



# **Three Waters Workshop**

## **Part 1 - Impact Assessment**

Tūhura Model

31 August 2021

# Background

Tūhura Partners was contracted by the Department of Internal Affairs to facilitate an Impact Assessment of all the parameters they want Councils to consider. These are:

1. Align Government's "top-down" proposal (national and regional level) with local concerns and focus areas
2. Use weightings to highlight the 4-5 key areas that Councils should focus on the most
3. Use a standardised matrix so the local issues of importance to Councils can be "rolled up" to present a consolidated view of Entity B
4. Highlight issues or remaining questions – often these will be related to transition planning or organisational design principles on what and how the new organisation will deliver services

The Impact Assessment is divided into four "quadrants", covering 14 topics and 55 questions.

The Impact Assessment was performed by Council staff in collaboration with Tūhura Partners.

# Strategic Overview – Four Quadrants



# Assessing the Criteria

Comparing three scenarios:

Status Quo = Current level of Operations, Service Delivery, Costs and Infrastructure state

LTP 2031 = Planned levels at the completion of Council's current Long Term Plan

With reform = Levels claimed by the DIA would be achieved by Entity B

SUMMARY SCORING KEY			
Score	Colour	Quality	Risk
3	Dark green	Much better	Significant opportunity
2	Light green	Better	Opportunity
1.5	Yellow	Neutral	Neutral
1	Orange	Worse	Threat
0	Red	Much worse	Significant threat
<b>*refer 'Considerations and Criteria for Council Impact Assessment' for detailed assessment criteria</b>			

# Criteria

Consideration	Ref	Criteria	Weighting	Council Assessment		
				Status Quo / WITHOUT REFORM	LTP implemented WITHOUT	Required WITH REFORM
1. Achieve drinking water standards and compliance	1 (a)	2020 Drinking Water Standard compliance	0.25	2	3	3
	1 (b)	2024 intended DWS compliance - per Infrastructure Strategy	0.25	3	3	3
	1 (c)	Water safety plans	0.25	3	3	3
	1 (d)	Risk relating to non-council water supplies	0.25	3	3	3
2. Wastewater systems compliant & support freshwater quality	2 (a)	System performance - consent compliance DIA mandatory measures	0.20	2	3	3
	2 (b)	System performance - dry & wet weather overflows	0.20	2	2	2
	2(c)	Discharges to inland waterways	0.20	3	3	3
	2(d)	Expired or expiring (in next 5 years) treatment plant consents	0.20	3	3	3
	2(e)	Are costs of compliance fully recognised in IS and LTP	0.20	3	3	3
3. Robust and sustainable stormwater network	3 (a)	Asset valuation completeness & confidence rating	0.20	2	3	3
	3 (b)	Fully funding SW depreciation in 2021-31 LTP	0.20	1	3	3
	3 (c)	IS & LTP account for future climate change impacts	0.20	3	3	3
	3 (d)	SW catchment management plans in place	0.20	3	3	3
	3 (e)	Evidence of SW discharge standards to improve water quality	0.20	3	3	3
4. Asset management & infrastructure planning	4 (a)	Asset management maturity index score	0.25	2	3	3
	4 (b)	Asset metadata quality assessment score	0.25	2	2	3
	4 (c)	Asset information - completeness & condition rating	0.25	2	3	2
	4(d)	Asset management system integration	0.25	1	2	3

