

REPORT

file ref:

TO: Mayor, Chair & Members, Transport and Infrastructure Committee
FROM: Helen Evans, Water Supply Manager
DATE: 16 May 2000
SUBJECT: WATER SUPPLY REGIONALISATION

1. PURPOSE OF REPORT

To advise Council of the progress made towards the regionalisation of the water supply with Hutt City Council (HCC) and Wellington Regional Council (WRC).

Council endorsed the Transport and Infrastructure Committee's report of the Water Services Subcommittee, at the Council meeting on 12 April 2000. The report stated that a fully integrated entity is the Council's preferred long-term option for water service delivery in Wellington. If this was to prove unachievable, then some form of Integrated Lease Entity was Council's preferred option through the next two years.

2. RECOMMENDATION

THAT the Committee:

1. *Note the following recommendations in the Chief Executives briefing paper that WCC, HCC and WRC agree in principle to an integrated approach to water supply across the three Councils which will:*
 - *Target significant savings over the current arrangement;*
 - *Retain all the water supply and distribution related assets under public ownership;*
 - *Allow for the existing standards of quality and security of supply to be maintained; and*
 - *Provide a system that is flexible enough to meet the future requirements of the region.*
2. *Note that the CEO's of WCC, HCC and WRC will develop a template for achieving an integrated water supply and on completion to seek approval from each Council for its implementation."*

3. RELEVANT ANNUAL PLAN OUTPUT(S)

Water management

4. STRATEGIC FIT TEST

Outcome 34: Utility Resources

Residents and organisations have access to supplies of water and energy that are adequate and ~~----- meet applicable national standards.~~

Outcome 35: Use of Resources

All energy, land and water resources are used efficiently in ways which minimise environmental impact, and which do not increase over time the City's demand for water.

5. TREATY OF WAITANGI IMPLICATIONS

There are no Treaty Implications

6. POLICY/OPERATIONAL IMPLICATIONS

When the preferred option is implemented with a fully integrated entity established there would be operational implications and staff changes. The extent of these implications is unknown at this stage, as the structure of the new entity has not yet been defined.

7. FINANCIAL IMPLICATIONS

The draft annual plan includes an allowance of \$45,000 for progressing regionalisation this covers consultant's fees for further evaluation work and determining the structure of the new entity. The cost of establishing the new entity have not been determined or budgeted for. The parties involved will share some of the costs associated with regionalisation.

The 1997 Ernst & Young review of water supply in the Wellington metropolitan area identified that savings of \$55 million across the area over a 15-year period were potentially achievable through rationalisation of the region's water supply.

8. CONSULTATION

The contents of this paper have been discussed with Hutt City Council and Wellington Regional Council. A similar paper was submitted to the Hutt City Council on 16 May 2000 and received unanimous support.

9. IMPLEMENTATION

It is proposed that work should proceed immediately to achieve the savings available for the 2001-2002 financial year.

10. BACKGROUND

Since 1997 there have been various investigations and reviews of water services in the Wellington Region. These reviews have all been on the basis that:

- a) Water supply assets will remain in public ownership; and
- b) Existing standards for quality, security and supply will be maintained or enhanced.

The overriding objective of these reviews has been to ensure that future water services represent the best possible value to the community.

In 1997 Ernst & Young Ltd carried out a review of water supply in the Wellington metropolitan area. This review estimated that savings in the order of \$55m across the region over a 15-year period were achievable through rationalisation of the region's water supply.

The Ernst & Young review outlined a number of possible options for integration with the recommended option of full integration of water supply across the Wellington area at both bulk and retail levels as the option which would deliver the greatest efficiencies.

Since 1997 there has been considerable debate across the region on the most satisfactory structure for achieving the savings identified in the Ernst & Young review.

In 1998 Wellington City Council agreed to pursue the savings achievable through rationalisation of water supply.

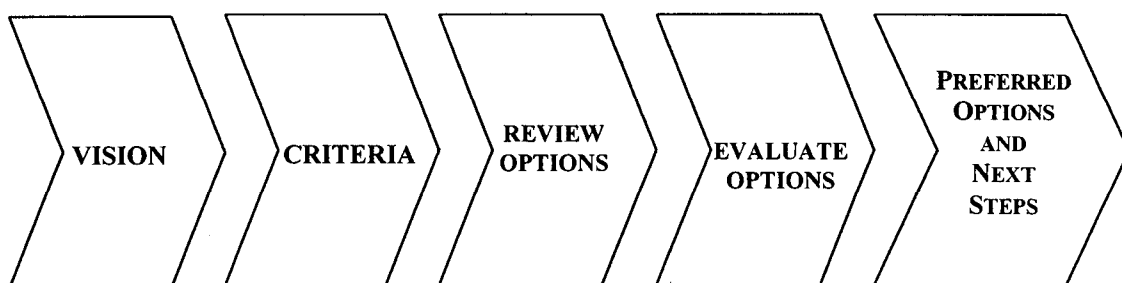
Initiatives to progress this matter have included:

- a) A proposal in 1998 by the Wellington Regional Council to take over the retail water operations through a long-term lease arrangement;
- b) An agreement in 1999 for the 4-Cities in the region to work together on this issue.

At the Water Summit on 26 November 1999 the four cities agreed to separately discuss options for regionalisation and reconvene in the New Year. The next meeting was to be held in February but has not yet reconvened. The key task was for each city to identify their preferred options before the meeting reconvened.

In order to determine Wellington City Council's preferred option the Water Subcommittee went through a similar evaluation process as the CEO's and Officers. The following diagram identifies the process that was adopted to determine the preferred option.

Suggested process for identifying "preferred option"



The first Water Subcommittee meeting held on 26 January 2000 concentrated on defining the vision and criteria for evaluating the options. The second meeting held on 8 March 2000 concentrated on reviewing and evaluating the options.

The Water Subcommittee resolution was then endorsed at the Transport and Infrastructure Committee and Council Committee on the 21 March 2000 and 12 April 2000 respectively.

The 4-Cities have all held their own workshops/meetings on this issue. There has been no clear consensus between the 4-Cities arising from these workshops on the direction in which this issue should be progressed. As a consequence the 4-Cities initiative has effectively stalled.

Progressing This Issue

~~At this time, no clear option common to the 4 Cities has emerged~~ from the individual workshops, there is a degree of commonality in the views of Hutt City and Wellington City, and in views, which have been expressed by the Wellington Regional Council.

The Chief Executives of Hutt City, Wellington City and the Wellington Regional Council have recently met to explore ways in which potential savings in water supply might be achieved. The outcome of this meeting was the briefing paper discussing the case for pursuing the full integration option and proposes that the Chief Executives develop a template for achieving an integrated water supply for approval by each of the Councils involved. A copy of the briefing paper is appended (Appendix 1).

Although the briefing paper has been prepared by the Chief Executives of Hutt City, Wellington City and the Wellington Regional Council the involvement of Porirua City and Upper Hutt City would be welcomed and would increase the potential benefits.

Charles Willmot
Business Improvement Manager
Water and Waste

Garry Poole
Chief Executive