights the timing and general net savings expected from the project. The regulator will focus on cost as part of the price path consideration. The savings ratios applied are based on New Zealand experience, including Waikato, Hawkes Bay, and Watercare.

Summary Scenarios

The document presents various summary scenarios, including conservative, mid-point, and optimistic assumptions testing for all councils. The scenarios capture the ten-year Long-Term Plan (LTP) period, with further analysis planned for large projects in years1-30.

Scenario Testing

The scenario testing includes different combinations of councils and whether the PNCC WWTP is covered by the CCO or PNCC ratepayers. The scenarios are divided into two main categories:

1. **WWTP not in CCO, paid by PNCC ratepayers**: This includes scenarios where the WWTP is not included in the CCO and is paid by PNCC ratepayers either through rates or by a central government levy.
2. **WWTP in CCO, paid by all CCO ratepayers**: This includes scenarios where the WWTP is included in the CCO and is paid by all CCO ratepayers.

Detailed Scenario Analysis

The document This report provides detailed analysis for each scenario, including:

- **Scenario**: Conservative, PNCC Pays, Keep Debt Equal
- **Scenario**: Mid-Point, PNCC Pays, Keep Debt Equal
- **Scenario 3**: Optimistic, PNCC Pays, Keep Debt Equal
- **Scenario 4**: Conservative, CCO Pays, Keep Debt Equal
- **Scenario 5**: Mid-Point, CCO Pays, Keep Debt Equal
- **Scenario 6**: Optimistic, CCO Pays, Keep Debt Equal
- **Scenario 7**: Conservative, PNCC Pays, Keep Rates Equal
- **Scenario 8**: Mid-Point, PNCC Pays, Keep Rates Equal
- **Scenario 9**: Optimistic, PNCC Pays, Keep Rates Equal
- **Scenario0**: Conservative, CCO Pays, Keep Rates Equal
- **Scenario1**: Mid-Point, CCO Pays, Keep Rates Equal
- **Scenario2**: Optimistic, CCO Pays, Keep Rates Equal

Rates per Connection Cost by Council

The document includes graphs showing the rates per connection cost by council for both the status quo and scenario analyses. The graphs illustrate the impact of including or excluding the WWTP in the CCO and the changes in rates and debt positions over the ten-year period.

Scope and Limitations

The document concludes with a section on the scope and limitations of the financial modelling scenarios. It emphasizes that the slides have been prepared for Palmerston North City Council acting as a client on behalf of the Manawatū-Whanganui Councils and may only be used and relied on by these councils for the agreed purposes.

This summary captures the main points and insights from the document, providing a comprehensive overview of the financial modelling scenarios for the Manawatū-Whanganui Three Waters project.

1.18 24 MW - Manawatu-Whanganui Water Done Well analysis - FINAL

This report provides a comprehensive assessment of the financial sustainability of a potential joint Manawatu-Whanganui water services CCO (Council-Controlled Organisation).

Overview

The report has been prepared to provide information to Horowhenua District Council, Manawatu District Council, Palmerston North City Council, Rangitikei District Council, Ruapehu District Council, Tararua District Council, and Whanganui District Council (collectively referred to as the Manawatu-Whanganui councils) on the financial sustainability of water services provision. It also explores the potential benefits and trade-offs of establishing a joint Manawatu-Whanganui water services CCO under the Local Water Done Well initiative. The analysis is based on information provided by the councils and aims to support their decision-making process.

Financial Viability of a Joint 'Manawatu-Whanganui' Water CCO

The analysis indicates that a joint 'Manawatu-Whanganui' model would be financially viable at Long-Term Plan (LTP) projected levels of revenue, debt, and investment. Each council has different investment requirements and costs of service, and the analysis retains these regional differences to ensure that prices reflect the direct costs of service to each community. There is no requirement to harmonise prices across communities under Local Water Done Well.

