

REPORT

Item Number:

Open Meeting

To	Infrastructure Committee
From	TN Harty General Manager Service Delivery
Date	10 February 2015
Prepared By	M Mould Waters Manager
Chief Executive Approved	Y
DWS Document Set #	934247
Report Title	Waikato Water Study: Watercare Option Selection

I. Executive Summary

As part of the wider Waikato Water Study, Council resolved to include in the assessment an option to expand the current relationship with Watercare Services Limited (WSL). Staff were tasked to determine the best form of relationship to be put forward for this assessment, and report back to Council for approval.

In late January a workshop was held with participants from WSL, Council, Cranleigh and Participate to determine the nature of any expanded arrangement.

Following the workshop, the Consolidation option was selected as the most suitable model to carry forward into the study.

The Consolidation model would require Council to create a CCO for its water business and enter into an agreement with WSL (or its sole shareholder Auckland City Council) to provide services and ongoing support via either management agreements or by assigning or transferring limited ownership responsibilities.

As the process to date is limited to option selection, further details on the final relationship model are yet to be determined and would be subject to further Council decisions.

2. Recommendation

THAT the report of General Manager Service Delivery – Waikato Water Study: Watercare Option Selection - be received;

AND THAT Council approve the Consolidation option as the preferred model to further arrangements between Council and Watercare Services Limited;

AND FURTHER THAT this model be analysed as part of the wider Sub Regional Water review process currently underway and reported back to Council with the wider report.

3. General

In July 2014, Council resolved to participate in the Sub Regional investigation into alternate options for the provision of water services (the study). The base study was to determine whether a CCO or Enhanced Shared Services model would deliver the best outcomes for the sub region, if its water services were to be combined. These were to be benchmarked against a status quo option (ie the proposed 2015-25 LTP). Part of its resolution was for Council to fund an analysis of a third option which was to consider the expansion of the current agreements with WSL and to one that could best manage the entire 3 waters network.

Other key resolutions of the July report were the appointment of His Worship the Mayor and the Chair of the Infrastructure Committee to the Joint Governance Committee and the requirement for staff to report back to Council of the outcomes of the public tender process to select a consultant to undertake the study.

In October 2014, staff reported to Council regarding the outcome of the public tender process and Council subsequently approved the engagement of Cranleigh to undertake the study.

3.1 Watercare Arrangement

In the July report, staff indicated to Council that the type and nature of any expanded arrangement with Watercare was yet to be determined but should focus on either a Joint CCO, an Enhanced Shared Service, or a simple Contract to Run type scenarios.

It was imperative that whatever delivery model was selected that it needed to be analysed alongside the other sub regional options to allow a comparative to be undertaken and the best for Waikato option be selected.

The Cranleigh tender submission split this portion of the works into two phases, with phase one being the selection of the proposed option for analysis and phase two, undertaking the analysis.

These costs are capped at \$5,000 for phase one and \$50,000 for phase two and the funding has been approved and is available.

4. Discussion and Analysis of Options

4.1 Discussion

On 29 January a joint workshop was held with WSL. The purpose of the workshop was to select the best delivery option for analysis within the Waikato Water Study project.

There were a number of participants at the workshop with representatives from WSL, Council, Cranleigh, Participate and Waipa District Council. The Watercare contingent included a number who had been heavily involved in the Auckland transition process, which added significant value and knowledge to the process.

4.2 Process

The workshop process was undertaken using a Multi Criteria Analysis (MCA) Process to determine the best option. A MCA process allows multiple options to be weighed against agreed goals and values to determine the best outcome.

The process was facilitated by Cranleigh and the outcomes of the work are shown in attachment I.

4.3 Options

The workshop considered a number of possible models which could be utilised to expand the current relationship with Watercare. Staff have reviewed the list and consider that it accurately represents the continuum of options available to Council for expanding the current agreements. Determining this list covered all possible options was also a key outcome at the January workshop.

- 4.4** Following the workshop, the Consolidation option was selected as the most suitable model to carry forward into the study. Both the Contract and Acquisition options were discounted on the basis of achievability. All other options were considered achievable.

The Consolidation model would require Council to create a CCO for its water business and enter into an agreement with WSL (or its sole shareholder Auckland Council (AC)) to provide services and ongoing support via either management agreements or by assigning or transferring limited ownership responsibilities to either party (WSL or AC). Council would retain majority shareholder status under a consolidation model and the detailed relationship setup with WSL (or AC) is yet to be determined.

This model allows Council to gain the benefits of WSL processes, knowledge and market presence whilst still retaining full control of the Board of the CCO

As the process to date is limited to option selection, further details on the final relationship model are yet to be determined.

5. Considerations

5.1 Financial

The cost of this portion of the study is capped at \$55,000 and this funding was approved in October 2014.

5.2 Legal

Legal matters with regards to this process have been addressed within the initial contract and procurement process.

The analysis of the selected option will include understanding any legal matters that will be required to be addressed during implementation.

5.3 Strategy, Plans, Policy & Partnership Alignment

Over the last 18 months Council has resolved a number of key agreements with WSL. The ability to deliver cost effective water and wastewater services in the northern area to facilitate growth are a key outcome of the two organisations working together.

This study represents the next possible step in this relationship and ensures that Council has all the possible information available when asked to make a final decision on the future delivery of 3 water services.

5.4 Assessment of Significance

The formation of a CCO or alternate service delivery model would trigger the significance policy and require a full public consultation process. This could only be determined once the business case is evaluated and any further proposals are clear.

6. Consultation

Consultation and communication is ongoing and being managed through the wider Waikato Water Study project. The outcomes of this process will be communicated via the project website and, if deemed necessary, media release.

7. Conclusion

Following approval of the initial Sub Regional Water review, which saw Council request staff to investigate a WDC only options around building closer working relationships with WSL, staff have organised and participated in an option selection workshop.

This workshop was focused on the selection of a preferred relationship option between WSL and Council for carrying into the wider review. Following a MCA process, the workshop selected the Consolidation model as being the preferred option for analysis.

Staff are recommending that this relationship option is carried forward into the main study for comparison with the three base options, being Status Quo, Enhanced Shared Services and a Joint CCO.

8. Attachments

- Attachment 1 – Waikato DC and WaterCare Collaboration Options Scoring