Kaunihera | Council

Kaupapataka Wātea | Open Agenda

Notice is hereby given that an ordinary meeting of Matamata-Piako District Council will be held on:

Ko te rā | Date:	**Wednesday 30 April 2025**
Wā | Time:	**09:00**
Wāhi | Venue:	**Council Chambers** **35 Kenrick Street** **TE AROHA**

Ngā Mema | Membership

Manuhuia | Mayor
Adrienne Wilcock, JP (Chair)

Koromatua Tautoko | Deputy Mayor
James Thomas

Kaunihera ā-Rohe | District Councillors
Caleb Ansell
Sarah-Jane Bourne
Sharon Dean
Bruce Dewhurst
Dayne Horne
Peter Jager
James Sainsbury
Russell Smith
Kevin Tappin
Gary Thompson
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TAKE MATATAPU | PUBLIC EXCLUDED

1 Whakatūwheratanga o te hui | Meeting Opening

2 Ngā whakapāha/Tono whakawātea | Apologies/Leave of Absence

At the close of the agenda no apologies had been received.

3 Pānui i Ngā Take Ohorere Anō | Notification of Urgent/Additional Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"An item that is not on the agenda for a meeting may be dealt with at that meeting if-

(a) The local authority by resolution so decides; and

(b) The presiding member explains at the meeting, at a time when it is open to the public,-

  (i) The reason why the item is not on the agenda; and

  (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting."

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"Where an item is not on the agenda for a meeting,-

(a) That item may be discussed at that meeting if-

  (i) That item is a minor matter relating to the general business of the local authority; and

  (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

  (iii) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion."

4 Whākī pānga | Declaration of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

5 Whakaaetanga mēneti | Confirmation of Minutes

Minutes, as circulated, of the ordinary meeting of Matamata-Piako District Council, held on 26 March 2025

6 Papa ā-iwi whānui | Public Forum

At the close of the agenda there were no speakers scheduled to the public forum.

7 Pūrongo me whakatau | Decision Reports

7.1 Local Water Done Well Options and Consultation Document

CM No.: 3018328

Te Kaupapa | Purpose

The purpose of this report is to:

1. Provide background to the *Local Water Done Well* programme and the steps Council has taken to date to identify and assess options, and develop a preferred option for delivering water services into the future.

2. Present an Options Assessment of the two most viable water services delivery options, namely:

   (i) An Internal Business Unit (enhanced status quo)
   (ii) A Multi-Council Owned Water Organisation (*Waikato Water Done Well* Council Controlled Organisation (CCO))

3. Seek Council's confirmation of its preferred service delivery option and associated consultation arrangements.

Rāpopotonga Matua | Executive Summary

Local Water Done Well - Decision on Future Water Services Delivery Model
Matamata-Piako District Council (MPDC) is faced with making a legacy decision on the future model for delivering essential water services across the district. This decision will shape how drinking water, wastewater, and stormwater services are managed for generations to come—impacting public health, environmental protection, infrastructure resilience, and financial sustainability.

Context and Legislative Imperative
The Government has been involved in water reform for over two decades. Following the Havelock North Inquiry (2016–2018), the **Three Waters Reform Programme** (2018–2023) was launched, aiming to centralise water services under four national entities. MPDC actively engaged in this process, preparing for the transfer of staff and responsibilities to Entity B by July 2024.

A significant policy shift occurred in 2023 with the introduction of the **Local Water Done Well** framework. This replaced the centralised model with a council-led, collaborative system that retains local ownership while encouraging regional partnerships. Under this framework, councils are required to prepare and submit a **Water Services Delivery Plan (WSDP)** to the Department of Internal Affairs by 3 September 2025. The plan must demonstrate how each council will deliver safe, affordable, and compliant water services long-term.

Options Considered and Evaluation Process
Council has reviewed five potential service delivery models. Three options—including single-council or trust-based water organisations—have been set aside due to limited scale, higher costs, and lack of access to borrowing mechanisms.

Two viable options remain under formal consideration:

1. **Enhanced Internal Business Unit (IBU) –** Builds on the existing in-house model with improved separation, reporting, and compliance capability, but remains under Council governance.
2. **Waikato Water Done Well Council Controlled Organisation (CCO)** – A multi-council entity designed to provide dedicated, scalable, and financially sustainable water services across the region.

A qualitative assessment of each model was conducted across six key evaluation areas:

- Transparency and Accountability
- Regulatory Compliance
- Financial Sustainability
- Operational Capability and Capacity
- Collaboration and Regional Alignment
- Community and Customer Engagement

This evaluation, supported by financial analysis, risk review, legislative guidance, and governance implications, provides a well-rounded basis for Council's decision-making.

Key Insights

Waikato Water Done Well CCO emerges as the preferred model, offering:

- **Greater financial sustainability** through access to Local Government Funding Agency debt (up to 500% of revenue), enabling investment in infrastructure without overburdening rates.
- **Economies of scale** and operational efficiencies, projected to deliver ~$96M in savings by 2044.
- **Enhanced workforce resilience**, with the ability to attract and retain specialist staff and build a regional water career pathway.
- **Stronger regulatory alignment** with Taumata Arowai, Commerce Commission, and environmental planning processes.
- **Improved environmental stewardship**, including catchment-based consenting aligned with Treaty Settlement obligations.
- **Strategic regional leadership**, positioning MPDC as a founding shareholder in a nationally significant water services model with long-term scalability.

The Internal Business Unit (IBU) model maintains strong local control and responsiveness. However, it faces limitations in borrowing capacity, workforce scale, and resilience under increasing compliance pressures. The IBU would require significant internal investment and operational reform to meet future service expectations.

Risks and Mitigation

Both models carry implementation and transition risks—ranging from staffing uncertainty to cost fluctuations and stakeholder perception. These include:

- Unknown costs of setup and ongoing delivery
- Ability to retain skilled staff during change
- Potential impacts on service continuity
- Legislative changes (e.g. Bill 3) that may alter regulatory or financial assumptions

However, the Waikato Water Done Well **CCO model is assessed as having greater capacity to manage and mitigate these risks** due to its size, governance structure, and regional coordination mechanisms.

Iwi Engagement and Treaty Considerations
The Waikato Water Done Well initiative reflects a commitment to collaboration with iwi and hapū. Council will continue direct engagement with iwi throughout the transition and ensure reinforcing alignment with Treaty Settlement expectations.

Affordability and Future Proofing
Future costs for water services are going to go up regardless of which model is followed. While early costs between both models are similar, the CCO model is projected to be more affordable due to long-term cost efficiencies and the strategic use of debt to smooth investment. The CCO model also enables **removal of water debt from Council's books**, increasing MPDC's financial headroom for non-water priorities and emergencies.

Regulatory and Policy Framework
The decision must comply with the Local Government (Water Services Preliminary Arrangements) Act 2024 and the forthcoming **Water Services Bill (Bill 3)**. This framework requires Council to consult the community on two options and demonstrate how its preferred model ensures financial and service sustainability. The consultation period will run from **5–25 May 2025**, with final decisions expected by **June 2025**.

Conclusion and Recommendation
The Waikato Water Done Well model is identified as the **preferred water services delivery model** for Matamata-Piako District Council under the Local Water Done Well framework.

This model best positions the district to:
- Meet current and future compliance standards
- Deliver safe, affordable, and resilient services
- Strengthen regional collaboration and iwi partnerships
- Provide a sustainable financial and workforce foundation
- Align with national reform directions while protecting local interests

Council's decision represents a defining moment for the future of water service delivery in Matamata-Piako. The Waikato Water Done Well model offers a strategic opportunity to lead, shape, and secure the long-term interests of our communities, environment, and generations to come.

Tūtohunga | Recommendation

That:

1. Council receives the report.

2. Council approves continuing the progression of the following two water services delivery options to appropriately inform the Water Service Delivery Plan:

(i) Internal Business Unit of Council (financially ring fenced)

(ii) Multi-Council Owned Water Organisation (*Waikato Water Done Well Council Controlled Organisation*).

3. Council discontinues any further investigation of the following water services delivery options:

(i) Single Council Owned Water Organisation

(ii) Mixed Council / Consumer Trust Owned Water Organisation

(iii) Consumer Trust Owned Water Organisation.

4. Council approves the <u>preferred option for water services delivery</u> is a Multi-Council Owned Water Organisation (*Waikato Water Done Well Council Controlled Organisation*).

5. Council approves the Local Water Done Well Consultation Document on the preferred service delivery option, including the submission form.

Horopaki | Background

Government involvement in water sector reform dates back to 2005. However, the Havelock North Drinking Water Inquiry (2016–2018) marked a turning point, prompting a significant increase in government attention and urgency. In response, the **Three Waters Reform** programme was initiated (2018–2023), aiming to centralise the management of drinking water, wastewater, and stormwater services.

The programme proposed the creation of a small number of publicly owned water service entities, separating service delivery from councils. Local authorities, including Matamata-Piako District Council (MPDC), played a substantial role in shaping the reform. This included participation in national working groups, providing detailed asset and financial data, and preparing for the transfer of staff and responsibilities to Entity B, which was scheduled to occur on 1 July 2024.

In 2023, a major policy shift occurred with the introduction of the **Local Water Done Well** programme. This new framework replaced the centralised reform model with a more locally driven, collaborative approach. Under this programme, councils retain ownership and control of their waters assets, with a strong focus on regional collaboration to improve service delivery, compliance, and efficiency.

Councils are expected to show progress, maintain accountability, and uphold affordability for their communities. The government has made clear its preference for a collaborative, council-led approach, encouraging local authorities to work together where it makes sense to do so.

Local Water Done Well is the Government's plan to address New Zealand's longstanding water infrastructure challenges. It places strong emphasis on meeting economic, environmental and water quality regulatory requirements. The intent of Local Water Done Well is to support councils to meet evolving regulatory and environmental standards, strengthen operational and governance capability, and deliver sustainable, financially responsible water services.

The *Local Water Done Well* policy is given effect through:

i. The Local Government (Water Services Preliminary Arrangements) Act 2024 (PA Act) which largely came into force on 3 September 2024, and

ii. The Local Government (Water Services) Bill (Bill 3)[1], which was introduced in December 2024, and is expected to come into force mid-2025 (along with the remaining aspects of the PA Act).

In summary, Bill 3:

i. Establishes a new water services system in New Zealand
ii. Allows Councils to choose from various delivery models
iii. Sets core requirements for water service providers
iv. Introduces a new planning and accountability framework
v. Implements economic regulation by the Commerce Commission
vi. Modifies water quality regulation
vii. Expands ministerial intervention powers
viii. Grants operational powers to water organisations

Bill 3 aims to reform water services management, improve accountability, and ensure efficient, quality water delivery across New Zealand.

Council has now been involved with water reform discussions, workshops and meetings for many years. The last formal report, Waikato Water Done Well – Memorandum of Understanding 27 November 2024 Council resolved that:

i. The report and Heads of Agreement be received.

[1] The Bill provides for:
- arrangements for the new water services delivery system
- a new economic regulation and consumer protection regime for water services
- changes to the water quality regulatory framework and the water services regulator.

Relevant governance issues included in the Bill include:
- Board appointments must be competency based
- Current councillors cannot be appointed to Boards
- Water organisations must be companies
- Activities are limited to water services only
- Water organisations will be subject to restrictions against privatisation
- Parts 1 to 7 of the Local Government Official Information and Meetings Act will apply to water organisations, but Part 7 will only apply to board meetings and not to other meetings such as board committees.

ii. That the regional service delivery option be approved as one of the two options that Council must consult on.

iii. That the Chief Executive Officer be authorised to sign the Heads of Agreement.

iv. That Council confirm that it would be its intention to proceed to Stage 2 if, following public consultation, it decides to join the regional delivery model.

v. That the timing of this transfer would need to take account of organisational capacity and change processes.

Council has received regular updates on the progress of Waikato Water Done Well, supported by two additional workshops held on 2 and 9 April 2025 to assist in preparing for this meeting.

Ngā Take/Kōrerorero | Issues/Discussion

Part 1: Overview

<u>A Legacy-Defining Decision for Council</u>

Council is being asked to make a legacy-defining decision on how essential water services are delivered across our district. This decision carries long-term implications for future generations, public health, environmental and financial sustainability.

The long-term nature of water infrastructure including treatment plants, reticulation networks, and reservoirs—is built to last between 30 and 100 years. These are not short-term assets. Poor decisions today can result in communities being locked into outdated, inefficient, or non-compliant systems that are costly and disruptive to rectify later.

Sound, long-term strategic thinking is critical. Decisions must be grounded in principles of affordability, resilience, and responsibility to future generations to avoid sudden rate shocks, ensure service reliability and stewardship of essential water services.

<u>Current Delivery Model and Challenges</u>

Council currently delivers operations and maintenance water services primarily through an in-house model supported by water specialists and contractors. Large capital works are primarily outsourced and supported by in-house project and contract management services.

Like other councils we face a range of challenges including:

- Resourcing constraints – better understanding the resource required for new standards/regulations to operate 24/7 water services delivery, staff learning and development plans to meet the new requirements
- Asset data and systems knowledge – improving the quality of asset data and reducing technology workarounds to share and collaborate on the data
- Deferral and delivery of renewals, maintenance and capital works due to asset knowledge, financial and resourcing constraints
- Resilience and climate impacts - changing climate (droughts and extreme rainfall events) and growing population
- Changing Standards – the complexity of the legislative and policy environment
- Cost – increasing costs of water services

The Case for Change

While Council's in-house model has served the community with local accountability and continuity, the increasing demands of regulatory compliance, infrastructure renewal, and affordability risks mean that continuing "as-is" will become increasingly unsustainable.

A Multi-Council CCO, such as Waikato Water Done Well, offers a more achievable path to:

- Realise economies of scale: Shared procurement, resource pooling, and standardised processes can lower costs and improve delivery
- Increase borrowing capacity: CCOs can borrow up to 500% of revenue via the LGFA, compared to Council's current limit of 175% (or 280% once rated), enabling accelerated infrastructure investment
- Ensure financial sustainability: Ringfencing water revenues within the CCO ensures funds are reinvested into water infrastructure rather than supporting unrelated services
- Meet compliance requirements: Access to regional expertise reduces the risk of non-compliance with water and environmental regulations
- Unlock digital transformation: A regional model allows investment in advanced technologies like smart meters, leak detection, and predictive maintenance systems
- Support a sustainable workforce: A larger organisation offers more opportunities for career development and staff retention, especially in rural areas

Strategic Opportunity for Council

Council sees Waikato Water Done Well as a strategic opportunity. The proposed model supports catchment-based planning, aligns with rural and provincial needs, and provides a platform for future regional consolidation.
Importantly, joining the CCO allows Council to protect its general budget, reduce financial risk, and deliver more long-term affordable, reliable water services to residents.

Water Services Delivery Plan

All councils must submit a Water Services Delivery Plan to the Department of Internal Affairs by 3 September 2025. This plan must demonstrate how services will remain financially sustainable and show how legal compliance and service quality standards will be met.

To meet legislative requirements the Water Services Delivery Plan must go through multiple approval steps:

- **Adopt** the plan by formal resolution of Council
- **Certify** the plan’s accuracy and legal compliance by the Chief Executive
- **Submit** the certified plan to the Secretary (DIA official)
- **Obtain** formal acceptance from the government, completing the sign-off process.

In producing the Water Services Delivery Plan, Council must analyse existing arrangements against at least one other option. Council must also consult with the public on its preferred option, while making the analysis of at least one option publicly available.

Water Metering

Across all three water service delivery options, universal water metering is seen as an important tool for ensuring fair and efficient cost allocation based on actual usage. Under the Local Water

Done Well framework, councils are expected to move away from charging for water based on capital value within a short transition period—likely within five years.

As Matamata-Piako currently does not have universal metering in place, Bill 3 would require an alternative charging method, such as fixed rates, upon commencement of a CCO. However, transitioning to water meters as soon as possible would enable Council to charge based on consumption, while also unlocking broader sustainability and operational benefits.

Metered systems have been shown to significantly improve water use efficiency in other councils. They encourage conservation, help identify leaks and unaccounted-for losses through water balancing, and ultimately reduce unnecessary strain on water infrastructure. This can extend the lifespan of expensive assets like treatment plants and reduce peak demand, improving system resilience.

To support projected population growth, optimise existing water take limits, and meet regional consent conditions, Council has provided for the introduction of universal domestic water metering. Funding for this initiative is included in Year 4 of the Long Term Plan.

<u>Options for Water Services Delivery</u>

Council has been provided a summary of five potential options available to deliver water services. The following table outlines the options in relation to key parameters.

Options	**Internal business unit or division**	**Single council owned water organisation**	**Multi-council owned water organisation**	**Mix council / consumer trust owned water organisation**	**Consumer trust owned water organisation**
Ownership	Council owned (internal division)	100% owned by the council	Owned by the council plus others	Part owned by Council, part owned by trust	100% owned by trust
Governance	Council oversight (option of independent committee)	Council appointed or Committee (Council offices and elected members cannot be on a Board)	Shareholder Councils Independent Board	Shareholder Council (trust + Council)	Trustees appoint the board
Accountability	Water-focused annual reports and financial statements	Reports to owners quarterly, prepared audited annual report, acts consistent with statutory objectives			
Borrowing	Council borrows within current 175% limit for unrated	CCO borrow via LGFA (up to 500% debt to revenue if there is Council	CCO borrow via LGFA (up to 500% debt to revenue if there is Council	Independent, likely via banks (more expensive)	Independent, likely via banks (more expensive)

Options	Internal business unit or division	Single council owned water organisation	Multi-council owned water organisation	Mix council / consumer trust owned water organisation	Consumer trust owned water organisation
	Councils (LGFA limit is 280% for a rated Council)	support)	support)		
Planning	Council prepares water Services Strategy, fully integrated with overall Council strategy and budgeting.	Water organisation prepares its own water Services Strategy, guided by a Council-issued Statement of Expectations	Multi-Council shareholders jointly issue a Statement of Expectations; the water organisation prepares a water Services Strategy.	Shareholders (Council and trust) issue combined expectations; the water organisation prepares a water Services Strategy to meet both Councils and trust goals	Trustees issue a Statement of Expectations; with the water organisation preparing a strategic plan aligned with community goals.
Day to day Operations	Integrated with Council operations	New independent water organisation manages, operates, and maintains water services		New Trust operates water services	New Trust operates water services
Economic and consumer regulation	A council and/or water organisation that makes core decisions about water supply and/or wastewater services will be a regulated provider under the new regime. It is proposed the regime will apply to water supply and wastewater services, and will provide flexibility to include storm water services at a later date, if necessary.				

<u>Options Set Aside</u>

Council has focused on two options as required and have set three aside based on limited scale, inefficiencies and higher borrowing costs.

These are:

- Single Council Owned Water Organisation
    - Scale of Council water operations is such that establishing and operating a standalone water services organisation is likely to be inefficient.
    - Additional overheads, compliance requirements, reporting and monitoring costs would add significant financial and administration requirements.
    - This option could result is loss of oversight by elected members.
    - Unlikely this approach would deliver benefits greater than continuing with our current in-house model
- Mixed Council/Consumer Trust Owned Water Organisation – limited scale/higher borrowing costs due to not being able to access the Local Government Funding Agency

- Consumer Trust Owned Water Organisation – limited scale/higher borrowing costs due to not being able to access the Local Government Funding Agency

Options Under Consideration

Council has reviewed five potential options, three have been set aside and the following two are under consideration:

1. Internal Business Unit (Enhanced Internal Business Unit)
2. Multi-Council Owned CCO (Waikato Water Done Well CCO)

Each option will have a high level qualitative assessment to guide and support decision making.

Evaluation Criteria

In addition to meeting legislative compliance requirements, the following evaluation criteria have been identified to compare the two water service delivery options under consideration.

Evaluation Criteria	Description
Transparency and Accountability	Clear roles, decision-making, and transparency • Separation from wider council, ability for elected members to provide oversight • Capacity to provide the public and consumers access to reliable information about the different components of the water services being delivered (including quality and other matters related to public safety) and water charges. • Ensures the health and safety of the community with respect to water service provision remains paramount • Acts in the best interests of current and future consumers • Remains in public ownership.
Regulatory Compliance	Ability to meet and demonstrate compliance with Taumata Arowai and Regulator standards and legislative requirements • Track record or plans for DWMPs, consent compliance, backflow, source protection, reporting system • Ability and resources to follow all required regulations, ensuring the districts water services are safe and legal
Financial Sustainability	Long-term financial viability for users • CAPEX/OPEX projections, rates impact, cost recovery model, debt capacity • Provides for ring-fencing of water services (i.e. no cross subsidisation of or for other services). • Generates sufficient income to cover all water and wastewater operational and funding costs in the long-term. • Projected level of investment is sufficient to maintain assets, meet regulatory requirements and provide for and support growth. • Improve the financial efficiency of delivery by: − Creating sufficient funding to meet investment required (Debt headroom) − Generate savings that can be sustained savings − Maximise economies of scale

	− Consider consumer affordability − Optimise value for money and minimise associated risk
Operational Capability and Capacity	Ability to deliver reliable, safe water services with skilled staff and systems • Qualified personnel, SCADA/monitoring systems, maintenance plans, succession planning • Attract and grow a highly skilled workforce • Provide for: − All aspects of legislative compliance − Improve delivery of capital programmes − Improve asset management systems and processes − Improve operations and maintenance methods and optimise efficiencies • Establish a resilient and stable operating environment that supports long-term decision-making, adapts to shifts in political cycles, maintains continuity amid changing collaboration dynamics, and ensures readiness to respond effectively to emergency situations Suitability of model to council size, asset base, and service complexity • Fit-for-purpose delivery structure, flexibility to adapt as needs change
Collaboration and Regional Alignment	Opportunity to collaborate and avoid duplication • Regional compatibility, willingness of neighbouring councils, potential for economies of scale • Maintains the ability for MPDC to uphold relationships and agreements with our hapū, iwi partners as well as key industries that contribute to the district's economic prosperity. • Maintains the ability for MPDC to uphold relationships with regulatory bodies such as Taumata Arowai and Waikato Regional Council • Support inter-regional collaboration to achieve efficiencies and enables catchment based planning and investment • Align with regional priorities to optimize funding opportunities and ensure coordinated resource allocation.
Community and Customer Engagement	Local responsiveness, accessibility and transparency to community and iwi • Engagement channels, iwi partnership, customer service models, responsiveness to complaints • Maintain the local voice and allow for influence in strategy development and delivery of water services • Ensure a consistently seamless service experience for all consumers, aligned with established service standards.

	• Allow for consistent pricing aligned with level of service

To assess the two water service delivery options the following high level qualitative ranking system will be applied to both options under consideration.

High The option strongly meets the criterion. Strong alignment with the assessment criteria, indicating balance of risk and long-term sustainability.

Medium The option meets the criterion to a reasonable extent. Some gaps or risks exist but can be managed.

Low The option does not adequately meet the criterion. There are significant risks, uncertainty, or performance concerns.

This qualitative method helps identify the relative strengths and weaknesses of each option in areas such as compliance, financial sustainability, operational capacity/capability and community and customer engagement. This assessment is a snapshot in time based on data, assumptions and information available. This assessment is intended to guide decisions, subject to ongoing change and updates.

Part Two: Analysis of Options

Understanding our current service delivery model provides context for evaluating the two options under consideration.

Our current status quo delivery arrangement for three water is an in-house model supplemented by contractual arrangements. The in-house teams providing services are Water and Wastewater, Kaimai Valley Services and Assets and Projects who deliver:

- Treatment Plant / Reticulation Operations and maintenance
- Asset Management
- Compliance
- Project Delivery

The teams providing three waters services are supported by other teams within Council including:

- Customer Services
- Communications and Engagement
- Finance and Business Services
- Information Technology
- Policy, Partnerships and Governance
- People, Safety and Wellness
- Parks & Works
- Roading
- Legal
- Planning

These in-house services are supplemented by the following outsourced services including:

- CoLAB - Tradewaste
- Electrical and mechanical repairs
- ERTS District wide sampling
- Scott Tech flow monitoring in streams
- Water & Wastewater process control support
- Compliance support
- Capitalisation
- Asset renewals and upgrades

Under the Local Water Done Well framework, councils that continue to deliver water services directly must establish an Internal Business Unit (IBU). This unit must separate water activities from each other and from all other council functions. This represents a change from our current in-house delivery model, where water services are integrated within broader council operations. Given this shift in requirements this option is an enhancement of our current in-house service delivery.

<u>Option 1: Internal Business Unit (IBU)</u>
This option builds on the current service delivery model, where water services delivery remains fully integrated within Council's strategy, planning, and service delivery. A Water Services Strategy (like a Long Term Plan for waters), a separate waters annual report, and stand-alone financial statements on water services, are required.

This model builds on Council's current in-house approach but strengthens delivery through clearer separation and accountability. It ensures continued public ownership and democratic governance, although the role of the Commerce Commission as an economic regulator may increase over time, particularly around pricing, investment decisions, and service levels.

Strengthening Water Services through an Internal Business Unit

Economic regulation will apply regardless of governance model. As such, it may be difficult to fully separate the financial and operational impact of water services from broader Council decision-making. Price regulation, in particular, may conflict with the rating principles of the Local Government Act 2002, especially in balancing affordability, equity, and benefit distribution.

Regulatory compliance remains an ongoing challenge and is expected to become increasingly complex. While we continue to make steady progress in lifting our compliance performance, the introduction of new rules and more intensive monitoring requirements adds to the workload and pressure on resources.

Across our water supplies, we are currently addressing several low-risk non-compliances as part of ongoing improvement efforts. These include:

- An abatement notice related to low flows in Te Aroha
- A boil water notice affecting raw water users in Pohomihi

In the wastewater network, we are managing a mix of moderate and low-risk non-compliances, including:

- Moderate non-compliances at the Matamata and Morrinsville treatment plants
- Low-risk issues identified at the Te Aroha and Tahuna facilities
- Council has previously been prosecuted and sentenced for unlawful discharges of wastewater.

Debt continues to be measured at a total Council level. Council's total net debt is currently limited by LGFA to 175% of revenue as Council is currently unrated. As Council's debt continues to rise in the future however, a threshold will be reached that will trigger Council to obtain a credit rating that will in turn increase Council's net debt to revenue limit to 280%.

Council's current waters debt is equal to 158% of waters revenue, increasing to as much as 407% of its waters revenue in 2027/28. This is higher than Council's total debt to revenue ratio in the same period which peaks at 165%, and indicates that the waters activities are much more highly leveraged than other activities in Council.

Despite relatively low levels of non-waters debt, Council's ability to borrow to fund other activities will be more limited between 2026/27 to 2029/30. This would limit Council's ability to invest in other projects that are important to the community, and would provide little headroom in the case of a natural disaster or emergency.

An enhanced IBU will focus on addressing current resourcing challenges by ensuring staffing levels are adequate to meet both planned and reactive water service demands. A comprehensive review of workloads and FTE requirements will be undertaken, supported by updated position descriptions and a structured recruitment strategy.

With a clear focus on operational delivery, the IBU will work to ensure that sufficient staffing is in place, while also identifying and addressing inefficiencies caused by outdated systems and incomplete data. While future process improvements may lead to some efficiencies, the IBU recognises that the more immediate risk lies in under-resourcing and will prioritise building capacity to mitigate this.

A key focus of the enhanced IBU will be building a skilled, supported, and stable workforce. The IBU will implement formal learning and development plans for all staff, ensure consistent training across teams, and establish succession planning for critical roles. Recruitment and retention will be strengthened through competitive remuneration and clearly defined career pathways, supported by market benchmarking.

To enhance day-to-day performance, the IBU will also promote better use of existing technology by embedding regular training and encouraging greater adoption of tools such as GIS and AssetFinda. This will empower staff to work more efficiently and effectively across the water services network.

The IBU will lead a coordinated programme to enhance the quality and usability of asset data, recognising its critical role in effective service delivery and long-term planning. Standardising systems and processes across the water services function will improve ways of working and foster greater collaboration between teams.

A dedicated workstream will focus on updating and validating asset data over the next two years, supported by the use of mobile field devices and targeted in-field training. To ensure ongoing improvement, the IBU will implement clearer governance and oversight, helping to maintain system integrity, support better decision-making, and deliver improved outcomes for customers.

While the enhanced Internal Business Unit presents a credible and well-structured option, there remains a degree of uncertainty around our ability to fully deliver on this model—particularly in attracting the necessary staff, securing contractor capacity, and implementing the planned work programme. These risks are well understood and will be actively monitored and managed. However, it is important to acknowledge that successful delivery will depend on our ability to respond effectively to ongoing workforce and market pressures. Council should be aware of these uncertainties when considering this option.

<u>Option 2: Multi-Council Owned Water Organisation (Waikato Water Done Well CCO)</u>

Council has reviewed and discussed the Waikato Water Done Well CCO option on a number of occasions including the following workshops and meetings:

- **Council Meeting – 25 September 2024**
  report presented outlining the Waikato Water Done Well initiative. Council passed a series of resolutions supporting the strategic framework, endorsing a co-designed staged aggregation model, and delegating authority to the Chief Executive to negotiate a Heads of Agreement.
  Reference: 25 September 2024 Agenda and Minutes

- **Council Meeting – 27 November 2024**
  formal decision report titled *Waikato Water Done Well – Heads of Agreement* was presented (Appendix 1). Council resolved to enter into the Heads of Agreement and acknowledged the need for further consideration prior to progressing to 'Stage 2' (Asset-Owning) for the Matamata-Piako District.
  Reference: 27 November 2024 Agenda and Minutes

The proposal for Waikato Water Done Well as a Water Service Delivery Option (Attachment A) and Waikato Water Done Well Supplementary Financial Analysis (Attachment B) March 2025 outlines a Council owned water services company which was workshopped with council **2 and 9 April 2025.**

<u>Financial Profile and Efficiency Assumptions – Waikato Water Done Well CCO</u>

The Waikato Water Done Well model recognises that upfront investment is required to establish the CCO. These initial costs include:

- Capital outlay to implement core infrastructure (e.g. IT systems)

- Additional operating costs borne by the CCO (e.g. board fees, executive leadership, support teams, and premises)
- Early programme costs aimed at generating long-term efficiencies (~$4.4 million per annum)

This reflects a “spend to save” approach, acknowledging that meaningful savings will not occur without focused investment and sustained effort.

The model also assumes operational efficiencies will be achieved through the increased scale of the CCO. An annual efficiency gain of 1%—compounding to 15% over the modelled period—has been included in the analysis. These assumptions have been benchmarked against comparable aggregation efforts, such as TasWater in Australia.

Efficiencies are expected to result from:
- Consolidated operations and maintenance functions
- Streamlined capital delivery programmes across multiple councils

However, these efficiency gains are not projected to be fully realised until 2042. As such, the financial benefits of this model must be viewed through a long-term, intergenerational lens.

<u>Borrowing Capacity and Affordability</u>

The CCO would have the ability to borrow up to 500% of its water-related revenue, significantly expanding investment capacity. Financial modelling indicates this level of debt headroom is sufficient to meet all partner councils’ forecast investment needs, while maintaining affordability. Average annual price increases are estimated at 4.0% once all councils have transitioned their water services to the CCO.

This borrowing capacity supports compliance with the Department of Internal Affairs’ requirements for financial viability under the Local Water Done Well framework.

<u>Partnership with Mana Whenua and Iwi</u>

Council is committed to nurturing and strengthening its relationships with Mana Whenua and Iwi, both now and into the future.

The use of an arm’s-length entity to manage three waters services will influence how Iwi and Māori are able to participate in decision-making related to water. This potential impact must be carefully considered and addressed through direct engagement. Discussion with Manu Whenua will be ongoing on this important kōrero.

Relevant legislation supports a broad framework for relationships, recognition of customary rights, and protection of Māori interests—particularly through mechanisms established under Treaty Settlement and Post-Settlement Governance Entities. For Matamata-Piako, it is essential that all existing and future Treaty Settlement obligations and partnership commitments are upheld and safeguarded under any new service delivery model.

Due to the broader area of responsibility that the *Waikato Water Done Well* model covers, including the Waikato, Waipā and Waihou/ Hauraki catchments, there are collective and individual responsibilities and obligations. At this point each council continues to engage with Mana Whenua and Iwi as councils move forward under the *Local Water Done Well* legislation.

<u>Catchment Management and Catchment-Based Consenting</u>

The Waikato Water Done Well model strengthens the move toward catchment-based consenting for discharges—shifting from a narrow, point-source approach to a more holistic view of water quality across entire catchments. This regional model supports improved outcomes for rivers and estuarine environments throughout the Waikato, aligning with Treaty settlement commitments that prioritise river and catchment restoration.

For Matamata-Piako District, this includes the Waihou and Piako Rivers and their associated catchments. More broadly, the model enables greater scale, consistency, and collaboration through a unified, region-wide approach.

Waikato Water Done Well is committed to driving innovation that meets environmental standards while delivering long-term financial value to its shareholders, customers, and communities—ensuring water services are both sustainable and future-focused.

Phased Establishment and Transition Approach

The Waikato Water Done Well model is based on establishing a minimum viable CCO operation from day one, with the intent that any remaining water-related functions within shareholding councils will transition to the CCO as soon as practicable after establishment.

Shareholding councils will transfer their core water and wastewater businesses to the CCO in staged tranches, with MPDC included in Tranche One. Subject to appropriate employment processes, this would include the transfer of all relevant operational staff.

While discussions around shared services have not yet taken place, it is anticipated that councils may initially continue to provide some functions—such as customer billing. However, it is expected that the CCO will seek to establish direct relationships with customers for billing, service requests, and maintenance as early as possible, to ensure a consistent and customer-focused service model.

Heads of Agreement

A Heads of Agreement (27 November 2024 Agenda) describes the intended approach. It sets out the:

- Scope of the Council Controlled Organisation
- The key principles that will be used in designing and operating the Council Controlled Organisation
- The key features that will be reflected in the constitution of the Council Controlled Organisation
- The nature and approach to decision-making by shareholders and the board of directors
- The proposed board skills and competencies
- The proposed board appointment process
- The approach to the transaction for the transfer of assets, liabilities and undertakings from the seven Councils to the Council Controlled Organisation
- The proposed establishment process, amongst other things.

The *Waikato Water Done Well* Heads of Agreement outlines that no dividend would be payable by the company and shares could only be held by a council (not be sold or transferred).

The following table shows the agreed approach documented in the *Waikato Waters Done Well* Heads of Agreement. As the respective shareholders' forums are established there will be the ability to have further input.

Heads of Agreement – Matters of note	***Waikato Water Done Well***
During operation:	

Heads of Agreement – Matters of note	***Waikato Water Done Well***
Shares cannot be sold or transferred and can only be held by a council (part of legislation in Bill 3).	✓
Shareholder forum voting rights are proportional to shareholding.	✓
No transfer of risk and therefore no margin on shared services provided by Council to CCO (i.e. any overhead costs currently recovered from internal waters activity/business unit will continue to be recovered at the current level from the CCO post establishment until transition process completed).	Degree of Shared services TBC
Principles of the Transfer Agreement:	
Shares allocated to shareholding councils based on the number of connections, reviewed and adjusted every five years.	✓
The councils' level of existing water debt will be confirmed by an independent reviewer	TBC
The level of Uncalled Capital attributed to shareholding councils is proportional to their shareholding or initial debt position (uncalled capital is a contingent liability for councils and could be used as a last resort in the event of a debt default by the CCO to recover CCO debt).	TBC

<u>Governance in the Proposed CCO Model</u>

While Council would no longer be directly responsible for the delivery of water and wastewater services, mechanisms will remain in place to enable Council to positively influence consumer outcomes. This influence will be reflected through elements such as ownership structure, governance and decision-making arrangements, prioritisation processes, and both shareholder and public accountability mechanisms.

The specific details of these arrangements are expected to be further defined through the third Water Services Entities Bill and shaped through upcoming public consultation. However, the general implications of governance and control differ across the proposed service delivery models.

One key consideration is the level of influence or control that Council wishes to retain at the time of establishment. Under the Waikato Water Done Well CCO model, MPDC would be a foundation shareholder, providing a strong position to shape the entity's early development and governance settings.

Additional influence can be exercised through mechanisms such as:

- The CCO's constitution
- Ongoing input into the Statement of Expectations
- Detailed provisions within shareholder agreements

To protect Councils interests, it will be essential to ensure that the shareholding structure provides for negative control—the ability for a shareholder or group of shareholders to block or prevent certain corporate decisions based on their shareholding proportion or specific terms. Negative control may include provisions that allow minority shareholders to prevent a quorum or block board or shareholder actions under the terms of the shareholders' agreement.

To ensure balanced governance and prevent undue influence by larger shareholders, the Heads of Agreement for the Waikato Water Done Well CCO includes a two-tier decision-making framework for Stage 2 (asset-owning). This requires:

- 75% of total votes, and
- 75% of the number of shareholders

This approach protects the interests of smaller councils and ensures that no single group of larger shareholders can dominate key decisions.

Future Integration Opportunities and Long-Term Direction

In parallel to the Waikato Water Done Well initiative, some councils are progressing separate CCO proposals. For example, two neighbouring councils are currently considering the establishment of a joint CCO to manage their water services independently.

Looking ahead, there is broad support among participating councils for the longer-term goal of creating a single, region-wide water services CCO. This model—potentially realised within five to ten years—would aim to maximise benefits to water consumers through increased scale, operational efficiencies, and improved service consistency across the Waikato region.

While this level of integration is not immediately achievable, it remains a shared aspiration. As such, councils are encouraged to consider which pathway will best position them now to contribute to and benefit from this future state.

Importantly, both the Water Services Entities Act and the forthcoming Bill 3 provide flexibility for councils to revise or transition away from their adopted Water Services Delivery Plans (WSDPs) over time. This ensures that water service delivery models can evolve as opportunities for greater collaboration and integration emerge.

Stormwater Service Delivery Under the New Framework

Under the new legislative framework, councils will retain responsibility for ensuring stormwater services are delivered within their districts. However, they will have the flexibility to determine the delivery arrangements that best meet their local needs and circumstances. Councils may choose to:

1. Continue delivering stormwater services in-house
2. Contract a water services organisation or third party to deliver all or part of the stormwater service
3. Transfer all or some aspects of stormwater service delivery—including assets—to a water services organisation

Further work will be undertaken to assess how stormwater delivery options align with Council's strategic objectives. Once a preferred water services delivery model is confirmed, a recommendation regarding the preferred approach to stormwater service delivery will be brought to Council for consideration.

Waikato Regional Leadership

Central Government officials have acknowledged that the Waikato Water Done Well model represents the largest and most advanced example of a rural and provincial council CCO under the new water services regime in New Zealand. The model is attracting strong interest from Government Ministers and is well-positioned to align with and reinforce the leadership aspirations being advanced through the proposed Waikato Regional Deal.
Given its scale, collaborative foundation, and status as an early adopter, Waikato Water Done Well may present opportunities to lead national conversations with the Crown—potentially opening the door to incentives and additional support for regional water reform and delivery innovation.

Strengths of a Multi-CCO Model (Waikato Water Done Well)

- Ability to shape and influence (with member shareholder councils) the establishment and transition of the CCO.

- Reflects Matamata-Piako's position as rural/provincial council with growth challenges, not a metro council with some rural issues.

- The model focuses on people, place and environment over a wider geographical area, including looking at catchment-based consenting rather than individual discharge points.

- An average increase in water service pricing based on the Long Term Plan from 2027 was 7% per annum compared to the average price increase of 4% in the CCO modelling, the more favourable affordability outcomes for MPDC's community materialise from 2030 once cost efficiencies and some spend-to-save initiatives have materialised. The CCO is able to leverage available debt headroom to keep pricing at a more affordable level.

- Having a single combined capital works programme driven by a professional board and single management team. This will remove an otherwise 'peaky' capital works programme, placing a more evenly distributed demand on the market and softening pricing pressure. Through a single team focused on water services, procuring contractors and delivering projects on time and in budget, the Waikato Water Done Well CCO will have greater bargaining power to obtain better pricing than multiple councils engaging separately with the same service provider.

