ATTACHMENTS

Ordinary Council meeting
Separate Attachments 1

Monday, 9 December 2024

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Te Manawataki o Te Papa – Updated Funding stack at November 2024

(Based on that reported to Council on 20 May and 19 August 2024, updated on 29 November 2024)

	Funding source	CWEM Nov 2024 risk not weighted estimate ($m)	Non-CWEM Nov 2024 risk not weighted estimate ($m)	TMoTP Nov 2024 risk not weighted estimate ($m)	TMoTP Nov 2024 risk weighted estimate ($m)
External funding					
	Water Reform "Better Off" funding	12.1		12.1	12.1
	Other Government Grants [1]	12.0	1.0	13.0	13.0
	TECT Partnership	21.0		21.0	21.0
	Local and Community Grants including corporate sponsorship and philanthropy [1]	7.4	2.6	10.0	4.5
	Growth funding (development contributions)		0.7	0.7	0.7
	Total external funding	***52.5***	***4.3***	***56.8***	***51.3***
Other funding (council reserve realisation)					
	Asset realisation reserve (Net) [2]	20.5	36.6	57.1	57.1
	Airport activity funding	0.6	12.4	13.0	13.0
	Parking activity funding (debt raised against the activity) [3]	1.6	44.4	46.0	46.0
	Total other funding (council reserve realisation)	***22.7***	***93.4***	***116.1***	***116.1***
Total non-property owner funding available		**75.2**	**97.7**	**172.9**	**167.4**
Property owner funded debt (levied via rates - capped at $151.5m)		**53.2**	**98.3**	**151.5**	**151.5**
Total funding available		**128.4**	**196.0**	**324.4**	**318.9**
Total approved budget for programme of works		**128.4**	**178.0**	**306.4**	**306.4**

Asset realisation reserve as at October 2024	Total Net ($m)
Estimated realisable value of identified assets (Gross)	80.3
Estimated realisable value, net of debt repayments on those identified assets (Net)	57.1
Asset realisation proceeds needed to balance TMoTP funding stack	44.6

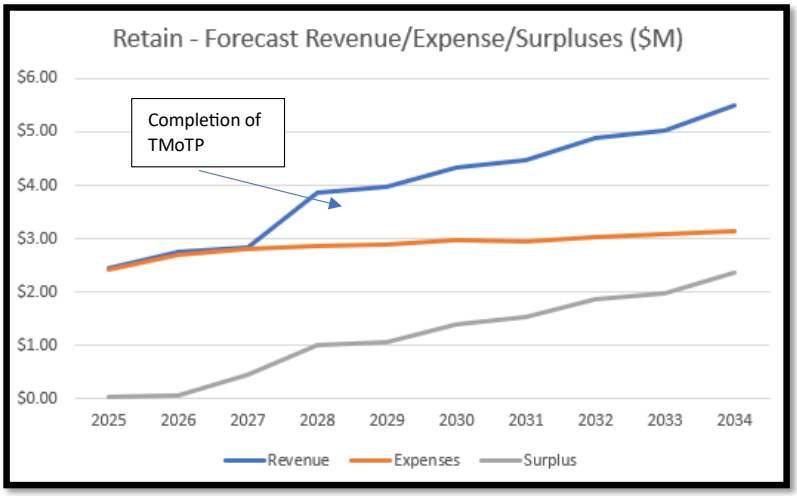
Footnotes:

[1] Independent advice was sought on the level of Government, Local and Community Grants that we could expect for a project of this nature. Those advisors were: Jenni Giblin of Funding HQ, Dominique Paduch, and John Leuthart of Leuthart Limited and New Plymouth City Partners.

[2] The Asset Realisation Reserve figures used are Net proceeds from the sale of assets managed through the reserve, as per recent Elected Members' discussions and pending approval of the recommendations in this report to Council (9 December 2024).

[3] A significant portion of the council reserve realisation funded TMoTP costs was originally intended to be generated from the sale of the carpark building. The valuation was based upon a sale and leaseback option at $43.7 million for both buildings. The sale was consulted on as part of the 2024-34 LTP, with the majority of the public feedback being not supportive of the sale. Council staff modelled the impact of providing the funding to TMoTP from the parking activity and repaying the debt out of the increased parking revenues. This modelling determined that $46 million of funding could be provided without selling the buildings (see Graph 1 below). This model was peer reviewed by KPMG and found to be reasonable.

Graph 1 – Parking Buildings Forecast Revenue, Expenses and Surpluses



Additional considerations

Three Waters Better Off funding

Originally, $48.4m was committed to Council as part of the Three Waters Better Off Funding package. Tranche 1 comprised $12.1m, with the balance to be paid in Tranche 2. With subsequent changes to the Three Waters proposal by the previous government and a complete reversal of the proposal by the new government, Tranche 2 funding has now been withdrawn. A funding agreement for Tranche 1 is currently in place and approximately $10m of the $12.1m has already been paid to Council, with the balance of Tranche 1 funds forecast to be spent in the next three months.

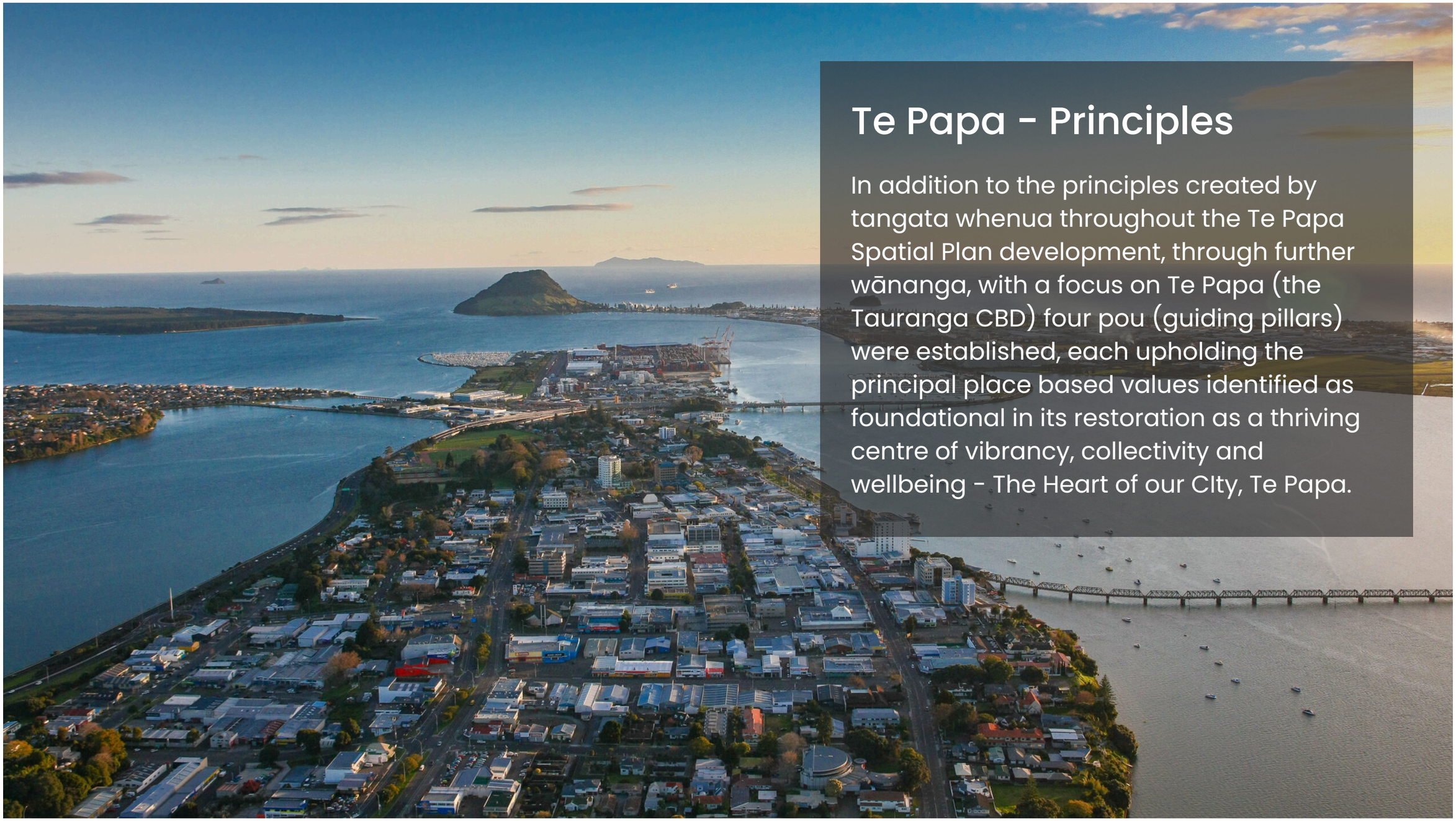
In early 2024, central Government approached Council with a view to wanting to ensure all Three Waters Better Off Funding was being spent on water-related projects. If not, there was a possibility that funds may need to be returned, or re-allocated to waters-specific projects. The council was able to demonstrate that all funds spent to date, and the majority of the balance of the funding, have and will indeed be committed to waters-related parts of the TMoTP project. The council has advised central Government as such.

Based on the recent moves of central Government to validate the appropriateness of Three Waters Better Off Funding expenditure, there exists a risk that if the TMoTP projects do not go ahead central Government will move to ensure all monies committed to and spent on the project to date are returned. For obvious reasons, this assumption hasn't been formally tested with central Government yet.

TECT

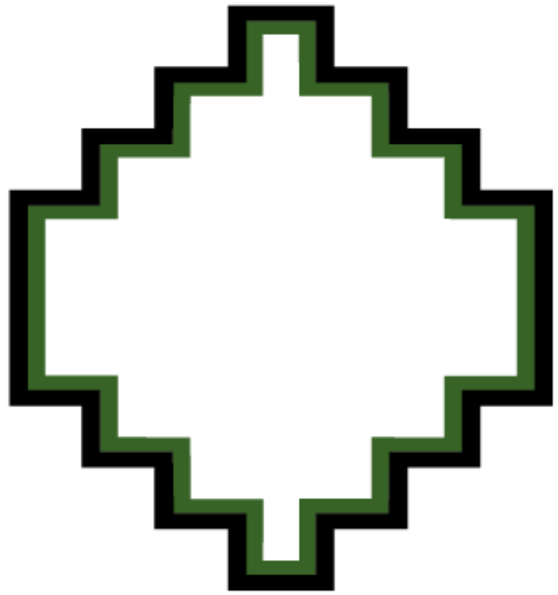
With the 2022 restructure of TECT, the amount of grant funding available to contribute to community projects of significance has increased on a per annum basis, from around $8m up to $20m, depending on TECT's return on investments. The council worked very closely with TECT over an 18-month period to establish a relationship, and to build trust and confidence in council's ability to realise excellent community outcomes through the delivery of community amenity projects.

These extended conversations resulted in TECT making the largest ever grant to a community project, with $21m committed to the delivery of a museum as part of the TMoTP suite of projects. If the project does not proceed as planned the TECT funding of $21m will likely not be available to Council for this or other Council projects.



Te Papa - Principles

In addition to the principles created by tangata whenua throughout the Te Papa Spatial Plan development, through further wānanga, with a focus on Te Papa (the Tauranga CBD) four pou (guiding pillars) were established, each upholding the principal place based values identified as foundational in its restoration as a thriving centre of vibrancy, collectivity and wellbeing - The Heart of our CIty, Te Papa.



TE PAPA HOUKURA

Houkura can mean prosperity or affluence. The volcanic soils across the Te Papa peninsular meant the area was always a thriving natural environment which saw the establishment of major occupational areas and vast gardens across the space.

This value of the land and natural environment reiterates the importance of the relationship, of people to place, maintaining the health and wellbeing of the environment directly coincides with the wellbeing of the people.

Fostering the value of custodianship to our young, sowing seeds into the earth and its people, to grow and sustain ourselves for generations to come.

- Fertile soils and a thriving natural environment
- Plantations that sustain the people
- A prime location to care for the people.

Ngā kupu: Taiao, tiaki, whangaia te iwi, mauri, hauora, pepeha, kaitiakitanga, mana whenua.
*The wellbeing of the environment, custodianship, responsibility to care.

TE PAPA MANAWA WHENUA

Manawa Whenua is a term that can identify a deep spring of water. With over 20 historical spring sites across located across the pennisular, these springs fed the many gardens of crops, sustaining plantations and the people.

This value identifies the intrinsic connection we have with water, its importance as an inherent treasure sustaining the environment and its people.

He wai koiora - Life giving waters. This is a local term describing the intrinsic connection we have with the life cycle of water. From our many springs, flowing down through attributing streams to our large rivers making its way to Te Awanui, our harbor and out to Te Moana nui a Toi, the ocean, rain then restores our underground aquifers, this cycle provides much needed nutrients to our diverse ecosystems, sustaining the environment and the people.

- Life giving water
- Sustaining plantations and people.
- A conduit. Connecting the people and land to sea.
- Accessible to the people.
- Wellspring of wellbeing
- Intergenerational treasure

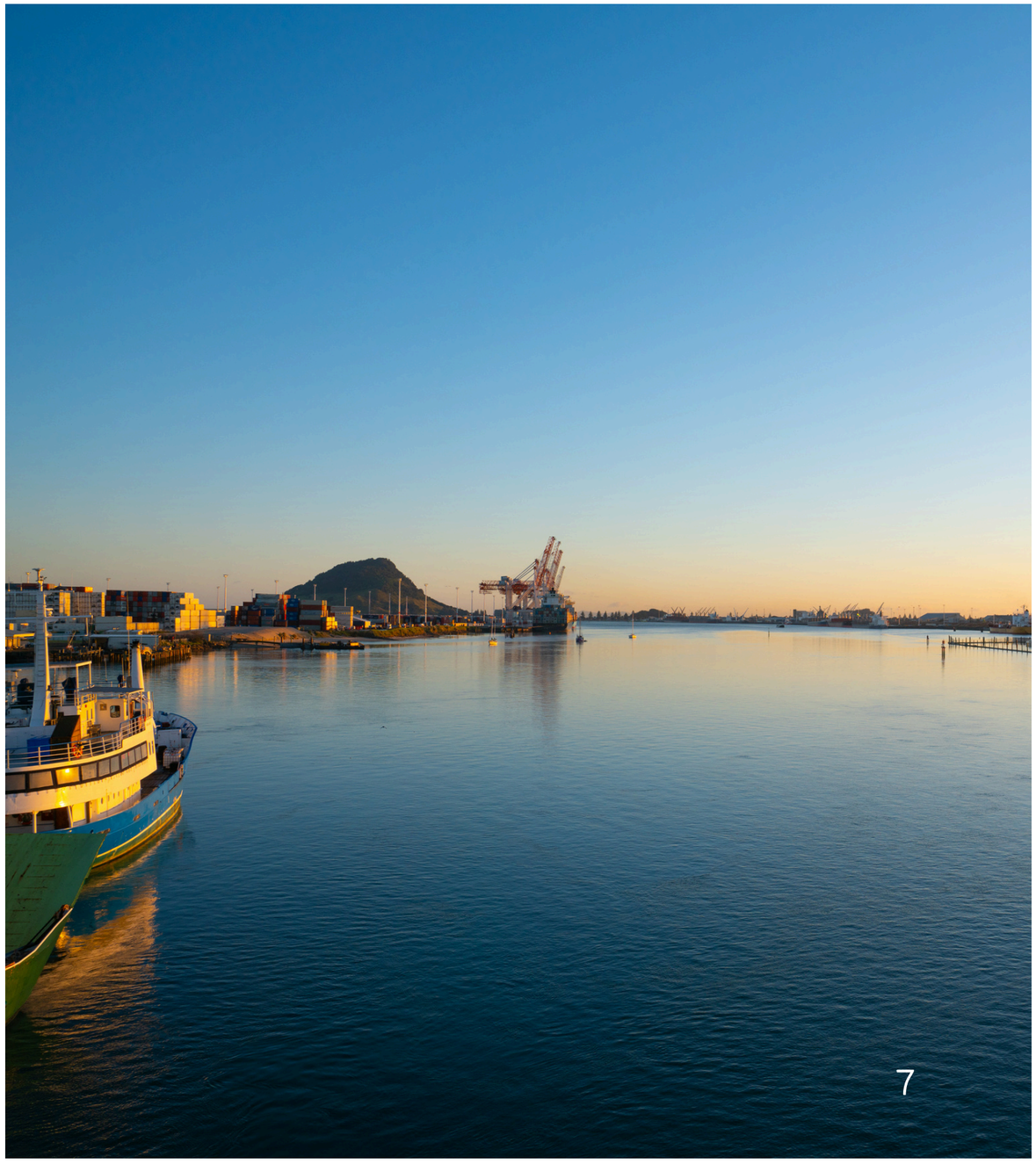
Te Papa o Nga waka

This term identifies the inherent trait and attribute of Te Papa as an ideal space to make landfall. This meant Te Papa was a place of connection, at the epicentre of the district and the depths of the harbor, it was a place of movement and transit across the lands of Te Papa and associated waterways. Te Papa was and remains a natural melting pot of many iwi and cultures.

Since the arrival of the great voyaging vessel Tākitimu, Te Papa has continued to be a safe haven for many waka and their people. Geographically located at the epicentre of the great harbour now known as Tauranga, Te Papa has seen the continued tradition of making landfall on its shores.

This value reaffirms the importance of connection, as an active space to meet, to network and trade. A stop-over in transit to the far-reaching points of the wider district, Te Awanui the large expanse of water was a highway bringing many visitors to its welcoming shores.

- Navigation & wayfinding
- Inclusiveness. The melting pot and interface of many iwi & cultures
- Creating a vibrant place of connection.
- The epicenter of transit and movement.
- Networking. Trade and commerce
- Movement, connection, aspirations of the people.



Te Papa Kainga o Te Iwi

Te Papa - Home of the people.
One of 3 major Pā (occupational sites) in the Tauranga District. Te Papa was a buzzing metropolis and hive of activity. Its people basked fishing nets in the sun, gathered the many crops of the area, traded, and exported goods creating a thriving community.

Te Papa is where relationships were strengthened, and the wellbeing of the people was priority. Education became paramount to ensure the intergenerational transmission of traditional and newly acquired knowledge, as Te Papa is the interface of Māori and Western society.

‘Kia ū te manawarere’ – Remain steadfast and stout hearted. Rawiri Puhirake – Commander at The Battle of Gate Pā.

Te manawa ū – The steadfast heart – Resilience remains as an overarching value within the City Centre and wider Te Papa space. History describes the many challenges the environment and people have and continue to face at this interface with the Western world, regardless the land remains and its people through the generations continue to strive for equitable partnership to see the cultural
values described in this document sustain, thrive and develop into the future.

- Ahikaaroa; the long burning fires of occupation. Resilience.
- A shelter, a refuge, housing the community.
- Hauora – holistic wellbeing.
- Our responsibility of hosting the many visitors. manaaki tangata*
- Education and understanding - Sharing our stories.

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29 November 2024

Tauranga City Council
Private Bag 12022
Tauranga 3143

Attention: Mike Naude - Director of Civic Development
By email Mike.Naude@tauranga.govt.nz

Dear Mike

TE MANAWATAKI O TE PAPA (TMOTP) – CWEM (BUILDINGS) THEORETICAL DELAY, STOP AND REDUCED SCOPE OPTIONS REVIEW

You have requested RLB provide an executive summary cost risk advice on alternative options should a decision to proceed and accept the tender not be made in December 2024. Cost advice is being sought by TCC on the various theoretical alternative options to continuing with the CWEM Buildings and the cost risks with the existing construction contract, the consultant contracts and service agreements currently being delivered via an umbrella agreement with Willis Bond and the contractor LT McGuiness.

We have not provided any detailed commentary on the specific risks or the detailed estimate breakdowns of the various key contracts TCC have in place as this is commercially sensitive and would risk TCC's commercial position should any future contract suspension or termination take place.

This current CWEM Building tender price (expenditure against the existing Contract Provisional sum) is valid up to **15th December 2024**. Beyond this date, cost risks for delay, escalation and re-tendering to alternative sub-contractors will exist for the project and TCC.

Theoretical Alternate Options

We summarise the Theoretical alternate options you have requested advice:-

- **Delay in Decision to Proceed**: Theoretical forecast costs of a delay in accepting the current LTM buildings tender provide after the validity date of 15 December 2024. **Consideration of both a 3 month or 6 month delay** prior to proceeding and the various market cost escalation and time risks:-

Theoretical Option Description	Additional Project Cost Impact (Low)	Additional Project Cost Impact (High)
3 Month Delay with decision to Proceed 28 Feb 2025	**$2,500,000**	**$4,500,000**
6 Month Delay with decision to Proceed 31 May 2025	**$5,000,000**	**$8,000,000**

With a six-month delay (prior to proceeding), this likely means **additional funding sources will be required** to be identified to meet this shortfall.

- **Stop & Redesign the CWEM Buildings**: Theoretical forecast cost estimate for stopping the current CWEM construction and **Consideration of a 50% GFA or 75% GFA** fully redesigned alternative and the potential cost liabilities and cost risks that may eventuate.

50% GFA Theoretical Option	Lower Estimate	Upper Estimate
CWEM Spend to 31 Dec 2024	$19,869,499	$19,869,499
CWEM Buildings at 50% GFA, Plaza & Willow St, Hamilton St footpath and Future liabilities & risks	$99,500,000	$110,500,000
TOTAL CWEM OPTION FORECAST	**$119,369,499**	**$130,369,499**

75% GFA Theoretical Option	Lower Estimate	Upper Estimate
CWEM Spend to 31 Dec 2024	$19,869,499	$19,869,499
CWEM Buildings at 75% GFA, Plaza & Willow St, Hamilton St footpath and Future liabilities & risks	$126,500,000	$137,500,000
TOTAL CWEM OPTION FORECAST	**$146,369,499**	**$157,369,499**

This 75% GFA option therefore anticipates **no likely saving at this stage** in the project for a redesign with 25% reduction of GFA. Any option to reduce scope and potentially save on total spending will **need to exceed 30% total area reduction** whilst understanding the building will likely be delivered at least 18 months later. The comparative cost per m2 will be significantly higher than current given the smaller building, the escalation and when sunk costs for the current design are further considered.

- **Stop & Not Proceed with CWEM.** Theoretical forecast cost estimate for stopping the current CWEM construction and potential subsequent cost liabilities and risks. **Consideration of either a mainly Soft Landscaped Plaza site option (CWEM and Plaza) or a Civic Plaza option including the CWEM footprint (mainly hard landscaped)**

Stop - Increased Soft Landscaped Plaza & Site area	Lower Estimate	Upper Estimate
CWEM Spend to 31 Dec 2024	$19,869,499	$19,869,499
CWEM Building Site Remediated and Re-designed Civic Plaza with more soft landscaping throughout; Hamilton St and Willow St as per current design and Potential Future Liabilities & Risks	$28,723,459	$47,776,728
FORECAST STOP & MOSTLY SOFT LANDSCAPE OPTION	**$48,592,958**	**$67,146,227**

Stop - Civic Landscaped Plaza & Site area	Lower Estimate	Upper Estimate
CWEM Spend to 31 Dec 2024	$19,869,499	$19,869,499
CWEM Building Site Remediated and Civic Plaza type scope; Civic Plaza Hamilton St and Willow St as per current design and Potential Future Liabilities & Risks	$35,223,459	$53,276,728
FORECAST STOP & CIVIC LANDSCAPE OPTION	**$55,092,958**	**$73,146,227**

For both these options we have assumed the Civic Plaza across the precinct will be completed in line with current design and Willow Street will be a shared pedestrianised road and any residual land on the current CWEM building footprint is largely soft landscaped.

We anticipate a full redesign will be required and revisit of the brief and scope and user requirements along with re-engagement with iwi and the public on the project requirements. To this end, we anticipate a minimum 18-month delay for re-scope, design and consenting prior to any tender and construction commencement. We have therefore considered escalation out to Q3/Q4 2029 completion on site

Furthermore, we have estimated the potential future liabilities & cost risks with the existing Construction Contract, Suppliers and the various Consultant Agreements and Development Agreement with Willis Bond.

Current Market and Escalation Risk

The current tender is within budget and the current market has strong competitive tendering from sub-contractors and on the back of residential and commercial projects having dropped off since mid to late 2023. We reiterate the timing of the tender into the market had been excellent timing for TCC for both the Comm Hub Library and CWEM. With interest rates continuing to drop and sentiment changing in both residential and commercial markets, and a more positive government spending budget likely in May 2025, we do not anticipate this keen competitive market to continue beyond another 3 to 6 months

Exclusions

In our assessment of the forward costs and risks, we have not considered the following costs, adjustments and risks to TCC **for which TCC may need to give separate consideration**:-

- CWEM Contract Scope has only been considered above. Wider TMoTP scope has **not** been considered above including Masonic Park, Community Hub Library, Art Gallery Upgrades, Baycourt Theatre Upgrades and the Waterfront upgrades.
- We have not considered suspension of the works beyond the 3 to 6 month delay options above (prior to proceeding). On going delay and suspension beyond this will significantly increase the premiums to proceed and the liabilities and risk to TCC to cancel the contracts.
- We have excluded any costs prior to July 2022 for Masterplanning and early concept as these are not part of our financial reporting or associated spend to date reconciliation
- We have not considered significant breach of Contract claims or protracted legal costs or court cases associated with termination and cessation of the works.

- Loss of Government contributions for 3 waters infrastructure at $12.1M. We understand this is dependent on completion of CWEM and the sitewide landscaping.
- Loss of TECT funding of $21M. We understand this funding is dependent on completion of CWEM and the wider precinct.
- We have not considered the opportunity to significantly reduce the Willow Street upgrade (eg remaining an asphalt road with crossing type works only etc)
- Leasing / Maintenance / Upgrade Costs for alternative assets elsewhere in lieu of CWEM
- Alternate future buildings elsewhere (or on the soft landscaped site) and future cost allocations in the LTP for this.
- Future Revenue losses or future Opex spend adjustments.
- Financing Costs or other Funding Sources.

Should you have any further questions please call me to discuss.

Yours sincerely,
RIDER LEVETT BUCKNALL AUCKLAND LTD

Chris Haines MRICS MNZIQS MInstD
Director

Confidential

Sensitivity: General

Non-Fluoridated Water Supply Options

Prepared for Tauranga City Council
Prepared by Beca Limited

Revision 0

20 November 2024

Contents

Appendices

Sensitivity: General

Revision History

Revision N°	Prepared By	Description	Date
A	Andre Bartlett	Final Draft Report – for client review	08/11/2024
0	Andre Bartlett	Final Report - For Submission	20/11/2024

Document Acceptance

Action	Name	Signed	Date
Prepared by	Andre Bartlett		20/11/2024
Reviewed by	Scott Pearson		20/11/2024
Approved by	Chris Olivier		20/11/2024
on behalf of	Beca Limited		

Executive Summary

Tauranga City Council (TCC) has implemented fluoridation of the drinking water supply as required by the Ministry of Health's directive. At the Council's meeting of 26 August 2024, the Council resolved to complete further work investigating approaches and options for the provision of a non-fluoridated water supply for those who choose it.

Five different options have been investigated. The options have been divided into two groups namely Self-help Guidance and Subsidy, and Water Collection. The Self-help Guidance and Subsidy options are aimed at equipping members of the public with the necessary information and resources to remove fluoride from drinking water for themselves. The Water Collection Options involve either treating water or transferring water to a central water collection point where members of the public can collect non-fluoridated or fluoride-reduced water. A summary of the options is listed in Table I below.

Table I: Summary of Options

Options #	Description
Group A Options: Self-help Guidance and Subsidy	
Option 1: Self-Help Guidance	Focuses on providing consumers with information and guidance on how to remove fluoride from their own drinking water. Information will be made available to the public on various methods for home-based fluoride removal (such as using filtration systems).
Option 2: Self-help Guidance with Subsidy	Combines educational efforts with financial assistance for installing under-bench fluoride removal systems. It is intended that the selection, procurement, installation, and ongoing maintenance of the under-bench fluoride removal system remain with the individual consumer.
Group B Options: Water Collection	
Option 3a: Fluoride Removal - with chlorination	Entails treating fluoride containing water from the reticulated network with a reverse osmosis (RO) system (to remove all other elements including fluoride) and supplying it to a community water collection station. Residual chlorine must be removed prior to the RO system since it damages the RO membranes. After fluoride removal, the water would be re-chlorinated.
Option 3b: Fluoride Removal - without chlorination	Similar to Option 3a but without re-chlorination. Compliance will be dependent on the level of Drinking Water Quality Assurance Rules that are followed for the application.
Option 4a: Alternative Source - Bore water	Involves providing a separate community water supply using a new groundwater source. Bore water will be treated and supplied to a community water collection station
Option 4b: Alternative Source - Rainwater	Similar to Option 4a but rainwater will be used as source.
Option 5a: Water Transport from Local Supply without Fluoride Added	This option involves transporting non-fluoridated water from a treated source for which fluoride is not added to the collection point where the public would collect water.
Option 5b: Water Transport from Oropi WTP with fluoride dosing turned off	Similar to Option 4a, but water will be transported from a source for which the fluoride dosing would be temporarily suspended.

The CAPEX and OPEX costs for the different options were calculated using information from concept level designs based on a design capacity of 1000 L/day. Net Present Values (NPV's) were calculated (using TCC discount rates of 7% including the average 5-yr LGFA rate of 5% plus the expected inflation of 2% over a period of 20 years) to assess the financial impact of each of the options considered. The CAPEX cost, annual OPEX, and NPV's for the different options are listed in Table II below.

Sensitivity: General

Table II: Summary of Options

Description	CAPEX (NZD)	OPEX (NZD/annum)	20-yr NPV estimate (NZD)
Group A Options			
Option 1: Self-Help Guidance	$ 30,000	$ 2,000	$ 59,000
Option 2: Self-help Guidance with Subsidy	$ 600,000	$ 2,000	$ 613,000
Group B Options			
Option 3a: Fluoride Removal – with chlorination	$ 614,000	$ 24,300	$ 960,000
Option 3b: Fluoride Removal – without chlorination	$ 604,000	$ 24,000	$ 946,000
Option 4a: Alternative Source – Bore water [2]			
Lower Value	$ 851,000	$ 24,800	$ 1,196,000
Upper Value	$ 1,158,000	$ 24,800	$ 1,495,000
Option 4b: Alternative Source - Rainwater	$ 558,000	$ 23,800	$ 898,000
Option 5a: Water Transport from Local Supply without Fluoride Added	$ 560,000	$ 34,900	$ 1,066,000
Option 5b: Water Transport from Oropi WTP with fluoride dosing turned off	$ 505,000	$ 35,000	$ 1,015,000

1 Cost estimates in this report are based on concept level design development, and the level of accuracy reflects this concept level of design development with a likely -30% to +50% level of accuracy. All costs are inclusive of P&G costs, design and contingency and are exclusive of GST. All costs are indicated in NZD.

2 A sensitivity analysis was performed on Option 4a since the cost was significantly higher than the other options.

1 Introduction

1.1 Background

Tauranga City Council's (TCC) has implemented fluoridation of the drinking water supply as required by the Ministry of Health's directive. TCC has been directed to fluoridate the city's water supply by the end of November 2024. At the Council's meeting of 26 August 2024, the Council resolved to complete further work investigating approaches and options for the provision of a non-fluoridated water supply for those who choose it.

1.2 Purpose

The report outlines several potential solutions to provide a non-fluoridated supply each with advantages and challenges, and cost estimates and net present values (NPV's) to evaluate and compare the financial impact of the different options.

1.3 Approach and Assumptions

The following specimen sites were used as a basis for this assessment:

- For rainwater-based solutions: The Mercury Baypark Stadium roof
- For bore water: Truman Lane Bore location
- From an existing network supply: The Mercury Baypark Stadium car park

The Drinking Water Quality Assurance Rules (QA Rules), released on 25 July 2022 do not cover linked or secondary supplies where water is re-treated from an existing network. The closest applicable rule module to follow is for a Community Drinking Water Station requiring the G+S1+T1 modules in the QA Rules to be followed. This approach does not regulate the need for the addition of chlorine as a disinfectant.

