

Tasman District Council Webinar

Wednesday 29 September 2021

# The Government's Three Waters Reform Proposal



*Thriving and resilient Tasman communities*

 **tasman** district council | Te Kaunihera o **te tai o Aorere**

# Government's Case for Change

- Havelock North
- Previous contamination events
- Data gathering
- Analysis by Water Industry Commission for Scotland (WICS)
- Conclusion – capital investment required of \$120 - \$185 billion over next 30 years
  - Combined Councils' spend in 2018 LTPs - \$1.5 billion p.a.
  - Combined Councils' spend in 2021 LTPs - \$2.7 billion p.a.

# Government's Case for Change

## Maintaining Status Quo (Councils opt out of Reforms)

- Modelling shows costs per household for 3 Waters will rise over the next 30 years
- In general, rural Councils with dispersed populations will be worst affected
- In 2050 household costs could range from just under \$1,900 pa to in excess of \$8,000 pa (in today's \$)

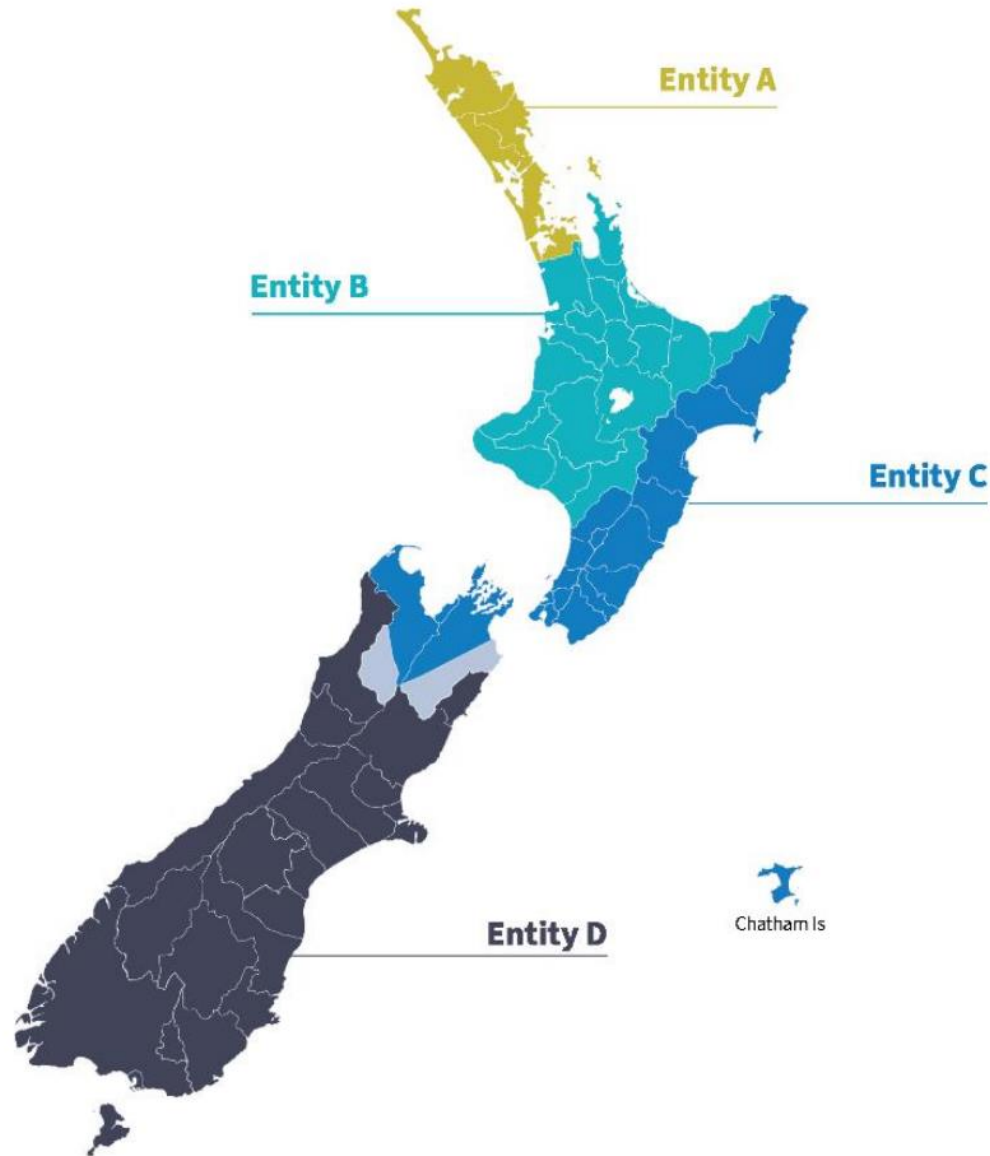
# Modelling is not based on Business as Usual