- Provides opportunity to align with, and give effect to, multiple Treaty and other settlements, including but not limited to existing Treaty Settlements, alongside supporting future Hauraki Catchment settlements focused on improving catchments.

- Improved workforce sustainability, attraction and retention issues across the broader region, particularly as it applies to the workforce needs of rural/provincial councils.

- Expected to provide greater certainty, consistency and smoothing of investment for the civil contracting sector, which is a vital partner in delivery.

- Will provide a large rural and provincial model for multiple Iwi/ Māori to engage with, and development of economic partnership, investment and workforce opportunities.

Part Three: Comparative Analysis of the Two Options

Since the 27 November 2024 Council meeting, a significant amount of resource has been dedicated to ensuring that Council is well-informed about both the Internal Business Unit and the Waikato Water Done Well CCO options. The following comparative analysis presents a balanced evaluation of both models to support Council in making an informed, future-focused decision on the preferred approach for delivering water services.

<u>Internal Business Unit vs Waikato Water Done Well CCO Analysis</u>

Transparency and Accountability

- **Preferred Option: Tie (High for both)**
- **Rationale:** Both models offer strong mechanisms for transparency and accountability. Waikato Water Done Well CCO benefits from an independent board, public reporting, and shareholder oversight, while the internal business unit ensures proximity to the community and direct Council control. However, both are capable of meeting legislative standards and providing visibility to the public.

Regulatory Compliance

- **Preferred Option: Tie (Medium for both)**
- **Rationale:** Both options face challenges in fully aligning with evolving regulatory requirements. Waikato Water Done Well CCO has scale and dedicated governance to respond to regulatory changes, but its complexity may slow adaptation. The internal business unit benefits from more direct integration with Council governance but is constrained by limited resources and technical capacity. Neither model guarantees immediate compliance but both can reasonably address issues over time.

Financial Sustainability

- **Preferred Option: Waikato Water Done Well (High vs. Medium)**
- **Rationale:** Waikato Water Done Well CCO has a clear advantage in financial sustainability due to its:
  - Dedicated revenue model
  - Access to significantly higher borrowing limits (500% debt-to-revenue)
  - Economies of scale that reduce long-term costs
  - Ability to defer or avoid rate spikes through coordinated investment planning

    The internal business unit is limited by Council's borrowing cap, has less scale for procurement savings, and is more exposed to affordability challenges as infrastructure demands grow.

Operational Capability and Capacity

- **Preferred Option: Waikato Water Done Well (High vs. Medium)**
- **Rationale:** Waikato Water Done Well CCO can attract and retain skilled, specialised staff and has the scale to support dedicated technical teams, strategic investment planning, and systems integration. The internal business unit will face ongoing recruitment challenges, limited access to advanced tools, and difficulties scaling operations or responding rapidly to emergencies or infrastructure failures.

Collaboration and Regional Alignment

- **Preferred Option: Waikato Water Done Well (High vs. Medium)**
- **Rationale:** Waikato Water Done Well CCO fosters strong regional coordination, shared investment priorities, and consistency in service levels. It is aligned with Treaty settlements, iwi engagement frameworks, and regional planning processes. The internal business unit is inherently local, and while it preserves direct control, it limits opportunities for shared services, economies of scale, and regional funding advantages.

Community and Customer Engagement

- **Preferred Option: Internal Business Unit (High vs. Medium)**
- **Rationale:** The internal business unit allows for direct community engagement, clearer accountability to elected members, and integration with other local services. While Waikato Water Done Well CCO offers formal public reporting and iwi engagement at a regional level, its scale may lead to perceived loss of local voice, delayed responsiveness, and lower visibility among individual communities.

Table: Internal Business Unit vs Waikato Water Done Well CCO Summary Assessment

Assessment Criteria	Option 1 Internal Business Unit	Option 2 Waikato Water Done Well CCO
Transparency and Accountability	**High**	**High**
Regulatory Compliance	**Medium**	**Medium**
Financial Sustainability	**Medium**	**High**
Operational Capability and Capacity	**Medium**	**High**
Collaboration and Regional Alignment	**Medium**	**High**
Community and Customer Engagement	**High**	**Medium**

This assessment supports Waikato Water Done Well as the preferred delivery model for MPDC, especially when considering long-term affordability, service resilience, and alignment with national reform direction.

<u>Strategic Assessment Considerations</u>

Strategic Fit with Government Direction

- The Waikato Water Done Well CCO model aligns with the central government's policy direction under the *Local Water Done Well* framework.
- It positions the Waikato region as a leader in water reform, with potential to attract additional Crown support or incentives, especially through integration with the proposed Waikato Regional Deal.
- This reinforces Matamata-Piako's role as a foundation shareholder with influence in shaping early governance, structure, and operational culture of the CCO.

Future Scalability and Integration

- There is strategic intent to eventually consolidate into a single Waikato-wide water services CCO, and Waikato Water Done Well CCO is designed to be adaptable for future integration.

- The internal business unit, while suitable short-term, may require further structural change within 5–10 years—creating disruption, transaction costs, and potential duplication of transition efforts.

- Flexibility provisions in both the *PA Act* and *Bill 3* allow changes to delivery models in future, but beginning with Waikato Water Done Well CCO provides a head start on regional alignment.

Stormwater Delivery Flexibility

- Councils will retain responsibility for stormwater under either model, but Waikato Water Done Well CCO offers the option to integrate stormwater services over time—enabling catchment-based planning and regulatory alignment.

- This approach supports environmental objectives and Treaty Settlement commitments, particularly for the Waihou and Piako catchments.

Risks Acknowledged and Manageable

- Acknowledgement of delivery risks (e.g. staffing, contractor availability, transition complexity) demonstrates responsible and transparent planning.

- These risks exist in both models but are arguably better mitigated under a regional CCO due to scale, governance separation, and ability to attract talent and resources.

- Council is being clear with the public and itself: the risks are real, but known, and can be actively managed.

Water Metering as a Critical Enabler

- The absence of universal water meters presents an operational and pricing challenge, regardless of the model.

- Waikato Water Done Well CCO's financial modelling assumes a usage-based charging system; transitioning to meters is essential to support this.

- Council's inclusion of water meter funding in Year 4 of the Long Term Plan demonstrates alignment and readiness for reform expectations.

Cultural and Iwi Partnership Obligations

- The Waikato Water Done Well CCO model supports a more structured platform for engagement with iwi and hapū, through both governance and catchment-based planning.

- Commitment to partners by reinforcing alignment with Treaty expectations.

- The internal business unit, while retaining local relationships, lacks the structural scale to deliver broad partnership and economic participation opportunities for Māori.

Customer Trust and Local Accountability

- The internal business unit retains strong local control and community trust, which is important for public confidence.

- However, Waikato Water Done Well CCO provides robust public accountability mechanisms through shareholder agreements, annual plans, and independent board governance.

- With proper communication, local voice can still be preserved within the regional structure through shareholder representation, Statements of Expectation, and decision frameworks like the 75% vote + 75% number rule.

Transition Effort vs. Long-Term Benefit

- While establishing a CCO like Waikato Water Done Well involves significant upfront effort, it avoids a fragmented or piecemeal future.
- The “spend-to-save” investment model (~$4.4M annually) is realistic and necessary to unlock long-term benefits.
- Council’s decision should balance the short-term workload with the long-term payoff in resilience, affordability, and service quality.

This strategic assessment also supports Waikato Water Done Well as the preferred option due to the following:

- forward-thinking on water reforms, shaping outcomes rather than reacting to them
- collaborative and respectful partner to iwi and the Crown
- community focused on safeguarding public health and environmental outcomes through sustainable, resilient, and affordable water services for future generations.

In addition to the high level assessment criteria, several strategic, operational and community focused factors have been considered when undertaking this comparative analysis. This is a complex decision that will require trade-offs such as:

- **Control vs Capability**: The IBU model keeps control close to home but limits scalability and financial flexibility. The CCO model provides professional, dedicated water service delivery with improved affordability and debt capacity but requires councils to let go of some direct control.
- **Affordability**: IBU pricing is projected to increase faster than in the CCO model. The CCO leverages larger scale, better borrowing terms, and centralised investment to manage prices more effectively over time.
- **Resourcing & Regulation**: The IBU requires Council to carry the full burden of compliance, training, and workforce pressures. The CCO is better positioned to address these challenges regionally.
- **Long-Term Alignment**: The CCO option sets the foundation for a possible future regional water entity, which aligns with national reform signals and regional aspirations. The IBU maintains local focus but may require future realignment.

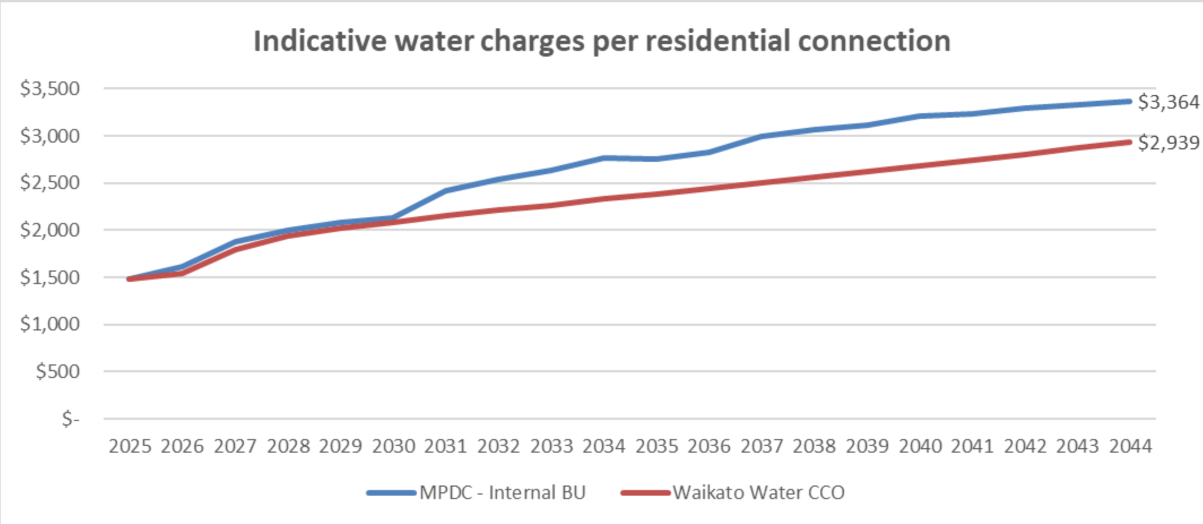
The overall assessment supports Waikato Water Done Well as the Preferred Option due to:

- Delivering stronger **financial sustainability**, access to capital, and economies of scale
- Offering enhanced **operational capability**, workforce resilience, and long-term planning
- Promoting **regional collaboration**, aligning with strategic objectives, Treaty settlements, and environmental outcomes
- While community engagement is more direct under the internal model, Waikato Water Done Well CCO provides a **better long-term structure** for water reform under the Local Water Done Well framework.

Financial Considerations

A high-level financial summary is provided for the Internal Business Unit and *Waikato Water Done Well* CCO options below.

Graph: Water charges



Note: The indicative water charges per residential connection are based on the 2024-34 LTP for both options up to 2034, and extrapolated beyond that using capital information from the 30 year Infrastructure Strategy (as set out in the 2024-34 LTP). For the Internal Business Unit Option, the charges between 2031 and 2035 have been smoothed to reflect a more realistic pricing path than the model otherwise reflected. Also to note, the indicative water charges reflected in the graph above differ to the water charges quoted in the 20 March 2025 "Proposal for Waikato Water Done Well" and the 3 March 2025 "Supplementary Financial Analysis for Matamata Piako District Council", both issued by Waikato Water Done Well. Since those documents were released, staff have worked with consultants working on behalf of Waikato Water Done Well CCO to ensure that the 'residential' charges were correctly calculated exclusive of charges that fall on non-residential users.

During the initial years there is little difference in pricing between the two options. This is due to the spend to save initiatives (approximately $4.8m for MPDC over the first nine years, and a mix of both operating and capital costs) and initial setup costs of the CCO being included within the calculations. As operating efficiency savings start to set in, the operating costs of the CCO and therefore the required water charges will start to become significantly more favourable than the Internal Business Unit model. A key strategy used by the CCO to achieve this, is by leveraging debt.

During the initial years of both models, the Internal Business Unit model provides savings compared to the CCO model. This is due to spend to save initiatives (approximately $4.8m for MPDC over the first nine years, and a mix of both operating and capital costs) and initial setup costs of the CCO being included within the calculations. As operating efficiency savings kick in in the later years, the operating costs of the CCO and therefore the required water charges will become less than the Internal Business Unit model. A key strategy used by the CCO to achieve this, is by leveraging debt.

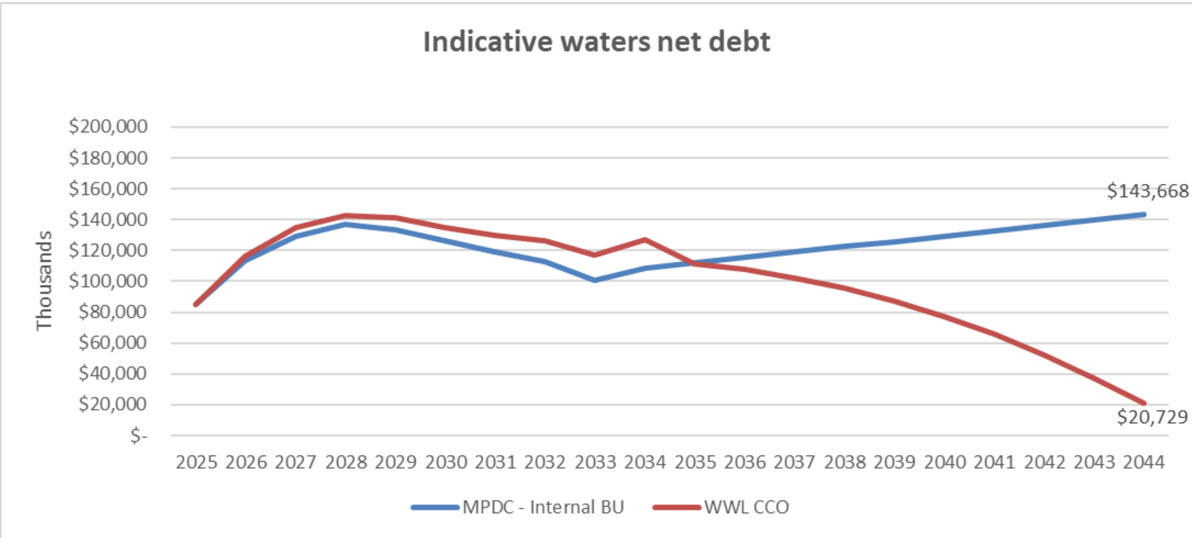
Affordability

Six of the seven *Waikato Water Done Well* partner councils have identified community affordability as an issue (now or in the future).

There is no official definition of unaffordable waters costs in New Zealand, but international indicators suggest that there is an affordability challenge if water and wastewater services are more than 2% of household income. *Waikato Water Done Well* has yet to consider an appropriate target for household affordability.

Waikato Water Done Well has provided information comparing MPDC's current costs for residential consumers relative to the threshold of 2%, and the outcome from the *Waikato Water Done Well* financial model in 2034. Using the updated calculation for residential water charges per connection, under both models the affordability threshold is met for the first 9 years. Based on the Long Term Plan data, the CCO would become slightly less affordable (1.65% at 2034 compared to 1.5% in 2025), while in the Internal Business Unit model, affordability drops more considerably from 1.5% to 2.0% in 2034. However as noted in this report, future modelling for maintaining an in house business unit will need to include identified additional costs considered necessary to meet the increasing compliance requirements expected to be met and delivered under the Water Services Delivery Plan. The status quo will no longer be enough. Costs under both models are expected to increase compared to current costs to meet the requirements.

Graph: Waters net debt



Net debt under the CCO model is higher compared to the MPDC Internal Business Unit model due to capital start-up costs, capital 'spend to save' initiatives and leveraging of debt to keep water charges within a defined annual percentage increase. From year 10, cost efficiencies from the CCO model are projected to accumulate to $96m by 2044, and debt can be reduced over this time, or alternatively utilised for further investment. Removing waters debt from Council's balance sheet means that Council has greater debt headroom for future non-water initiatives and greater financial resilience.

Affordability

Waikato Water Done Well CCO option:

- Assumption that the additional debt headroom provided by the increased debt to revenue availability, and efficiencies once realised, can be used to offset price rises.
- Note this has not yet been fully modelled, nor the degree to which price increases are moderated through the balancing of revenue or use of debt

- The consideration of price harmonisation over time will form part of the remit of the relevant CCO Board

Internal Business Unit model option:

- Debt is constrained to Council's maximum potential future debt to revenue ratio of 250% (i.e. when Council is eventually credit rated), so the ability to offset price rises using debt is limited, and that is not Council's typical funding strategy.

Commerce Commission powers:

- Set revenue thresholds at its discretion. This will give water services providers a clear understanding of the level of revenue they need to collect and invest in water infrastructure.

- Set minimum and/or maximum prices that may be charged, and/or minimum and/or maximum revenues, alongside quality and performance requirements.

Ngā Whiringa | Options

Part Four: Preferred Option Waikato Water Done Well CCO

Following evaluation of the two viable water service delivery models—an enhanced Internal Business Unit (IBU) and the Waikato Water Done Well multi-council CCO — the Waikato Water Done Well model emerges as the preferred option for MPDC. This recommendation is based on a broad range of considerations including financial sustainability, regulatory alignment, operational capacity, regional collaboration, and long-term strategic positioning.

Strategic Fit and Regional Leadership
Waikato Water Done Well positions Matamata-Piako as a foundation shareholder in a regionally significant reform initiative. It reflects the district's rural and provincial context while aligning with the Government's Local Water Done Well framework. The model has attracted national interest as the most advanced rural/provincial CCO in development and aligns closely with the objectives of the proposed Waikato Regional Deal.

Matamata-Piako's early involvement provides the opportunity to help shape the entity's governance, transition, and operational strategy. This leadership role ensures the district's needs are embedded into the foundation of the organisation.

Financial Sustainability and Affordability
Waikato Water Done Well CCO provides significant advantages in financial sustainability compared to the IBU:

- Access to greater borrowing capacity (up to 500% of water revenue), enabling critical investment without placing unsustainable pressure on rates
- Projected lower average annual price increases (4% compared to 7% in the current Long Term Plan)
- A "spend-to-save" strategy to unlock long-term efficiencies through early investment (~$4.4 million annually)
- Economies of scale in procurement and delivery of capital works, creating more cost-effective outcomes

These features make Waikato Water Done Well CCO more financially resilient, particularly in the face of population growth, infrastructure renewal, and rising regulatory expectations.

Operational Capability and Capacity
Waikato Water Done Well CCO is better placed to attract, retain, and develop a skilled, water-specific workforce. It offers:

- A dedicated governance and management structure focused solely on water services
- Greater resilience and flexibility in responding to regulatory change and emergencies
- The ability to smooth capital delivery programmes across the region, reducing market pressure and improving cost control In contrast, the internal business unit model faces ongoing constraints due to limited scale, recruitment challenges, and competing priorities within the wider Council organisation.

Regulatory Compliance and Environmental Stewardship
Both models face challenges meeting evolving regulatory standards, but Waikato Water Done Well CCO offers a stronger platform for systematised, consistent compliance:

- A regionally coordinated approach to consents, operations, and reporting
- A catchment-based consenting strategy that aligns with environmental objectives and Treaty obligations
- The ability to invest in modern systems, infrastructure upgrades, and data capability that support Taumata Arowai and Waikato Regional Council requirements

Partnerships with Mana Whenua and Iwi

Waikato Water Done Well CCO strengthens the platform for iwi engagement and Treaty settlement delivery:

- Originated from the Waikato Iwi Chairs Forum's invitation for regional collaboration
- Supports existing and future Treaty and Hauraki Catchment settlements
- Enables a regional approach to co-governance, investment, and workforce participation opportunities for Māori While the IBU can maintain strong local relationships, it does not provide the scale or structure for broader iwi partnerships or regional environmental co-management.

Regional Collaboration and Integration

Waikato Water Done Well CCO enables long-term regional alignment and coordination that is not feasible under a single-council internal model:

- Shared governance, unified strategies, and cross-boundary planning
- Stronger alignment with regulatory bodies, funders, and strategic partners
- Potential future integration with other council-led CCOs to form a Waikato-wide model This supports long-term service resilience and investment efficiency, and future-proofing against further reform.

Community Outcomes and Transition Risk

While the internal business unit retains more direct community oversight in the short term, Waikato Water Done Well CCO includes clear mechanisms for public accountability and shareholder control. These include:

- Statements of Expectation
- Shareholder agreements with protection against dominance by larger councils (75% vote + 75% number threshold)
- Transparent reporting and regulatory oversight

It is acknowledged that establishing the CCO requires upfront effort, including transitioning staff, systems, and processes. However, these are one-time transition costs compared to the long-term advantages of scale, stability, and strategic capability offered by Waikato Water Done Well CCO.

Conclusion

The Waikato Water Done Well model is assessed as providing the greatest long-term value and alignment with MPDC's objectives.

It supports:

- Long-term **affordability and financial sustainability**
- **Resilient, high-quality service delivery**
- **Regulatory and Treaty obligations**
- Stronger **regional collaboration** and leadership

While both options are viable, Waikato Water Done Well CCO offers a clearer pathway to meet future water service challenges and deliver better outcomes for the community, iwi, environment, and economy. It is therefore identified as the **preferred model** for water services delivery under the Local Water Done Well framework.

Mōrearea | Risk

Risk Assessment: Internal Business Unit vs Council-Controlled Organisation
Both delivery models carry risks. While each option aims to meet the requirements of the Local Water Done Well framework, there are uncertainties and trade-offs that need to be acknowledged at this stage.

Internal Business Unit (IBU) Risks

- **Unknown Costs:** Establishing and operating a compliant IBU may reveal hidden or underestimated costs, particularly as new regulatory requirements emerge.
- **Staffing:** Recruitment and retention challenges remain. The IBU must compete with neighbouring councils and CCOs for skilled staff in a tight labour market.
- **Procurement:** Remaining as a single council may limit opportunities for bulk procurement or panel arrangements, increasing the cost of materials and services.
- **Borrowing Constraints:** Council-level borrowing limits may restrict the ability to fund future water infrastructure, especially given current debt levels.
- **Reputational Risk:** Failing to meet compliance or service expectations under a standalone model could attract public or regulatory scrutiny.
- **Isolation from Regional Collaboration:** By sitting outside a larger amalgamated group, the IBU may miss opportunities to share expertise, innovation, and resources.

Council-Controlled Organisation (CCO) Risks

- **Unknown Costs:** Transition and setup costs may be significant and are not fully known at this stage.
- **Staff Transition:** There may be uncertainty for staff during the change process, including potential resistance or loss of experienced personnel.
- **Procurement Dependence:** While a CCO may access better procurement rates, there is a risk of becoming reliant on broader agreements that may not always align with local priorities.
- **Borrowing and Financial Control:** Councils may have less direct control over financial decision-making and borrowing, depending on the CCO structure.
- **Reputational Risk:** If the CCO underperforms or fails to meet expectations, councils may still carry public and political accountability without direct control.
- **Loss of Local Autonomy:** Being part of a larger entity may limit local influence over priorities and service levels.

There are a range of risks common to both the Internal Business Unit and Waikato Water Done Well CCO model — though the degree, scale, and how they are managed may differ between the two.

These risks include transition, the cost of implementing a new delivery model, the ability to fully realise anticipated benefits, the challenge of retaining staff through a period of significant change. Additional risks include potential disruption to water and wastewater services, impacts on the delivery of capital works, and the effect on Council's relationships with Iwi/Māori, customers and stakeholders.

There is also a risk that future policy or legislative changes—such as the introduction of Bill 3—and decisions made by other participating councils could affect the financial modelling and underlying assumptions.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

It is mandatory for the Council to consult on its water service delivery model and requires the use of bespoke arrangements under the PA Act. Consultation on the WSDP, generally, is optional. In the circumstances, Council Officers do not anticipate consulting on the balance of the WSDP.

In terms of consultation, there is a baseline requirement under the PA Act to consult on two options, being the status quo and a new arrangement.

For the purpose of consultation, staff have included information that compares the Internal Business Unit with the *Waikato Water Done Well* option.

Before adopting the model that best meets their future needs, councils must:

1. Assess the advantages and disadvantages of at least two options

2. Compare the options against each other based on impacts on rates, debt, levels of service and water charges

3. Identify a <u>preferred</u> option and consult the community on this (while also making available information on the other option that was considered)

This report and the recommendations in it address the three steps above. Once Council selects a preferred option, this will be consulted on.

Bill 3, and other policy, will set out a range of changes to the water services delivery system and to the water services regulatory system. It paves the way for economic regulation of water services so that how we charge for water, wastewater and stormwater meets acceptable price and quality outcomes for customers. The legislation will also set out amended powers and responsibilities of water Council Controlled Organisations.

Council has specific interests in the final requirements for economic regulation. Staff will be following closely matters such as: charging mechanisms of a Council Controlled Organisation and the transition period; how obligations will be transferred in relation to development agreements; the ability for assets to be vested directly into a Council Controlled Organisation; requirements to demonstrate financial sustainability for stormwater (which stays with Council under this reform); and ensuring that a Council Controlled Organisation has access to the powers required to continue to deliver water services effectively.

<u>Local Government Act 2002 (LGA 2002) Decision-making requirements</u>

The Local Government (Water Services Preliminary Arrangements) Act 2024 sets up a bespoke consultation and decision-making framework for making these decisions on water services. These are called ‘alternative requirements’.

The alternative requirements applies despite anything to the contrary in Council’s significance and engagement policy.

In summary this provides -

- A <u>simplified process</u>, to assist with the preparation, consultation and adoption of the Water Services Delivery Plan
- A <u>relaxation of the usual requirements</u> in the Local Government Act 2002 (LGA) for option identification and assessment, and a consequential streamlining for consultation
- Consultation is <u>mandatory</u> on the proposed model or arrangement for water service delivery
- Consultation on the balance of a WSDP is <u>optional</u>

The Water Services Delivery Plan must include an anticipated or proposed model for delivering water services

Local Government Act 2002		Preliminary Arrangements Act 2024	
s76	Establishes decision-making requirements	s60	Dispenses with s76, where alternative requirements are relied on
S77(1)(a) and (b)	“seek to identify, and assess the advantages and disadvantages of, **all reasonably practicable options”**	s61	For the proposed model, **“must identify both of the following 2 options for delivering water services”,** being the existing and a CCO or joint arrangement
s56 (1)	Consultation required before CCO established	s62	No further consultation required beyond that required by s62
s78	Consider **views and preferences** of interested and affected persons	s62	No change, but only required to consult once
s82/82A	Consultation principles, information principles	s64	Specific information requirements for the “proposal”
S93 and 97(2)(b)	Requirement to use SCP when amending Long Term Plan, or dealing with strategic assets	s63	**No requirement to consult on the** Long Term Plan **Amendment**, in certain cases

Staff have reviewed the key considerations under the Significance and Engagement Policy, and have assessed that the matters in this report have a high level of significance.

The recommendations in this report relate to the possible transfer of ownership / control of Council’s waters assets. Waters assets are defined in Council’s Significance and Engagement Policy as Strategic Assets. There may be a high level of public interest in the provision of waters services and waters services affect Matamata-Piako residents and businesses, especially those who are connected to, and receive the Council services.

Consultation on the preferred water services delivery model will be undertaken from 5 May 2025 to 25 May 2025 using the alternative arrangements for consultation provided in the PA Act.

<u>Previous Public feedback</u>
Various views on ‘3 water reforms’, by the previous government were formally and informally expressed. Signage placed by members of the public opposing water reforms were visible around the District.

At the Council meeting on 9 February 2022, various people spoke at Public Forum opposing the 3 Waters reform. A petition was received with 1882 signatories calling for stopping the handover of ratepayer assets to central government siting,

“All freshwater, stormwater and wastewater assets and infrastructure, managed and controlled by the Matamata-Piako District Council, and owned and paid for by the generations of ratepayers, are in danger of being transferred to central government control.

Our assets are valued at $305M and the possible return from central government will be $39M. We the ratepayers and citizens of the Matamata-Piako District, refuse to hand over our assets and insist they be kept in the control of our district council.”

The current reform differs from the approach taken in the previous government reforms which was for a larger aggregation of Councils, including Matamata-Piako. This was called 'Entity B' which encompassed the Waikato, Bay of Plenty, Taranaki, and the upper Manawatu-Whanganui regions.

If Council opts for an asset owning CCO through *Waikato Water Done Well*, Council would be transferring ownership of water assets. As previously noted there are various mechanisms within the CCO for Council to exert control/influence over the CCO.

Public interest in Local Water Done Well may have shifted now that Council will be an owner in Waikato Water Done Well CCO. This is likely to become clearer as the consultation process progresses.

<u>Policy Considerations</u>

This recommendation is 'significantly inconsistent' with the 2024-24 Long-Term Plan which provides for Council to continue delivering water services until 2034. This means Council needs to clearly identify:

A. the inconsistency; and
B. the reasons for the inconsistency; and
C. any intention of Council to amend the policy or plan to accommodate the decision.

The reasons for the inconsistency is due to the current water reform legislation and process that has progressed since the 2024-34 Long-Term Plan was adopted. Council will need to amend the Long-Term Plan to accommodate the decision, if the *Waikato Water Done Well* model is confirmed following the consultation process.

Section 63 of the PA Act exempts a Council from consulting on a Long-Term Plan Amendment for the purpose of "giving effect to proposed model" or Waters CCO or joint arrangement" if:

- it has "already consulted its community in relation to the proposal"; and
- It is satisfied that it has a good understanding of - implications, and community views (i.e. through the current consultation)

- Implicit that consultation on the proposed model can double as Long-Term Plan Amendment consultation – if the above requirements are met

- So, while the Act does not specifically deal with the question, there is no need to combine consultation on a Water Services Delivery Plan and Long-Term Plan Amendment for this purpose, if one is required

Ngā Pāpāhonga me ngā Whakawhitiwhitinga | Communications and engagement

<u>Requirement to Consult</u>

Before finalising the Water Services Delivery Plan, Council is required to consult on its anticipated or proposed arrangements/model for delivering water services.

This includes when either:

- Retaining their existing arrangements or model for delivering water services; or
- Establishing, joining or amending CCOs or joint local government arrangements for delivering water services.

Consultation will occur once a preferred Water Services Delivery model is identified as required by the Act, from decisions taken at this Council meeting.

Councils are not required to consult on the whole Water Service Delivery Plan but must consult on the service delivery arrangements including the preferred option. The Water Services Delivery Plan as a whole is currently in draft form and will be completed later in the process. The requirements for consultation as part of preparing a Water Services Delivery Plan are established under the Local Government (Water Services Preliminary Arrangements) Act 2024 (The Act).

Consultation method - Prescribed Alternative Consultation Process:
Councils must identify a preferred option and consult the community on this (information on the other option that was considered needs to also be made publicly available).

This process, promulgated under s60-s64 of the Act, simplifies decision-making compared to the Local Government Act 2002 by requiring only one round of consultation and focusing on fewer options. This approach gives greater flexibility on how consultation is undertaken and can potentially provide a more balanced perspective of Community views.

Consultation must be completed before Plans are submitted to the Department of Internal Affairs. Section 64 of the Act sets out the information requirements for consultation. This includes providing information about:

- Potential impacts of proceeding or not proceeding with the proposal, including on rates, debt, levels of service, and any charges for water services.

The Consultation Document (Attachment C) is currently under legal review and an updated copy can be circulated separately if required.

Matamata-Piako Consultation approach

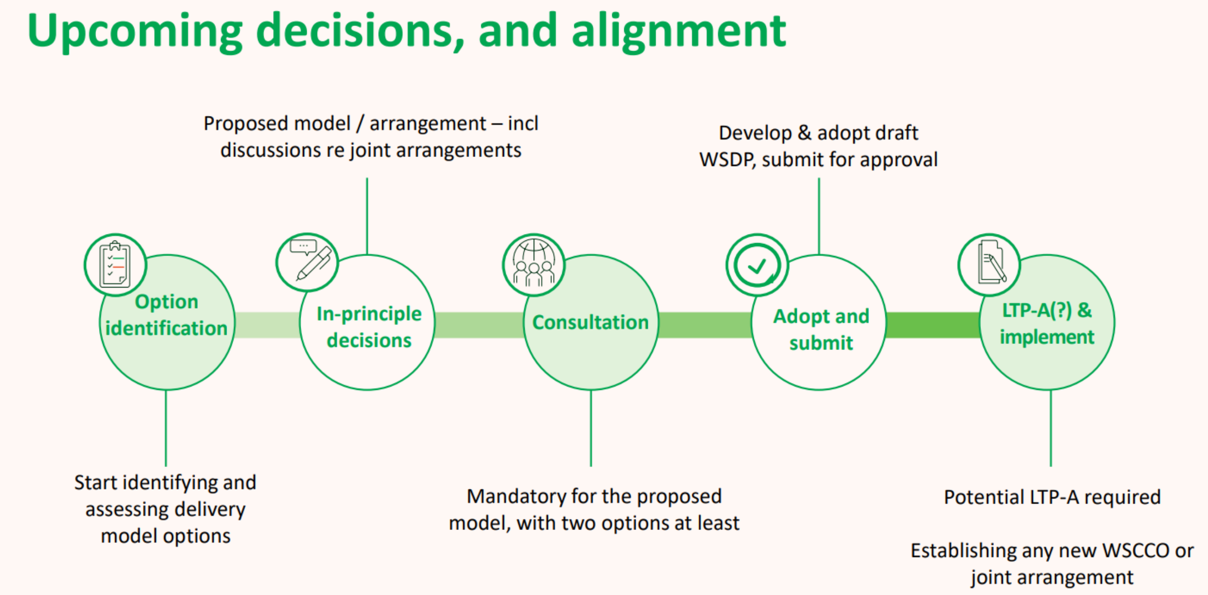
The Consultation Document will be available to the public on 5 May 2025. Submissions will be open to 25 May 2025. The Consultation Document will advise members of the public where they may obtain further information on the preferred option and alternative option.

The consultation process will include newspaper advertising, email newsletters to subscribers, and a website for the community to access information. The public will be able to lodge submissions electronically. Hard copies of the Consultation Document and submission form will be available from the Council's libraries and offices from 5 May 2025.
There will be no Council hearings, with a preference to have in person events to informally discuss the options with interested community members.

Table: Timeframes

Key Task	Dates
Council consideration of options and adoption of *Local Water Done Well* consultation material	30 April 2025
Public consultation	5 – 25 May 2025
Community engagement sessions for community to speak informally with elected members	May 2025
Council Decision on water delivery model	25 June 2025
Council approval of Water Services Delivery Plan	July 2025
Water Services Delivery Plan due for	3 September 2025

Key Task	Dates
completion/submission to DIA	



The recommendations in this report allow elected members to confirm their preferred delivery model prior to consulting with public.

Final decisions will take place after Council has engaged, consulted, and met any other legislative decision-making requirements.

The option chosen will also inform a Water Services Delivery Plan, to be submitted to the Secretary for Local Government by 3 September 2025.

Significant work is required ahead of implementation and establishment, particularly if setting up a Council Controlled Organisation. If Council chooses to establish a Council Controlled Organisation it is expected that affected waters staff will either be transferred to the Council Controlled Organisation or retained with the residual Council. A change management strategy and internal communication strategy has been developed to support Council staff as we work through this process. This strategy will be reviewed once a final decision has been made to ensure we effectively manage, embed and sustain the changes required. Consultation will take place with affected staff as required.

Ngā take ā-Ihinga | Consent issues

Matamata-Piako is not fully compliant with water and wastewater standards and consent requirements. The capital programme that has been considered in modelling reflects the investment to maintain and provide for compliance. However, this keeps changing outside planning and funding cycles creating budgeting and timing issues.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes

Matamata Piako District Council's Community Outcomes are set out below:

<table>
<tr><td colspan="2">MATAMATA-PIAKO TŌ MĀTOU WĀHI NOHO | OUR PLACE</td><td colspan="2">MATAMATA-PIAKO DISTRICT COUNCIL TE ARA RAUTAKI | STRATEGIC DIRECTION</td></tr>
<tr><td colspan="4">TŌ MĀTOU WHAKAKITENGA | OUR VISION

Matamata-Piako District is vibrant, passionate, progressive, where opportunity abounds. ‘The heart of our community is our people, and the people are the heart of our community.</td></tr>
<tr><td colspan="4">TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (COMMUNITY OUTCOMES)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>He wāhi kaingākau ki te manawa | A place with people at its heart</td><td>He wāhi puawaitanga |
A place to thrive</td><td>He wāhi e poipoi ai tō tātou taiao |
A place that embraces our environment</td><td>He wāhi whakapapa, he wāhi hangahanga | A place to belong and create</td></tr>
</table>

Matamata-Piako’s vision of building vibrant, thriving communities, with a place that embraces the environment will be strengthened through ensuring that water services (which are a fundamental lifeline utility for our communities) are delivered in the most efficient and effective model, which meet all regulatory and legislative requirements, meeting public health and environmental expectations. Council will maintain a role with the CCO to monitor the delivery of services.

Water services are a fundamental lifeline. The recommended approach will deliver benefits to Matamata-Piako, including by being better equipped to deliver the investment that is required for water quality and growth, contributing to improved environmental, social and economic wellbeing over time.

The establishment of a multi-Council waters Council Controlled Organisation will help ensure that sufficient investment can be realised to meet compliance requirement of Councils.

This will in turn help improve wellbeing across the sub-region and the quality of discharge into the rivers in support of Treaty Settlement legislation.

Water services are subject to significant environmental regulation. Local Water Done Well will introduce further regulation e.g. around water quality and will also introduce national standards for wastewater discharges. All options respond to this, although the *Waikato Water Done Well* CCO takes a more coordinated approach to the quality and health of the environment.

Over time the recommended approach will be better equipped to deliver the investment that is required to support growth, staffing and resource challenges.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Under the *Waikato Water Done Well* CCO option, establishment costs are intended to be paid for by the CCO and will become debt of the CCO and be governed by establishment boards. Agreement will need to be reached as to what costs constitute ‘establishment/ transition costs’ so that there is clarity on what specifically can be passed on from the councils to the CCO.

At this point, the advice is that from the point that shareholding constitutional documents are agreed, costs thereon can be attributable to the CCO. It is open to councils to treat the costs (from the point outlined above) of establishing the CCO, and transitioning their business into the CCO, as a loan to the CCO and capitalise into the CCO once established. This will need to be documented in appropriate agreed covenants.

The LGFA has not indicated a position with respect to councils passing the cost of establishment across to the CCO. From its perspective, it is between councils and the CCO as to how much debt comes across. The key requirement for the LGFA is that it wants the financial projections for the CCO to show investment grade metrics in the long-term.

Ngā Tāpiritanga | Attachments

A⇩. Waikato Water Done Well - Proposal

B⇩. Waikato Water Done Well - Supplementary Financial Information

C⇩. MPDC Water Consultation Document V2

Ngā waitohu | Signatories

Author(s)	Niall Baker **Kaiārahi Tīma Kaupapahere | Policy Team Leader**	

Approved by	Fiona Vessey **Hautū Whakahaere | Group Manager Operations**	
	Manaia Te Wiata **Tumu Whakarae | Chief Executive Officer**	

7 Pūrongo me whakatau | Decision Reports

7.5 Waikato Water Done Well - Proposal

CM No.: 2924404

Te Kaupapa | Purpose

The purpose of this report is to enable Matamata-Piako District Council to consider and make informed decisions with respect to the Waikato Water Done Well recommendations.

Rāpopotonga Matua | Executive Summary

Under the Local Waters Done Well Council is required to consider the model it will adopt to manage and deliver Waters Services to the District.

As previously reported the Mayoral and Iwi Leaders Forum asked the Chief Executives to consider options for the Waikato and report back.

