

Item 1: Local Water Done Well – What we know so far

SESSION TYPE: Workshop

PURPOSE:

Providing an update on the status of the Local Water Done Well programme and discussion around the potential implications for QLDC.

DATE/START TIME:

Tuesday, 27 August 2024 at 3:30pm or at the conclusion of the Long Term Plan Hearing

TIME BREAKDOWN:

Presentation: 30 minutes
Debate/Discussion: 30 minutes

Prepared by:



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Title: (Acting GM Strategy and Policy)
21 August 2024

Reviewed and Authorised by:



Name: Pennie Pearce
Title: (Acting) GM Strategy and Policy
21 August 2024

ATTACHMENTS:

A	Local Water Done Well – What we know so far (attached)
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Attachment A: Local Water Done Well – What we know so far

Local Water Done Well

What we know so far

Council Briefing

27th August 2024

A new approach to water services delivery ...

PLANNING & ACCOUNTABILITY

- > Water services delivery plans
 - > Financial sustainability
- > Planning and accountability framework

WATER SERVICES DELIVERY ARRANGEMENTS

- > Streamlined process for water CCO set-up
 - > New water services delivery models
 - > Financing
- > Future arrangements for stormwater

ECONOMIC REGULATION & CONSUMER PROTECTION

- > Full economic regulation regime

WIDER REGULATORY SYSTEM

- > Drinking water quality regulation
- > Standards to help reduce water infrastructure costs

ENABLING LEGISLATION

- > [Local Government \(Water Services Preliminary Arrangements\) Bill](#) [currently before Committee of the Whole House]
- > Local Government Water Services Bill [anticipated to be introduced December 2024]

Water Services Delivery Plans



Plans must demonstrate delivery of **financially sustainable** water services that **meet regulatory standards and unlock housing growth**.

- **Financially sustainable** defined as:
 - > Revenue applied to delivery of water services is sufficient to **ensure long-term investment** in delivering water services.
 - > We are financially able to **meet all regulatory standards and requirements** for the delivery of water services.
 - > Doesn't include ratepayer affordability.
- Likely to be due in August 2025.



Water Services Delivery Plans



- One-off, transitional documents
- Covers 10-years, can choose to cover 30 years
- CEO required to certify Plan is compliant
- Must be approved by Minister
- Plan must show financial sustainability
- Council must give effect to the Plan
- Minister can appoint a “Facilitator” if Plan doesn’t meet requirements, or Council doesn’t give effect to it
- Water revenue, assets, liabilities must be “ring fenced”



Revenue collected for water services can only be used for those services



Planning and accountability framework



- Aims to improve transparency and accountability
- Aims to support an enhanced focus on water services
- Applies to all local government water service providers
- Replaces the requirements under Part 6 and Schedule 10 of the LGA



Water services will no longer be included in LTPs, infrastructure strategies, financial strategies ... or will it ...

“councils that continue to deliver water services in-house will prepare a water services strategy and associated annual report **instead of including extensive information** on water services in their general long-term plan, infrastructure strategy, financial strategy and annual report”

THREE CORE DOCUMENTS

1. **Statement of expectations**

2. **Water services strategy**

3. **Water services annual report**

New water services delivery models



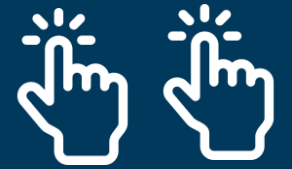
1	Internal business unit or division	<ul style="list-style-type: none">• Status quo for many councils• Minimum requirements for water service providers will apply• New financial sustainability, ringfencing rules, and economic regulation will apply
2	Single council-owned water organisation	<ul style="list-style-type: none">• New company established, 100% owned by the council• Financial sustainability rules will apply, but retains a financial link to the council• Councils with existing water council-controlled organisations will be required to meet minimum requirements
3	Multi-council owned water organisation	<ul style="list-style-type: none">• New company established with multi-council ownership• Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement• Option to access Local Government Funding Agency finance with the provision of parent support or to create a more financially independent organisation
4	Mixed council/consumer trust owned	<ul style="list-style-type: none">• Consumer trust established to own majority of shares• Mixed ownership, with one or more councils owning minority of shares• Structure enables financially independent organisation to be established while retaining minority council ownership
5	Consumer Trust owned	<ul style="list-style-type: none">• Council transfers assets to consumer trust owned organisation• Consumers elect trustees to represent their interests in the organisation• Most financially independent of the available models

