

# SOUTH WAIRARAPA DISTRICT COUNCIL

21 NOVEMBER 2018

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## AGENDA ITEM B3

### WELLINGTON WATER SHAREHOLDING

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#### **Purpose of Report**

To discuss whether South Wairarapa District Council should continue discussions with Wellington Water with a view to becoming a shareholding member.

#### **Recommendations**

Officers recommend that the Council:

1. *Receive the Wellington Water Report.*
2. *Agree to continuing discussions with Wellington Water with a view to becoming a shareholding member.*

#### **1. Executive Summary**

Since the Havelock water contamination event, and subsequent enquiry, there has been significant discussion among local authorities on the effectiveness of their potable water systems to provide safe drinking water.

The Government has also been reviewing this matter, to ascertain their response to the enquiry findings.

During this process, the Government has also included wastewater, and storm water, making it a "three waters" review. The findings of this review are due out in the next few weeks.

The Government sought feedback from all interested parties on the review; Wellington Water (WW) coordinated a response from the Wellington regions councils.

During this process, WW have been considering their role in relation to the delivery of "three waters" (drinking water, wastewater, and storm water) in the Wellington region.

Wellington Water's role is to plan and deliver three waters services to their shareholding councils.

WW shareholding councils are Wellington CC; Porirua CC; Hutt CC; Upper Hutt CC; and Wellington Regional Council.

During these discussions, I indicated a willingness to investigate the possibility of becoming a shareholding member.

## **2. Discussion**

### **2.1 Why are we considering this initiative**

There is general consensus that three waters regulations and delivery requirements are going to continue to become more and more complicated.

There is also general consensus that costs of delivery, and complexity of requirements will only continue to rise, this initiative will allow easier access to better purchasing options.

Resilience is an important aspect to this arrangement, Wellington Water have partnered with a national service delivery company, whereby if there was a major event in the Wellington region, resources can be brought in from other parts of the country.

Wellington Water are of a size and scale to meet our future requirements.

### **2.2 Wellington Water Ltd**

Wellington Water Ltd is a Council Controlled Organisation (WWL CCO), is not profit driven, and does not own their member local authorities assets.

Wellington Water Ltd provides management services to, and exercise the Statutory powers on behalf of, their member councils.

Wellington Water also provides service delivery through their own staff.

### **2.3 Costs /Our LTP**

SWDC still sets the level of service, and budgetary constraints in relation to the three waters outputs. These are reflected in our 2018/28 LTP.

SWDC retains ownership of the infrastructural assets in the three waters output.

## **2.4 Process to Join a CCO**

Part 5 of the Local Government Act 2002 outlines the process for a local authority to join a CCO.

Section 83 of that Act indicates a public consultation procedure must be undertaken.

This involves preparing and circulating a Statement of Proposal, appropriately advertising this Statement, and holding hearings if required.

This consultation, if it is decided to continue, will not take place until the new year.

## **3. Appendices**

Appendix 1 – Wellington Water Presentation to Council Workshop 14  
November 2018

Prepared By: Paul Crimp, Chief Executive Officer

**Appendix 1 – Wellington  
Water Presentation to  
Council Workshop 14  
November 2018**

# Situation update

## You can exercise the right to become a shareholder of a council-owned three waters company

Following Havelock North, the Government initiated a review of three waters management in NZ.

All councils in the greater Wellington region, including the Wairarapa councils, contributed to a joint proposal to this review, though not all signed the final document.

This proposal emphasised:

- A partnership approach between Crown, iwi and local government
- The need for options for joint funding to address structural challenges
- Shareholders of the Wellington Water CCO were open to working with other willing councils in the region