In a review of reviewed Long Term Plans it was identified that over the next 10 years Councils in the Waikato have budgeted $7.5 Billion for the 3 Waters of which $5 Billion is allocated for Capital works.

The challenge of resourcing, delivering and funding is significant.

The introduction of stronger regulatory requirements including economic as well as quality will place additional operational risk on the organisation.

The current point discharge consenting system doesn't allow for a wider catchment based context to be assessed and therefore there is the potential for inefficient expenditure that doesn't benefit water quality.

A catchment based approach will provide for the potential for working with the regulators to explore other investment opportunities that provide better water quality outcomes.

Aggregation of Councils Waters functions as Stage 1 will allow strategic discussions with the Civil contracting industry and with the regulators to identify more effective ways of working with more efficiency.

The first step in the process is for Councils to discuss and develop a Heads of Agreement (HoA) that will set the base for developing a separate waters entity for those Councils who see merit in the proposal.

Funding for this next step will be sourced from the allocation Council approved for the development of a Water Services Plan.

Tūtohunga | Recommendation

That:

1. Council receive this report, the material presented and the attached technical report

AND

2. Council approve the following recommendations relating to future water services by Matamata-Piako District Council:

a) Strategic framework:

Council agrees to the vision, outcomes and success measures for the Waikato to be adopted in principle. These are set out in section 3 of the attached technical report and also included in this report for ease of reference.

b) Co-design a staged aggregated model:

Council agrees to be a participating council that will co-design an aggregated model for the delivery of water services staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils. The end point (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity (or as termed in the service delivery models recently announced by the Minister, a multi-council owned water organisation).

c) Advise Forum Chairs of decision:

Council formally advise the Joint Chairs of the Waikato Joint Mayors and Chairs Forum (via the Co-Lab project team) of their decision in relation to the above recommendations by end of September 2024.

d) Heads of Agreement:

Council formally instruct its Chief Executive to negotiate a Heads of Agreement (HoA) to bring back for council approval by the end of October 2024 (with the intention of the HoA being signed in November 2024). The HoA will be a non-binding agreement between participating councils, entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.

OR

3. Council does not approve the recommendations and does not agree to be a participating council that will co-design an aggregated model for the delivery of water services staged by function and governed by a professional board from the outset. Council will exit the Waikato Water Done Well workstream but be kept informed of the work underway.

Horopaki | Background

Councils are required by law to periodically review the cost-effectiveness of how they meet their communities' needs for good-quality local infrastructure, local public services, and performance of regulatory functions.

Under Local Water Done Well, all councils are required by the government to look at how they can address any infrastructure deficits and raise standards of delivery to meet future regulatory requirements (economic, environmental and drinking water).

One of the first requirements for councils under Local Water Done Well is that they submit a water services delivery plan by August 2025. Councils must adopt these plans by resolution. The plans require councils to describe the current state of water services and demonstrate publicly their commitment to deliver water services in a way that:

a) ensures regulatory and quality standards are met

b) is financially sustainable; and

c) supports the council's housing growth and urban development, as specified in its long-term plan.

Plans can be submitted individually or jointly. The information requested of councils is extensive and includes detail around the anticipated or proposed model for future water services delivery, together with the implementation plan for the proposed model (including timeframes and milestones).

Strategic Framework

Appendix - Strategic framework

Strategic Outcomes	What does success look like?
1. create scale and change to enable the significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban development	• Balance sheet separation is achieved together with ability to borrow in a practical and cost-effective manner • Achieve more with the same amount of revenue
2. create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato	• Supply chain has longer-term certainty, providing confidence to invest • Specialist waters staff will be retained, protecting regional capability and enhancing future service delivery
3. be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water	• Investment in systems is increased, data is standardised, leading to better analysis and more confident decision-making • Can demonstrate transparency and compliance • Affordable to the community
4. ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges	• Local concerns addressed (but in a balanced manner that does not undermine balance sheet separation) • The water services model can give effect to the spatial plans of each council (noting the plan informed by strong local voice). • Prioritisation framework and statement of expectations (for example) capture the strong local voice heard by councils
5. meet the expectations of key partners and stakeholders including those represented in Treaty settlements and protecting public health and the environment.	• Treaty settlement obligations can be given effect to • Ability to invest in whole of catchment solution, supporting regional economic growth • Cost savings created through improved processes e.g. resource consents

Regional and Local Context

Under the banner ‘Waikato Water Done Well’, the Waikato Joint Mayors and Chairs Forum seeks to support individual councils to make informed decisions on the merits of aggregating water services, regionally or sub-regionally. This report (together with the accompanying technical report) is the output of work mandated by the Forum.

Across Waikato councils LTP24s indicate circa $7.5 billion is budgeted to be invested in three waters over the next decade alone. Of this, nearly $5 billion relates to capital works. Some further capital commitments were recommended to councils but were not included in final 10-year budgets, largely because of affordability concerns. Under the current regime, the Waikato will continue to have infrastructure deficits. It is acknowledged that the Government’s proposed changes in regulation to make sure it is proportionate to risk and benefit may lead to a review of capital works programmes. However, even with a 20% reduction, the size of the capital delivery programme across the Waikato is sizeable (in comparison, the Bay of Plenty programme is $3.9 billion). There are multiple independent reports over the last decade (or more) that have been commissioned at a national and local level and show three waters can be delivered more cost-effectively if councils leveraged scale. The analysis set out in the attached technical report and this cover report continues to support that. Using a very conservative efficiency target of around 1% per year (compare with the efficiency target of 4% per annum set by the Watercare Board), savings of around $338 million across the whole of Waikato could be achieved from a fully aggregated water services entity, over 10 years. The main driver of the efficiency savings relates to capital works planning and delivery, being $185 million.

Successive governments have long recognised the benefits of scale. While the legislation is still being developed, Local Government Minister Simeon Brown has personally confirmed to Forum members at a meeting held in mid-June 2024 that the government is looking for a more joined-up approach to water services delivery, including in the Waikato.

The drivers for aggregation are both financial and non-financial. Water experts across Waikato councils, and externally (including contractors), advise risks and opportunities will best be mitigated and captured by councils working together.

This is not just about debt capacity, although that is a challenging issue for growth councils, in particular. Nor is it about whether councils can ‘afford’ their three waters capex forecast over the course of their LTPs. Even if councils can ‘afford’ to deliver within their debt limits, under the status quo projections show this will not be affordable for all communities.

Affordability for ratepayers, and the legal obligations of councils to review cost-effectiveness of arrangements, is a fundamental premise of this work.

While each council has its own challenges, the top challenges and risks across all councils (as rated by Chief Executives) are:

a) Workforce availability (staff and suppliers)
b) Capital works delivery
c) Compliance (Waikato Regional Council and Taumata Arowai)
d) Consenting (renewals and/or new)
e) Community affordability (where revenue needs are greater than acceptable water rates)

There are also some common opportunities to be realised, including:

a) better use of standardised data and consistent technology
b) working together to foster and promote innovation
c) increased leverage for procurement and contracting
d) better local career paths for the regional waters workforce and enhancing attractiveness for others to enter the sector

e) forming sound and effective relationships with Iwi at a level that aligns with current entities (Waikato River Authority, Hauraki Gulf Forum and Waihou, Piako, Coromandel Catchment Authority). Note this approach would not change any existing commitments to Iwi from any Council.

Ngā Take/Kōrerorero | Issues/Discussion

Challenges for Matamata-Piako District Council

The challenges that have been identified specific to Matamata-Piako District Council are:

Council / key problem	Debt capacity	Community affordability	Workforce availability	Capital works delivery	Business continuity	Compliance	Consenting
Matamata-Piako			✓	✓		✓	✓

Debt capacity: Waikato councils fit into, basically, two categories.

a) <u>Growth councils</u> (Hamilton, Waikato and Waipa): these councils are running out of the ability to borrow funds from the Local Government Funding Agency (**LGFA**) because they will surpass the debt to revenue ratio covenant. To give councils increased access to borrowing, LGFA has recently confirmed that where councils form a water services CCO (whether wholly owned by one council or by more), it will extend borrowing up to 5 times revenue. This is subject to the parent council(s) providing financial support and meeting other prudent credit criteria (yet to be confirmed). This borrowing will be separate from the parent(s) council borrowing. In addition, for high growth councils, LGFA is reviewing whether it can increase debt limits to 3.5 times revenue. This is subject to LGFA AGM and subsequent board approval on a bespoke basis.

b) <u>Other Waikato councils</u>: albeit there is significant growth in other councils, the pressure on the debt to revenue covenant is not as large as the growth councils. Overall, Matamata-Piako is currently one of these councils. However, as noted in the LTP24, it has been necessary to increase the overall historic debt to revenue ratio to 175% to fund increased capital works requirements. Further, when water services debt to revenue is ring-fenced, the ratio gets as high as 419% in year 3 and 4 of LTP24. Concern is expressed in the LTP24 that this level of debt for water may unfairly reduce the ability for Council to meet other needs and wants of the community. However, as the forecast three waters capital work projects are considered "must do", the ability to reduce debt is limited. Raising rates to reduce debt was considered but on balance, it has been determined prudent not to increase rates at a time when there is uncertainty in the three waters space and when the overall debt can be managed within the limits (see also the section on community affordability below). The intention is to address the debt position post 2034.

An important point is that the need to set up an individual council CCO for the debt funding purpose is often confused with the need to establish an aggregated waters services CCO which would provide relief for all the issues raised in this report and not just an individual council's need to be able to borrow funds.

Community affordability: Based on a benchmark of water services becoming unaffordable if water rates exceeds 2% of household mean income, the below (based on current LTP information) demonstrates that Matamata-Piako District Council is affordable and on the basis of current projections will remain so over the next 10 years. Prioritising affordability while still delivering services for the community was a focus in the planning for LTP24. It is also recognised in that document that to reduce debt, it is necessary to increase revenue. Affordability was a relevant factor in the decision not to make significant increases in revenue over the period 2024-2034 (other than small additional increases in waters revenue in the last four year). If fully funding depreciation is a requirement of new regulatory framework, then the impact on rates will also need to be reviewed as depreciation is not currently being fully funded

It is worth noting that in the context of New Zealand, Watercare (in accordance with its Statement of Intent) monitors customer affordability with reference to a target of being no more that 1.5% of Aucklander's household income.

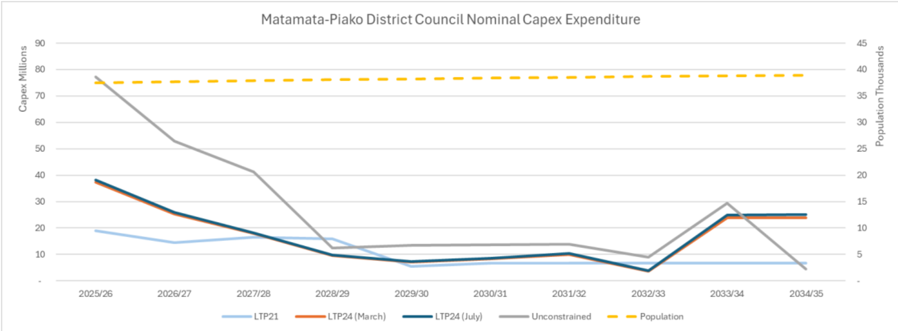
Council	2024 Average Water Charges	2024 Mean Household Income	2024 Affordability	2035 Average Water Charges	2035 Mean Household Income	2035 Affordability
Hamilton	1,589	$122,485	1.3%	5,281	$195,968	2.7%
Hauraki	1,714	$93,971	1.8%	4,860	$150,348	3.2%
Matamata-Piako	1,539	$106,012	1.5%	2,193	$169,613	1.3%
Ōtorohanga	974	$105,383	0.9%	1,652	$168,606	1.0%
South Waikato	1,613	$108,224	1.5%	2,337	$173,152	1.3%
Taupō	1,655	$110,702	1.5%	3,350	$177,116	1.9%
Thames Coromandel	1,890	$79,530	2.4%	3,049	$127,243	2.4%
Waikato	2,310	$129,602	1.8%	7,921	$207,355	3.8%
Waipā	2,021	$120,903	1.7%	3,470	$193,437	1.8%
Waitomo	2,651	$89,164	3.0%	4,634	$142,657	3.2%

Workforce availability: the retention and recruitment of staff with the requisite skills, together with procuring contractor expertise are challenges that each Council faces. The workforce in water is an aging workforce. Even for those councils who do not consider financial sustainability to be an issue, there is the risk of not having the staff with the capability and capacity to maintain the requisite levels of service. This has been identified as a challenge for Matamata-Piako District Council.

Capital works delivery: The capital investment projected for Matamata-Piako District Council over the period from 2024/2025 to 2034/2035 (based on draft data provided) is over $216million. It is accepted that the scope of capital works will be reviewed as clarity on the changes to regulatory requirements becomes known. However, even with a 20% reduction, the capital works programme is nearly $173 million. In response to a survey on how confident the Chief Executive is that LTP 2024 reflects the future investment required by Matamata-Piako District Council, particularly in relation to supporting growth through capital expenditure, with 9 being very high confidence and 1 being very low, the Chief Executive rated this as being 5.

Furthermore, in response to a survey as to how confident they are that LTP2024 reflects future investment requirement by their council to meet future regulatory requirements, including any fees payable to regulators (including economic) (using the same scale as above), the Chief Executive rated this as 7.

The capital works programme as set in LTP21, March 2024 (draft figures provided by councils) and July 2024 (draft) is set out below together with the unconstrained or necessary amount of capital investment that was identified by council staff during the last reform. This is then plotted against the population growth.



Compliance: compliance issues raised in respect of Matamata-Piako District Council by Waikato Regional Council and Taumata Arowai in the 2023/2024 year are as follows:

Council	Waikato Regional Council[1]			Taumata Arowai[2]	Summary
	Water	Wastewater	Stormwater		
Matamata-Piako	2	4	4	✓	✓

Opportunity for Matamata-Piako District Council to address challenges

Aggregation provides Matamata-Piako District Council with an opportunity to mitigate the risks that the above challenges present. Further, aggregation provides a significant opportunity for a more strategic and cost-effective approach to consenting (noting one third of all water consents in the region expire by 2030). This is because there are four councils in the Waihou Piako catchment who could, for example, have strategic conservations with the consent authority and Iwi partners about how to improve freshwater outcomes through ‘nutrient balancing’ between all the wastewater treatment plants within the catchment. Matamata-Piako District Council has already proactively taken steps to benefit from nutrient balancing between plants within its own district.

The recommendation at paragraph 2(b) above in respect of Waikato Water Done Well is for participating councils to take an incremental and pragmatic approach to developing a regional entity which is flexible to cater for different needs across the region, and equitable so that over time, everyone (i.e. each community) wins.

Residual impact on Matamata-Piako District Council

On a wider regional level, it is acknowledged the residual impacts of moving some functional services from some individual councils to a regional entity are unknown at this stage. However, a long-term perspective is required to ensure a delivery model is adopted that is sustainable (with affordability being a component of this). The pathway principles set out in the attached technical report include a principle in relation to risk, and that risks associated with aggregation (including residual risk to councils) are managed and mitigated.Together, we can develop a financially sustainable model which better provides the water services infrastructure our communities and region need, and which meets regulatory requirements and government and community expectations.

1 Number of ‘regimes’ with moderate to significant non-compliance in 23/24 year. WRC only recorded Hauraki, Matamata Piako, South Waikato and Waikato councils as having significant non-compliance over the last year.

2 Have supplies without protozoa or bacteria barriers or no residual disinfection in the 23/24 year

In the interests of efficiency, councils who are unwilling or unable to commit by mid-September 2024 to an incremental approach, and the ultimate goal of an aggregated, fully regulated water services delivery entity, should exit this workstream (noting they will continue to be informed of the work underway). It will be up to these councils to determine how they will meet the requirements of Local Water Done Well and demonstrate the commitment to deliver water services in a manner that meets the requirements of central government.

Next steps

As per recommendations, the next step is for councils to inform the Joint Chairs of the Forum of their decision in relation to the recommendations. If council wishes to be a participating council, the CE will be taken to have the mandate to negotiate the HoA which will be brought back to council for consideration and approval in October 2024.

Mōrearea | Risk

Detailed elsewhere in this report and attachment.

Ngā Whiringa | Options

Detailed elsewhere in this report and attachment.

<u>Recommended option</u>

The recommended option is:

Option 1:

Council approves the recommendations and agrees to be a participating council that will co-design an aggregated model for the delivery of water services staged by function and governed by a professional board from the outset.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Detailed elsewhere in this report and attachment.

Ngā Pāpāhonga me ngā Whakawhitiwhitinga | Communications and engagement

Detailed elsewhere in this report and attachment.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes

Matamata-Piako District Council's Community Outcomes are set out below:

MATAMATA-PIAKO TŌ MĀTOU WĀHI NOHO | OUR PLACE	MATAMATA-PIAKO DISTRICT COUNCIL TE ARA RAUTAKI | STRATEGIC DIRECTION

TŌ MĀTOU WHAKAKITENGA | OUR VISION			
Matamata-Piako District is vibrant, passionate, progressive, where opportunity abounds. 'The heart of our community is our people, and the people are the heart of our community.			
TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (COMMUNITY OUTCOMES)			
He wāhi kaingākau ki te manawa | A place with people at its heart	He wāhi puawaitanga | A place to thrive	He wāhi e poipoi ai tō tātou taiao | A place that embraces our environment	He wāhi whakapapa, he wāhi hangahanga | A place to belong and create

The community outcomes relevant to this report are as follows:

- He wāhi e poipoi ai tō tātou taiao | A place that embraces our environment

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Detailed elsewhere in this report and attachment.

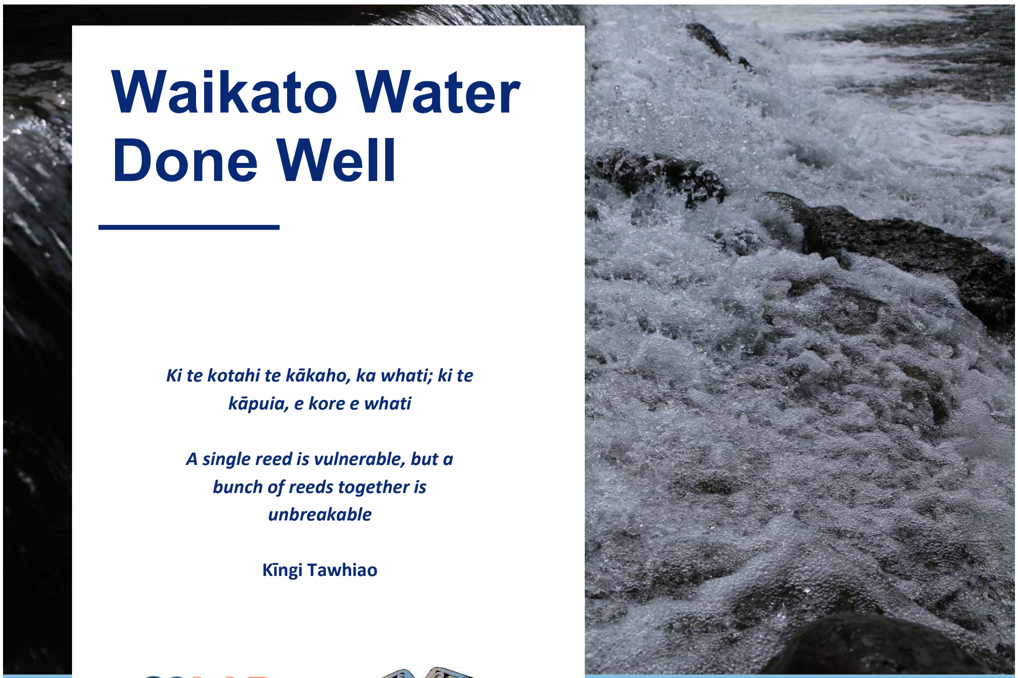
Ngā Tāpiritanga | Attachments

A⇩. Waikato Water Done Well Technical Report August 2024

Ngā waitohu | Signatories

Author(s)	Don McLeod **Chief Executive Officer**	

Approved by	Don McLeod **Chief Executive Officer**	



Waikato Water Done Well

Ki te kotahi te kākaho, ka whati; ki te kāpuia, e kore e whati

A single reed is vulnerable, but a bunch of reeds together is unbreakable

Kīngi Tawhiao

August 2024

Authored by:
Vaughan Payne, Sinead Hart, Rohan Matuku

Kaunihera | Council
25 September 2024

Item 7.5

Attachment A

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1. Introduction

The Waikato is known nationally for its leadership in managing water, being courageous and innovative to ensure better long-term outcomes for Lake Taupō, the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf. Working with their Iwi partners, Waikato councils are now seeking to find a pragmatic solution to water infrastructure that, over time, meets the needs of each council, their communities and the requirements of central government.

Under the banner 'Waikato Water Done Well', the Waikato Joint Mayors and Chairs Forum (**Forum**) seeks to support individual councils to make informed decisions on the merits of aggregating water services, regionally or sub-regionally.

This report builds on the work presented to the Forum on 11 March 2024 and sets out what is being presented to councils in the context of step 5 of the Waikato collaborative roadmap (refer Figure 1.1 below) and the recommended way forward. This report should be read in conjunction with the cover report prepared for each council.

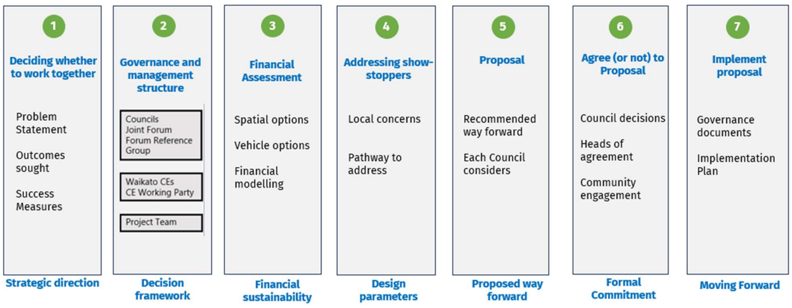

Figure 1.1 Waikato Collaborative Roadmap

We acknowledge the leadership and direction of the Chief Executive Working Party and the wider Chief Executive Forum in the development of this report and the recommended way forward. Against the national timeline and developments, extensive work has been carried out across Waikato Councils to work through the above roadmap. Details of the methodology applied in developing this report are included in Appendix 1.

2. National context

Local Water Done Well empowers local decision-making about future water services delivery but in the context of increased government oversight requirements. Local Water Done Well is being implemented in three stages:

a) **Stage 1** involved the repeal of all prior water services legislation with effect from 17 February 2024.

b) **Stage 2** is currently underway being the Local Government (Water Services Preliminary Arrangements) Bill (**Bill#2**). This was introduced into Parliament in May 2024. The Select Committee returned its report on the Bill on 18 July 2024. A summary of Bill#2 (with the proposed amendments from the Select Committee) is included in Appendix 2. The Bill is due to be passed into law in late August 2024. Key points to note are that it:

- Requires councils to submit water services delivery plans within 12 months of the Bill being passed into law (i.e. by late August 2025)
- Provides for foundation "economic regulation" through information disclosure requirements for specified entities
- Introduces a streamlined process for consulting on the establishment of a jointly owned water services council-controlled organisation (**CCO**)

Preparing water services delivery plans will require significant effort from councils. Chief Executives are currently considering how to ensure a consistent and cost-effective approach across Waikato councils who wish to adopt such an approach.

c) **Stage 3** will commence in December 2024. Bill#3 will provide the enduring settings for Local Water Done Well including:

- a comprehensive economic regulatory regime; and
- a comprehensive range of options, tools and models (service delivery models) that councils can choose from in relation to delivering water services.

Bill#3 is expected to be introduced into law by mid-2025 but the policy intent informing it was made known on 8 August 2024. Key points are that:

- All water service providers (i.e. councils or water organisations) must meet minimum requirements including;
  i. meeting regulatory standards (economic, environmental and water quality)
  ii. being financially sustainable
  iii. operating within a new planning and accountability framework – this will require a water services strategy every 3 years and an annual water services report within three months of the financial year end. Information on water services will no longer form part of the long term plan even where services are kept in-house
  iv. acting consistently with statutory objectives
- The water services delivery model choices available to councils include:
  i. delivering water services in-house through a separate business division or unit
  ii. establishing a wholly owned water organisation
  iii. establishing a joint arrangement with other councils, including a water organisation that is owned by three or more councils or owned wholly or partly by a consumer trust
  iv. councils design alternative arrangements that meet the minimum requirements
- Additional requirements for any water organisation are that:
  i. it must be a company (subject to exemption)
  ii. its activities must be limited to providing water services (subject to exemption)
  iii. it can only be owned by councils or consumer trusts
  iv. it must have restrictions against privatisation
  v. Board appointments must be competency based but with no council staff or elected members on the board
  vi. shareholders must prepare a statement of expectations at least every three years (must include information on strategic priorities and specific requirements / obligations that relate to Treaty settlements or other arrangements in place with local Iwi).

A large amount of the narrative around the service delivery options has focused on debt capacity as this is a key driver for growth councils. The need to set up an individual council CCO for debt funding purposes is often confused with the need to establish an aggregated waters services organisation (or CCO) that can provide relief for the issues raised in this report, not just an individual council's need for increased borrowing.

2.1. Increasing regulation

Bill#3 will provide for comprehensive economic regulation and consumer protection, with the regulator being the Commerce Commission. The Commerce Commission will have a range of regulatory tools, including mandatory information disclosure, designed to promote efficient practices and protections for consumers. The first focus of the Commerce Commission is stated to be monitoring whether sufficient revenue is being collected by water service providers for their investment needs. These initial requirements for information disclosure are expected to be set six months after the commencement of legislation (by early 2026).

The effect of the above is that water services is moving to whole of system regulation rather than the current 'end of pipe' regulation. Simply put:

a) The taking of water and discharge of wastewater and stormwater (end of pipe) will continue to be regulated (Regional Council) and, in the Waikato context, must align with existing Treaty settlements requiring improved freshwater outcomes
b) Drinking water and wastewater treatment will become more heavily regulated (Taumata Arowai) (but Taumata Arowai taking a proportionate, cost effective and efficient approach in its functions and duties)
c) Infrastructure and service quality standards can be introduced covering investment in network and treatment plants - whether over investment or under investment (including requiring action to be taken to improve performance) (Commerce Commission)
d) The cost of providing water services will be regulated through mandatory information disclosure requirements imposed on water services providers and scrutiny of the price charged to end users (Commerce Commission).

The Commerce Commissioner will also have regulatory tools to set revenue thresholds (minimum and maximum) and monitor and enforce financial ring-fencing. Depending on performance, it may also be given power (for specific providers) to place limits on revenue, similar to price quality regulation that applies in the electricity market. Under the new regulatory regime, planning and building infrastructure based on perceptions of what is acceptable to ratepayers will not be sustainable.

Councils will need to adapt their water services business to meet the above requirements. This will require significant investment to demonstrate compliance through robust data and asset management systems.

The importance of data to demonstrate performance and compliance, and ensure risks are being appropriately managed, is highlighted by the most recent Taumata Arowai report released on 27 June 2024. The findings in this are that the quality of data (particularly for network performance) and completeness of reporting needs to improve so that Taumata Arowai can understand whether risks are being appropriately managed, and sector performance is improving over time. The report also notes a lack of information about networks is likely to impact the ability of operators to properly manage the relevant networks. It notes this is likely to result in an increase in safety risks and costs because operators are more likely to be undertaking reactive maintenance than planning for, and investing in, resilient networks.

2.2. Timeline challenges

Water services delivery plans require councils to state their proposed model and implementation plan for delivering water services by August 2025. The policy intent explaining the available options, tools and models has been announced but the legislation will only be passed into law a few months before the submission date for the water services delivery plans (mid-2025).

Similarly, Bill#2 requires financial sustainability by 30 June 2028. This includes meeting regulatory requirements, which will include the comprehensive economic regulation regime that will only be passed into law in mid-2025.

Councils may not be able to make a final decision about the end model now. But there is sufficient information for councils to start addressing immediate risks and opportunities.

3. Strategic direction

To ensure clarity on the desired end point, **council members are asked to approve in principle the strategic direction for Waikato water services in the long term** (being through at least a 10-to-15-year lens). To this end, the following strategic framework is recommended.

Strategic Outcomes	What does success look like?
1. create scale and change to enable the significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban development	• Balance sheet separation is achieved together with ability to borrow in a practical and cost-effective manner • Achieve more with the same amount of revenue
2. create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato	• Supply chain has longer-term certainty, providing confidence to invest • Specialist waters staff will be retained, protecting regional capability and enhancing future service delivery
3. be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water	• Investment in systems is increased, data is standardised, leading to better analysis and more confident decision-making • Can demonstrate transparency and compliance • Affordable to the community
4. ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges	• Local concerns addressed (but in a balanced manner that does not undermine balance sheet separation) • The water services model can give effect to the spatial plans of each council (noting the plan informed by strong local voice). • Prioritisation framework and statement of expectations (for example) capture the strong local voice heard by councils
5. meet the expectations of key partners and stakeholders including those represented in Treaty settlements and protecting public health and the environment.	• Treaty settlement obligations can be given effect to • Ability to invest in whole of catchment solution, supporting regional economic growth • Cost savings created through improved processes e.g. resource consents

Figure 3.1 Waikato strategic direction for water services

4. Findings

4.1. Local findings

The Waikato comprises diverse councils, communities and needs. Table 4.1 summarises the water services drivers of each council as assessed by each council's Chief Executive.

Council / key problem	Debt capacity	Community affordability	Workforce availability	Capital works delivery	Business continuity	Compliance	Consenting
Hamilton	✓	✓	✓				✓
Waikato	✓	✓	✓	✓	✓	✓	✓
Waipā	✓	✓					
Taupō		✓	✓	✓		✓	✓
Thames-Coromandel				✓		✓	
Matamata-Piako			✓	✓		✓	✓
Hauraki		✓	✓	✓	✓	✓	✓
South Waikato		✓	✓	✓		✓	✓
Waitomo		✓	✓	✓		✓	
Ōtorohanga			✓	✓		✓	✓

Table 4.1 Water services drivers for each Council

The following paragraphs summarise each need as it relates to councils, individually or collectively.

4.1.1. Debt capacity

Growth councils have an immediate need to access increased borrowing to support growth. Of the councils in the Waikato, three have identified this as a key driver for change. For other councils, while debt capacity is not a driver currently, a significant amount of their debt headroom is taken up by waters. This limits their ability to borrow for other community initiatives.

4.1.2. Community affordability

Seven of the 10 councils in the Waikato have identified community affordability as an issue (whether now or in the future). LTPs point to significant increases in revenue being required to meet future infrastructure investment and regulatory requirements. In just three years, there have been significant increases in projected expenditure between the LTP21 and LTP24 (refer Figure 4.1 below). In respect of rates revenue and development contributions, such increases are being balanced against what is deemed to be affordable to customers.

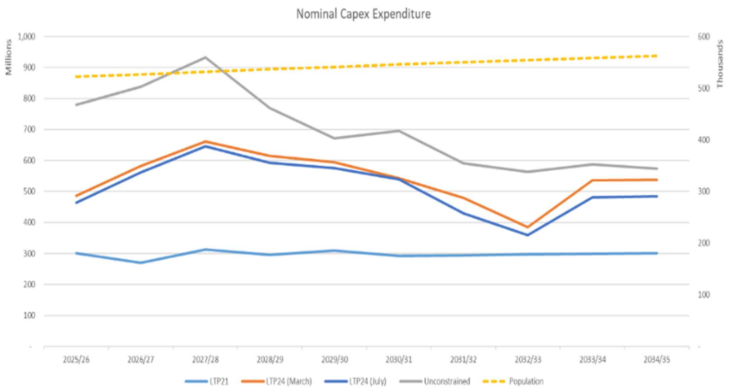

Figure 4.1 Population and capital works projections

Chief Executives were asked to rate how confident they are that their LTP24 reflects the future investment needs of their council, particularly in relation to supporting growth through capital expenditure. In response, all Chief Executives rated their confidence as being between medium to high, with the majority being close to very high.

There is no official definition of unaffordable water in New Zealand, but indicators suggest that there is an affordability challenge if water services are more than 2% of household income. Taking this measure, some Waikato communities increasingly face unaffordable water services. It should be noted that Watercare adopt a lower measure of 1.5% and other councils such as Thames Coromandel have adopted a higher measure of 2.5%.

Table 4.2 below has been completed based on:

a) revised FY24 and FY35 water charges from Councils

b) 2024 household average incomes from Infometrics (excluding Matamata-Piako and Waitomo which are unavailable); and

c) 2035 household average income based on an annual 4.81% increase (which is the output of earlier DIA work)

The figures in Table 4.2 are likely to be conservative as in some LTPs, Councils say they will limit average 10-year rate increases for affordability (e.g. to 6% on average). This results in high increases in years 1 -3 and lower increases in the outer years to make the average work, thus understating the likely increases needed for the outer years. This pattern is reinforced by Figure 4.1 above.

Attachment A

Council	2024 Average Water Charges	2024 Mean Household Income	2024 Affordability	2035 Average Water Charges	2035 Mean Household Income	2035 Affordability
Hamilton	1,589	$122,485	1.3%	5,281	$195,968	2.7%
Hauraki	1,714	$93,971	1.8%	4,860	$150,348	3.2%
Matamata-Piako	1,539	$106,012	1.5%	2,193	$169,613	1.3%
Ōtorohanga	974	$105,383	0.9%	1,652	$168,606	1.0%
South Waikato	1,613	$108,224	1.5%	2,337	$173,152	1.3%
Taupō	1,655	$110,702	1.5%	3,350	$177,116	1.9%
Thames Coromandel	1,890	$79,530	2.4%	3,049	$127,243	2.4%
Waikato	2,310	$129,602	1.8%	7,921	$207,355	3.8%
Waipā	2,021	$120,903	1.7%	3,470	$193,437	1.8%
Waitomo	2,651	$89,164	3.0%	4,634	$142,657	3.2%

Table 4.2 Affordability across Councils 2024 and 2035

4.1.3. Workforce (staff and suppliers)

Critical waters staff and contractors report being under pressure given the ageing workforce, competition (from other potential employers including offshore) and an environment of ongoing uncertainty. Smaller councils, where operations can be highly dependent on a few individuals, are at risk of staff recruitment/retention. Civil construction contractors must also deal with the peaks and troughs in workflow that arise from each council's LTP capital works programmes. Their ability to deliver is increasingly challenged given their current state resources. They advise it will take 2-3 years to gear up for programmes bigger than what is currently in the market.

4.1.4. Capital works delivery

The investment needs of councils vary, but the regional priorities by expenditure are summed up by the following diagram in order of priority of spend:

Figure 4.2 Regional priority spend

In terms of asset condition, overall:

a) Less than half (44%) of wastewater networks are rated as average or better

b) On average 20% (11 Olympic sized swimming pools) of treated water is lost per day before it reaches customers

c) Over the last decade, Waikato councils have been able to progressively increase their capacity to deliver capital work programmes. In the three years ending 20/21, an average of 78% of actual capex budgets was spent. More recent reports on capex budgets versus actual spend indicate this gap continues to close. However, we need to be mindful of the role recent significant inflationary pressures play in closing this financial gap i.e. an increase in spend does not necessarily equate to a proportional increase in programme delivery. According to Infometrics, water services infrastructure is estimated to cost 30% more to build than three years ago.

d) Figure 4.1 above demonstrates that the amount of capital works being projected is decreasing despite population growth increasing. A large gap continues between the investment in capital works provided for in LTPs and the investment that staff say is necessary (refer to ‘unconstrained’ line in Figure 4.1).

e) The key challenge for many councils is getting the work done. The reasons for under delivering on the LTP programmes are generally due to:

- Resourcing - availability of appropriately skilled internal and external resources
- Procurement - supply chain management, lead-in time for materials, tendering and approvals, stakeholder agreement
- Project life cycle management – resource consent delays, business case approvals, scheduling, land purchases associated with developer led timelines, incorrect investment appraisals, unforeseen technical issues.

4.1.5. Business continuity

Waikato District Council’s contract with Watercare will terminate at the end of June 2026. Waikato District Council is now assessing alternative options for delivering water services to its ratepayers from 1 July 2026. It must have certainty on how it will provide services (or the tender process it will engage in to procure services) by November 2024. The benefits of the Watercare arrangement have included improved service levels, delivery of capital projects, innovation and new ideas, and sharper procurement. This is a pointer to what may be achieved through aggregation in the Waikato.

4.1.6. Compliance

Complying with regulations and resource consents is a basic expectation.

a) **Drinking water**: except for Hamilton and Waipā, all councils had supplies without protozoa or bacteria barriers or residual disinfection in the 2023/24 year.

b) **Water supplies**: except for Taupō, Waipā, Hamilton and Waikato, there were moderate to significant non-compliance issues with water takes.

c) **Wastewater**: except for Waipā and Hamilton, there were moderate to significant non-compliance issues with wastewater discharges.

d) **Stormwater**: except for Taupō, Waipā, Waitomo and Hamilton, there were moderate to significant non-compliance issues with stormwater discharges.

Council	Waikato Regional Council[1]			Taumata Arowai[2]	Summary
	Water	Wastewater	Stormwater		
Thames Coromandel	2	2	9	✓	✓
Hauraki	1	5	4		✓
Matamata-Piako	2	4	4	✓	✓
Taupō		3		✓	✓
South Waikato	1	2	1		✓
Waitomo	2	3			✓
Ōtorohanga	2	1	2	✓	✓
Waipā					
Hamilton					
Waikato		6	6		✓

Table 4.3 Compliance issues across Waikato Councils

Chief Executives were asked to rate how confident they are that their LTP24 reflects the future investment needs of their council to meet future regulatory requirements (including fees payable to regulators). In response, all Chief Executives rated their confidence as being between medium to high, the majority being highly confident.

4.1.7. Consenting

Almost one third of all consents are due to expire within the next six years (2030). From this group, 44 are related to wastewater discharge and 72 are associated with water abstraction. Within the next 10 years there are at least 30 moderate to high-risk consents that need renewing.

4.2. Financial findings

Financially, not all councils need a CCO at this time, but all can benefit. Over the next decade, a majority of Waikato households will face significant rate increases under the status quo. The proposed water rate increases and affordability impacts are included in Table 4.2 above.

4.2.1. Modelling

The financial modelling shows that aggregation requires less revenue than a standalone scenario to achieve the same outcomes. The decision-making body of any aggregated model can then determine whether the savings can be applied to reducing rates for customers or reinvestment in assets.

Across Waikato councils LTP24s indicate circa $7.5 billion is budgeted to be invested in three waters over the next decade alone. Of this, nearly $5 billion relates to capital works. Some further capital commitments were recommended to councils but were not included in the final 10-year budgets, largely because of affordability

[1] Number of 'regimes' with moderate to significant non-compliance in 23/24 year. WRC only recorded Hauraki, Matamata Piako, South Waikato and Waikato councils as having significant non-compliance over the last year
[2] Have supplies without protozoa or bacteria barriers or no residual disinfection in the 23/24 year

concerns. While the scope of capital works programmes may be reviewed once there is clarity on the national standard being developed for wastewater discharge, even with a 20% reduction, the scope of the programme remains significant. As noted earlier, the Waikato has unique Treaty settlements requiring improved freshwater outcomes which will also be relevant in informing capital works programmes.

There are multiple independent reports over the last decade (or more) that have been commissioned at a national and local level which show three waters can be delivered more cost-effectively if councils leveraged scale. In the context of comparing rates across councils in a standalone position versus in an aggregated mode, this has proved difficult based on LTP data as councils collect revenue differently. Therefore, the comparison is not like with like, or kina with kina. Because of this, efficiency savings have been used as the metric to measure the benefits of aggregation across the requested spatial options. With the inclusion of approximately $100m additional spending in the model spread over 10 years to help drive efficiencies (spend to save), the efficiency savings set out in Figure 4.3 are projected in each of the spatial options identified over 10 years, with this being around $338 million in a regional fully aggregated water organisation. This is based on a very conservative assumption of about 1% per annum efficiency target across all expenditure. The modelling shows that by FY34, efficiency savings is approximately 10% of projected spending, growing to 15% over the subsequent 8 years.