The overarching Water Services Act 2021 has a requirement for a water supplier to provide safe drinking water, and as such, chlorination using sodium hypochlorite is included to the options (on request of TCC).

For the NPV assessments in the report, the monitoring requirements are therefore based on the above interpretation of the QA Rules and TCC's obligation as a water supplier. Where appropriate options with and without chlorination have been provided for comparative purposes.

A more detailed assessment of the most appropriate location would still need to be undertaken following any decision on the provision of a non-fluoridated or fluoride-reduced water supply by TCC. The high-level concept designs presented in this report may not reflect the final water supply and treatment processes that may be installed.

Sensitivity: General

2 Non-fluoridated and Fluoride-Reduced Water Supply Options

2.1 Overview

Following a shortlisting of possible approaches and solutions by TCC five options have been taken forward for investigation. The options are classified into two groups namely:

- Group A: Self-help Guidance and Subsidy – to equip members of the public with the necessary information and resources to remove fluoride from drinking water for themselves.
- Group B: Water Collection - either treating water or transferring water to a central water collection point where members of the public can collect non-fluoridated or fluoride-reduced water.

An overview of the options is listed below.

Group A: Self-Help Guidance and Subsidy

1. Self-help guidance
2. Self-help guidance and subsidy for under-bench fluoride removal system

Group B: Water Collection

3. Centralised fluoride removal treatment plant
    a. Fluoride removal treatment plant with re-chlorination from the potable water network.
    b. Fluoride removal treatment plant without re-chlorination from the potable water network.
4. Alternative raw water source and treatment system
    a. Bore Water Treatment System
    b. Rainwater Treatment System
5. Tanker Delivery of Un-fluoridated Water from one of TCC's sources
    a. From local water supply without fluoride added outside TCC boundary (i.e. McLaren Falls)
    b. From Oropi WTP with fluoride dosing turned off

It is important to distinguish between non-fluoridated and fluoride-reduced water for the purpose of this assessment.

- "Non-fluoridated or Un-fluoridated Water"

  Refers to water that has had no fluoride added through a treatment process. There may be naturally occurring levels of fluoride in the water.

- "Fluoride-reduced water"

  Refers to water from a fluoridated network supply that is treated to remove fluoride from the water using a means that is known to remove most fluoride, but may not remove all fluoride (e.g. reverse osmosis)

2.2 Group A: Self-Help and Subsidy

The “self-help and subsidy” option is to equip members of the public with the necessary information and resources to remove fluoride from drinking water supply for themselves at their own point of supply. Commonly known as under-bench systems. The following options have been considered.

2.2.1 Option 1: Self-Help Guidance

This option focuses on providing consumers with information and guidance on how to remove fluoride from their own drinking water. Information will be made available to the public on various methods for home-based fluoride removal (such as using filtration systems). While this option empowers individuals to remove fluoride from the water (if they choose), it does not provide a direct means of obtaining fluoride-reduced or un-fluoridated water and may result in varying levels of effectiveness based on individual implementation.

Table 1: Pros and Cons of Self-Help Guidance Option

Pros	Cons
Cost-Effective: Minimal cost to Council compared to other options since it primarily involves informational resources and outreach.	**Limited Impact:** Does not provide a direct solution for fluoride removal; effectiveness depends on individual action and adherence.
Empowerment: Educates consumers on how to independently manage their water quality and make informed choices.	**Varied Results:** The success of fluoride removal can vary based on the knowledge and resources of consumers.
Scalability: Easy to implement across a large population without requiring extensive infrastructure.	**No Immediate Access**: Consumers still need to invest in their own systems or products for fluoride-reduced water.
Administration: Does not require any additional administration system. Council already has resources that provide informative advice to the community on water related matters.	**Risk**: There is a minor risk in providing advice to individuals. Council will have to undertake due diligence from a legal perspective on the advice provided to the public to ensure there is no liability back to the council.
Delivery Time: Quick delivery as there is no physical or operational works to deliver.	
Compliance: No additional compliance requirements.	

2.2.2 Option 2: Self-Help Guidance with Subsidy for Under-Bench Removal System

This option combines educational efforts with financial assistance for installing under-bench fluoride removal systems. It is intended that the selection, procurement, installation, and ongoing maintenance of the under-bench fluoride removal system would remain with the individual consumer. Council would take no risks for any additional treatment systems past their point of connection, and this would be a prerequisite for customers to acknowledge prior to accepting any funding.

Subsidies would then be provided to help offset the cost for individuals wishing to remove fluoride from their drinking water at home. This approach directly addresses fluoride removal while also promoting informed choices. However, it requires a method of approval for the subsidy, and a means of confirming that the subsidy funding is used for the right purpose through a part payment scheme, or subsidy refund. This would be a one-off subsidy to an agreed value and a maximum number of systems to cap the financial impact of the initiative. Costs have been based on 2,000 systems being subsidised at a fixed amount of $300 per system (for indicative purposes). The pros for option 1 (listed in Table 1 above) similarly pertain for option 2 but are not listed for brevity.

Table 2: Pros and Cons of Self-Help Guidance with subsidy options

Pros	Cons
One-off: Costs would be a one off to subsidise the install of under bench filters	**Administrative:** Will require a degree of administration and auditing to ensure that the installs are in line with the intention of the initiative.
Financial Assistance: Reduces the financial barrier for consumers to install fluoride removal systems.	**Risk:** Careful considerations into the legal requirements are required to remain impartial, and for Council to not become responsible for the ongoing maintenance of the unit.
Direct Solution: Provides a tangible method for consumers to obtain fluoride-reduced water at home.	**One-off:** The subsidy would be to assist people to purchase and install a fluoride removal filter only and the ongoing maintenance will sit with the user
Informed Choices: Combines self-help with practical support, enhancing overall effectiveness.	**Cost:** Costs will depend on uptake, could be expensive if there is a major uptake in the initiative.
Compliance: No additional compliance requirements, including Water Safety Plan updates.	**Equity**: By putting a cap on the number of subsidies offered those people that do not get a subsidy might feel unfairly treated.
	Risk: Units are procured then on sold for profit, or the subsidy is abused and not used for its intended purpose.
	Risk: Any approved suppliers or supply units available for a subsidy could be seen as endorsed by Council. Not having a list allows TCC customers to purchase any units.

2.3 Group B: Water Collection

The Group B options consider treating water and/or transferring water to a central water collection point where members of the public can collect non-fluoridated or fluoride-reduced water. The following regulatory documents outlining infrastructure requirements have been considered for these treatment-based options.

- The Drinking Water Quality Assurance Rules (25 July 2022, QA Rules)
- Drinking Water Acceptable Solutions for Roof Water Supplies (October 2022)
- Drinking Water Acceptable Solutions for Spring and Bore Water Supplies (October 2022)

Market research into the potential demand for non-fluoridated or fluoride reduce water has not been undertaken. The estimated consumption from the Hamilton de-fluoridation central supply system is up to a 1000 L/day and this value is used in this assessment.

2.3.1 Water Collection Facility

The Group B options include a community water supply at a single location for Council's customers to obtain a non-fluoridated/reduced fluoride supply.

The community water supply will have two water collection fountains each containing both, a bottle filling station, and a tap for filling larger containers. The area needs to be easily accessible preferably at a location where nearby parking is available. Some safety in design features identified include:

- Bollard protection can be provided to protect water fountains in areas from moving vehicles.

- A canopy can be installed over water fountains to provide cover from rain and sunlight.
- Outdoor lighting can be installed for areas with poor visibility.
- CCTV cameras can be installed for monitoring and safety purposes.

Beca recommends that a safety in design specific to the location is completed for any intended solution which is implemented.

2.3.2 Option 3: Fluoride Removal System

This option entails treating fluoride containing water from the reticulated network with a reverse osmosis (RO) system to retain only the water molecules and remove all other elements including fluoride. Residual chlorine must be removed prior to the RO system since it damages the RO membranes. The following two sub-options have been considered for the purposes of evaluating the costing:

a) Fluoride removal system with re-chlorination

b) Fluoride removal system without re-chlorination

A process flow diagram of the fluoride removal system is illustrated in the Figure 1 below. Fluoridated water is treated with a series of filtration processes including:

- Activated carbon filtration (to reduce residual chlorine to protect the RO membranes),
- Cartridge filtration (to reduce suspended solids), and
- Reverse osmosis (reduces fluoride and other dissolved substances)
- Disinfection
    - Sodium hypochlorite dosing system for option with chlorination
    - UV Disinfection for option without chlorination

The treated water is collected in a treated water tank equipped with a booster pump that transfers the water to a water fountain where people will collect water for drinking purposes.

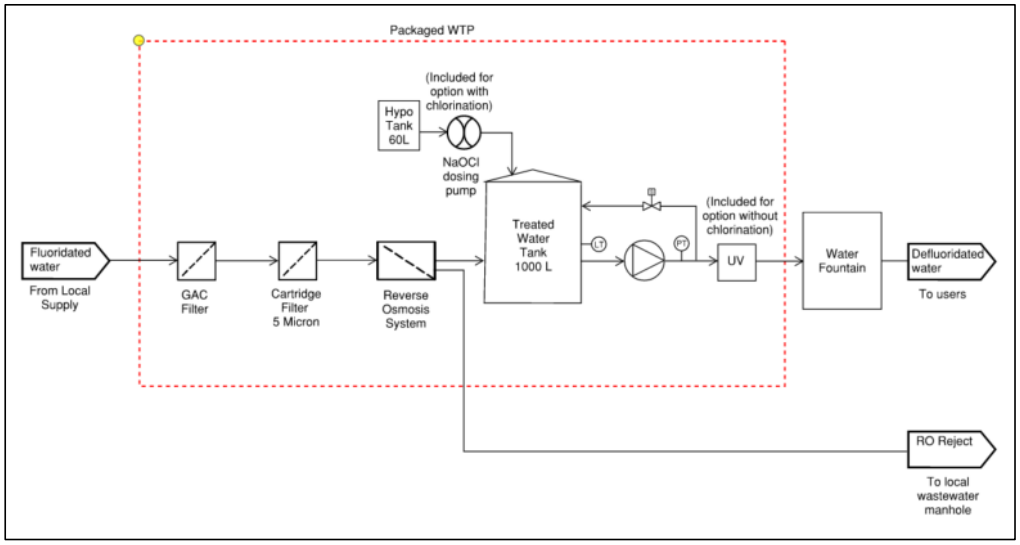


Figure 1: Process Flow Diagram of Fluoride Removal System

2.3.2.1 Option 3a: Fluoride removal system with Re-chlorination

A fluoride removal plant would be established (as described above) to process the water supply, reducing fluoride content. After fluoride removal, the water would be re-chlorinated. This method provides widespread access to fluoride-reduced water but involves significant infrastructure investment and ongoing operational challenges. The pros and cons of the fluoride removal system with chlorination are listed in Table 3 below.

Table 3: Pros and Cons for Fluoride Removal System with Chlorination

Pros	Cons
Comprehensive Solution: Provides a fluoride-reduced water supply to Tauranga customers who choose to consume fluoride-reduced water.	**Infrastructure Needs:** Requires more infrastructure and ongoing maintenance.
Public Health: Takes drinking water then re-treats it with an additional disinfection step.	**Compliance:** This option is not well covered under the QA Rules and may require rigorous operational management and reporting, potentially its own water safety plan, and hazardous substance compliance and management plan.
	Waste Management: Generates high waste stream volume compared to other processes, possibly incurring a trade waste charge.
	Accessibility. A single facility has been considered to serve the whole city.

2.3.2.2 Option 3b: Fluoride removal system without chlorination

The approach involves a fluoride removal plant but does not include re-chlorination and would meet the QA Rules requirements providing that a T1 supply is appropriate following confirmation from Taumata Arowai. The pros and cons of the fluoride removal system without chlorination are listed in Table 4 below.

Table 4: Pros and Cons for Fluoride Removal System without Chlorination

Pros	Cons
Comprehensive Solution: Provides fluoride-reduced water to the community who desire water with fluoride and chlorine removed from the municipal supply.	**Infrastructure Needs**: Requires significant infrastructure and ongoing maintenance.
Less Chemical Handling: Removes the need to handle sodium hypochlorite and store this chemical on an un-manned site.	**Compliance:** This option may not be compliant if T2 rules are required, or if the system is classed as a distribution system.
	Waste Management: Generates high waste volume compared to other processes, possibly incurring a trade waste charge.
	Accessibility. A single facility has been considered to serve the whole city.

2.3.2.3 Concept Layout

Sensitivity: General

A possible location at the Mercury Baypark Stadium is used for indicative purposes. A concept layout of the water collection facility and the proximity to existing services are indicated in Figure 2 and Figure 3: Proximity of Fluoride removal plant to available services.Figure 3 below.

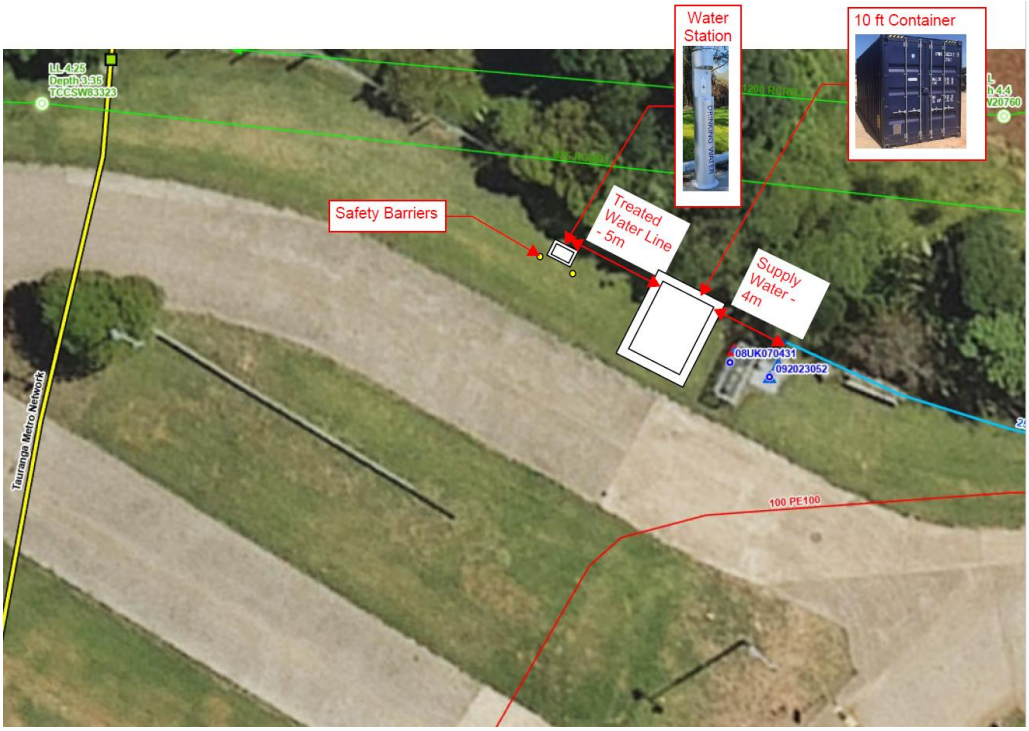


Figure 2: Concept Layout of the Fluoride Removal System

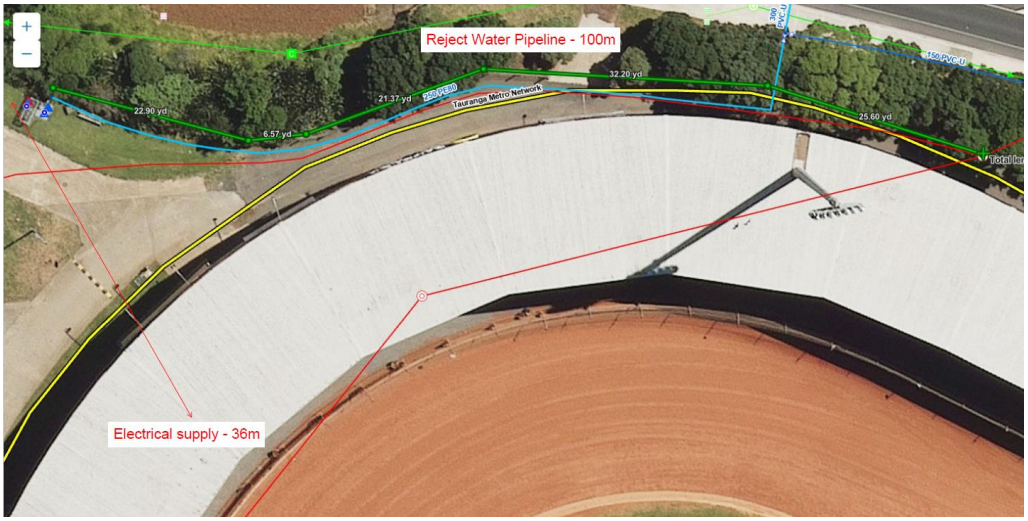


Figure 3: Proximity of Fluoride removal plant to available services.

Sensitivity: General

2.3.3 Option 4: Alternative Raw Water Source and Treatment System

This option involves providing a separate community water supply with a new source. The supply water sources considered are groundwater and rainwater.

For the relative NPV assessment in the report, the approach in Section 1.3 was followed. Acceptable solutions could also be considered, and if further developed, we recommend that Council consider this option further with Taumata Arowai as it may remove the requirement for a Water Safety Plan. Treatment requirements under the QA Rules are (upstream storage for rainwater acceptable solution only), cartridge filtration and UV disinfection.

2.3.3.1 Option 4a: Bore Water Treatment System

A groundwater bore can be treated to T1 requirements using cartridge filtration and UV disinfection with community taps for customers to use. Not every bore developed is successful and some bore water is found to have traces of elements close to or more than guideline values only after development of the bore. The existing bore location in Truman Lane is the basis for this assessment, however costings have been based on a new bore development to provide Council with flexibility in options comparison.

The Truman Lane Bore is known to have elevated levels of iron and manganese, assumed to require treatment. Iron and manganese removal processes have been provided in this concept. The process will use chlorine to oxidise the iron and manganese with the use of a greensand filter to provide a catalytic reaction to accelerate the oxidation of the manganese. This is a common process used for iron and manganese removal. This treatment may not be required if:

- the maximum acceptable value for manganese of 0.4 mg/L is not exceeded, or
- the guideline values for iron (0.3 mg/L) and manganese (0.03 mg/L) are not exceeded and Council have determined that it is not reasonably practicable to remove iron and manganese to below these levels.

A process flow diagram of the Truman Lane bore water treatment system is illustrated in Figure 4 below.

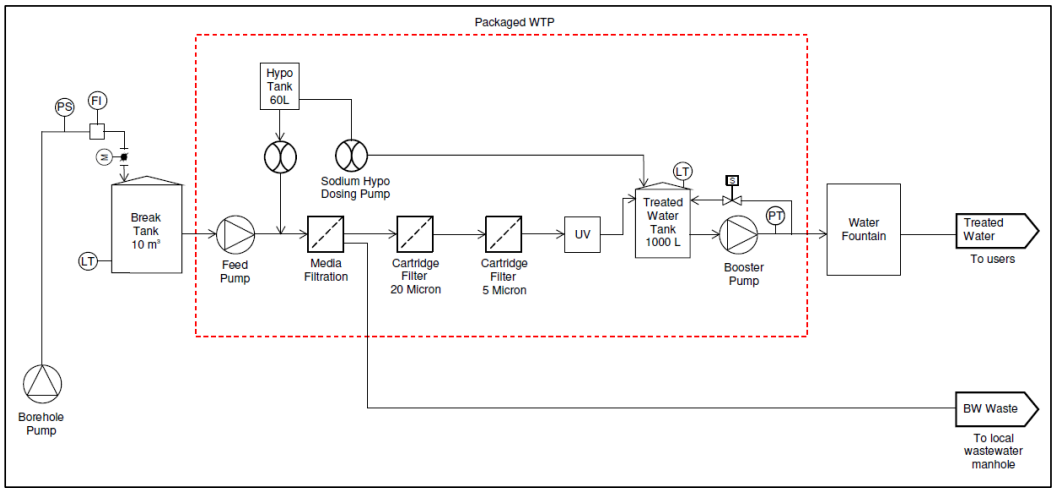


Figure 4: PFD of Bore Water Treatment Plant

The bore water is treated with a series of processes including:

- Media filtration (to remove iron and manganese)

- Cartridge filtration (20 micron and 5 micron), and
- UV Disinfection

Sodium hypochlorite is dosed for oxidation of iron and manganese, and disinfection. The treated water is collected in a treated water tank equipped with a booster pump to transfer the water to a water fountain where people will collect water from the community supply.

The above processes are required to remove iron and manganese. An alternative ground water source with low iron and manganese could simplify treatment requirements that could reduce the process requirements to a ground water pump, cartridge filters, UV disinfection, and pressure accumulator/storage tank (under the community drinking water station QA rules, chlorination is not a regulatory requirement).

i. Concept Layout

An existing borehole in Truman Lane was used for illustrative purposes. A concept layout of the plant and proximity of the site to available services are indicated in Figure 5 below.

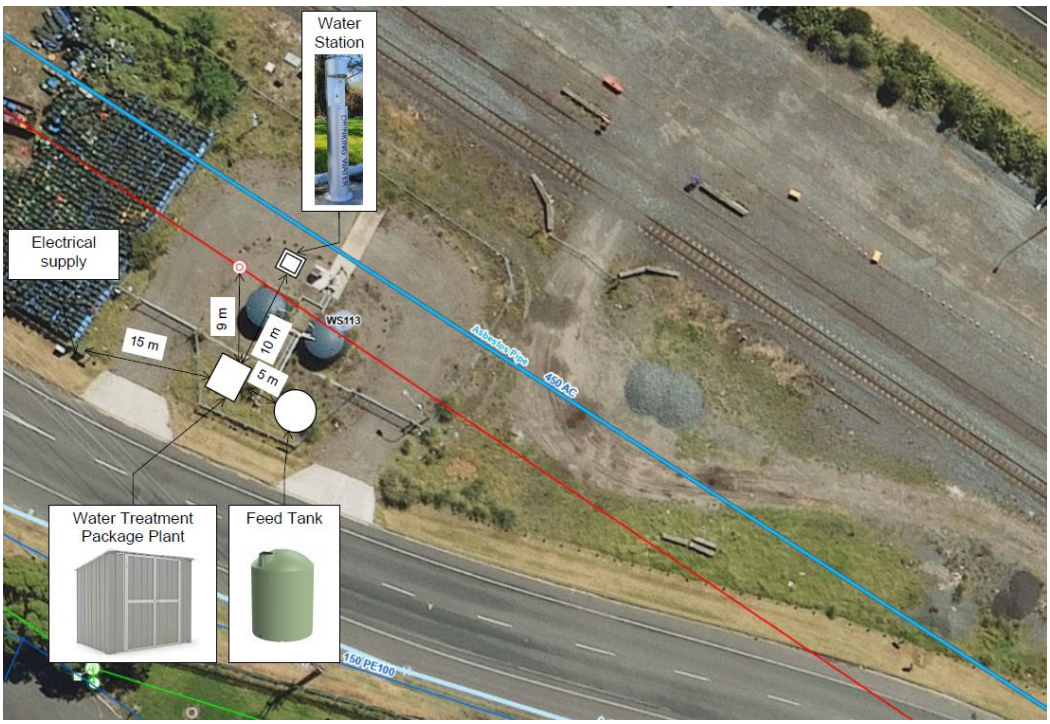


Figure 5: Concept Layout of Bore Water System

ii. Pros and Cons:

This solution offers an alternative to the existing municipal water but requires infrastructure for bore drilling and constructing a water treatment plant. The quality of the bore water would be unknown until a well has been drilled and developed. The quality of the water could result in some complex treatment challenges. The pros and cons of the bore water treatment option are listed in Table 5 below.

Sensitivity: General

Table 5: Pros and Cons of Bore Water Treatment Option

Pros	Cons
Comprehensive Solution: Non-fluoridated water source. This option would not have any residual added fluoride. It will be truly non-fluoridated with only naturally occurring minimal background levels if any.	**Groundwater quality:** May contain high iron and manganese requiring treatment. Shallow bores may have salinity and not be suitable for drinking water.
	Complex Treatment and Operations: If iron and manganese removal is required, additional pre-treatment and chlorination may be required.
	Infrastructure Needs: Requires substantial infrastructure development and maintenance.
	Consents: There may be a need for an abstraction consent unless this is a permitted activity. There is a potential this consent can take a long time to obtain.
	Waste Management: Generates higher waste volume compared to other processes. Backwash required for metals removal process. May incur additional trade waste charges.
	Groundwater Yield Variability: A new bore for potable use may not be suitable. Costings has been based on one bore development, however, to attain acceptable quality and quantity multiple bores might have to be drilled.
	Consent Requirements: Potentially land use consent or outlined plan of works required. Can take many months to attain.

2.3.3.2 Option 4b: Rainwater Treatment System

Rain tanks would collect and store rainwater and treated (according to rainwater acceptable solution requirements) to meet drinking water standards for a community drinking water station.

A process flow diagram of the rainwater treatment system is illustrated in Figure 6 below. The rainwater is treated with a series of processes including:

- Cartridge filtration – 20 micron and 5 microns, and
- UV Disinfection
- pH Adjustment

Sodium hypochlorite is dosed to maintain a chlorine residual in the water for TCC risk management. Caustic soda dosing is available for pH adjustment since the pH of rainwater can be below the guideline value of 7.0. The treated water is collected in a treated water tank equipped with a booster pump to transfer the water to a water fountain where people will collect water for drinking purposes.

Sensitivity: General

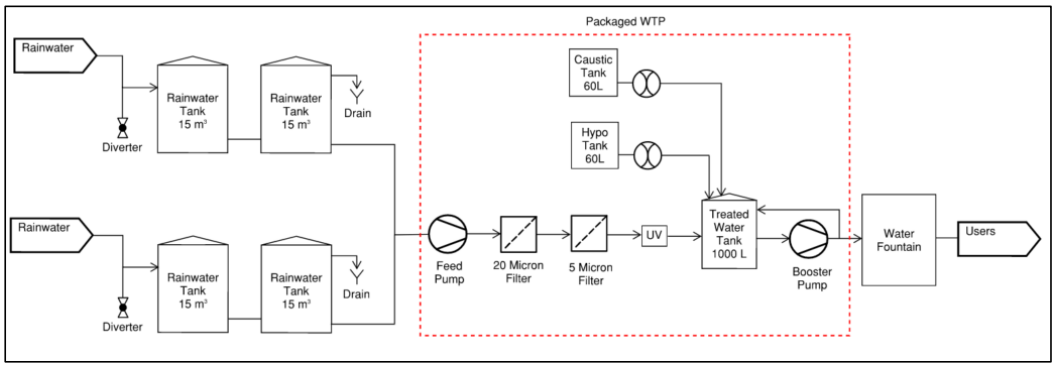


Figure 6: Process Flow diagram of Rainwater Treatment Option

i. Concept Design

The Mercury Baypark stadium has a large roof area that could potentially be used for collecting rainwater and is used as an example for calculating rainwater collection from a roof area. Rainfall data for Tauranga from the last 25 years was obtained from the National Institute of Water and Atmospheric Research (NIWA). The data was used to calculate the roof area required for rainwater collection to meet a consumption demand of a 1000 Litres/day. It was found that the approximate area required for rainwater collection is 640 m^2 and the storage capacity required is 60 m^3. The roof over the Mercury Baypark Stadium is approximately 16 m wide, therefore the length of roof required is 40 m. The graph in Figure 7 below indicates that the potential monthly volume of rainwater that can be collected on a roof area of 640 m^2 mostly exceeds the required demand for consumption. With adequate storage volume, surplus rain from previous months will carry over to the next month. A storage volume of 60 m^3 proved to be an adequate storage volume and would not have resulted in any months where the tanks would have run empty.

The tank sizing is based on available space and the roof area of the stadium. A different roof area may require increased storage capacity and allow for the installation of larger 30 m^3 tanks.

Sensitivity: General

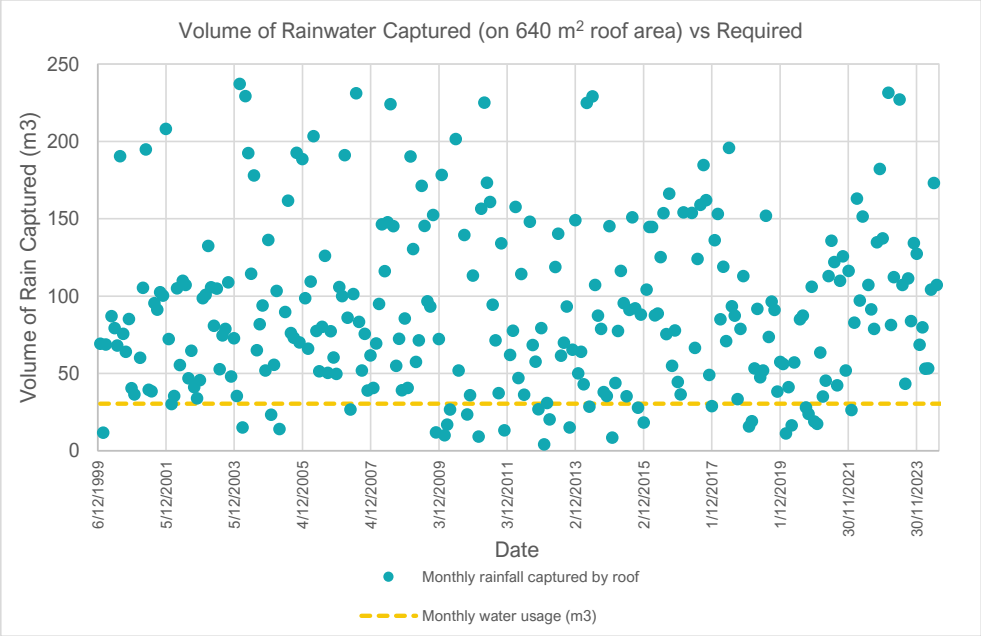


Figure 7: Historical Rainwater Collection Data

ii. Location and Concept Layout

The Mercury Baypark Stadium was used for illustrative purposes for the water collection point. A concept layout and proximity of the site to available services are indicated in Figure 8 below.

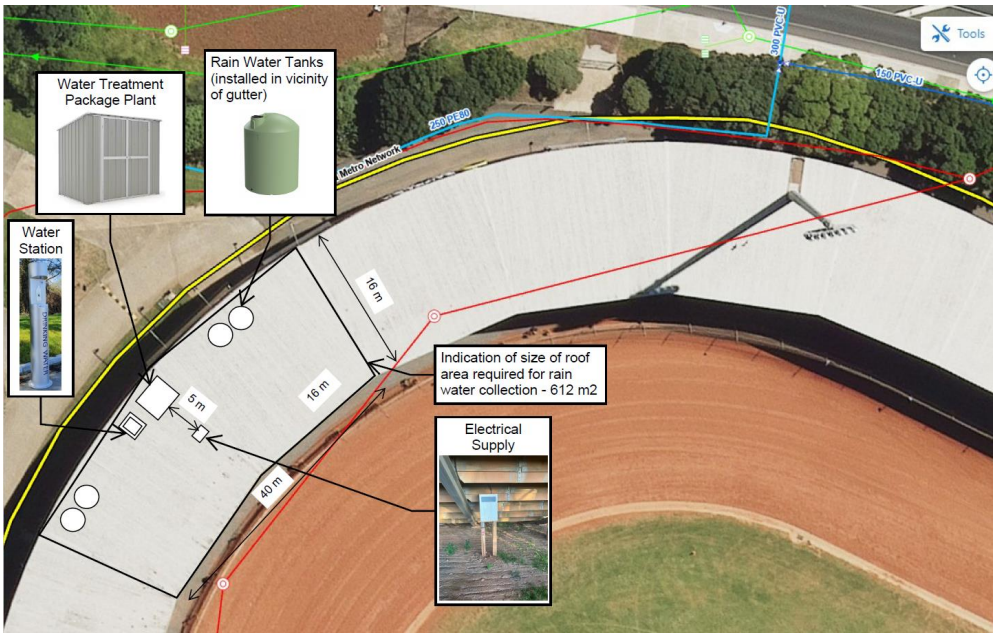


Figure 8: Concept Layout of Rainwater System

iii. Pros and Cons

This option's efficacy is dependent on adequate rainfall and requires investment in tank systems and treatment processes. The pros and cons of this option are listed in Table 6 below.