The Government has proposed a streamlined process for setting up a water CCO, including reduced consultation requirements



We will come back to these options at the end

Financing for Councils and water providers



Govt has assumed the key issues are:

- > Water capex is funded from operating revenues
- > Water revenue is spent on non-water activities

The solution is designed to solve this problem by “enabling” long term debt structuring for CAPEX...

- LGFA will extend its existing lending to CCOs to new water organisations that are **CCOs** and **are financially supported by their parent council or councils**.
- LGFA will support leverage for **water CCOs up to 500% of operating revenues**, subject to meeting prudent credit criteria.
- LGFA will assist **high growth councils** with additional financing, up to **350% of operating revenues**.
- LGFA will treat borrowing by water CCOs as separate from borrowing by their supporting parent council/s.

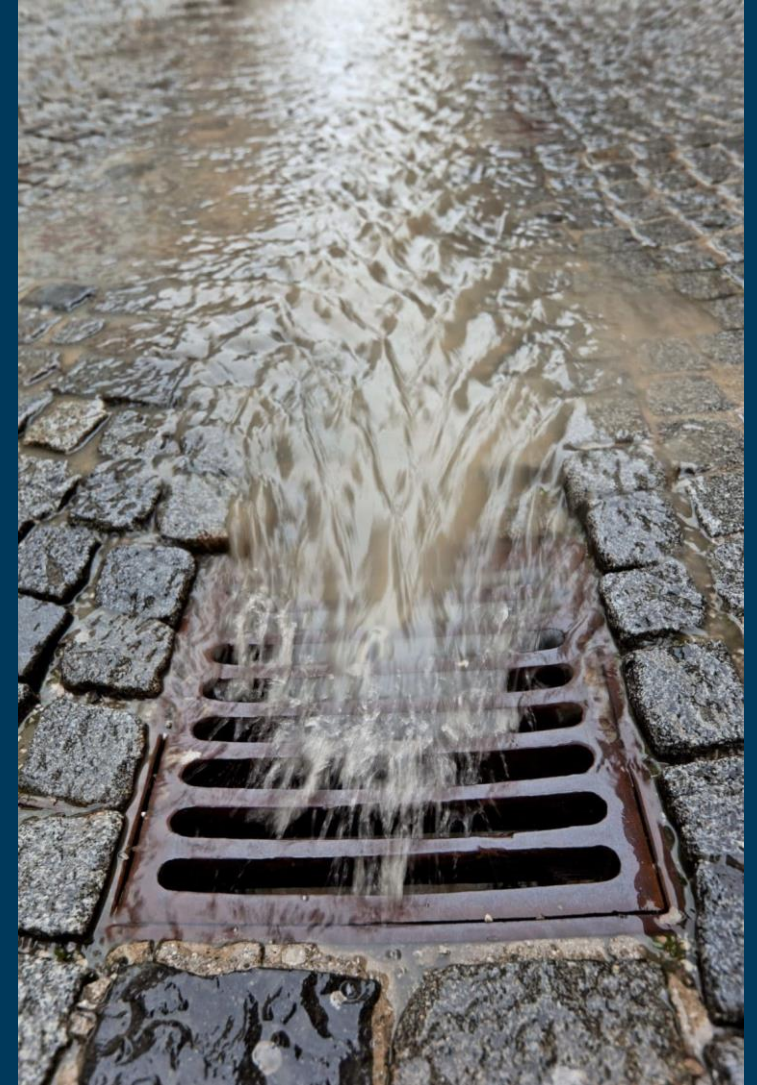
Solutions focussed on financing not funding

We aim to increase our funding (revenue) eg Visitor Levy and GST contribution to make the best use of alternative financing opportunities as they are made available and to reduce the burden of growth infrastructure on ratepayers

Future Arrangements for Stormwater



- Councils can choose to transfer some or all aspects of stormwater services
- But Councils will still be responsible for determining the levels of service and performance targets
- Councils and private landowner roles and responsibilities in relation to the management of overland flow paths and urban watercourses will be specified
- Will need to develop Stormwater risk management plans addressing responsibilities of both Councils and private landowners



Economic regulation regime



- To be implemented by the Commerce Commission.
- Commerce Commission will have a range of regulatory tools to promote efficient practices and protections for consumers. **Likely to consider affordability.**
- Aims to ensure that revenue collected through rates or water charges is being spent on the level of water infrastructure needed.
- Indication that ongoing information disclosures will be required based on the WSDP (in addition to the Strategy?)