The assumption of 1% is conservative when compared with the 5% per year assumption that is included in other independent reports and with the 4% per annum efficiency target set for Watercare by its Board.

Figure 4.3 Efficiency savings across spatial options (fully aggregated)

The main driver of the efficiency savings relates to capital works planning and delivery, being $185 million. Applying the same efficiency target of 1% to the projected capital expenditure for the different spatial options results in the projected efficiency savings in Figure 4.4 below.

Figure 4.4 Efficiency savings across spatial options (capital works)

4.2.2. Borrowing

The current model of borrowing through the Local Government Funding Agency (**LGFA**) is cost-effective and practical for councils and CCOs (that can borrow). Council backing is required for LGFA to provide funding to any water organisation established. Any model adopted in the Waikato should be designed to retain the ability to borrow through LGFA.

The service delivery options choices announced in August 2024 are:

a) In-house (business unit or division)

b) Single council owned water organisation

c) Multi-council owned water organisation

d) Mixed council / consumer trust owned

e) Consumer trust owned

Councils are free to choose alternative arrangements subject to meeting the minimum requirements relating to regulatory requirements and being financially sustainable. From a borrowing perspective, the position is:

a) High-growth councils may be able to borrow up to 350% revenue (subject to LGFA AGM in October 2024 and applications on a bespoke basis).

b) A single council owned water organisation will be able to borrow up to 500% revenue (subject to prudent credit criteria and parent council financial support). This borrowing will be separate from the parent(s) council borrowing.

c) A multi-council owned water organisation will be able to borrow up to 500% revenue (subject to prudent credit criteria and parent councils financial support). This borrowing will be separate from the parent(s) council borrowing.

d) A multi-council owned water organisation without council guarantee or any water organisation that is not wholly owned by councils, will not be able to borrow through LGFA (in the short term in any event). Accordingly, these are not practical options for now.

Based on the guidance issued by DIA, any water services organisation needs to be a company. This, together with the need to obtain borrowing from LGFA, points to a limited liability company that is owned by all those councils who wish to aggregate as the recommended vehicle.

4.3. Local concerns ('showstoppers')

A significant effort has been made to identify local concerns for each council that need to be addressed in any future model. Local concerns are generally over and above financial considerations. Examples of local concerns include:

a) Local voice and influence

b) Prioritisation of local needs

c) Meeting Treaty settlement obligations

d) Asset ownership

All the showstoppers can be addressed as part of the proposed pathway forward (an aggregated model, staged by function over time). However, the way local concerns are addressed in the 'end point' model must align with the minimum requirements that will be set by legislation, including the additional requirements for a water services organisation. Again, as noted above, these requirements include that the water organisation:

a) have no staff or elected members on board
b) be a company
c) be limited to water services activity
d) be owned by a council and / or a consumer trust (for the reasons set out under borrowing above, a consumer trust is not a practical or cost-effective option in the Waikato)
e) have a Board appointed on competency
f) have restrictions against privatisation

In short, leadership will be required to balance local concerns into the design of a water organisation that meets the minimum requirements. The end model design parameters to achieve this balance are included in **Appendix 3**.

Summary of findings

The interconnection between all the above challenges and findings is summarised in Figure 4.5 below.

Figure 4.5 Challenges to delivering levels of service

Affordability is a key consideration of every council. This determines the level of revenue gathered from ratepayers, developers and so on. In turn, this determines how much can be borrowed under a council's debt to revenue policy. The overall funding envelope will determine the extent of a council's financial ability to meet compliance requirements, and to also address investment needs, whether they relate to growth, levels of service, resource consents and/or renewals. Whether a council has financial constraints or not, it must have access to a skilled and capable workforce (internal and external) to have confidence it can and will deliver services to the requisite level.

A way forward

4.4. A safe start

Not all councils need a fully aggregated water organisation now, but it is highly likely all councils and communities will need and benefit from one at some point.

Councils with debt as a driver are motivated to move faster. However, increasing debt capacity is not the only challenge these councils face. While debt capacity may be increased by these councils having their debt to revenue ratio increased to 350% (as is to be proposed at the LGFA October AGM) and / or establishing a single council owned water organisation (refer to as a standalone local CCO in Figure 5.1 below), this in isolation will not unlock the collective benefits projected in the financial modelling and the non-financial opportunities set out in section 5.1.2 below. Furthermore, the cost of the intended borrowing will need to be considered as part of assessing affordability to ratepayers / consumers. As noted above, multiple reports over multiple years show there are benefits to be unlocked by aggregating water infrastructure. All communities will benefit at different stages and so, over time, everyone wins.

If councils accept aggregation and scale provide the ability to collectively address the challenges they face, then the question is not whether to aggregate but rather what is the process that gives councils a safe pathway towards an aggregated model.

Previous government reform and other attempts at establishing fully aggregated water services entities in a non-incremental manner have been unsuccessful. This is largely due to what we have identified as 'showstoppers' or the local concerns, as set out in section 4.3 above. While 'showstoppers' can be addressed as part of the pathway forward, strong leadership (by both governance and management) will be necessary to balance such concerns while achieving the benefits of aggregation.

In addition, we understand that councils will not be prepared to make a firm commitment on the final form of any fully aggregated entity until there is further clarity on the applicable legislation, tools and options. However, doing nothing is not a cost-effective option. There is an opportunity now for councils to take a first, sensible and 'no-regret' step towards unlocking the opportunities of a joined-up approach to water infrastructure.

Based on the above, it is recommended Waikato councils consider and adopt an incremental model now that:

a) positions them to leverage immediate opportunities for their communities and unlock some benefits in the short-term

b) gets councils as far along the road to the vision and achieving the strategic outcomes as practicable at this time and

a) has a built-in process that enables the model to evolve to meet councils' future long-term needs and respond to legislation as it develops.

To this end, it is recommended councils co-design an aggregated model that is staged by function and governed by a professional board from the outset. Stage 1 is a short-term solution involving the establishment of an entity that provides functional services to participating councils (a jointly owned contracting model). However, the pre-agreed end point (Stage 2) is an aggregated fully regulated water services entity.

Details of each stage are included below.

Item 7.5
Attachment A

4.4.1. Stage 1 Description

Stage 1 of the staged aggregated model is the establishment of an entity that provides functional services to participating councils.

Key components of Stage 1 are:

a) Councils agree on the long-term end point to achieve the strategic direction, being a fully regulated regional entity (referred to as a multi-owned council water organisation in more recent guidance), co-designed by councils in accordance with agreed design parameters set out in Appendix 3 (as updated to reflect the legislative requirements for any water organisation)

b) The entity formed at Stage 1 will be jointly and equally owned by all participating councils

c) The functional services (asset management, capital works delivery, consenting, project planning and design, procurement) will be provided to councils under the terms of a services agreement

d) Councils will retain the role of water service provider (and so will remain the regulated provider)

e) Councils retain decision-making in relation to price setting, ownership of assets and investment priorities

A regional entity established under Stage 1 will not achieve balance sheet separation on its own. Growth councils who need additional debt capacity now could achieve balance sheet separation under Stage 1 through a standalone local CCO, while remaining a participant in the regional model and working collaboratively to achieve the long-term end point. The expectation would be for the operations of each local CCO to merge into the fully regulated regional entity at the time Stage 2 is implemented.

The roles and responsibilities at Stage 1 are identified in Table 5.1 below.

Responsibility	Council (or local CCO)	Regional CCO
Assets ownership	✓	X
Prices / tariffs– entitlement to revenue, set prices, billing	✓	X
Funding sources / mechanisms - ability to borrow	✓	X
Decision re investments in service area	✓	X
Regulated entity – accountable and liable compliance and consenting (including economic regulatory compliance)	✓	X
Operations	✓	X
Capital works delivery	Monitor Services agreement	✓
Programme management		✓
Procurement		✓
Consenting		✓
Project planning and design		✓
Asset management		✓
Education and training		✓

Table 5.1 Stage 1 roles and responsibilities

Figure 5.1 provides an indicative structure for the regional CCO, including how a local CCO could fit within a regional model at Stage 1.

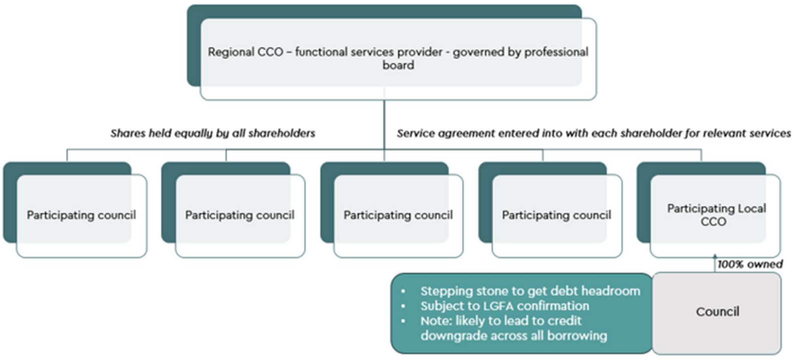

Figure 5.1 Stage 1 Indicative Regional CCO Structure

4.4.2. Stage 1 Opportunities

Stage 1 will not unlock all the benefits of aggregating water infrastructure but there are significant benefits that can be obtained without councils having to address any of the local concerns (showstoppers) at this point.

Table 5.2 lists the immediate needs of the Waikato in relation to water services and how Stage 1 can capture these opportunities. The potential efficiency savings from a combined approach to capital works is addressed at section 4.2.1; based on a 1% per annum efficiency target, this projects a potential $185 million in savings over 10 years across the Waikato region. Again, this efficiency target is considered to be conservative.

Need	Immediate opportunity
A stronger workforce	• To rebuild, develop, retain a highly skilled and adaptable workforce with clear career paths in the water industry
Deliver capital works more efficiently and cost effectively	• To strengthen capital works delivery by having a single team focused delivering projects on time and in budget • To provide supply chain with certainty of pipeline and enable supply chain management • To smooth costs as councils not competing for same resources
Improve resilience and compliance	• For infrastructure to be planned and developed in a more resilient manner through a single AMP informed by a single strategic AMP
Smarter consenting	• To evolve from council boundary, ad hoc consent applications to strategic integrated investment planning that take a whole of catchment approach, and looks to whole of river health

Need	Immediate opportunity
Better data to make better decisions	• To have a consolidated system capturing standardised data and supporting improved decision-making, effective prioritisation, proactive maintenance and capital works planning. This would address the risk identified by Taumata Arowai about network providers and the need for quality of data (particularly for network performance) and completeness of reporting needing to improve
Focused Governance	• Consistency of governance where a professional board of directors is appointed and is focused on (and accountable for) creating efficiency and delivery

Table 5.2 Needs and immediate opportunities captured at Stage 1

4.5. The end point

Any staged model must provide clarity on the long-term (5/10/15 year) end point councils collectively want to reach. The end point which aligns with the strategic direction adopted by participating councils (refer section 3 above) is a regulated regional water organisation, co-designed by councils in accordance with agreed design parameters (refer Appendix 3 as amended to reflect proposed legislative requirements).

4.5.1. Stage 2 Description

To achieve the strategic outcomes, the (end point) regional entity must be able to borrow in its own name and so must:

a) have an independent professional board
b) have control of waters services assets[3]
c) be able to make decisions about investments[4]
d) be able to set the price and tariff structures for water services across the service area in accordance with pricing principles set by participating councils. Balance sheet separation will only be unlocked if the entity is entitled to the revenue from water services.

Appendix 3 further sets out the design parameters for the end point fully regulated entity.

Councils may need to move into a fully regulated end point at different times and so the design of the end point can provide flexibility for this (subject to there being sufficient scale to go live).

4.5.2. Stage 2 Opportunities

Stage 2 seeks to extend the benefits captured during Stage 1 by developing an aggregated model that is positioned to achieve the outcomes (as demonstrated by the success measures) set out in the strategic framework at Section 3 to this report. For residual councils, the following needs will also be met:

[3] The ownership of assets is a matter that will be addressed once there is clarity on the options that will be made available to councils via legislation.
[4] Having regard to a prioritization framework pre-approved by participating councils and a statement of expectations

Need	Long term opportunity
Removing water debt from council balance sheet	• Where balance sheet separation is achieved, the increased borrowing will reduce the need for increased revenue from customers. From a council perspective, it will also open up balance sheet capacity within the council for its residual activities
Preparing for economic regulation	• Providing councils with a ring-fencing solution in terms of water services activity. Enables councils to prepare for economic regulation by removing water services from their main business and transferring into an organisation designed to respond to regulatory requirements.

Table 5.3 Needs and opportunities captured at Stage 2

5. The transition pathway

5.1. Pathway principles

The proposed principles that will inform the pathway to implement the strategic direction are:

a) **Sustainability**: focusing on long term financial and non-financial benefits
b) **Pragmatic**: balanced and pragmatic approach to reach end goal
c) **Simplicity**: people understand what is proposed and why
d) **Flexibility**: design and timing are flexible to cater for different needs
e) **Commercial robustness**: independent professional board accountable to shareholders and clarity as to respective roles
f) **Equitable**: everyone wins at some stage
g) **Cost effective**: choices made that are the most cost effective
h) **Risk**: risks associated with aggregation (including residual risk to councils) are managed and mitigated

Figure 6.1 summarises the application of these principles to stages 1 and 2.

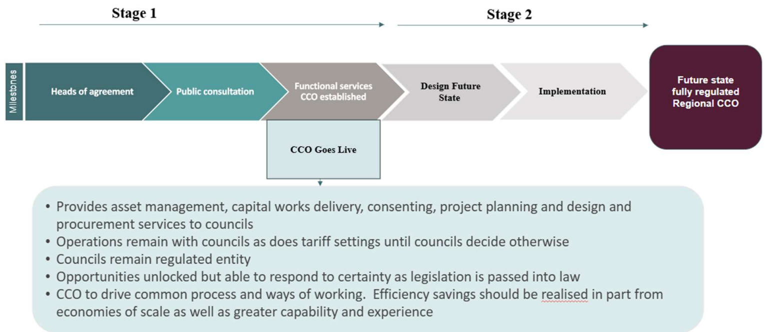

Figure 6.1 Overview of Transition Pathway

5.2. Stage 1 pathway

The first step to implementing Stage 1 is through a Heads of Agreement entered into by participating councils setting out the key terms of the relevant governance documentation. To ensure the detail required for the transition from current state to a functional services aggregated entity is captured and agreed (including managing risk to the residual business of council), it is recommended Chief Executives be given a mandate to commence negotiating a Heads of Agreement now.

The Heads of Agreement will be a non-binding agreement between participating councils, entered into in good faith to show a commitment to progress in the manner proposed. The content of the Heads of Agreement will include:

a) identifying the key governance documents (constitution, shareholders' agreement, letter/statement of expectations) and the key terms to be covered in those documents e.g. share allocation, voting rights and board appointment process
b) steps necessary to establish the Stage 1 functional services aggregated entity
c) roles and responsibilities between councils and aggregated entity and decision-making framework
d) consultation process to be adopted (i.e. whether new streamlined consultation process to be used)
e) transition pathway for evolving into the Stage 2 fully regulated aggregated entity (including any applicable conditions) e.g. process for Board to develop an establishment plan for a fully regulated aggregated entity,
f) key matters on which shareholder approval to be obtained for Stage 2 e.g. process principles for developing establishment plan, pricing principles, prioritisation framework, any share reallocation if assets are to transfer at the 'end point'
g) any exit ramps if a council no longer wishes to be a participating council after the formal governance documentation has been adopted

The agreed framework will inform the development of more formal documentation. Councils that do not enter wish to be participating councils at the Heads of Agreement stage will exit this workstream but will be kept updated on the development of the Heads of Agreement.

5.3. Stage 2 pathway

The pathway to Stage 2 will be embedded in the design of the staged model. This will be achieved through the governance documentation developed during Stage 1. These documents will empower a professional board to develop an establishment plan for a fit-for-purpose organistion that gets councils to the 'end point'. At this time (which will be after mid-2025) legislation will be in place to inform the Board's establishment plan. This plan will need approval from the shareholding councils based on the process set out in the relevant documentation.

5.4. Timing

For the sake of waters staff, it is important to maintain momentum. Uncertainty created by various reforms has gone on for too long. This report has outlined pragmatic steps that can be taken now on a no regrets basis. What is proposed enables current needs to be addressed while having the flexibility to adapt as we get legislative certainty.

Kaunihera | Council
25 September 2024

To retain Waikato District Council as a participant in the functional services aggregated entity, Waikato District Council has advised it needs a good faith commitment from councils as to the establishment of a stage 1 aggregated entity by November 2024. This will allow Waikato District Council sufficient time to put alternative arrangements in place before expiry of its contract with Watercare (end of June 2026).

Considering this, and balancing with the requirement of water services delivery plans to be submitted by August 2025 (subject to extensions of time in limited circumstances), the indicative timing for Stage 1 and Stage 2 development is as follows:

a) **November 2024**: non-binding good faith Heads of Agreement in place
b) **Q1 2025**: governance documentation is approved and adopted by participating councils
c) **Q2 2025**: Stage 1 functional services entity established, establishment board and establishment Chief Executive in place
d) **Post Q2 2025**: The timeframe for agreement of the establishment plan for Stage 2 will be a matter for shareholding councils to agree between themselves (in conjunction with the Board) as will the timeframe for the implementation of that plan.

The above timeline enables participating councils to manage and respond to the timeline challenges set out in section 2.2 above.

6. Next steps

6.1. Recommendations adopted

If the recommendations are adopted:

a) A Heads of Agreement will be negotiated and brought back to the council for approval before the end of October 2024. The Heads of Agreement is intended to be a non-binding document.
b) Formal commitment to Stage 1 will only occur when the governance documentation is approved and adopted by a participating council (likely to be by the end of Q1 2025). The process to design and develop Stage 2 will be embedded in the governance documentation, together with any exit ramps agreed by the shareholding councils.

6.2. Recommendations not adopted

If the recommendations are not adopted, and a council does not approve of being a participating council in the proposed aggregated model, it will exit the Waikato Water Done Well workstream but be kept informed of the work underway.

Appendix 1 - Methodology

1. The focus of the work undertaken for Waikato Water Done Well has been on:
   a) potential spatial options for aggregation
   b) "showstoppers" (a summary of the concerns raised by Forum members in relation to an aggregated entity)

2. Following a meeting of the Joint Forum on 11 March 2024, it was agreed that:
   a) further work would be carried out on the spatial options, including a workshop with key Council staff to test the outputs from the financial modelling
   b) developing design parameters to address the "showstoppers"
   c) a proposal be submitted to the Forum on 22 July 2024

3. Since March 2024 numerous meetings have been held to move through steps 3 and 4 of the Waikato collaborative roadmap. This has been at a time when resources are already stretched, reflecting a strong desire across the region to arrive at the right pathway forward.

4. Council representatives of the Forum attended a briefing with the Local Government Minister Simeon Brown on 12 June 2024. At this, the Minister personally confirmed to the Forum that the government is looking for a more joined-up approach to three waters delivery, including in the Waikato.

Step 3 of roadmap - Financial assessment

5. The process informing the Waikato financial modelling undertaken at step 3 of the roadmap is set out below.

Spatial options

6. Based on feedback, the scope of the spatial options was increased to include the whole Waikato (excluding HCC) option. Accordingly, the four spatial options are:
   a) Whole of Waikato
   b) Waikato river catchment
   c) Hauraki Coromandel catchment
   d) Whole of Waikato (excluding HCC)

Vehicle options

7. Key requirements to achieve the strategic outcomes are that the end entity is one that can achieve balance sheet separation from councils and, in the short term, can borrow through the Local Government Funding Agency (**LGFA**). As LGFA can only lend to councils and CCOs, the entity will need to be a form of CCO that can access borrowing through LGFA and retain the current cost of borrowing.

8. The service delivery options that announced by the Department of Internal Affairs in August 2024 are:
   a) In-house (business unit or division)
   b) Single council owned water organisation
   c) Multi-council owned water organisation
   d) Mixed council / consumer trust owned

e) Consumer trust owned

9. Guidance is that councils are free to choose alternative arrangements subject to them meeting the regulatory requirements and being financially sustainable.

10. Based on the requirement for any vehicle to achieve balance sheet separation and retain the ability to borrow from LGFA, the legal form that aligns with the options announced is the multi-council owned water organisation. As per guidance, any such organisation needs to be company and, again to ensure the ability to borrow from LGFA, must be owned by councils.

11. A limited liability company is consequently the recommended vehicle.

Financial modelling

12. The process applied to develop the Waikato financial model and confirm the assumptions which underpin it are as follows:

Steps in relation to development of financial model	
a)	as directed by the Forum, the Project Team has leveraged off past work done by councils and DIA in relation to water services delivery and has optimised existing resources available
b)	the financial model built by DIA's NTU financial modelling team in the context of the former Entity A (Wai Tamaki ki Te Hiku) Funding and Pricing Plan was used as the starting point
c)	the assumptions underpinning that model (version 1 assumptions) were reviewed by a project working group appointed by the Forum and Waikato CEs and updated (version 2 assumptions)
d)	the updated assumptions were then further tested with a small number of CFOs from across the Waikato (version 3 assumptions)
e)	the version 3 assumptions were tested with the wider CFO Forum in April 2024
Steps in relation to collation of data	
f)	Data is input based on the 10-year financial information for waters related activity (capex and opex) as included in the Long-Term Plan 2024 / enhanced Annual Plan

13. In addition to the above, the following steps have been undertaken to inform the recommendations:
    a) A workshop with the CFOs to discuss, in addition to the assumptions, the data being input into the financial model and the metrics for measuring a comparative analysis of councils going alone versus an aggregated model. In overview, it was agreed that financial modelling should be completed using the LTP 2024 data rather than any unconstrained programme of work. This is because unconstrained is not realistic in either scenario due to issues around deliverability and capacity.
    b) Further meetings to discuss the appropriate metrics that should be applied to compare options
    c) Quality assurance carried out by council finance staff and Co-Lab in relation to the financial model
    d) Input and direction from the CE Working Party on 8 April and 31 May in relation to financial modelling and showstoppers
    e) Input and direction from the Waikato CE Forum on 19 April, 17 May in relation to financial modelling and showstoppers

f) Further input and direction from the Waikato CE Forum on 21 June in relation to the strategic direction, findings and recommendations to be put to the Forum, with a follow up meeting on 5 July 2024

g) Direction from the Forum Reference Group on 26 April and 15 June LTP Confidence survey across the CEs

Step 4 of roadmap – Design parameters (showstoppers)

14. Showstoppers are those local concerns over and above financial concerns raised by Forum members in relation to an aggregated entity. These were captured from discussions across CEs and tested with the Forum Reference Group.

15. Following workshops with the CE Forum, the concerns have been distilled into the below groups:

a) Local voice and influence

b) Distributional impacts

c) Service delivery, scope and standards

d) Transition considerations

16. For completeness, the table of concerns is included below.

Overarching groups identified	Concerns captured in grouping
Local Voice and influence	• Timeframe to price harmonization (formerly known as cross-subsidisation) • Enabling local voice • Governance • Prioritisation of communities • Community perception re assets being 'given away' • Ability to influence pricing • Iwi buy in and influence in decision making
Distributional impacts	• Timeframe to price harmonization • Prioritisation of communities • Water metering
Service delivery, scope and standards	• Ability to create scale and mode quickly • Stormwater – in or out
Transitional considerations	• Ability to create scale and move quickly • Stranded costs • Costs involved in standing up a CCO

Appendix 2 - Summary of Bill#2 (as at the date of this report)

1. The Local Government (Water Services Preliminary Arrangements) Bill was introduced into Parliament in May 2024. The Select Committee returned its report on 18 July 2024. The Bill is due to be passed into law in August 2024. It is the second stage in the Government's Local Water Done Well following repeal of the previous Government's water services entity model in February 2024.

2. The content of the Bill largely aligns with previous Ministerial announcements.

3. There are effectively three matters provided for in the Bill (not including provisions specific to Watercare). These are:
   a) Water services delivery plans (**Plans**) (once off occurrence)
   b) Foundational information disclosure
   c) Streamlined provisions for consultation

4. Bill#2 will require councils to prepare and submit water services delivery plans (Plans) within 12 months of the Bill being passed into law. Plans must be submitted to the Secretary for Local Government (CE of Department of Internal Affairs (DIA)) for approval, but the Minister of Local Government can give a time extension in limited circumstances. Any extension of time granted by Minister to submission date must specify for how long

5. In broad terms, the Plans must identify the current state of a council's water services, and show how the council will deliver those services in a way that:
   a) meets relevant regulatory quality standards for stormwater, wastewater and water supply networks
   b) is financially sustainable
   c) ensures compliance with drinking water quality standards; and
   d) supports housing growth and urban development objectives.

6. More specifically, the Plans ask for councils to describe:
   a) Current state of network
   b) Current levels of service
   c) Areas that receive water services in the district and those that don't, together with infrastructure associated with provision for population growth and development capacity
   d) Whether water services comply with current regulatory requirements (and to what extent) and will comply with anticipated future regulatory requirements. Must describe any non-compliance (actual or anticipated) and how the proposed model for future delivery will address
   e) Details of capex and opex required to deliver water services and for regulatory requirements
   f) Financial projections for period of plan – opex, revenue, capex, debt.
   g) Assessment of current condition, lifespan and value of network
   h) Asset management approach
   i) Issues, constraints and risks, together with impact on delivery
   j) Anticipated or proposed model for delivering water services (including any joint arrangement or to continue to deliver alone)
   k) How will revenue be separated from other functions

l) What consultation was undertaken to develop the information re the anticipated or proposed model for delivering water services

m) Plan to make financially sustainable by 30 June 2028

n) Implementation plan for proposed model

o) Any other information set in rules by Secretary for Local Government under the Act within 3 months of Act being in force

7. **Period covered**: Plans must cover at least 10 financial years, with more detailed information for the first three financial years. Plans cover 10 years from 2024/2025 financial year, but MAY include information for additional 20 years if helps to identify future investment requirement

8. **Approval**: Plans must be adopted by resolution of council and certified as true and accurate by the Chief Executive.

9. **Joint arrangements**: Councils can prepare a joint Plan with other councils. Joint arrangements must cover all water supply and wastewater services of the participating councils, but a council can choose to retain for itself delivery of some or all of its stormwater services, if it wishes. A key decision for councils when preparing their plan will be whether to continue delivering services alone, or enter into a joint arrangement with other councils, whether through a CCO or some other arrangement. If a CCO with other councils is preferred, there is a streamlined consultation process.

10. **Implementation plan:** Plans must include an implementation plan for delivering proposed model or arrangements and if the proposal is to deliver water services alone, the actions that ensure financial sustainability by 30 June 2028. Implementation plans must include:

    a) process for delivering the proposed model or arrangements

    b) commitment to give effect to the proposed model or arrangements once plan is accepted

    c) name of each council that commits to delivering the proposed model or arrangements

    d) time frames and milestones for delivering the proposed model or arrangements

11. **Post submission**: Minister is required to decide on whether Plan is compliant as soon as reasonably practicable after submission. Further:

    a) Councils are required to give effect to proposals for future delivery once plan accepted - objective is to get councils to start actioning plans

    b) Secretary given power to monitor compliance with plans

    c) Plans can be changed post approval where amendments significant or is a change is to the proposed model set out in the original plan – amended plan must be submitted within 18 **months of Bill becoming law**

12. **Statutory backstop**: A Plan will only be approved by the Secretary if it complies with the legislative requirements. If the Secretary is not satisfied the Plan is compliant, he can ask the council (or councils where the Plan is joint) to amend it and resubmit by a specified date. The Minister can appoint a Crown facilitator or Crown water services specialist in specific circumstances. The Crown facilitator can assist with preparation of the Plan and facilitate any negotiations between joint parties to an arrangement. The Crown water services specialist can prepare Plans on behalf of a council or direct a council to adopt a Plan that the specialist has prepared (which could effectively remove the council's lead role in the process).

    a) Notice to be given before a Crown facilitator of water services specialist is appointed

    b) Minister also has the power to appoint a Crown facilitator if plans not given effect to by Councils

Attachment A

Additional information: disclosure requirements

13. The Bill's explanatory note states that "foundational information disclosure" will be provided through Plans "to lay the groundwork for comprehensive economic regulation". It also enables the Commerce Commission to require a council or a CCO to publicly disclose a wide range of information such as financial statements, asset values and valuation reports, pricing information, contracts, related party transactions, financial and non-financial performance measures, asset management plans, and quality performance measures and statistics.

Streamlined consultation

14. The Bill provides for an alternative consultation and decision-making process (modifying the existing processes in the Local Government Act 2002).
15. The important features of these alternative arrangements are:
    a) Councils do not have to consider "all reasonably practicable options". They may identify two options only - being the status quo and the proposed new arrangement
    b) Councils are only required to consult once, and do not have to consult on any amendments to the LTP that are required as a result of a decision relating to a CCO
    c) Councils may conditionally approve an LTP plan amendment subject to the agreement by other parties to a joint arrangement
    d) Councils may (but are not required to) consider the impact of a joint CCO on communities in the areas covered by the joint arrangement (not just their own districts)
    e) principles for public consultation in LGA apply to alternative consultation process for joint arrangement
    f) information made publicly available must include how proposal is likely to affect rates, debt, levels of service and charges for water
    g) Councils will be temporarily exempt from having to consider the cost-effectiveness of current arrangements for meeting the community's needs, under section 17A of the Local Government Act 2002
    h) For councils that opted to defer their LTPs, they can combine consultation on a CCO and their LTPs for 2025-2034.

Appendix 3 – Design parameters

Category	Design of future state fully regulated Regional CCO must:
Local voice and influence	• identify factors to be prioritised for further development – capture for statement of expectations • identify mechanisms for local voice/ influence/representation – noting the requirement to have a consumer complaints process under economic and consumer protection regulation • confirm integration of Treaty settlement arrangements as a key design principle
Distributional impacts	• have a phased pricing pathway/transition as a key design principle • provide for further work required on possible conditions of entry (to mitigate concerns over past investment) • agree consistent public messaging (officer and Elected Members) around the value of the model, scale of savings
Service delivery, scope and standards	• be flexible to account for regulatory uncertainty • have options for stormwater that align with government policy
Transition considerations	• approach LGFA to determine if borrowing will be available for aggregation establishment costs • recommend each council manage their own stranded costs – with time for this to be managed and transition pathway principles • provide for a staged model including ability for councils to 'opt-in' post establishment
Credit rating separation and increased borrowing	• align with design parameters set out in Bill#3 to achieve increased debt capacity but still enable LGFA borrowing. Model options and parameters currently being developed. May require councils to ring fence water services revenue and debt in a separate model and dilution of council control • enable residual councils' balance sheets to be opened up to meet other community expectations which are currently limited

7.5 Waikato Water Done Well - Proposal

CM No.: 2924404

Te Kaupapa | Purpose

The purpose of this report is to enable Matamata-Piako District Council to consider and make informed decisions with respect to the Waikato Water Done Well recommendations.

Rāpopotonga Matua | Executive Summary

Under the Local Waters Done Well Council is required to consider the model it will adopt to manage and deliver Waters Services to the District.

As previously reported the Mayoral and Iwi Leaders Forum asked the Chief Executives to consider options for the Waikato and report back.

In a review of reviewed Long Term Plans it was identified that over the next 10 years Councils in the Waikato have budgeted $7.5 Billion for the 3 Waters of which $5 Billion is allocated for Capital works.

The challenge of resourcing, delivering and funding is significant.

The introduction of stronger regulatory requirements including economic as well as quality will place additional operational risk on the organisation.

The current point discharge consenting system doesn't allow for a wider catchment based context to be assessed and therefore there is the potential for inefficient expenditure that doesn't benefit water quality.

A catchment based approach will provide for the potential for working with the regulators to explore other investment opportunities that provide better water quality outcomes.

Aggregation of Councils Waters functions as Stage 1 will allow strategic discussions with the Civil contracting industry and with the regulators to identify more effective ways of working with more efficiency.

The first step in the process is for Councils to discuss and develop a Heads of Agreement (HoA) that will set the base for developing a separate waters entity for those Councils who see merit in the proposal.

Funding for this next step will be sourced from the allocation Council approved for the development of a Water Services Plan.

WHAKATAUNGA A TE KAUNIHERA | COUNCIL RESOLUTION
That:

1. Council receive this report, the material presented and the attached technical report

AND

2. Council approve the following recommendations relating to future water services by Matamata-Piako District Council:

a) Strategic framework:

Council agrees to the vision, outcomes and success measures for the Waikato to be adopted in principle. These are set out in section 3 of the attached technical report and also included in this report for ease of reference.

b) Co-design a staged aggregated model:

Council agrees to be a participating council that will co-design an aggregated model for the delivery of water services staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils. The end point (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity (or as termed in the service delivery models recently announced by the Minister, a multi-council owned water organisation).

c) Advise Forum Chairs of decision:

Council formally advise the Joint Chairs of the Waikato Joint Mayors and Chairs Forum (via the Co-Lab project team) of their decision in relation to the above recommendations by end of September 2024.

d) Heads of Agreement:

Council formally instruct its Chief Executive to negotiate a Heads of Agreement (HoA) to bring back for council approval by the end of October 2024 (with the intention of the HoA being signed in November 2024). The HoA will be a non-binding agreement between participating councils, entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.

Resolution number CO/2024/00007

Moved by: Cr B Dewhurst
Seconded by: Cr K Tappin

<u>KUA MANA | CARRIED</u>

The meeting adjourned at 10.09am and reconvened at 10.30am.

Waikato Water Done Well

Supplementary Financial Analysis for Matamata Piako District Council

3 March 2025

This document is supplementary to the "Proposal for Waikato Water Done Well" document dated 3 March 2025 (WWDW Proposal). This document sets out additional information about the financial forecasts for Waikato Water Done Well, a service delivery option premised on the establishment of a jointly owned CCO ("Waikato Waters Limited") to deliver water services on behalf of councils.

It should be read in conjunction with the WWDW Proposal. Where relevant, parts of the commentary (and appendices) in the WWDW Proposal have been replicated in this document so that it incorporates the entire financial analysis and supporting material. However, the description of the Waikato Water Done Well CCO and the glossary of terms are all in the WWDW Proposal.

The WWDW Participating Councils are:

Hauraki
Matamata Piako
Ōtorohanga
South Waikato
Taupō
Waipā
Waitomo

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Attachment B

Financial analysis summary

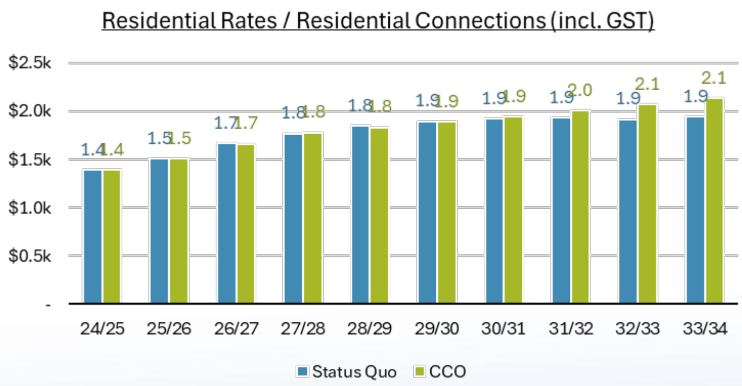
The Waikato Water Done Well CCO model offers the opportunity for communities to financially benefit from their Council's leadership in aggregating water activity.

The financial modelling assumes that efficiencies from scale take time to materialise. That assumption, and the need for upfront investment to establish and operationalise the CCO, means that the payback period is ~9 years (i.e. the savings generated cover the initial up-front costs). While there is nominal financial benefit in the short term, the returns in the medium to long-term are very meaningful.

Although savings will take time to generate, by bringing together several councils with different debt profiles, the CCO has the opportunity in the short term to leverage the debt headroom available to it, to keep charges for water lower than could be the case for most councils on a standalone basis. **The CCO is financially sustainable with annual revenue increases of ~4% once all councils have transitioned.**

Impact on household rates (at a glance)

For your council



Waikato Water Done Well

The CCO's financial position

Leveraging debt to plot a stable and more affordable price path forward

Figure 1. shows the operating revenue profile through to FY2033-34 **for the CCO** based on the model financial forecasts, as compared to 'status quo', which is based on a simple aggregation of the individual councils' forecasted water and wastewater revenue.

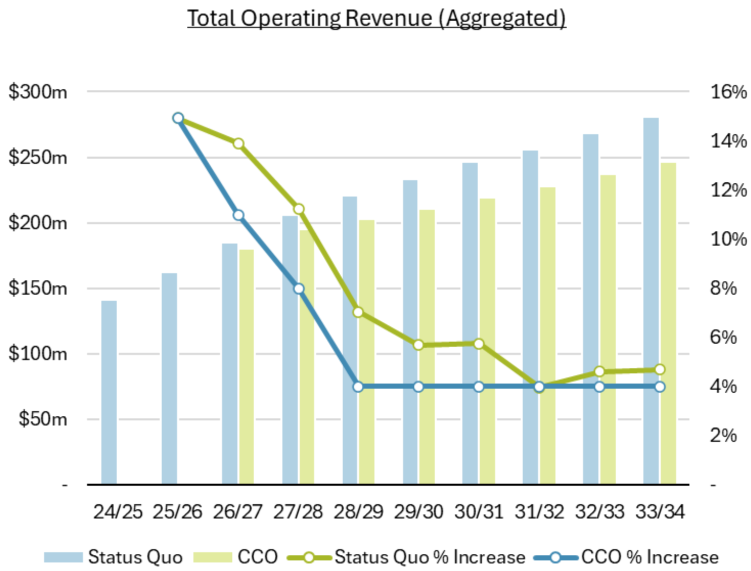


Figure 1

It is evident that:

- The Waikato Water Done Well CCO can hold increases in operating revenue to 4% p.a.[1]. It can do this by leveraging its increased debt capacity in the short term.
- This price path is lower than the aggregation of what Councils are forecasting individually for most of the forecast period.

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1 Once councils have transitioned their water services business into the CCO.
Note that when discussing a possible price path (e.g. Figure 1), within the model it has been necessary to assume that all Councils transition effective 1 July 2026.

Waikato Water Done Well

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- By FY2033-34 that means revenue[2] of the Waikato Water Done Well CCO is significantly lower (by $34m or 12.9%), than what Councils are forecasting in aggregate.
- Across the forecast period total CCO revenue is forecast to be $176m lower than the aggregated projections of the Councils.
- Because the CCO retains debt headroom, if unexpected infrastructure is required communities will be less exposed to short-term fluctuations in water charges than might be the case with a stand-alone Council.
- Collectively, that translates to more affordable water charges.

Debt capacity

The Waikato Water Done Well CCO will operate at arm's length from the shareholding councils. Under this structure, LGFA has confirmed a water services CCO will be able to access debt up to 500% of its annual revenue, subject to prudent credit criteria. This creates significant debt capacity for the CCO.

Modelling shows that the Waikato Water Done Well CCO can operate within expected debt covenants, has the bandwidth to invest in what districts need and the resilience to respond in the event of an emergency (e.g. natural hazard). Coupled with cost savings and options as to how to apply these savings, the CCO provides a mechanism to manage the risk of unforeseen events that could quickly adversely affect councils' communities.

Figure 1 above shows what could be possible *if* the proposed CCO seeks to minimise water charges in the forecast period. Under that scenario debt at the end of that period (June 2034) sits at $979m[3].

Alternatively, the Waikato Water Done Well CCO could hold water charges in line with that currently forecast by Councils (in which case the debt at the end of the forecast period would be $656m[4]). Retaining water charges at these levels gives the Waikato Water Done Well CCO options.

Investing to create value in the medium to long term

Figure 2 shows the **net** cost savings each year over the forecast period.

There are upfront costs reflecting:

---

[2] Excluding development contributions
[3] The aggregate forecast debt at June 2034 based on councils' LTPs is $674m
[4] The difference between this and the $674m in footnote 4 is the cumulative cost savings realised by the CCO to that point (see Figure 3).