Table 6: Pros and Cons of Rainwater Treatment Option

Pros	Cons
Comprehensive Solution: Water would be non-fluoridated having never been dosed with fluoride.	**Compliance:** Compliance for any water treatment system is complex and has many requirements.
Environmentally Friendly Solution: Limited to no liquid waste streams are generated from this system.	**Water quality:** Council would have to be confident that all roof cleaning activities are completed to protect the water source, manage dust, and have control of these processes to reduce risk to an acceptable level.
	Complex Operations: This solution with pH correction would be complex to operate and ensure that there is ongoing compliance and system uptime. Rainwater has very low alkalinity and can be problematic to maintain a stable pH.
	Infrastructure Needs: This system would have some substantial infrastructure needs and land required to build the treatment plant. There will be a need for a large roof surface that has been designed and maintained for the use of collecting rainwater for consumption.
	Availability: Water availability for periods of low rainfall could be problematic and when an exceptional long dry spell occurs there may be a possibility that this supply is not available.
	Public Health Risk: Maintenance activities including any applied treatments to the roof (e.g. moss, mould, and algae removal) can contribute to a public health risk of the drinking water.

2.3.4 Option 5: Drinking Water Tanker Delivery to a Community Supply

This option involves transporting non-fluoridated treated water from a reliable source to the collection point where the public would collect water. Two options were considered: One from a treated source for which fluoride is not added, and the other from a source for which the fluoride dosing would be temporarily suspended. The options considered are:

a) Supplied from local water supply (with compliance) without fluoride added outside TCC boundary (e.g. McLaren Falls).

b) Supplied from Oropi WTP with fluoride dosing temporarily turned off for the purpose of this supply.

2.3.4.1 Option 5a: Treatment and supply from McLaren Falls

Treated bore water sourced from an existing borehole (e.g. McLaren Falls) would be transported via a water carrier service (tanker) to the collection point to provide a non-fluoridated supply. A process flow diagram of the system is illustrated in Figure 9 below. The treated water is collected in a break tank equipped with a transfer pump to transfer the water to a water tanker. The water tanker delivers the water to the water collection point and discharges the water into the Treated Water Tank.

Sensitivity: General

Under this option, the QA Rules are likely to require rules for Water Carrier Supplies, Water Carrier Services, and maybe Community Drinking Water Supply rules. These options do not require chlorine, although this may be added from the water supply. Sodium Hypochlorite may be dosed for further risk reduction to maintain a chlorine residual in the water. The treated water tank is equipped with a booster pump to transfer the water to a water fountain where people will collect water for drinking purposes.

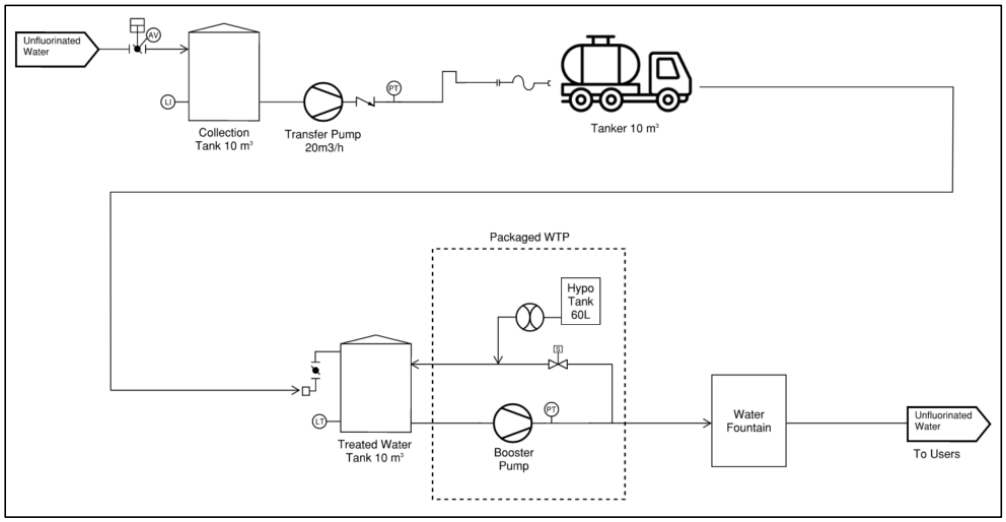


Figure 9: Process Flow diagram of McLaren Falls Treatment Option

i. Concept Layout

Limited information was available on the McLaren falls site and the existing services, so assumptions were made on the proximity of the site to available services. The Mercury Baypark Stadium was used for illustrative purposes as water collection point. An image of the water collection station and its proximity to existing services are indicated in Figure 10 below.

Sensitivity: General

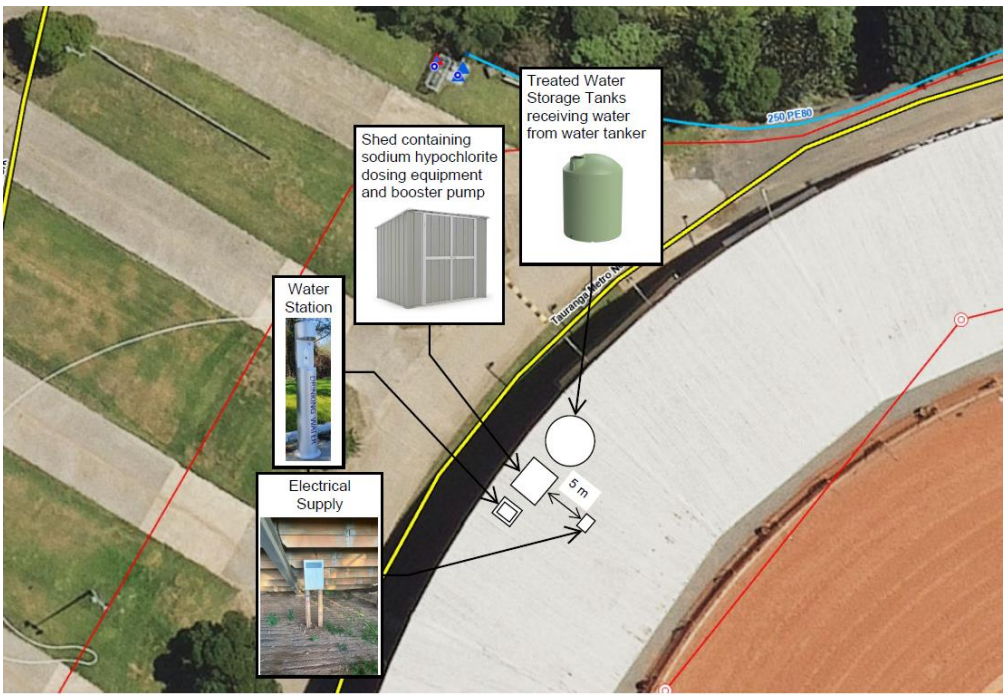


Figure 10: Concept Layout of Water Collection Station at Mercury Baypark Stadium

ii. Pros and Cons:

This approach offers a potentially high-quality water source but involves logistical challenges and costs associated with transportation and maintenance of water quality. The pros and cons of this option is listed in Table 7 below.

Table 7: Pros and Cons of Treatment and Supply from McLaren Falls

Pros	Cons
No fluoride added: Water would be non-fluoridated having never been dosed with fluoride.	**Compliance:** May require multiple rule modules to be followed.
	Infrastructure Needs: Requires a storage tank and community water station.
	Source: Water must be sources from a registered drinking water supply.
	Road Transport: Requires road transport. Higher carbon footprint.

2.3.4.2 Option 5b: Supply from Oropi WTP with fluoride dosing turned off.

This option is identical to 5a above, but sourcing water from Oropi, with the added step of turning off the fluoride dosing for a period while this collection takes place. The process flow diagram is similar to Figure 9. Water will be collected in a break tank while the fluoride dosing at Oropi WTP is switched off.

The break tank is equipped with a transfer pump to transfer the water to the water tanker. The water tanker delivers the water to the water collection point and discharges the water into the Treated Water Tank. Sodium hypochlorite is dosed to maintain a chlorine residual in the water. The treated water tank is equipped with a booster pump to transfer the water to a water fountain where people will collect water for drinking purposes.

i. Concept Layout

An image of the Oropi WTP and possible location where a tank and transfer pump can be installed to fill the water tanker is indicated in Figure 11 below. The concept layout of the water collection point where the public will collect water is indicated in Figure 10 above. The control of the fluoride dosing pumps and filling of the break tank with non-fluoridated water will have to be automated for ease of operation.

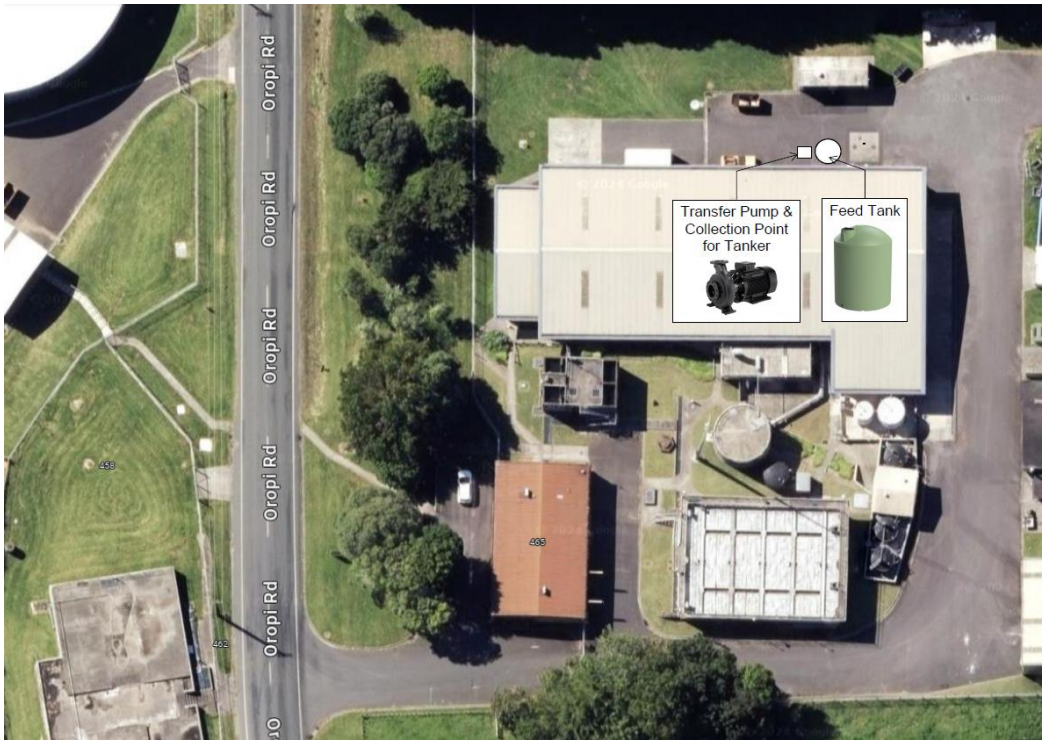


Figure 11: Concept Layout of Water Transfer System at Oropi WTP

ii. Pros and Cons

This option would provide non-fluoridated water while maintaining a direct supply chain. However, it requires careful management of dosing systems and transportation logistics. The pros and cons of this option are listed in Table 8 below.

Table 8: Pros and Cons of Supply from Oropi WTP

Pros	Cons
Comprehensive Solution: Water would be un-fluoridated having never been dosed with fluoride.	**Compliance:** Fluoridation compliance at Oropi requires greater management and reporting.
	Complex Operations: Dosing systems will have to be switched off during production. This will add an additional level of complexity and risk to the normal potable water treatment operation.
	Risk: Risk of water potentially not being completely un-fluoridated.
	Availability: Can only collect when the water treatment plant is operator manned – Mon – Fri. Risk of storage at the community supply running empty during weekends as this is likely when more people will collect water.
	Road Transport: Requires road transport. Higher carbon footprint.

2.3.5 Overview of Group B Options

An overview of the Group B options is provided in Table 9 below. The treatment steps and estimated lead times for the different options are provided in the Table. It should be noted that an additional 3 – 6 months should be allowed for Options 4a and Option 4b to attain the necessary consents.

Sensitivity: General

Table 9: Summary of Group B options

Description	Lead Time	Feed/ Transfer System		Transport	Water Treatment Package					RO Treatment Package				Disinfection	Distribution		Collection
		Break Tank(s)	Transfer Pump	Water Tanker	Feed Pump	Metals Removal filter	Cartridge filter - 20 micron	Cartridge filter - 5 micron	UV	Carbon Filter	Cartridge filter - 5 micron	RO System	UV	Chlorination	Treated water Tank	Booster Pump	Water Fountain
3. Fluoride removal system																	
a) Fluoride Removal without chlorination	24 -28 weeks design & build									✓	✓	✓	✓		✓	✓	✓
	24 -28 weeks design & build									✓	✓	✓		✓	✓	✓	✓
4. Alternative Source Treatment System																	
a) Bore Water	3 - 6 months for consents 36 – 40 weeks design & build	✓			✓	✓	✓	✓	✓					✓	✓	✓	✓
b) Rainwater	3 - 6 months for consents 28 – 32 weeks design & build	✓			✓		✓	✓	✓					✓	✓	✓	✓
5. Water Carrier Service																	
a) Un-fluoridated source - McLaren Falls	20 -24 weeks design & build	✓	✓	✓	✓	✓	✓	✓	✓					✓	✓	✓	✓
b) Un-fluoridated water - Oropi WTP	16-20 weeks design & build	✓	✓	✓										✓	✓	✓	✓

2.3.6 Other Potential Options Not Carried Through for Assessment

2.3.6.1 Bottled Water

The option of providing bottled water was not carried forward for assessment since it would mean providing a lifelong supply of bottled water to a group while bottled water is commercially available for purchase. It would be difficult to distinguish between opportunists and people who are genuinely opposed to drinking fluoridated water.

2.3.6.2 Private Supplier

The option of facilitating the ability for a private supplier to provide a de-fluoridated water supply is a possibility but was not carried forward for consideration. It was concluded by TCC that they would hold ultimate responsibility for their performance and production water quality, with limited ability to actively control that. This option was not considered in this assessment since it was considered not to offer any benefits to the community or TCC.

3 Cost Evaluation

Cost estimates in this report are based on concept level design development, and the level of accuracy reflects this concept level of design development with a likely -30% to +50% level of accuracy. All costs are inclusive of P&G costs, design and contingency and are exclusive of GST. All costs are indicated in NZD.

The CAPEX and OPEX costs for the different options were calculated using information from concept level designs based on a design capacity of 1000 L/day. Estimated OPEX costs were calculated using the assumptions and rates listed in Table 10 below.

Table 10: Assumptions and rates

Description	Comments
1. Self-help Guidance	Nominal $30 000 allowed for TCC internal costs, disbursements, printing etc. (for illustrative purposes) and a nominal $2000 per annum for annual disbursements
2. Subsidy	$300/person for 2000 people (for illustrative purposes)
3. Daily Consumption	1000 L/day
4. Chemicals and Consumables	Filter cartridges and RO membranes replacement every 8 weeks UV lamps to be changed out annually Chemical costs assumed negligible because of small dosages required
5. Tanker Services	Tanker trips charger $ 420/load. One tanker load is 10 000L. 3 Trips per month required
6. Power Costs	Daily Charge = $1.05/day Usage Charge = $0.26/ kWh
7. Lab Analysis	Based on G+S1+T1 rule Allowed 1 hour per month for sample collection at a rate of $200/hour
8. Plant Operations and Reporting	Compliance Monitoring - 0.5 hours daily at a rate of $50/hour Reporting - 4 hours per month at a rate of $80/hour Chemicals and filter changeouts - 2 hours/month at $50/hour
9. Maintenance	5 - 10% of Total Equipment Cost per annum plus labor Allowed for 8 hours per annum for maintenance staff at a rate of $80/hour

Net Present Values (NPV's) were calculated (using TCC discount rates of 7% including the average 5-yr LGFA rate of 5% plus the expected inflation of 2% over a period of 20 years) to assess the financial impact of each of the options considered. The CAPEX cost, annual OPEX, and NPV's for the different options are listed in Table 11 below.

Table 11: Summary of CAPEX and annual OPEX

Description	CAPEX (NZD)	OPEX (NZD/annum)	20-yr NPV estimate (NZD)
Group A Options			
Option 1: Self-Help Guidance	$ 30,000	$ 2,000	$ 59,000
Option 2: Self-help Guidance with Subsidy	$ 600,000	$ 2,000	$ 613,000
Group B Options			
Option 3a: Fluoride Removal – with chlorination	$ 614,000	$ 24,300	$ 960,000
Option 3b: Fluoride Removal - without chlorination	$ 604,000	$ 24,000	$ 946,000
Option 4a: Alternative Source – Bore water	$ 1,158,000	$ 24,800	$ 1,495,000
Option 4b: Alternative Source – Rainwater	$ 558,000	$ 23,800	$ 898,000
Option 5a: Water Transport from Local Supply without Fluoride Added	$ 560,000	$ 34,900	$ 1,066,000
Option 5b: Water Transport from Oropi WTP with fluoride dosing turned off	$ 505,000	$ 35,000	$ 1,015,000

The cost for option 4a (where bore water is used as an alternative source) is significantly higher than the other options. A sensitivity analysis was performed on Option 4a since there are many variables that affect the costing of this option. The variables that were considered are the extent of works required and the quality of the feed water from the bore at the location for e.g. a location might be identified where either:

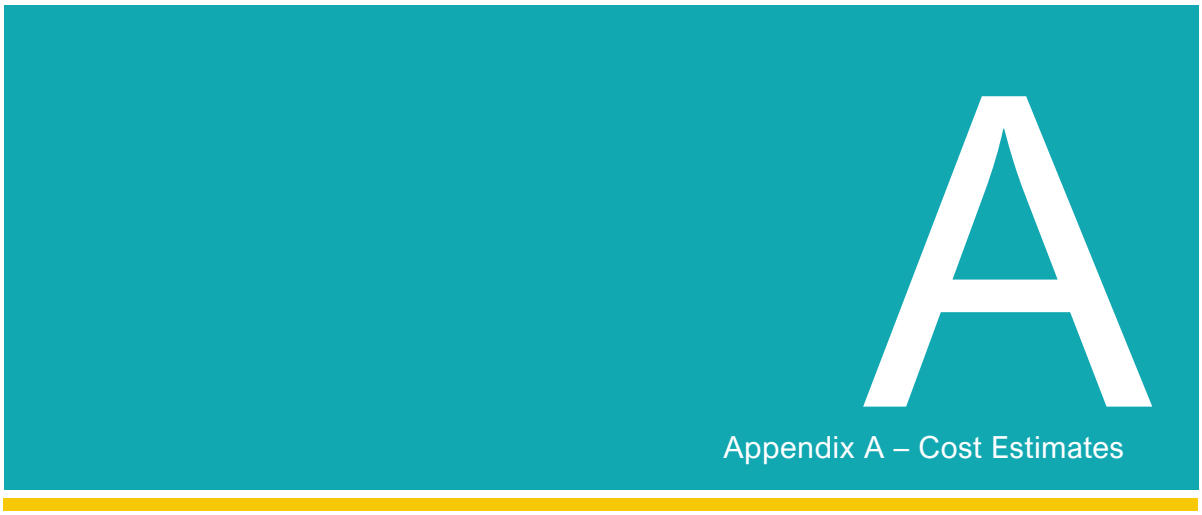
- The bore water quality requires iron and manganese removal, and the site has existing civil infrastructure that can be used, or
- The bore water quality is good without requiring iron and manganese removal, but less existing civil infrastructure is available.

The NPVs for the criteria mentioned above were determined and the least of the two amounts was used as the lower value for the sensitivity analysis. The lower and upper NPVs of the sensitivity analysis are indicated in Table 12 below.

Table 12: Option 4a – Sensitivity Analysis Output

Sensitivity Analysis Output	CAPEX (NZD)	OPEX (NZD/annum)	20-yr NPV estimate (NZD)
Low value	$ 851,000	$ 24,800	$ 1,196,000
Upper value	$ 1,158,000	$ 24,800	$ 1,495,000

Sensitivity: General



Summary

Project: TAURANGA CITY COUNCIL **Details:** DE-FLUORIDATION PROJECT OPTIONS
Building: DE-FLUORIDATION

Code	Description	Unit	Quantity	Rate	Total
	TAURANGA CITY COUNCIL - DE-FLUORIDATION PROJECT OPTIONS				
	CONCEPT DESIGN ESTIMATES OF PROBABLE COST - OCTOBER 2024			Currency:	**(NZD)**
	Note: These estimates are in the order of -30% to +50% accuracy and are to be read in conjunction with the notes, assumptions, exclusions and detail of this estimate.				
	It should be noted that the cost estimates provided as part of the Services are not a statement of absolute cost, rather they will have an accuracy range commensurate with various factors such as the extent of relevant information provided, the certainty of data and the level of detail available at the time of preparation.				
	The cost estimates presented in this section are typically developed based on extrapolation of recent similar project pricing, industry unit rates and Beca's general experience. The estimates are based on incomplete design and other information and are not warranted or guaranteed by Beca. The accuracy of these estimates is not expected to be better than approximately -30% to +50% for the scope of work described in this document.				
	Note that notwithstanding the use of industry unit rates, the current tender market can be very volatile and costs can differ hugely between contractors. These differences are not covered by the accuracy range mentioned.				
1	**OPTION 3A - FLUORIDE REMOVAL WITH RE-CHLORINATION**				
1.1	De-Fluoridating Plant and Equipment - Supply and Install				64,000
1.2	Civil Works				71,000
1.3	Mechanical and Electrical Works				243,000
	Direct Works Subtotal	**$**			**378,000**
1.4	Consultant Costs - Detailed Design, Tender Spec Preparation and Evaluation, Project Management, etc. - say 25%	%	378,000	0.25	94,000
1.5	Client Internal Project Costs (say 5%)	%	378,000	0.05	19,000
1.6	Design Development Contingency (say 25%)	%	491,000	0.25	123,000
	Indirects Subtotal	**$**			**236,000**
	OPTION 3A TOTAL (Excluding GST and Escalation)	**$**			**614,000**
	_____				
2	**OPTION 3B - FLUORIDE REMOVAL WITHOUT RE-CHLORINATION**				
2.1	De-Fluoridating Plant and Equipment - Supply and Install				57,000
2.2	Civil Works				71,000
2.3	Mechanical and Electrical Works				243,000
	Direct Works Subtotal	**$**			**371,000**
2.4	Consultant Costs - Detailed Design, Tender Spec Preparation and Evaluation, Project Management, etc. - say 25%	%	371,000	0.25	93,000
2.5	Client Internal Project Costs (say 5%)	%	371,000	0.05	19,000

Summary

Project: TAURANGA CITY COUNCIL **Details:** DE-FLUORIDATION PROJECT OPTIONS
Building: DE-FLUORIDATION

Code	Description	Unit	Quantity	Rate	Total
2.6	Design Development Contingency (say 25%)	%	483,000	0.25	121,000
	Indirects Subtotal	**$**			**233,000**
	OPTION 3B TOTAL (Excluding GST and Escalation)	**$**			**604,000**
	_____				
3	**OPTION 4A - BORE WATER INDEPENDANT TREATMENT SYSTEM**				
3.1	Plant and Equipment - Supply and Install				109,000
3.2	Civil Works				222,000
3.3	Mechanical and Electrical Works				381,000
	Direct Works Subtotal	**$**			**712,000**
3.4	Consultant Costs - Detailed Design, Tender Spec Preparation and Evaluation, Project Management, etc. - say 25%	%	712,000	0.25	178,000
3.5	Client Internal Project Costs (say 5%)	%	712,000	0.05	36,000
3.6	Design Development Contingency (say 25%)	%	926,000	0.25	232,000
	Indirects Subtotal	**$**			**446,000**
	OPTION 4A TOTAL (Excluding GST and Escalation)	**$**			**1,158,000**
	_____				
4	**OPTION 4B - RAIN WATER INDEPENDANT TREATMENT SYSTEM**				
4.1	Plant and Equipment - Supply and Install				91,000
4.2	Civil Works				40,000
4.3	Mechanical and Electrical Works				212,000
	Direct Works Subtotal	**$**			**343,000**
4.4	Consultant Costs - Detailed Design, Tender Spec Preparation and Evaluation, Project Management, etc. - say 25%	%	343,000	0.25	86,000
4.5	Client Internal Project Costs (say 5%)	%	343,000	0.05	17,000
4.6	Design Development Contingency (say 25%)	%	446,000	0.25	112,000
	Indirects Subtotal	**$**			**215,000**
	OPTION 4B TOTAL (Excluding GST and Escalation)	**$**			**558,000**
	_____				
5	**OPTION 5A - WATER TANKER SERVICE FROM McCLAREN FALLS**				
5.1	Plant and Equipment - Supply and Install				15,000
5.2	Civil Works				115,000
5.3	Mechanical and Electrical Works				215,000
	Direct Works Subtotal	**$**			**345,000**

Summary

Project: TAURANGA CITY COUNCIL **Details:** DE-FLUORIDATION PROJECT OPTIONS
Building: DE-FLUORIDATION

Code	Description	Unit	Quantity	Rate	Total
5.4	Consultant Costs - Detailed Design, Tender Spec Preparation and Evaluation, Project Management, etc. - say 25%	%	345,000	0.25	86,000
5.5	Client Internal Project Costs (say 5%)	%	345,000	0.05	17,000
5.6	Design Development Contingency (say 25%)	%	448,000	0.25	112,000
	Indirects Subtotal	**$**			**215,000**
	OPTION 5A TOTAL (Excluding GST and Escalation)	**$**			**560,000**
	_____				
6	**OPTION 5B - WATER TANKER SERVICE FROM OROPI WTP**				
6.1	Plant and Equipment - Supply and Install				15,000
6.2	Civil Works				92,000
6.3	Mechanical and Electrical Works				203,000
	Direct Works Subtotal	**$**			**310,000**
6.4	Consultant Costs - Detailed Design, Tender Spec Preparation and Evaluation, Project Management, etc. - say 25%	%	310,000	0.25	78,000
6.5	Client Internal Project Costs (say 5%)	%	310,000	0.05	16,000
6.6	Design Development Contingency (say 25%)	%	404,000	0.25	101,000
	Indirects Subtotal	**$**			**195,000**
	OPTION 5B TOTAL (Excluding GST and Escalation)	**$**			**505,000**
	_____				
	NOTES				
	These estimates are based on the following information:				
	- Beca Report: Fluoride Free Water Supply Options (Draft Report) prepared for Tauranga City Council, dated 19 October 2024				
	- Spreadsheets for each option's scope of works prepared by Andre Bartlett via Teams.				
	A contingency has been included in the estimate to cover items of unforeseen detail and design development. This contingency is expected to be converted to scope, and therefore should not be regarded as discretionary. The accuracy range indicated above reflects the accuracy after and including the contingency.				
	Note that the indicated accuracy above is based on the scope of the mentioned information only and there are no allowances for work outside these boundaries or for scope changes.				
	Costs are in $NZD as at October 2024.				
	ASSUMPTIONS				
	Work during normal hours only.				
	The projects will be procured on a competitive basis.				

Summary

Project: TAURANGA CITY COUNCIL **Details:** DE-FLUORIDATION PROJECT OPTIONS
Building: DE-FLUORIDATION

Code	Description	Unit	Quantity	Rate	Total
	The Contractor will be given free access to the Contract Works site.				
	See detail items for further assumptions.				
	EXCLUSIONS				
	Contaminated material (asbestos, etc..) removal / disposal				
	Rock excavation				
	GST				
	Escalation after October 2024				
	Capitalised interest				
	Operating cost				
	Insurance costs				
	Legal and finance fees				
	Risk items				
	Covid-19 related costs				
	Consent fees				

Guide to understanding the recommended changes to the City Plan

Terms that are defined in the City Plan in Chapter 3 are shown in blue text and include any new or amended definitions proposed by Proposed Plan Change 39. Note that there are no new or amended definitions proposed in this plan change or being recommended.

Where changes to the content of the City Plan are proposed these are shown as either a ~~strike out~~ for deleted text or underlined for additional text.

Red font text provides drafting instructions.

Chapter 12 – Subdivision, Services and Infrastructure

Amend 12B.1.2 Objective – Stormwater Management within the Smiths Farm Urban Growth Area as follows:

12B.1.2 Objective – Stormwater Management within the Smiths Farm & Ohauiti South Urban Growth Areas

Stormwater run-off generated by subdivision and development within the Smiths Farm and Ohauiti South Urban Growth Areas is managed in an integrated way that maintains and enhances the health and wellbeing of water bodies, freshwater ecosystems and receiving environments.

Insert new 12B.1.2.2 Policy – Stormwater Management within the Ohauiti South Urban Growth Area as follows:

12B.1.2.2 Policy – Stormwater Management within the Ohauiti South Urban Growth Area

Require subdivision and development within the Ohauiti South Urban Growth Area *(UG 12, Section 6, Urban Growth Plans (Plan Maps, Part B))* to manage stormwater run-off (including hydrologic and water quality impacts) to meet the requirements of any relevant approved stormwater discharge consent and any relevant stormwater management plan, using a stormwater system that is designed and constructed to:

a. Incorporate low impact stormwater design practises that:

   i. Utilise existing site elements such as topography, soil type, and drainage patterns to inform subdivision and development layout.

   ii. Adopt a treatment train approach that includes stormwater management systems that are located, sized, and designed to manage stormwater related effects; and

   iii. Are managed in an integrated way and minimise the degradation of rivers and natural inland wetlands.

b. Ensures that stormwater network elements are appropriately sized, designed and constructed to achieve positive stormwater management outcomes in the long term.

c. Manage and mitigate the risk of flooding.

d. Ensures that stormwater infrastructure manages the cumulative effects associated with stormwater run-off from subdivision and development on receiving environments.

Insert new Controlled Activity – Standards and Terms Rule 12B.3.1.19 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area as follows:

12B.3.1.19 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area

a. Any subdivision or permanent land use activity in the Medium Density Residential Zone within the Ohauiti South Urban Growth Area must provide infrastructure identified on *UG 12, Section 6, Urban Growth Plans (Plan Maps, Part B).*

b. The minimum average nett yield in the Medium Density Residential Zone in the Ohauiti South Urban Growth Area must be 15 dwellings per hectare of nett developable area.

c. All transportation, water, and wastewater infrastructure and open space must be delivered in accordance with Appendix 12J.1: Infrastructure and Open Space Requirements Schedule.

d. Any subdivision or permanent land use activity in the Medium Density Residential Zone within the Ohauiti South Urban Growth Area must only access Upper Ohauiti Road via the roundabout identified on *UG 12, Section 6, Urban Growth Plans (Plan Maps, Part B)* and constructed in accordance Appendix 12J.1: Infrastructure Requirements Schedule.

e. Any subdivision within Area 2 (West Block) shown on Appendix 12J.2: Transportation Infrastructure Plan, must provide for the extension of the internal road network as an unformed legal road that extends to the boundary of the urban growth area as shown in Appendix 12J.2: Transportation Infrastructure Plan.

f. Any subdivision or permanent land use activity in the Medium Density Residential Zone within the Ohauiti South Urban Growth Area must include an engineering assessment prepared by a suitably qualified and experienced person that considers the capacity of Council's water supply and wastewater networks to serve the proposal. The assessment must consider the following network upgrades and whether there is a requirement for these to be constructed to serve the proposal and expected demands across the growth area:

   i. Harrisfield Drive gravity trunk sewer main (from Awaiti Place to Ila Place Wastewater Pump Station)

   ii. Awaiti Place gravity trunk sewer upgrade (between Awaiti Pl and Poike Road)

   iii. McFetridge Lane gravity trunk sewer upgrade (between MH86356 and Awaiti Place)

   iv. Ila Place Wastewater Pump Station upgrade.

g. Any subdivision or permanent land use activity that proposes the creation of a reserve for the purpose of protecting and preserving historic heritage must include information that addresses the following matters in relation to that reserve:

   i. The design and construction of the reserve to ensure the landform is appropriate for its intended use.

   ii. The management and maintenance programme and associated costs.

   iii. The outcome of discussions with Heritage New Zealand Pouhere Taonga, and iwi and hapu regarding the reserve; and

   iv. Compliance with requirements set out in *Appendix 12E: Performance Standard, Reserves*.

h. Any subdivision of land containing an existing gas transmission pipeline, or that is to contain a relocated gas transmission pipeline, as identified on *UG 12, Section 6, Urban Growth Plans (Plan Maps, Part B)* must provide for the following:

   i. An easement in gross in favour of the network utility operator with a minimum width of 16 metres over the existing or relocated gas transmission pipeline.

   ii. Where the existing or relocated pipeline will have an alignment through reserve land that is intended to be vested in Council then the easement must meet the requirements of the Reserve Act 1977.

   iii. A consent notice on the records of title of all residential allotments subject to the easement in gross or adjacent to a reserve which is subject to the easement in gross to advise owners of the following:

      1. The location of the nearby gas transmission pipeline, and

      2. That any childcare facility, home based childcare, community facility, health centre, rest home, retirement village, school, tertiary education premises, or visitor accommodation must not be established on the new allotments.

i. For any subdivision that includes the creation of an allotment to accommodate a future Neighbourhood Centre, the allotment must be located generally as shown on *UG 12, City Plan Section 6 – Urban Growth Plans* and must not exceed 2,000 m² in area.