- NZ Standards are rising and will continue to do so
- Dedicated Drinking Water Regulator (Taumata Arowai)
- Water Services Bill
- National Policy Statement on Freshwater Management
- What the modelling doesn't include

# The Government Proposal

- No chance of ongoing direct Government funding (e.g. subsidies)
- Aggregation is being proposed
- Utilising the Scottish Water experiences

# Government Proposed Aggregation



	Entity A	Entity B	Entity C	Entity D
Connected population (2020)	1.7m	0.8m	1.0m	0.9m
<b>Average household cost (2051, real)<sup>1</sup></b>				
With reform	\$800	\$1,220	\$1,260	\$1,640
Without reform	\$2,170	\$4,300	\$3,730	\$4,970

# The Government Proposal – Peer Reviews

## **Farrierswier Peer Review (economics consultant)**

- Notes significant efficiency improvements are possible through aggregation and associated reforms

## **Beca Peer Review (engineering consultant)**

- Suggest that WICs modelling forecasts may underestimate the investment requirements and timeframes

## **Council Comment**

- Modelling suggest extra investment will be required
- There may be case for change, however not as compelling as the government is indicating

# Tasman District Council – WICS Dashboard

## Financial

Average Household Cost per Annum (Real):



\$2,290

FY21: Current



\$1,260

FY51: Reform



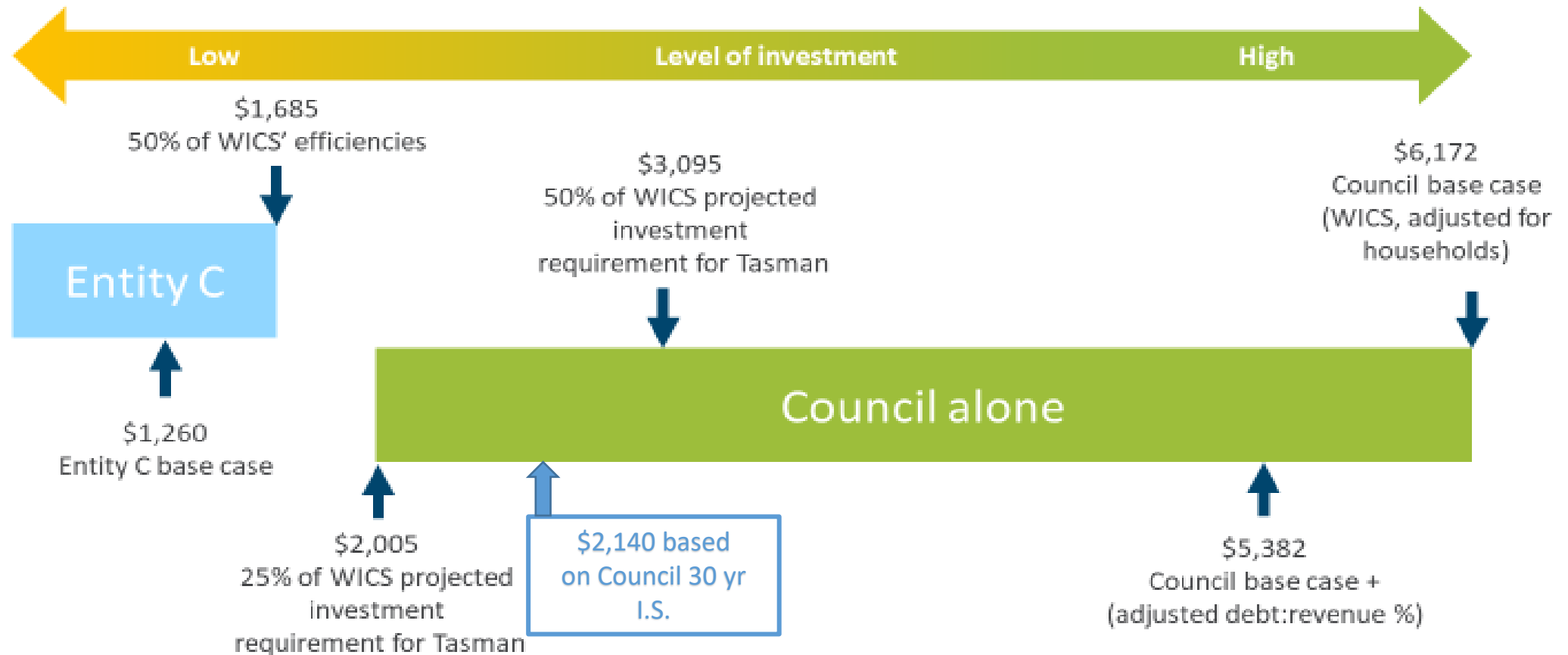
\$6,760

FY51: No reform



# Tasman District

## Sensitivity analysis



# Tasman District Council – Asset Values

## Council Asset Valuation 30 June 2020

Activity	Replacement Value	Depreciated Replacement Value	Annual Depreciation	Average Life (years)
Stormwater	\$192 million	\$149 million	\$1,759,000	109
Wastewater	\$245 million	\$172 million	\$3,940,000	62
Water Supply	\$197 million	\$121 million	\$3,826,000	51
<b>Total</b>	<b>\$634 million</b>	<b>\$442 million</b>	<b>\$9,525,000</b>	<b>67</b>