Waikato Water Done Well

- The initial spend to get the right infrastructure in place for the CCO to operate effectively (e.g. IT systems),
- The additional operating costs the CCO must carry (e.g. executive staff, premises), and
- Early work to realise savings in subsequent years (spend-to-save).

In FY2025-26, the Waikato Water Done Well CCO is not projected to derive any income, with the first of the Councils transferring their waters activity into the CCO from 1 July 2026. It is therefore only from this date that the CCO will have responsibility for water services and be entitled to water charges in its own right.

From FY2026-27 savings start to be realised. These efficiencies are able to be created in large part because of the scale of the Waikato Water Done Well CCO. As they are progressively realised, from FY2029-30 savings start to outweigh the additional CCO costs.

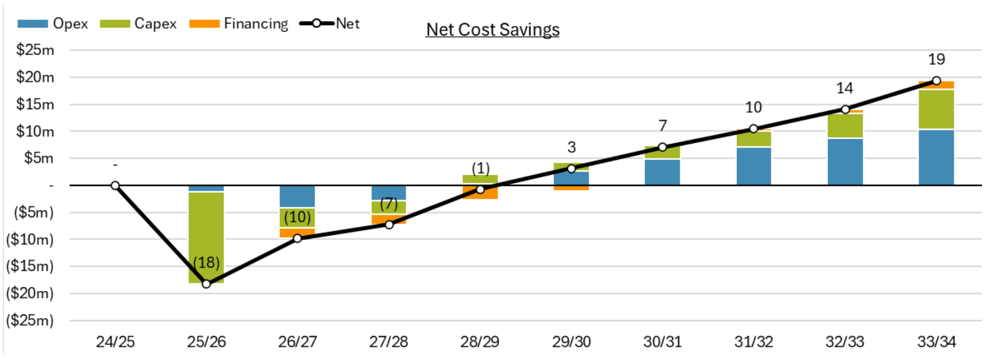

Figure 2

With the upfront infrastructure investment and 'spend-to-save', the cumulative net cost savings during the forecast period to 30 June 2034 are modest at only $18m (Figure 3). The payback period is nine years.

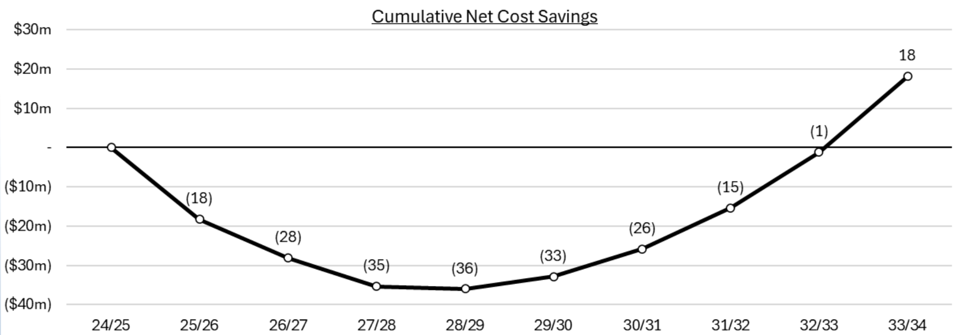

Figure 3

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Attachment B

But savings (in percentage terms) are only modelled to peak in FY2041-42, at which point cumulative net cost savings are projected to be ~$360m (Figure 4).

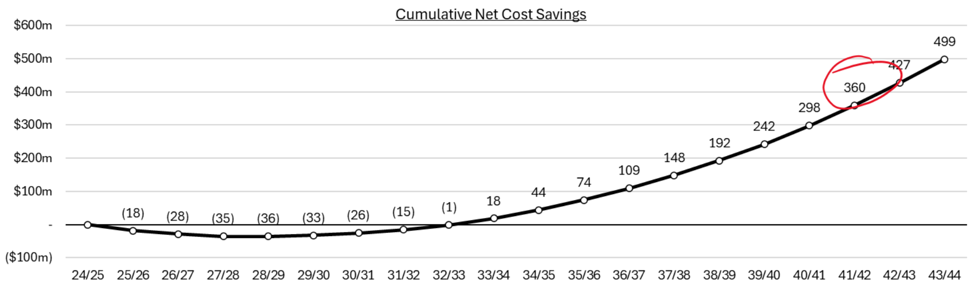

Figure 4

It is in the years beyond 2034 that the true benefit of scale becomes apparent, and the relative affordability of water services delivery will be felt.

Key messages

The key messages you should take away from the financial forecasts are:

- By leveraging the additional debt capacity the Waikato Water Done Well CCO will have access to once councils have transitioned, it will quickly be able to limit the annual increase in water charges should it wish to, meaning **water services are more affordable**.
- The additional debt capacity creates debt headroom to allow the Waikato Water Done Well CCO to invest in infrastructure. This means that it can better respond to unforeseen infrastructure requirements (e.g. from a natural disaster), and that means **water charges can be held comparatively stable** (i.e. they will not need to fluctuate to meet short-term investment needs).
- We expect that the scale created by several councils coming together will **realise savings in the capital work programme and day-to-day operations** over the medium to longer-term.
- **Efficiencies will not materialise without investment**. The financial forecasts allow for significant investment ($37m over nine years) into identifying and delivering those savings.
- The **assumed efficiencies are realistic**. This is not the first-time aggregation of water services activity has occurred, and the extent of savings (in percentage terms) has been estimated with reference to previous examples.
- **Savings in operating costs and capital expenditure are significant over the medium to long term**. Savings (in percentage terms) are only modelled to peak in

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FY2041-42, at which point cumulative *net* cost savings are projected to exceed $360m.

- Throughout the forecast period **the company can operate within its debt covenants, even while having only modest increases in water charges**.
- The savings realised from a smarter approach to work at scale means **the CCO will have greater flexibility** in how it carries out its activities.

DIA Measures

The DIA will be using various measures to test the sustainability of a proposed water services delivery model. Those measures for the CCO, as we currently understand them to be, are included in Appendix 2.

Aggregation: what it means for your communities

Basis for attributing the benefit of aggregation

The financial model attributes the overall benefit of the Waikato Water Done Well CCO (as set out above) to each council. It does this to provide a proxy for how each Council's communities will benefit from the Council delivering water services via the proposed CCO.

It is a proxy only. Your communities won't directly pay for the upfront investment required. Similarly, the Waikato Water Done Well CCO Board and Executive will ultimately decide the price path of water charges (for example), having regard to regulatory requirements, although shareholders will be able to direct the CCO on this through the Statement of Expectations.

However, recognising various assumptions must be made, the proxy is a reasonable guide to the estimated quantitative value of the aggregated water services delivery model to water users in your district.

Detail on how the financial model has been built is set out in Appendix 1.

The basis of allocating the efficiencies and the upfront investment made by the CCO to each council changes over the forecast period. Currently[5], in FY2025-26 the basis of allocation is a blended rate, with a component (25%) of the investment shared equally and

[5] The allocation basis can be changed within the model.

the remainder apportioned based on connections[6]. This allocation basis shifts over the following two years so that by FY2028-29 the efficiencies are attributed based on the Opex/Capex profile in Councils' Long-Term Plans[7]

Impact of Waikato Water Done Well

Impact on water charges

The table below sets out what the water charges (and overall operating revenue), could be under the Waikato Water Done Well CCO model compared to what would be the case if water services continue to be delivered by the council (based on its current forecasts). It assumes that the CCO makes use of debt to keep water charges lower, but in a way that can be sustained long-term.

	Water charges per residential connection (incl. GST)			Total forecast operating revenue[1]
	2024/25	2029/30	2033/34	
Waikato Waters Ltd (CCO)	$1,391	$1,890	$2,133	$250.1m
Council[2]	$1,391	$1,898	$1,941	$241.4m
Difference – additional cost/ (saving)	$0	($8)	$192	$8.7m

1 To June 2034
2 Based on latest financial information provided by the Council

Impact on your Council's rates

Under Local Water Done Well, charges to customers for water services must be transparent and ring-fenced from what is being charged for non-water related activity. At all times, Council will continue to rate for activities other than drinking water and wastewater.

Once water activity is transferred into the Waikato Water Done Well CCO, the CCO will assume responsibility for the delivery of drinking water and wastewater services to your Council's communities. Stormwater will remain the responsibility of the Council, although management of stormwater may be outsourced to the CCO.

Currently, the expectation is that shareholding councils will transfer their water activity to the Waikato Water Done Well CCO in a staggered manner between 1 July 2026 and 30 June 2028. The transfers are to be staggered to ensure that they are well managed and bedded in, before the next group of councils shift their water activity across.

6 It is the same basis as that agreed by councils to fund the Waikato Water Done Well project.

7 This is a reasonable basis given the efficiencies are an assumed percentage of these amounts.

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The financial modelling currently assumes that your Council's drinking water and wastewater activities will be transferred on 1 July 2027. This is still to be agreed by the Councils.

Based on the above:

a) At all times, Council will continue to charge for stormwater services and other public services activities
b) Council will continue to charge for water services (in a transparent manner) until the date its water activity is transferred into the Waikato Water Done Well CCO
c) Once water services are transferred to the Waikato Water Done Well CCO they come under the control of the CCO's Board. Those activities include the setting of water charges. This means:
    a. in terms of amount being charged, as the Board will determine the price path it is not possible to say with certainty what the water charges from the Waikato Water Done Well CCO might be. What we can say is that, as noted earlier, the ability of the CCO to leverage additional debt, coupled with the efficiencies expected to be realised by bringing the water activities of several councils together, means that in the medium-term water services delivered by the Waikato Water Done Well CCO should be comparatively more affordable (and certainly so, longer-term).
    b. in terms of invoicing, it may be that Council will continue to charge for water services on behalf of the Waikato Water Done Well CCO in the short-term. However, long term, the Waikato Water Done Well CCO will charge directly for water and so customers will receive a rates invoice from Council and a separate invoice for water services from the CCO.

Impact on your Council's debt

The transfer of drinking water and wastewater activities to the Waikato Water Done Well CCO includes the transfer of debt the Council has that relates to those activities. That means that Council's debt will be less than it is right now, and this provides the opportunity for it to borrow more, should it wish, to deliver other non-water activities / assets to communities.

Impact on levels of service

A key principle guiding transition planning is that the transition will be seamless from a customer perspective. The Waikato Water Done Well CCO Board will be accountable for ensuring that transferring the water activities to the Waikato Water Done Well CCO will not have a detrimental impact on levels of service. If anything, the investment in identifying efficiencies in operational and capital expenditure should improve levels of service. It will be important that service levels are maintained by the Waikato Water Done Well CCO. Shareholders will have the opportunity to make that clear in their Statement of Expectations.

Waikato Water Done Well

Arrangements for the funding, pricing, invoicing and collection of water charges

As noted earlier the Waikato Water Done Well CCO will assume responsibility for delivering drinking water and wastewater services. To do so, it will be required to establish its own funding arrangements. It is expected that required debt funding will come from the LGFA.

While setting water charges will be the responsibility of the Waikato Water Done Well CCO, it is likely that for a period after the transfer, the Council will continue to invoice for and collect payment of those charges on behalf of the CCO[8]. This is an interim arrangement to ensure that the CCO can focus on the delivery of capital works and ensuring levels of service are maintained (or improved) while also taking the time to identify the optimal financial systems and processes to support long-term operations.

Attributed benefits for your Council

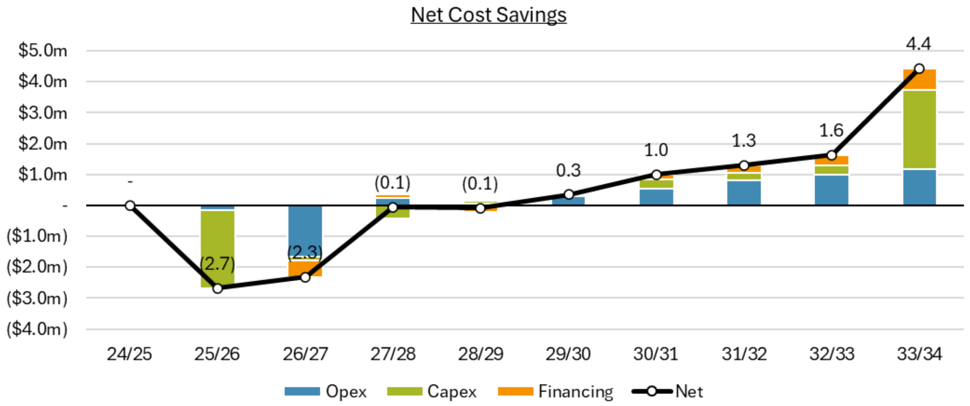


Figure 8

[8] This is a matter that will ultimately be agreed between the shareholding councils and the CCO.

Waikato Water Done Well

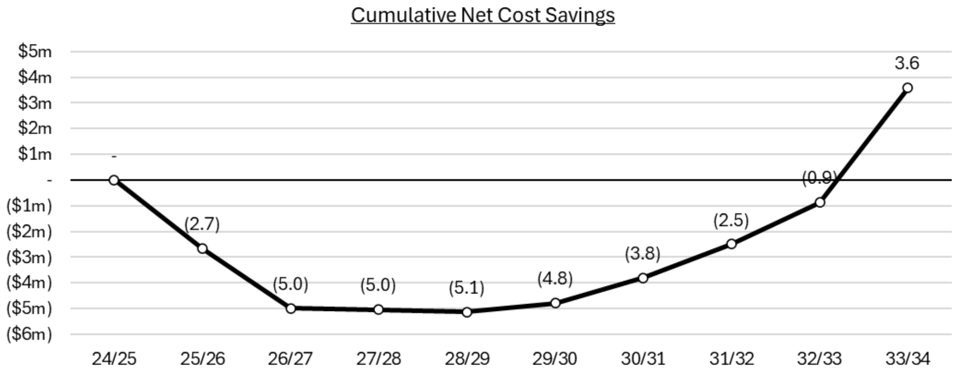


Figure 9

Figures 8 and 9 respectively show the annual and cumulative net cost savings (or investment) attributed to your Council. As noted previously, early-stage set-up costs plus the deliberate investment into finding medium to long-term efficiencies means that on an aggregated basis there is little return on investment in the short term.

However, Figure 10 shows that across a 20-year horizon your communities do see a more significant benefit from the Waikato Water Done Well structure as the full effect of the early investment to identify saving opportunities is felt.

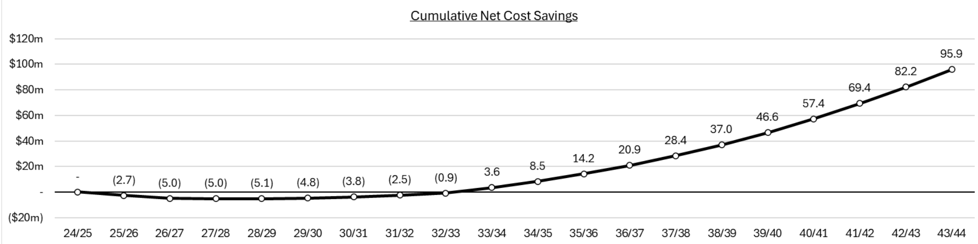


Figure 10

Sensitivity analysis: forecast risks particular to the CCO

The sensitivity analysis set out below compares the assumed financial forecasts for the Waikato Water Done Well CCO (base case) with the position where a key assumption is modified, namely:

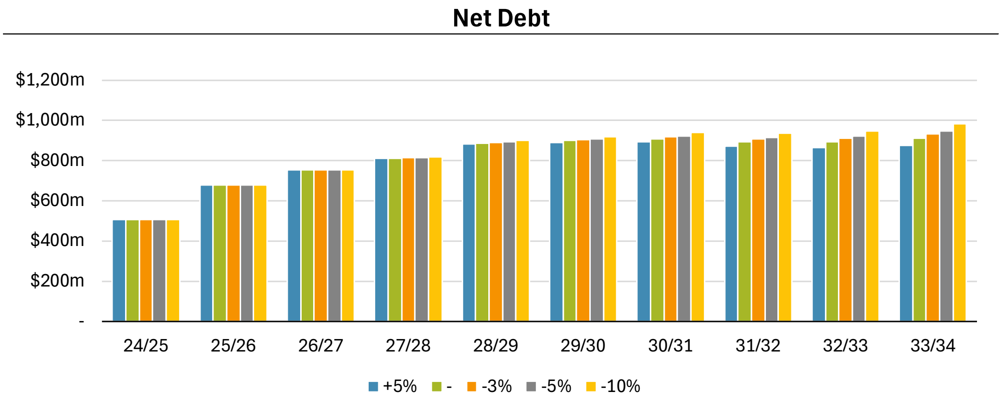
1) Where peak efficiency varies from the assumed 15%
2) Where the CCO establishment costs vary

Note: sensitivity analysis has not been undertaken in relation to changes in inflation, interest rates or increased costs of delivering the planned capital works programme. This is because these macro conditions apply equally to a council's 'status quo' position and so will not affect the comparative position with the Waikato Water Done Well CCO.

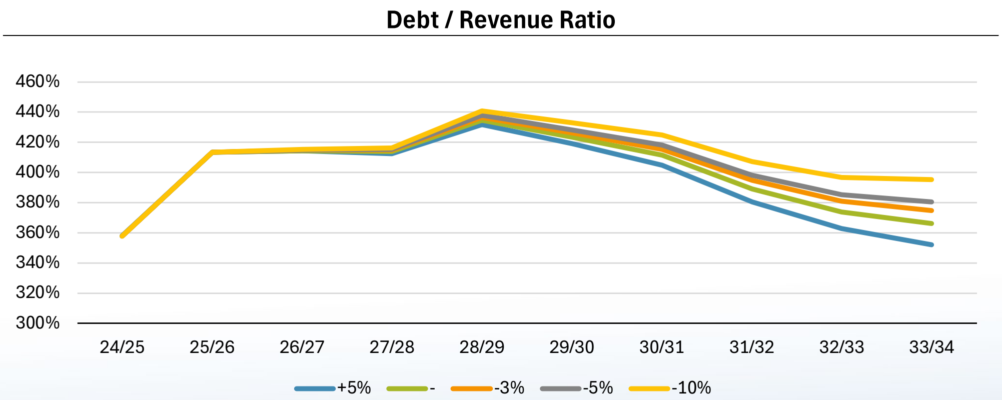
Sensitivity 1: Peak efficiency differs from the base case by +5%, -3%, -5%, -10%

To the extent less cost savings are realised than anticipated, debt will correspondingly go up. The charts below show the impact on debt if the assumed efficiency changes.

While under each scenario debt to revenue ratios are maintained within the expected limit of 500%, at -10% (i.e an implied peak efficiency of just 5%), the FFO to Debt ratio does start to become strained, sitting below what we understand the long-term minimum ratio is likely to be.

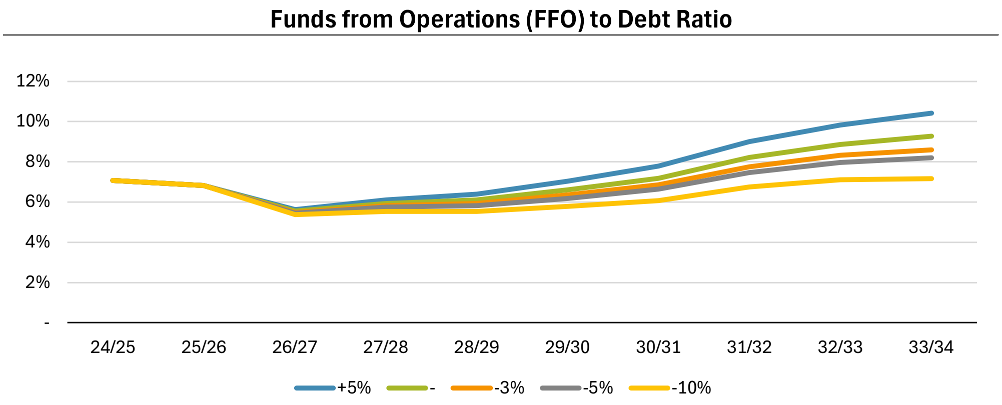


$millions	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
+5%	506	677	753	810	882	889	893	873	866	874
-	506	677	753	812	888	899	908	894	893	909
-3%	506	677	754	814	891	905	917	906	909	931
-5%	506	677	754	815	894	909	923	914	920	945
-10%	506	677	755	817	900	919	938	935	948	981



%	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
+5%	358%	413%	414%	412%	432%	419%	405%	380%	363%	352%
-	358%	413%	414%	414%	435%	423%	411%	389%	374%	366%
-3%	358%	413%	415%	415%	436%	426%	415%	395%	381%	375%
-5%	358%	413%	415%	415%	438%	428%	418%	398%	385%	380%
-10%	358%	413%	415%	416%	441%	433%	425%	407%	397%	395%

Waikato Water Done Well

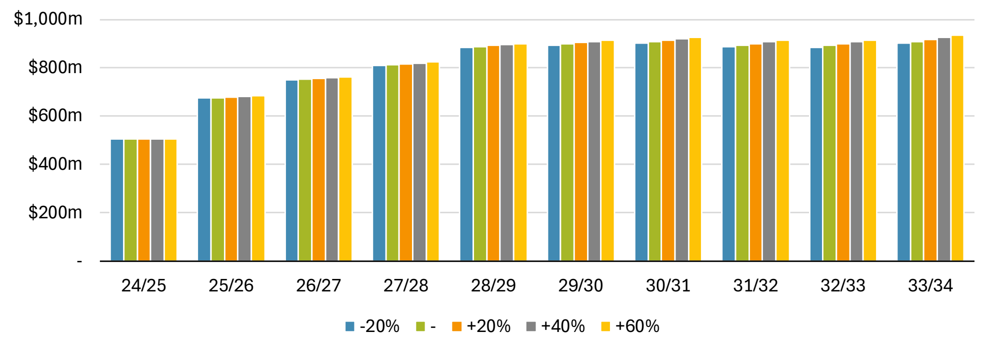


%	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
+5%	7.1%	6.8%	5.6%	6.1%	6.4%	7.0%	7.8%	9.0%	9.8%	10.4%
-	7.1%	6.8%	5.5%	5.9%	6.1%	6.6%	7.2%	8.2%	8.9%	9.3%
-3%	7.1%	6.8%	5.5%	5.8%	5.9%	6.4%	6.8%	7.8%	8.3%	8.6%
-5%	7.1%	6.8%	5.5%	5.7%	5.8%	6.2%	6.6%	7.5%	8.0%	8.2%
-10%	7.1%	6.8%	5.4%	5.5%	5.5%	5.8%	6.1%	6.8%	7.1%	7.2%

Sensitivity 2: CCO costs differ from the base case by -20%, +20%, +40%, +60%

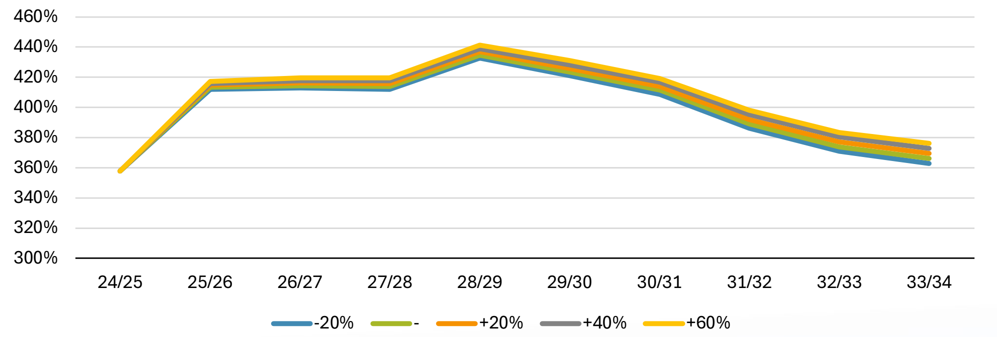
The key takeaway from the graphs below is that the company can readily absorb significantly greater ‘CCO specific’ costs.

Net Debt

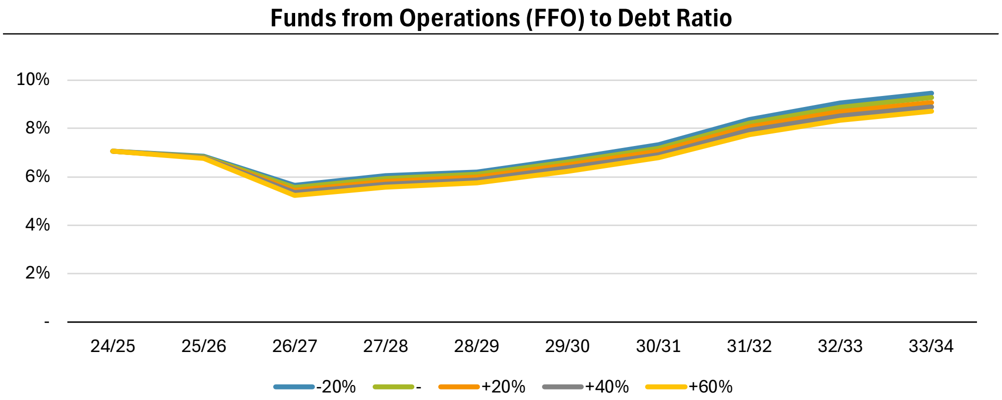


$millions	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
-20%	506	675	750	809	883	894	902	887	886	901
-	506	677	753	812	888	899	908	894	893	909
+20%	506	679	756	816	892	904	914	900	901	918
+40%	506	681	759	820	896	910	920	907	908	926
+60%	506	683	762	823	901	915	926	914	916	934

Debt / Revenue Ratio



%	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
-20%	358%	412%	413%	412%	433%	421%	409%	386%	371%	363%
-	358%	413%	414%	414%	435%	423%	411%	389%	374%	366%
+20%	358%	415%	416%	416%	437%	426%	414%	392%	377%	369%
+40%	358%	416%	418%	418%	439%	428%	417%	395%	380%	373%
+60%	358%	417%	419%	419%	441%	431%	419%	398%	383%	376%



%	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
-20%	7.1%	6.8%	5.6%	6.0%	6.2%	6.7%	7.3%	8.4%	9.0%	9.5%
-	7.1%	6.8%	5.5%	5.9%	6.1%	6.6%	7.2%	8.2%	8.9%	9.3%
+20%	7.1%	6.8%	5.4%	5.8%	6.0%	6.5%	7.1%	8.1%	8.7%	9.1%
+40%	7.1%	6.8%	5.3%	5.7%	5.9%	6.4%	6.9%	7.9%	8.5%	8.9%
+60%	7.1%	6.8%	5.2%	5.6%	5.8%	6.2%	6.8%	7.8%	8.3%	8.7%

Appendix 1 – Understanding the financial model

Model build

The model underpinning the Waikato Water Done Well financial analysis is built to show the financial benefits of aggregating water services activity into a CCO. In broad terms the model:

- Takes the financial forecasts of each council's waters activity for the period to 30 June 3034,
- Aggregates these forecasts together,
- Applies some assumptions about the operating and capital spend savings to be realised from aggregation, as well as the additional costs of setting up and running the CCO, and then
- Attributes the net savings back to each council to get a proxy for the financial benefit their communities will receive from being involved in the CCO.

The process to arrive at the financial analysis in this report has been:

- Obtain from each council the financial forecasts of their water activity for the period to 30 June 2024,
- Develop assumptions to underpin the model (see below),
- Test the assumptions with Council CFOs (or equivalent) and modify as required,
- Test efficiency assumptions against other cases of water services aggregation,
- Initial model build,
- Obtain from each council other data required to support the metrics/other outputs that are to be presented as part of the financial analysis,
- Obtain independent assurance that the model has been built in a way that achieves its purpose and operates correctly under a variety of tested scenarios,
- Further develop the model to present additional outputs, and
- Prepare financial narrative.

The model ***cannot*** compare the aggregated position with 'status quo' because we are not privy to, for example, council's assessment of stranded overheads that may arise from transferring the water activity.

Waikato Water Done Well

The model has been built by Boberg Advisory and independently QA'd by the Department of Internal Affairs.

Underlying assumptions

The key assumptions can be grouped as follows:

Council involvement: Assumptions have been made about which councils are involved in the CCO and when they will transfer their water services delivery to the CCO. This is based on discussions across Chief Executives as to what they consider the position is likely to be. Currently, it is assumed some will transfer effective 1 July 2026 with the remaining Councils transferring by 30 June 2028[9].

Critically, it is assumed that seven councils transfer their water activity into the CCO. If a lesser number of councils are involved, depending on the size and debt profile of those that remain, at some point the reduced scale of operations will mean that the assumed efficiencies become unrealistic and/or the capacity to borrow is diminished.

Base data: It is also assumed that the financial forecasts and other data provided by each of the councils is correct. The base financial data is that included in councils' latest Long-Term Plans (or similar if a 2024 LTP was not prepared). It has however been updated to reflect any material change in forecast projects since the Plan was adopted. This data has not been independently verified by the Programme Team although we know that several councils have directly engaged consultants to develop a stand-alone position (and to that extent it has been independently interrogated).

CCO-specific costs:
Assumptions are made about the capital and operational expenditure required to establish and operationalise the CCO. This includes one-off capex for corporate infrastructure, on-going operational spend and spend-to-save (see further below).

Efficiencies:
Operational cost savings are assumed to start being realized from FY2026-27 (i.e. as councils start to transfer their activity). Cost savings on capital works are assumed a year later and increase at a slower rate, only reaching the peak assumption of 15%[10] in FY2041-42. Cost savings are also assumed in relation to the catchment-based approach to

[9] The model can easily be modified to adjust the 'start date' for each council.
[10] This is to say that at peak efficiency the CCO will be able to operate at 85% of what the councils could do on a standalone basis.

consenting. These particular savings are in addition to the general assumption about capex savings.

Full list of assumptions

	Category	Assumptions / data currently built into financial model	Source	Notes
	General			
	Base financial data	The forecast data covering the period FY25 to FY34 provided by councils is the current best estimate of their financial projections for water activity on a stand-alone basis. Councils have adequately budgeted for vested assets as part of their financial forecasts.	The information most recently provided by councils to support their 'status quo' including assumed inflation rates For most councils, this is the data contained in the DIA's Water Services Delivery Plan financial templates	
	Inflation | Opex	Opex inflation rate fluctuates between 3.8% and 2.1% during the forecast period. Average opex inflation rate across FY25 to FY34 is 2.75%.	Berl inflation rates by cc	
	Inflation | Capex & Revaluation	Capex & revaluation inflation rate fluctuates between 3.8% and 2.1% during the forecast period. Average capex inflation rate FY25 to FY34 is 2.86%	Berl inflation rates by cc	

	Category	Assumptions / data currently built into financial model	Source	Notes
	Debt interest rates	Interest rates for the 10-year period have been assumed as: The weighted average interest rate for Water Supply and Wastewater across all councils. (i.e. total aggregated financing cost over total aggregated average debt for each year); plus 20 bp This sees interest rates range between 4.00% and 5.56% during the forecast period. Financing Cost is allocated between councils in the same manner as cost efficiencies.		We need to build a scenario where interest rates are higher
	Development contributions	Base data re accumulated DCs is adequate and there is no need to build in further amounts		
	Revenue	Water and wastewater operations, assets and debt are transferred to CCO under Stage 2. Stormwater remains with each council, but management of the stormwater assets are outsourced to the CCO and the CCO charges each council a fee for this (cost recovery).		
	Cashflow	For simplicity, everything is paid or received within the period		
	Tax	Entity will be exempt for income tax purposes under the Income Tax Act 2007 and is therefore not liable to pay income tax		

	Category	Assumptions / data currently built into financial model	Source	Notes
	Transition			
	Stage II transition dates	Councils transition to Stage 2 on the following dates: Hauraki 30 June 2027 Matamata-Piako 30 June 2027 Ōtorohanga 30 June 2027 South Waikato 30 June 2026 Taupō 30 June 2028 Waipā 30 June 2026 Waitomo 30 June 2026		
	Transferred asset and debt values	As provided by councils as part of the base data Value is the forecast position at the time a council is assumed to move to Stage 2		
	Variation in asset conditions	No adjustment made to account for variation in asset conditions.		
	Employees	Staff are employed by the CCO on a like-for-like basis as the councils who currently employ them		This has been identified as a potentially significant assumption. There is a risk that the assumption understates or overstates the cost of employment within the CCO. It warrants further discussion in due course.

	Category	Assumptions / data currently built into financial model	Source	Notes
	Additional cost of CCO operations			
	Board	FY26 Annual board fees are $348k 4 members plus Chair	Calculated with reference to Watercare Board fees.	
	Operational staff	FY26 CE remuneration is $450k FY26 remuneration of other staff totals $345k (assumed 6 month's employment during the year) EA 2x Exec level staff (e.g. CFO, EPMO lead) A further two exec level staff are appointed from FY28 (additional $600k in total)		These positions reflect roles over and above the positions within councils that will be transferred across. Conservatively, it is assumed that these additional roles remain in place throughout the forecast period. In practice the financial effect of the executive roles is likely to phase out as the new organisational structure is bedded in.
	Other operational costs (ex-licence costs)	P.a. occupancy costs are $129k 6 months assumed in FY26 Consultancy services are $100k p.a. An additional $2m of programme support costs are budgeted for FY26 Other expenses assumed to be $100k	Occupancy calculated with reference to occupancy costs for Co-Lab (which caters for ~ 20-25 staff and is a relatively new lease)	
	IT licence costs	Based on a SAAS model the annual licence fee is $1m Beyond this, fees will be materially similar to existing costs (i.e. there will be no other additional opex costs relating to digital services).		

	Category	Assumptions / data currently built into financial model	Source	Notes
	Upfront capex for laptops desk etc.	$1.89m, based on a cost per staff of $6,000. Headcount assumed to be ~315.	Staff numbers arrived at based on pro-rating the total staff number (per Rowan's original model = 779 (refer "Staffing" worksheet)), to reflect the participating councils, based on population numbers.	Headcount arrived at as: Total headcount (all of Waikato) x Popn (participating councils)/ Popn (all of Waikato) = 779 x 206,798 / 512058
	Upfront capex for IT infrastructure	Assumption is that as Councils come together, the software and systems in the background will not be fit for purpose. Additional cost will be required for IT upgrades and integration. Capex relating to IT implementation including data migration is $12.0m in FY26, with a further $1m in each of FY27 and FY28.	Calculated with reference to Infor implementation	This capex is over and above the spend-to-save amounts noted below (under efficiencies)
	Consequential opex	Assumption that Council base data already contains consequential opex arising from additional capital expenditure, so nothing further required on aggregation. No consequential opex required for new CCO-specific capex as already adequately covered by spend-to-save opex.		

	Category	Assumptions / data currently built into financial model	Source	Notes
	Efficiencies			
	Spend-to-save (enhanced opex/capex)	To facilitate and realise organisational efficiencies, a 'spend to save' budget is included. Current assumption is that this is broadly 50% opex / 50% capex. The budgeted amount is $37m • Capex $19.6m ($2.18m p.a. from FY26) • Opex $17.4m ($2.18m p.a. from FY27) Derived from a base assumption of a $1b spend if it was a nationwide CCO, pro-rated (based on population) to reflect the Waikato councils involved. The spend is spread evenly over the first 9 years	Stats NZ population (2018 census) NZ popn is 5,271,100 Popn of participating council is 206,798 (3.9%)	
	Opex efficiencies	Efficiency is driven by any number of opportunities, but many will be underpinned by a move to consistent systems and processes. Opex efficiencies start to be realised from FY27 onwards Opex saving is ~2% in FY27, increasing by a further ~2% each year for the next 5 years thereafter Rate of opex savings reduces from FY33 but total savings %age continues to grow, peaking at 15% in FY36.		In relation to efficiency targets, evidence from overseas supports the statement that scale does lead to efficiency and that a 15% rate is achievable. It is recommended that 15% is applied but reviewed once the scale of aggregation is more apparent.

	Category	Assumptions / data currently built into financial model	Source	Notes
	Capex efficiencies	Capex efficiencies are realised from FY28 onwards. Capex saving is 1% in FY28, increasing by 1% thereafter, peaking at 15% in FY42 There are further efficiencies on wastewater capex from a catchment approach to consenting. These efficiencies materialise in line with capex savings generally and peak at 10% (of the 85% of base capex spend)	Based on recent council experience with seeking multiple consents at once.	Some discussion between CFOs that this efficiency projection is too conservative based on past modelling undertaken.
	Allocation of efficiencies to councils	In FY27 (the first year of assumed efficiencies) 75% of the savings is allocated to councils according to their proportion of total capex / opex based on the data provided. The remaining 25% reflects a blend of equal share and number of connections		

Appendix 2 – DIA measures

Note: Some of the measures are not currently quantified pending receipt of additional information from Councils

Sustainability measures: Revenue sufficiency

Average charge per connection including GST	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Average drinking water bill (including GST)	929	1,062	1,168	1,250	1,280	1,310	1,351	1,374	1,406	1,440
Average wastewater bill (including GST)	860	969	1,066	1,141	1,168	1,196	1,234	1,254	1,284	1,314
Average stormwater bill (including GST)										
Average charge per connection including GST	1,789	2,032	2,235	2,391	2,448	2,506	2,585	2,627	2,690	2,754
Projected increase		13.6%	10.0%	7.0%	2.4%	2.4%	3.1%	1.6%	2.4%	2.4%

Projected number of connections	91,560	92,387	93,247	94,137	95,530	96,950	97,890	99,843	101,327	102,833

Projected median household income	99,488	103,862	108,493	113,328	118,435	123,745	129,471	135,172	141,097	147,375
Water services charges as % of household income	1.8%	2.0%	2.1%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%	1.9%

Rates revenue	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
General and targeted rates	131,153	151,442	168,101	181,549	188,811	196,363	204,218	212,386	220,882	229,717
Projected increase		15.5%	11.0%	8.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Operating surplus ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating surplus/(deficit) excluding capital revenues	(14,476)	(14,557)	(36,222)	(32,921)	(28,167)	(25,447)	(19,486)	(10,938)	(5,050)	(1,527)
Total operating revenue	141,441	162,551	180,432	194,866	202,661	210,767	219,198	227,966	237,085	246,568
Operating surplus ratio	(10.2%)	33.4%	(20.1%)	(16.9%)	(13.9%)	(12.1%)	(8.9%)	(4.8%)	(2.1%)	(0.6%)

Operating cash ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenue	54,037	66,244	78,050	88,502	97,324	104,221	112,625	121,740	128,890	136,727
Total operating revenue	141,441	162,551	180,432	194,866	202,661	210,767	219,198	227,966	237,085	246,568
Operating cash ratio	38.2%	40.8%	43.3%	45.4%	48.0%	49.4%	51.4%	53.4%	54.4%	55.5%

Sustainability measures: Investment sufficiency

Asset sustainability ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Capital expenditure on renewals	51,526	60,906	49,166	57,217	66,530	62,930	63,267	59,163	67,727	61,864
Depreciation	50,086	54,292	71,895	73,710	76,072	76,788	77,319	77,562	78,056	78,936
Asset sustainability ratio	2.9%	12.2%	(31.6%)	(22.4%)	(12.5%)	(18.0%)	(18.2%)	(23.7%)	(13.2%)	(21.6%)

Asset investment ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Capital expenditure	204,569	219,587	128,681	128,614	147,505	98,464	93,371	84,916	93,004	105,565
Depreciation	50,086	54,292	71,895	73,710	76,072	76,788	77,319	77,562	78,056	78,936
Asset investment ratio	308.4%	304.5%	79.0%	74.5%	93.9%	28.2%	20.8%	9.5%	19.1%	33.7%

Asset consumption ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Book value of infrastructure assets	1,960,449	2,190,062	2,320,993	2,451,925	2,596,536	2,691,522	2,775,263	2,849,400	2,927,363	3,016,026
Total estimated replacement value of infrastructure assets										
Asset consumption ratio	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sustainability measures: Financing sufficiency

Net debt	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Total borrowings										
Less: cash and financial assets										
Net debt	506,424	698,372	781,853	847,162	925,853	943,408	952,279	950,543	958,496	979,127

Net debt to operating revenue	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Total net debt (gross debt less cash)	506,424	698,372	781,853	847,162	925,853	943,408	952,279	950,543	958,496	979,127
Operating revenue	141,441	162,551	180,432	194,866	202,661	210,767	219,198	227,966	237,085	246,568
Net debt to operating revenue	358%	430%	433%	435%	457%	448%	434%	417%	404%	397%

Borrowings headroom/(shortfall) against limit	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating revenue	141,441	162,551	180,432	194,866	202,661	210,767	219,198	227,966	237,085	246,568
Debt to revenue limit	500%	500%	500%	500%	500%	500%	500%	500%	500%	500%
Maximum allowable net debt	707,204	812,755	902,158	974,331	1,013,304	1,053,837	1,095,990	1,139,830	1,185,423	1,232,840
Total net debt	506,424	698,372	781,853	847,162	925,853	943,408	952,279	950,543	958,496	979,127
Borrowing headroom/ (shortfall) against limit	200,780	114,383	120,305	127,170	87,451	110,429	143,711	189,286	226,927	253,713

Free funds from operations (FFO) to debt ratio

Operating revenue (minus interest income)	141,441	162,551	180,432	194,866	202,661	210,767	219,198	227,966	237,085	246,568
Less Expenses (minus depreciation and non-cash items)	105,830	122,816	144,759	154,077	154,756	159,426	161,365	161,342	164,078	169,159
Free funds from operations	35,610	39,735	35,673	40,790	47,905	51,341	57,833	66,624	73,006	77,409

Free funds from operations (FFO) to debt ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Total net debt	506,424	698,372	781,853	847,162	925,853	943,408	952,279	950,543	958,496	979,127
Funds from operations	35,610	39,735	35,673	40,790	47,905	51,341	57,833	66,624	73,006	77,409
FFO to debt ratio	7.0%	5.7%	4.6%	4.8%	5.2%	5.4%	6.1%	7.0%	7.6%	7.9%
Debt to FFO ratio	14.2	17.6	21.9	20.8	19.3	18.4	16.5	14.3	13.1	12.6

Local Water Done Well

Consultation

May 2025

Let's kōrero wai

Talk water

te kaunihera ā-rohe o
matamata-piako
district council


Let's kōrero wai
Talk water

Contents

Water reform in New Zealand

As a community, we have a big decision to make about how water services are delivered now and for future generations. And it's more than just about the water you drink and flushing the loo! It's about keeping things affordable and looking after the environment too.