Insert new Controlled Activity – Standards and Terms Rule 12B.3.1.20 – Specific Urban Growth Area Requirements – Stormwater Management in the Ohauiti South Urban Growth Area as follows:

12B.3.1.20 Specific Urban Growth Area Requirements – Stormwater Management in the Ohauiti South Urban Growth Area

a. Any subdivision or permanent land use activity in the Medium Density Residential Zone within the Ohauiti South Urban Growth Area must include a stormwater management assessment prepared by a suitably qualified and experienced person(s) with expertise in the field of stormwater management.

b. The stormwater management assessment must demonstrate that stormwater run-off is managed in general accordance with the Integrated Stormwater Management Plan (prepared by Harrison Grierson, reference R004-A2111686-ISMP, dated January 2024), meets the requirements of any relevant approved stormwater discharge consent and any relevant stormwater management plan, and addresses options for managing stormwater run-off effects, including the following:

   i. Managing all hydrologic and water quality effects on-site, or in combination with existing off-site infrastructure;

   ii. Utilising low impact stormwater design practises through a treatment train approach to minimise the generation of stormwater run-off volumes and contaminants;

   iii. The use of inert exterior building materials (e.g., no unpainted zinc or copper products that would result in soluble metals becoming entrained in stormwater) unless additional treatment is provided to avoid off-site effects;

   iv. Siting, sizing, and engineering design of all stormwater management devices, including maintenance and operational requirements, and details of outfall scour protection;

   v. Protection and enhancement of on-site wetlands, streams, areas of open space and receiving environments; and

   vi. The requirements set out in *Appendix 12B: Performance Standard, Stormwater.*

c. Having regard to the matters set out in b. above, and the matters listed in Table 9 of the Integrated Stormwater Management Plan (prepared by Harrison Grierson, reference R004-A2111686-ISMP, dated January 2024), the assessment must demonstrate how the proposed stormwater management system is the best practicable option for preventing or minimising the adverse hydrologic and water quality effects of the proposal on the environment.

d. A subdivision or permanent landuse activity which complies with a. – c. above is not required to meet clause c. vi of *Appendix 12B: Performance Standard, Stormwater*.

Insert new Controlled Activity – Matters of Control and Conditions Rule 12B.3.2.13 Specific Urban Growth Requirements – Ohauiti South Urban Growth Area as follows:

12B.3.2.13 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area

In addition to Rule 12B.3.2 Controlled Activities – Matters of Control and Conditions, in considering any subdivision or permanent land use activity within the Ohauiti South Urban Growth Area on *UG 12, Section 6, Urban Growth Plans (Plan Maps, Part B)* the Council reserves control over the following matters:

a. Implementation of the applicable infrastructure in accordance with UG 12 and Appendix 12J.1: Infrastructure Requirements Schedule.

b. The outcomes set out within the infrastructure capacity assessment required by *Rule 12B.3.1.19 e.* and the capacity of water and wastewater infrastructure in the local catchment to accommodate expected demands within the Ohauiti South Urban Growth Area.

c. The safe and efficient operation and maintenance of the gas transmission pipeline in accordance with the assessment required by *Rule 12B.3.1.19 g.*

Stormwater Management

d. The implementation of stormwater management measures to ensure compliance with the relevant approved stormwater discharge consent and any stormwater management plan, and any other mitigation measures set out within the stormwater management assessment prepared in accordance with *Rule 12B.3.1.20 – Specific Urban Growth Area Requirements – Stormwater Management within the Ohauiti South Urban Growth Area*.

Amend Restricted Discretionary Activity Rule 12B.4 Restricted Discretionary Activity Rules as follows:

12B.4 Restricted Discretionary Activity Rules

The following are Restricted Discretionary Activities:

g. Any subdivision or permanent land use activity in the Medium Density Residential Zone within the Ohauiti South Urban Growth Area that does not comply with *Rule 12B.3.1.19 c.* in relation to Appendix 12J.1 clause 2. a.

Insert new Restricted Discretionary Activity – Standards and Terms Rule 12B.4.2.3 - Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area as follows:

12B.4.2.3 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area

Any application for subdivision or permanent landuse activity must be accompanied by an Integrated Transport Assessment prepared by a suitably qualified transport engineer.

Insert new Restricted Discretionary Activity – Matters of Discretion and Conditions Rule 12B.4.3.6 - Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area as follows:

12B.4.3.6 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area

In considering any application made under *Rule 12B.4 g. Ohauiti South Urban Growth Area*, the Council restricts the exercise of its discretion to:

a. Whether the following intersections can operate safely and efficiently:
   i. State Highway 29A / Poike Road
   ii. Poike Road / Hollister Lane
   iii Poike Road / Ohauiti Road

b. The adverse effects on the transport network for the intersections set out in *Rule 12B.4.3.6 a.* above, and any measures to avoid, remedy or mitigate these; and

c. Any recommendations of the Integrated Transport Assessment.

Amend Discretionary Activity Rule 12B.5 Discretionary Activity Rules as follows:

12B.5 Discretionary Activity Rules

The following are Discretionary Activities:

g. Any subdivision that does not comply with the requirements of *Rule 12B.3.1.19 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area*, and *Rule 12B.3.1.20 Specific Urban Growth Area Requirements – Stormwater Management in the Ohauiti South Urban Growth Area*, other than those activities identified in *Rule 12B.4 – Restricted Discretionary Activities.*

Insert new Controlled Activity – Standards and Terms Rule 12D.3.1.7 Specific Urban Growth Area Requirements - Ohauiti South Urban Growth Area as follows:

12D.3.1.7 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area

In addition to the requirements of 12D.3.1.1 – 12D.3.1.6 any subdivision must comply with the applicable standards and terms set out in *Rule 12B.3.1.19 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area*, and *Rule 12B.3.1.20 Specific Urban Growth Area Requirements – Stormwater Management.*

Insert new Controlled Activity – Matters of Control and Conditions Rule 12D.3.2.10 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area as follows:

12D.3.2.10 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area

In addition to the matters of control and conditions specified in Rule 12D.3.2, the Council also reserves control over how the design, construction and location of infrastructure and services to, and within the subdivision is in accordance with the Ohauiti South Urban Growth Area on *UG12, Section 6, Urban Growth Plans (Plan Maps, Part B).*

Amend Discretionary Activity Rule 12D.5 – Discretionary Activities as follows:

12D.5 Discretionary Activities

The following are Discretionary Activities:

e. Any subdivision that does not comply with *Rule 12D.3.1.7 - Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area.*

Insert new Appendix 12J: Ohauiti South Urban Growth Area – Infrastructure and Open Space Requirements

Appendix 12J: Ohauiti South Urban Growth Area – Infrastructure and Open Space Requirements

Appendix 12J.1: Infrastructure and Open Space Requirements Schedule

Transportation Infrastructure:

1. For Area 1 (East Block) as shown in Appendix 12J.2: Transportation Infrastructure Plan
   a. The upgrade of Upper Ohauiti Road, between Boscabel Drive and the southern extent of Area 1, to a collector road status that includes the street design elements in diagram UD102 of Appendix 12J.3: Transportation Network Street Design Diagrams; and
   b. The construction of a roundabout on Upper Ohauiti Road, in the location identified in Appendix 12J.2: Transportation Infrastructure Plan, that is sized to provide a turnaround facility for buses.
   c. The construction of an internal road network that includes the street elements in diagrams UD101 & UD103 of Appendix 12J.3: Transportation Network Street Design Diagrams.
2. For Area 2 (West Block) as shown in Appendix 12J.2: Transportation Infrastructure Plan
   a. The two-laning of State Highway 29A between Poike Road and Oropi Rd in the westbound direction; and
   b. The transportation upgrades set out in 1 a. and 1 b. of Appendix 12J.1: Infrastructure Requirements Schedule (unless delivered through development of Area 1); and
   c. The upgrade of Upper Ohauiti Road, between the southern extent of Area 1 (East Block) and the southern extent of Area 2 (West Block), to a collector road status that includes the street design elements in the diagram UD102 of Appendix 12J.3: Transportation Network Street Design Diagrams.
   d. The construction of an internal road network that includes the street elements in diagrams UD100, UD101 & UD103 of Appendix 12J.3: Transportation Network Street Design Diagrams.

Wastewater Infrastructure:

3. For Area 1 (East Block) and Area 2 (West Block) shown in Appendix 12J.4: Water and Wastewater Infrastructure Plan
   a. A new 225mm wastewater gravity main from a new manhole to be installed at the proposed roundabout on Upper Ohauiti Road (constructed in accordance with 1 b. of Appendix 12J.1: Infrastructure Requirements Schedule) extending to the existing gravity main in Ohauiti Road (manhole WW77866) shown in Appendix 12J.4: Water and Wastewater Infrastructure Plan; and
   b. The upgrade of the existing 150mm diameter wastewater gravity main located between manholes WW86356 (Ohauiti Reserve) and WW77866 to a minimum 225mm diameter gravity main shown in Appendix 12J.4: Water and Wastewater Infrastructure Plan.

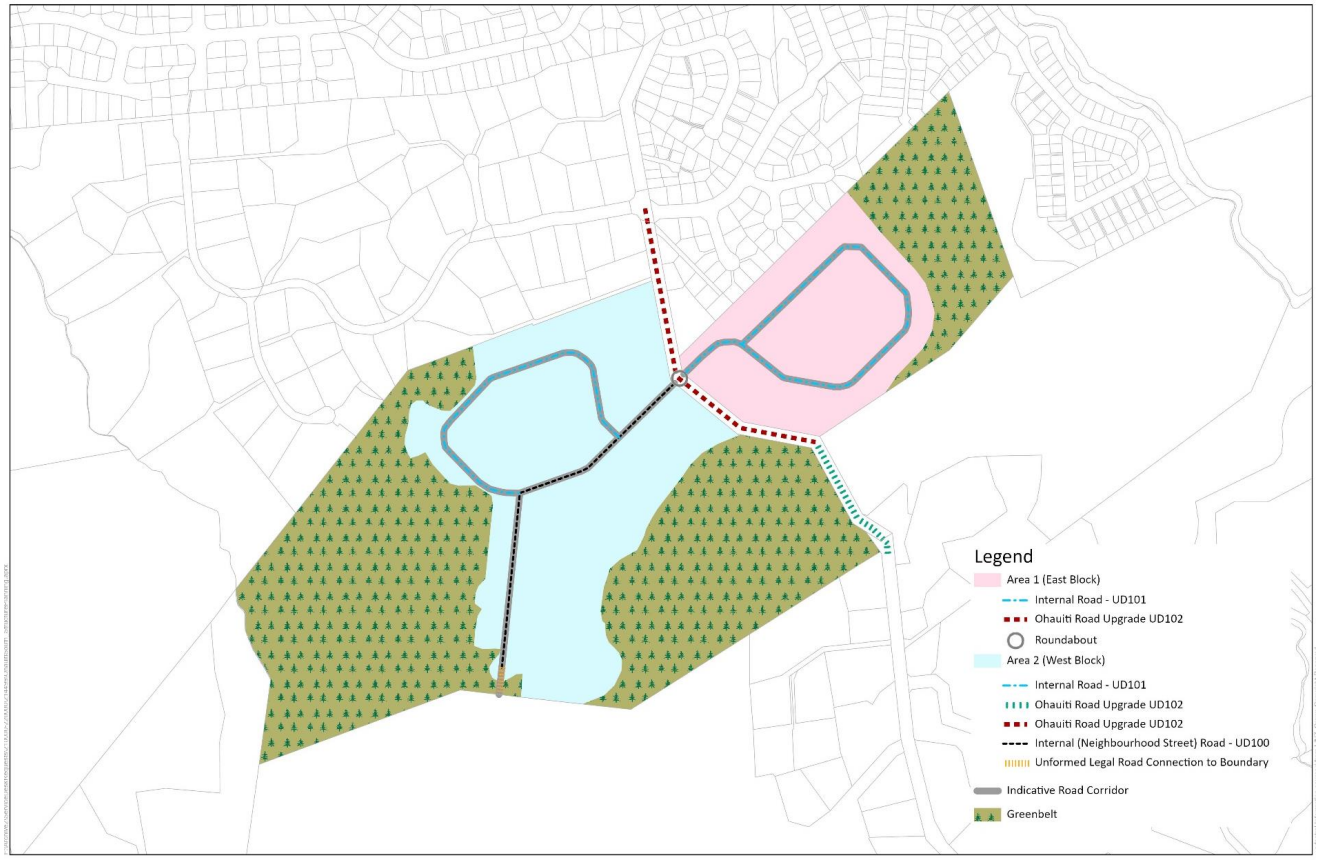
Water Infrastructure

4. For Area 2 (West Block) shown in Appendix 12J.4: Water and Wastewater Infrastructure Plan
   a. The upgrade of the existing 200mm water main within Upper Ohauiti Road extending from fitting WS95227 along the entire length of the Western Block Upper Ohauiti Road frontage (approx. 590m) to a 250mm (internal diameter) main or provide an additional 150mm (minimum internal diameter) rider main to achieve the same capacity outcome.

Open Space

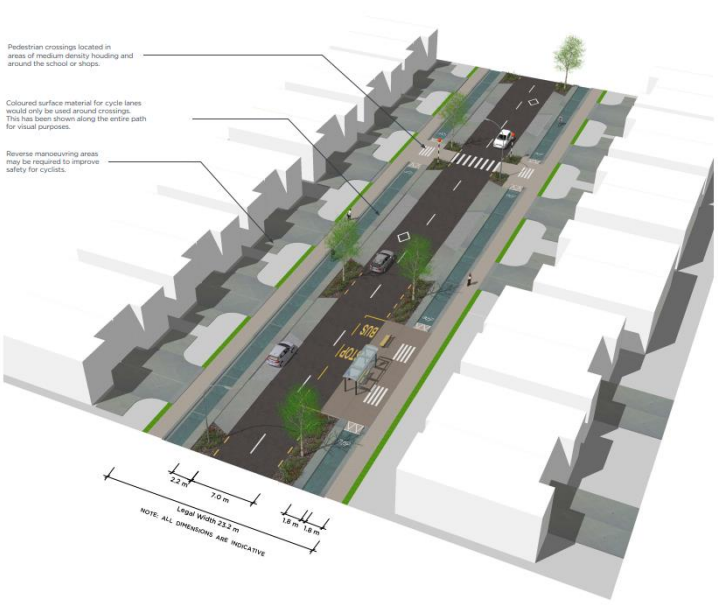
5. That open space must be provided for on Area 1 (East Block) and Area 2 (West Block) as indicatively shown in Appendix 12J.5: Indicative Open Space Plan.

Appendix 12J.2: Transportation Infrastructure Plan



Appendix 12J.3: Transportation Network Street Design Diagrams

Diagram UD100 – Neighbourhood Street



TAURANGA STREET DESIGN TOOL

Activity Selection:
- Located within 500m of a school.
- Bus route & cycle route provided.
- Medium density with vehicle access on one side of the street.

Link Elements:
- One lane in each direction, with centreline.
- Wider lane for truck or bus (overwidth lane).
- Footpath on both sides of the street.
- Protected or buffered cycle lane.
- Bus stop with shelter (associated with school and/or local shops).
- 40km/h design speed.
- Overland flow path along kerb and channel.
- Stormwater treatment (such as raingardens/tree pits/swales).

Place Elements:
- Formal car parks.
- Pedestrian crossing.
- Planting at intersections.
- Special footpath surfaces.
- Street trees.
- Planting in berms.

Note: This table shows indicative selections. The Street Design Tool and IDC would be utilised at the time of subdivision and resource consent application stage to determine the exact range of elements, their layout and their dimensions.

Diagram UD101 – Local Street

TAURANGA STREET DESIGN TOOL

Activity Selection:
- Low density Residential on both sides of the street, both with vehicle access to properties.
- Potential Primary School on one side.

Link Elements:
- One lane in each direction, without centreline.
- Potential bus route (one direction).
- Footpath on both sides of the street.
- Shared path (associated with primary school, one side only).
- Traffic calming.
- 30km/h design speed.
- Overland flow path along kerb and channel.
- Stormwater treatment (such as raingardens/tree pits/swales).

Place Elements:
- Formal car parks.
- Pedestrian crossing.
- Special footpath surfaces.
- Street trees.

Note: This table shows indicative selections. The Street Design Tool and IDC would be utilised at the time of subdivision and resource consent application stage to determine the exact range of elements, their layout and their dimensions.

Diagram UD102 – Upper Ohauiti Road

TAURANGA STREET DESIGN TOOL

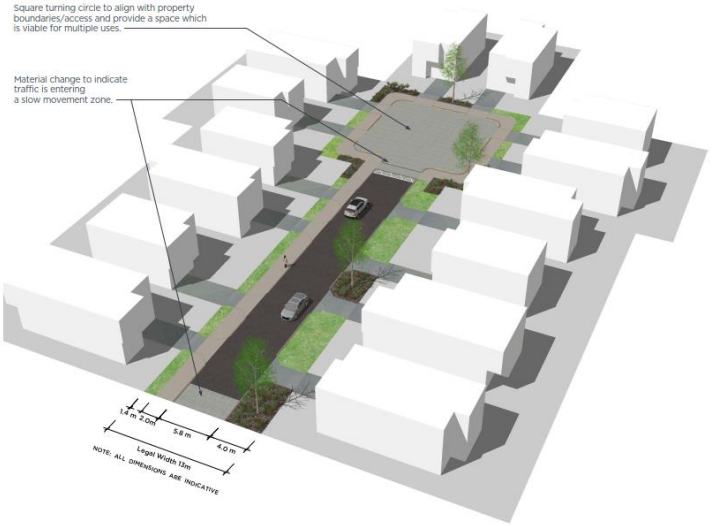
Activity Selection:
- Low density Residential on both sides of the street.
- Limited vehicle access to properties is required.
- Road corridor is existing and has a constrained width of 20.1m.

Link Elements:
- One lane in each direction, with centreline.
- Potential Bus route in both directions.
- Footpath on both sides of the street.
- Cycle path on both sides of the street.
- 40km/h design speed.
- Overland flow path along kerb and channel.

Place Elements:
- Pedestrian crossing.
- Special footpath surfaces.
- Street trees.

Note: This table shows indicative selections. The Street Design Tool and IDC would be utilised at the time of subdivision and resource consent application stage to determine the exact range of elements, their layout and their dimensions.

Diagram UD103 – Minor Road (Cul-De-Sac)



TAURANGA STREET DESIGN TOOL

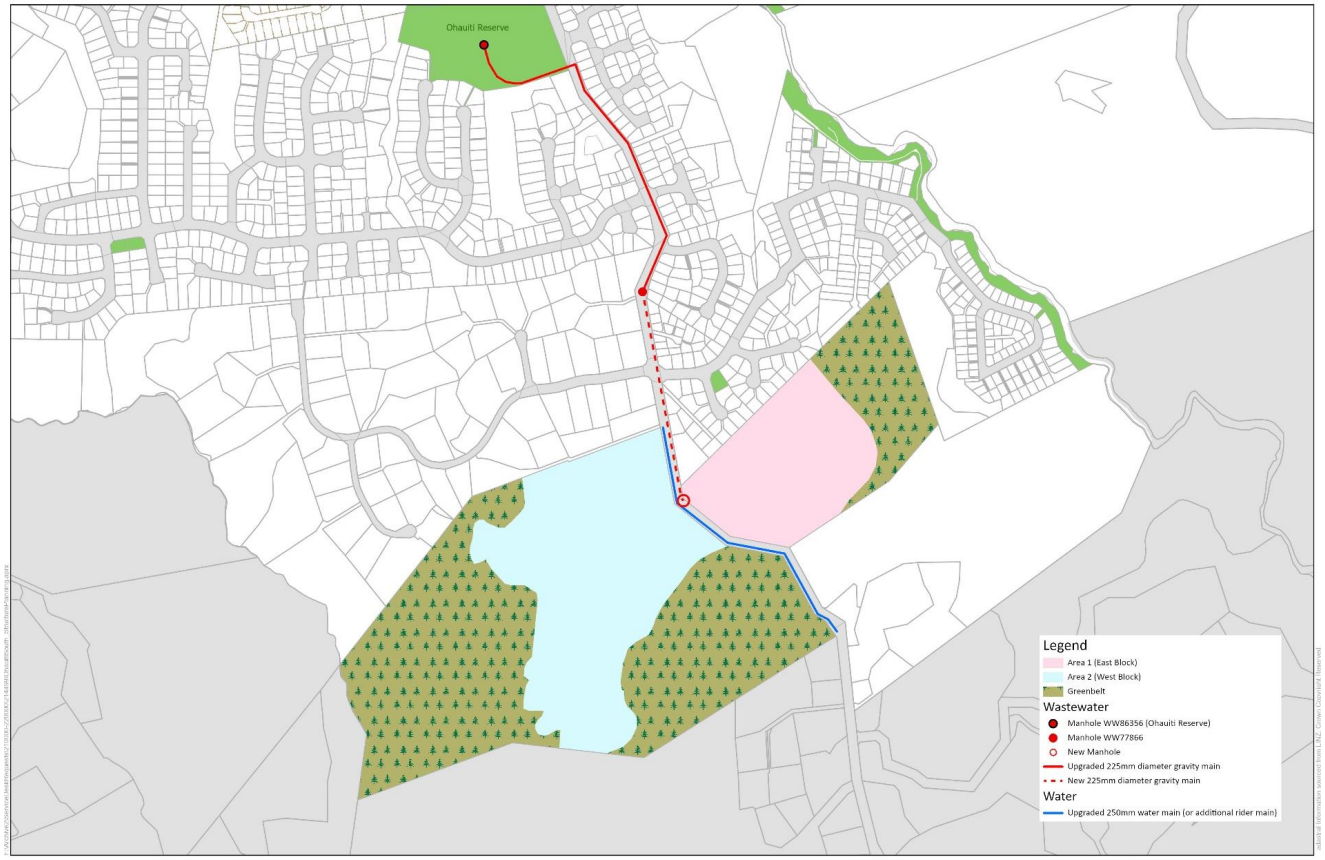
Activity Selection:
- Low density on both sides of the street, both with vehicle access.

Link Element Selection:
- Shared lane.
- Footpath shared with carriageway or acceptable on one and both sides.
- Cyclists sharing the carriageway.
- Traffic calming.
- 20km/h design speed.
- Overland flow path along kerb and channel.

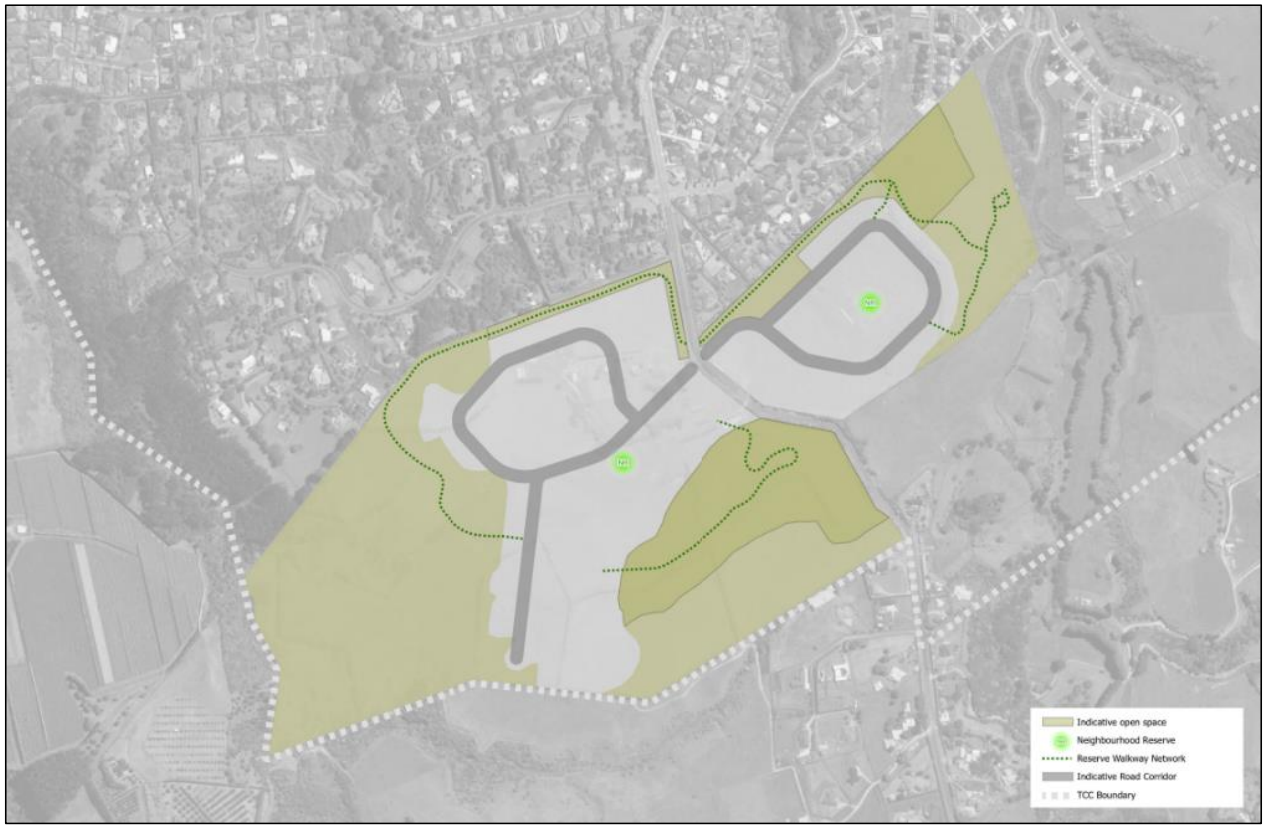
Place Element Selection:
- Layout of vehicle crossings.
- Street trees.

Note: This table shows indicative selections. The Street Design Tool and IDC would be utilised at the time of subdivision and resource consent application stage to determine the exact range of elements, their layout and their dimensions.