Benefits of a 'Manawatu-Whanganui' Water CCO

The report outlines several benefits of establishing a 'Manawatu-Whanganui' Water CCO:

- **Access to Additional Debt Financing**: The CCO would be able to access additional debt financing from the Local Government Funding Agency (LGFA) up to 500% of operating revenues, significantly higher than what individual councils can achieve.
- **Improved Financial Resilience**: The CCO would improve the financial resilience for water services delivery across the Manawatu-Whanganui region.
- **Funding Required Investment**: The CCO would provide the ability to fund the required levels of water services investment, with scope to increase or accelerate proposed investment.
- **Lower Water Charges**: The CCO could deliver lower water charges to consumers compared to stand-alone in-house delivery.
- **New Borrowing Headroom**: The CCO would create new borrowing headroom for owning councils, which could be used to fund non-water investment and reduce projected rates increases.
- **Efficient Financing Strategy**: The CCO would enable the development and implementation of an efficient financing strategy for water services.

Trade-offs and Opportunities

The report outlines several trade-offs and opportunities for the councils and their communities under a 'Manawatu-Whanganui' Water CCO:

- **Funding Capital Investment**: The transfer of water services into a joint CCO could enable the full capital investment requirement to be funded sustainably and create significant borrowing headroom for the councils.
- **Reducing Water Charges**: The additional borrowing capacity could be used to reduce projected water charges for consumers.
- **Balancing Investment and Affordability**: Each council has trade-off decisions to make between levels of investment, debt financing, and affordability for consumers.

Financial Projections and Scenarios

The report includes detailed financial projections and scenarios to illustrate the impact of different levels of investment and internal borrowing arrangements on household charges and council debt. Key scenarios include:

- **Base Case Scenario**: LTP scenario where all internal borrowings are treated as external net debt and financed through new borrowings by the 'Manawatu-Whanganui' Water CCO.
- **Alternative Scenarios**: Scenarios where councils make trade-off decisions to deliver more affordable services and reduce projected charges to consumers.

Investment Requirements and Household Charges

The report highlights that the proposed levels of investment in the024-34 LTP result in higher charges for Tararua consumers compared to the 'Manawatu-Whanganui' average. Sensitivity analysis on capital investment shows that reducing the capital envelope could significantly lower average household charges. The report suggests that councils may wish to review the projected water services investment against the minimum requirements in Water Services Delivery Plans guidance to identify potential savings or efficiencies.

Key Financial Metrics

The report This report provides key financial metrics for water services, including:

- **Projected Operating Revenues and Expenses**: Detailed projections of operating revenues and expenses for each council.
- **Net Debt to Operating Revenue Ratios**: Projections of net debt to operating revenue ratios for each council.
- **Funds from Operations to Debt Ratios**: Projections of funds from operations to debt ratios for each council.
- **Projected Water Services Investment and Funding Sources**: Detailed projections of water services investment and funding sources for each council.

Conclusion

The report concludes that a 'Manawatu-Whanganui' Water CCO would be financially viable and sustainable, providing significant benefits to the councils and their communities. The councils should continue to investigate their water services financial projections and strategies to realise the full benefits of the Local Water Done Well initiative and the LGFA financing solution for water CCOs.

1.19 [25 MW Local Water Done Well Reform Update - Summarised - Mayoral Forum 2 September 2024]

Introduction

The report updates the Mayoral Forum on the government's "Local Water Done Well" policy, exploring regional responses and outlining steps to develop Water Service Delivery Plans (WSDPs). Councils must submit WSDPs within 12 months of the Local Government (Water Services Preliminary Arrangements) Bill's enactment.

Executive Summary

- **Policy Change**: The government replaced the Three Waters legislation with "Local Water Done Well." Councils retain control over water services but must comply with new investment, borrowing, and pricing rules, overseen by a new regulator.
- **Timeline**: Councils must decide by year-end whether to consult on individual or joint WSDPs. The Department of Internal Affairs (DIA) will provide guidance and templates post-legislation.
- **Cost Impact**: New rules may increase costs for end-users. A regional approach could mitigate overhead and compliance costs.
- **Collaboration**: The Regional Options Appraisal supports a collaborative approach. Individual councils are assessing impacts and potential collaborations.
- **Consultation**: Joint WSDPs require consultation, including with Iwi/Māori. Councils must adopt plans by June 2025, with consultations starting in February 2025.

