

# Local Water Done Well

ICC Infrastructure Committee Workshop

12 November 2024

# Agenda

- LWDW Context & ICC Approach – 10 minutes
- Workshop 1 – 90 minutes (and break)
- Next Steps from here - 10 minutes

# LWDW - Context

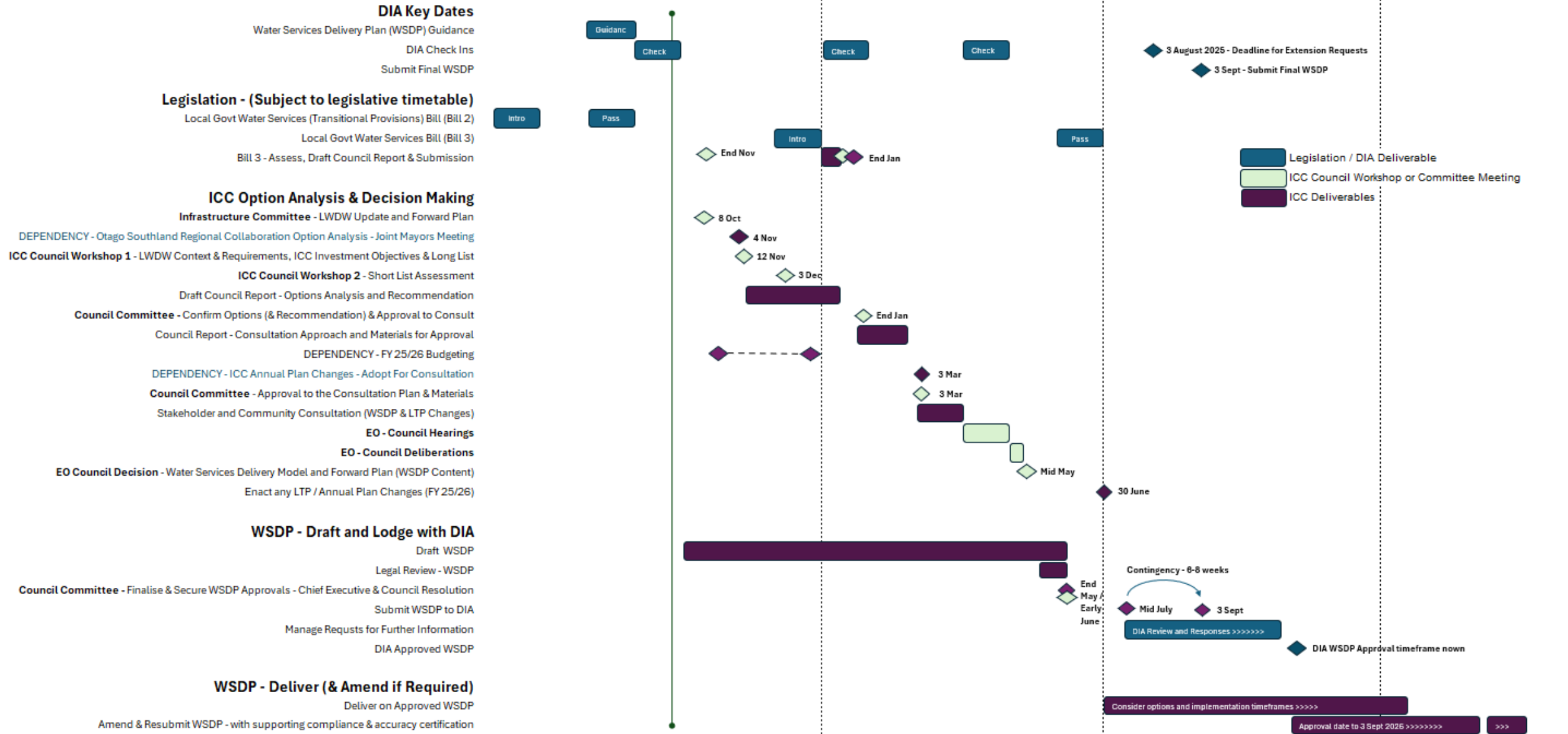
- ICC Infrastructure Committee, has been provided with assessments of:
  - Local Government (Water Services Preliminary Arrangements) Bill (Bill 2) and;
  - LWDW Policy Decisions and supporting material which were released by the DIA, to be enabled through the Local Government Water Services Bill (Bill 3).
- The September meeting of the Committee confirmed ICC's overarching approach and high-level plan (shown on the next two slides).
- Updates also provided on the Otago Southland regional response, through the Otago Southland LWDW Working Group. The Working Group presented outcomes of the Regional Delivery Model investigations to a 1 Nov. meeting of the Zone 6 Chairs, Mayors & Councillors.