Appendix 12J.4: Water and Wastewater Infrastructure Plan



Appendix 12J.5: Indicative Open Space Plan



Chapter 14 – Residential Zones

Amend Rule 14B.2.17 – Specific Urban Growth Area Requirements as follows:

14B.2.17 Specific Urban Growth Area Requirements

Activities within an urban growth area must ensure compliance with the following:

….

i. *Rule 12B.3.1.19 Specific Urban Growth Area Requirements – Ohauiti South Urban Growth Area; and*

j. *Rule 12B.3.1.20 Specific Urban Growth Area Requirements – Stormwater Management*

Amend Rule 14B.31 – Discretionary Activity Rules as follows:

14B.31 Discretionary Activity Rules

The following are Discretionary Activities:

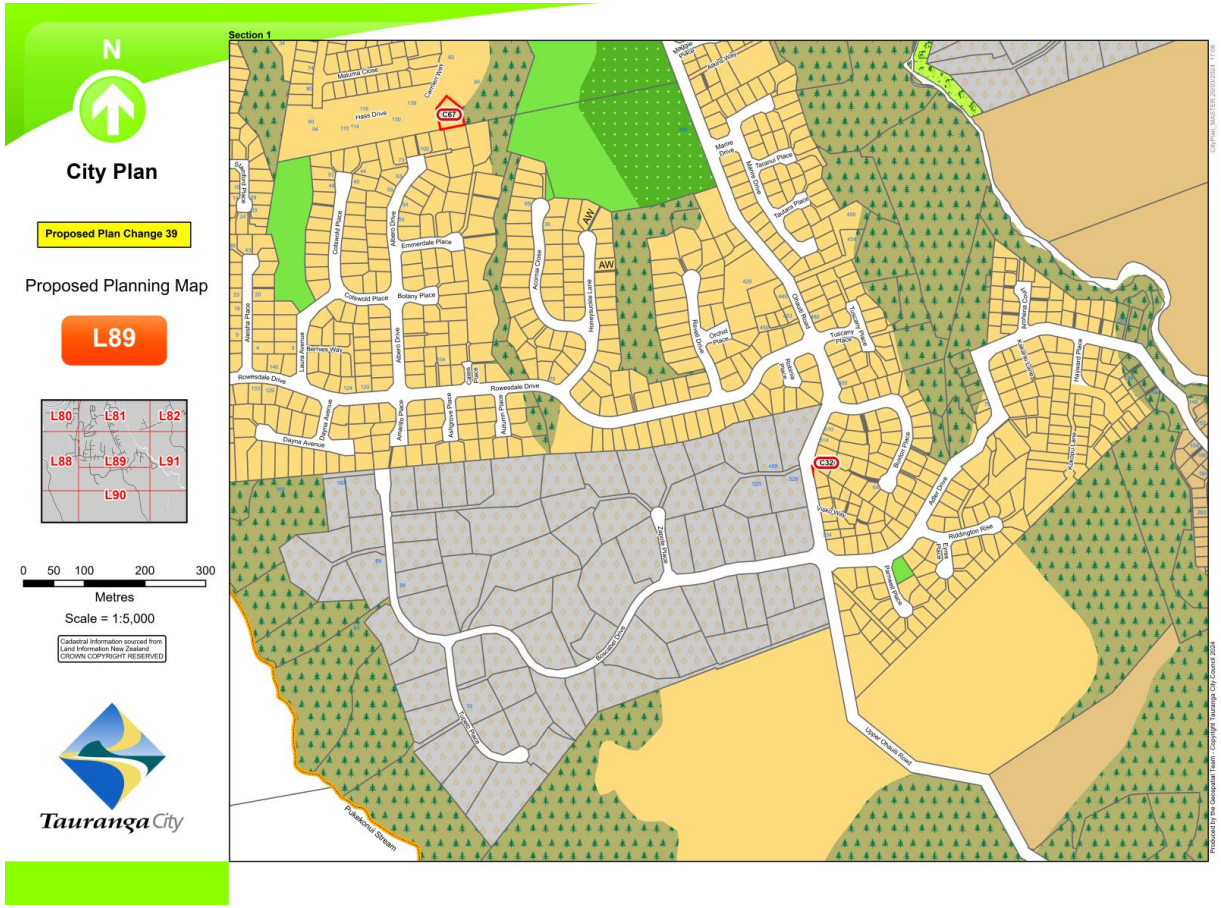
……

k. Any activity that does not comply with *Rule 14B.2.17 i. Specific Urban Growth Area Requirements* and *Rule 14B.2.17 j. Specific Urban Growth Area Requirements.*

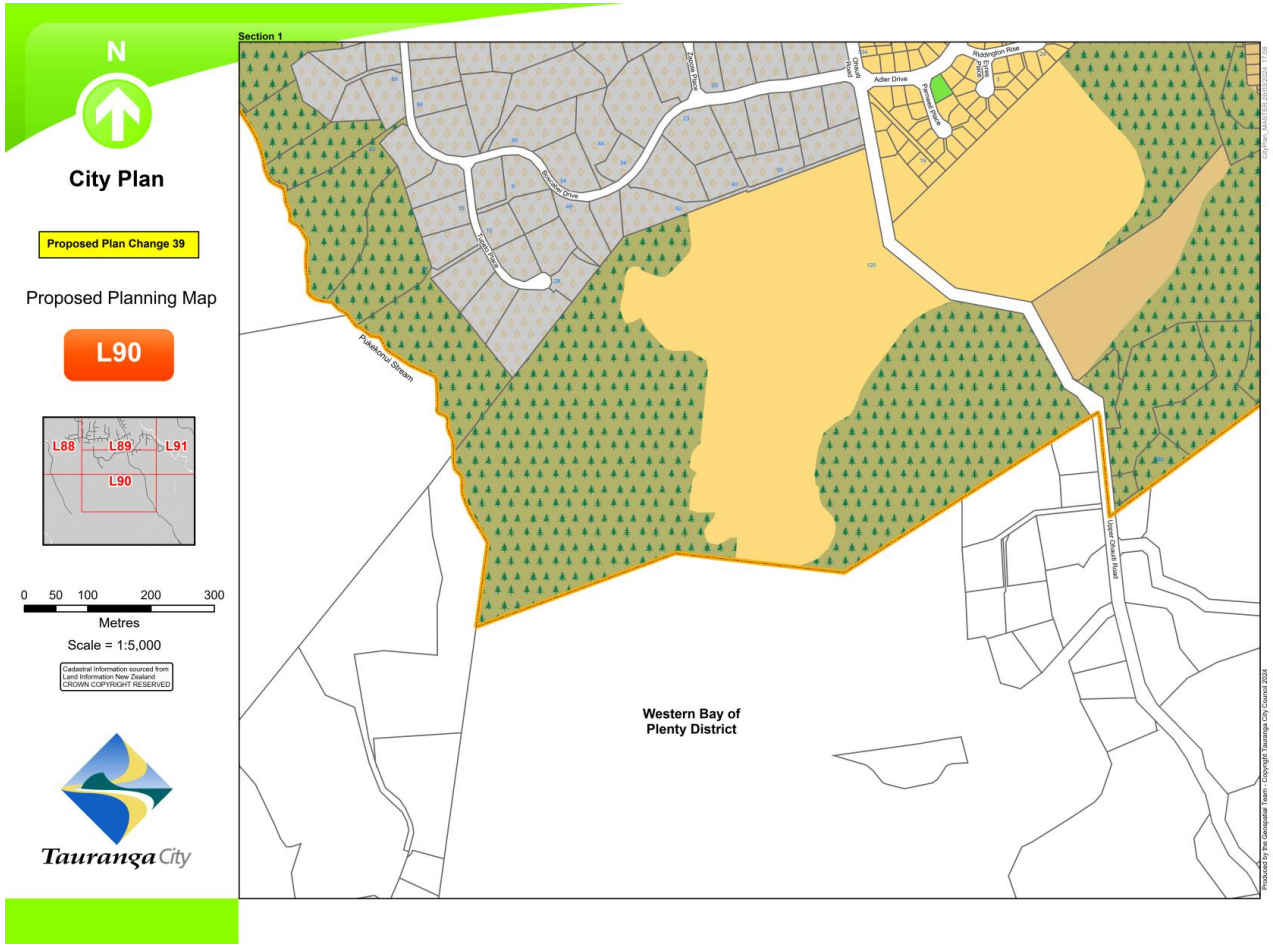
Proposed Plan Change 39 - Upper Ōhauiti Land Rezoning Appendix 1

Part B - Plan Maps

Amend Section 1 Left: Map 89 and Left: Map 90 by replacing Maps L89 and L90 as follows:

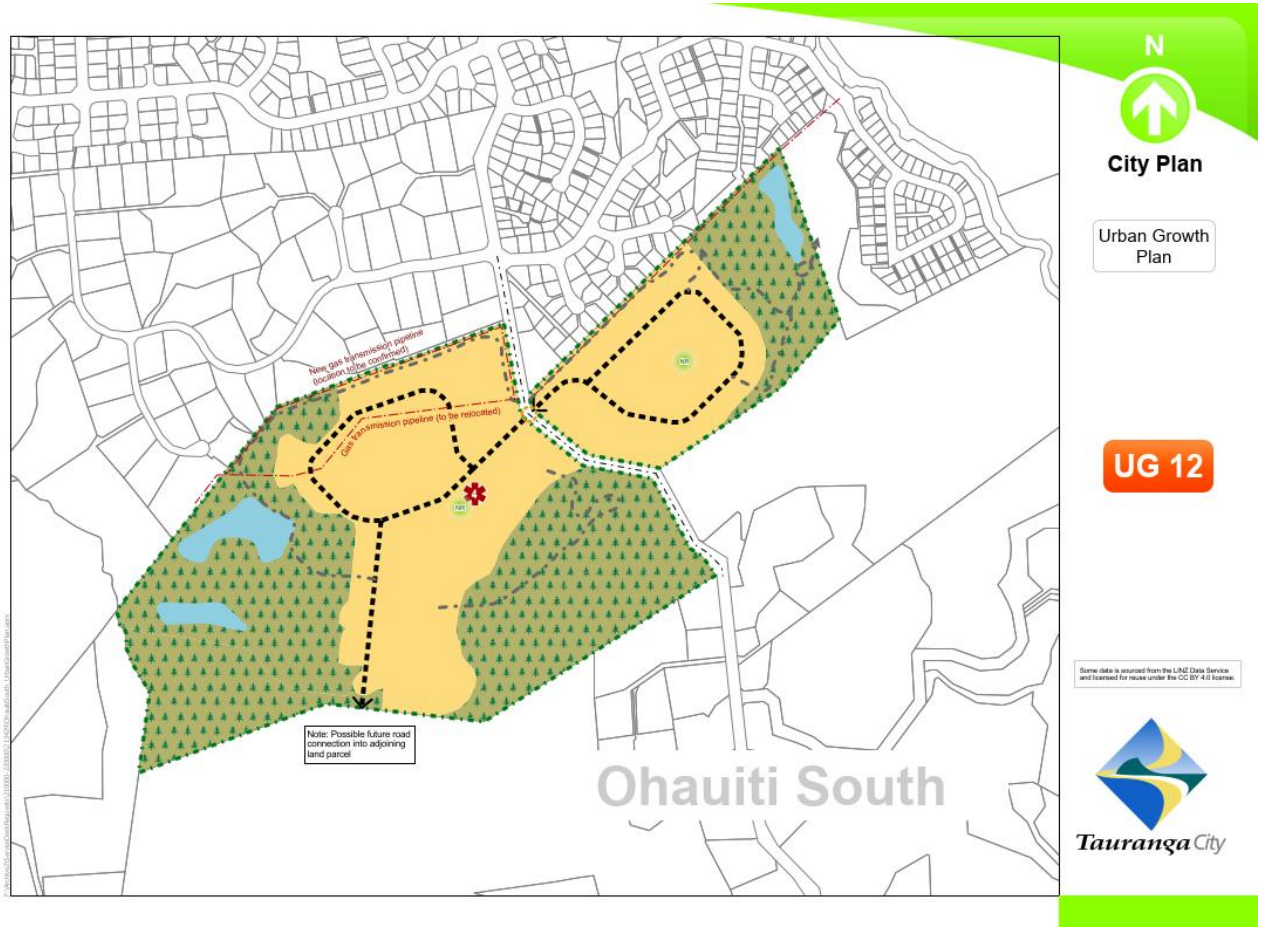


Proposed Plan Change 39 - Upper Ōhauiti Land Rezoning Appendix 1



Proposed Plan Change 39 - Upper Ōhauiti Land Rezoning Appendix 1

Insert new Urban Growth Plan – UG12, Section 6, Urban Growth Plans (Plan Maps, Part B)



Proposed Plan Change 39 - Upper Ōhauiti Land Rezoning Appendix 1

Guide to understanding this table

This table has been restructured and grouped into topics as noted in section 4.3 of the Section 42A Report, and therefore differs in format from the Summary of Decisions Requested that was notified on 5 August 2024. However, no changes have been made to the text in the 'Submitter', 'Point No.', 'Position', or 'Summary' columns. The table is ordered by topic areas. Each submission has been allocated a number and each submission point has a unique number.

Example: Submission 2.3

- 2 is the submitter number
- 3 is the submission point number

Each further submission is attached to the primary submission point. Further submissions are identified as a 'FS' and the further submission number. Below the further submission number is the primary submission number in (round brackets).

Additional notes are italicised and use [square brackets] to assist interpretation, or to identify assumptions made where they may be a potential error in the submission.

Where a submitter has selected or indicated 'Neutral' position on Plan Change 39, the following position has been applied in the table:

- The submission has been allocated 'Not Stated' position where no specific decision has been sought; or
- The submission point has been allocated the 'Amend' position where a specific decision for amendment has been sought.

The table identifies recommendations to accept, accept in part or reject the submission or further submission point. In most cases the recommendations and reasoning in the Section 42A Report and the Section 42A Addendum Report have been adopted. The 'reasons' for the recommendations are therefore contained either in the Section 42A Report or the body of this Recommendation Report and are not repeated in the Table. However, cross-references are provided to the relevant parts of the Section 42A report and the body of this Recommendation Report in the right-hand column of the Table.

Glossary

BOPRC	*BOPRC*
CBD	*Central Business District*
IDC	*Tauranga City Council Infrastructure Development Code*
ISMP	*Integrated Stormwater Management Plan*
NZTA	*NZ Transport Agency Waka Kotahi*
ODP	*Outline Development Plan*
OLFP	*Overland Flow Path (Stormwater)*
Policy NH 4B	*Natural Hazard Policy 4B in the Bay of Plenty Regional Policy Statement*
RPS	*Bay of Plenty Regional Policy Statement*
TCC	*Tauranga City Council*

General

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
General					
Peter Riddington	2.2	Support	RETAIN and approve Plan Change 39.	Accept	General
NZTA	4.5	Not Stated	NEUTRAL to Plan Change 39 to the extent outlined in the submission. AND RETAIN, does not seek any specific changes or mitigation.	Accept	General
James and Sarah Poharama	10.1	Oppose	OPPOSE the plans and provisions in whole.	Reject	General
Alexander McGeorge	13.1	Oppose	REJECT change of zoning plan.	Reject	General
Stephanie Smith-Kerr	14.35	Not Stated	No specific decision sought, however seeks that the subdivision is ecofriendly and energy efficient.	Reject	General
Shane Valois	26.1	Oppose	AMEND to keep the land in uniform with rural sections.	Reject	General
Leigh Rynhpud	28.4	Oppose	OPPOSE Plan Change 39.	Reject	General
Rob Paterson	32.1	Oppose	REJECT the whole application in its entirety.	Reject	General
Rob Paterson	32.2	Oppose	ADD requirement for all future roading and infrastructure relating to this land like electricity, wastewater drainage, stormwater sewage etc must be installed at full cost of any developer, not residents and ratepayers.	Accept in part	General, Effectiveness and Efficiency RRR section 5.2
General – Housing					
Marie Petersen	1.2	Support	No specific decision sought, however submission raises the need for more housing and using this for medium density housing. Seeks medium density housing opened up as far as Neewood Road to provide opportunities for alternative transport routes out of Ohauiti.	Accept in part	General
Dennis and Glenis Minnell	9.1	Oppose	OPPOSE Plan Change 39.	Reject	General RRR section 5 introduction text
James and Sarah Poharama	10.3	Oppose	No specific decision sought, however raises concern on how the plan change will impact current house and land value.	Reject	General
Murray and Lindsay Kernohan	11.2	Amend	AMEND to a maximum density of 20 houses per hectare based on the impact on additional traffic.	Reject	General, Transportation RRR section 5.1
Murray and Lindsay Kernohan	11.4	Support	No specific decision sought, however is concerned about roading and traffic flow.	Accept in part	General, Transportation RRR section 5.1
Leigh Rynhpud	28.2	Oppose	No specific decision sought, however raises concern the proposed changes will remove the green farmland adjustment to Three Creeks Estate which will decrease the quality of life for people who have purchased here and decrease the value of our properties.	See duplicate submission point 28.1	
Leigh Rynhpud	28.3	Oppose	OPPOSE the addition of homes to the east of upper Ohauiti Road which border Three Creeks Estate.	Reject	General RRR section 5 introduction text
General - Strategic Direction					
Marie Petersen	1.3	Support	No specific decision sought, however submission raises the need for more housing and using this for medium density housing. Seeks medium density housing opened up as far as Neewood Road to provide opportunities for alternative transport routes out of Ohauiti. [Note: Submission point also summarised under other topics]	See duplicate submission point 1.2	
NZTA	4.2	Not Stated	No specific decision sought, however considers that the proposed Plan Change is consistent with the Welcome Bay and Ohauiti Planning Study 2020 and the SmartGrowth Housing Action Plan where 'Ohauiti South' has been identified as a growth area.	Accept	General
Appendix 12J: Upper Ohauiti Outline Development Plan Area					
Upper Ohauiti (Western BOP) Landowner Group	6.1	Support	SUPPORT PC39 in its entirety, subject to ensuring roading connectivity is achieved along the southern boundary of Stage 2 under the ODP.	Accept	General, Landuse and Layout
Jeandre Le Roux	16.4	Support	SUPPORT, subject to at least one additional access route to this area that ties in with a state highway so that you can enter the CBD/mount including the necessary upgrades to existing infrastructure.	See duplicate submission point 16.6	
Jason Williams	18.1	Oppose	No specific decision sought, however raises concern the current infrastructure and roading does not support the current volumes of house and traffic.	Reject	General, Transportation RRR section 5.1

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Jason Williams	18.2	Not Stated	PROVIDE information on what are they planning around the welcome bay round about and Poike Road.	Reject	General, Transportation RRR section 5.1
Tania Swain	19.1	Oppose	REJECT the request to change the plan to allow for a new residential zone in Upper Ohauiti Road.	Reject	General RRR section 5 introduction text
Steve Batchelor	23.1	Amend	ENSURE traffic exiting Ohauiti onto SH29 at both Ohauiti exits is addressed in conjunction with housing. [Note: Submission point also summarized under other topics]	See duplicate submission point 23.2	
Julie Carlson	31.1	Amend	SUPPORT new housing only if better infrastructure is provided. AND ADD a ring road between Ohauiti and Oropi.	Accept in part	General, Transportation RRR section 5.1, 5.2 and 5.3
Appendix 12J.1: Landuse and Layout					
Lee Badham	7.1	Amend	SUPPORT the proposed plan change. AND ADD pensioner units to be built elsewhere in the city without delay.	Accept in part	General

Effectiveness and Efficiency

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
General					
Tauranga City Council	12.1	Amend	PROVIDE support in principle to the proposed plan change. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Rule 12B.3.1.22 - Upper Ohauiti Outline Development Plan Area					
Tauranga City Council	12.4	Amend	AMEND Rule 12B.3.1.22 to provide formatting, terminology, and layout consistent with the City Plan standards and terms. AND AMEND to provide certainty on whether standards and terms have been complied with and address relevant resource management issues. AND AMEND minimum density requirement to use terminology consistent with similar provisions in the plan, including 'minimum average nett yield' and 'nett developable area'. AND PROVIDE further assessment on whether land use activities should be subject to the standards and terms and AMEND the provisions if appropriate. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Rule 12B.3.2.15 - Specific Requirements - Upper Ohauiti Outline Development Plan Area					
Tauranga City Council	12.5	Amend	AMEND Rule 12B.3.2.15 to provide formatting, and layout consistent with the City Plan matters of control. AND AMEND to provide adequate control over specified matters to impose conditions that ensure appropriate resource management outcomes including the management of adverse effects. AND PROVIDE further assessment on whether land use activities should be subject to the matters of control and conditions and AMEND the provisions if appropriate. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency, Other Infrastructure RRR section 5 introduction text
Rule 12B.5 - Discretionary Activity Rules					
Tauranga City Council	12.6	Amend	AMEND Rule 12B.5 g. to be specific on the activity which requires consent. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Rule 12D.3.1.7 - Upper Ohauiti Outline Development Plan Area					
Tauranga City Council	12.7	Amend	AMEND Rule 12D.3.1.7 to provide formatting, terminology, and layout consistent with the City Plan standards and terms. AND AMEND to provide certainty on whether standards and terms have been achieved and to include all necessary standards and terms to address relevant resource management issues. AND PROVIDE further assessment on whether land use activities are subject to the standards and terms and AMEND the provisions if appropriate. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Rule 12D.3.2.10 - Specific Requirements - Upper Ohauiti Outline Development Plan Area					
Tauranga City Council	12.8	Amend	AMEND Rule 12D.3.2.10 to provide formatting, and layout consistent with the City Plan matters of control. AND AMEND to provide adequate control over specified matters to impose conditions that ensure appropriate resource management outcomes including the management of adverse effects. AND PROVIDE further assessment on whether land use activities are subject to the matters of control and conditions and AMEND the provisions if appropriate. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Rule 12D.5 - Discretionary Activities					
Tauranga City Council	12.9	Amend	AMEND Rule 12D.5 e. to be specific on the activity which requires consent. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule					
Tauranga City Council	12.1	Amend	DELETE sub parts (i) and (ii) in Appendix 12J.3. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Roads					
Tauranga City Council	12.12	Amend	AMEND provisions 2 and 3 (Roads) in Appendix 12J.3 to provide clarity on meaning of ‘at the time of subdivision’. AND AMEND to remove references to the IDC and associated design tools that are otherwise addressed through existing City Plan provisions. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Eastern Block (Stage 1) > External Infrastructure Upgrade Requirements > Roads					
Tauranga City Council	12.2	Amend	AMEND provision 21 (Roads – Eastern Block) in Appendix 12J.3 to provide clarity on the meaning of ‘at the time of subdivision’. AND AMEND provisions 21 and 22 to remove references to the IDC and associated design tools and road design standards that are otherwise addressed through existing City Plan provisions. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Western Block (Stage 2) > External Infrastructure Upgrade Requirements > Roads					
Tauranga City Council	12.23	Amend	AMEND provision 27 (Roads – External) in Appendix 12J.3 to provide clarity on the meaning of ‘at the time of subdivision’. AND AMEND provision 27 to remove references to the IDC and associated design tools that are otherwise addressed through existing City Plan provisions. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Western Block (Stage 2) > Internal Infrastructure Requirements > Roads					

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Tauranga City Council	12.25	Amend	AMEND provision 29 (Roads – Internal) in Appendix 12J.3 to provide clarity on the meaning of 'at the time of subdivision'. AND AMEND provision 29 to remove references to the IDC and associated design tools that are otherwise addressed through existing City Plan provisions. AND AMEND provision 31 to remove reference to 'reserve' and the repeated reference to the road not being formed.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Developer Agreement					
Tauranga City Council	12.11	Amend	AMEND provision 1 (Developer Agreement) in Appendix 12J.3 to ensure a Development Agreement is in place prior to or at the time of lodgement so that the provision is effective as a trigger for an activity status. AND AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR DELETE provision 1 (Developer Agreement) in Appendix 12J.3.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Cultural					
Tauranga City Council	12.19	Amend	AMEND provision 20 (Cultural) in Appendix 12J.3 to ensure the consent authority has control over the information provided, including cultural values relating to the plan change area and can impose conditions to ensure appropriate resource management outcomes. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Western Block (Stage 2) > Staging					
Tauranga City Council	12.22	Amend	PROVIDE assessment to clarify the reasons for the timing restrictions within provision 26 (Staging – Western Block) placed on development of the western block and demonstrate this is necessary to address relevant resource management issues. AND AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR DELETE this provision.	Accept	Effectiveness and Efficiency RRR section 5 introduction text
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Reserves					
Tauranga City Council	12.17	Amend	AMEND provision 15 (Reserves) in Appendix 12J.3 to ensure all neighbourhood reserves meet the minimum size of 2500m2. AND AMEND provisions 16, 17 and 18 (Reserves) in Appendix 12J.3 to ensure the information provided with any application satisfies these matters and that the consent authority has control over the information regarding the standard and timing of landscape planting and maintenance, the details of a Conservation Management Plan, and can impose conditions to ensure appropriate resource management outcomes. AND DELETE reference to the Development Agreement in provision 17. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency, Open Space and Rural Amenity RRR sections 5 introduction text, 5.5
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Stream and Wetland Protection					
Tauranga City Council	12.15	Amend	AMEND provisions 9, 11 and 12 (Stream and Wetland Protection) in Appendix 12J.3 to clarify the meaning of 'at subdivision consent stage'. AND AMEND to ensure the information provided with applications satisfies the relevant matter and that the consent authority has control over the information provided regarding detention and retention of stormwater run-off, stream protection and restoration plans, and can impose conditions to ensure appropriate resource management outcomes. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency, Stormwater Management RRR sections 5 introduction text, 5.3
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Fauna					
Tauranga City Council	12.18	Amend	AMEND provision 19 (Fauna) in Appendix 12J.3 to ensure the consent authority has control over the information provided, including the fauna management protocols and can impose conditions to ensure appropriate resource management outcomes.	Accept	Effectiveness and Efficiency, Stormwater Management RRR section 5 introduction text, 5.3

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
			AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.		
BOPRC	FS5.17 -12.15	Support in full	ALLOW the submission point.	Accept	Effectiveness and Efficiency, Stormwater Management RRR section 5 introduction text, 5.3
Appendix 12J.3: Schedule > Western Block (Stage 2) > External Infrastructure Upgrade Requirements > Water					
Tauranga City Council	12.24	Amend	AMEND provision 28 (Water) in Appendix 12J.3 to remove the note that follows this provision. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency, Other Infrastructure RRR section 5 introduction text, 5.2
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Gas Pipeline and Easement					
Tauranga City Council	12.16	Amend	AMEND provision 13 (Gas Pipeline and Easement) in Appendix 12J.3 to clarify which section of the existing gas pipeline is to be incorporated within a walkway corridor vested in Council. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency, Other Infrastructure RRR section 5 introduction text, 5.6
Appendix 12J.3: Schedule > Western Block (Stage 2) > Internal Infrastructure Requirements > Future Local Centre					
Tauranga City Council	12.27	Amend	AMEND provision 35 (Local Centre) in Appendix 12J.3 to ensure that the terminology used is consistent with the size of the anticipated centre as per the National Planning Standards. AND AMEND provision 35 to ensure the consent authority has control over the location of the allotment and its layout and design relative to other existing or proposed allotments. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Effectiveness and Efficiency, Commercial and Education Facilities

Landuse and Layout

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Rule 12B.3.1.22 - Upper Ohauiti Outline Development Plan Area					
BOPRC	5.2	Support	RETAIN Rule 12B.3.1.22 Upper Ohauiti Outline Development Plan Area clause b.	Accept in part	Effectiveness and Efficiency, Landuse and Layout RRR section 5 introduction text, 5.3, 5.5
Stephanie Smith-Kerr	14.3	Not stated	No specific decision sought.	N/A - no position on this matter.	
Appendix 12J.1: Landuse and Layout					
Michael & Andrea Shaw	3.3	Not Stated	ADD pedestrian footpath from Adler drive to about 380 Upper Ohauiti Road. [Note: Submission point also summarized under other topics]	See duplicate submission point 3.4	
Michael & Andrea Shaw	3.5	Not Stated	AMEND so that the buildings on the southern and eastern edge of the subdivision are single storey residential, progressing to double or triple storey residential towards the heart of the subdivision.	Reject	Landuse and Layout RRR section 5 introduction text, 5.5
Dennis and Glenis Minnell	9.5	Oppose	AMEND so that the houses close to the boundary are single level dwellings, ranging back to the 3 level dwellings being further away from the boundary.	Reject	Landuse and Layout RRR section 5 introduction text, 5.5
Stephanie Smith-Kerr	14.9	Support	No specific decision sought, however considers the need to keep the overall feeling of being semi-rural, joining Adler Drive walking tracks to new ones. Ohauiti desperately needs another small local centre.	Accept in part	Landuse and Layout, Open Space and Rural Amenity, Commercial and Education Facilities
Jeandre Le Roux	16.1	Support	No specific decision sought.	Accept	Landuse and Layout
Jeandre Le Roux	16.2	Oppose	No specific decision sought, however raises concern there is no clear indication on how this additional traffic will be accommodated. [Note: Submission point also summarized under other topics]	See duplicate submission point 16.5	

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Kerry Ryan	22.1	Amend	ADD developer requirement to implement strategies that will mitigate the impact of dust, noise and heavy vehicle movements on neighbouring properties.	Reject	Landuse and Layout
Planning Maps > Proposed Map L89					
Marie Petersen	1.1	Support	No specific decision sought, however submission raises the need for more housing and using this for medium density housing makes a lot of sense. Seeks medium density housing opened up as far as Neewood Road to provide opportunities for alternative transport routes out of Ohauiti. [Note: Submission point also summarized under other topics]	See duplicate submission point 1.2	
Stephanie Smith-Kerr	14.33	Support	No specific decision sought.	Accept	Landuse and Layout
Andrew Gundry	17.1	Oppose	OPPOSE, the entry/exit roads to and from Ohauiti need to be added to before this project goes ahead.	Reject	Landuse and Layout, Transportation RRR section 5.1
Symon Robb	27.1	Amend	AMEND Planning Map L89 to zone the entirety of the walkway located along the northern edge of the Stage 2 area as Greenbelt.	Reject	Landuse and Layout RRR section 5.5
Planning Maps > Proposed Map L90					
Stephanie Smith-Kerr	14.34	Support	No specific decision sought.	Accept	Landuse and Layout
Rule 12B.3.2.15 - Specific Requirements - Upper Ohauiti Outline Development Plan Area					
Stephanie Smith-Kerr	14.4	Not Stated	No specific decision sought.	Accept	Landuse and Layout
Robyn Gregory	15.1	Oppose	OPPOSE the development. AND PROVIDE information on what is being done about the roading. [Note: Submission point also summarized under other topics]	See duplicate submission point 15.2	
Thor Hein	24.1	Oppose	REJECT this land rezoning.	See duplicate submission point 24.3	
Rule 12B.5 - Discretionary Activity Rules					
Stephanie Smith-Kerr	14.5	Oppose	No specific decision sought, however seeks more clarity.	Accept in part	Landuse and Layout
Thor Hein	24.2	Oppose	REJECT this land rezoning.	See duplicate submission point 24.3	
Rule 12D.3.1.7 - Upper Ohauiti Outline Development Plan Area					
Stephanie Smith-Kerr	14.6	Support	No specific decision sought.	Accept	Landuse and Layout
Rule 12D.3.2.10 - Specific Requirements - Upper Ohauiti Outline Development Plan Area					
Stephanie Smith-Kerr	14.7	Support	No specific decision sought.	Accept	Landuse and Layout
Rule 12D.5 - Discretionary Activities					
Stephanie Smith-Kerr	14.8	Oppose	No specific decision sought, however seeks more clarity, anything can come under this.	Accept in part	RRR section 5 introduction
Appendix 12J.3: Schedule					
Stephanie Smith-Kerr	14.11	Not Stated	No specific decision sought.	N/A - no position on this matter.	
Jeandre Le Roux	16.3	Not Stated	No specific decision sought.	N/A - no position on this matter.	
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2)					
Stephanie Smith-Kerr	14.12	Support	No specific decision sought.	Accept	Landuse and Layout
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Developer Agreement					
Stephanie Smith-Kerr	14.13	Support	No specific decision sought, however raises the transport is a big one.	Accept	Landuse and Layout, Transportation
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Cultural					
Stephanie Smith-Kerr	14.21	Support	No specific decision sought.	Accept	Landuse and Layout
Appendix 12J.3: Schedule > Western Block (Stage 2) > Staging					
Stephanie Smith-Kerr	14.25	Support	No specific decision sought.	Accept	Landuse and Layout

Transportation

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
General - Transport Network					
Marie Petersen	1.4	Support	No specific decision sought, however submission raises the need for more housing and using this for medium density housing. Seeks medium density housing opened up as far as Neewood Road to provide opportunities for alternative transport routes out of Ohauiti.	See to duplicate submission point 1.2	

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
			[Note: Submission point also summarized under other topics]		
NZTA	4.1	Not Stated	No specific decision sought, however raises that it is anticipated given the existing roading environment that the additional vehicle movements will have a minor negative impact on the level of service at both the State Highway 29A/Poike Road Roundabout and State Highway 29A/Welcome Bay Road Roundabout.	Accept	Transportation RRR section 5.1
NZTA	4.3	Not Stated	No specific decision sought, however raises that as identified in the Urban Form and Transport Initiative Final Report the Welcome Bay/Ohauiti Area is limited in terms of large scale growth due to infrastructure constraints and considers State Highway 29A in this location to be one of those infrastructure constraints.	Accept	Transportation RRR section 5.1
NZTA	4.4	Not Stated	No specific decision sought, however notes that the Welcome Bay and Ohauiti Planning Study 2020 and associated Transport Modelling and East-West Corridor Environmental Feasibility and Option Assessment have identified solutions to provide for the anticipated growth. These improvements are not currently proposed and appear unlikely to be constructed prior to development commencing if the plan change is approved. This plan change will add to the delays and travel times of vehicles, especially during peak hours.	Accept	Transportation RRR section 5.1
Dennis and Glenis Minnell	9.7	Oppose	REJECT the development proposed in Plan 39 until the infrastructure is in place to cope with the demands of the housing to be established.	Accept in part	Transportation RRR section 5.1
Murray and Lindsay Kernohan	11.3	Amend	PROVIDE information on what roading developments are planned to mitigate this current bottleneck.	Accept in part	Transportation RRR sections 5.1, 5.2 , 5.3
Robyn Gregory	15.2	Oppose	OPPOSE the development. AND PROVIDE information on what is being done about the roading. [Note: Submission point also summarized under other topics]	Accept in part	Transportation RRR section 5.1
Jeandre Le Roux	16.5	Oppose	No specific decision sought, however raises concern there is no clear indication on how this additional traffic will be accommodated. [Note: Submission point also summarized under other topics]	Accept in part	Transportation RRR section 5.1
Jeandre Le Roux	16.6	Support	SUPPORT, subject to at least one additional access route to this area that ties in with a state highway so that you can enter the CBD/mount including the necessary upgrades to existing infrastructure. [Note: Submission point also summarized under other topics]	Accept in part	Transportation
Andrew Gundry	17.2	Oppose	OPPOSE, the entry/exit roads to and from Ohauiti need to be added to before this project goes ahead.	Accept in part	Transportation
Jason Williams	18.3	Oppose	No specific decision sought, however raises concern the current infrastructure and roading does not support the current volumes of house and traffic.	Accept in part	Transportation RRR section 5.1
Jason Williams	18.4	Not Stated	PROVIDE information on what are they planning around the welcome bay round about and Poike Road.	Accept in part	Transportation RRR section 5.1
Susan Bibby	21.1	Amend	ADD the following: 1. Reinstate the right hand turn at the Ohauiti Rd / Welcome Bay traffic lights. 2. Left only turn from Hairini St onto SH29A.	Reject	Transportation
Steve Batchelor	23.2	Amend	PROVIDE for traffic exiting Ohauiti onto SH29 at both Ohauiti exits in conjunction with housing. [Note: Submission point also summarized under other topics]	Accept in part	Transportation RRR section 5.1
Thor Hein	24.3	Oppose	REJECT this land rezoning.	Reject	Transportation
Pedro Martins	20.1	Not Stated	No specific decision sought, however raises whether TCC would consider buying property in Ohauiti with the objective to install a park and ride facility to the CBD and improve the Ohauiti Rd/Welcome Bay Rd intersection.	Accept in part	Transportation
Susan O'Neill	25.1	Oppose	No specific decision sought, however raises the following concerns regarding traffic congestion towards the city. The submitter is also concerned with loss of views along the Greenbelt Zone and considers this zone could be used for walking and cycling.	Accept in part	Transportation, Open Space and Rural Amenity RRR sections 5.1, 5.5
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Roads					
Stephanie Smith-Kerr	14.14	Not Stated	No specific decision sought.	Accept	Transportation
Appendix 12J.3: Schedule > Eastern Block (Stage 1) > External Infrastructure Upgrade Requirements > Roads					
Michael & Andrea Shaw	3.4	Not Stated	ADD pedestrian footpath from Adler Drive to about 380 Upper Ohauiti Road.	Reject	Transportation, Landuse and Layout