Legislation and Policy

- **Council Choices**: Councils have options within government-set parameters, with an emphasis on amalgamation, though not mandated.
- **Bill Progress**: The Local Government (Water Services Preliminary Arrangements) Bill, introduced on May 30, is expected to pass by the end of August. Key changes include levy-making powers for the Commerce Commission.
- **Future Legislation**: A third piece of legislation will be introduced in December and is expected to pass by June 2025. This will further separate water services planning and reporting from other council activities. Councils delivering services in-house will face borrowing restrictions from the LGFA.

Water Services CCOs and Delivery Models

- **Definition**: A Water Services CCO (WS-CCO) delivers water services or related goods/services.
- **New Organisations**: The government will enable new, financially separate water organisations to enhance access to long-term borrowing.
- **Delivery Models**: Councils can choose from five models:
    1. In-house business unit
    2. Single council WS-CCO
    3. Multi-council WS-CCO
    4. Mixed council/consumer trust
    5. Consumer trust owned

These models offer varying levels of financial support from parent councils.

Additional Key Points

- **Privatisation Restrictions**: Legislative restrictions will prevent privatisation of water services.
- **Board Appointments**: Board members for Water Organisations (WS-CCO or Trust) must be appointed based on competency, ensuring a mix of skills, knowledge, and experience. Council staff or elected members are explicitly excluded from board appointments.
- **Role of Shareholding Councils**: The DIA has provided further details on the role of shareholding councils in multi-council owned CCOs.

Water Services Delivery Plan (WSDP)

- **Requirements and Timeline**: Councils must develop and adopt a WSDP within 12 months of the Bill passing, by June 2024. Extensions are available for councils entering joint arrangements.

- **Plan Details**: A WSDP can be developed individually or jointly. It must outline the future delivery model, demonstrate financial sustainability by June 2028, and meet regulatory standards. The plan should cover at least 10 years, up to 30 years. An Implementation Plan is required, detailing the process, timeframe, and milestones for the proposed model.
- **Submission and Compliance**: Once adopted, the WSDP is submitted to the Secretary for Local Government for approval. If compliant, it must be published online and implemented. If not, it must be amended and resubmitted. Councils can amend and resubmit an accepted plan within 24 months if there are significant changes.

Crown Facilitators and Water Service Specialists

- **Roles and Responsibilities**: The Bill introduces two ministerial appointees: Crown Facilitator and Water Services Specialist. The Minister can appoint a Crown Facilitator to assist, advise, or direct councils in preparing or implementing a WSDP. A Crown Facilitator can also coordinate negotiations for joint arrangements and recommend further actions.
- **Intervention and Compliance**: If a council fails to submit, amend, or implement a WSDP, the Minister can appoint a Crown Water Services Specialist. The Specialist has a directive role to prepare and ensure the adoption of a WSDP. Councils must cooperate with Facilitators or Specialists and comply with their requests and directions.
- **Cost Recovery**: The costs of Crown Facilitators or Water Services Specialists will be recovered from the relevant local authorities.

Financial Sustainability and Ring-fencing

- **Financial Sustainability**: Must be achieved by June 30, 2028. Defined as having sufficient revenue for long-term investment and meeting all regulatory standards.
- **Ring-fencing**: Revenue and delivery of water services must be separated from other council functions. Councils can only borrow for water investment against water revenue, not aggregated revenue from all services.
- **Borrowing Limits**: Current aggregated borrowing levels exceed the LGFA cap of 280% of revenue. Councils need to increase revenue or borrowing caps or reduce work programs to comply with ring-fenced borrowing limits. LGFA will lend up to 500% of operating revenue to WS-CCOs supported by parent councils, but not to councils retaining in-house water services.
- **WS-CCO Borrowing**: WS-CCOs can join the LGFA but are not required to. Requirements for joining include 100% equity ownership by local authorities/Crown, credit support from shareholders, and compliance with financial covenants. Councils should seek advice on credit ratings and financial implications before establishing a water organisation.

