Briefing note for LTAF group.

Background

Paul Crimp, CEO of Wairarapa District Council, was approached by Mayor Carter to discuss depreciation and asset funding. A telephone call was arranged for the 20th December 2018 for the CEO and the CFO to talk to Paul..

Depreciation –v- renewal

Paul advised that it took the Council 8 years to land on the position it has now implemented in the 2018-28 LTP.

It was felt there was a clear disconnect between depreciation and what the Council was spending on renewals.

SWDC focused on water and wastewater only. Wellington Water (WW) completed work on asset condition and this was paid for from depreciation reserves. It wasn't a huge amount and was at a negotiated rate. SWDC also made it a condition of all maintenance work to have a CCTV review done every time. This adds to the condition information over time.

The data that WW provided showed that they could smooth renewals over time to achieve the work that they felt would be needed and this released rate dollars to fund other work.

Using WW for the data analysis gave the auditors comfort that the values could be relied upon in relation to network status.

What if the assumptions are wrong?

It will be necessary to find a balance as networks change all the time. SWDC took a view that the data was probably 80% right. If they needed to work on something that wasn't planned then the view was that it would have needed to be done at some point so it isn't "a mistake" just a timing difference.

Rating for the waters

SWDC rate district wide for the 3 waters. One of the old schemes now needs work and the view taken is that every scheme will require work over time so they will all receive appropriate investment over time. SWDC created a 3 waters reserve to allow funds to be moved around but this works for them as their water, wastewater and stormwater ratepayers are more or less the same group of customers.

Other points

SWDC identified unit rates for roading but decided not to pursue this.

Depreciation reserves are not cash backed.

SWDC started the process slowly by "unfunding" 20% of the depreciation for water and wastewater and diverting the funds to other projects.

They do not apply this model to Community type assets but they do have a model of partially funding deprecation on these assets dependant on the asset type. Some are run to failure and not depreciated, others are fully depreciated and some fall between these points.