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Stephanie Smith-Kerr	14.22	Support	No specific decision sought.	Accept	Transportation
Kerry Ryan	22.2	Amend	ENSURE the upgrade of Upper Ohauiti Road, roundabout construction and new roads and reserves will not compromise our proposed subdivision, access and access shelter belts for maintenance. AND ADD a reduced speed limit on the portion of Upper Ohauiti Road impacted by the subdivision to 50kph.	Accept in part	Transportation RRR section 5.1
Appendix 12J.3: Schedule > Western Block (Stage 2) > External Infrastructure Upgrade Requirements > Roads					
Stephanie Smith-Kerr	14.26	Support	No specific decision sought, however raises that it would be nice to have a green road with bike path. Many kids bike along pavement due to road being unsafe.	Accept	Transportation, Landuse and Layout RRR sections 5.1, 5.5
Appendix 12J.3: Schedule > Western Block (Stage 2) > Internal Infrastructure Requirements > Roads					
Stephanie Smith-Kerr	14.28	Support	No specific decision sought.	Accept	Transportation
Appendix 12J.3: Schedule > Road Cross Sections					
BOPRC	5.6	Not Stated	RETAIN Appendix 12J.3: Schedule Road Cross Sections (UD100, UD101, UD102).	Accept	Transportation, Effectiveness and Efficiency
Stephanie Smith-Kerr	14.32	Support	No specific decision sought.	Accept	Transportation

Stormwater Management

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
General - Stormwater Management					
BOPRC	5.7	Amend	PROVIDE a map showing off-line communal stormwater devices. AND PROVIDE minimum setbacks from existing and/or proposed modified watercourses. Setbacks should be referred to as a requirement or ideally as a rule in the ODP.	Reject	Stormwater Management RRR section 5.3
BOPRC	5.8	Amend	PROVIDE minimum conceptual sizing requirements in the ISMP for water quality and extended detention requirements, and seek that ongoing discussions with the applicant regarding this matter take place. AND ASSESS whether there are alternative locations or means of treatment/extended detention available to overcome potential geotechnical challenges. Where alternatives are not available, then further assessment should be undertaken to demonstrate feasibility of the pond location and minimum slope setbacks should be determined and addressed in the ODP.	Reject	Stormwater Management RRR section 5.3
BOPRC	5.9	Amend	ADD reference to Appendix 12a Integrated Stormwater Management Plan in the objective and policies of the proposed ODP.	Accept	RRR section 5.3
BOPRC	5.10	Amend	PROVIDE information in the ISMP on measures to protect the overland flow path located in the western block, AND PROVIDE information in the ISMP on how the applicant will achieve a low level of risk to dwellings and people in the area of the OLFP, in accordance with RPS Policy NH 4B.	Reject	Stormwater Management
BOPRC	5.11	Amend	PROVIDE more information in the ISMP as to how the increased velocities of run-off will be managed.	Reject	Stormwater Management
BOPRC	5.12	Amend	PROVIDE information in the ISMP regarding increased velocity duration and erosion potential. This could be undertaken as a study to determine whether the effect of the development both in increase of velocity and duration would require active management with armoring techniques within the Pukekonui Stream. This study should include both 2.33 year and 10 year events.	Reject	Stormwater Management
Dennis and Glenis Minnell	9.6	Oppose	PROVIDE information on how Council will monitor the accuracy of the flood modelling and how frequently.	Reject	Stormwater Management
Tauranga City Council	12.2	Amend	PROVIDE analysis that clearly demonstrates the scale of stormwater run-off effects on the receiving environment from the proposed area to be rezoned within the Waimapu catchment. AND ADD any appropriate City Plan provisions to address such adverse effects. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Stormwater Management RRR section 5.3

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
BOPRC	FS5.14 (12.2)	Support in full	ALLOW the submission point.	Accept	Stormwater Management
Objective 12B.1.6 - Stormwater Management within the Upper Ohauiti Outline Development Plan Area					
BOPRC	5.13	Amend	ADD reference to Appendix 12a Integrated Stormwater Management Plan in the objective and policies of the proposed ODP.	Accept	RRR section 5.3
Tauranga City Council	12.3	Amend	AMEND Objective 12B.1.6 Stormwater Management within the Upper Ohauiti Outline Development Plan Area to remove uncertainty and describe the desired stormwater management outcomes more explicitly. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission. OR AMEND any specified provisions, or any related provisions, that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept	Stormwater Management RRR section 5.3
BOPRC	FS5.15 (12.3)	Support in full	ALLOW the submission point.	Accept	Stormwater Management
Stephanie Smith-Kerr	14.1	Support	No specific decision sought, however considers more needs to be done to futureproof ecosystems have previously been ignored.	Accept in part	Stormwater Management
Policy 12B.1.6.1 - Stormwater Management within the Upper Ohauiti Outline Development Plan Area					
BOPRC	5.1	Support	RETAIN references to low impact stormwater design and a treatment train approach as mentioned in the ODP and proposed Policy 12B.1.6.1.	Accept	Stormwater Management RRR section 5.3
BOPRC	5.4	Amend	AMEND Policy 12B.1.6.1 Stormwater Management within the Upper Ohauiti Outline Development Plan Area to read: Require that all hydrologic and water quality impacts of stormwater run-off generated by subdivision and development within Appendix 12J: Upper Ohauiti Outline Development Plan Area are comprehensively assessed, and managed using a stormwater system that is designed and constructed ~~to~~ in accordance with the Integrated Stormwater Management Plan ('Integrated Management Plan' prepared by Harrison Grierson, reference R004-A2111686-ISMP). AND ADD the following: e. Prioritise options which avoid degradation and the loss of extent and value of natural water bodies, freshwater ecosystems and the receiving environment by modification or discharges. f. Avoid increased flooding effects on the receiving environment including people, property and, to ensure no increases in risk to people and buildings. AND any alternative, similar or consequential amendments necessary to give effect to the relief sought.	Accept in part	RRR section 5.3
Stephanie Smith-Kerr	14.2	Support	No specific decision sought.	Accept	Stormwater Management
Rule 12B.3.2.15 - Specific Requirements - Upper Ohauiti Outline Development Plan Area					
Resource Waimapu	8.1	Not Stated	No specific decision sought, however seeks assurance from Council over what matters (type and range) it retains discretion over and the methods to be put in place to monitor the modelling and performance outcomes to have confidence that the modelling is fit for purpose, or fits the environmental outcome projected.	Accept	Stormwater Management
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements					
BOPRC	5.5	Support	RETAIN Appendix 12J.3: Schedule clauses 5-12.	Accept in part	Stormwater Management
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Stormwater					
BOPRC	5.3	Amend	AMEND Appendix 12J.3: Schedule clause 4 to read: Stormwater 4. Subdivision applications shall be ~~determined~~ lodged either concurrently with, or after, the associated discharge permit application to BOPRC for the permanent stormwater discharge ~~of permanent stormwater~~ from the relevant stage of development. AND any alternative, similar or consequential amendments necessary to give effect to the relief sought.	Reject	Stormwater Management
Tauranga City Council	12.13	Amend	AMEND provisions 4 and 5 (Stormwater) in Appendix 12J.3 to ensure that provision 4 is not ultra vires.	Accept	Stormwater Management RRR section 5.3

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
			AND AMEND provision 5 to ensure the consent authority has control over the information provided within a stormwater assessment including the selection of the Best Practicable Option for managing stormwater. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.		
Stephanie Smith-Kerr	14.15	Support	No specific decision sought, however raises build it properly to future proof.	Accept	Stormwater Management
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Stormwater Quality					
Tauranga City Council	12.14	Amend	AMEND provisions 7 and 8 (Stormwater Quality) in Appendix 12J.3 to clarify the meaning of 'at subdivision consent stage'. AND AMEND to ensure the consent authority has control over the information provided regarding stormwater quality and can impose conditions to ensure appropriate resource management outcomes. AND ADD additional provisions that are appropriate to address the reasons in this submission or that are consequential on the relief requested in this submission.	Accept in part	Stormwater Management, Effectiveness and Efficiency RRR section 5.3
BOPRC	FS5.16 (12.14)	Support in full	ALLOW the submission point.	Accept	Stormwater Management, Effectiveness and Efficiency
Stephanie Smith-Kerr	14.16	Support	PROVIDE information on how will the building materials be managed and who is going to police it.	Reject	Stormwater Management
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Stream and Wetland Protection					
Stephanie Smith-Kerr	14.17	Support	No specific decision sought.	Accept	Stormwater Management
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Fauna					
Stephanie Smith-Kerr	14.20	Support	No specific decision sought.	Accept	Stormwater Management

Other Infrastructure

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Planning Maps > Proposed Map L89					
First Gas Ltd	29.3	Amend	ADD a 'Gas Transmission Pipeline Corridor' within the development site and shown on the planning maps.	Accept in part	Other Infrastructure RRR section 5.6
Planning Maps > Proposed Map L90					
First Gas Ltd	29.4	Amend	ADD a 'Gas Transmission Pipeline Corridor' within the development site and shown on the planning maps.	Accept in part	Other Infrastructure RRR section 5.6
Appendix 12J.3: Schedule > Eastern Block (Stage 1) > External Infrastructure Upgrade Requirements > Wastewater					
Stephanie Smith-Kerr	14.24	Oppose	No specific decision sought, however raises concerns on weeks of work.	Reject	Other Infrastructure
Appendix 12J.3: Schedule > Western Block (Stage 2) > External Infrastructure Upgrade Requirements > Water					
Stephanie Smith-Kerr	14.27	Support	No specific decision sought.	Accept	Other Infrastructure
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Gas Pipeline and Easement					
Stephanie Smith-Kerr	14.18	Not Stated	No specific decision sought.	N/A - no position on this matter.	
First Gas Ltd	29.1	Amend	ADD a 'Gas Transmission Pipeline Corridor' within the development site. This corridor would have a total corridor of 40m, being 20m either side of the pipeline centreline. AND ADD rules as part of PPC39 to ensure that Firstgas is able to review development details as part consent application assessment. AND ADD the following definition of 'Gas Transmission Pipeline Corridor' as a consequential amendment of PPC39: Gas Transmission Pipeline Corridor the area of land within 20m of the centreline of the Gas Transmission Pipelines and ancillary aboveground structures (except for compressor station sites). It is identified on the planning maps.	Accept in part	Other Infrastructure, Effectiveness and Efficiency RRR section 5.6
Appendix 12J.3: Schedule > Western Block (Stage 2) > Internal Infrastructure Requirements > Gas Pipeline and Easement					
Stephanie Smith-Kerr	14.29	Support	No specific decision sought.	Accept	Other Infrastructure

Proposed Plan Change 39 - Upper Ōhauiti Land Rezoning Appendix 2

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
First Gas Ltd	29.2	Amend	ADD a 'Gas Transmission Pipeline Corridor' within the development site. This corridor would have a total corridor of 40m, being 20m either side of the pipeline centreline. AND ADD rules as part of PPC39 to ensure that Firstgas is able to review development details as part consent application assessment. AND ADD the following definition of 'Gas Transmission Pipeline Corridor' as a consequential amendment of PPC39: Gas Transmission Pipeline Corridor the area of land within 20m of the centreline of the Gas Transmission Pipelines and ancillary aboveground structures (except for compressor station sites). It is identified on the planning maps.	See duplicate submission point 29.1 RRR section 5.6	

Open Space and Rural Amenity

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
Appendix 12J.2: Reserves					
Murray and Lindsay Kernohan	11.1	Amend	PROVIDE more specific information on: - what "private greenbelt zone" means. - specifically what can be built on / what the land can be used for. - whether there are any designated building zones and where these are. - proposed access to this piece of land. AND ADD a covenant on this piece of land to protect current view of the Mount and surrounds. AND PROVIDE any other relevant information in respect of the land.	Reject	Open Space and Rural Amenity RRR section 5.5
Murray and Lindsay Kernohan	11.5	Amend	SUPPORT the intention and concept of reserves and greenbelt areas, subject to submissions points 11.1 to 11.3.	Accept in part	Open Space and Rural Amenity RRR section 5.5
Stephanie Smith-Kerr	14.10	Support	No specific decision sought, however considers building more houses means more walkways.	Accept in part	Open Space and Rural Amenity RRR section 5.5
Appendix 12J.3: Schedule > Eastern and Western Blocks (Stage 1 and Stage 2) > Internal Infrastructure Requirements > Reserves					
Stephanie Smith-Kerr	14.19	Support	No specific decision sought.	Accept	Open Space and Rural Amenity
General - Rural Amenity					
Michael & Andrea Shaw	3.1	Not Stated	No specific decision sought, however raises losing the topographical/historical feature (where Ohauiti Pa is located).	Accept in part	Open Space and Rural Amenity RRR section 5.5
Michael & Andrea Shaw	3.2	Not Stated	No specific decision sought, however raises concern that there is lack of awareness from some urban residents of the impact of fireworks and dogs on rural animals.	Reject	Open Space and Rural Amenity
Dennis and Glenis Minnell	9.2	Oppose	PROVIDE assurance that the potential dust problem generated by the earthmoving machines is avoided to ensure our tank water collection is not compromised.	Reject	Open Space and Rural Amenity
Dennis and Glenis Minnell	9.3	Oppose	PROVIDE information on how the rural outlook will be maintained and landscaped for existing properties.	Reject	Open Space and Rural Amenity RRR section 5.5
Dennis and Glenis Minnell	9.4	Oppose	No specific decision sought, however raises concern that the resulting light pollution from this development on the south eastern side of the hillside.	Reject	Open Space and Rural Amenity
James and Sarah Poharama	10.2	Oppose	No specific decision requested, however raises concerns that the proposed change will have dramatic ill effects on the submitter. The close proximity of medium density housing, traffic congestion, lack of open space, green outlook, and no amenities close by (petrol station, supermarket, school, buses, footpaths).	Reject	Open Space and Rural Amenity
James and Sarah Poharama	10.4	Oppose	PROVIDE lifestyle properties or similar to be enabled.	Reject	Open Space and Rural Amenity
Leigh Rynhpud	28.1	Oppose	No specific decision sought, however raises concern the proposed changes “will remove the green farmland adjustment to Three Creeks Estate” which will decrease the quality of life for people and decrease property values. [Note: Submission point also summarized under other topics]	Reject	Open Space and Rural Amenity

Commercial and Education Facilities

Submitter	Point No.	Position	Summary	Recommendation	Section 42A reference Recommendation Report Reference (RRR)
General					
Murray and Lindsay Kernohan	11.6	Support	SUPPORT the building of amenities (retail etc) to support this area.	Accept	Commercial and Education Facilities
Appendix 12J.3: Schedule > Western Block (Stage 2) > Internal Infrastructure Requirements > Future Local Centre					
Stephanie Smith-Kerr	14.31	Support	No specific decision sought, however considers it very much needed in Ohauiti.	Accept	Commercial and Education Facilities
General - Education Facilities					
Ministry of Education	30.1	Amend	ADD schools as being recognised and provided for within Plan Change 39. AND any consequential amendments required to give effect to the matters raised in this submission.	Reject	Commercial and Education Facilities
Ministry of Education	30.2	Amend	AMEND the ODP to enable new educational facilities in the plan change area. AND ADD enabling provisions in relation to education facilities. AND any consequential amendments required to give effect to the matters raised in this submission.	Reject	Commercial and Education Facilities
Ministry of Education	30.3	Amend	ADD the following wording in the ODP provisions (such as Appendix 12J.3: Schedule): Education Facilities: Recognise that the Upper Ohauiti area is part of a newly developing residential area and that there is a potential need for educational facilities to establish within the Outline Development Plan area or within the wider area. AND any consequential amendments required to give effect to the matters raised in this submission.	Reject	Commercial and Education Facilities
Ministry of Education	30.4	Amend	NEUTRAL on Plan Change 39 if consultation is undertaken with Ministry of Education to ensure there is sufficient provision for school. AND any consequential amendments required to give effect to the matters raised in this submission.	Reject	Commercial and Education Facilities
Ministry of Education	30.5	Amend	PROVIDE regular engagement to keep up to date with the housing typologies being proposed and staging and timing of development so that the impact of the plan change on the local school network can be planned for.	Reject	Commercial and Education Facilities

Recommendation Report
to
Tauranga City Council

Proposed Plan Change 39 - Upper Ōhauiti Land Rezoning

26 November 2024

Table of Contents

1 Introduction

[001] This Recommendation Report addresses Proposed Plan Change 39 – Upper Ōhauiti Land Rezoning (**PPC 39**) to the operative Tauranga City Plan (**City Plan**) lodged by Landsdale Development Limited (**Proponent**).

It is recommended that the Tauranga City Council approves PPC 39.

2 Appointment

[002] The Tauranga City Council (**TCC**), acting under section 34A(1) of the Resource Management Act 1991, appointed independent hearing commissioner Rob van Voorthuysen[1] to hear and make recommendations on the submissions and further submissions received on PPC 39.

3 Description of the Proposal

[003] The nature of PPC 39 was described in the Proponent's Section 32 Report[2], TCC's Section 42A Report[3] authored by Simon Banks[4] and the Proponent's evidence[5]. I adopt those descriptions and do not repeat that level of detail here, but note:

- Tauranga City's population is expected to grow by approximately 67,000 people in the next 40 years, requiring 30,000 – 34,000 more dwellings to be built. The Future Development Strategy (**FDS**) for Tauranga confirms that there is a projected shortfall of 6600 – 7600 dwellings by 2054[6]
- PPC 39 involves rezoning of two parcels of land at 120 and 125 Upper Ōhauiti Road (**Site**) from Rural Zone and Greenbelt Zone to Medium Density Residential Zone (**MDRZ**) and Greenbelt Zone. The two land parcels have a combined area of about 56 ha;
- The undulating Site is currently used for pastoral farming;
- the Pukekonui Stream flows along a section of the western boundary of the West Block, and a tributary of the Kaitemako Stream flows along a section of the eastern boundary of the East Block;
- an existing First Gas transmission pipeline traverses the West and East Blocks;
- the southern boundary of the West Block is the territorial boundary between TCC and the Western Bay of Plenty District;
- development is proposed in two stages with the first stage being the13.9 ha East Block and the second stage being the 42.5 ha West Block. The East Block is expected to yield about 145 residential lots based on a target density of 20 dwellings per hectare and the West Block is expected to yield about 324 lots;
- full development of the site will take more than 14 years and as such the anticipated full residential yield will not be reached until around 2039;
- the development includes a new roundabout on Upper Ōhauiti Road and provision for a future local centre; and
- PPC 39 seeks to amend existing and add new provisions to Sections 12B (Subdivision in Residential Zones) and 12D (Subdivision in Rural Zones) of the City Plan. In addition, Mr Banks recommended new provisions in Rule 14B.2.17 and 14B.31 at Section 14B of the City Plan as a consequential change to ensure land use activities complied with the new subdivision provisions.

[1] Commissioner van Voorthuysen is an experienced independent commissioner, having sat on over 425 hearings throughout New Zealand since 1998. He has qualifications in natural resources engineering and public policy. In 2020 he was appointed as a Freshwater Commissioner by the Minister for the Environment and has sat on several Covid-19 Fast Track Consenting Act expert panels.

[2] Proposed Private Plan Change 39 – Main Report, Upper Ōhauiti Plan Change, Request for Private Plan Change, Landsdale Development Limited, Harrison Grierson, January 2024. Sections 3.0 "The Site and Surrounding Area, 4.0 "Purpose of the Plan Change", 5.0 "Proposed Changes to the Tauranga City Plan" and 6.0 "Plan Change Features".

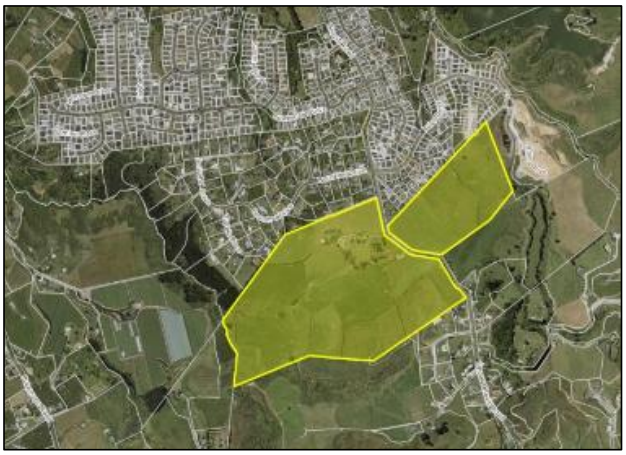
[3] Operative City Plan, Section 42A Hearing Report, Proposed Plan Change 39 - Upper Ōhauiti Plan Change, 25 October 2024. Section3 "Background" and section 7 "Plan Change Scope".

[4] Principle Planner at WSP new Zealand Limited.

[5] Primarily in the evidence of Chris Rossiter (transport), Rebecca Ryder (landscape) and Anna Gardiner (planning).

[6] Legal Submissions On Behalf Of Landsdale Development Limited, paragraph 14.

[004] The location of PPC 39 is shown below:



4 Process Issues

4.1 Notification and submissions

[005] PPC 39 was publicly notified, and 32 submissions and one further submission were received. The submissions were summarised in Appendix 1 of the Section 42A Report and I adopt those summaries.

[006] One late submission was received on 16 August 2024 from Neil Ryder. Mr Banks recommended that the late submission not be accepted due to the significant time that had elapsed since the closing of the initial submission period on 24 May 2024.

[007] I agree and so the late submission lodged by Neil Ryder is not accepted.

4.2 Officer's recommendation

[008] Mr Banks recommended that pursuant to clause 10 of Schedule 1 to the RMA, PPC 39 be approved subject to amendments, and that the submissions and further submissions be determined accordingly.

4.3 Site visit

[009] I undertook an unaccompanied site visit prior to the Hearing, viewing the Site from public roads. TCC also helpfully provided me with extensive and informative drone coverage of the Site.

4.5 Hearing

[010] I held a hearing in the TCC offices in Cameron Road, Tauranga, on Wednesday 20 November 2024. Attendances are listed in Appendix 3. I received a verbal 'right of reply' (Reply) from counsel for the Proponent (Vanessa Hamm) at the hearing. Ms Hamm provided written Reply submissions on 22 November 2024[7].

[011] As part of the Reply submissions Ms Hamm attached a final set of PPC 39 provisions which had been the subject of caucusing between the planners and technical experts for the Proponent, TCC and BOPRC since the conclusion of the hearing.[8] She advised that the parties were in full agreement regarding the appropriateness of the provisions and there were no remaining matters of disagreement between those three parties.

[7] Reply Legal Submissions On Behalf Of Landsdale Development Limited, 22 November 2024
[8] BOPRC participated in conferencing only in relation to stormwater matters.

5 Overall Approach and Issues Assessment

[012] From the documentation and evidence provided it is evident that the Site has been identified for residential development as part of the growth strategy for Tauranga City because:

- the Site was identified by TCC in its Welcome Bay and Ōhauiti Planning Study 2020 as being the only site within the Welcome Bay and Ōhauiti area that was currently feasible for residential development given the existing (largely transport related) constraints for all other potential development sites in that area[9];
- Appendix E of the Regional Policy Statement (**RPS**) identified the Site within the 'Upper Ōhauiti' growth area;
- the Future Development Strategy component of the Smart Growth Strategy 2024-2074 has identified the Site as 'Ōhauiti South' Urban Growth Area with residential development anticipated to commence within the medium term (2027 - 2034);
- the final report for the Urban Form and Transport Initiative (**UFTI**) Connected Centres Programme noted that in the Welcome Bay and Ōhauiti area, growth of approximately 1,000 dwellings could occur, however growth was limited due to infrastructure constraints and complex land ownership.

[013] Consequently, in light of this strong 'strategic level' support for residential development within the Site, I find that PPC 39 should be approved subject to the adequate resolution of infrastructure servicing requirements, the mitigation of potential adverse effects, and a demonstrable consistency with the higher order statutory instruments. In the sections that follow I address those matters.

5.1 Transport

[014] The main transport issues are, firstly the impact of additional vehicular traffic that will emanate from the Site on the safe and efficient operation of the roading network, and secondly the adequacy of the proposed internal roading network within the Site.

[015] I note that submitter Rob Paterson tabled a layperson statement outlining his traffic congestion concerns but did not attend the Hearing for personal reasons. I consider the matters he raised have been adequately addressed by the expert evidence outlined below.

[016] At the hearing Transport matters were addressed for the Proponent by Chris Rossiter[10].

[017] Regarding the first matter he advised that:

- the primary 'adverse effects' arising from PPC 39 were the exacerbation of the existing level of congestion on the road network, particularly long delays and queuing at the SH29A / Poike Road roundabout in the morning peak period which creates queues that extend back along SH29A to Welcome Bay Road and along Poike Road to well beyond Hollister Lane. This is caused by a capacity constraint on SH29A south of the Poike Road roundabout;
- investigation of potential capacity constraint mitigation options concluded that a second westbound lane on SH29A between Poike Road and Oropi Road would reduce delays at all the critical intersections in the area to about 20 seconds or less;
- the Western Bay of Plenty Transport System Plan (**TSP**) included a project focused on delivering safety and capacity improvements for SH29A, but was not included in the most recent National Land Transport Programme;
- nevertheless, developing the East Block can be accommodated on the wider road network without generating noticeable effects compared with the current conditions;
- however, full development of the Site would contribute to unacceptable effects on the road network if the SH29A capacity constraint is resolved. However, in overall terms the traffic generation arising from 250-300 dwellings could be accommodated on the road network before creating unacceptable effects.

[018] Regarding the second matter Mr Rossiter advised:

[9] Welcome Bay and Ōhauiti Planning Study 2020, page 3.
[10] Principal Transportation Engineer at Stantec New Zealand Limited.

- the Proponent will upgrade Upper Ōhauiti Road between the southern boundary of the Site and Boscabel Drive to the north to an urban Collector Road standard with a roundabout at the northern Site boundary. This will be guided by Appendix 12J.3: Transportation Network Street Design Diagram UD102 – Upper Ōhauiti Road;
- the design and construction of all internal Site roads will proceed in accordance with the relevant zone rules of the City Plan and the TCC Infrastructure Development Code (**IDC**). The IDC including the Street Design Tool will be used to confirm the exact layout and dimensions of the roads (including consideration to the geometry (vertical and horizontal)), intersection priorities, utilities space and key elements;
- figures UD 100 (neighbourhood street), 101 (local street) and 103 (minor Road (cul-de-sac)) that are now included in PPC 39's Appendix 12J.3: Transportation Network Street Design Diagrams show indicative cross-sections to ensure that the overall corridor widths are appropriate and include footpaths, cycle lanes (or shared paths) and a sufficient width to accommodate future bus routes.

[019] For TCC transport matters were reviewed by Craig Richards[11] (Beca) and Waheed Ahmed (TCC Senior Strategic Transport Planner). Referring to that review Mr Banks concluded that the identified transportation effects for development of the East Block were acceptable in the context of the existing road environment. However, he shared submitters' concerns regarding the effect on traffic congestion that would arise from development of the West Block.

[020] In response to exacerbation of existing road congestion that would arise from PPC 39 and referring to Mr Rossiter's evidence that 250-300 dwellings could be accommodated on the road network before creating unacceptable effects, Ms Gardiner suggested that as the East Block would provide around 145 dwellings[12], then 100 to 150 additional dwellings could be enabled within the West Block before the SH29A upgrade was completed. On that basis she suggested that an appropriate staging scenario would be to enable 100 residential allotments on the West Block as a controlled activity. Any proposed subdivision that sought to exceed that threshold (prior to the SH29A upgrade) would become a discretionary activity.

[021] That suggestion was opposed by the TCC peer reviewers[13], because in the Proponent's modelling report there was no scenario evaluated in-between Stage 1 (150 dwellings) and Stage 2 (full development 524 dwellings). The reviewers considered that the threshold should be maintained at 150 dwellings to align with the modelling analysis and not be increased to 250 dwellings as proposed by Mrs Gardiner.

[022] At the Hearing Mr Banks helpfully suggested a compromise approach whereby any exceedance of the 150 dwelling threshold could be assessed by way of a new Restricted Discretionary Activity (**RDA**) rule.

[023] The post-Hearing conferencing resulted in new RDA rules 12B.4(g) and 12B.4.2.3 and new matters of discretion 12B.4.3.6. Those rules have the effect of requiring any subdivision or permanent landuse activity that does comply with Appendix 12.J.1 "Infrastructure and Open Space Requirements Schedule" to be assessed as an RDA, provided the application is accompanied by an Integrated Transport Assessment prepared by a suitably qualified transport engineer. Matters of discretion relate primarily to the safe and efficient operation of the three intersections at State Highway 29A / Poike Road; Poike Road / Hollister Lane and Poike Road / Ohauiti Road.

[024] I find those new RDA provisions to be appropriate.

[025] I find that the impacts of PPC 39 on the safe and efficient operation of the roading network can be suitably managed by managing the number of lots that can be developed across the Site by way of new Controlled Activity and RDA rules. Regarding the suitability of the internal roading network I am satisfied that Upper Ōhauiti Road will be upgraded to an appropriate standard and the internal roading can be addressed at the time of subdivision, based on the guidance provided by recommended Appendix 12J.3: Transportation Network Street Design Diagrams.

[026] I find that transport matters do not weigh against approving PPC 39.

[11] Craig Richards of Beca prepared a review document titled "Upper Ōhauiti Private Plan Change Transport Memo", dated 18 October 2024.
[12] Based on 20 dwellings per hectare.
[13] Addendum Section 42A Memo – Transport Advice, 14 November 2024

5.2 Water and Wastewater

[027] It is important to assess whether or not the Site can be adequately serviced with potable water and wastewater collection in a manner that is acceptable to TCC, because TCC will be ultimately responsible for those services.

[028] Potable water and wastewater matters were addressed for the Proponent by Jacobus van Graan[14]. He concluded that potable and fire water supply, as well as wastewater effluent conveyance, could be provided for the Site with some upgrades of the existing TCC infrastructure.

[029] These matters were reviewed by Steve Hurley, Principal Planner (Land Infrastructure Development) at TCC. In light of that review Mr Banks concluded that several upgrades to TCC's wastewater and water supply networks were required over and above those proposed by the Proponent. Although not necessary for development to commence within the Site, those additional upgrades would be necessary to serve demand arising from full build-out of the Site over time.

[030] Mr Banks recommended controlled activity standards and terms requiring an infrastructure capacity assessment to confirm the capacity of TCC's water and wastewater networks to service the Site, including listing specific upgrades to the wastewater network and amendments to Appendix 12J: Ohauiti South Urban Growth Area – Infrastructure and Open Space Requirements to provide additional detail regarding the water and wastewater upgrades required to be delivered.

[031] Ms Banks' approach is both suitably cautionary and reasonable.

[032] I find that the Site can be appropriately serviced for potable water and wastewater in a manner that will be confirmed at the time of subdivision.

5.3 Stormwater

[033] The stormwater matters to be considered are whether the stormwater generated from the Site will be managed such that there are no adverse effects on flooding (both internal and external to the Site) and downstream watercourse erosion; and whether the stormwater will be appropriately treated so as not to have an adverse effect on receiving waters.

