LOCAL WATER DONE WELL IN TARARUA

Your questions answered

TARARUA DISTRICT COUNCIL

Who will bill us for our water – will it be Council or will it be the CCO?

Council will continue to invoice under our existing approach to providing water services. New invoicing arrangements are likely if a joint Council Controlled Organisation (CCO) is set up. Each Council may be asked to continue invoicing until such time as the CCO can start its own invoicing.

With a CCO in place, will Council be billed for the water it uses (e.g. its campsites or public toilets) by the CCO?

Yes, we expect Council to be invoiced in the same way as other users. (This is unchanged, as Council already charges itself).

Will water charges be separate for rural users (e.g. if a rural property is not connected to a water system does it still have to pay for water used in public spaces, e.g. general rates for things like public toilets)

Rural rates through land value charges for wastewater may not continue as the Government is proposing to phase these out.

For a new build, how will I be billed to be connected to the water system if it's running right past my property? (e.g. right now it can vary between different councils where TDC charge a 50% rate and some of our proposed partner councils pay nothing or pay in full) – how much would we pay? Would the amount we pay depend on which Council area we live in or will we all have the same rate?

Council half charges may still apply where these are currently in place. However a new CCO may review its charging system, and the Commerce Commission will oversee the pricing system. It is possible the universal metering will become the method of charging in the medium term. There is no proposal to standardise charges across the current Council boundaries, so different rates will continue to apply.

Because we now have 4 councils working together – and people pooled, will we still retain the same number of councillors within each district? What about water staff?

The Government is proposing to allow the Council, as the current employer, to identify staff to transfer over to the new CCO.

Under a CCO, will there be less debt to pay?

This is a difficult question to answer because the Government requires a new strategy to be quickly developed. This may change the timing of capital projects, debt requirement, revenue/pricing and therefore debt repayment. The ability to raise debt, complete projects and meet standards will be far more regulated.

What are our assets? Why have assets not been sold off to pay water debts?

Our water services assets are considered a natural monopoly and held for the public good. They cannot be legally sold off as a business, which is why the Commerce Commission will now have a role of setting pricing, with rates not being used as a source of income.

If an asset sale goes ahead, what happens to the surplus money raised? (e.g. under a CCO – if TDC sold an asset, where does the money go – TDC or CCO?)

Assets that retain value, though no longer are required to deliver water services may be sold. Usually those assets (such as vehicle trade-ins) are used to offset the cost of new assets and reduce the need to borrow for capital programmes.

Is the level of "say" the same for all CCO partners or do bigger councils have a bigger say?

Each Council will bring different net asset values. This will affect shareholdings but need not affect voting rights or appointment of directors.

In the event that the CCO fails, does the Council still retain its values?

In the event of business failure, the Minister of Local Government has multiple powers to intervene, including the appointment of experts. However, it will be the job of the two regulators to ensure that services are delivered and the CCO is financially sustainable.

In the event the CCO does not perform, meet expectations or is unduly unfair on TDC so much that it became untenable to continue – is there a "get out clause"?

The Minister has extensive powers, should either regulator detect and advise the Minister of performance issues affecting water services delivery. Ministerial powers will apply to all water service providers and shareholders of CCO's relevant to water services delivery, including non-compliance with the economic regulation regime. The Ministerial powers to act in relation to water services will include the ability to appoint two new ministerial bodies: a Crown facilitator water services, and Crown commissioners water services of Councils will be responsible to appoint a Board of professional directors. It would be very difficult to back out of the scenario and return to how it was.

Will there be a process whereby if the public are not happy with the CCO deliverables they can escalate their concerns?

The supplier (be this Council or the CCO) is likely to receive complaints for everyday operational matters for water and wastewater, while stormwater could be an ongoing Council responsibility. The current Bill sets up a consumer protection regime that will enable the Commerce Commission to collect and analyse information relating to consumer matters, such as service quality and customer engagement.

What are the enduring maintenance incentives over time for the CCO? (For example, incentives to ensure that we are not looking at infrastructure failure in 20 years)

Quality, performance regulation, and price-quality regulation will be mandatory and independently assessed by Government agencies.

Who is accountable for our water – TDC, CCO? Who do we direct our concerns to?

CCO's and councils will have ways to ensure complaints are received. If a CCO is formed, their accountability will be to the Shareholders, the Water Services Authority - Taumata Arowai and the Commerce Commission.

In relation to climate change – what proactive measures would a CCO take on the subject of capturing water (e.g. reusing stormwater)?

We would expect the response to climate change to come through national policy and reporting, and could be a matter that shareholders specify in their statement of intent. However all organisations will have to consider their adaptation plans as events are expected to become more extreme.

Will TDC/CCO subsidise water tanks for collecting rain water?