# ICC - LWDW Approach

- Develop a baseline current water services delivery and projected activity (per current 2024-34 LTP). Populate WSDP template with current content.
- Use the principles of the Better Business Case methodology to guide ICC's water service delivery model option analysis and decision making.
- Conduct Council workshops in November and December 24 to agree investment objectives, assess the options on the table and define the water service delivery options to take forward for further analysis, engagement & consultation.
  - Workshop 1 (12 Nov) - Current State / Investment Objectives / Refined List of Options
  - Workshop 2 (3 Dec) - Present option analysis outcomes / refine to a short list for consultation.
- Conduct consultation early in 2025 and align with FY 25/26 Annual Plan decision making.
- Target to have a CE Endorsed and Council Approved WSDP by end June 25 at the earliest - providing 8 weeks contingency for the 3 Sept 25 WSDP submission deadline.

# ICC LWDW – High-Level Plan

## ICC LWDW Delivery Plan - DRAFT



# Workshop Approach

- Regional work overview
- Local context
- Discussion – What makes Invercargill great?
- Exercise – What is important for future three waters services?
- Short break (10 minutes)
- Strategic objectives
- Long list of options

# Water Services Delivery Plans must...

Be provided to DIA by 3  
September 2025

Cover at least 10 years

Demonstrate  
compliance with  
current and future  
regulatory  
requirements

Demonstrate how  
growth will be provided  
for

Demonstrate financial  
sustainability by 30 June  
2028

Can be submitted  
individually or as a joint  
plan

Must be accepted

Consultation (options)

# The future of three waters looks very different

- An economic regulator will be introduced that can set:
  - Minimum and maximum revenue thresholds
  - Infrastructure and service quality standards, including the ability to direct investment
  - Minimum and maximum prices
- Under any scenario the decision about when, and how much to invest in three waters infrastructure and what to charge will no longer be just for councils to make



# The future of three waters looks very different

- Regulation & standards
  - National wastewater environmental performance standards
  - Exceptions for small water schemes & ‘standard’ solutions
  - National engineering standards
  - Fines for individuals & organisations for not complying with information disclosure requirements
  - Te Mana o Te Wai

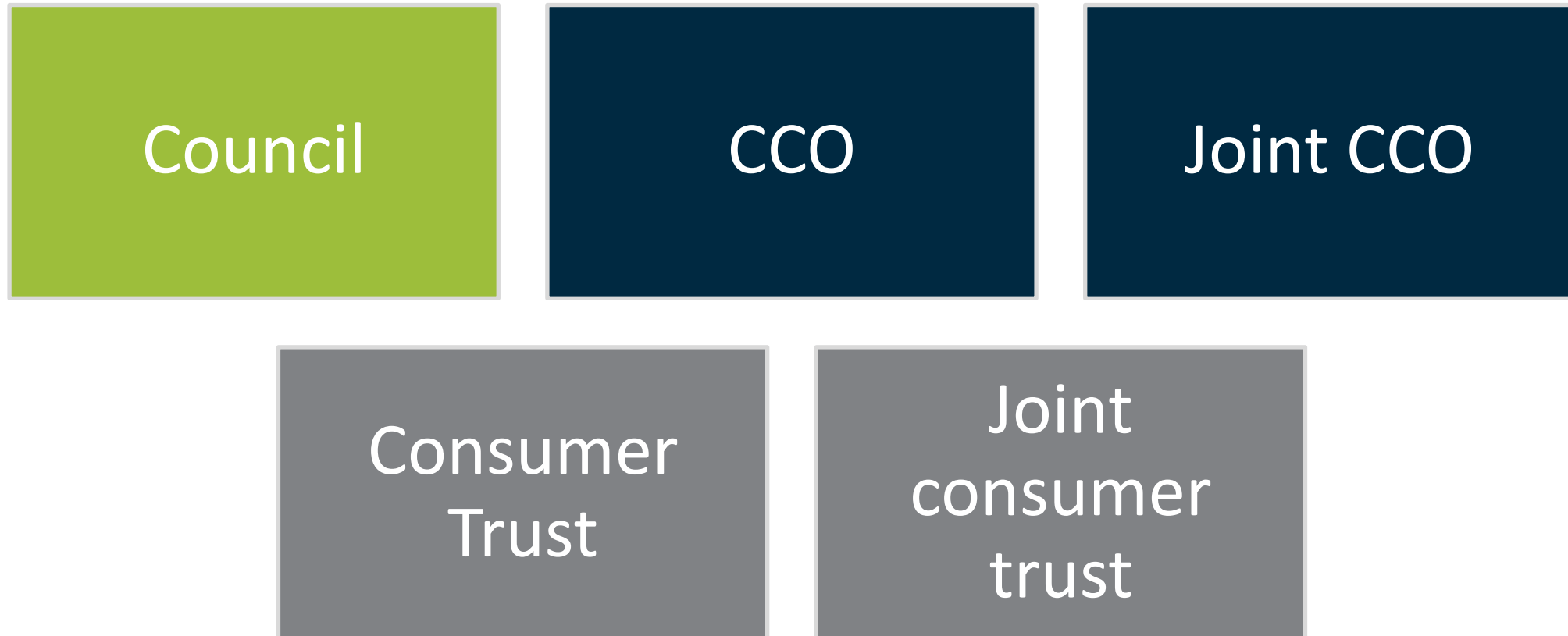
*“a regulatory response that is proportionate to the scale, complexity, and risk profile of each drinking water supply”*