[034] For the Proponent stormwater matters were comprehensively addressed by Mingyang Mona Liao[15] who advised

- the natural wetlands, intermittent and permanent watercourses within the Site have been significantly modified from their original form due to a long history of pastoral farming and unrestricted livestock access. The watercourses have been piped or channelised to various extents and retain poor to moderate riparian margins over parts of their length;
- the proposed development would increase the impervious area up to 70% within the 7.24ha and 16.2ha of the respective East Block and West Block developable areas, which is equivalent to around 0.4% and 0.1% of the wider Kaitemako and Waimapu catchments;
- catchment scale flood modelling[16] and stormwater management options analysis were undertaken, and an Integrated Stormwater Management Plan (**ISMP**) dated January 2024 was prepared in response to a further information request from TCC. The modelling was peer reviewed by TCC;
- the modelling results showed adverse effects on the Kaitemako and Waimapu catchments were negligible for all the storm events assessed, with no notable change in peak water levels, flood velocities, instream water depths, or extent or duration of flooding. This was due largely to the small size and location of the Site in relation to the wider Kaitemako and Waimapu catchments. Consequently, onsite flow attenuation for offsite flood mitigation was unnecessary and stormwater management within the

[14] Team Leader – Land Development at Harrison Grierson.
[15] Senior Associate – Civil Engineering at Beca.
[16] Both the existing development (ED) and maximum probable development (MPD) in accordance with current City Plan zoning scenarios were assessed.

Site should focus on water quality treatment, and protection and enhancement of the natural wetlands and watercourses;

- the ISMP identified the best practicable options (**BPO**) for stormwater management in terms of onsite flood risk management, conveyance, watercourse and wetland protection, and water quality treatment;
- the proposed development layout and earthworks would divert the existing minor overland flow paths discharging to the north of the site through Parnwell Place and Boscabel Drive to the west and east along the future road reserve. This would reduce the existing flood risks in those neighbouring residential areas; and
- stormwater treatment should involve source control through the use of inert building materials, targeted treatment of higher contaminant generating areas at source, and final polish in the communal treatment devices at the end of the network following a treatment train approach.

[035] For TCC stormwater matters were reviewed by Steve Hurley. He concluded that the flood modelling information provided by the Proponent was adequate. Mr Banks considered that his recommended amendments to the stormwater management provisions of PPC 39 were appropriate to address the matters identified by Ms Liao and the submissions of BOPRC and TCC.

[036] However, Mr Banks did not consider that PPC 39 should specifically reference the January 2024 ISMP prepared in support of the plan change request, because the stormwater management approach proposed therein might need to change as a result of detailed design or other consenting processes. In his view referring to the January 2024 ISMP would inhibit necessary flexibility at the time of subdivision. He considered that instead the key outcomes of the ISMP should be captured in PPC 39 provisions[17].

[037] At the hearing BOPRC was represented by counsel Rachael Boyte[18], Martin Neale[19] (freshwater ecology), Zeb Worth[20] (stormwater and flooding maters), Susan Ira[21] (stormwater matters) and Nicole Marshall[22] (planning). From the BOPRC evidence it was evident that much of the relief sought was to 'backfill' the PPC 39 provisions with matters that had been adequately addressed in the Proponent's January 2024 ISMP.

[038] Ms Ira noted that the January 2024 ISMP was based on significant modelling and assessment of options to determine the overall BPO for the catchment. That BPO was clearly outlined in Table 2[23] of Ms Liao's evidence. Counsel for BOPRC submitted that preferably the January 2024 ISMP would be referred to in the PPC 39 provisions, but if that did not occur then additional matters relevant to the BPO for stormwater management should be included in the PPC 39 provisions[24].

[039] On that basis Ms Marshall recommended additional wording relating to:

a) extended detention measures in order to mitigate the effects of stormwater run-off;
b) total suspended solids removal rates for "at source" and communal stormwater treatment devices;
c) erosion protection and flow dissipation measures within or downstream of stormwater overland flow paths and stormwater reticulation outlets;
d) a stream margin restoration plan and riparian planting;
e) consent notices relating to the use of inert exterior building materials and on-site rain tanks on individual lots post-subdivision.

[040] Regarding matter (a) raised by Ms Marshall, (extended detention), both Ms Liao (as discussed in section 5.3 of this Recommendation Report) and Mr Worth[25] (for BOPRC) agreed that that the unmitigated release of peak flows from larger events (i.e. 10yr and 100yr events) would not result in an increase in downstream

[17] Primarily new Controlled Activity 12B.3.1.20 and new Matters of Control 12B.3.2.13.
[18] Legal Submissions on Behalf of the Bay Of Plenty Regional Council Toi Moana, Dated 15 August 2024.
[19] Environmental Scientist and Director at Puhoi Stour Limited.
[20] Principal Environmental Engineer at CKL NZ Ltd.
[21] Director of Koru Environmental Consultants Ltd.
[22] BOPRC Planner.
[23] Ms Liao's Table 2 reproduced Table 9 of the ISMP.
[24] Namly items 6, 9, 10, 11 and 12 of "Appendix 12J.3 Schedule" that was included in the notified PPC 39 provisions.
[25] EIC Worth, paragraph 27.

flood hazards. They considered that Stormwater Standard 12B(c)(vi) requiring post development stormwater run-off rates to not exceed the pre-development run-off rates should not form part of PPC 39.

[041] Stormwater matters were discussed at length at the Hearing. As a result of post-Hearing conferencing between the Proponent and TCC and BOPRC representatives it was agreed that reference would be made to the ISMP in new controlled activity rule standard and term 12B.3.1.20(b) and (c). To provide flexibility at the time of subdivision the reference in clause (b) would be prefaced with the words "in general accordance with". I find that to be appropriate.

[042] It was also agreed that new controlled activity rule standard and term 12B.3.1.20(d) should provide for an exemption from clause (c)(vi) of Appendix 12B: Performance Standard, Stormwater. I find that to be appropriate because doing so has a sound technical rationale, as set out in the evidence of Ms Liao and Mr Worth.

[043] I find on the evidence that stormwater management effects do not weigh against approving PPC 39.

[044] In that regard I observe that, as stated by Mr Banks, a further assessment of stormwater and flooding effects will be considered by BOPRC when the developer seeks relevant consents for earthworks and stormwater discharges under the Regional Natural Resources Plan, and (if applicable) the National Environmental Standard for Freshwater.

5.4 Geotechnical

[045] It is necessary to consider whether the Site can be developed in a manner that ensures the resultant lots (and any associated roading and stormwater infrastructure) will not be at risk from geotechnical natural hazards.

[046] Geotechnical matters were addressed for the Proponent by Robert Taylor[26]. He advised that the main geotechnical hazards included liquefaction, settlement and slope stability. However, the deep groundwater table and presence of stiff volcanic ash soils across the Site suggested the risk of liquefaction and settlement was low. Slope stability analyses had demonstrated that the proposed slope gradients and minimum 10m setback of the stormwater treatment and extended detention feature from the existing western escarpment were adequate and meet the stability requirements set out in the NZ Building Code.

[047] Mr Taylor concluded that the Site's geotechnical hazards were either low or could be adequately mitigated such that the risk to the site and surrounding areas would be low.

[048] I heard no evidence to the contrary and so I find geotechnical matters do not weigh against approving PPC 39.

5.5 Landscape, visual effects and reserves

[049] It is axiomatic that a change of land use from pastoral rural to urban residential will have effects on landscape character and visual amenity that some people (including some of the submitters) might consider to be adverse. However, given that I have already found that the residential development of the Site is signaled in, and supported by, the higher-level strategic documents, the approach I have taken is to assess whether those effects will be mitigated to the extent practicable.

[050] Landscape and visual effects matters were addressed for the Proponent by Rebecca Ryder[27]. She advised:

- the landscape and natural character effects were of a moderate-low adverse degree and the Greenbelt Zone and open space areas would provide for a transition to the adjoining Rural zones;
- there were no identified natural character areas and no Outstanding Natural Features or Landscapes within the Site;
- the areas of MDRZ have been appropriately set back from the sensitive cultural features[28] of the Site, which in turn provides a degree of protection to the natural landform features that underpin important

[26] Principal Geotechnical Engineer at CMW Geosciences.
[27] Landscape Architect and Partner, of the firm Boffa Miskell Limited.
[28] There are a number of archaeological sites that relate to terrace/pit/midden/oven, rua and pa sites within the Site boundary. Importantly the Ōhauiti Pa will remain intact, a matter of concern to some submitters including Andrew and Michael Shaw.

cultural features. The key landform features of the Site (including the gully network and West Block ridgeline and slopes) will remain intact and provide natural 'boundaries' to the urban land use;

- regarding loss of views (including rural outlook) the development of the Site would minimise and suitably buffer existing views and retain a rural outlook. In particular, the existing Greenbelt Zone would be retained across a modified and enlarged area, extending across the sensitive areas of the Site and ensuring a lower density development integrated into the natural landform, with residential housing integrated into the landscape;
- due to the topography of the Site and the preliminary earthworks, the proposed development would be unlikely to impede private views of Mauao[29], although planting of boundaries on the West Block and open space areas could require consideration of views;
- regarding the nearby (proximate) viewing audience, the reserve buffer areas, retention of open space, integration of Greenbelt Zone and the inclusion of walkways throughout the Site would create a high degree of visual amenity at the proposed rural - urban interface; and
- the nature of effect for the wider viewing audience was, whilst visible, of a low to very low adverse degree, because the proposed land use change remains consistent with the residential development patterns of the local area and retains key landform features within the open space areas.

[051] Mr Banks did not express any concerns with Ms Ryder's assessment. None of the submitters who voiced concerns about landscape character or visual amenity chose to appear at the Hearing.

[052] However, Mr Banks considered that the design and delivery of open space, including establishing the type of reserve (based on providing a variety of open space experience to the community) should be worked through as part of assessing a proposed scheme plan at the time of subdivision. That assessment would include consideration of TCC's Open Space Level of Service Policy and the Reserves Act 1977.

[053] In response Ms Ryder noted she had relied on the provision and specific placement of open space (reserve) areas, as compared to privately owned Greenbelt areas, as a means of managing the effects of built form. Having those areas remain open space, devoid of buildings and with protection of the landform to the extent shown in the Proponent's Outline Development (ODP) Plan B, was important to mitigating adverse landscape effects. Ms Ryder observed that the method proposed by Mr Banks, by applying standard and term 12B.3.1.19(f), did not ensure the recommended reserve areas would be retained as open space. Doing so was an important means of managing landscape effects at the edges of the proposed new urban area. For example, a dwelling could be established within the Greenbelt Zone as a permitted activity.

[054] In response to Ms Ryder's concerns, Ms Gardiner suggested that the reserves formed a type of infrastructure on the Site and she recommended an additional item within Appendix 12J.1[30] and Appendix 12J.5, being an 'Indicative Reserves Infrastructure Plan'. I find that approach to be appropriate in principle for the reasons outlined by Ms Ryder. Her recommended Appendix 12J.5 also shows indicative walkways[31] with the reserve areas, which was a matter of interest to some submitters[32].

[055] This matter was discussed at the Hearing. The post-Hearing conferencing resulted in agreement that the PPC 39 provisions should refer to Ms Ryder's reserve areas in new Controlled Activity rule 12B.3.1.9(c) as 'open space' to be delivered in accordance with an 'Open Space Requirement Schedule' in Appendix 12J.1. Ms Ryder's plan of the Proponent's proposed reserve areas would be recast as Appendix 12J.5 titled 'Indicative Open Space Plan'.

[056] I find that to be appropriate.

[057] In overall terms I am satisfied that potential adverse effects on landscape character and visual amenity have been mitigated to the extent practicable. Consequently, those matters do not weigh against approving PPC 39.

[29] This was a concern for some submitters including Susan O'Neill.
[30] As a new clause 5.
[31] Walkways were also shown on the Urban Growth Plan (UG12) that was recommended for inclusion as part of the Section 42A Report.
[32] Including Shane Valois.

5.6 Gas Pipeline

[058] As noted in section 3 of this Recommendation Report, there is an existing gas transmission pipeline on the West and East Blocks within a 12 m wide easement. On the West Block, it extends along the northern boundary and crosses Upper Ōhauiti Road to connect at the northern edge of the East Block.

[059] The pipeline will be realigned in the West Block but not in the East Block.

[060] Ms Gardiner explained that the Proponent had engaged with First Gas regarding its submission and as a result of those discussions First Gas had agreed with suggested wording for PPC 39. That wording referred to a 16 m wide reserve within which the people line would be located, a "Gas Pipeline Buffer Area" immediately adjacent to the walkway reserves on both Blocks where the gas transmission pipeline is located, and a new standard and term for residential subdivision requiring a consent notice to be imposed on all new record of titles within the "Gas Pipeline Buffer Area".

[061] Ms Gardiner recommended a new controlled activity standard and term for inclusion in 12B.3.1.19. Mr Banks recommended some refinements of that wording which were acceptable to Ms Gardiner. I find that wording to be appropriate and it now forms clause (h) in recommended new Controlled Activity rule 12B.3.1.19.

5.7 Consent Notices

[062] Ms Marshall recommended that the PPC 39 should have an explicit requirement for consent notices addressing stormwater management to be imposed at the time of subdivision. I observe that existing section 12B.3.2.8 of the City Plan deals with consent notices. It commences with the following wording (my emphasis):

> "Consent notices will be required where appropriate for, <u>but not limited to</u>, the following purposes: ..."

[063] In light of the agreed position to include a specific reference to the January 2024 ISMP in the PPC 39 provisions, coupled with the "but not limited to" wording in 12B.3.2.8, I find that future decision-makers will have ample scope to invoke consent notice requirements on the developer at the time of subdivision under s221 of the RMA for any relevant matter arising from the " stormwater management assessment" required under 12B.3.1.20(a) that needs "to be complied with on a continuing basis" (s221(1) of the RMA).

[064] I also agree with Mr Banks who advised that if the controlled activity standard and terms in 12B.3.2.13 are met, then any relevant matters can be addressed through the recommended matter of control 12B.3.2.13(d), including consent notices where appropriate to ensure ongoing compliance with conditions.

[065] I do not recommend any amendments relating to consent notices.

6 Statutory Instruments

[066] The Proponent's Section 32 Report provided an assessment of the relevant higher-order statutory instruments in its section 8.0 titled Planning Assessment. Ms Gardiner's evidence discussed the relevant national policy statements[33] and the RPS[34].

[067] I have read those assessments and I agree that PPC 39 is consistent with the applicable statutory planning instruments and policy documents[35], in particular Objective 6 and Policies 2 and 8 the National Policy Statement for Urban Development 2020 (**NPS-UD**) and the RPS.

[068] I find that residential growth in the Upper Ōhauiti area has been signalled and planned for in both statutory and non-statutory documents such as Smart Growth, the Urban Form and Transport Initiative, the RPS and in documented wider transportation network improvements. In terms of the NPS-UD, PPC 39 will provide much needed residential development capacity which will contribute to a well-functioning urban environment that is well connected along transport corridors.

[33] Importantly give the existing rural land use, the National Policy Statement for Highly Productive Land 2022 is not relevant because the Site does not contain soils defined as "high quality land" within the NPS.
[34] EIC Gardiner, paragraphs 93 to 106.
[35] Having regard to section 73(1) to 73(2A) of the RMA, in my view Ms Gardiner correctly identified the relevant instruments in her evidence.

[069] I find that this high-level policy support weighs strongly in favour of approving PPC 39.

[070] I find that recourse to Part 2 of the RMA is not required in this case as the national policy statements relevant to PPC 39 and the RPS are higher order documents that give effect to Part 2.

7 PPC 39 Provisions

[071] The planning witnesses for the Proponent, TCC and BOPRC recommended various iterations of what they considered to be suitable PPC 39 provisions, using the amended provisions recommended by Mr Banks in his Section 42A Report.

[072] As part of her Reply submissions Ms Hamm attached a revised suite of PPC 39 provisions. As I noted earlier, Ms Hamm submitted "*The parties are now in full agreement regarding the appropriateness of these provisions, and there are no matters of disagreement remaining*." I have reviewed the agreed provisions, and as indicated in sections 5.1 to 5.7 of this Recommendation Report, I find them to be appropriate.

[073] As a minor matter, I have replaced the word "shall" with the word "must" to reflect contemporary drafting conventions.

[074] The recommended PPC 39 provisions are contained in Appendix 1 of this Recommendation Report.

8 Section 32AA Assessments

[075] A detailed section 32 analysis was provided in Appendix 3 to the Request for Private Plan Change dated January 2024.

[076] Section 32AA Assessments were set out in in Appendix 3 of the Section 42A Report and Attachment 2 to the 6 November 2024 evidence of Anna Gardiner. Ms Gardiner's section 32AA assessment was updated and attached to Ms Hamm's Reply submissions and was titled "Updated Section 32AA Evaluation Report Post Hearing and Caucusing". The updated s32AA assessment specifically addressed the new restricted discretionary rule relating to development of the West Block based on an updated Integrated Transport Assessment.

[077] I adopt those s32AA assessments and find they fully address the amendments to the notified PPC 39 provisions that are now attached as Appendix 1 to this Recommendation Report.

9 Recommendations

[078] Pursuant to the powers delegated to me by the Tauranga City Council under section 34A of the Resource Management Act 1991, I recommend that the Tauranga City Council:

- approves PPC 39 pursuant to clause 10 of Schedule 1 to the RMA;
- inserts into the City Plan the PPC 39 provisions that are set out in Appendix 1 to this Recommendation Report;
- accepts, accepts in part or rejects the submissions and further submissions in accordance with Appendix 2 of this Recommendation Report; and
- adopts the Section 32AA assessments that were set out in Appendix 3 of the Section 42A Report and Appendix 2 of Ms Hamm's Reply submissions dated 22 November 2024.

Signed by the commissioner:

Rob van Voorthuysen
Independent Commissioner
Dated: 26 November 2024

Appendix 3: Hearing Attendances

Party	Name	Role
Proponent	Vanessa Hamm	Counsel
	Chris Rossiter	Transport
	Francois van Graan	Water and wastewater
	Mona Liao	Stormwater
	Rebecca Ryder	Landscape and visual amenity
	Robert Taylor[36]	Geotechnical
	Anna Gardiner	Planning
TCC	Simon Banks	Section 42A author
	Brad Bellamy	Section 42A co-author
	Craig Richards	BECA transport
	Waheed Ahmed	Transport
BOPRC	Rachel Boyte	Counsel
	Susan Ira	Stormwater expert
	Martin Neale	Ecology
	Zeb Worth	Flooding
	Nicole Marshall	Planning

[36] Robert Taylor was excused attendance as the Commissioner had no questions for him.

Tauranga City

rationale

Local Water Done Well

Future for Water Service Delivery

Indicative Business Case

Prepared by:	Prepared collaboratively between Tauranga City Council and Rationale Limited.
Prepared for:	Tauranga City Council
Date:	9 December 2024
Version:	Version 1
Status:	Presented to Council 9 December 2024

Disclaimer:

It is important to note that further due diligence is required post-consultation and prior to final decision. There will also be a role for any transitional CCO Board to continue due diligence and update and refine financial matters and risk assessments contained in this Indicative Business Case.

Financial information within this Indicative Business Case was based on best available information at a point in time, including the TCC LTP 2024-34. Key assumptions, where appropriate, were tested and informed by external expert advice.

Forward-Looking Statements: This document contains forward-looking statements, including statements regarding the Tauranga Water's future financial performance, plans, and objectives. These statements involve risks and uncertainties, and actual results may differ materially from those projected. No assurance can be given that these forward-looking statements will prove to be accurate.

Contents

01 Executive Summary

EXECUTIVE SUMMARY

Local Water Done Well presents Tauranga City Council with an opportunity to explore alternative water service delivery models. Changing the model for delivering water will bring additional benefits to our already high-performing waters service. It may also alleviate some of Council's funding and financing challenges that constrain investment in our fast-growing city.

This Indicative Business Case aims to assist the Council to develop a response to Government's Local Water Done Well policy. It recommends a preferred way forward – to establish a jointly owned Council-Controlled Organisation for three-waters. The ability to achieve mutually beneficial outcomes will be the priority consideration when selecting partner organisations, and over time, it is envisaged that this could grow to include multiple councils.

Water services in Tauranga City are currently owned, managed and delivered through Tauranga City Council (TCC). The purpose of this Indicative Business Case (IBC) is to explore alternative service delivery options (including costs, benefits, and risks) considering:

- Water, wastewater and stormwater service delivery.
- The future impact on council business.
- Financial sustainability.
- Affordability for our communities.

It recommends a **jointly owned three-waters Council Controlled Organisation (CCO) that is mutually beneficial for both partners and can grow to include multiple councils over time** as the preferred pathway forward. It is important to note that engagement with Iwi and Hapū and with our communities are critical next steps before any final decision can be made and implemented.

What is Local Water Done Well?

Local Water Done Well (LWDW) is the Coalition Government's plan to address New Zealand's longstanding water infrastructure challenges. It was announced as part of the Government's 100-day plan, replacing the former government's Three Waters Reform Programme. A key feature of LWDW is to provide councils with the flexibility to determine the optimal structure and delivery method for water services, including the establishment of new, financially separate water organisations.

Significant changes in the operating environment for water services is expected to occur over time in New Zealand through LWDW. Adoption of new service delivery models, new regulatory requirements, and new structural and financing tools are all part of the Government's LWDW policy.

Legislation is currently being progressed, and the third Bill is due to be introduced in early December 2024. Until that legislation is enacted there will be uncertainty over the specific provisions that apply to the delivery of water services, however, policy announcements highlight the following principles:

- Greater central government oversight, economic and quality regulation.
- Fit-for-purpose service delivery models and financing tools.
- A strong emphasis on meeting rules for water quality and investment in infrastructure.
- Ensuring water services are financially sustainable.

Under the LWDW framework, Council can continue delivering water services directly (such as through our in-house business unit) or can establish a new water organisation that is more financially and operationally independent of Council. New water organisations are intended to enable enhanced access to long-term borrowing for water infrastructure – supporting infrastructure development, while managing costs for consumers. To help with this, Local Government Funding Agency Limited (LGFA) has confirmed it will provide financing to support water CCOs established under LWDW at higher debt to revenue limits than applying to Councils and will assist high growth councils with additional financing. LWDW policy also intends to make it easier for councils who wish to enter joint arrangements to achieve cost savings, improve efficiency and affordability. There also is a strong expectation from Central Government that councils will work together regionally to establish joint water organisations[OBJ].

All councils will need to develop a Water Services Delivery Plan (WSDP) to publicly demonstrate the intention and commitment to deliver water services in ways that are financially sustainable, meet regulatory quality standards for water infrastructure and water quality, and unlock housing growth. This approach will provide transparency to communities in relation to costs and financing of water services.

Another feature of LWDW is that councils have a choice about separating stormwater services. Stormwater services can be retained in-house, while drinking water and wastewater services are provided through a water organisation.

Strategic Case – the case for changing future water service delivery

Key drivers for change in Tauranga differ from many councils across the country. With a high performing waters network[1], the need for change is strongly linked with growth, affordability, and certainty for the future for water service delivery for our communities. A current significant issue is that Council lacks investment capacity to continue to service a high-growth city. It faces ever-increasing funding and financing challenges, inhibiting the Council's ability to invest appropriately to maintain and provide for current and future communities – negatively impacting the functionality and liveability of the city.

As one of New Zealand's most indebted councils, with debt totalling $1.2 billion at the commencement of the LTP in 2024, key growth projects have been delayed, and funding limits are nearly being reached. Disproportionately high-cost water infrastructure contributes to the overall debt problem, with significant projects such as Waiāri water treatment facility and Te Maunga wastewater treatment plant being prioritised in the past to service a growing population.

[1] Council's water team and network perform very well in relation to New Zealand service providers, but by international standards it lags well behind the United Kingdom that has already undergone reform *(Water Industry Commission for Scotland, March 2022: What the DIA's Request for information tells an economic regulator about the prospects for charges in Tauranga City Council).*

In general, our water networks perform well – compliance is excellent, and a high proportion (over 99%) of our communities are connected to our water services. Looking ahead, our main challenges for water service delivery relate to growth, climate change, natural hazards and meeting future economic and environmental regulations. The future capital works programme along with the current high levels of water debt, has a significant impact on community water rates and charges. To manage the waters investment alongside other required council investment with water remaining in council meant that the projected cost of water services more than doubling in ten years.

What problems are we aiming to alleviate with LWDW?

Problem statements for both water service delivery and for the remaining organisation if a water organisation is formed have been identified, but the four overarching problem statements focus on core problems that inhibit Council achieving the desirable outcomes for our communities:

1	Constrained investment capacity, inhibiting the city's ability to grow and prosper, resulting in lost opportunities and declining liveability.
2	A growing investment programme leading to increases in rates and the cost of services, eroding community affordability.
3	Uncertain legislative & regulatory frameworks negatively impact business efficiency, flexibility, pace, and innovation.
4	Three-year electoral cycles & public pressure to limit rates, impedes long-term strategic and commercial decisions, diminishing intergenerational equity.

What benefits does the LWDW opportunity aim to achieve?

Overarching benefits that flow from the opportunity are identified below (these form investment objectives seen in Figures 3 and 4). The focus is on providing certainty for our growing city in an affordable way.

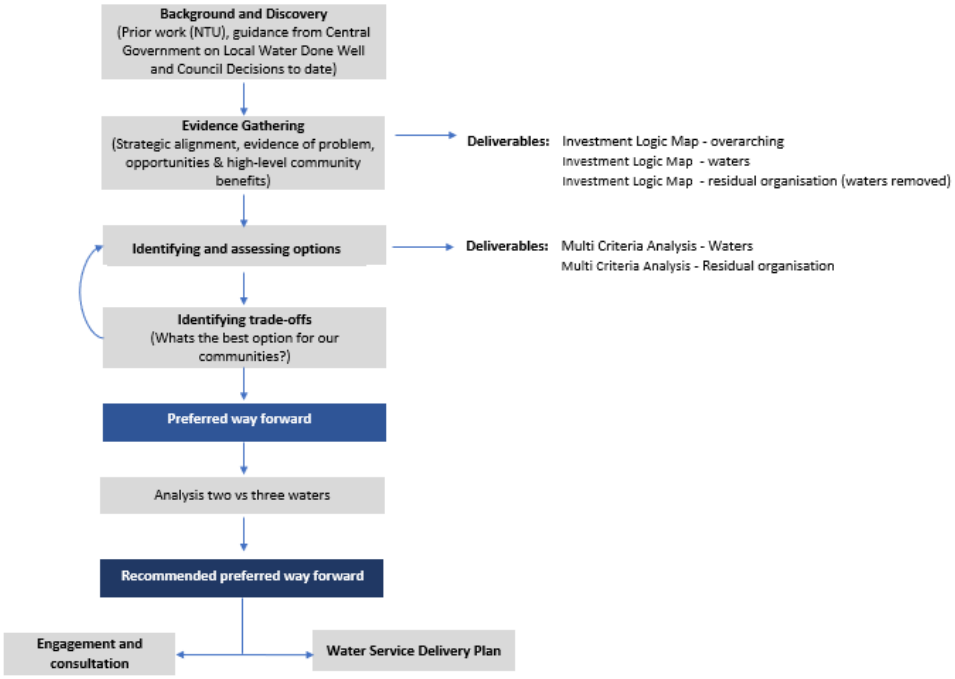
Enabling local and regional economic development 40%	Improved community affordability 30%	Efficiency and effectiveness 20%	Increased investment certainty and intergenerational equity 10%
This includes supporting the provision of more housing and business land for our growing population	This includes rates and water charges	If a new water organisation is established, it should be implemented in a way that leverages efficiency gains and minimises the impact on TCC	Finding the right balance between cost and benefits across generations.

Economic Case – rethinking how we deliver water services

Structured analysis has been undertaken to evaluate a range of options for the future of water service delivery. Analysis has been carried out from both a water services perspective and a remaining organisational perspective (if waters is transferred). Initial findings identify a preferred option with a Joint/multi-CCO providing the most benefits moving forward.

The process to identify the preferred approach is outlined in Figure 1.

Figure 1: The process to identify the preferred approach from both a water services and a remaining organisation perspective.



What options are available under LWDW?

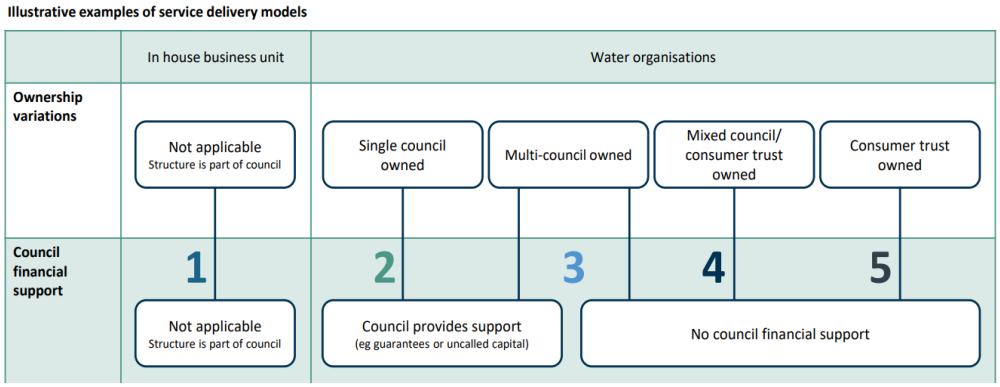
Five core options are available under LWDW (Figure 2) with differing ownership, governance, strategy, accountability and borrowing features. These were used as a base for option assessment with:

- An additional management CCO option (option 1A).
- Two sub-options under option 3:
  - Option 3 (jointly owned TCC + debt capacity council CCO); and
  - Option 3B (multi-council owned CCO = 3 + growth council).

A 'debt-capacity council' represents councils that have significant capacity before reaching Local Government Funding Agency's borrowing limits. In comparison, a growth council are those councils that are 'Tier 1 councils' as defined in the National Policy Statement on Urban Development. Growth councils are often characterised by high debt levels and balance sheet issues.

Options are represented on a spectrum of least ambitious (current delivery model) to most ambitious (consumer trust model involving three or more councils).

Figure 2: Department of Internal Affair's options under LWDW.



Approach to optioneering

Determining the optimal future service delivery model for our communities was investigated from two perspectives:

- Waters service delivery.
- Future remaining TCC (with waters transferred).

Multi-criteria analysis (MCA) was used to provide an indicative comparative assessment across options. MCA is a common method used to assess options to find the best mix of outcomes. It is a decision-making process that evaluates multiple conflicting criteria and is particularly useful when decisions involve complex trade-offs between different factors, such as costs, benefits and risks.

Optioneering was completed using both qualitative and quantitative information. The current Long-term Plan was used as a base for financial information. It is acknowledged that Council's financial situation has changed since then, but testing shows the overall direction and conclusions remain the same.

MCA findings – Water Service Delivery

A summary of MCA findings for water service delivery is provided in Figure 3. This MCA identifies Option 3 **'Joint TCC and debt-capacity Council CCO'** as the preferred option. Option 3 is modelled using Western Bay of Plenty District Council information[2]. It should be noted that, similar to TCC, the financial landscape for Western Bay of Plenty has changed since analysis was complete. Further due diligence will be required to establish the mutual benefits of partnering with Western Bay of Plenty District Council.

Option 2 'TCC Management CCO' and Option 3b 'TCC & debt capacity Council and additional growth council' rank second and third, indicating a move towards a CCO or joint delivery is preferable. It should be noted, however, that none of the options available offer a 'magic bullet' with all options being financially unsustainable under the Local Water Done Well framework.

[2] Western Bay of Plenty District Council financial information as supplied 2 September 2024.

Figure 3: Summary of MCA findings for Water Service Delivery[3].

		Option 1	Option 1a	Option 2	Option 3	Option 3b	Option 4	Option 5
		Current delivery model	TCC Management CCO	TCC Independent CCO	Joint TCC & debt capacity Council	Option 3a + growth Council	Mixed ownership/ consumer trust owned water organisation	Consumer Trust owned water organisation
Investment Objectives	Financial sustainability							
	Increased delivery							
	Efficiency & effectiveness							
	Workforce							
10 Year Expenditure per connection		$17,839	$17,474	$17,866	$18,543	$17,311	$19,505	$19,505
Risks								
Business Needs								
Results		26.9%	41.1%	69.6%	77.9%	70.4%	66.2%	66.2%
Ranking		7	6	3	1	2	4	4

MCA findings – Remaining TCC organisation (with waters transferred)

A summary of MCA findings for the remaining TCC organisation (with waters transferred) is provided in Figure 4.

