



Appendix E Description of Long List Options

Scoping options

These options relate to the extent of water services that will be covered under the new model. Specifically, whether or not the delivery of stormwater services is included or not.

We note that the approach towards the inclusion of stormwater varies between the two existing water services entities already existing in New Zealand. Watercare manages the two waters while Wellington Water manages all three.

The third option includes all water related aspects within the model; service delivery as well as regulatory and compliance functions. This effectively replicates the unitary Council function.

Service solution options

Delivery options refer to the manner in which various aspects of three waters services are delivered. Specifically, the options outlined relate to whether operations and maintenance, professional services, and asset management services are delivered internally through the proposed water model, or whether these are outsourced (contracted to an external provider).

The services have been categorised as

- **Operations and Maintenance** – this is the day to day running, maintenance and repair of the network or treatment plants
- **Professional services** – this includes engineering and technical design services
- **Asset management** – This includes all strategic functions and asset planning, including development of asset management plans, and infrastructure strategies.

Delivery options

The delivery options describe the structure and nature of the service provider. Existing examples are highlighted to help provide high level definition and identify the different features. Additionally, a table that follows the descriptions highlights differences by reference to important questions of responsibility for aspects of the services. The descriptions are not intended to be a comprehensive explanation of all aspects of the models.

Status Quo

Each council operates independently, delivering the service to its own customers. Strategic planning is limited on a regional basis. Each council's asset management capability is limited by its own resources.

Centre of Excellence

e.g. **Waikato Road Asset Technical Accord (RATA)**

Collaboration between two or more councils with a specific focus on information sharing and identification of areas or potential improvement, rather than delivery of the core service. This lends itself to activities where economies or efficiencies of scale are most available, such as valuations, condition surveys, planning and asset management, where smaller councils may not have the resources or the data to develop alone or solve common issues. Each council contributes an agreed fee per year to fund the Centre of Excellence (CoE) operations, and the CoE provides recommendations to each participating council on improvements and efficiencies that are relevant to them. The CoE employs staff directly and may provide opportunities for secondments for other council staff. In the case of RATA, an employed technical director reports to a governance group consisting of representatives from each council, and a technical advisory group allows the CoE to leverage off specialists located in each council.

Joint Procurement **e.g. Napier and Hastings Waste Collection Services (Waste)**

Councils approach the market together to engage a third party for services, with the intention of securing better prices for a larger scope of works. Each council defines their own level of service and enters into separate contracts with the successful contractor following negotiations. The administration of each contract is managed within the respective council while delivery is carried out by a common third party.

'Simple' Shared Services **e.g. Masterton servicing Carterton (Roading, part of Two Waters)**

Typically, a larger council providing a service to a smaller council, leveraging off a larger asset base and larger staff allowances. The scope of the services can be as small as providing laboratory services, up to full-service delivery. Smaller councils can benefit from the more advanced asset management systems, while retaining asset ownership, strategic oversight and funding control. In the case of Masterton and Carterton, there is a common roading contractor between the councils, and Carterton contracts Masterton to manage their roading programme. In the Waingawa area of Carterton, Masterton is also contracted to deliver water and wastewater services.

Shared Service Business Unit **e.g. Northland Transport Alliance and Rangitikei DC and Manawatu DC (Infrastructure)**

The business unit delivering the shared service is usually located at one of the participating council offices and staff are employed by the host council but directly within the business unit. Level of service, funding and strategic decisions are still made separately by the individual councils. The cost of operating the business unit is divided among the participant in agreed proportions that may take into account overall asset base, forecast capital programmes, or any other metric agreed by the councils. Support services may be provided by any participating council (usually the host under service level agreements) or by third parties as agreed.

Management CCO **e.g. Wellington Water**

Asset ownership and strategic direction is retained by the council, but management of day-to-day operations is carried out through the Management CCO. The Management CCO is a separate entity from all participating councils, which can increase overheads but also provides clarity for the assessment of costs directly related to the activity. The Management CCO will typically employ their own staff and provide their own support services (as opposed to utilising a council's services). The setting of price and level of service remains with the council. Each council can set its own requirements of the CCO, while benefiting from the combined knowledge and asset management maturity of the larger organisation. The key difference between the Management CCO and the Centre of Excellence is the ability to deliver the whole service rather than supplement each council's in-house team.

Asset Owning CCO **e.g. Watercare Services Ltd**

The CCO has full independence over service delivery but must give effect to councils' development and growth plans. CCOs are overseen by a Board of Directors that may be a combination of Councillors, technical experts and independent parties. The Board will approve the budget prepared by the CCO, including the setting of fees and charges and submit the information to the controlling council as part of the LTP and annual plan process. The CCO's Chief Executive is delegated operational responsibility by the Board and oversees the daily operation of the service. All staff are employed by the CCO directly.

Watercare is part of the Auckland Council 'family' and is responsible for Water and Wastewater. Stormwater is the responsibility of Auckland Transport, a separate CCO also established through the Auckland amalgamation.