# Criteria

Consideration	Ref	Criteria	Weighting	Council Assessment		
				Status Quo / WITHOUT REFORM	LTP implemented WITHOUT	Required WITH REFORM
5. Strong Council balance sheet / debt capacity	5 (a)	Three waters debt-to-income ratio 2020	0.20	3		
	5 (b)	Three waters debt-to-income ratio 2031 (per LTP)	0.20		3	
	5 (c)	Three water debt-to-income / Balance of Council debt-to-income	0.20	3	3	
	5 (d)	Proportion of 3 waters debt related to Development Contributions	0.20	3	3	1.5
	5 (e)	Perception of additional council debt capacity	0.20	3	3	0
6. Cost of service & efficiency savings	6 (a)	Population served - as an indicator of efficiency potential	0.25	0	0	3
	6 (b)	Change in three waters operating expenditure in next 10 years - LTP forecast	0.25	3	3	1
	6 (c)	Does 2021/31 LTP include all infrastructure invested required to respond to forecast growth	0.25	3	3	3
	6 (d)	Proportion of 3W depreciation invested in renewals	0.25	3	3	3
7. Impact on rates	7 (a)	Three waters rates level compared to other councils in proposed WSE area	0.25	3	3	0
	7 (b)	Funding Impact Statement operating surplus compared to depreciation	0.25	3	3	3
	7 (c)	Three waters rate increase forecast over next 10 years - LTP	0.25	3	3	1
	7 (d)	WICS forecast average cost per household - Reform vs No reform	0.25	3	3	1
8. Post reform - Council viability	8 (a)	Proportion Council of overheads currently allocated to three waters activities	0.33	1	1	
	8 (b)	Diseconomies of scope - impact of removing three waters on Council	0.33			0
	8 (c)	Size of council - indicator of ability to absorb stranded overheads	0.33			0
9. Iwi/Māori	9 (a)	Extent to which iwi co-governance is embedded in water delivery	0.25	3	3	2
	9 (b)	Extent to which te ao Māori values and outcomes are embedded within water delivery	0.25	3	3	2
	9 (c)	Iwi/ Māori access to training, employment and investment opportunities in 3 waters	0.25	3	3	3
	9 (d)	Extent to which marae and papakainga have access to clean, compliant drinking water	0.25	3	3	2
10. Development, growth & community self determination	10 (a)	Assessment of delivery status on National Policy Statement - Urban Development	0.33	3	3	2
	10 (b)	Representation of and Delivery in response to local community concerns	0.33	3	3	1
	10 (c)	Ability to strategically plan and invest ahead of community demand	0.33	3	3	2

# Criteria

Consideration	Ref	Criteria	Weighting	Council Assessment		
				Status Quo / WITHOUT REFORM	LTP implemented WITHOUT	Required WITH REFORM
11. Economic impact	11 (a)	Water infrastructure investments creates local benefit from GDP & jobs	0.33	3	3	1
	11 (b)	DIA has assessed the relative benefits of reform on the economy (Deloitte) primarily driven by increased investment in 3 waters infrastructure. Can this level of investment and resulting economic benefit be achieved without reform?	0.33	3	3	1
	11 (c)	Constraints on ability to invest in 3W impacts negatively on the local economy, jobs and	0.33	3	3	2
12. Workforce suitability & sustainability	12 (a)	Direct water staff perception of local job availability - without and with reform	0.20	1	2	0
	12 (b)	Perception of working conditions (ability to make decisions, specialist staff, team moral)	0.20	1	2	0
	12 (c)	Pathways for career development	0.20	2	2	3
	12 (d)	Indirect staff perception of job availability	0.20	1	2	0
	12 (e)	Impact with and without reform on contractors and local businesses in the supply chain	0.20	2	2	1
13. ICT systems	13 (a)	ICT platform is scalable to deal with the challenges and opportunities of the future	0.33	1	2	3
	13 (b)	Level of advanced technological capabilities & integration to transform service delivery and achieve	0.33	1	2	3
	13 (c)	Does your ICT system provide a rich customer experience including access to all relevant informat	0.33	1	2	3
14. Supply chain and procurement	14 (a)	World class procurement - strategic partnering, utilises a range of commercial models, dedicated specialist procurement staff.	0.25	1	1	2
	14 (b)	Supplier relationships – local flexibility and responsiveness	0.25	2	2	1
	14 (c)	Procurement approach to supply chain -regular engagement, strategic approach & clear pipeline of contracts	0.25	1	1	3
	14 (d)	Implementing broader procurement outcomes - social and environmental outcomes for local community	0.25	2	2	1

# Results Scorecards

Scenario	Status quo	LTP implimented (2031)	With reform
Score (%)	73	82	63
Quadrant Weighted Score (%)	73	82	63

The assessment of Council (without Reform) is based on the actual Council service performance the previous years and the committed Long Term Plan as consulted and accepted and adopted by Council.

The assessment of the Entity (with Reform) is based on promises and intentions of the Department of Internal Affairs (DIA) of what they believe can be achieved.

The assessment strongly support Kawerau District not to join Entity B. The strongest driver is the financial aspects, followed by risks to the sustainability of Council and risks (real and perceived) to workers and contractors in the region.



# Discussion

The assessment applies specifically to Kawerau District Council.

There are significant questions whether the promised benefits, both financial and environmental can be achieved by the new Entity. After 20 years, Scottish Water on which the Entities have been modeled, has failed to achieve its environmental promises. The financial claims will be discussed in the next part of this workshop.

It is not expected that many other Councils scorecards will show similar results for the “Without Reform” evaluation. In a national context, Kawerau is an outlier with the following unique characteristics:

1. Fully urbanised and no private water supply or waste schemes
2. No debt and well maintained infrastructure
3. Strong industry support
4. Low growth levels
5. Lowest cost provider of Three Waters in proposed Entity

The financial analyses will be discussed in Part 2 of the workshop.