Accountability Framework

- **New policy settings**: Include a framework that separates water strategy, planning, and reporting from council long-term plans. It replaces extensive water-related planning and reporting with three core documents:
    1. Statement of expectations (for separate water organisations)
    2. Water services strategy
    3. Water services annual report.
- **Standalone Financial Statements**: Required for all water services (drinking water, wastewater, stormwater). Must separate water services charges, expenses, and liabilities from other council activities. Councils must track and report cash generated for water services and disclose borrowing arrangements. These measures aim to ensure financial sustainability, transparency, and accountability in water service delivery.

Stormwater Management in Future Delivery Arrangements

- **Optional Inclusion**: Stormwater inclusion in joint delivery arrangements is optional under the Local Water Done Well policy. Councils retain legal responsibility and control over stormwater services, regardless of the delivery mechanism chosen.
- **Responsibilities**: Councils must determine service levels and performance targets for stormwater management, raise revenue from rates, and pass it to the contracted water service organisation. If

councils retain stormwater services in-house, rates revenue and borrowing must be ring-fenced, meaning rates income must cover stormwater borrowing costs.

- **Government Proposals**: Improved management of overland flow paths and urban watercourses. New planning and regulatory tools, such as stormwater network risk management plans and stormwater rules. Service agreements between territorial authorities, regional councils, and transport corridor managers for integrated stormwater management.
- **Challenges and Considerations**: Managing urban intensification and climate change impacts on stormwater networks. Balancing stormwater management with land use planning and other council responsibilities. Understanding the implications of water organisations setting service delivery costs, potentially making councils price-takers. Further work needed to address these issues in the Joint Water Service Delivery Plan and future legislative submissions.

Regulation Changes

- **Economic Regulation**: Regulation by the Commerce Commission is expected to increase costs. Changes to the network and quality regime aim to provide greater certainty and reduce costs.
- **Key Proposed Changes**:
  - **Taumata Arowai Regulation**: Adjustments to remove barriers for a proportionate, cost-effective, and efficient approach.
  - **Drinking Water Quality**: Reduced regulatory burden for small, low-risk suppliers. Exclusion of 'shared domestic supplies' serving twenty-five or fewer consumers from regulation. Additional changes to reduce compliance costs for a wider range of suppliers.
  - **Mixed-Use Rural Water Schemes**: Changes to operating principles to consider costs and unique characteristics. Specific information on mixed-use schemes in annual reports and compliance strategies.

Wastewater Standards

- **Single Standard**: A single standard for wastewater, with multiple disposal options, is intended to provide a consistent approach for consenting and reduce costs. However, new standards will still impact future costs, and their relationship with Regional Council applications is unclear.
- **Consultation and Financial Impact**: The implications of these changes will be considered through the consultation process. The financial impact on planned expenditure will be assessed during the development of the Water Services Delivery Plan.

Streamlined Consultation Process

- **Alternative Requirements**: Councils must use simplified consultation processes for establishing a Water Services CCO or joint arrangements. Key provisions include setting up a joint committee for multi-district consultations and recommendations, allowing one round of consultation, and considering collective benefits/impacts across multiple districts. Final implications of these changes are still unclear, pending DIA guidance.

Assessing a Regional Approach

- **Project Brief**: Revised in March 2024 to provide sufficient information for informed decisions on regional asset owning CCOs for Three Waters services. Aimed to balance high-level overview with detailed evidence for decision-making.
- **Baseline Assessment**: Comprehensive assessment of the region's communities, connections, assets, financials, workforce, service delivery, policy, compliance, and regulation. Identified regional challenges and opportunities.
- **Financial Modelling**: Scenarios included impacts of including/excluding the PNCC WWTP and sub-regional options. Updated with final LTP figures and capital expenditure forecasts for Years 11-30. Concluded no compelling financial reason for or against regionalisation, but strategic benefits favour a regional approach.
- **Strategic Benefits**: A regional approach could provide strategic advantages, potentially delivering water services more efficiently and cost-effectively.

Individual Analysis and Regional Approach

- **Status Quo Benchmark**: The 'status quo' benchmark in the model is for comparison only and may not reflect exact charges per connection anticipated by councils in their Long-Term Plans (LTP). Costs per connection under new rules are unlikely to match current LTP Year 10 projections.
- **Strategic Benefits of a Regional Approach**: Retains local ownership and strategic direction, better meets Treaty obligations and community expectations, strengthens negotiating position with the Government and regulators, enables access to improved funding mechanisms, streamlines processes for consistent and improved delivery outcomes, and increases capacity to handle regulatory and cost changes.

