

e) Water Review Update (WSSO-00)

Report No. C2000/5/9 by the Water Services Manager – circulated
Green pages C 9-1 to 9-11.

RESOLVED:

Minute No. C 000534

That Council:

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- (i) notes that successive investigations and reviews of water services in the Wellington metropolitan area since 1997 have indicated without exception that there is scope for substantial efficiencies in the way water services are provided;
 - (ii) notes that no clear consensus on how the potential savings achievable in the region's water supply should be pursued has emerged from the recent water workshops/meetings held by each of the Cities;
 - (iii) notes that the investigations by the four cities indicate that only rationalisation involving both bulk and retail water operations is likely to generate significant savings for all participating Councils;
 - (iv) notes that achieving the best outcome for Hutt City consumers involves addressing both equity and efficiency issues;
 - (v) agrees that the Chief Executive should pursue the equity issue by commencing legal action to obtain a declaratory judgement on options legally available with respect to the pricing of the bulk water supply;
 - (vi) notes that the Chief Executive will consult with the other Councils in the Wellington metropolitan area including the Wellington Regional Council prior to commencing action to obtain the declaratory judgement;
 - (vii) notes that the Chief Executives of Hutt City, Wellington City and Wellington Regional Council have produced a briefing paper which proposes an integrated approach to water supply and a process by which this could be achieved; and

(viii) endorses the recommendations in the Chief Executives briefing paper that

“Hutt City Council, Wellington City Council and Wellington Regional Council:

1. **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. **Direct the Chief Executives of Hutt City Council, Wellington City Council and Wellington Regional Council to develop a template for achieving an integrated water supply and on completion to seek approval from each Council for its implementation ;**

(ix) **requests the joint Chief Executives produce a public education plan; and**

(x) **requests the joint Chief Executives provide progress reports in September and December with a final report in March 2001.**

HUTT CITY COUNCILWS80-00
3 May 2000

The Mayor and Councillors HUTT CITY COUNCIL
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WATER REVIEW UPDATE**Report No. C2000/5/9****RECOMMENDATIONS:****That Council:**

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1. REPORT SUMMARY

1.1 The purpose of this report is to seek Council’s endorsement of an initiative from the Chief Executives of Hutt City Council, Wellington City Council and Wellington Regional Council which proposes an integrated approach to water supply and a process by which this could be achieved.

2. ISSUES

Background

2.1 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.**

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

- 2.3 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 \$53m across the region over a 15 year period were achievable through rationalisation of the region's water supply.**
- 2.4 The Ernst & Young review recommended full integration of water supply across the Wellington area at both bulk and retail levels as the option which would deliver the greatest efficiencies.**
- 2.5 Ernst & Young also identified that a lower, but still substantial, level of efficiencies would be achieved through an option known as the East/ West option. This would involve the establishment of two fully integrated water entities servicing Hutt City/Upper Hutt City and Wellington City/Porirua City. This option offered significant advantages to Hutt City but has not been supported by the other Councils.**
- 2.6 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.**
- 2.7 In 1998 Hutt City Council agreed to an objective of pursuing the savings achievable through rationalisation of water supply.**
- 2.8 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; and**
 - b) an agreement in 1999 for the 4 Cities in the region to work together on this issue.**
 - c) Wellington Regional Council/Hutt City Council discussions on differential pricing.**
- 2.9 A 4 Cities water workshop held on 26 November 1999 provided the first opportunity for this issue to be considered jointly between the 4 Cities at elected member level. At this workshop agreement was reached that each of the cities should carry out further work to clarify their views on the options before a further meeting of the 4 Cities.**
- 2.10 The 4 Cities have now 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 is effectively stalled.**

Equity and Efficiency

2.11 Achieving the best possible outcome for Hutt City ratepayers involves addressing issues of both:

- a) Equity (achieving a fair allocation of the cost of water supply between the 4 Cities) ; and**
- b) Efficiency (reducing the cost of water supply to the lowest sustainable level consistent with achieving required quality standards).**

2.12 The East/West option identified by Ernst & Young is the only option identified to date which is capable of addressing both the equity and efficiency issues. However, this option is difficult to implement because it is not supported by the other Councils.