# Working with you

**As an asset-owning shareholder we look forward to working as your trusted adviser**

## **Client councils:**

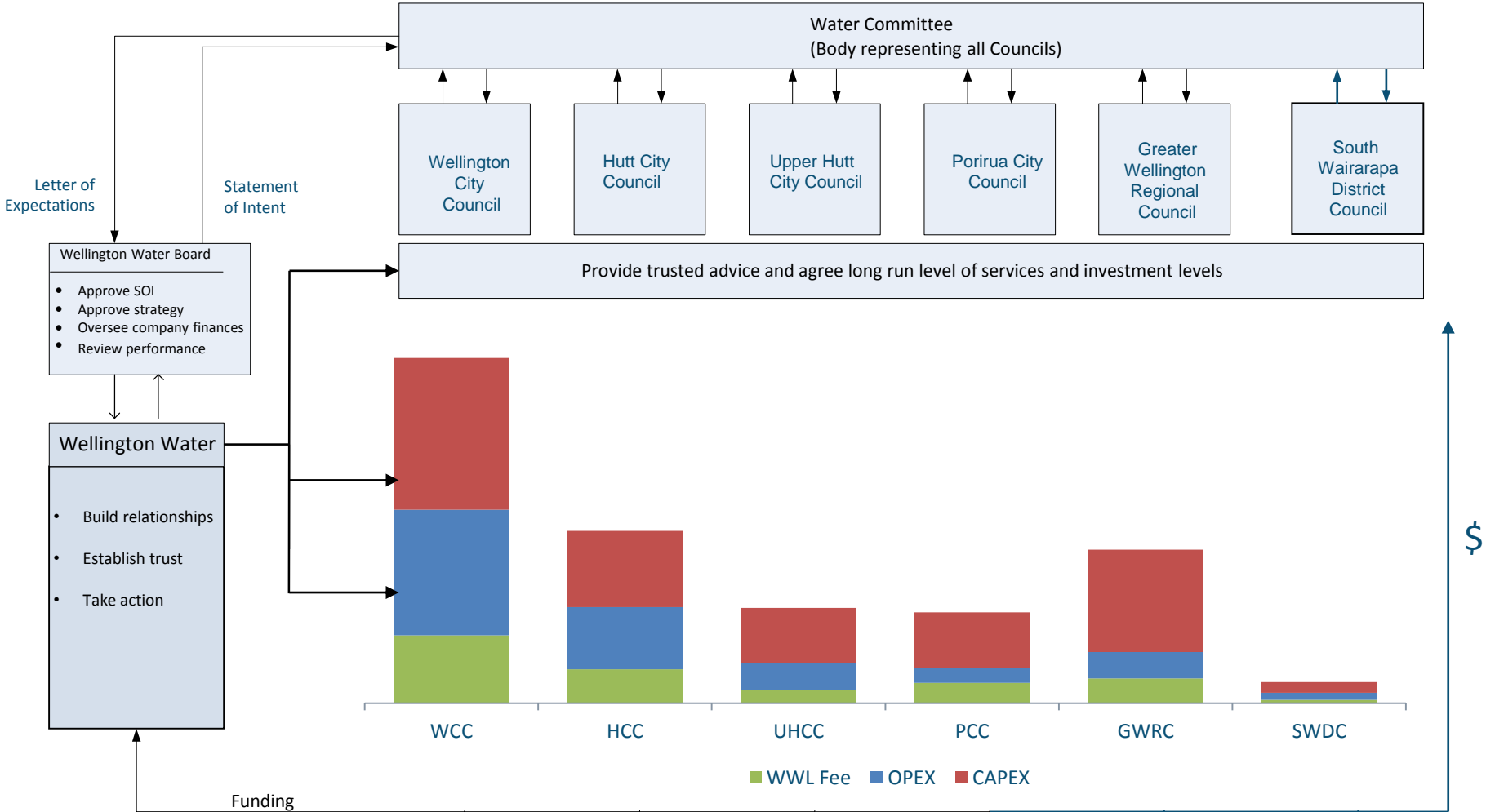
- You own your assets, and all expenditure is accounted back to individual assets
- You set levels of service for your networks
- You set 10 year financial forecasts and annual budgets

## **The council controlled organisation:**

- Acts on behalf of all councils to achieve long-term service goals
- Prepares 10-year service plans and 30-year infrastructure plans for individual councils and suggests rating options
- Operates, maintains and improves the networks
- Provides common standards and methods
- Works with councils to deliver an excellent customer experience