Including All Capital Projects

- **Financial Modelling**: Shows marginal cost differences when including the PNCC WWTP in a Regional CCO. Disadvantages are considered to be outweighed by the strategic benefits of adopting a principle of including all major capital projects of all participating councils.
- **Cost per Connection**: In the fully regionalised scenario, the modelled cost for water connections in Year 10 is cheaper than LTP projections for four out of seven councils. However, the picture changes when considering a 30-year horizon.

Regional Sub-Options Financial Case

- **Marginal Financial Differences**: Analysis of regional sub-options shows only marginal financial differences by Year 10. The annual cost per connection by Year 10 ranges between $2,178 to $2,422, a difference of $244 or +/-5.6% about the average. The fully regionalised option falls in the middle of this range.

Borrowing to Revenue Ratio

- **Current Scenario**: The LGFA borrowing cap of 280% is exceeded in all scenarios, but debt remains below the 500% limit available to WS-CCOs supported by parent councils.
- **Implications**: There is potential to allocate a significant portion of capital costs to debt, utilising the increased debt cap. This approach could help flatten the cost per connection from current projections.
- **Long-Term Projections**: Year 11-30 projections indicate similar headroom, suggesting further flattening or reduction of rates is possible in the future.

Smoothing Tariff Normalisation/Harmonisation

- **Debt Headroom**: Utilising increased debt headroom for WS-CCOs can help reduce tariff increases.
- **Differences in Charging Approaches**: The Regional Appraisal Project identified various charging and metering regimes across the seven councils. Normalising pricing in a regional CCO scenario could also mean normalising these approaches, offering opportunities to smooth changes and gain efficiencies.
- **Charging and Metering Regimes**: No district has full residential metering. Mixed approaches to trade waste charging.
- **Development Contributions**: Five out of seven councils charge development contributions. The model assumes no change, but a more aggressive approach could reduce the average cost per connection in Year 10 by up to $200.
- **Normalising Rates**: The model uses a straight-line increase for each council between Year 1 and the normalised cost in Year 10. This approach does not fully account for already planned increases, which may vary, leading to less stark additional costs for some ratepayers.

Long-Term Financial Projections and Efficiency Opportunities

- **Extended Model Projections**: By Year 30, MDC and WDC remain net contributors and beneficiaries, with RuDC becoming a net beneficiary and HDC a net contributor. Normalising tariffs over 30 years instead of ten could mitigate variations, leading to a more equitable outcome.
- **Efficiency Savings**: Initial marginal financial case due to efficiency savings assumptions matching transition costs for the first five years. Efficiency savings start small in Year 2 and increase, reaching $50 million per year by Year 30.

- **Identified Efficiency Opportunities**:
  - **Procurement and Contract Management**: Consolidation of approximately five hundred water-related active contracts.
  - **ICT and Operational Technology Systems**: Harmonisation of fifty-one systems across nine areas, with potential long-term efficiency gains despite initial risks and expenses.
  - **Water-Related Consents Management**: Holistic management of three hundred consents, with significant portions expiring soon, offering opportunities for streamlined processes.

Household Affordability

- **Assessment**: The cost per connection was calculated as a percentage of the region's median household income to assess affordability. The normalised Year 10 cost per connection for the All-in scenario is 3.2%, compared to a range of 2.6-5.5%.
- **Impact on Net Contributors**: MDC: 0.5% increase, RuDC: 0.6% increase, WDC: 0.1% increase.
- **Impact on Net Beneficiaries**: Significant improvement of up to 2.3%.

Sub-Regional Options Affordability

- **Assessment**: Sub-regional options show a similar trend in affordability. Costs range between 2.9-3.2% of median household income. This is compared to the status quo range of 2.6-5.5%. This reinforces that both regional and sub-regional approaches can maintain or improve household affordability compared to current projections.