# Tasman District Council Financial Forecasts

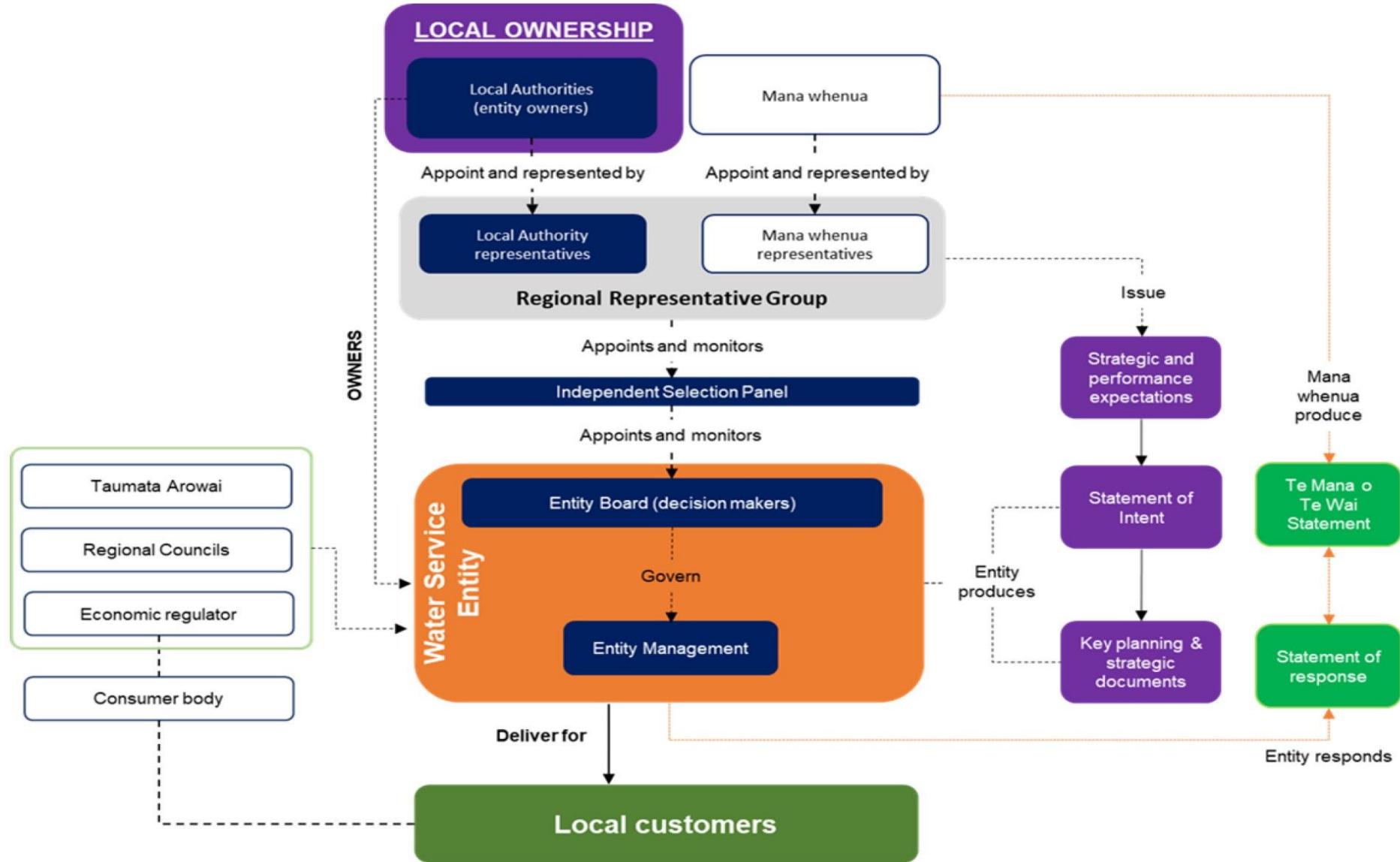
	Actual at 30 Jun 2021	LTP at 1 Jul 2024
<b>Without Transfer of 3 Waters Assets</b>		
Net Debt	<b>\$152.0 million</b>	<b>\$248.0 million</b>
Annual Revenue	\$163.0 million	\$178.5 million
Debt to Revenue Ratio	<b>93%</b>	<b>139%</b>
<b>3 Waters Financial Position</b>		
3 Waters Debt	<b>\$90.1 million</b>	<b>\$114.2 million</b>
3 Waters Annual Revenue	\$38.3 million	\$45.2 million
3 Waters Debt to Revenue Ratio	<b>235%</b>	<b>253%</b>
<b>Situation With Transfer of 3 Waters Assets</b>		
Net Debt with 3 Waters out	<b>\$61.9 million</b>	<b>\$133.8 million</b>
Annual Revenue with 3 Waters out	\$124.7 million	\$133.3 million
Debt to Revenue Ratio with 3 Waters out	<b>50%</b>	<b>100%</b>

# Government Funding Packages

- A **\$2 billion** ‘better off’ package to support local councils to invest in their communities' wellbeing – Tasman’s allocation is **\$22.543 million**
- A **\$500 million** ‘no worse off’ package to ensure no council will be financially worse off after the reforms
- Central government will cover reasonable transition costs. PWC estimates this funding package at **\$300 million**
- Note that \$1.5 billion of ‘better off’ and ‘no worse off’ funding is proposed to come from the 4 WSEs
- PWC estimate that Tasman District will get approximately **\$32 million** across all three funding packages

# Government's Proposed WSE Structure

Figure 6: Water services entity structure



# 3W impact matrix

## Service

- Drinking water standards and compliance
- Wastewater systems compliance and support for freshwater quality
- Robust /sustainable storm water network
- Non-council water supplies

## Finance and funding

- Council balance sheet and debt capacity
- Impact on rates
- Cost of service and efficiency savings
- Post-reform council (including overheads)

Factors driving impact of reform

## Workforce, delivery and capability

- Workforce suitability and sustainability
- IT systems and processes
- Asset management information and planning
- Supply chain and procurement