Table 50 Features of examples of existing models

	Status Quo	Centre of Excellence (e.g. RATA)	Joint Procurement (e.g. Napier and Hastings Waste Collection Contract)	'Simple' Shared Services (e.g. Masterton/Carterton)	Shared Services Business Unit (e.g. NTA, Rangitikei & Manawatu DC)	Management CCO (e.g. Wellington Water)	Asset Owning CCO (e.g. Watercare)
Who owns the assets?	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils	CCO
Who determines the level of service?	Individual councils	Individual councils (Governance group for CoE's level of service to the councils)	Individual councils	Individual councils	Individual councils	Individual councils	CCO
Who approves strategic decisions?	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils (On recommendations of the business unit)	Individual councils (On recommendations made by CCO)	CCO* (Growth projections developed by individual councils)
Who approves operational decisions?	Individual councils	Individual councils	Individual councils (Contractor – to meet defined level of service targets)	Individual councils	Shared Services Business unit	CCO	CCO
Who sets the price to the customer? ⁴⁵	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils	CCO
Who provides administrative support (e.g. employing staff)?	Individual councils	Individual councils (CoE may have small number of specialist staff)	Individual councils (Contractor – within scope of contract)	Individual councils	Shared Services Business unit (typically, with support from host council e.g. HR/IT)	CCO	CCO
Who approves future plans?	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils	Individual councils* (On recommendations of CCO)	CCO* (subject to LTP or AP consultation requirements)

⁴⁵ Including who raises the revenue for the service

Implementation options

- **Now**

This arrangement would require that, if there was a change, then all councils transfer to the new model as soon as reasonably practicable.

Phased implementation

A phased approach may allow councils to shift to a new model while reducing risk. It may also allow councils that are ready to transition to a new model achieve early savings without having to wait for all of the councils to be ready or create a simpler transition process.

A phased transition may alter the time period in which the full benefits of a new model can be achieved.

- **Phased implementation as contracts roll off**

This option would enable councils to remain with existing service contracts and transfer certain functions or activities over to the new model as contracts lapse.

The full benefits of entering into the new model may not be realised for some time.

- **Phased transition of councils**

This option would enable a smaller group of councils to move to the new model initially, with other councils joining at a later time.

There may be benefits in this approach due to the simplicity of implementation with a smaller number of councils, but it may limit the extent to which benefits can be realised.

- **Phased model transition**

This option would enable councils to transition slowly to a new model. For example, while the ultimate model may be an asset owning CCO, a phased transition may begin with a management CCO to allow councils to achieve some benefits without the full risk of transition.

- **Phased model and councils' transition**

This option would enable councils to move to the new model in a phased manner. This means some councils would move to the new model immediately (and realise some of the benefits of the new model immediately), while others would do so over time.

Funding Options

Status quo

Under this arrangement each council remains individually responsible for all aspects of funding and financing of the water services.

Regional funding model

This option could involve a full “regional rate” model in order to equalise water rates across the region, or a model whereby communities or councils have targeted rates. The funding and financing of the three waters services would take place at a regional level rather than at the current territorial authority level.

Any sub-national delivery model which incorporates multiple regions would work in a similar way and include all customers within that region.

National funding

National funding would need to be enabled by central government. At the time of developing and assessing the long list (2019) there was no indication of a national funding model although we note that there are however significant core services already provided by local government that are part-funded on a national level e.g. roading.

The impact on local ratepayers under a national funding model is likely to be much lower than under a regional funding model.

At the time of the assessment what did appear to be part of the three waters reform was potential funding for making changes. This was the case in Hawke's Bay with government contributing funding to investigating alternative options. So, a national funding option simply allows the Councils to explore what is possible with the Government. It is assumed to be supplementary to either the local or regional option rather than a replacement.

Table 51 Long list of options

Scoping options (What)	Enhanced Status Quo (three waters)	Water	Stormwater	Wastewater	Water and wastewater	Water and stormwater	Wastewater and stormwater	Three waters plus regulatory and compliance	
Service solution options (How)	Status quo: Individual councils choose approach (mixture)	O & M (in) PS (in) AM (in)	O & M (out) PS (in) AM (in)	O & M (out) PS (out) AM (in)	O & M (out) PS (out) AM (out)	O & M (in) PS (out) AM (in)	O & M (in) PS (out) AM (out)	O & M (in) PS (in) AM (out)	O & M (out) PS (in) AM (out)
Delivery options (Who)	Status quo: Councils	Centre of Excellence	Joint procurement	Share service (simple)	Shared service business unit	Regional CCO (management)	Regional CCO (asset owning)	Sub-national CCO (management)	Sub-national CCO (asset owning)
Implementation options (When)	Now	When existing contracts roll off		Phased - councils		Phased - model transition		Phased – councils and model transition	
Funding options	Status quo: rates, fees and charges set by each council			Regional funding			National funding		

Abbreviations used

- O & M Operations and Maintenance
- PS Professional Service
- AM Asset Management
- CCO Council Controlled Organisation