# The future of three waters looks very different

- Funding & financing
  - Almost total financial separation including:
    - Dedicated financial statements and annual reports, including balance sheet information for water services
  - A new water services strategy which largely replaces an LTP and infrastructure strategy for water services
    - Strategic, operational and financial planning
  - Debt limits for council owned water CCOs
    - “500%” debt to revenue

# The future of three waters looks very different

- Ownership & governance structure



# Regional work overview

- Commissioned by the Otago Southland Local Water Done Well working group
- First principles approach:
  - Understand current issues and opportunities
  - Determine what success looks like
  - Explore options
  - Analysis
  - Recommendations

# Investment objectives – Otago Southland project



Deliver three waters services in a way that reflects the importance of water to the health of our residents, visitors, environment and economy



Deliver three waters services that sustainably respond to change in population, economic activity and climate change



Deliver three waters services through a model that is responsive to the local needs of our communities

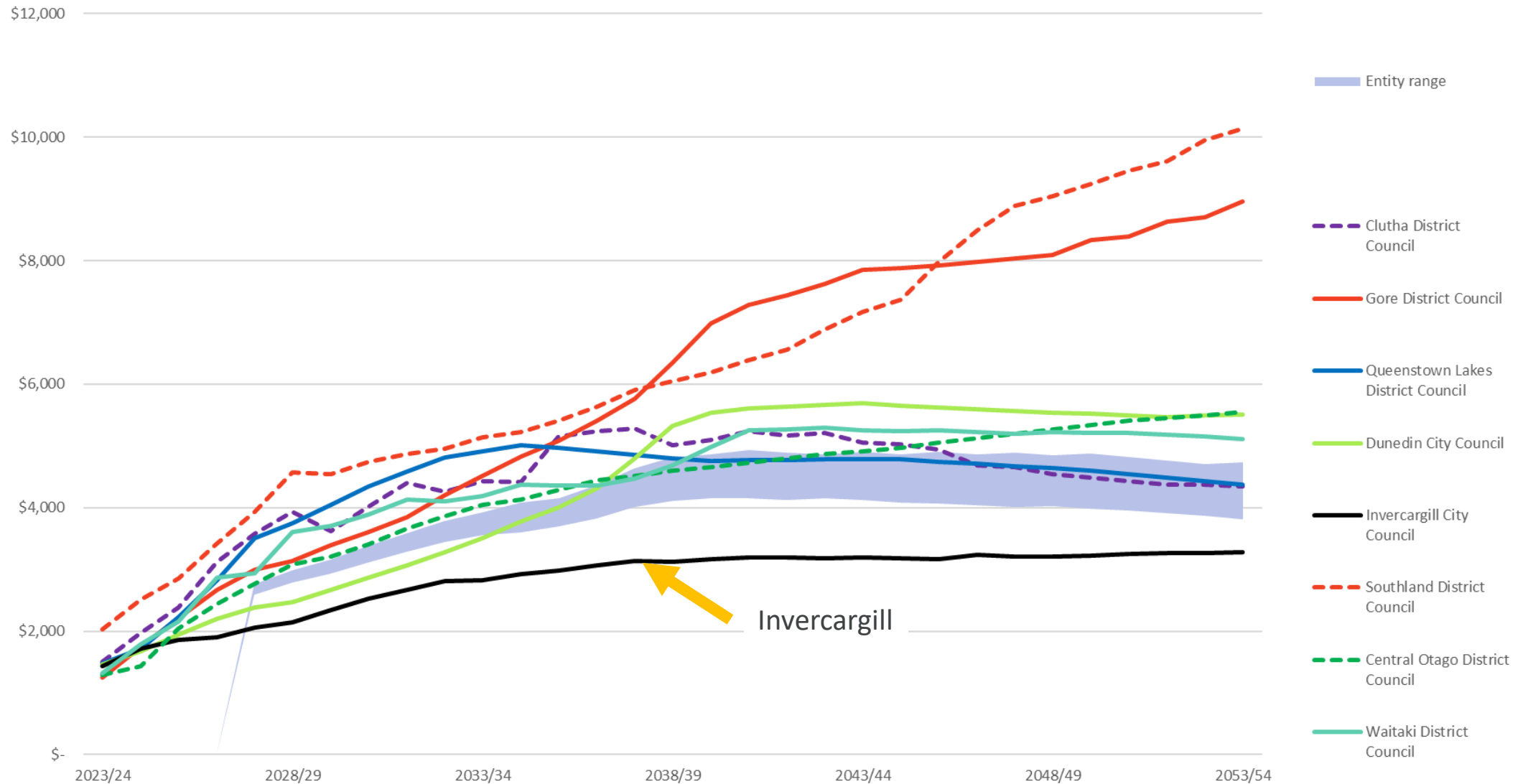


Provide efficient and effective services through a model that supports robust decision making and the development of enduring capability and capacity