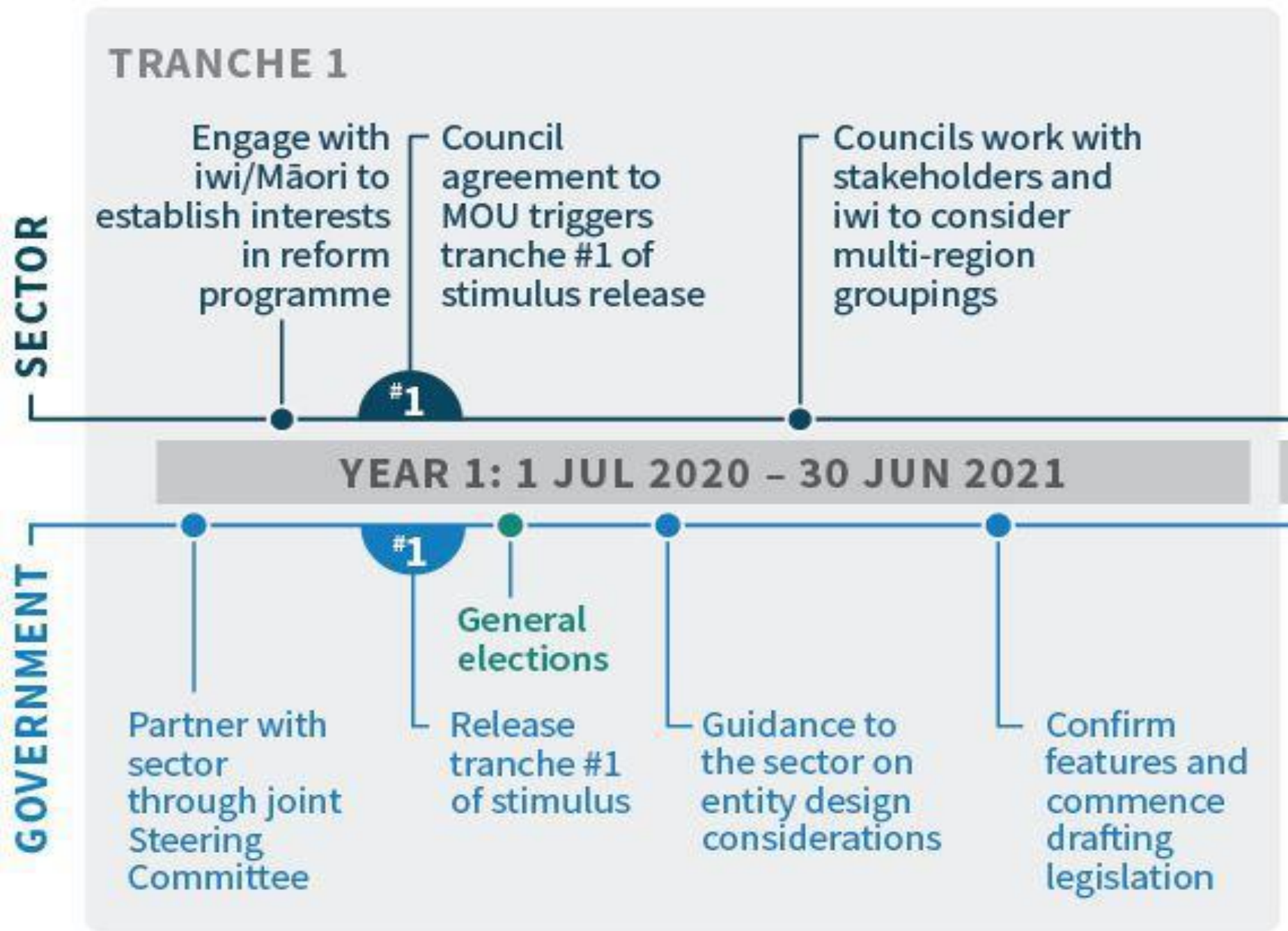
## Social, community and wellbeing

- Enhanced Iwi involvement
- Local infrastructure priorities
- Development and growth
- Economic impact

# Topics for Further Discussion with Government

- The ownership/governance model
- How to ensure local voice is heard. How does Council advocate for local issues?
- Council's statutory obligation to consult with its community
- What stormwater/flood protection assets and activities would transfer and how would this work?
- Ownership of the water supply catchments
- Risk of privatisation
- Recognising and embedding local priorities during the transition process
- Others?