Next Steps: Joint WSDP, Community Engagement, Strategic Oversight, and Off-Ramps

- **Collaborative Approach**: The passing of the Bill, policy announcements, and Regional Appraisal Project findings support a collaborative regional approach to water services delivery. Four key actions:
  1. Develop a Joint Water Services Delivery Plan (WSDP).
  2. Engage with Iwi/hapū on a regional basis.
  3. Early community engagement by individual councils.
  4. Ongoing oversight by the Mayoral Forum.

Joint Water Services Delivery Plan

- **Individual Councils**: Will conclude their appraisals and begin work on a joint WSDP, including an Implementation Plan. Consultation is expected in February 2025, with councils deciding by December 2024 whether to proceed with a Joint WSDP or another approach.
- **First Phase**: Includes an options appraisal of multi-council delivery models and stormwater management decisions.

Guidance and Resources

- **DIA Guidance**: The Department of Internal Affairs (DIA) will issue guidance and templates for WSDPs after the Bill passes. Councils will need to aggregate LTP data, Asset Management Plans, and Infrastructure Strategies, with potential refinements for financial sustainability.

Technical and Subject Matter Experts

- **Involvement**: Engineers, asset managers, legal, finance, policy, governance, democratic services, and communications experts will be involved. Review of requirements following DIA guidance.

Shareholding and Governance Structures

- **Consideration**: Shareholding and governance structures from the options appraisal. Common shareholding applications include capital value and population, and an equity-based approach.
- **Further Analysis**: Required in the next phase.
- **Governance Structures**: The Regional Appraisal Project has not proposed specific governance structures for appointing the WS-CCO Board. Governance structures do not need to be finalised before submitting the WSDP but will impact financial modelling. Discussions on governance structures should involve iwi from the outset. This topic is expected to interest Elected Members and other key stakeholders, such as Rural Water Scheme committees.

Next Steps for Governance Model

- **Initial Conversations**: If a WS-CCO is the preferred delivery model, initial conversations with Elected Members and iwi will guide the development of governance options. Options can draw on existing engagement forums, approaches by constituent councils, models from previous reform processes, and feedback from within Horizons and other sources.

Regional Iwi/Hapū Engagement

- **Obligations and Engagement**: The new Act maintains councils' obligations under the Local Government Act 2002 to promote Māori participation in local decision-making. DIA continues to engage with iwi organisations on the government's plans. Each council has Treaty obligations, such as those from the Te Awa Tupua Act.
- **Previous Engagement**: During the Regional Appraisal Project, councils engaged with iwi and hapū to outline the three waters collaboration project and seek early views on regional approaches. Engagement respected each council's existing processes and relationships, despite potential inconsistencies.
- **Feedback**: High-level feedback emphasised not pre-determining outcomes, early involvement, and working from the Tupua te kawa (values of the river).

Proposed Hui

The Mayoral Forum will host a hui with iwi/hapū stakeholders in late September to share Regional Appraisal Project findings, next steps, and discuss participation preferences. Discussions will explore whether iwi prefer collective groups or individual dialogues with councils.

Principles for Engagement

Transparency with partners, consistency of message, and no promises. These steps ensure meaningful and respectful engagement with iwi/hapū, aligning with legal obligations and fostering collaborative decision-making.

Early Community Engagement

Joint WSDP consultation must occur in February to meet statutory deadlines. Councils need to decide by December if they will consult on a Joint M-W WSDP to allow preparation time.

Importance of Early Engagement

Water reform has significant public interest and scrutiny. Early community engagement helps understand community views and build awareness before formal consultation. Some councils may need to choose between different combinations of neighbours for collaboration.

Consistent Communication Approach

Each council will continue its own communications and engagement activities, aligned with a common approach. This ensures consistent understanding and constructive conversations with communities.

Key Tactics for Pre-Engagement

Consistent key messages will be adapted for local audiences and priorities, using milestones as hooks for communications activities. Planned and reactive communications will be shared via the Transition Managers working group, and appropriate means for community feedback will be provided, aligned with local context and policies.

Target Audiences

The target audiences include residential communities, business communities, and trade waste customers. Separate approaches will be used for engagement with Elected Members, Council staff, Iwi/hapū, Government, and other stakeholders, but with consistent principles and messages.