There are no current plans to subsidise installation of water tanks. Council consulted on this possibility two years ago in the Long Term Plan. A few people indicated that they would be interested. It is a surprisingly complicated matter while closely linked with the Water Supply Bylaw that already requires extraordinary users to have tanks.

Will TDC as a stand alone entity or, a CCO monitor the amount of water we are using?

We currently monitor all water supply systems both at source and then from plant. We supplement this information with further information from meters including a number of real time meters. This will increase if we proceed with universal metering.

What percentage of our total TDC assets are water assets?

As at 30 June 2024 we had 179.2m in water, wastewater and stormwater assets of $1.115.8m or 16% of total assets.

Broad assumptions for modelling

Over the past year, several models have been created to show different ways to provide water services for councils. These models were made by various experts, including the Department of Internal Affairs and consultants who advise councils.

Different groupings of councils have been looked at for the Wellington Region, including the Wairarapa, and the Manawatū Whanganui Region, including the Tararua. We also considered grouping Wairarapa and Tararua together, and this forms the basis for public consultation.

These models remain forecasts and there are many assumptions, factors and unknowns. The unknowns include the finalisation of laws, the roles of regulators, new health and environmental standards, and new engineering design standards.

The Financial Model presented for consultation includes;

- Model Overview
- Assumptions
- Growth
- Revenue, Operational Expenditure, Capital Expenditure and Debt inputs for the District Councils of South Wairarapa, Carterton, Masterton and Tararua over 20 years
- Outputs for a Joint CCO over 20 years
- Outputs for Drinking Water, Wastewater, and Stormwater
- Measures for Financial Sustainability: Revenue sufficiency, Investment sufficiency, and Financing Sufficiency

The high-level basis of preparation of the financial forecasts are as follows:

1. Financial forecasts assume the commencement date of 1 July 2026 for a Joint Council Controlled Organisation, "CCO".
2. Both the Standalone and the Joint CCO financial forecasts have used the 2026/27 financial year as "Year 1".
3. The Standalone (or "Status Quo") forecasts for each council have been prepared using individual council policies for depreciation and debt funding, as prescribed in the Local Government Act 2002 (LGA 2002). The Local Government Act 2002 Section 100(1)in plain English requires councils to provide a balanced budget with exemptions under section 100(2). Generally, this means that the money needed for renewing water infrastructure can come from depreciation reserves, loans, and/or water rates, following each council's Revenue and Financing policies.
4. In contrast, the Joint CCO forecasts fund all capital investment solely from debt and not reserves. Debt servicing costs (e.g. interest) are included as operating costs and are charged to water users accordingly.
5. The target amount of money collected from consumers is calculated to make sure that debt can be repaid at a rate of about 10% within the first ten years of operation, using the "Funds from Operations" and not including depreciation. This calculation ensures there is enough cash to repay the debt. It serves as a guide for smart funding, provided by the main source of debt for local government, the Local Government Funding Agency.

6. The financial forecasts have been developed using inputs from each councils' Long-Term Plans, extended to 20 years. Extending council LTP's to 20 years has occurred on a 'steady state' of operating and capital expenditure and has been derived from respective council's asset management planning.
7. In addition:

- Masterton District Council capital expenditure forecast includes $60m (not inflated) come from "Year 9" or 2034/35 to "Year 11" or 2037/38 for a major wastewater treatment plant upgrade
- Carterton District Council forecast includes $20m (not inflated) of additional capital expenditure spread evenly across wastewater and water supply.

8. The timing of capital investment in the Joint CCO has been optimised in the early years of its operation. This is to match the available debt funding and ensure that local contractors can complete the extra work without lowering quality or raising prices.
9. The Joint CCO model anticipates scale economies and efficiencies in capital investment accumulating to 12.2% of capital expenditure over twenty years, beginning from "Year 3" or 2028/29.
10. Net operational efficiencies after overheads and new establishment costs are expected to occur between "Year 3" or 2028/29 and "Year 11" or 2036/37, accumulating to a 18% reduction by Year 20.
11. It is assumed that an initial capital investment of $5 million will be needed to set up the Joint CCO. More work will be done to refine the required investment, timing of implementation, and the operational plan after a decision is made on the two options. This will then be included in the development of a Joint Water Services Development Plan.
12. Inflation has been applied using "BERL Cost adjusters 2024" updated for Taituarā (October 2024) for Years 1 to 8 and then applied at 1.9% p.a. for Years 9 to 20.

Please note: The financial forecasts have been developed on the basis of available information at the time of preparation. If one or more councils proceed with a Joint CCO a Water Services Strategy including updated financial forecasts must be completed. Each water organisation will be required to give effect to the statement of expectations, including in its water services strategy.