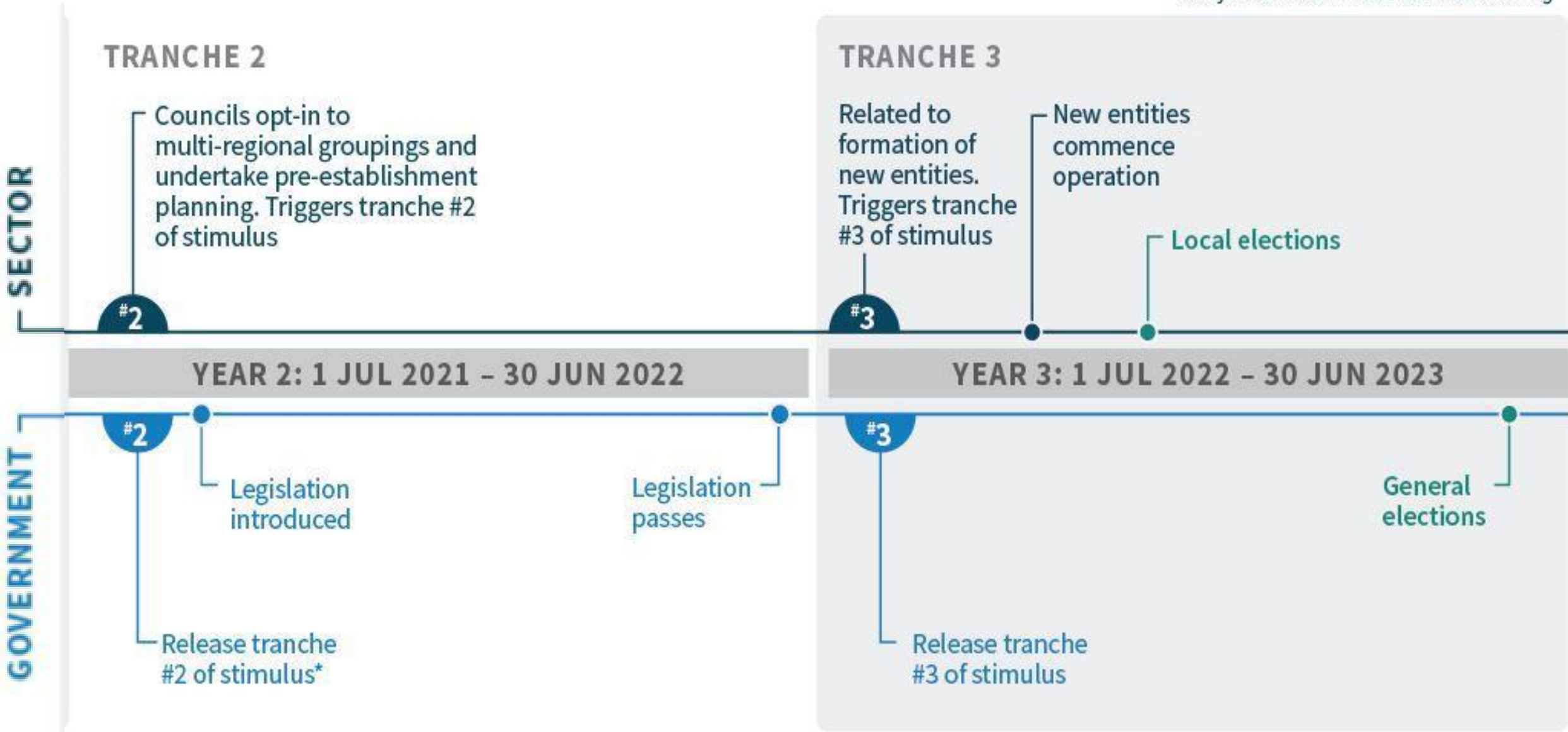
# Government Timeline to 30 June 2021





# Government Timeline 1 July 2021 to 30 June 2023

\* Subject to Government decision-making



Government's Three Waters Reform Proposal

# Questions

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