# Working with you



# As a shareholder:

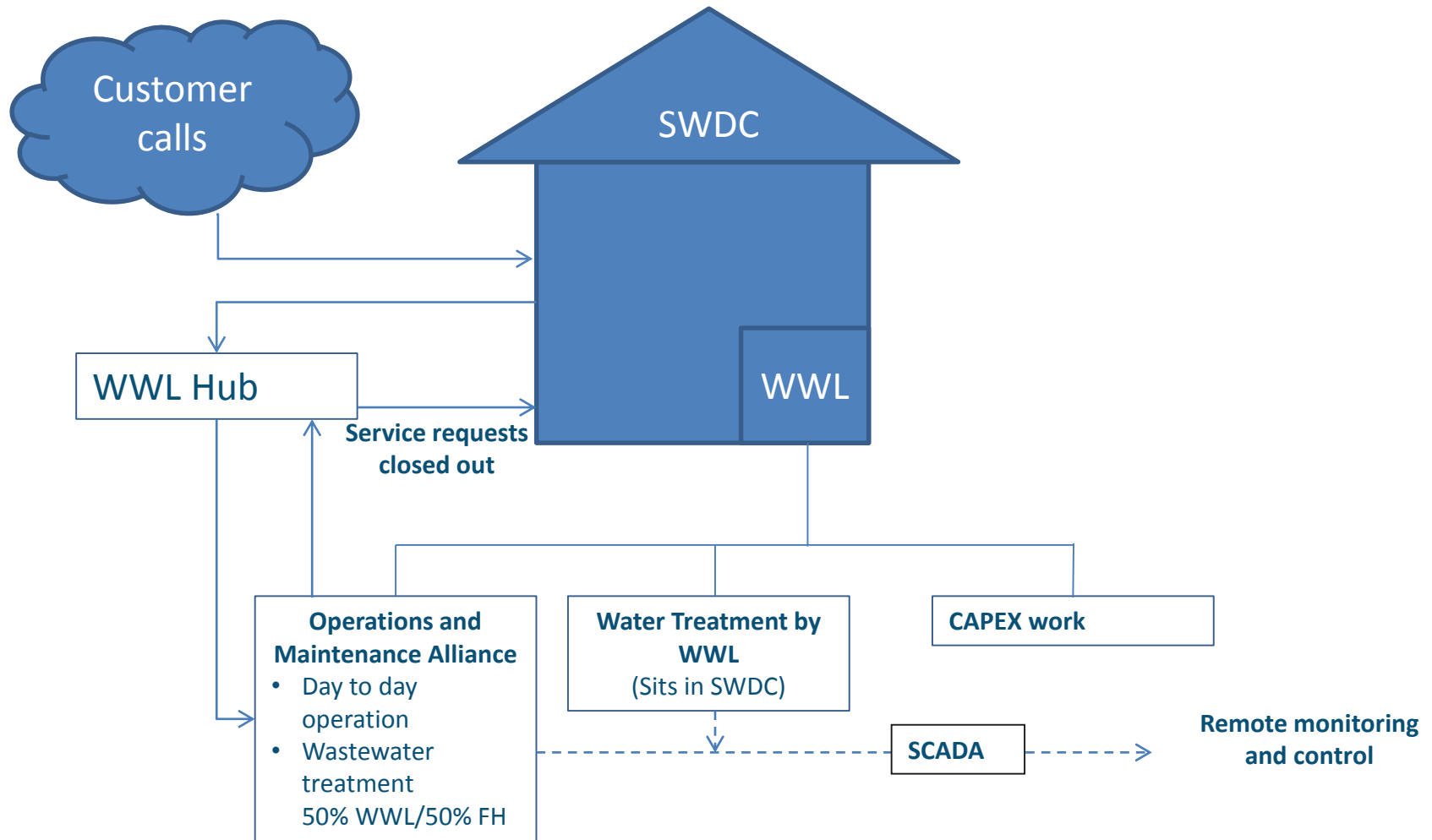
Name of Shareholder	Number of Class A Shares held	Number of Class B Shares held	Value of Class B Shares held (\$000)
WCC	150	200	400
HCC	150	100	200
UHCC	150	40	80
PCC	150	60	120
GWRC	150	75	150
SWDC	150	25	50

## You will receive:

- A shares - Equal voting rights
- B shares - Share in any dividend or distribution of surplus assets



# For your customers, things will look very much the same at as they do today



**We'll build local capability, particularly in water treatment**

# We will deliver improved services for the same costs you have today,\* at reduced risk

You charge and collect the rates (\$)

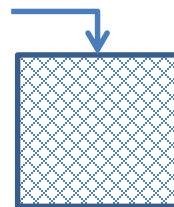


- You budget for overhead for councils
- We budget for our overheads – You access our expertise, systems and long term thinking
- For depreciation, principal and interest of Capex

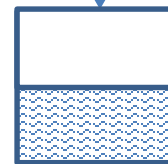
- Day to Day running

[if surplus]

Still surplus



5% bucket for emergency events



Returned to Council

Reinvested in the water cycle

\*There will be some establishment costs