The Government has introduced its Local Water Done Well legislation replacing the previous government's water reform programme.

Local Water Done Well aims to:

- address how waters infrastructure across New Zealand is funded and delivered in a financially sustainable manner
- introduce a new regulatory regime for water services delivery, which sets out increased environmental, economic and human health standards and regulations.

Under the legislation, councils need to develop water services delivery plans and submit them by 3 September 2025 for Government approval. These plans must provide a current and long-term assessment of councils' water infrastructure, outline the necessary investment required in water services to deliver on projected population growth and development needs, and detail how Councils plan to finance and deliver these plans through their preferred water services delivery model.

Like all councils, we are facing a number of complex issues when it comes to delivering Matamata-Piako's drinking water, wastewater and stormwater services, and it is going to get more expensive.

No matter what delivery model we choose, the cost of water services will go up due to the new government rules.

Where you come in

The Local Government (Water Services Preliminary Arrangements) Act 2024, requires Council to consult on its future delivery model options, with the chosen option required to be included in the Council's Water Services Delivery Plan.

We are not required to consult on the plan itself, only the future delivery model.

This consultation must include our current approach to delivering water services, even though this option is not considered to be financially sustainable or preferred by the Council. Our preferred water services delivery option we are asking you to consider, is a Council Controlled Organisation (CCO) with other Waikato rural/provincial councils known as Waikato Water Done Well.

If the decision is made to proceed with the Waikato Water Done Well option, it is proposed Matamata-Piako's water assets transfer to the CCO on 1 July 2026. This would require an amendment to the Long-Term Plan to reflect that decision.

Your feedback will help inform the final decision on what the future of water services delivery looks like for Matamata-Piako.

We've done our homework

We want what is best for Matamata-Piako. We know Local Water Done Well will significantly change the way water services are delivered in New Zealand, will impact generations to come, and change who we are as a council too. The reality is, central government has told us we can't keep things as they currently are.

We have done a lot of work and analysis, obtained expert advice, and undertaken the due diligence needed to understand our options for water services delivery, and what is required to satisfy the requirements of a water services delivery plan.

After initially considering a range of options, we further investigated two options for Matamata-Piako:

- **Waikato Water Done Well, with other rural/provincial councils in the region – this is our preferred option**
- **Keep delivering water services within Council, but make major changes to our structure and reporting to meet new regulations - we refer to this as an internal business unit**

Under the CCO option, the water and the wastewater assets would be owned by the CCO. However, the councils would be shareholders, or the owners, of the CCO. With an internal business unit, Council would retain ownership of these assets. Both of those options will come at a cost to implement.

Following further work and careful consideration of the options, Waikato Water Done Well has emerged as the Council's preferred option.

What about stormwater?

Stormwater is the water that runs off surfaces when it rains. Council operates and maintains stormwater infrastructure across the district to limit the impact of flooding and to ensure that stormwater discharges to waterways are free from contaminants.

Our stormwater assets are linked to and maintained across various council activities such as roading, parks and reserves. Our stormwater system helps drain the water away.

Once a preferred water service delivery option is decided on, further work will be carried out to decide whether stormwater services remain inhouse or are contracted out.

Water reform timeline

September 2024
legislation introduced to direct councils on next steps Local Government (Water Services Preliminary Arrangements) Act 2024 (Preliminary Arrangements Act)

December 2024
the Water Services Bill

March-May 2025
councils consulting on preferred options

By 30 June 2025
councils adopt preferred option

By 3 September 2025
Water Services Delivery Plans submitted to Department of Internal Affairs for approval

Sept 2025 - June 2026
councils amend key plans and policies to reflect the decision on water services

By 1 July 2026
start operating under the Water Services Delivery Plan

Preferred option

Before adopting the model that best meets their [future] needs councils must:

- **assess the advantages and disadvantages of at least two options**

  - one of these must be the existing arrangement but restructured to meet the new regulations for water and wastewater services

  - one of these must be some kind of joint arrangement

- **compare the options against each other based on impacts on rates, debt, levels of service and water charges**
- **identify a PREFERRED option and consult the community on this (information on the other option that was considered needs to also be made publicly available)**
- **take into account the feedback received and make a decision on the final model.**

Why the need to change?

Councils in our region are facing significant challenges.

New regulations - new regulations are being introduced that will bring additional standards and further cost increases (over and above the current requirements). These regulations are about reducing health risks for drinking water, and improving the impacts on the environment.

Ageing infrastructure - many water and wastewater systems need replacing or upgrading.

Population growth - demand for water services is growing faster than the national average, with population increases ranging from 3% to 10.2% in the last five years.

Rising costs - the costs of building sewage systems has risen 30% over the past three years, while water supply systems are up to 27%. The new regulations mean we were going to have to spend more - but these rising costs add more on top.

Limited funding options - councils have few ways to raise the funds needed - for example, there is a limit to how much debt Councils can carry.

Workforce challenges - our ability to attract critical water staff is under pressure. The workforce is highly skilled but also ageing.

Contractor availability - Councils are competing for the same civil construction contractors (the people who build and construct large infrastructure projects). If projects aren't coordinated, this drives up costs and can cause delays.

Our preferred option

Waikato Water Done Well

We are proposing to create a water organisation jointly-owned with a number of other district councils in the Waikato.

- **Hauraki District Council**
- **Matamata-Piako District Council**
- **Ōtorohanga District Council**
- **South Waikato District Council**
- **Taupō District Council**
- **Waipā District Council**
- **Waitomo District Council**

The new model involves creating a joint Council-Controlled Organisation (CCO) to manage and deliver water and wastewater services.

A CCO is an organisation owned by participating councils that delivers services on their behalf.

You can find more details about the model on page X of this document or at **www.waikatowaters.co.nz**.

Each of the councils has reviewed the options available to them and is proposing a CCO as their preferred option – but need feedback from the community before making any final decisions.

The CCO would be a separate legal entity, owned by the shareholding councils, and employ the staff to deliver the services across the district they serve. The CCO would also be responsible for informing the community and involving it in future water decisions, and ensuring that the enhanced environmental standards are met.

Hamilton City and Waikato District Councils are consulting on a proposal to form a separate CCO.

"We believe that in the long term there will be one Council controlled water services entity for the Waikato. But in the short to medium term, we want what is best for Matamata-Piako. Even though all the options will ultimately cost more, the Waikato Water Done Well model is the most affordable for our communities into the future."

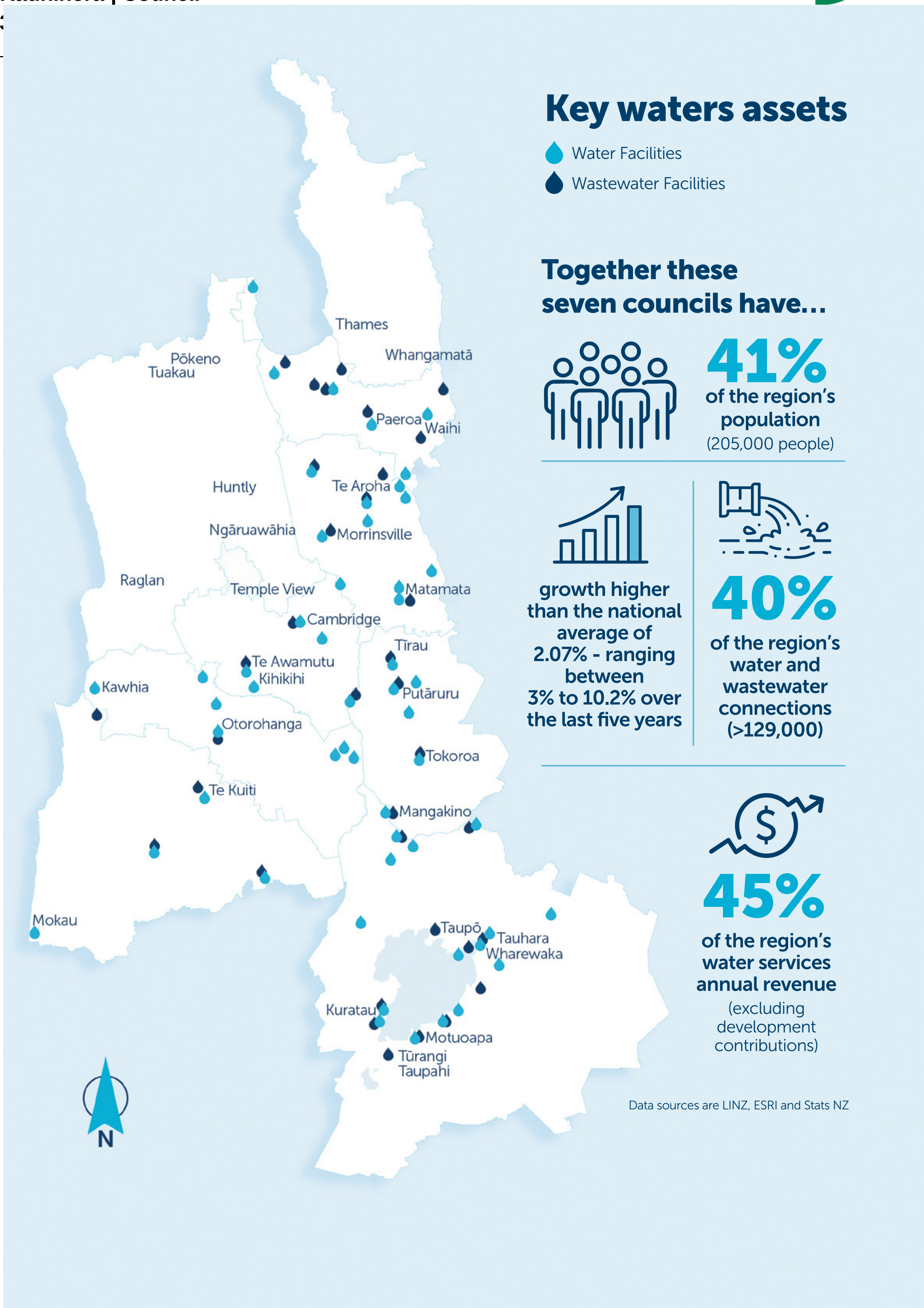
- Mayor Adrienne Willcock

"We do a good job now with our water services, but the new standards mean we still need to do better. On our own we'll struggle to deliver the required work programme and meet the expectations of the regulators within the required timeframe.

Joining up with other Councils gives us a better chance, and a stronger voice with government."

- CEO Manaia Te Wiata

Let's kōrero wai Talk water


Key waters assets
Water Facilities
Wastewater Facilities
Together these seven councils have...
41%
of the region's population
(205,000 people)
growth higher than the national average of 2.07% - ranging between 3% to 10.2% over the last five years
40%
of the region's water and wastewater connections
(>129,000)
45%
of the region's water services annual revenue
(excluding development contributions)
Data sources are LINZ, ESRI and Stats NZ
Thames
Whangamatā
Pōkeno
Tuakau
Paeroa
Waihi
Huntly
Te Aroha
Ngāruawāhia
Morrinsville
Raglan
Temple View
Matamata
Cambridge
Tirau
Te Awamutu
Kihikihi
Kawhia
Putāruru
Otorohanga
Tokoroa
Te Kuiti
Mangakino
Mokau
Taupō
Tauhara
Wharewaka
Kuratau
Motuoapa
Tūrangi
Taupahi
N

How the proposed CCO would work

Healthy Water, Healthy People | Te Mana o Te Wai, Te Mana Te Tangata. That's the vision of Waikato Water Done Well.

Under this option, the CCO would be responsible for all the activities needed to deliver drinking water, wastewater services and, for those councils who choose to, stormwater services to their communities. This includes sourcing, treating and discharging water and wastewater, planning for future repairs and upgrades.

Multiple Councils jointly own the water organisation

*Actual number depends on how many Councils commit to a CCO following consultation

Shares owned in accordance with share allocation plan agreed between councils

Councils appoint representatives to Shareholder Representative Forum

Shareholder Representative Forum

Responsible for jointly setting shareholder expectations, appointing Board and overseeing its performance

Appoints and removes water organisation Board members

Issues Statement of Expectations

Water Services CCO

Responsible for operational and financial decisions consistent with Statement of Expectations and statutory obligations

Let's kōrero wai

Talk water

Advantages of a CCO

Most affordable in the long term - no matter which option we choose, we face significant price increases in the coming years - both to implement these changes, and deliver on the improvements to our water services. Going alone would be cheaper for the first few years, but the CCO is the most cost effective option in the long term.

Better efficiency - by combining operations like maintenance, management, procurement, and workforce planning, the CCO can deliver better services and improve processes. While setting up a CCO is going to cost money, current financial modelling shows that the efficiency gains will cover set up costs within the first eight years.

Meeting legal requirements - the CCO model would ensure we meet all legal obligations. We believe that MPDC alone would struggle to do this - we don't think we could deliver on a work programme that would meet the tougher requirements of the new regulator.

More borrowing capacity - one of the challenges Council faces in delivering the required work is being able to borrow enough money. The rules for Water CCOs are different - they will be able borrow more money than Council. This means they'll be able to deliver on improvements faster, and spread the costs more over a longer timeframe than Council could.

Tackling climate - with greater efficiency and borrowing power, we can take stronger action to address climate change and its impacts.

Improved workforce sustainability - as with any specialist trade, it can be difficult to attract and keep skilled workers - especially in rural areas. Many of these workers currently move from Council to Council. With one or two regional CCO's, it will become easier to provide career pathways that keep those skilled workers in our region.

Additional benefits:

- If we join the CCO early, we would be an 'anchor council', helping shape and guide the CCO's establishment and transition.
- A catchment-based approach will enhance water quality across the Waikato region, encouraging innovation in resource management and water services.

Disadvantages of a CCO

Perceived loss of control - some may worry about losing direct control. However, ratepayers can still influence Council as shareholders, take part in planning processes, and directly engage with the CCO. Consumers will also have protections through the Commerce Commission.

Council as guarantor - Council will need to guarantee the CCO's borrowing, adding a layer of responsibility.

Longer term

The long-term preference is for one water services CCO to serve the whole of the Waikato.

Councils engaged in discussions about the future water services delivery model have expressed that preference in the medium to long term (possibly within five to 10 years). If two CCOs are established in the short term, the goal would be to create a pathway for their eventual merger. This would maximise benefits for water consumers through greater scale efficiencies and a range of other advantages. While this vision cannot be realised in the short term, whatever path we choose now should keep this long-term objective in mind.

As stormwater assets will continue to be owned by Council for the foreseeable future, the debt remains in the balance sheet. Rates will continue to be charged by Council for this service.

"This is a legacy decision - and the ratepayers of the future will not thank us if we are shortsighted.

The costs will be higher, no matter which option we choose - so we need to make a decision that is best for this community in the long term.

This option means working together to deliver better long term outcomes for our community and the environment."

- Mayor Adrienne Willcock

Let's kōrero wai
Talk water

The other option

Internal Business Unit

We've been providing your water, wastewater and stormwater services since...way back!

But things are changing, and we need to find a new model that is most cost effective for our communities.

Every time you turn on your tap, flush the toilet or there is heavy rain, our council teams are working behind the scenes to make sure everything is working the way it should. Our dedicated water teams are made up of 43 staff. This does not include the staff who support the delivery of water services in some way, for example, the finance and customer service teams.

Providing safe and reliable waters services comes at a cost.

The internal business unit model estimates that over the next nine years, $166 million will be needed for day-to-day water and wastewater services, plus $134 million for upgrades and new infrastructure.

$166m
will be needed for day-to-day water and wastewater services.

$134m
for upgrades and new infrastructure.

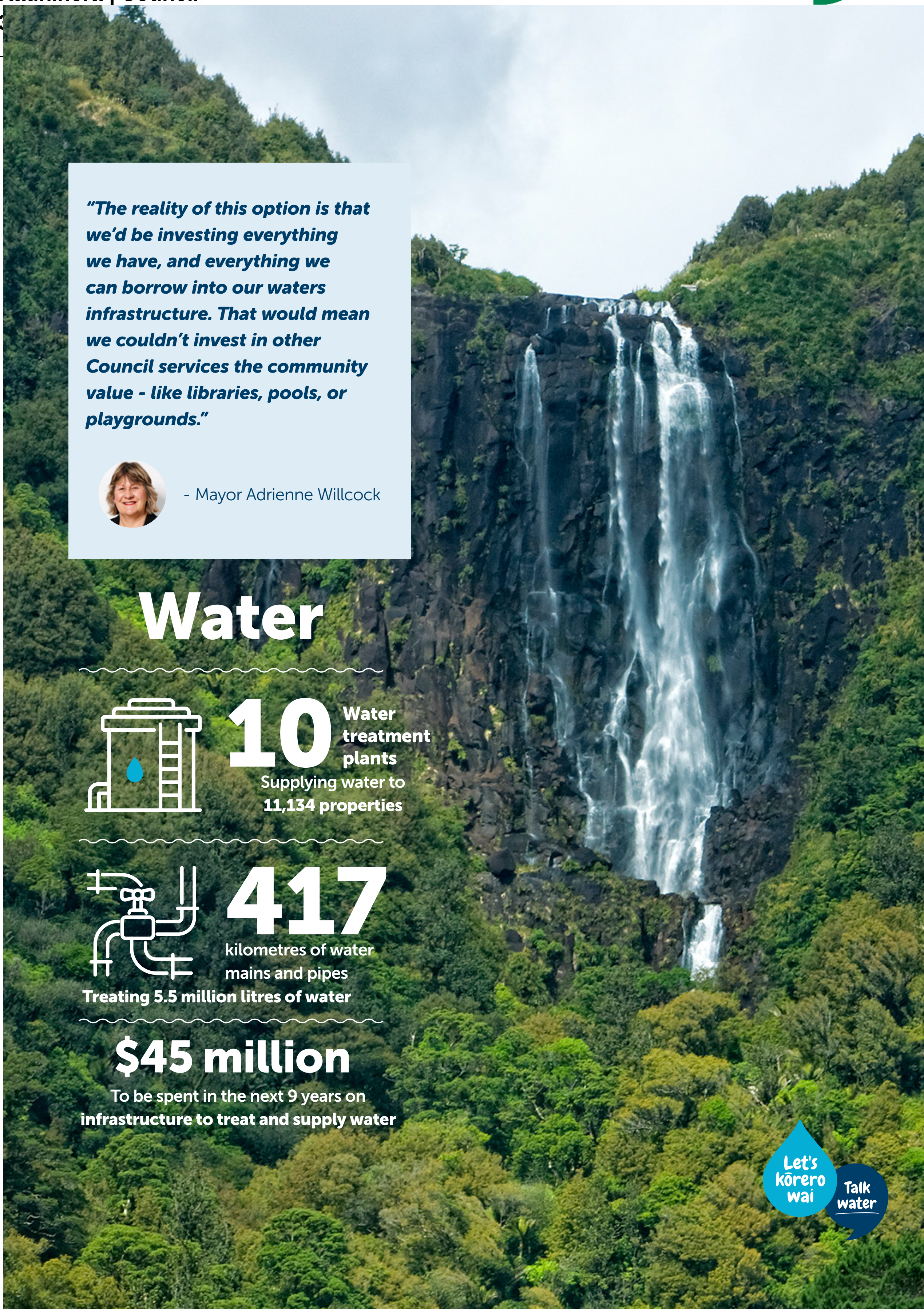
You can find more details about this option at **mpdc.nz/tbc**

Advantages of an internal business unit

- **Local decision making.** Council stays in charge of day-to-day decision making.
- **Local voice.** You have a say through the Long-Term Plan and Annual Plan budget consultation processes.
- **Familiarity.** This is a model that people know and understand.

Disadvantages of an internal business unit

- **Legal hurdles.** New financial requirements may make this option unworkable. If the Council's water services delivery plan included this delivery model, it may not be accepted.
- **Higher costs in the long term.** This model looks cheaper than the alternative for the first few years - but after X years, our costs would continue to spike, and the CCO would level out. When looking at the 'long game' this option is the least affordable.
- **Financial risks.** It may struggle to meet increased environmental standards and fund long-term growth.
- **Workforce retention.** Staff are likely to be attracted to new regional water entities that can offer better career pathways and support..
- **Environmental limits.** A lack of scale and catchment based approach could reduce our ability to make any significant environmental improvements.



"The reality of this option is that we'd be investing everything we have, and everything we can borrow into our waters infrastructure. That would mean we couldn't invest in other Council services the community value - like libraries, pools, or playgrounds."

- Mayor Adrienne Willcock

Water

10 **Water treatment plants**

Supplying water to **11,134 properties**

417

kilometres of water mains and pipes

Treating 5.5 million litres of water

$45 million

To be spent in the next 9 years on **infrastructure to treat and supply water**

Let's kōrero wai

Talk water

Wastewater

4
wastewater treatment plants
- one in Matamata, Te Aroha, Morrinsville and Tahuna

Treating water from
11,099
properties

39
Pump stations
Treating 3.32 million litres of wastewater*

276 km
of wastewater mains

$88 million
for infrastructure development

$31.8 million
for planned upgrades of Morrinsville, Te Aroha and Tahuna

Around $64 million to complete
NEW Matamata Wastewater Treatment Plan

*Denotes the quantity treated in the 2023/24 financial year

What this means for me

Water will still flow from your tap and your toilet will flush! It's who provides the services and ultimately who will pay for that service that could change.

The proposed CCO would be able to invest more in maintenance and infrastructure, share costs across the wider area, and be able to use these efficiencies to reduce future costs to consumers.

The cost to deliver water services are increasing for everyone, but this new approach would help lessen the increases, allow the costs to be spread over a longer period, and ensure costs are shared by future generations who use new waters infrastructure. Government regulation would set limits on what the organisation could charge, and how much it needs to invest in the future.

Affordability

In the options within this consultation document, we refer to affordability. The legislation requires us to consider the financial sustainability of our options. In other words, we need to prove we will be able to pay for our water not just now, but over the years and generations to come.

We understand that affordability means different things to different people, and some may not see any of the options as affordable. In our explanations, we have outlined the cost differences between the options, showing some are more affordable than others.

There is no official definition of affordable water costs in New Zealand, but international indicators suggest that there is an affordability challenge if drinking water and wastewater services cost more than two percent of median household income.

Our preferred option and the internal business unit have been modelled on that basis.

Borrowing

Borrowing is one of the few financing tools councils can use to fund big infrastructure projects, and like a mortgage, it helps spread the cost over the generations that will benefit from the infrastructure. There are clear rules for borrowing money depending on whether councils keep their water services in-house, or join-up to form a multi-council water organisation.

New water organisations can borrow more money to fund infrastructure projects than what councils can now. Currently we can borrow 1.75 times our revenue (or up to 175 percent debt to revenue ratio). Water organisations will be able to borrow up to five times their revenue (up to 500 percent debt to revenue ratio) for water and wastewater construction projects.

Debt

Under Waikato Water Done Well, the CCO would be responsible for all water and wastewater services and assets.

The transfer of drinking water and wastewater activities to the Waikato Water Done Well CCO would include the transfer of debt the Council has that relates to those activities. That means that Council's debt would be less than it is right now.

The forecast debt relating to those assets as at 30 June 2026 for Matamata-Piako is approximately $113 million. This debt would transfer to the water CCO. All the shareholding councils involved in establishing the CCO would do this too.

All future water and wastewater debt would be the responsibility of the CCO, this is estimated to to peak at around $137 million in 2027/28, based on the 2024-34 Long Term Plan. Removing the spending and forecast revenue for the Council, results in an increase of debt headroom from July 2026, which reduces financial risk.

Levels of service

Both of these options ultimately aim to improve the services you receive. Residents might not 'see' any difference, but improvements will reduce health risks and improve environmental outcomes.

If we do decide to enter into a CCO, one of our clear expectations would be that there is no drop in the quality of service.

What the options cost

Choosing the CCO option involves some upfront costs to set up the organisation and implement a targeted investment plan aimed at improving service delivery efficiency. This approach means spending more initially to achieve greater savings over time. While this adds costs during the first nine years, the efficiencies gained from increased scale and strategic investments are expected to lead to significant long-term savings for the community. These projected efficiencies are based on experiences from other entities that have adopted similar models.

In contrast, maintaining an internal business unit model is likely to lead to steadily increasing costs, with limited opportunities for efficiency gains or future savings.

	Water charges per residential connection (incl. GST)				
	2024/25	**2029/30**	**2033/34**	**2039/40**	**2043/44**
Waikato Water Ltd (CCO)	$1,478	$2,084	$2,332	$2,679	$2,939
Internal Business Unit	$1,478	$2,131	$2,766	$3,204	$3,364
Difference - additional cost/	($0)	($47)	($434)	($525)	($425)

* Based on the 2024-34 Long Term Plan forecasts

Certainty

No matter which model we run, the CCO option keeps coming out as the best long term, or financially sustainable, option for Matamata-Piako.

These numbers have been developed using best practice financial modelling, and reviewed by industry experts, based on financial information from Council's 2024-34 Long Term Plan (LTP).

When this work started, we had to use the LTP as a starting point to be able to fairly compare the options. We know some things have changed since then, and we expect the numbers will continue to change as more information becomes available. For example, the government is still finalising the rules and regulations that will guide cost estimates - and these may not be known until later this year.

How the options compare

	Under the CCO model	Under the alternative
Who provides the water from my tap?	The pipes and treatment plants would stay local but the water services would be provided by Waikato Waters Ltd	Water services are delivered by your Council
Who looks after wastewater (the stuff that goes down the sink and through the toilet)?	The pipes and treatment plants would stay local but wastewater services would be provided by Waikato Waters Ltd	Wastewater services would be delivered by Council
Who do I call if I have a problem?	Waikato Waters Ltd – once it is up and running. The changes would occur over time but you would be able to call your council as your first port of call if you are unsure	Council
Who has control over decision about waters infrastructure?	The Board makes decisions based on a Statement of Expectations agreed to by Councils and regulatory requirements. This is the "what, when, where and how" for future infrastructure expenditure	The Mayor and councillors in accordance with regulatory requirements
What will it cost	Costs will increase – these costs are going up no matter what. But there will be efficiency savings and these are likely to be significant over time	Costs will increase – these costs are going up no matter what. Under the alternative model, Council cannot do what needs to be done in a timely way, that is affordable for the communy
Will I get charged differently?	Yes There will be a separate invoice for water and wastewater services from the CCO over time (in time - Council may initially invoice on their behalf).	No You would continue to be charged the same way

Local Water Done Well

Submission form

te kaunihera ā-rohe o
matamata-piako
district council

Submissions close: 5pm, TBC, 2025

Full name:

Organisation: (if applicable)

Address of correspondence:

Email:

Phone:

Privacy statement: All submissions are available to elected members, with submitter names only provided along with the submissions. Submissions excluding identifying personal information is published on our website, and can be requested for viewing at our area offices. The personal information we request is to ensure we link submissions to the correct submitter, and to fulfil the requirements of the consultation process, including informing you of the outcome of the consultation. All information collected will be held by Matamata-Piako District Council, 35 Kenrick Street, Te Aroha with submitters having the right to access and correct personal information.

☐ I acknowledge that I have read the privacy statement and am happy to proceed.

Do you agree that the preferred option (a CCO) is the best option for water services delivery?

☐ Yes, I support a CCO ☐ No, I do not support a CCO

Do you currently receive Council water and/or wastewater services?

☐ Yes ☐ No

Are you employed in the water industry (either employed by Council or a contractor)?

☐ Yes ☐ No

If for some reason the Waikato Waters CCO did not proceed, do you believe it would still be in the best interests of the community to enter into a joint arrangement (e.g. a CCO with different Councils, or a smaller number of councils)?

☐ Yes ☐ No

0800 746 467 | mpdc.govt.nz

Do you have any other feedback you would like to share about the Waikato Water Done Well model?

If you need more space, please feel free to attach additional pages.

All submissions must be received by 5pm on TBC 2025

Submissions can be:

Online:
mpdc.nz/tbc

Post:
PO Box 266
Te Aroha 3342
Attn: LWDW

Emailed to:
info@mpdc.govt.nz Subject heading should read: "LWDW Submission"

Delivered to Matamata-Piako District Council offices:

35 Kenrick Street
Te Aroha
Attn: LWDW

56-62 Canada Street
Morrinsville
Attn: LWDW

11 Tainui Street
Matamata
Attn: LWDW

0800 746 467 | mpdc.govt.nz


DRAFT
Let's kōrero wai
Talk water
te kaunihera ā-rohe o
matamata-piako
district council

7 Pūrongo me whakatau | Decision Reports

7.2 2025 LGNZ Conference Attendance

CM No.: 3022775

Te Kaupapa | Purpose

The purpose of this report is to confirm attendance at the Local Government New Zealand Conference to be held in Christchurch from 15-17 July 2025.

Rāpopotonga Matua | Executive Summary

The LGNZ Conference, branded as "SuperLocal", is an annual event organised by Local Government New Zealand (LGNZ). It serves as a national gathering for local government leaders—including mayors, councillors, chief executives, and senior staff—as well as stakeholders from the private sector, central government, and community organisations.

The conference aims to share knowledge, explore innovative solutions, and strengthen collaboration across New Zealand.

SuperLocal focuses on addressing the critical challenges and opportunities facing local government. Key themes include infrastructure development, economic growth, financial sustainability, climate resilience, and fostering authentic partnerships. The event features keynote speeches, panel discussions, and interactive sessions designed to inspire leadership and drive practical change.

Tūtohunga | Recommendation

That:

1. **The Mayor, Deputy Mayor and CEO attend the 2025 Local Government Conference in Christchurch along with two additional Councillors.**

Horopaki | Background

Traditionally the Mayor, Deputy Mayor, Chief Executive Officer and two other Councillors have attended the conference.

Council had previously agreed that all newly elected Councillors in this triennium will have the opportunity to attend a conference within this three year period.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Debbie Burge **Kaiārahi Tautoko i te Koromatua me te Tumu Whakarae | Executive Assistant to the Mayor & CEO**	

Approved by	Adrienne Wilcock **Manuhuia | Mayor**	

7 Pūrongo me whakatau | Decision Reports

7.3 Plan Change 61 - Approval sought to publicly notify the Plan Change

CM No.: 3007846

Te Kaupapa | Purpose

The purpose of this report is to seek the approval of Council to endorse an additional change to Council Plan Change 61 (PC 61), to approve PC 61 and supporting documentation to be publicly notified, and to provide approval to make minor changes to the draft document up until the point of public notification.

Rāpopotonga Matua | Executive Summary

Plan Change 61 (PC 61) involves a change to the Operative Matamata-Piako District Plan to primarily align it with the National Planning Standards (NPS), but it also includes the introduction of some new zones and activities, as well as some administrative "tidy ups".

As part of the final stages of the development of PC 61, the plan change was recently released to iwi authorities for their consideration and comment as required by Clause 4A of Schedule 1 of the Resource Management Act 1991 (RMA), prior to the public notification of the Plan Change. No additional comments were provided from the iwi authorities through this consultation phase.

At the same time, two changes have been sought in relation to the rules for the Lockerbie development by the Lockerbie Estate developers. A description of the changes proposed are discussed later in this report and are included in the summary document attached to this report, at Topic 21. Aside from these changes presented today, all changes have been discussed at previous Council workshops and meetings.

A copy of the planning maps are also available for review. The planning maps and legend has to be updated to show the new zoning names, locations, colours and symbols as required by the NPS. The supporting section 32 report, as required by the RMA, to justify the selected approach for the plan change, together with the consultation report has also been supplied for consideration and approval.

Staff now seek Council approval of the content of PC 61, and approval to undertake the next step of the statutory process and to publicly notify PC 61 for at least 20 working days, commencing at the end of May, through to the end of June 2025. Staff also propose to continue their review of the PC 61 material to ensure the document and maps are consistent and correct. There may be the need to make small consequential changes to rectify any inconsistencies. Staff seek approval to undertake this work until PC 61 is publicly notified.

Carolyn McAlley will speak to the agenda item and is available to answer any queries as is Nathan Sutherland.

Tūtohunga | Recommendation

That:

1. **The report be received.**
2. **Plan Change 61 and the associated section 32 report is approved, and**
3. **The approved Plan Change 61 is publicly notified for submissions for at least 20 working days, and**
4. **Staff are able to continue to review Plan Change 61 and make any minor consequential changes such as formatting, linkages across the plan and mapping in preparation for public notification.**

Horopaki | Background

Plan Change 61 primarily involves changing the provisions of the District Plan to align with the requirements of the National Planning Standards (NPS), but also includes some additional changes such as the introduction of residential units into the Town Centre Zone, the introduction of minor residential units across several zones, the introduction of several Open Space Zones and some administrative based changes. Informal consultation on the proposed changes occurred in the latter part of 2024. At the Council workshop on 11 December 2024, staff provided elected members with recommendations in relation to the feedback received during this public /stakeholder consultation phase of this project and after discussion a range of changes were made to the document. At the Council meeting on 5 of February 2025, Council approved PC 61 to be released to iwi authorities for their consideration and comment until the end of March 2025. There were no comments arising from this process. However, this will not preclude an iwi authority from participating in the future phrases of PC 61, for example making a submission and attending a hearing.

Staff have been approached by the Lockerbie Estate developers, who are seeking two small amendments to address anomalies in the existing development and subdivision provisions associated with the Medium Density Residential Zone. The provisions relate to a design element, and the application of the density provisions for multi storey housing terrace housing.

Staff have undertaken amendments to the planning maps and the legend to reflect the requirements of the NPS. This extends to new colours for zonings, the recognition of special purpose zones and new symbols used to indicate scheduled items, for example heritage items or wāhi tapu. At the time of writing, staff are finalising the recognition of the contents of the three schedules in section 10 - Natural Environmental values onto the planning maps.

A copy of the summary report is also supplied today for consideration. This document continues to be provided as a quick explanatory reference document for the range of changes proposed as part of PC 61 and staff recommend that it is included as part of the notified material for this plan change.

The section 32 evaluation report has also been provided for member’s consideration. Section 32 of the RMA requires any changes to the district plan to be evaluated for their appropriateness in achieving the purpose of the RMA, and for the policies and methods to be evaluated for their efficiency, effectiveness and risk. This analysis must be documented so that stakeholders and decision makers can understand the reasoning behind the provisions. The section 32 report must be made available at the time of public notification.

In the background, staff have continued to review the draft material for correctness and consistency and seek to ensure that this work can continue, should any errors or inconsistencies be discovered post-decision, but prior to the public notification of the document.

Ngā Take/Kōrerorero | Issues/Discussion

<u>Amendment to the Lockerbie Precinct 1, and Subdivision Provisions</u>

There has been feedback from the Lockerbie Estate developers regarding the workability of two rules and two changes have been sought to these rules, as follows;

<u>Precinct 1-Interface between public and private rule.</u>

A change is sought to PREC1-R2(4)(a) Interface between public and private rule. This rule requires a minimum non-garage width of 4.5m at the front façade of a building. The general purpose of this rule to ensure that garages do not dominate the frontage of buildings. However an amendment is required to correct an unintended consequence in that the rule was not supposed to apply to multi-storey terrace houses that are provided for in PREC1-Lockerbie. The amendment for multistorey terrace housing will recognise the constraints in this precinct which will always result in garaging on the lower level and a facade at the upper level. The garage door will not be dominant given that the size of the garage door is a small percentage of the double storey façade. The exemption for the double storey façade buildings is proposed to be included into the rules as follows;

> Add to PREC1-R5(4)(a)
>
> "On a site with a frontage less than 15m wide, the front façade of a building shall comprise a minimum non-garage width of 4.5m, <u>except for multi-storey terraced housing</u>."

Staff recommended that this proposal is accepted and is included as part of the notification package, as it will not compromise the overall design aesthetic of the development.

<u>Subdivision-SUB-R7(5)</u>

The changes to SUB-R7(5) are to correct an anomaly in the wording of the plan, as it does not currently provide for terrace housing on lots larger than 200m^2 (it only provides for terrace housing on lots smaller than 200m^2). The change would align the subdivision standards for terrace housing with the activity standards in MRZ-PREC1-Lockerbie. Alignment with the land-use consent activity rule within the subdivision chapter is necessary to avoid any unnecessary resource consent issues.

(d) Additional standard (inclusion-<u>underline</u> and deletion-~~strikethrough)~~ for subdivision using SUB-R3(9)

(i) Where allotments less than 325m2 are proposed:

- *the allotment size for one residential unit shall be no less than 273m2 and a concurrent land-use consent must be obtained; or:*
- *the allotment size for a duplex shall be no less than 200m2 and a concurrent land-use consent must be obtained;*
- *<u>the average net site area for terraced housing shall not be less than 150m2 per residential unit and a concurrent land use consent must be obtained.</u>*
- *A legal mechanism shall be registered on the title for those lots recording the ongoing obligation to comply with the land-use consent obtained.*

(ii) ~~Where allotments less than 200m2 are proposed a concurrent land-use consent for terraced housing must be obtained; and:~~

- *~~A legal mechanism shall also be registered on the title for those allotments recording the ongoing obligation to comply with the land-use consent obtained.~~*
- *A condition of the land-use consent will be that the records of title for each adjoining residential unit (i.e duplex or terraced housing) are to be legally held*

together under the same ownership, on a voluntary basis, and shall not be separately disposed of until the framing for each residential unit is completed.

Staff recommend that the proposal is accepted and is included as part of the notification package, as it will ensure that terrace housing can be achieved on lots larger than $200m^2$.

Section 32 Evaluation Report and Consultation report

The majority of the changes included in PC 61 are the result of the requirements of the NPS. These are changes such as defined terms, uniform names for zones, certain types of chapters the plan must contain, the order of the plan chapters and symbols to be used maps. These aspects have not been explicitly assessed in the section 32 report as considerable assessment work has already been undertaken by the Ministry of Environment. This aspect is discussed at the beginning of the section 32 report.