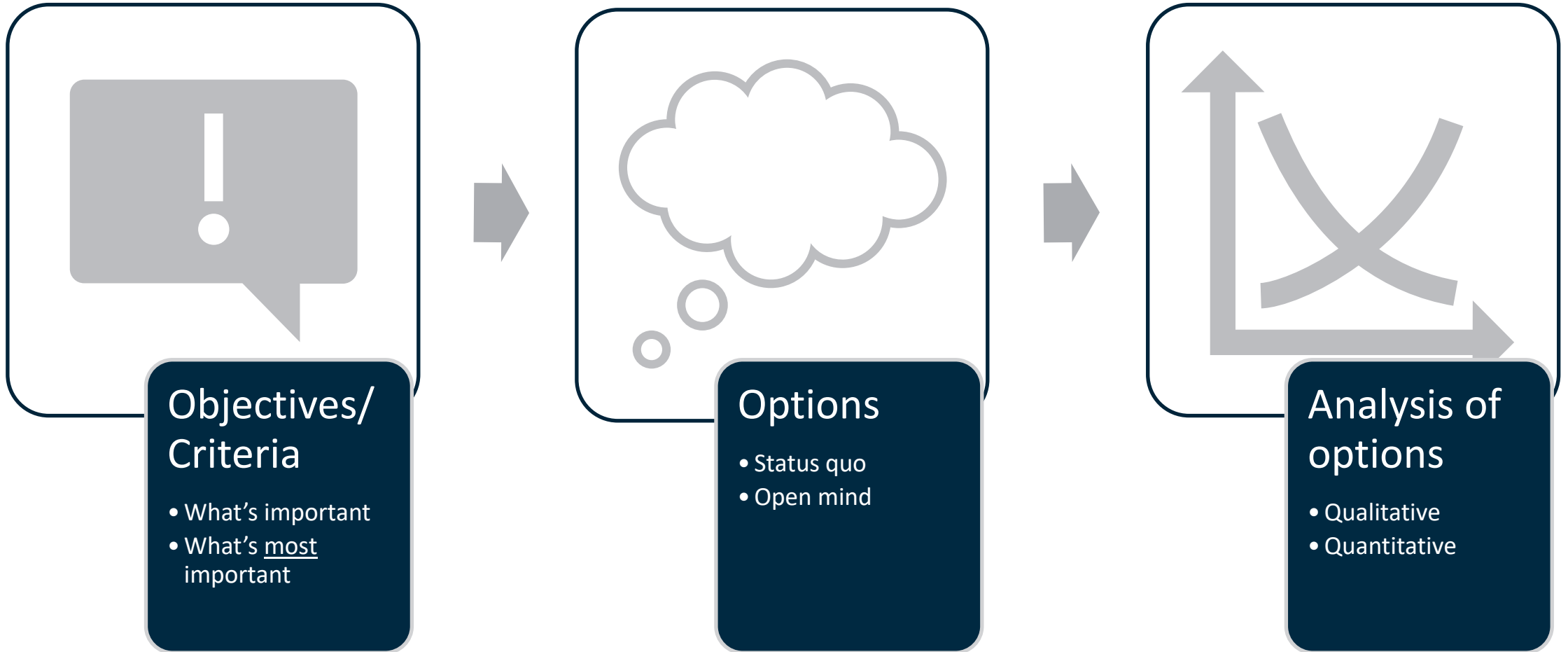


Ensure that three waters services are delivered through a model that is enduring and financially sustainable

# Regional work



# Making a good decision



# Current state overview



Over \$459 million of planned investment over 10 years



Increase in water bills by 2034



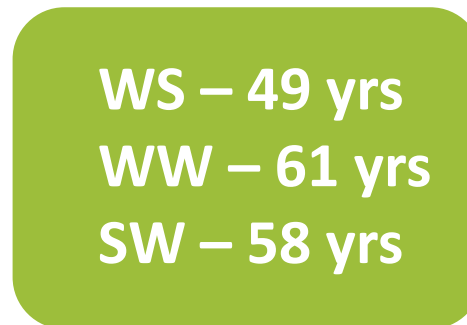
ICC's three waters debt to revenue at 390% by 2034. Total Council debt to revenue remains below 200%



Three waters debt increases nearly eight fold from \$440 per capita to \$3,500 per capita by 2034



An ageing population – median age increasing from 40.2 yrs to 45.3 yrs by 2048



The equal oldest three waters network in Otago and Southland



Over \$250 million of renewals over 10 years



# What's different about Invercargill?



Increasing focus on industries that are dominant in Southland

A lot of industrial development

May be servicing industry that is actually located outside our boundary

Regional service centre/town

Flat, easily serviced landscape with low pressure infrastructure

Compact three waters network

Isolation makes it hard to get specialists

Low population growth

Ageing population impacting future affordability

Ageing infrastructure that will require ongoing renewal

# What's important to ICC in a future 3 waters model

Affordability

Service efficiency

Environmental performance

Service resilience

Local presence

Enabling economic and population growth

Compliance with regulations and standards

Local decision making

Capability and capacity of workforce

Responsiveness

????

Which three attributes of a potential three waters delivery model for ICC are most important to you?



# Investment objectives – Invercargill



Deliver safe drinking water and safely manage discharges



Deliver three waters services that support, and is ready for, changes in economic activity and population