TOOLS	
>	Information disclosure
>	Revenue thresholds
>	Financial ringfence
>	Quality standards and performance requirements
>	Price-quality regulation



Commerce Commission will start with the least invasive tool (information disclosure) and determine whether further interventions are required based on their review of WSDPs



Drinking water quality regulation



- Aim to reduce the cost and burden for drinking water suppliers associated with complying with the Water Services Act 2021
- Designed to improve the efficiency and effectiveness of the drinking water regulatory regime, and the approach Taumata Arowai takes to regulating this regime
- Support a regulatory response that is proportionate to the scale, complexity, and risk profile of each drinking water supply

KEY CHANGES

- > **How Taumata Arowai regulates drinking water supplies**
- > **Water Services Authority – Taumata Arowai**
- > **Reducing the regulatory burden, particularly for small, low-risk suppliers**
- > **Removing the requirements to give effect to Te Mana o te Wai**

Standards to help reduce water infrastructure costs



- Govt is proposing to create a single wastewater environmental performance standard
- Currently Regional Councils can impose standards through individual consent conditions
- In the absence of national standard some councils have imposed regulatory requirements and, indirectly, costs that have made consenting wastewater plants and discharges very difficult
- Under the proposed new standard Regional Councils will not be able to set additional or higher requirements
- Creating National Engineering Design Standards that will document technical best practice for design and construction of water services infrastructure

Otago / Southland Collaboration



Kai Tāhu is separately funding work to consider joint delivery model options for the whole takiwā

- A piece of work is underway to explore regional collaboration opportunities and options for regional delivery for water services.
- Commissioned by the joint mayoral and CE forums, being overseen by the Infrastructure GM group and being delivered through a cross-council working group, supported by Morrison Low.
- **Phase 1** of this work involves identifying a long list of options along a spectrum of increasing collaboration. Likely to range from status quo to a joint CCO for the region.
- **Phase 2** of this work will involve:
 - > Identifying the short list of options for further analysis
 - > Modelling of financial and non-financial benefits of the short list options compared to the status quo.
- Phase 2 results will then be considered by individual Councils.

Otago / Southland Collaboration



Our investment needs are different to most of the region because we are growth driven...

- > 40% of investment over the next 10 years relates to growth
- > Investment in growth infrastructure grows new ratepayers



...and investing in growth infrastructure is suboptimal because...

- > the balance of the cost is carried by ratepayers when 44% of growth is visitors
- > we can't finance growth within developer's desired timeframes as we are already near our debt ceiling

Regional collaboration needs to help us maintain our brand and pace of investment so that we can meet the Government's economic and housing growth agendas.

Our status quo potentially has features not available to others in the region:

- ✓ A visitor levy would enable balanced investment across the all beneficiaries and enable further borrowing.
- ✓ Additional financing through growth council debt limit increases could lessen the burden on ratepayers.
- ✓ Partnership with Government and private sector on a Regional Deal could enable more to be delivered.

Otago / Southland Collaboration



We are identifying technically feasible options but are interested in some discussion on your perspectives on politically feasible options. There is still considerable uncertainty on future pathways and some direction would help prioritise our planning efforts.

QLDC Water Services Delivery Plan – Initial Planning

- Model and compare:
 - > QLDC ringfenced water services
 - > Queenstown Lakes only CCO
 - > Otago / Southland CCO
- Model and compare current and future states (after 10Y investment) for:
 - > Capacities (includes agreeing what “meeting needs” means)
 - > Levels of service (includes finalising new LoS framework)
 - > Compliance
- Confirm consultation approach