What the section 32 report does cover are the associated changes that are now required to give effect to those NPS requirements, for example the NPS sought the inclusion of the defined term “minor household unit”. This then resulted in a suite of new rules for minor household units. Another change required by the NPS sought that reserves must be recognised through a zoning. This has resulted in the development of the Open Space and Sport and Active Recreation zoning provisions. There are also changes that reflect the feedback from consultation processes with elected members, Te Manawhenua Forum, stakeholders, individuals and community groups. The plan change also contains a small number of “tidy up” changes, for example deletions from the heritage schedule that have occurred over time that are required to be recognised through a plan change.

These changes have all been reviewed through the attached section 32 assessment and the provisions proposed have been found to be the preferred provisions as they represent the most efficient and effective option/s available. The proposed provisions represent a low level of risk and will not undermine the integrity of the Operative District Plan.

The consultation report documents the consultation process that has been undertaken by Council as part of the development of the plan change. Staff consider that a robust consultation process has been followed and it is commensurate to the scale and significance of the plan change.

Summary report

An updated summary report, a non-statutory report, has been provided throughout the development phase and an updated version is included with the material today for consideration and review. It includes the new changes proposed for the Lockerbie rule framework. The continued inclusion of the summary report is to assist readers to navigate the plan change document. Staff recommend that the summary report is approved as part of the notification package.

Planning Maps

At the time of writing, staff are still looking to resolve how the content of the three schedules in Section 10 - Natural Environment will be shown on the new planning maps. These schedules; Ecosystems and Indigenous Biodiversity, Natural Character and Natural Features and Landscapes, are all currently shown in the Operative Planning Maps using the same symbol and are known collectively as “Outstanding or significant features and other protected items”[2]. However the NPS has a different recognition system, which has required these items to be reallocated between the abovementioned schedules and individually mapped with new map icons. Staff will be able to provide progress update on this aspect at the meeting.

[2] Operative District Plan-Schedule 3: Outstanding or significant features, protected trees and other protected items: Part B Outstanding or Significant natural features and other protected items.”

Ongoing correction processes
In the background, staff have also been reviewing the draft material for correctness and consistency. With such a large document, it is common for small errors and inconsistencies to be found. Should Council approve the current plan change content, staff seek approval to make minor changes prior to the public notification of the plan change. Such changes could include fixing spelling mistakes, formatting, wording, numbering and cross-referencing inconsistencies. No changes would be made that affect the integrity or the interpretation of the proposed provisions.

Mōrearea | Risk

In adopting the recommendations of this report, it is considered that approval of the draft version of PC 61 would constitute a low risk. The approval of PC 61 would enable the plan change to then be publicly notified for submission. The Council's Risk Policy provides an expectation that the organisation will comply with all relevant legislative requirements in the conduct of its business. Notifying a plan change for public submission after undertaking public consultation, engagement with key stakeholders and providing the document to iwi authorities for their consideration and comment is in accordance with the relevant provisions of the RMA and is an expectation of that piece of legislation.

Ngā Whiringa | Options

Option 1: To approve draft PC 61 to enable the Plan Change to progress through the next required statutory steps.

PC 61 has been in the development phase for some time. As part of the development process, the Council has undertaken informal consultation with the public and key stakeholders, including Te Manawhenua Forum and iwi authorities. While the iwi authorities did not make any formal comments during the recent consultation phase, this does not preclude them from making a formal submission at a later time, should they chose to do so.

This work is now ready to be taken to the next statutory phase by being publicly notified as required by clause 5/5A of Schedule 1 of the RMA. Staff consider that the project meets the statutory threshold for public notification. The public notification of the document would also allow the project as a whole to move along in line with the project timelines and bring to project closer to the decision making stage. Staff are aware of community interest in some aspects of this plan change, so there would be benefit in moving the plan change along in a timely manner towards the next stage of public engagement.

Option 2: To not approve draft PC 61.

Elected members may prefer not to approve PC 61 in its current form and may seek that further amendments are undertaken. This would preclude the document from being made available for public notification at this time, resulting in a delay to the project as staff revise the material and bring it back to Council for their consideration and approval. This would likely add at the minimum an additional month to the project timelines. Once approved it can then be publicly notified which will provide other stakeholders and the public with an opportunity to submit on any concerns they may have.

Recommended option

Option 1 is the recommended option in this instance. This option would enable the statutory processes outlined in Schedule 1 of the RMA to occur within the timelines that have been set down for this project, allowing it to proceed to public notification. There is community interest in some aspects of this plan change and there would be benefit in moving the plan change along in a timely manner towards the next stage of public engagement.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

The RMA provides the statutory processes for the development, notification and decision making related to plan changes. This section contains a brief summary of the processes that have been followed to meet these requirements.

Staff consider that the development process for PC 61 has met the relevant RMA consultation requirements. Staff with the public and key stakeholders included after hours drop in sessions, and community and individual meetings.Under Clauses 5 and 5A of Schedule 1, of the RMA, a local authority has the option to either serve public or limited notice of a plan change. Staff consider that as PC 61 is applicable over the whole district, that it should be publicly notified.

Following the specified RMA processes ensures that Council develops a robust document, and avoids becoming the subject of a judicial review. The recommended options in this report are aligned to the required statutory processes.

Ngā Pāpāhonga me ngā Whakawhitiwhitinga | Communications and engagement

The outcome of this meeting and any decisions on the recommendations will be provided in the minutes of the meeting. In the event that the Council approve PC 61 for notification, public notice will be given of the notification and the timeframes in which to make submissions. Certain statutory parties, in accordance with Schedule 1 of the RMA will receive direct notice of the public notification of this plan change. The plan change will be notified for at least 20 working days. Staff will be available over the time of the public notification to answer questions from the public, iwi authorities, and any other stakeholders. Staff will also hold drop in session in each of the town centres to encourage people to make contact and explain the submission process.

Ngā Tāpiritanga | Attachments

A. PC 61 Planning Maps *(Under Separate Cover)*
B. PC 61 Section 32 Evaluation Assessment of Options *(Under Separate Cover)*
C. Proposed Plan Change 61 Consultation Overview *(Under Separate Cover)*
D. Proposed Plan Change 61 Summary Report *(Under Separate Cover)*
E. District Plan NPS - Part 1 - Section 1 *(Under Separate Cover)*
F. District Plan NPS - Part 1 - Section 2 *(Under Separate Cover)*
G. District Plan NPS - Part 1 - Section 3 *(Under Separate Cover)*
H. District Plan NPS - Part 1 - Section 4 *(Under Separate Cover)*
I. District Plan NPS - Part 1 - Section 5 *(Under Separate Cover)*
J. District Plan NPS - Part 2 - Section 6 *(Under Separate Cover)*
K. District Plan NPS - Part 2 - Section 7 *(Under Separate Cover)*
L. District Plan NPS - Part 2 - Section 8 *(Under Separate Cover)*
M. District Plan NPS - Part 2 - Section 9 *(Under Separate Cover)*
N. District Plan NPS - Part 2 - Section 10 *(Under Separate Cover)*
O. District Plan NPS - Part 2 - Section 11 *(Under Separate Cover)*

P. District Plan NPS - Part 2 - Section 12 *(Under Separate Cover)*
Q. District Plan NPS - Part 3 - Section 13.1 & 13.2 *(Under Separate Cover)*
R. District Plan NPS - Part 3 - Section 13.3 & 13.4 *(Under Separate Cover)*
S. District Plan NPS - Part 3 - Section 13.5 to 13.7 *(Under Separate Cover)*
T. District Plan NPS - Part 3 - Section 13.8 to 13.11 *(Under Separate Cover)*
U. District Plan NPS - Part 3 - Section 14.1 to 14.6 *(Under Separate Cover)*
V. District Plan NPS - Part 3 - Section 14.7 *(Under Separate Cover)*
W. District Plan NPS - Part 3 - Section 15 *(Under Separate Cover)*
X. District Plan NPS - Part 3 - Section 16 *(Under Separate Cover)*
Y. District Plan NPS - Part 3 - Section 17 *(Under Separate Cover)*
Z. District Plan NPS - Part 4 - Appendices *(Under Separate Cover)*

Ngā waitohu | Signatories

Author(s)	Carolyn McAlley **Kaiwhakamahere Rautaki RMA Matua | Senior RMA Policy Planner**	

Approved by	Nathan Sutherland **Kaiārahi Rautaki RMA | Team Leader RMA Policy**	

7 Pūrongo me whakatau | Decision Reports

7.4 Delegations under Fast-track legislation

CM No.: 3021525

Te Kaupapa | Purpose

The purpose of this report is to gain a Council decision allowing staff to undertake its powers, functions or duties in relation to applications lodged under the Natural and Built Environment Act 2023 and the Fast-track Approvals Act 2024.

Rāpopotonga Matua | Executive Summary

Since July 2020, New Zealand has had some form of fast-track consenting legislation in force. Initially, the purpose of this legislation was to promote employment to support the country's recovery from the economic impacts of COVID-19. However, more recently the purpose has been to facilitate the delivery of infrastructure and development projects with significant regional or national benefits. In all cases, the legislation provides a seemly quicker alternative consenting pathway for large-scale development projects. At the moment there are two forms of fast-track legislation in effect. These are the Natural and Built Environment Act 2023 and the Fast-track Approvals Act 2024. Council officers do not have delegations to exercise powers and functions under these two Acts, but consider it appropriate for certain roles to have delegations.

Tūtohunga | Recommendation

That:

1. **The Council delegates its responsibilities, duties or powers under the Natural and Built Environment Act 2023 and Fast-track Approvals Act 2024 to the following:**

    - **Chief Executive Officer (CEO)**
    - **Group Manager Business Support (GMBS)**
    - **Group Manager Growth and Regulation (GMGR)**
    - **Group Manager Operations (GMO)**
    - **Planning Manager (PM)**

2. **Any responsibilities, duties or powers carried out under the Natural and Built Environment Act 2023 and Fast-track Approvals Act 2024, shall be authorised by at least two of the roles identified above.**

Horopaki | Background

In August 2023, selected parts of the Natural and Built Environment Act 2023 (NBA) came into force. This Act was intended to be the main replacement for the Resource Management Act 1991 (RMA) and contained fast-track resource consenting pathway for certain eligible activities. This Act was repealed in December 2023 following the election of the current Coalition Government, however, the repeal legislation retains the NBA fast-track consenting process. Any consent issued under it is treated like a consent under the RMA. Following its election, the Government announced its intention to introduce new fast-track consenting legislation within the first 100 days of office. The NBA regime applies at least until that legislation has passed into law.

The Fast-track Approvals Act 2024 (FTAA) came into force in December 2024, with the purpose of establishing a permanent fast-track approvals regime for a range of infrastructure and development projects with significant regional or national benefits. Unlike other fast-track legislation, this Act is designed to be a "one-stop shop" that provides alternative consenting process for permissions normally required under a range of different Acts. Given that applications are still going through the NBA fast-track process, both Acts remain in force for the time being. However, no more referral applications can be lodged under the NBA.

Both Acts offer an alternative consenting process for eligible projects or those with significant regional or national benefits and the pathway an application will follow is broadly the same under both. The biggest difference for local authorities when compared against the normal consenting process, is that they are no longer the decision maker and have lesser role to play, effectively becoming a submitter to the application. However, there are several points in the process where a local authority will have the ability to influence a decision, typically by providing comments. These are when a referral application is made, when the substantive application is made and in the case of the FTAA, when the draft conditions have been issued.

Ngā Take/Kōrerorero | Issues/Discussion

Under the Resource Management Act 1991 (RMA), the Chief Executive Officer (CEO), Group Manager Business Support (GMBS), Group Manager Growth and Regulation (GMGR), Group Manager Operations (GMO) and the Planning Manager (PM) have the delegation to exercise all powers and functions under it, with a few exceptions. These exceptions include matters such as the power of delegation, decisions on time limit extensions for plan changes and decisions on a request to refer an application to the Environment Court. With fast-track applications, the Council will typically provide its comments from an RMA perspective, therefore, it is considered appropriate for any Council powers and functions under the relevant legislation to be delegated to the same positions. Although the FTAA is touted as a "one-stop consenting shop" and covers multiple Acts, including the likes of the Conservation Act 1987, Reserves Act 1977 and the Wildlife Act 1953, it would be seldom that the Council would make comments on an application from anything other than a resource management perspective.

Both the NBA and the FTAA have several steps where the Council may be asked to provide input into the process. These include:

- Making comments on a referral application
- Making comments on a substantive application
- Appearing at a hearing in respect of a substantive application
- Providing further information or a report
- Providing comments on draft conditions
- Deciding whether to lodge an appeal to the High Court on a question of law
- Nominating a person to be a member of the expert panel
- Including a designation in a district plan

Looking at where the delegations of other councils lie, under the FTAA the Christchurch City Council has delegated all the functions listed above to their equivalent of this Council's Group Manager Growth and Regulation. The delegation of other members of their equivalent Executive Team is limited to making comments on a substantive application. The Head of Planning and Consents, Manager Resource Consents and Team Leader Planning are delegated to carry out most functions above, with the common exemption being able to decide whether to lodge an appeal against a fast-track decision.

Under the NBA, Waipa District Council have delegated all its powers and functions under that Act to the Chief Executive, Group Manager District Growth and Regulation, and the Manager District Plan and Growth. In this case, it is recommended that the powers and functions of a local authority under the NBA and FTAA be delegated to the members of the Council's CEO, GMBS, GMGR, GMO and the PM. However, it also recommended that any actions carried out under the NBA and FTAA be authorised by at least two of the roles identified above to ensure a reasonable degree of oversight. In most cases, this authorisation is likely to come from the PM and the GMGR.

Mōrearea | Risk

The risks associated with this process fall into two categories outlined in the Council's risk policy, legislative compliance and reputation/image. The risk policy expects the organisation to comply with all legislative requirements in the conduct of its business. Clause 32 of Schedule 7 of the Local Government Act 2002 allows a local authority to delegate to an officer of the local authority any of its responsibilities, duties or powers with some exceptions. These exceptions would not apply in this instance. Therefore, from a legislative perspective there is little risk associated with the Council delegating its responsibilities, duties or powers under the NBA and FTAA to its staff.

Reputational risk is a relevant consideration and could come from several different angles, depending on the Council's final decision. As noted in the options below, the timeframes associated with Acts are tight. If the Council were to retain control over the content of comments provided in relation to fast-track applications, it may be that these comments need to be produced under pressure to meet the decision making timeframes or may be that they are not provided in the required timeframes. This may give the impression the Council is not concerned with the consequences of fast-track applications.

Alternatively, if the Council were to delegate its responsibilities under the NBA and FTAA to staff, then the information provided in response to fast-track applications would be moulded by a few individuals. In this case, there is a small risk these individuals could pursue their own agenda, providing comments contrary to Council's policy direction. However, it is considered that this risk would be minimised to a very low level with the two role authorisation process.

Ngā Whiringa | Options

For the delegations, there are three main options. These are that the Council provides delegations for staff (the CEO, GMBS, GMGR, GMO and the PM) to undertake all of its powers, functions or duties under the Natural and Built Environment Act 2023 (NBA) and Fast-track Approvals Act 2024 (FTAA), or it does not. Alternatively, the Council could approve staff delegations under these Acts, but not to the positions recommended. These options are discussed in more detail below.

Option One – Status Quo	
Description of option	
Council does not have any staff delegations under the Natural and Built Environment Act 2023 (NBA) and Fast-track Approvals Act 2024 (FTAA).	
Advantages	**Disadvantages**
The Council retains control over the content and tone of any comments provided on a fast-track application.	The comments provided on a fast-track application are often technical in nature, involving elements such as the significance of the activity's adverse effects on the environment and the consistency of the project with the District Plan. These are typically

	outside the scope of the Council's normal considerations.
	The timeframes for providing comments are tight, particularly considering the applications are often large and technically complex. The timeframes sit between 10 and 20 working days depending on what point in the process comments are being invited. It would be difficult to coordinate a substantially completed set of comments with a scheduled Council meeting.

Option Two – Delegate powers, functions or duties to recommended staff	
Description of option	
Council has staff delegations (the CEO, GMBS, GMGR, GMO and the PM) under the Natural and Built Environment Act 2023 (NBA) and Fast-track Approvals Act 2024 (FTAA).	
Advantages	**Disadvantages**
The comments provided on a fast-track application are often technical in nature, involving elements such as the significance of the activity's adverse on the environment and the consistency of the project with the District Plan. These can be appropriately commented on at staff level, where the technical competency lies.	The Council does not retain control over the content and tone of any comments provided on a fast-track application and must rely on the competency of staff.
The timeframes for providing comments are tight, between 10 and 20 working days depending on what point in the process comments are being invited. Having delegations at staff level will reduce the number of steps in the process and will better facilitate comments within the requested timeframes.	

Option Three – Delegate powers, functions or duties to other staff	
Description of option	
Council has staff delegations under the Natural and Built Environment Act 2023 (NBA) and Fast-track Approvals Act 2024, but not to those staff recommended.	
Advantages	**Disadvantages**
The timeframes for providing comments are tight, between 10 and 20 working days depending on what point in the process comments are being invited. Having delegations at staff level will reduce the number of steps in the process and will better facilitate comments within the requested timeframes.	The Council does not retain control over the content and tone of any comments provided on a fast-track application and must rely on the competency of staff.

Recommended option

It is recommended that the Council delegates all of its powers, functions or duties under the Natural and Built Environment Act 2023 (NBA) and Fast-track Approvals Act 2024 (FTAA) to the CEO, GMBS, GMGR, GMO and the PM. In most cases, the Council will be commenting on a fast-track application through a resource management lens, therefore, in practice it would be appropriate for the staff delegations to be similar between the RMA and the two fast-track Acts. It is also worth noting that the Council has no decision making powers under the NBA and FTAA in relation to the application itself. These lie with the Minister for the Environment/Minister for Infrastructure and the Expert Panel.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Nathan Sutherland **Kaiārahi Rautaki RMA | Team Leader RMA Policy**	

Approved by	Ally van Kuijk **Hautū Tipu me te Whakamatua | General Manager Growth & Regulation**	

8 Ngā Pūrongo Whakamārama | Information Reports

8.1 Civil Defence Emergency Management (CDEM)

CM No.: 3010697

Te Kaupapa | Purpose

The purpose of this report is to provide a quarterly update of the Civil Defence and Emergency Management function. Mark Bang, of Civil Defence Emergency Management (CDEM) will be in attendance to present.

Rāpopotonga Matua | Executive Summary

Civil Defence and Emergency Management team will be in attendance to present an update to Council on the activities carried out during the previous quarters (Q1 & Q2) and highlight any matters that are impending or would have an impact on the activity. The activities include work plans, projects, legislation and the intended activities looking forward.

Tūtohunga | Recommendation

That:

1. **The information be received; and**

2. **The Group Manager Growth and Regulation be delegated to approve a submission on the proposed Emergency Management Bill discussion document.**

Horopaki | Background

Matamata-Piako District Council (MPDC) entered into a service level agreement (SLA) with Waikato Regional Council to assist in meeting its obligations under the Civil Defence and Emergency Management (CDEM) Act 2002. The service is delivered through the Group Emergency Management Office (GEMO) and this arrangement was first established in August 2019.

In the last CDEM report it was stated *"Officers have agreed to continue the arrangement for a further five year term (until 2029)"*. Since then there have been developments which change this status and they are discussed below.

Ngā Take/Kōrerorero | Issues/Discussion

<u>LOCAL (MPDC)</u>

The following section is to inform Council about activities that we are undertaking at a local level:

- **Service Level Agreement (SLA)**
  - As previously reported the intention was to extend the SLA for a further five years (to 2020). Since then the Waikato Regional Council (WRC) have adjusted their method of overhead cost recovery in the organisation and issued a proposed SLA budget which increases current costs significantly. Staff are currently working through what this may mean going forward and will report back to Council through a Section 17A review under the Local Government Act.

    - The GM Growth and Development is exploring the options available for CDEM delivery at MPDC. The options and conversations are supported by GEMO Group Manager and Team Leader as required. The current arrangements will cease at or before 30 June 2025. MPDC is assured that support from the GEMO will be forthcoming and the transition will be managed in a way that does not reduce service to the community.

- **Work plan**
    - The MPDC emergency management workplan focuses on achieving the priority actions from the Group Plan (where there is local deployment) as well as achieving the local needs. It is founded on the following strategic pillars:
        - **Pillar 1 – We are prepared**
        - **Pillar 2 – Build community resilience**
        - **Pillar 3 – Enhance our capability and capacity**
        - **Pillar 4 – Future ready (horizon scanning)**
    - In the last two quarters the work plan focus has been on:
        - Contribution to the Group wide improvement and standardisation of emergency operation centre (EOC) forms and templates. This collection is known as the "Group Compendium" and allows staff from other councils to easily and quickly be able to work in the MPDC EOC using familiar processes and tools. This work was completed collectively by the Waikato CDEM professionals.
        - Ongoing delivery of the annual welfare business plan and strategic recovery plan has stalled a bit in the reporting period due to staff resources. This is now being picked up and there will be a practical Welfare component in the upcoming CDEM exercise.
        - Training opportunities for MPDC staff have been given a focus. An all of staff hui had an excellent presentation from the Emergency Management Officer (EMO) and this has resulted in extra interest in CDEM courses.
        - The operational response plan for earthquake (Kerepehi fault) risk has been completed and will be tested in the upcoming exercise in May. The two other operational plans, factory failure and severe weather are in progress.
        - Alternative communications systems are being explored.
        - A workshop at the recent Te Manawhenua Forum is an ongoing focus to include Māori in the emergency management system locally.
        - Engagement with our community - Our EMO has been engaging with the BA5 and at the Big Business Breakfast raising the profile of CDEM, natural risks our communities could face and advising of upcoming Group Plan consultation.
        - Nominations have been put forward for a controller and alternate recovery manager and we are currently working through the process.
        - At the February Risk and Assurance Committee meeting, staff undertook a deep dive of one of the identified top 10 risks; inadequate response and recovery to local level natural and human induced disasters, extreme weather events and pandemics.

REGIONAL (GROUP)

The CDEM Group is a Joint Committee of the 11 Local Authorities in the Waikato Regional area and Councillor Smith is the MPDC representative. The following section is to inform Council about activities that the Waikato Group Emergency Management office (GEMO) have been involved with MPDC and other Group Members at a regional level.

Policies, Strategies and Plans:

- Group Strategic Plan 2025 - 2030
    - On Monday 24 March 2025, the Joint Committee (JC) approved the draft Group

Key dates 2025	Group Strategic Plan detail
31 January	Close of engagement matters for objectives
24 February	Joint Committee workshop - plan development, process and content
7 March	CEG – review content Group 'Strategic' Plan for consultation
24 March	Joint Committee - adopt Group 'Strategic' Plan for consultation
26 March – 6 May	Consultation open (NEMA undertake technical review concurrently – 6 weeks)
16 June	Joint Committee - hearing and deliberations
23 June	Joint Committee (back up day for deliberations)
30 June - 25 July	Ministerial review
22 September	Joint Committee **Adopt** Waikato CDEM Group 'Strategic' Plan 2025-2030 and Group 'Action' Plan 2025/26 (last meeting of this term of Joint Committee)

Plan for public consultation. An updated timeline follows:

- To ensure a broad local government perspectives and opportunities to submit the Coordinating Executive Group (CEG) in recommending notification of the Group Strategic Plan to JC agreed:
    - The Group Strategic Plan will be reported to the local authority member governance meetings and
    - It will be reported to the local authority executive team.
- The Group Strategic Plan has a strong emphasis on uplifting the following parts of the emergency management system:
- Māori partnership – inclusion and participation.
- Community empowerment – engagement with the community that empowers (train/resource) those capable to be self-resilient in an emergency.
- Reduction – JC visibility to ensure resources and funding are considered by the LA's, investment in pre-disaster planning enabled through LTPs.
- Assurance – protecting the Group.

- Iwi participation in CDEM
    - Through the Group Strategic Plan consultation with Māori, some iwi identified that they were not able or ready to co-design a framework that would enable their involvement in CDEM at both governance (JC) and executive (CEG) levels and expressed that priority should be given to operational work planning over governance. At its latest round of meetings CEG and JC endorsed the approach of "ground up" work planning with those iwi ready to take part and to use existing mechanisms for oversight of delivery. For some post settlement iwi Joint

Management Agreements (JMAs) will be used for oversight and for other iwi other relationships with councils may be used. On 1 April 2025, a workshop was held with Te Manawhenua Forum to explore the possibilities with iwi in the MPDC area.

- CEG approved GEMO conducting a "deep dive" into local activity with Māori with a focus on marae engagement. This is to compile a current state to inform a review of the 2011 Group Marae Preparedness Strategy.

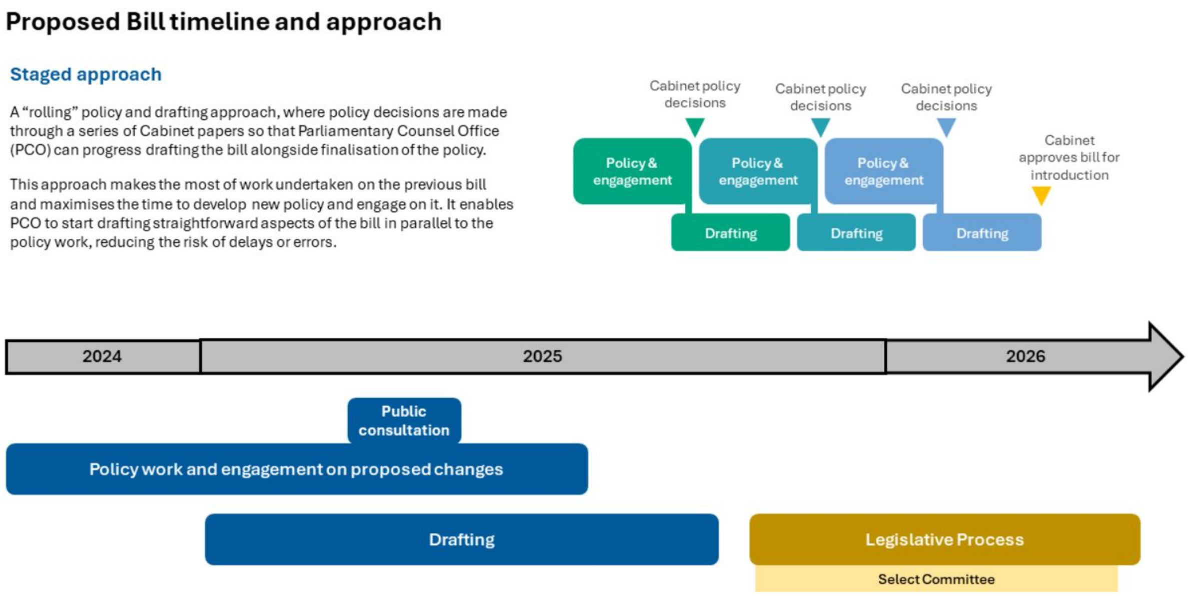
- GEMO staffing
  - The new roles approved by the Joint Committee have been recruited:
    - GIS specialist – is progressing work on a geospatial "common operating picture" and is engaging council EMO and GIS staff
    - Kaiarahi Iwi Māori Advisor – has recently started and is making connections and introductions with stakeholders in the Waikato. They introduced themselves to the Te Manawhenua Forum on 1 April 2025.
  - Group Policies
    - On CEG's recommendation, the JC approved amendments to two Group policies:
      - Welfare Policy was changed to reflect current systems and operational changes and to clarify the appointment process of Welfare Managers to align with other statutory appointment processes.
      - Recovery Policy was changed to introduce a tiered approach to appointment of Recovery Managers. This will bring it in line with the Controllers Policy and allow Recovery Managers to be available for deployment between councils in the Waikato during the transition to recovery phase only.
  - Hikurangi Subduction Zone update
    - Phase one has been completed and local exposure modelling from a magnitude 9.1 earthquake on the HSZ has been shared with MPDC. Stage two is underway by GNS and will complete impact assessments on the built, social and economic environments. A presentation to JC on Monday 24 March put the stage one results in the public domain. A Group wide communication plan was developed by GEMO to support local councils with their own communications plans as more information becomes available and public interest may increase.
  - Joint Committee Chair
    - Due to the resignation of Chair Anna Park (Taupō DC) at its meeting on 24 March, the CDEM Group Joint Committee elected a new chair. Councillor Lou Brown (Waipā DC) was elected and because he was previously deputy chair Councillor Emma Pike (HCC) was elected as deputy chair.

NATIONAL

The following section is to inform Council about activities that are happening at a National level.

- Legislation, Strategies and Plans:

- o Resource Management Act Amendment – Phase 2 - Waikato CDEM Group Submission to Resource Management (Consenting and Other Systems Changes) Amendment Bill, was lodged 3 February 2025. The Joint Committee Chair presented an oral submission in support of the Group's submission.
- o Emergency Management Bill - The legislative reforms aim is to ensure there is a whole-of-society approach to emergency management. To kick this off the Government have released a discussion document on the 16 April, seeking submissions to understand the issues and options. The document focuses on five key objective areas which the government wants to focus on; these are:
  - Strengthen community and iwi Māori participation
  - Providing for clear responsibilities and accountabilities at the national, regional, and local levels.
  - Enabling a higher minimum standard of emergency management.
  - Minimising disruption to essential services.
  - Having the right powers available when an emergency happens
  - Submissions on this discussion paper are sought no later than 13 May 2025. Due to the tight timeframe (including the Easter holiday period) we seek Council's approval to delegate to staff the ability to input into the process by preparing a submission. Following the lodging of a submission, staff will undertake a workshop with Council that outlines the Governments current objectives and how this may form the basis of the new legislation.



Mōrearea | Risk

- o Council's legislative responsibilities to plan for, respond and recover from the adverse effects of emergencies is outlined in the Civil Defence and Emergency Management Act 2002 (CDEMA). As outlined on the NEMA website the purpose of the CDEMA includes to: Improve and promote the sustainable management of hazards in a way that contributes to the social, economic, cultural and environmental wellbeing and safety of the public and also to the protection of property;

- Encourage and enable communities to achieve acceptable levels of risk;
- Provide for planning and preparation for emergencies and for response and recovery in the event of an emergency;
- Require local authorities to coordinate, through regional groups, planning, programmes and activities related to civil defence emergency management across the areas of reduction, readiness, response and recovery, and encourage cooperation and joint action within those regional groups;
- Provide a basis for the integration of national and local civil defence emergency management planning and activity through the alignment of local planning with a national strategy and national plan
- Encourage the coordination of emergency management, planning and activities related to civil defence emergency management across the wide range of agencies and organisations preventing or managing emergencies under this Act.

Council currently meets this legislative requirement through the SLA with Waikato Regional Council and this is an update of the actions taken towards meeting this legislative requirement.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes

Matamata-Piako District Council's Community Outcomes are set out below:

<table>
<tr><td colspan="2">MATAMATA-PIAKO TŌ MĀTOU WĀHI NOHO | OUR PLACE</td><td colspan="2">MATAMATA-PIAKO DISTRICT COUNCIL TE ARA RAUTAKI | STRATEGIC DIRECTION</td></tr>
<tr><td colspan="4">TŌ MĀTOU WHAKAKITENGA | OUR VISION
Matamata-Piako District is vibrant, passionate, progressive, where opportunity abounds. 'The heart of our community is our people, and the people are the heart of our community.</td></tr>
<tr><td colspan="4">TŌ MĀTOU WHĀINGA MATUA | OUR PRIORITIES (COMMUNITY OUTCOMES)</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>He wāhi kaingākau ki te manawa | A place with people at its heart</td><td>He wāhi puawaitanga |
A place to thrive</td><td>He wāhi e poipoi ai tō tātou taiao |
A place that embraces our environment</td><td>He wāhi whakapapa, he wāhi hangahanga | A place to belong and create</td></tr>
</table>

All of the Council community outcomes are relevant to the activity of Civil Defence and Emergency Management.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The costs associated with the SLA for Civil Defence and Emergency Management is within existing budgets.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Tamara Kingi **Kaiārahi Kāwana | Governance Team Leader**	

Approved by	Ally van Kuijk **Hautū Tipu me te Whakamatua | General Manager Growth & Regulation**	

8 Ngā Pūrongo Whakamārama | Information Reports

8.2 February 2025 Finance Report

CM No.: 3022641

Te Kaupapa | Purpose

The February 2025 financial report is presented for Council's information.

Rāpopotonga Matua | Executive Summary

The February 2025 financial report is attached and presented for Council's information.

Tūtohunga | Recommendation

That:

1. The February 2025 financial report be received.

Ngā Tāpiritanga | Attachments

A⇩. February 2025 Finance Report

Ngā waitohu | Signatories

Author(s)	Larnia Rushbrooke **Pou Pūtea, Ratonga Pakihi | Finance & Business Services Manager**	

Approved by	Larnia Rushbrooke **Pou Pūtea, Ratonga Pakihi | Finance & Business Services Manager**	
	Manaia Te Wiata **Tumu Whakarae | Chief Executive Officer**	

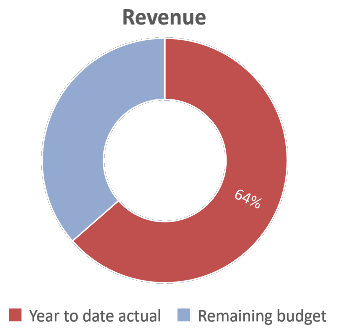
Monthly Report - February 2025

SUMMARY FINANCIALS BY ACTIVITY

At the end of February, we are 67% of the way through the 2024/25 financial year. The graphs below show how our operating and capital budgets are tracking at this point per activity. The operting graphs in blue, and capital graphs in green, indicate that the activity is tracking largely in line or favourably to budget. Graphs in red show areas of concern. The Funding Impact Statement follows these graphs, showing how we are performing against budget in funding our operating expenditure and our capital expenditure on an overall basis.

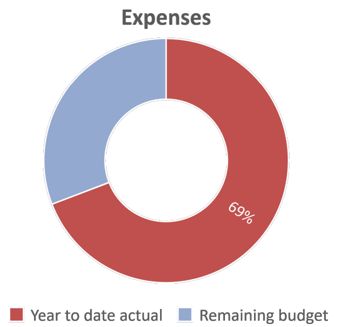
Community Facilities

OPERATING



Actual $11.9m **Budget $12.5m**

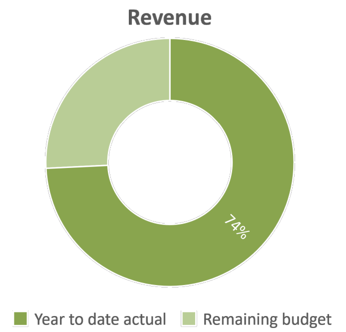
Revenue from fees and charges is below budget by $610,000 which is partially due to seasonal demand for facilities like the pools and Firth tower. Domain House beauty sales are $83,000 below budget this is partially due to being down a therapist until November 2024. Te Aroha Mineral Spas admission fees income is $359,000 lower than budget as a result of decreased visitor numbers compared to previous year, issues with the geyser resulting in limited capacity for a two week period, and a lack of water availability. Revenue expectations have been updated in the 2025-26 annual plan to reflect these trends.



Actual $11.2m **Budget $10.8m**

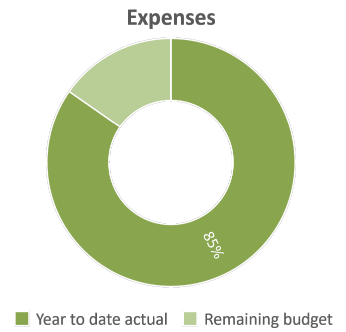
Overall payments to staff and suppliers are $402,000 higher than budget. Pools and spas painting costs are $129,000 over budget for painting of Morrinsville Swim Zone pool. $71,000 for Seismic assessment of the Te Aroha Office building was unbudgeted. Building repairs for Gordon and Springdale halls are $10,000 and $17,000 over budget, respectively, for roof works. Matamata street furniture costs are $11,000 over budget due to significant spending for arborist works ($82,000). Matamata Civic Centre costs are $54,000 higher than budgeted but this is partially offset by the higher than budgeted revenue. Finance costs are $272,000 higher than budget.

CAPITAL



Actual $1.6m **Budget $1.4m**

Higher contributions received from significant development in Matamata and Morrinsville.



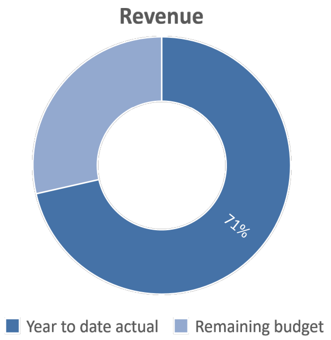
Actual $1.9m **Budget $1.5m**

$3m for Matamata indoor stadium is expected to be spent by 30 June. $1.5m budgeted for destination playgrounds will be carried forward to 2025-26.

1 of 14

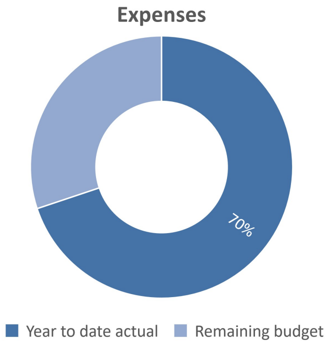
Rubbish and Recycling

OPERATING



Actual $4m **Budget $3.8m**

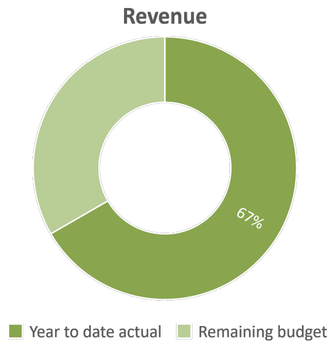
The waste minimisation subsidy received to date is $180,000 more than budget and the MFE subsidy is $72,000 higher than budgeted.



Actual $3.9m **Budget $3.7m**

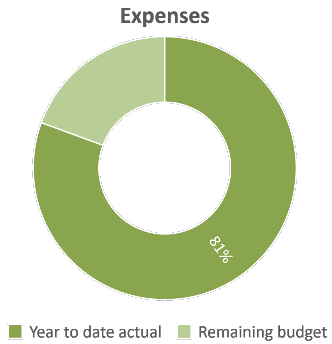
Tracking largely to budget.

CAPITAL



Actual $149,000 **Budget $50,000**

The surplus from operations becomes available funding for capital spending (ie reducing the need for external borrowing).

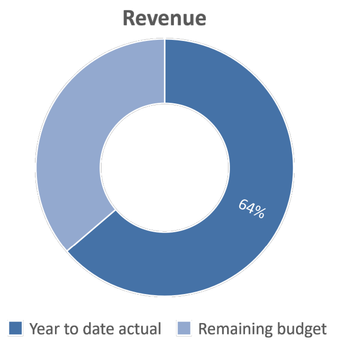


Actual $403,000 **Budget $333,000**

$262,000 has been spent to date on Morrinsville Leachate and Waihou Leachate Pump Station Upgrade works carried forward from the 2023-24 budget. $141,000 has been spent on Waihou RTS roading upgrade, with another $59,000 to be spent.

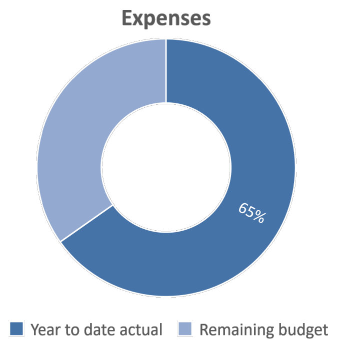
Roading

OPERATING



Actual $8.9m **Budget $9.3m**

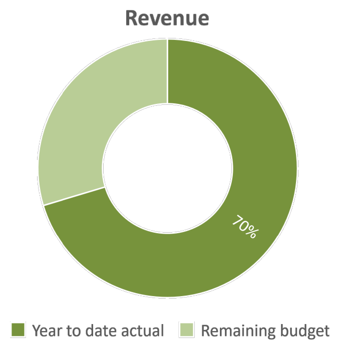
NZTA subsidies received are lower than budget at this point which is a normal seasonal variation.



