

Three waters at Southland District Council

Conversations about proposed three waters reform have been flowing at national and local government level and Council has been wading through a lot of information to better understand what the future may hold for Southland since the programme was announced in 2020.

As part of this process, significant work has been undertaken alongside local government partners across Otago, Southland and more latterly the wider South Island. This has included Ngai Tahu and local runaka representatives in a bid to understand the implications for our communities.

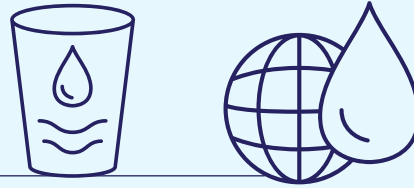
In 2020 Council committed to phase one of the government's proposed reform; signing a memorandum of understanding with the Crown and committing to engage in discussions with central government about the reforms. Council provided central government with a high level of information regarding its three waters delivery, relating to age and condition of assets, compliance and consenting information, resources, funding, levels of rates and other key data.

Council received \$13.53 million in stimulus funding, allowing it to embark on a significant programme of renewals and upgrades of water networks throughout the district. This work is on track for completion within committed timeframes.

In 2021, the government announced plans to amalgamate all New Zealand councils' water services into four publicly-owned multi-regional entities. Under the proposals, Southland would be part of an entity covering most of the South Island, excluding Nelson and Marlborough. Council-owned three waters infrastructure would be merged into the new entity.

As new information has become available, Council has strived to keep communities informed through its website, reporting and media releases where appropriate. No decisions have been made up until this point.

Current Council service delivery



Council manages the delivery of three waters services through its strategic water and waste team. This scope includes operational management, asset management, engineering services and capital delivery resources. There are 13 FTE water staff, along with professional services and physical works delivered by contractors.

Southland drinking water levels of compliance and service rate well and in 2020 the district had the lowest rate of mains bursts per 10km and the second lowest rate of unplanned water service interruptions per 1000 properties in the Otago-Southland region.

However, only 12% of the wastewater treated in SDC is subject to tertiary level treatment, and 73% of treated wastewater is discharged to freshwater environments. This, combined with a high number of consent renewal programmes being planned over the next ten years, may create significant future investment challenges as increasing environmental standards and cultural considerations will drive costs higher than what is currently provided for.

Other challenges for SDC to consider in relation to the local case for change includes access to skilled workers and technical expertise both within Council and in the local contracting market. With the forecasted increases to the programme of work locally, regionally and nationally, it is evident that local resourcing may struggle to keep pace with demand.

Further information is expected soon and, at this stage, councils will have until the end of the year to opt in or opt out of the proposed reforms.

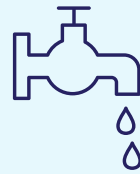
Between now and then, Council will continue to keep communities updated as new information becomes available. Additional information and FAQs can be found on our website:
southlanddc.govt.nz/my-southland/three-waters-reform/

Key stats for Southland District

\$315M

**Total value of
Southland three
waters
infrastructure
managed by
Southland
District Council**

Total value of three waters assets (as per 2021 revaluation):



Water reticulation
\$91,323,875



Water plant
\$22,382,798



Sewer network
\$104,584,796



Sewer plant
\$37,126,722



Stormwater network
\$60,009,313

12

drinking water
networks

9

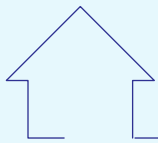
rural water
schemes

19

wastewater
networks

22

stormwater
networks



Total number of billed properties for each service

8295

WATER



9574

WASTEWATER



11,472

STORMWATER



DIA calculated average cost per SDC household

2021:
\$1430

Projected 2051:
\$1640 with reform

Projected 2051:
\$8690 without reform

Morrison Low calculated average cost per SDC household

2021:
\$929

Projected 2031:
\$1700 with reform

Projected 2031:
\$1953 without reform

Whilst DIA has calculated a \$350m capital investment over the next 10 years, Morrison Low has calculated a capital investment requirement of over \$150m in three waters over the next 10 years. It is important to note that in the absence of clarity around the new regulatory environment, the 2021-2031 LTP has allowed for capital investment of approximately \$100m.

NOTE: The Department of Internal Affairs (DIA) is the lead central government agency coordinating the programme of three waters reforms.

NOTE: Morrison Low are consultants which have worked closely with the Otago Southland three waters collaboration advising on the three waters reform.



Other Stats:

Only 33% of our population is connected to a Council drinking water supply.

This means there are likely a significant number of private water supplies in Southland which will be impacted by the changing regulatory environment.

Affordability

	2021 charge (ML adjusted)	2031 estimated charge - SDC
Water	\$469	\$816
Wastewater	\$415	\$945
Stormwater	\$45	\$191
Three waters	\$929	\$1,953

The Water NZ 2017-18 National Performance Review considered relative affordability of water and wastewater services, referring to varying international metrics for water and wastewater services ranging from 2% to 5% of household income. By this metric, based on the Morrison Low estimated figures for both council and water entity service delivery, Council exceeds the lower threshold for affordability issues by 2031.

While the above statistics might align with international affordability metrics, it is important to remember over 20% of Southland's population is on a fixed income and it is recognised this will further exacerbate the affordability issue.

Irrespective of whether it is delivered by local councils or through government reforms, as a result of increasing regulations and aging infrastructure networks, there is a significant increase coming in the next decade and beyond with regards to three waters services which will hit harder in the pocket of fixed incomes.

Debt

Morrison Low are forecasting Council's debt position and debt to revenue ratio for three waters debt will exceed \$78 million (or 374% of three waters revenue) in 2031. Given the local government funding agency's borrowing covenant of 280% of revenue, the serviceability of Council's three waters debt will become dependent on revenues from other activities (thereby constraining the ability of those other activities to borrow). Conversely, DIA are forecasting Council's three waters investment requirements will exceed Council's total borrowing capacity within the next 10-years and as such Council does not have the financial capacity to support this activity into the future.