Deliver three waters services through a decision making model that reflects the local needs of our communities and best practice infrastructure management



Build and develop a strong and capable local three waters workforce



Ensure that three waters services are enduring, affordable and financially sustainable

# Options available?



## Ringfenced in house unit

- Financial ringfencing
- No significant changes to service delivery approach

## Ringfenced unit with structural change

- Accompany financial ringfencing with structural change
- May mean a realignment of reporting, a loss or gain of some functions
- Broadly still consistent with existing model

## Shared services arrangement

- Could be a joint contract, shared service entity or a joint venture/shared business unit
- Scale could be large or local
- May include a management CCO (e.g. PowerNet and Wellington Water)

## Wholly owned CCO/WSE

- Creates more borrowing capacity in council
- Adds a professional board
- Solely focussed on three waters

## Otago Southland CCO/WSE

- Neighbours costs are significant
- Could it be an option if rates or debt are ringfenced?

## Southland only CCO

- Neighbours costs are significant
- May not have scale

## Partly or fully owned by a community trust

- May provide some room for economies of scope?
- Is there an existing trust that is a natural fit?
- More permanent

# Next Steps from here

- Complete option analysis and financial modelling for the refined list of options.
- Use the investment objectives and critical success factors to assess each option and present a summary view of the merits and drawbacks of each option
- Workshop 2 – scheduled for 3 Dec 24 - Report back to council on option analysis outcomes, refine further to a short list and seek direction for options to take to consultation.
- End Jan 25 Council Committee - Confirm Options and Approval to Consult.
- Early March 25 Council Committee – Approve Consultation Plan & Materials

# ICC LWDW – High-Level Plan

## ICC LWDW Delivery Plan - DRAFT