Formal Consultation Preparation
Formal consultation on the Joint WSDP will be jointly coordinated and delivered. Preparation should start concurrently with drafting the WSDP. A Communications and Consultation Sub-group will be formed, with each Council's Communications Manager working on a joint plan for the formal consultation stage.

Regular Reporting to the Mayoral Forum
Due to the tight timeframe for developing the WSDP, the quarterly meeting cycle of the Mayoral Forum is insufficient. It is proposed that the Mayoral Forum meet in the months between quarterly meetings until the WSDP is submitted. Monthly meetings will receive progress reports and provide strategic direction.

Options and Risks
Despite legislative delays, councils must submit an adopted WSDP before the pre-election period, reducing the timeline by two months. There is a tight timeframe for engaging with iwi and consulting the community, even with eased consultation requirements.

Engagement Approach
Early community engagement by individual councils is proposed, aligned with a common approach. An alternative regional approach for early engagement and formal consultation could ensure consistent messaging and reduce costs but may be perceived as pre-empting regionalisation. The risks of the regional approach outweigh the benefits due to increased mobilisation time and the need for councils to work to their own timelines.

Joint WSDP Progress
Delaying the joint WSDP is not recommended due to the significant amount of work required. It is easier to scale back than to add in participating councils later. Councils opting out later can apply for an extension to submit their alternate WSDP.
Is there anything else you would like to know about this report?

1.20 30 Wai-T and MW - Crown Infrastructure Partners - Structural-options-overview (Oct024)

This report provides an overview of various structural options for water services delivery under the Local Water Done Well initiative.

New Approach to Water Services

The document outlines a new approach to water services delivery, providing councils with flexibility to determine the optimal structure and delivery method. Water Services Delivery Plans (WSDPs) are introduced to enhance transparency about the costs and financing of water services. These plans require councils to set out their proposed delivery model, ensuring compliance with regulatory requirements, including ringfencing and financial sustainability.

Structural Options

Several structural options are available, including multi-council asset-owning water services organisations. New financing arrangements through the Local Government Funding Agency (LGFA) will be available for wholly or partly owned water organisations. Benefits of these organisations include greater access to borrowing, more efficient capital structures, and relatively favourable finance rates.

Challenges with Existing Structures

Councils currently operate multiple activities within a single commercial structure, leading to inefficient capital structures. Existing Council-Controlled Organisation (CCO) structures and financing arrangements contribute to this inefficiency. Credit rating agencies and LGFA assess councils and water organisations differently, with higher levels of gearing for water activities driving up rates faster than necessary under a different capital structure.

Financial Treatment of Different Models

The document compares the financial treatment of different models, including the existing Wellington Water model, a single council CCO, and a multi-council owned water organisation. The multi-council model is highlighted for its ability to relieve the rates burden, enable reductions in water and non-water rates, and support better alignment between investment requirements and funding decisions.

Example of Efficient Financing Opportunity

An example is provided to illustrate the benefits of additional water borrowing, which allows accelerated water investment and potential reductions in non-water rates. This approach spreads council debt repayment over a longer period, improving operating and capital efficiency.

Rates Reduction Opportunity

The document discusses how current debt limits constrain borrowing for water infrastructure, leading to a renewals backlog and ageing infrastructure. New structures could utilise additional borrowing capacity to reduce water rates rises while making the required investment. This approach is more efficient, as it spreads the cost of long-lived infrastructure over time.

Economic Regulation

The document highlights the upcoming economic regulation modelled after the Ofwat model in England and Wales. Watercare will be the first regulated water company, with minimum quality service standards and financial performance objectives. The Commerce Commission will be responsible for annual reporting and enforcement actions.

Other Considerations

Several considerations are outlined for establishing a new water organisation, including pricing transition, capital structure, forward investment planning, and the role of a Crown monitor. These factors are crucial for ensuring the financial sustainability and operational efficiency of the new water organisation.

Summary of Benefits

The document summarises the benefits of a multi-council owned model, including improved financial metrics for councils, reduced rates burden, enhanced governance, and better alignment between investment and funding decisions. Additional benefits from the Crown monitor regime include greater transparency, accountability, and incentives for service quality improvement.