2.13 Achieving both equity and efficiency is important and should be pursued. However it is important to recognise that these are separate issues and that pursuing them together is likely to compromise the achievement of either.

Equity

2.14 Bulk water supply is currently charged for at a uniform volumetric rate across the sub-region. This formula disadvantages Hutt City as the cost of bulk water supply to Hutt City is significantly less than the cost of supply to most of the remainder of the Wellington metropolitan area.

2.15 There have been conflicting legal opinions expressed about the ability of the Wellington Regional Council to charge for water on a differential basis and the extent to which the provisions of the Wellington Regional Water Board Act and the current uniform pricing system may be in conflict with the user pays provisions of the Local Government Amendment Act #3.

2.16 It is proposed to seek a declaratory judgement on options legally available with respect to the pricing of the bulk water supply so that the current uncertainty can be resolved once and for all. The other Councils in the Wellington metropolitan area including the Wellington Regional Council will be consulted prior to the declaratory judgement being sought. This issue is reflected in item 8 of the Chief Executives' briefing paper as a key factor required of a water supply arrangement.

Efficiency

2.17 The Ernst & Young review indicated that putting the equity issue to one side, full integration is the option which will deliver the maximum efficiencies to ratepayers as it will achieve savings in both the bulk and the retail areas of water supply.

2.18 Work carried out by the 4 Cities has involved considerable investigation of lesser (or stepping stone) options. The benefits of rationalisation are not uniformly spread across the 4 Cities. A major reason why a consensus has not emerged from the work of the 4 Cities is that the potential savings to some Cities including Hutt City are modest unless bulk water supply is included.

Progressing this Issue

2.19 Although 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.

2.20 The Chief Executives of Hutt City, Wellington City and the Wellington Regional Councils have recently met to explore ways in which potential savings in water supply might be achieved.

2.21 As no clear consensus in support of a stepping stone option has emerged from the work of the 4 Cities the focus of the Chief Executives' discussions has been the full integration option which was identified by Ernst & Young as having the potential to deliver the greatest efficiencies.

2.22 A briefing paper on this issue has been prepared by the Chief Executives of Hutt City, Wellington City and the Wellington Regional Council. This briefing paper discusses 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).

2.23 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.

2.24 Support from Hutt City Council for this initiative is sought.

3. CONSULTATION

3.1 There has been no external consultation carried out to date. This issue has been the subject of ongoing discussion between officers of the Councils involved.

3.2 In addition, both Mayor Terris and Mayor Blumsky have approached Mayor Brash of Porirua and Mayor Kirton of Upper Hutt, to advise and inform them of this initiative.

4. FINANCIAL CONSIDERATIONS

4.1 The 1997 Ernst & Young review of water supply in the Wellington metropolitan area identified that savings of \$53m across the area over a 15 year period were potentially achievable through rationalisation of the region's water supply.

5. LEGAL CONSIDERATIONS

5.1 There have been conflicting legal opinions expressed about the ability of the Wellington Regional Council to charge for water on a differential basis and the extent to which the provisions of the Wellington Regional Water Board Act and the current bulk water supply charging system may be in conflict with the provisions of the Local Government Amendment Act #3. It is considered that seeking a declaratory judgement is the most satisfactory way of resolving the current uncertainty.

5.2 If integration proceeds, but does not involve all 4 Cities in the Wellington metropolitan area, then the bulk water supply arrangements to non participating cities will need to be defined.

6. INFORMATION TECHNOLOGY CONSIDERATIONS

6.1 There are no information technology issues to be considered at this point. There will however be information technology issues to be resolved if integration of water services proceeds due to differences in systems currently in use in the Councils.

7. PUBLICITY CONSIDERATIONS

7.1 The future of the public water supply and achieving the best possible value in services provided are issues of considerable public interest and concern.

8. OTHER CONSIDERATIONS

8.1 No other considerations have been identified.

9. **APPENDICES**

**Appendix 1: Briefing paper on “Integration of Hutt City, Wellington City
and Wellington Regional Councils’ Water Supply Operations”.**

Report prepared by:

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Approved by:

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