Actual $6.3m **Budget $6.4m**

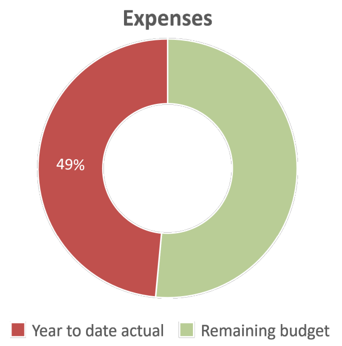
Subsidised roading costs are $92,000 higher than budget and unsubsidised roading costs are $53,000 lower than budgeted. This should balance out as the year progresses. Interest costs are also $72,000 higher than budgeted.

CAPITAL



Actual $10.4m **Budget $9.8m**

Development contributions are $609,000 more than budget. Offsetting this, NZTA subsidy income is $61k less than budgeted at this point - partly due to usual timing of work, but also due to the Low Cost, Low Risk projects budgeted of $893,155 not being approved by NZTA. Subsequently, Better off Funding of $1.3m is now expected to be received and applied to district accessibility projects that was not budgeted for.

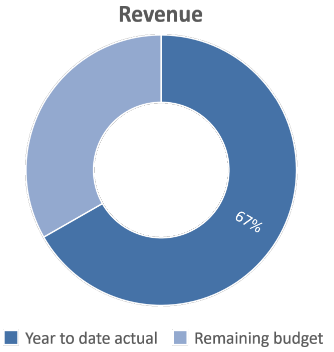


Actual $4m **Budget $5.5m**

Capital expenditure is tracking below budget, partly as a result of the seasonal nature of the work, and also due to the cut in funding for the Low Cost Low Risk projects.

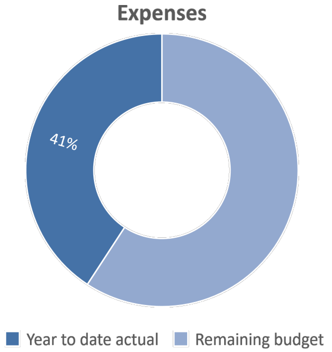
Stormwater

OPERATING



Actual $823,000 **Budget $822,000**

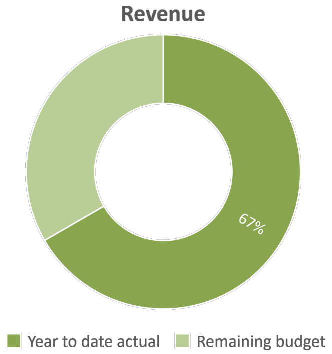
Tracking to budget.



Actual $385,000 **Budget $629,000**

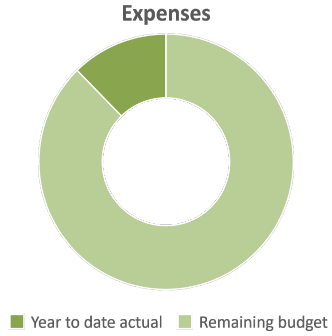
Stormwater is tracking under budget in terms of operating costs, with some savings in interest costs.

CAPITAL



Actual $684,000 **Budget $684,000**

Tracking to budget.

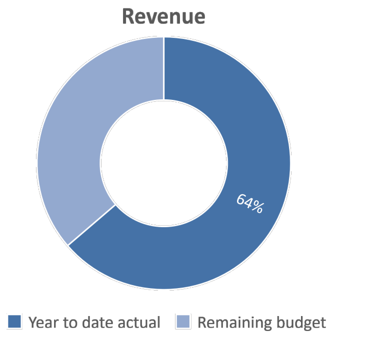


Actual $203,000 **Budget $1.1m**

It is expected $500,000 will be spent this financial year for Morrinsville CBD stormwater upgrades, with other projects being carried forward with $500,000 to be spent in 2025-26 and a further $500,000 in future years.

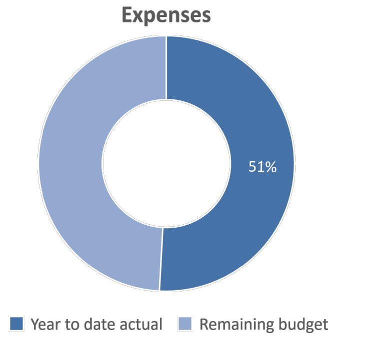
Wastewater

OPERATING



Actual $6.6m **Budget $6.9m**

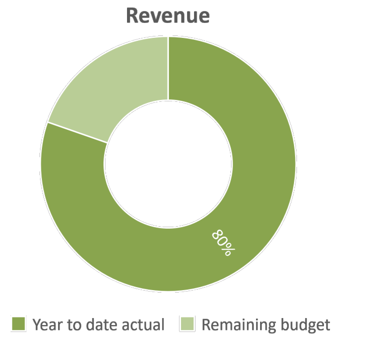
Trade waste charges are $269,000 lower than budgeted. The budget allowed for some increase in trade waste agreement charges that have yet to be progressed.



Actual $3.9m **Budget $5.1m**

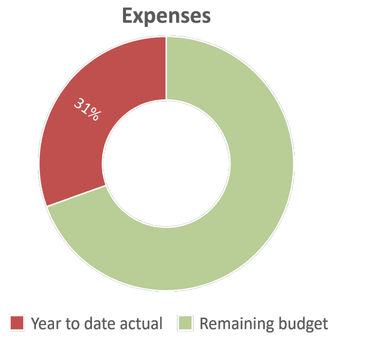
Finance costs are $550,000 lower than budget as a result of capital works not progressing as quickly as planned. In addition, $1m (for 8 months) was budgeted to be spent on the desludging of the Te Aroha and Morrinsville Wastewater Treatment Plants. That work has yet to begin, as Council determine the best way forward. Ignoring the impact of the desludging on our budgets, there are a number of other areas of the budget both over and underspent, with an overall overspend of $307,000, with the main cost pressures coming from the electical and maintenance contract costs, and materials. We are also expecting a significant increase in power costs to come as a result of the pumping of waste from Waihou to Te Aroha. These cost pressures have been addressed in the draft 2025/26 Annual Plan budget.

CAPITAL



Actual $4m **Budget $3.4m**

Development contributions in Matamata and Morrinsville are $409,000 and $913,000 higher than budget. Contributions in Te Aroha were $1.1m lower than budget.

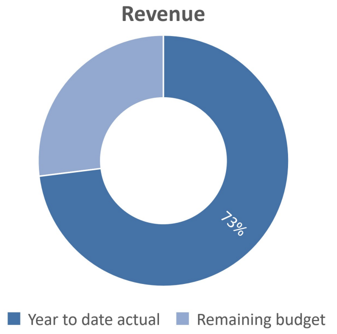


Actual $10m **Budget $21.6m**

The Matamata wastewater treatment plant upgrade project is tracking behind budget.

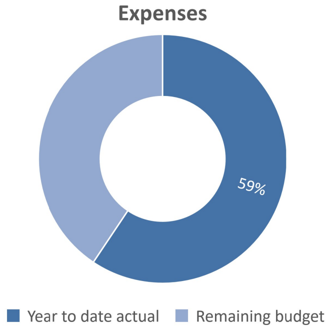
Water

OPERATING



Actual $8m **Budget $7.3m**

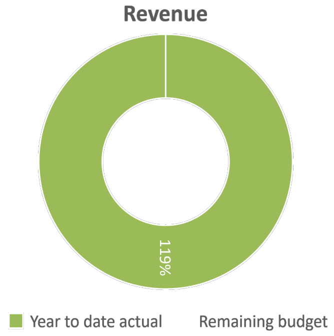
Metered water income is $158,000 or 2% lower than budget at this point. This is offset by $800,000 Better-off funding that was budgeted in the 23-24 year but recognised as income in the current financial year.



Actual $4.5m **Budget $5m**

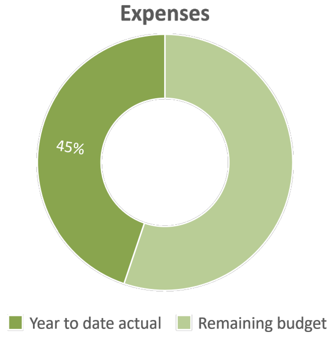
Overall, payments to staff and suppliers are tracking $394,000 below budget. Within this, there are areas of the budget both under and over. The main areas of overspend include; Contractor costs $240,000 over budget (mainly in respect of the Morrinsville and Te Aroha water treatment plants), Materials purchased $110,000 over budget and EPIC contract (electrical/mechanical) $54,000 over budget. These areas of overspend are currently offset by savings against budget in the following areas; reticulation works subcontractors $34,000 under budget, external lab analysis $176,000 under budget, KVS internal charging is $272,000 under budget (particularly in respect of reticulation works). Waters unit internal charging is $78,000 below budget. Finance costs are $193,000 higher than budget.

CAPITAL



Actual $4.3m **Budget $2.4m**

Development contributions in Matamata and Morrinsville are $105,000 and $687,000 higher than budget. Contributions in Te Aroha were $126,000 lower than budget.

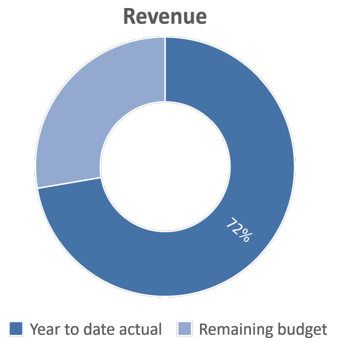


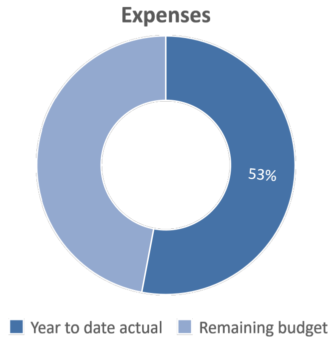
Actual $4.1m **Budget $6.1m**

$1.2m has been spent to date on Lockerbie Water Treatment Plant works carried forward from the 2023-24 budget. Capital and renewal work budget in 2024-25 has yet to progress, but is expected to catch up in most areas, although the Te Aroha consenting work (approx. $1.4m) is likely to push out to the 25-26 year.

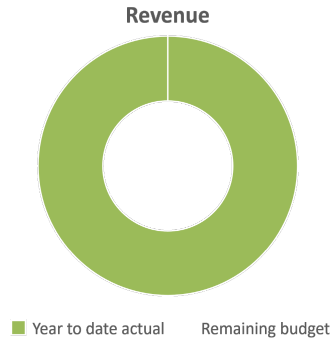
Strategy and Engagement

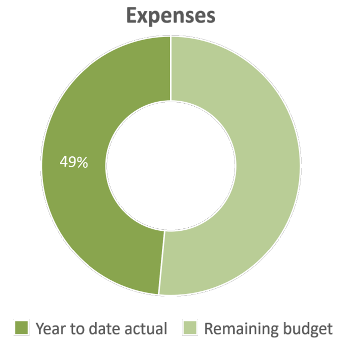
OPERATING





CAPITAL





Operating revenue — **Actual $6.3m** **Budget $5.8m**

$432,000 Better off Funding was received that was not budgeted for. Interest and investment income is $157,000 higher than budgeted.

Operating expenses — **Actual $5.1m** **Budget $6.4m**

Budgeted spend on digital enablement, district plan review, climate change policy, Audit fees and election costs have yet to be spent. Spending from reserve funds of $152,000 to date is not budgeted for and includes costs for the Freedom Camping Bylaw development and implementation and the Restoration of the Te Aroha headstones that were affected by the earthquakes in 2023.

Capital revenue — **Actual $1.2m** **Budget $0**

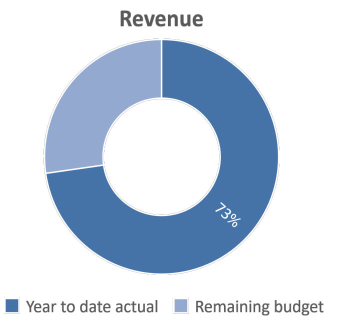
The surplus from operations becomes available funding for capital spending (ie reducing the need for external borrowing).

Capital expenses — **Actual $1.1m** **Budget $1.5m**

Largely tracking to budget.

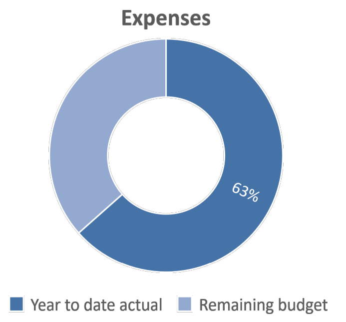
Consents and Licencing

OPERATING



Actual $5.9m **Budget $5.4m**

Revenue from fees and charges is $656,000 ahead of budget at Feb 2025. The main variance is from Resource Consent income which is $356,000 higher than budget (but largely offset by additional processing costs). Building Consent income is $48,000 higher than budget. Dog registrations are $183,000 higher than budget, this is due to registrations being processed at the start of the financial year and will balance out as the year progresses.



Actual $4.9m **Budget $5.2m**

Overall, payments to staff and suppliers is tracking $131,000 below budget with higher consultant costs for processing being offset by other cost areas. Overheads are tracking $112,000 higher then budget.

COUNCIL-WIDE FUNDING IMPACT STATEMENT

Overall Council Funding Impact Statement - February 2025

	YTD Budget $000	YTD Actual $000	Variance $000		Notes
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	23,847	23,978	131	Favourable	
Targeted rates (includes metered water)	15,391	15,230	(161)	Unfavourable	1
Subsidies and grants for operating purposes	2,861	4,033	1,172	Favourable	2
Fees and charges	7,631	7,307	(324)	Unfavourable	3
Interest and dividends from investments	400	309	(91)	Unfavourable	
Local authorities fuel tax, fines, infringement fees, and other receipts	173	218	45	Favourable	
Total operating funding	**50,302**	**51,075**	**773**	Favourable	
Less budgeted depreciation that is funded from rates and used to fund capital	(14,556)	(14,556)	-		
Less reserve funding that comes from rates		-	-		
Cash available to fund operating	**35,746**	**36,519**	**773**	Favourable	
Applications of operating funding					
Payments to staff and suppliers	39,291	36,740	(2,551)	Favourable	4
Finance costs	2,457	2,014	(443)	Favourable	5
Other operating funding applications	-	-	-		
Total applications of operating funding	**41,749**	**38,754**	**(2,995)**	Favourable	
Less operating expenditure funded from reserves	-	-	-		
Cash used to fund operating	**41,749**	**38,754**	**(2,995)**	Favourable	
Cash surplus/(deficit) from operating (A)	**(6,003)**	**(2,235)**	**3,768**	Favourable	6
Sources of capital funding					
Subsidies and grants for capital expenditure	2,421	2,359	(61)	Unfavourable	7
Development and financial contributions	1,440	3,196	1,756	Favourable	8
Add budgeted depreciation that is funded from rates and used to fund capital	14,556	14,556	-		
Add any operating cash surplus available to fund capital (A)	-	-	-		
Cash available to fund assets	**18,417**	**20,111**	**1,695**	Favourable	
Applications of capital funding					
Capital expenditure					
—to meet additional demand	7,547	-	(7,547)	Underspend	9
—to improve the level of service	17,941	9,190	(8,751)	Underspend	9
—to replace existing assets	15,019	12,478	(2,541)	Underspend	9
Cash used to fund assets	**40,507**	**21,668**	**(18,839)**	Underspend	
			-		
Remaining cash from capital available to reduce debt OR (debt funding of capital required)	(22,091)	(1,557)	20,534	Favourable	10
Add any operating cash deficit that needs to be funded from debt (A)	(6,003)	(2,235)	3,768	Favourable	
Total (increase)/decrease in internal/external debt	**(28,093)**	**(3,792)**	**24,302**	Favourable	11

Notes

1 Metered water income is $158,000 lower than budget.

2 NZTA Subsidies received are $275,000 lower than budget which is a normal seasonal variation for roading work. $800,000 Better-off funding was budgeted to cover an operational funding shortfall for the Water activity in the 23-24 year but the funding was received and recognised as income in the current financial year. A further $432,000 of Better-off funding was also received for other projects, but not budgeted for in this financial year.

3 Pools and spas and Domain house beauty fees and charges income is $552,000 behind budget at this point, some of which is seasonal variation and also decreased visitor numbers, periods of limited capacity, lack of water availability and being down a beauty therapist until November 2024. Trade waste charges are $269,000 lower than budget. The budget allowed for some increase in trade waste agreement charges that have yet to be progressed. Resource consent income is $356,000 higher than budget. Dog registrations are $183,000 higher than budget, this is due to registrations being processed at the start of the financial year and will balance out as the year progresses.

4 Payments to staff and suppliers are lower than budget overall at this point, with a significant factor being no spending to date compared to the $1m budgeted for opeartional desludging work at the Te Aroha and Morrinsville plants. For the balance, some of this is due to seasonal variance, particularly in roading, parks and pools. We note some potential pressure points around additional power costs for wastewater, electrical maintenance costs for our water treatment plants, and consultant costs for processing of consents.

5 Overall interest costs are lower than budget due to the delayed capital spend on the Matamata Wastewater Treatment Plant upgrade.

6 From a cash position, the operating result is $3.8m better than budget at this point, but $800,000 of that comes from last year's Better-off funding received in this year, $1m is due to the desludging, and there are a number of seasonal variations in both costs and income at this point.

7 NZTA has cut funding for Low Cost Low Risk projects for the year, budgeted at $893,000. At February 2025, NZTA subsidies are $61,000 lower than budget, partly expected due to the seasonal nature of the roading work, but is also an effect of the cut in funding.

8 Development contributions from Morrinsville and Matamata are significantly ahead of budget, while contributions from Te Aroha are less than budget.

9 The Matamata wastewater treatment plant upgrade project is tracking behind budget. In Water, $1.2m has been spent to date on Lockerbie Water Treatment Plant works carried forward from the 2023-24 budget. Capital and renewal work budget in 2024-25 has yet to progress, but is excpected to catch up in most areas, although the Te Aroha consenting work (approx $1.4m) is likely to push out to the 25-26 year. Roading capital is tracking $547,000 below budget, partly as a result of the seasonal nature of the work, and due to the cut in funding for the Low Cost Low Risk projects.

10 Higher capital funding from DCs than budgeted, and lower spending on capital than budgeted to date, means we have not needed to borrow as much as budgeted.

11 Overall, the better cash position from both an operating and capital perspective mean Council has not needed to borrow as much as initially budgeted.

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TREASURY MANAGEMENT - REVIEW OF COMPLIANCE WITH TREASURY POLICIES

Treasury summary - positions and compliance

Matamata Piako District Council

Month: February 2025

Currency: NZD

1. Re-forecasted LTP | 2. 2024 LTP forecast | 3. 2024 LTP forecast - 73%

Interest rate risk

Last month ✓ | ✓ | Next month ✓

Compliant until
March 2026

Liquidity risk

Last month ✓ | ✓ | Next month ✓

Compliant until
June 2025

Funding risk

Last month ✓ | ✓ | Next month ✓

Compliant until
May 2025

Investments

Last month ✓ | ✓ | Next month ✓

Counterparty credit limits

Counterparty	Compliant?
BNZ	✓
Westpac	✓

Liquidity ratio

128%

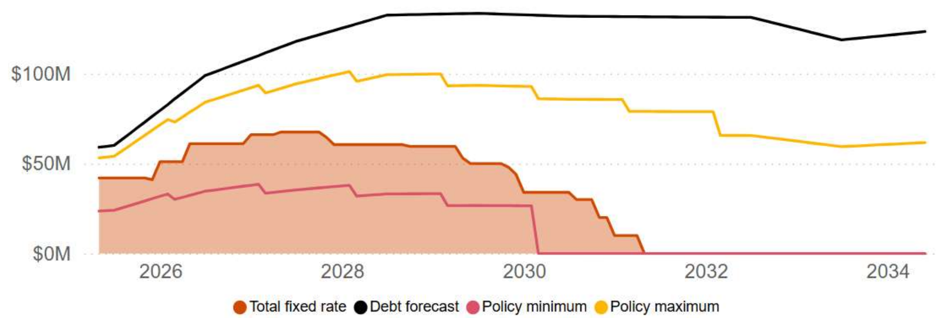
$65,000,000
Gross debt less prefunding

$47,757,811
Net debt

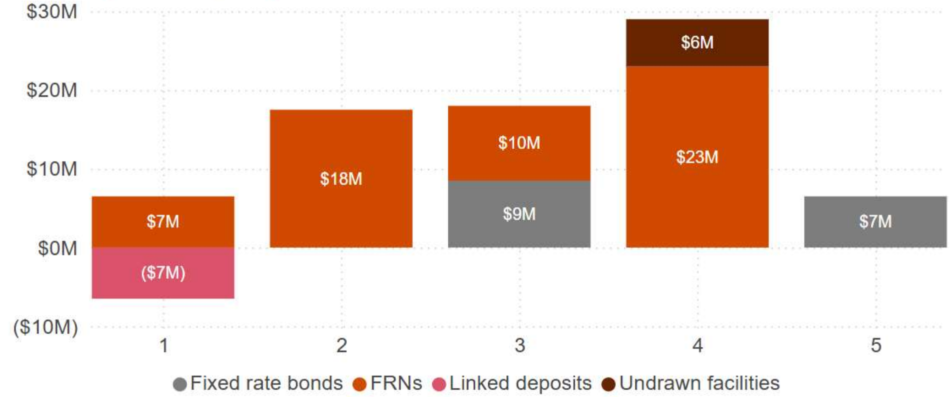
$6,000,000
Undrawn and unlinked bank facilities

$12,092,189
Liquid deposits

Interest rate risk profile



Funding and liquidity risk timeline



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List of loans and deposits

Matamata Piako District Council

List of live instruments

Instrument	Description	Counterparty	Maturity	Drawn	Limit	Interest rate	Margin	Comm. fee	Comments
Call Account		BNZ	1 June 2025	4,083,300	4,083,300				
Fixed Rate Bond		LGFA	15 April 2027	8,500,000	8,500,000	5.32%			
Fixed Rate Bond		LGFA	20 April 2029	6,500,000	6,500,000	5.55%			
Floating Rate Note		LGFA	15 April 2026	13,500,000	13,500,000		0.75%		
Floating Rate Note		LGFA	15 October 2026	4,000,000	4,000,000		0.61%		
Floating Rate Note		LGFA	15 April 2027	7,500,000	7,500,000		0.77%		
Floating Rate Note		LGFA	15 October 2027	2,000,000	2,000,000		0.76%		
Floating Rate Note		LGFA	15 May 2028	23,000,000	23,000,000		0.84%		
Standby Facility		Westpac	30 April 2028	0	6,000,000		1.35%	0.45%	
Term Deposit		Westpac	28 May 2025	3,900,000	3,900,000	6.30%			

pwc

8 Ngā Pūrongo Whakamārama | Information Reports

8.3 Chief Executive Officer's Report

CM No.: 3021362

Te Kaupapa | Purpose

The purpose of this report is to provide Council with the Chief Executive Officer's report from the previous month.

Rāpopotonga Matua | Executive Summary

The Chief Executive Officer's report for the period ending April 2025 is attached to the agenda.

Tūtohunga | Recommendation

That:

1. The information be received.

Ngā Tāpiritanga | Attachments

A⇩. Chief Executive Report April 2025

Ngā waitohu | Signatories

Author(s)	Manaia Te Wiata **Tumu Whakarae | Chief Executive Officer**	

Approved by	Manaia Te Wiata **Tumu Whakarae | Chief Executive Officer**	

Chief Executive Officer Report April 2025

Executive Summary

As I complete my fourth month as your Chief Executive, I present this monthly report highlighting key matters requiring your attention and awareness.

Please note that I am still considering the optimal format for future CEO reports to Council. For now, I have focused on non-standard matters (beyond business-as-usual activities) and issues that I believe will be of particular interest or relevance to Council decision-making.

This month's report covers the following topics:

- Easter Weather Event Response
- Water Regulator Notice
- Refuse Transfer Station Transition to Council Operations
- Matamata Wastewater Treatment Plant Project Update
- Seismic Assessments (Matamata Sports Centre, Firth Tower, and Council Buildings)
- Building Processing Hub Development
- Ministry of Business, Innovation and Employment - Building Consent Authority Reform
- Organizational Changes - Group Manager Business Support Position
- Pre-Election Report Preparation
- Risk Pool Call and Status of Claims Against Council
- Council Report Format Improvements

I welcome your feedback on these matters and the format of this report.

Easter Weather Event

An analysis of the customer request calls for the period from 16 April to 20 April provides an indication of the extent and type of calls that staff attended.

Category	Matamata	Morrinsville	Te Aroha	Rural	Grand Total
Animal Control	1	3	4	1	9
Drainage & Flooding	8	1	3		12
Noise Complaints		1			1
Parks & Community Facilities	1	2	2		5
Road & Footpath Issues	1	2	2		5
Streetlighting		2	3		5
Tree Management	6	6	15	4	31
Vandalism					0
Waste Management	2	2	10		14
Water Services	2				2
Total	21	19	39	5	84

Chief Executive Officer Report April 2025

It should be noted that the staff dealt with many issues and incidents that were not logged through this system.

Water and Wastewater Treatment Plants

- Matamata Water Supply - Tills Road Plant was offline for a number of days. The town continued to be supplied via Tawari Street and Burwood Road bores.
- Te Aroha was offline for a short period on Saturday, 19th April
- Morrinsville's water supply and the small settlement treatment plants were unaffected.
- Te Aroha Wastewater – stormwater ingress occurred without impacting the treatment process.
- Waharoa East pump station continued to operate despite being submerged by floodwater.
- All other wastewater treatment plants continued to operate normally, albeit with increased flows.

Refuse Transfer Station – Transfer of operations to Council

The KVS leadership team has been actively progressing the transition plan to assume operations of the three refuse transfer stations from 1 July 2025. Smart Environmental Limited, our current contractor, has demonstrated excellent cooperation and professionalism throughout the preparation process.

We aim to ensure a seamless transition with minimal disruption to Transfer station services. The project team has identified and is addressing three key risk areas:

1. Staffing – We are recruiting to secure sufficient staff to operate the facilities under Council's employment terms. While this is progressing well, there is still a risk that we do not fill all roles by 1 July 2025.
2. Information Technology – The installation of operational systems is underway with contingency plans in place should any technical issues arise during implementation.
3. Plant and Equipment – We are acquiring the necessary operational plant, with delivery timeframes largely on schedule.

We have mitigation strategies in place for these identified risks. Our Transfer Station leadership team is in place. We also have staff who have worked with the contractor over a number of years and who are familiar with all sites.

However, it is prudent to acknowledge that despite our best efforts, some factors remain outside our immediate control. There may be a brief period following the transition when adjustments to normal operational hours may be necessary to maintain service quality and safety standards.

We expect any modifications will be temporary, clearly communicated to the public, and implemented to minimise inconvenience.

Matamata Wastewater Treatment Plant project

The following is an update on the de-sludging associated with the Treatment plant upgrade:

In late 2024, MPDC entered into an enabling works contract for the initial stage of the Matamata Wastewater Treatment Plant (MM WWTP) Upgrade. The contract has progressed well. Its primary objective—establishing a suitable site platform for the new treatment plant—has now been successfully completed to a high standard. A second major component of the contract involved removing treatment process sludge from within the new building bund area, as well as additional sludge from the remaining treatment zones, to support continued plant operations during construction.

Initial estimates from consultants—based on previous sludge surveys—indicated that approximately 2,000 tonnes of sludge would need to be removed. However, once the reclaimed land was dewatered and sludge removal began, it became evident that the actual volume was significantly higher. A reassessment of the area led to a revised estimate of 6,000 tonnes, based on observed volumes and assumed densities.
As material was transported to landfill, it was found to be considerably denser than anticipated. This was due to an unexpected layer of inert, heavy gravel that had accumulated over time, forming a false "pond base." Unlike typical wastewater sludge, this material had not decomposed and significantly increased the total weight. As a result, the actual tonnage from the initial area exceeded 11,000 tonnes.

This inert base layer was not accounted for in the original sludge volume estimates, as the surveyors did not detect it during the initial assessments. They incorrectly assumed the compacted surface they encountered marked the true bottom of the pond, excluding the underlying gravel layer from the calculated sludge depth.

Given the significant increase—well beyond the initially estimated contract value—and the diminishing cost-benefit of continuing with full removal, MPDC directed the contractor to limit disposal to within the initial contract variation. The remaining sludge from the reclaimed area, including material removed from the operating pond, will be securely stored in a reclaimed pond area (monofiling).

This approach ensures that the project remains within the approved contract sum incorporating the variation arising from the first variation in sludge volumes.

Pre Election report

Staff are preparing the pre-election report required under the Local Government Act 2002.

The purpose of the report is to provide information to promote public debate about the issues facing the local authority. The report is an opportunity to provide information on Council's direction and performance overall (not just financial).

The report will provide an overview of the district, and the challenges and opportunities we face.

The report must:

- Provide funding impact statements for the previous three financial years, this current year and forecast for the next 3 financial years.
- Report on how we have complied with our financial strategy over the last 3 years.
- Compare rates, rate increases, and borrowing with the quantified limits specified in the financial strategy.
- Compare actual and planned return on investments.
- List the major projects planned for the next three years.
- Include summary balance sheets for the next three financial years.
- Disclose financial assets and public debt (as separate items).

The report will also discuss local government reforms including Local Waters Done Well and the Resource Management Act reforms.

The Pre-Election report primarily draws on information from independently audited strategic documents and reports, though the report itself does not undergo a separate audit process.

In accordance with legislative requirements, the report will uphold political neutrality. The Chief Executive is responsible for the report's final content, which will be shared with Council members through the Governance update simultaneously with its public release on our website.

We are legally required to have the report uploaded to the Council website 2 weeks before the nomination day (by 18 July 2025).

Seismic Assessments

Council has been progressing seismic assessments of a number of buildings over the last three years, triggered by proposed upgrade work

The work has focused on the following buildings:

- Matamata Sports Centre
- Morrinsville Office\Library
- Te Aroha Library
- Te Aroha Office

Engineering fees total $210,000, which have had to be funded from operational budgets (i.e., primarily building maintenance).

In addition, an engineering assessment was undertaken of the Firth Tower in 2023.

Morrinsville Office Library and Te Aroha Library are not earthquake-prone. The Te Aroha Office is earthquake-prone due to unreinforced masonry on the eastern part of the building. The remedy involves removing the masonry and replacing it with appropriate cladding.

At the Matamata Sports Centre, the Indoor pool roof was removed and the public reception and gym area that is connected to the Squash area have been isolated. The only earthquake prone portion of the complex that is accessed regularly is the Squash area.

The following is a summary of the status of the work for the Firth Tower and Squash building.

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Firth Tower Structural Assessment Summary

The Firth Tower is a Category 1 heritage building which brings legal obligations beyond the normal legislative requirements (eg Health and Safety, Building Act etc)

Under the Heritage New Zealand Pouhere Taonga Act 201, the Council must protect the building's heritage values. If any work might affect archaeological features (pre-1900 elements), an archaeological authority is required. Council must also consult with Heritage New Zealand before proposing any significant work.

A structural condition assessment was conducted by Dizhur Consulting in 2023 following staff observations of visible cracking after the February 2023 earthquake. Key findings include:

- The structure is a three-story unreinforced concrete tower.
- Extensive cracking was observed throughout the structure, primarily at wall connections and around openings, with most cracks extending through the entire wall cross-section
- The top floor exhibits the highest level of cracking, characterised by both vertical cracks at corners and horizontal cracks in buttresses
- Current iron strapping appears to have been added after a 1902 fire that destroyed the original wooden diaphragms
- Floor joists are simply pocketed into concrete walls without robust connections
- The engineering assessment concludes that the tower is likely earthquake-prone

The recommendations from the report included:

1. Conducting a full Detailed Seismic Assessment (DSA)
2. Installing a crack monitoring system to track any movement
3. Developing a strengthening scheme that addresses both gravity load paths and out-of-plane seismic failure risks -

Several strengthening options have been proposed, including improving diaphragm-to-wall connections and reinforcing the unreinforced concrete walls through various techniques such as fiber reinforcement, steel framing, or concrete reinforcement.

The public has not been allowed access to the building since the cracks were observed. There is an exclusion zone in place to protect staff and the public in the event of structural failure.

Matamata Sports Centre – Squash Building

An initial seismic assessment categorised the building as earthquake-prone, with a rating of 30% of the New Building Standards (NBS). Further work has been undertaken to inform the detailed seismic assessment (DSA). This has included invasive inspections of blockwork to test for the presence of structural reinforcing. The final inspection work to inform the DSA is currently being conducted.

In the meantime, minimal maintenance has been performed on the Squash building. Roof leaks have occurred, and minor repairs have been favoured over complete roof replacement.

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Water Regulator notice

The Water Services Authority (Taumata Arowai) has written to outline their regulatory expectations as councils make decisions under Local Water Done Well. Elected members should have received the correspondence directly. The Authority highlighted key focus areas including:

- Implementing multi-barrier water treatment by year-end
- Active monitoring of treatment barrier performance.
- Forthcoming national wastewater standards (consultation closes April 24)
- The importance of understanding water infrastructure condition.

The Authority will be publishing national-level transparency reports in June (Drinking Water Regulatory Report and Network Environmental Performance Report), and reminded us of our obligation under the Local Government Act to assess all drinking water providers in our area by July 2026.

In Appendix A of the notice, the Regulator provided information to highlight repeated and/or long-term indicators of risks to the provision of safe drinking water.

The Regulator noted the following risks in relation to Council's water supplies

- Lack of multi-barrier protections;
- Had long-term consumer advisories in place or repeated short-term consumer advisories in the 2024 calendar year (consumer advisories include Boil Water, Do Not Drink, and Do Not Use notices);
- Had repeated laboratory notifications during the 2024 calendar year that exceeded maximum acceptable values (MAV) of E. coli – this is indicative of faecal contamination and that treatment barriers are not effective;
- Had source water or treated water sample results over 50% of the MAV for nitrate in the 2024 calendar year – while a supply under the MAV remains compliant, the Regulator notes that increasing nitrates may indicate changes in source water that can be costly to address in future should the supply exceed the MAV.

The table in Appendix A also notes that the Te Aroha water supply has a long-term consumer advisory in place affecting 9 properties. These are properties that are provided un-treated water from the Pohomihi trunk main.

The Three Waters team has reviewed the specific risks listed in Appendix A against our performance data. With the exception of the long-term advisory, the team does not believe the data supports the view that there are repeated or long-term indicators of the risks listed. We will be responding to the Regulator seeking to clarify the basis of the views expressed.

The long-term consumer advisories affecting nine properties in the Te Aroha water supply have been under investigation for some time. Council may recall the previous Chief Executive Officer had direct discussions with the Water Regulator Chief Executive about the situation.

The current supply arrangements lead to periodic non-compliance with a Regional Council water take consent condition and cannot continue.

In July 2024 the users were surveyed to gain a better understanding of their water use habits and needs. This data has been collated and relates to the distinction between human consumption and agricultural/livestock use.

There have also been some considerations of capital investment required if the properties can continue to be supplied from the trunk main.

Staff will **p**repare an issues and options report to enable a decision on how to resolve the situation. This report will encompass the following:

- Result of a legal review regarding Council's obligations
- Options to address the situation.

Building Processing Hub

Council currently engages two building consultancies to address the overflow of building consents that cannot be processed in-house. We are not alone in this; a number of Councils have been investigating the feasibility of creating an overflow building processing hub through Collab.

The aim of the processing hub is to handle all overflow building consents to ensure consistency, provide mentoring, and smooth out the peaks and troughs of the consents. This will allow us not only to have our building consents processed by the hub but also, if we have additional capacity, for our staff to assist in processing building consents for other Councils.

Moreover, as the member Councils own this processing hub, there is a strong emphasis on keeping costs to a minimum. This should result in lower costs for our community.

Currently, Waikato, Waitomo, Western Bays, Hauraki, and Matamata-Piako Councils have signed up to the Building Processing Hub, and we are aiming to establish this by 1 June 2025.

Change in delegations

Resource consent delegations currently sit as follows:

- Controlled and Restricted Discretionary Consents – CEO, GM Growth and Regulation, GM Operations and the Planning Manager
- Discretionary and Non-Complying Consents – CEO, GM Growth and Regulation and GM Operations

We have been reviewing whether these delegations are appropriate from both a technical and job fit perspective. From a technical standpoint, the Planning Manager has the most comprehensive knowledge of the District Plan, legislation, and current practices and procedures, likely followed by the Team Leader for Resource Consents.

Resource consents are also operational activities and should therefore be positioned at this level, allowing the CEO and Executive Manager to focus on the strategic aspects of the Council.

Additionally, while our current GM Growth and Regulation is a planner, this may not always hold true, as a subsequent GM may possess technical expertise in one of the other functions under this role.

As a result, a paper will be submitted to the Council requesting approval for the Team Leader Resource Consents to approve Controlled and Restricted Discretionary Consents, and for the Planning Manager to approve Discretionary and Non-Complying Consents (in addition to existing delegations).

All current roles will still be able to approve resource consents to ensure we maintain resilience in this area.

Ministry of Business, Innovation and Employment- Building Consent Authority Reform Update

The Ministry of Business, Innovation and Employment (MBIE) has concluded its six-month consultation on reforming New Zealand's Building Consent Authorities. MBIE advises :

- While there is general support for change, no clear preferred option has emerged.
- Key feedback emphasised the importance of maintaining regional knowledge and local presence within communities.
- MBIE identified that consistency improvements could be achieved through better guidance, enhanced software systems, and standardised training for Building Control Officers.

This reform is part of a broader Government work programme that includes:

- exploring self-certification by trusted building professionals,
- improving inspection efficiency,
- examining liability settings, and considering private insurance roles.

MBIE advises it is currently working with the Government to determine next steps and will provide further updates in due course.

Risk pool call

Riskpool, the New Zealand Mutual Liability risk pool that our Council was a member of, has issued a funding call requiring our council to contribute $17,482 (excl GST).

This is part of a total $2.498 million call across all member councils to address deficits in Fund Years 10, 13, 14, and 15.

The funding need arises from significant domestic litigation following a Supreme Court decision in LGMFT v Napier City Council [2023], which addressed claims involving weather and non-weather-tight issues.

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Riskpool notes that additional calls may be needed in the next 12 months based on several pending claims set for trial in August and September 2025. These claims were declined due to late notifications.

Status of claims against Council

The Group Manager Growth and Regulation maintains a schedule of legal or other claims against Council.

The following is a summary of the active claims from the last report:

- Notified to Insurance and still live (ie potential public liability) - 3 (last report 7)
- Active claims with insurance – 3 (last report 1)
- Waitangi Tribunal – 1 (unchanged)
- Disputes tribunal – Nil (last report 2)
- Ombudsman – Nil (last report 2)

Prosecution for the non-compliant discharge from the Waihou Treatment Plant is expected in Court in May.

Group Manager Business Support Replacement

Council is aware that the Executive team has been considering options to address the vacant Group Manager Business Support position.

A major factor in the considerations has been the changes that will occur in relation to local waters done well and other Government reforms.

It is inevitable that there will be further organisational structural change. For this reason the Executive Team has agreed that a partial reorganisation, rather than direct replacement of the Group Manager Business Support position, is the most appropriate approach at this time.

This will affect the four Third Tier managers who reported directly to the Group Manager Business Support role. The Executive team is currently consulting with those managers on the proposed changes.

Council reports

A member of the Governance team has met with a Councillor to discuss options to improve reporting to Council. This may include trialling the use of technology to summarise large reports and/or attachments.

The discussion has also high-lighted the need to reinforce to staff the need to follow the established report writing conventions.

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Approval sought for actions undertaken under Fast-track legislation

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
Third Party Commercial.	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. .	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

C2 Re-Appointment of Board Chair - Waikato Regional Airport Limited (WRAL)

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
Privacy. Negotiations.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). .	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.