The establishment of a new water entity does not clearly benefit the remaining organisation. The MCA ranks the 'current delivery model' as the preferred option with a 'Joint TCC and debt capacity Council CCO' ranking second.

All other options score poorly as they deliver less growth investment and are higher risk from a TCC perspective.

Comparing Option 1 (Status Quo) with Option 3 (TCC & debt capacity council CCO):

- **Financial Sustainability** – Option 3 has improved financial debt headroom (noting that the three waters debt would transfer from TCC to the new three waters CCO), and the ability to deliver more capital for both waters and non-waters investment based on TCC investments being able to increase by accessing debt capacity of another council should this capacity be available within the water's entity over time.
- **Cost to consumers** – both options have similar costs.
- **Affordability** – There is no change, revenue has been maintained.
- **Debt** – this remains high (refer Figure 5 that compares debt headroom pre and post debt retirement. Note this refers to the $300 million water debt retirement in the last 5 years of the LTP).
- **Delivery** - Option 3 can deliver more in terms of the capital programme.
- **Efficiency and effectiveness** – both are similar as TCC are anticipating efficiency losses in the short to medium term, while the organisations settle into new delivery models.

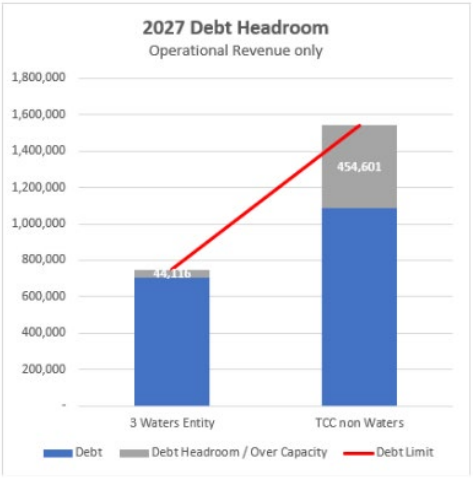
[3] Colour coding is used to summarise the assessment across different options. Red depicts unfavourable results, yellow mediocre results, and green represents favourable results.

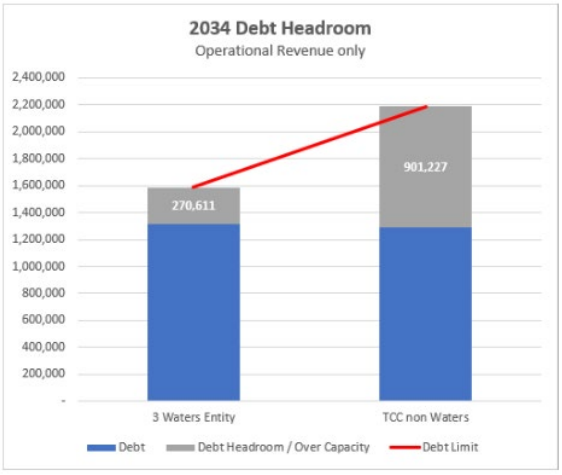
- **Risk and business needs** – Option 1 has less risk and is more aligned with business needs.

Figure 4: Summary of MCA findings for the remaining TCC organisation (with waters transferred).

		Option 1	Option 1a	Option 2	Option 3	Option 3b	Option 4	Option 5
		Current delivery model	TCC Management CCO	TCC Independent CCO	Joint TCC & debt capacity Council	Option 3a + growth Council	Mixed ownership/ consumer trust owned water organisation	Consumer Trust owned water organisation
Investment Objectives	Delivering growth							
	Cost of services							
	Efficiency & productivity							
	External relationships							
10 Year Total Cost All Services		$54,651	$54,378	$54,771	$55,474	$54,300	$56,494	$56,494
Risks								
Business Needs								
Results		77%	48%	40%	68%	26%	33%	33%
Ranking		1	3	4	2	7	5	5

Figure 5: Comparison of TCC's and the waters entity debt headroom in 2027 (pre-debt retirement) and 2034 (post debt-retirement) with debt limits.





The analysis above for TCC is based on 2024-34 Long-term Plan financial information. Since the LTP was adopted there have been several significant changes to TCC financials which mean that debt levels are much higher throughout the 10-year period and the level of debt headroom within the remaining Council (TCC non-waters) is significantly less than shown in the graphs above. However, there remains some availability of debt headroom.

Combining the MCA results

The two MCA's have produced conflicting results. However, both have identified Option 3 as a suitable option. The move towards a CCO model provides a pathway to improving financial sustainability and slight uplifts in the capacity to deliver more towards growth.

Option 1a, 4 and 5 score poorly and can be discounted from being meaningful options for the purpose of this Indicative Business Case.

Why there is no 'financially sustainable' option under LWDW

The financially sustainable definition used in analysis is set by LWDW policy. Specifically, it requires that there is enough revenue and investment capacity within the entity to fund all new capital required for both regulation and growth, as well as maintaining and renewing current city infrastructure.

For all options, financial sustainability for waters is challenged by the high level of future capital investment required. Future capital investment is needed to meet the level of growth required under the NPS-UD and to meet current understandings of regulatory requirements. This is particularly difficult when the waters activity already carries a large amount of debt relating to growth investment, such as the new Waiāri water supply and treatment facility costing approximately $300m over the next 30 years. CCO options provide a better overall access to debt at competitive prices through LGFA by providing a higher borrowing limit overall (500% on waters activities and 280-350% overall on other activities) without the council having to accommodate higher waters debt within its total borrowings.

Financial sustainability under LWDW also requires that there is adequate revenue able to be raised to pay the operating costs of the business, to meet borrowing requirements, and over time to repay debt to provide headroom for future investment. None of the options assessed above provide revenue sources other than those mentioned above, and therefore, the ability to charge enough to meet ongoing operating and borrowing requirements is limited to assumptions around affordability for users.

Can we realise the benefits that are key to the LWDW opportunity with a CCO option?

Four overarching benefits that flow from the proposal were identified as part of the ILM process. The focus is on providing certainty for our growing city in an affordable way. The following discusses the extent to which the following benefits will be realised if a decision is made to move to a CCO option.

 Enabling local and regional economic development 40%	**A CCO will enable more financial resources to deliver more capital works for growth**. Tauranga city faces a fundamental challenge in being able to fund and deliver the levels of infrastructure investment needed to support growth and development of the city. The Government's recent policy announcements requiring councils to provide zoned and serviced land able to accommodate 30 years of future growth further adds to this challenge. The opportunity of a CCO provides a slight uplift in local and regional economic development with improvements in debt capacity – enabling more growth projects to be delivered.
 Improved community affordability 30%	**A CCO does not make services more affordable for the community.** Water affordability is an important factor in deciding on the future of water service delivery. Based on international research (OFWAT), the affordability threshold used in this IBC is 3-4% of mean household disposable income. Average water charges are planned in the current LTP to more than double in the next 10 years from $2,000 in 2025 to $4,450 by 2034. This is deemed affordable as it tracks within the 3-4% affordability threshold. Customer charges remain much the same across options with a slight reduction in consumer charges for CCO options.
 Efficiency and effectiveness 20%	**A CCO will improve efficiency and effectiveness for waters** that will accumulate overtime. Martin Jenkin's (2024) analysis suggests that a CCO would be able to achieve modest efficiency gains (at least 1% per annum) rising from improved asset management, procurement, professional governance coupled with economic regulation, and a greater scope for innovation. **Some efficiency losses for TCC** are expected with the shifting of water service delivery to a new entity with stranded overhead costs estimated at $9.3 million (although much of this ($5m) may be recovered by TCC in the short to medium term through the provision of digital services to a CCO).
 Increased investment certainty & intergenerational equity 10%	**A CCO will have greater scrutiny from regulators, professional governors and shareholders, increasing investment certainty**. But capacity to deliver remains constrained placing more pressure on future generations as the infrastructure gap continues to widen. In comparison, the remaining TCC organisation has improved debt headroom and the ability to deliver more capital investment. Capital structure optimisation between TCC and a waters CCO and with other potential councils needs to be further considered.

Key risks associated with a CCO

There are risks associated with CCO options, but in general a water CCO is less likely to be prone to problems if it is set up appropriately and subject to regulation. The main risks identified[4] are:

- Governance failure – appointing board members who do not have the collective, competencies, skills and experience required.
- Ineffective scrutiny of performance / failure to act on performance issues – unclear expectations.
- Establishing an entity with a balance sheet that does not support the ongoing investment required.
- Lack of alignment of shareholder interests – multi-council CCOs with different priorities.
- Workforce – ability to attract and retain a high-quality management team.

Another key risk is the ability to find a suitable and agreeable 'debt-capacity' council.

Further considerations for establishing a CCO

If Council decides to progress with a CCO option, there are several issues that will need further consideration:

- **Transitional arrangements for both a new waters entity and the remaining organisation**

  There are several transitional arrangements that will need consideration if Council decides to move to a CCO. These relate to change management processes and addressing stranded costs between the CCO and the remaining organisation, as well as developing principles, characteristics, and methodologies for fair and equitable share allocation with others in a jointly owned CCO structure.

- **Future arrangements for stormwater management**

  How best to approach stormwater is an issue that Council will need to consider further following the release of Bill 3. Initial analysis suggests that keeping all three water services together has greater benefit and that most of the issues for either option can be addressed by relationship agreements confirming roles and responsibilities and service level agreements to manage performance, services and any contractual arrangements.

- **Alignment between Council and the CCO**

  Alignment between the Council and the CCO will need to be reached. This will be particularly important with respect to Iwi and Hapū relationships, urban growth planning, and consenting.

- **Shared arrangements with other councils**

  There is an opportunity for a CCO to establish and implement shared services with other councils that have a need for affordable access to the necessary expertise and services to meet current and future regulatory compliance, while providing alternative revenue streams to tackle debt.

[4] Martin Jenkins (2024)

- **Alternative revenue streams**

  The opportunity for CCOs to develop new or additional revenue arrangements that underpin their ability to incur increased investment (in infrastructure as well as business transformation) will increasingly be possible as they scale-up their in-house capability and leverage better technology. Some of these could be achieved within the current model and include:

  - Extending the provision of shared service arrangements (as described above).
  - Developing more comprehensive volumetric water and wastewater services pricing. using alternative stepped, seasonal, timed tariffs with smart metering.
  - Differential charging for commercial and industrial customers.

Recommendation and next steps

A CCO model offers the most beneficial structure, particularly one that can expand to take on other partners as the benefit case is established. It is recommended that the preferred way forward for the future of water service delivery is:

- The establishment of a three-water jointly owned Tauranga City Council and 'debt capacity council' CCO by 1 July 2026
- If no suitable 'debt capacity council' is ready to proceed with establishing a jointly owned CCO by 1 July 2026, then a Tauranga City Council independent CCO should be established with a view to moving to a joint or multiply owned CCO in the future.

It is also recommended that Council publicly consults on the:

- Current delivery model (status quo).
- Jointly owned three waters CCO with a 'debt capacity council', with the option to set up a stand-alone Tauranga City Council CCO that others can join later if no suitable debt capacity council is ready to proceed by 1 July 2026.

Next steps

The following next steps are critical before any final decision on the future water service delivery arrangements can be made:

- Engaging with Iwi and Hapū.
- Engaging with our communities.
- Developing the Water Services Delivery Plan.
- Continued discussions with other councils with the view to working together on future arrangements for water service delivery.
- Development of a set of principles and key conditions for any adjoining council along with due diligence to demonstrate a mutually beneficial arrangement can be reached.

02

Introduction

INTRODUCTION

Local Waters Done Well (LWDW) presents TCC with a significant opportunity to explore alternative water service delivery models. This indicative business case is intended to assist the Council to develop a response to LWDW and recommends a pathway forward.

Council lacks investment capacity to continue to service a high-growth city. It faces ever-increasing funding and financing challenges, which inhibits the Council from investing appropriately to maintain and provide for current and future communities – negatively impacting the functionality and liveability of the city and affecting the price of housing.

Council debt is approaching funding limits and as a result key growth projects have been delayed. Disproportionately high-cost water infrastructure contributes to the overall debt problem, with significant projects such as Waiāri water treatment facility and Te Maunga wastewater treatment plant being prioritised to service a growing population.

Government's Local Waters Done Well (LWDW) initiative presents an opportunity for councils to explore options that may provide positive outcomes for their communities and for water service delivery across the country. Currently, new legislation is being progressed with two bills being enacted and another progressing through parliament.

This Indicative Business Case (IBC) responds to the Government's LWDW initiative by exploring future options available for Tauranga City under the new framework. It takes a holistic approach with a scope that goes beyond water service delivery. It explores options from both a water service delivery perspective and a Tauranga City Council perspective.

It recommends a pathway forward that provides the best long-term outcomes. This IBC highlights the establishment of a jointly owned three-waters Tauranga City Council and debt capacity Council CCO as the preferred way forward.

It is important to note that engagement with Tauranga's Iwi and Hapū and consultation with the residents of Tauranga will need to occur before any final decision can be made and implemented.

Local Water Done Well – alternative water service delivery models

Local Water Done Well (LWDW) is the Coalition Government's plan to address New Zealand's longstanding water infrastructure challenges. The legislation framework is still in development with the final Bill anticipated in December 2024. A key feature of LWDW is to provide councils with the flexibility to determine the optimal structure and delivery method for their water services.

The LWDW initiative was announced as part of the Coalition Government's 100-day plan, replacing the former government's Water Services Reform Programme. It recognises the importance of local decision making and flexibility for communities and councils to determine how their water services will be delivered in the future. It aims to do this while ensuring a strong emphasis on meeting economic, environmental and water quality regulatory requirements.

Legislation is currently being progressed and the third piece of legislation is yet to be introduced. Until that legislation is enacted there will be uncertainty over the specific provisions that apply to the delivery of water services. Policy announcements have the following principles underpinning the Government's plan for the delivery of water services:

- Greater central government oversight, including economic and quality regulation.
- Fit-for-purpose service delivery models and financing tools.
- A strong emphasis on meeting rules for water quality and investment in infrastructure.
- Ensuring water services are financially sustainable.

This reform has significant implications and challenges for water service delivery. Councils across the country are needing to adapt to meet the new requirements.

A key feature of LWDW is to provide councils with the flexibility to determine the optimal structure and delivery method for their water services, including the establishment of new, financially separate water organisations. These new water organisations are intended to enable enhanced access to long-term borrowing for water infrastructure – supporting infrastructure development, while managing costs for consumers.

Councils can continue delivering water services directly (such as through in-house business units), however they can establish new water organisations that are more financially and operationally independent of councils. These models make it easier for councils to enter joint arrangements to achieve cost savings, improve efficiency and affordability, but do not obligate councils to do so.

Councils can design their own alternative delivery arrangements, if these meet minimum requirements set out in legislation (refer Legislative context section). Councils also have a choice about which water services are provided through different service delivery arrangements. For example, providing drinking water and wastewater services through a water organisation but retaining stormwater services in-house.

Future proofing Tauranga's water services

The purpose of this IBC is to explore alternative service delivery options considering water service delivery, impacts on the remaining organisation if waters is transferred, and benefits for our communities.

Water services in Tauranga city are currently owned, managed and delivered through Council. This IBC examines options for a future organisational model to deliver water services and addresses the operational considerations, challenges, costs and benefits to both water services, the residual organisation and the community.

Guiding this IBC are:

- Consideration of the future requirements of water service delivery, including new legislative requirements and intended policy requirements still to progress through parliament.
- A set of principles developed and agreed by Tauranga City Council Elected Members and Te Rangapū Mana Whenua o Tauranga Moana Partnership.

Upholding the principles agreed with Mana Whenua

Principles of the partnership between TCC Elected Members and Tangata Whenua members include that the partners:

- Recognise the Treaty of Waitangi as the founding document of Aotearoa NZ.
- Will work with respect, goodwill, honesty, trust, and integrity toward the other party and celebrate cultural diversity.
- Recognise that the relationship is a mutual two-way relationship and any changes of the agreement need to involve discussions and agreement between the partners.
- Recognise the need for Tauranga City Council to work within a legislative framework.
- Recognise the independence of each partner, including:
    - The tangata whenua representatives as a voice for the Māori communities.
    - Recognise the independence of Hapū and Iwi.
    - The Council as a democratic decision maker, responsible to the community as a whole.

Business Case approach

The IBC is broadly set out in alignment with Treasury's Better Business Case approach. It has been coordinated by Tauranga City Council and Rationale Ltd and as an indicative business case focuses on:

1. Strategic Case – is there a need for investment?
2. Economic Case – does the investment offer value for money?

This IBC has been coordinated by Tauranga City Council and Rationale. The project team included:

Christine Jones	General Manager Strategy, Growth and Governance.
Paul Davidson	Chief Financial Officer.
Nic Johansson	General Manager, Infrastructure.
Alastair McNeil	General Manager, Corporate Services.
Wally Potts	Director of City Waters.
Stephen Burton	Transformation Lead – Water Services.
Cathy Davidson	Manager Directorate Services (City Waters).
Jeremy Boase	Manager Strategy and Corporate Planning.
Kathryn Sharplin	Manager, Finance.
Edward Guy	Rationale, Managing Director (external).
Sarah Stewart	Principal Strategic Advisor.
Sumit Oza	Financial Analyst.

The project team was supported by the following external project advisors:

Ben Gonzalez	Rationale, Senior Analyst.
Lucy Riddle	Rationale, Senior Advisor.
Scott Priestley	Mafic, Partner.
Lorraine Kendrick	BECA, Business Director – Water.
Nick Davis	Martin Jenkins, Partner.

03 Strategic Case

STRATEGIC CASE – THE CASE FOR CHANGE

LWDW creates an opportunity for Council to explore future options for the delivery of water services that may help alleviate funding and financing challenges that constrain investment and housing in our fast-growing city.

Purpose of the strategic case

The purpose of the Strategic Case is to describe the strategic context and the case for change for the future of water service delivery in Tauranga. The strategic case:

- Provides an overview of the legislative framework.
- Outlines how the programme aligns with Council, subregional, and Government priorities.
- Outlines the current problems and opportunities that LWDW may address.
- Summarises the benefits for the preferred way forward.
- Presents the high-level benefits the opportunity anticipates achieving and potential risks, constraints, and dependencies.
- Identifies key organisations and their involvement.

Scope of the Indicative Business Case

The scope is overarching and considers both water service delivery and the impact on other council services, including elements relating to:

- Use of alternative structures to deliver water services for Tauranga City, including costs, community benefits and disbenefits, affordability, governance, and accountability.
- Impacts and implications for council services, the business, and the community for each alternative delivery structure considered.
- High level trade-offs identified between water services and the residual organisation.

Table 1 outlines what is in and out of scope for this IBC.

Table 1: Indicative business case scope.

In scope	Out of scope
• New bills and legislation (including bills in-progress and signalled imminent bills). • Structural options available under LWDW, including joint structures with neighbouring councils, other council services. • Impact on council services and the residual organisation. • Governance and accountability. • Establishment and ongoing costs. • Debt and investment capacity. • Community affordability. • Financial sustainability for water services. • Financial sustainability for council services. • Legal and tax implications.	• Freshwater reforms. • RMA reforms. • Water issues such as fluoridation. • Water service delivery plan. • Implementation plans – water services and residual council services. • Bay of Plenty Regional Council's flood protection and control assets.

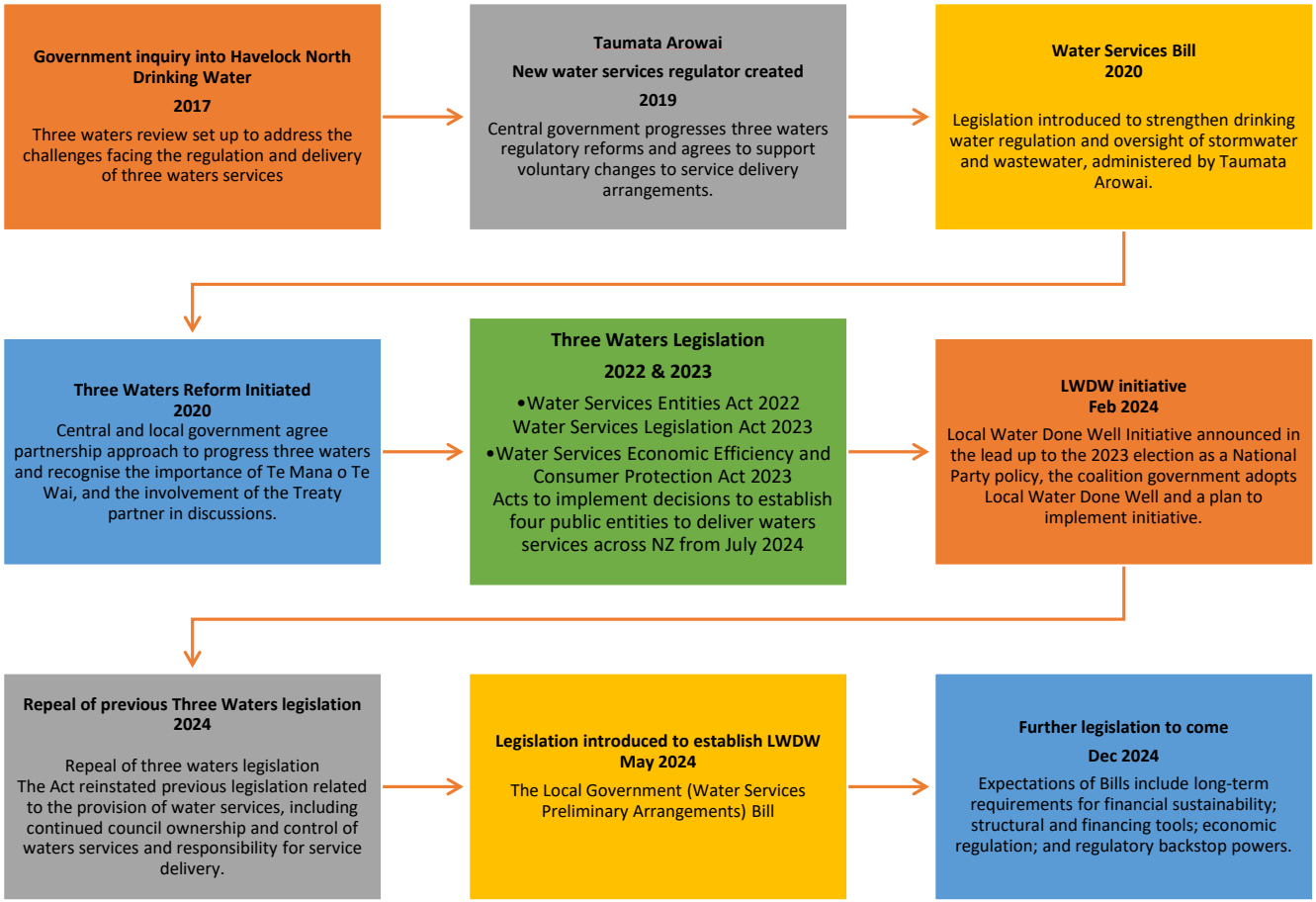
Background to water reform

New Zealand's water reform has arisen over the last couple of decades from issues relating to health, environment, the high cost of infrastructure and failing water networks. Issues are complex and there are many different drivers for change, including:

- New Zealand's ageing infrastructure and the challenges of maintaining and replacing ageing pipes and inadequate treatment plants (refer to Parliamentary Commissioner for the Environment's reports on Aging Pipes and Murky Waters (2000) and Beyond Ageing pipes (2001).
- Drinking water quality and the impacts on public health (Government inquiry into Havelock North's drinking water (2017) and Queenstown's cryptosporidium outbreak in December 2023).
- Inadequate water supplies in different communities and a lack of investment in drinking water capacity.
- The health of New Zealand's rivers, including the impact of farming and wastewater discharges.
- Te Ao Māori holistic perspectives that focus on mana, wairua and the health of our freshwater systems.
- Water system failures due to ageing infrastructure and natural disasters.
- Discharge consent failures in relation to wastewater plants.
- Lack of local government funding to respond to growth.

Although these drivers differ from council to council, there is general agreement that continuing with the current approach to manage waters in New Zealand is not an option. As such, the need for change was first progressed by the Labour Government with the Three Waters Reform. The current Coalition Government has now replaced this with Local Water Done Well. A timeline of key political decisions that relate to waters reform so far is presented below (refer Figure 6).

Figure 6: Timeline of key political decisions relating to waters reform.



Legislative context

Significant changes in the operating environment for water services is expected to occur over time in New Zealand through LWDW. Adoption of new service delivery models, new regulatory requirements, and new structural and financing tools are all part of the Government's LWDW policy.

Local government is currently responsible for the delivery of water services, including the provision of drinking water, treatment and disposal of wastewater and management of stormwater, through Part 7 of the Local Government Act 2002 (LGA). These three services are all critical to public health and the social, cultural, economic, and environmental well-being of our communities.

This delivery framework is about to change through LWDW. The Government is in the process of enabling alternative structures for the delivery of drinking water, wastewater, and stormwater services across New Zealand. It is also introducing economic regulation to ensure better central government oversight of the financial sustainability of water services across the country.

What is Local Water Done Well?

LWDW is the Coalition Government's plan to address New Zealand's longstanding water infrastructure challenges. It recognises the importance of local decision making and flexibility for communities and councils to determine how their water services will be delivered in the future. It aims to do this while ensuring a strong emphasis on meeting economic, environmental and water quality regulatory requirements.

LWDW is being implemented in three stages, each with its own piece of legislation:

1. The Water Services Acts Repeal Act (enacted in February 2024) repealed the previous Government's water services legislation and restored continued council ownership and control of water services.
2. The Local Government (Water Services Preliminary Arrangements) Act was enacted on 2 September 2024. This established the LWDW framework and the preliminary arrangements for the new water services system. Key areas are:
    - Requirements for councils to develop Water Services Delivery Plans within 12 months of enactment.
    - Requirements for councils to include in those plans baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements, as a first step towards future economic regulation (also refer to below section 'Water Service Delivery Plans').
    - Streamlined consultation and decision-making processes for setting up council-controlled organisations (CCOs) that deliver water services, and joint local government arrangements, both of which are currently provided for in the Local Government Act 2002.

- Interim changes to the Water Services Act 2021 that means Te Mana o te Wai[5] hierarchy of obligations in the National Policy Statement for Freshwater Management (NPS-FM) will not apply when Taumata Arowai[6] sets wastewater standards.

3. The proposed Local Government Water Services Bill is in development and is planned to be introduced to Parliament in December 2024. It will establish the enduring settings for the new water services system. Policy announcements in early August 2024 signalled changes to both the water services delivery system and to the water services regulatory system, as outlined in Table 2 below[7].

Table 2: Signalled changes to water services systems, August 2024.

	Key change proposed	Description of proposed change
New water services delivery system	New delivery models	An expanded range of water services delivery models to choose from, including individual, joint or multiply owned CCOs and/or consumer trusts. The intention is to provide flexibility to be financially independent from their council owners from a credit rating perspective. Councils may design their own alternative arrangements if they meet minimum requirements.
	Clear minimum requirements	Need to meet clear minimum requirements set out in legislation. This includes meeting regulatory standards, financial sustainability requirements such as ringfencing of water services, and restrictions against privatisation. There will be additional requirements for water organisations to ensure they are operated and governed effectively.
	Planning and accountability	New planning and accountability framework for water services, which is fit for purpose, and will help to improve transparency and accountability, and support an enhanced focus on water services.
	New financing options for councils	The New Zealand Local Government Funding Agency (LGFA) Limited has confirmed that it will provide financing to support water CCOs established under LWDW and look to assist high growth councils with additional financing up to a level equivalent to 500% of operating revenues.
	New mechanisms for the Minister of Local Government	Enhanced powers for the Minister to address issues with local government water services providers, for example, the ability to appoint Crown facilitator or water service commissioners.
New regulatory regime	New economic regulatory regime	The Commerce Commission will have a range of regulatory tools, (including mandatory information disclosure) to promote efficient practices and protections for consumers. The regime will ensure that revenue collected by local government water service providers through rates or water charges is being spent on the level of water infrastructure needed.
	Change in approach to Te Mana o te Wai	The Government is proposing to repeal the requirements in water services legislation that give effect to Te Mana o te Wai.

[5] Te Mana o te Wai refers to the vital importance of water. When managing freshwater, it ensures the health and well-being of the water is protected and human health needs are provided for before enabling other uses of water. It expresses the special connection all New Zealanders have with freshwater.
[6] Taumata Arowai is the water services regulator for New Zealand.
[7] For more detail, go to https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/Water-services-delivery-models-Guidance-for-local-authorities-(August-2024).002.pdf

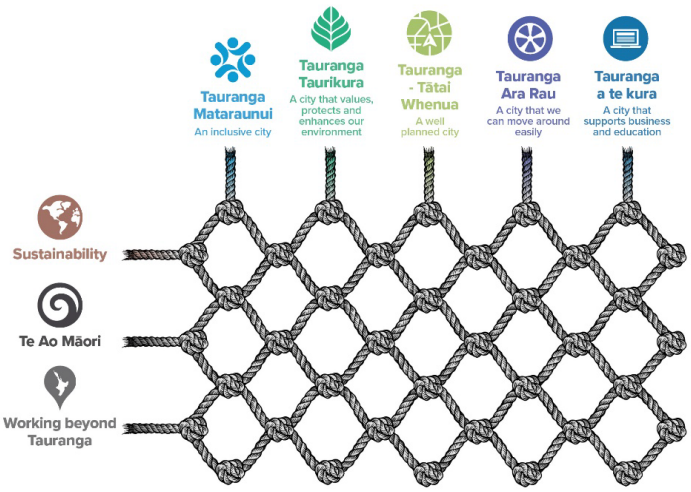
Refer to the LWDW Implementation Roadmap in Appendix One for an overview of key milestones for the implementation of LWDW.

Strategic context at Tauranga City Council – Our Direction

'Our Direction' is the Council's strategic framework, which shows how TCC contributes to the community's vision for Tauranga. Our Direction provides a clear line of sight between what Council is aiming to achieve and the pathway to delivery.

'Our Direction'[8] is visually represented in Figure 7 by the kupenga (a type of fishing net). This demonstrates the weaving together of Council's five community outcomes (what we are trying to achieve for our communities) and three approaches (how we will do everything). The social, cultural, environmental, and economic wellbeing of our communities rely on adequate, reliable and resilient water networks. Water services are therefore key contributors to the community outcomes that TCC strives to achieve.

Figure 7: Our Direction - Council's strategic framework.



Flowing from the community outcomes are strategies and action and investment plans that set out how Council plans to contribute to these. Of most relevance are the Infrastructure Strategy, Financial Strategy, Tauranga Taurikura (Environment Strategy) and the SmartGrowth Strategy. Relevant objectives from these strategies are set out below.

[8] https://www.tauranga.govt.nz/our-future/our-direction

Water sensitive city	Homes for everyone	Climate resilient city
•This encompasses the principles of providing a healthy natural environment for water, a range of quality sources and ways to use it and having a community which have the knowledge and desire to make wise choices about water.	•Enabling and supportng suficient housing supply in existing and new urban areas throughout the western Bay of Plenty to meet current and future needs.	•Becoming a climate resilient city is of vital importance. Flooding and coastal erosion threaten our essential infrastructure, valuable ecosystems, and the safety of our communities.

The three strategic approaches also need consideration. In relation to LWDW, the elements to consider in any future water model are outlined below.

Te Ao Māori	**We are committed to understanding and applying key Māori concepts that enhance outcomes for the community, thereby bringing to life the principles of Te Tiriti o Waitangi.** In Te Ao Māori - the Māori worldview – humans are connected physically and spiritually to land, water, air and forests. People are an integral part of ecosystems, and ecosystems are an essential part of heritage and genealogy (whakapapa). For Māori, talking about the well-being of waterbodies also means talking about the well-being of people. Under LWDW, the use of a more independent entity to manage water may have an impact on the ability of Māori to contribute to decision making, potentially impacting on tangata whenua's significant relationship with water.
Sustainability	**Sustainability underpins our decision making and service delivery, protecting the future of our city**. "Kaitiaki for a better tomorrow" is the overall aim of the sustainability approach at Council. There are three strategic priorities delivering equitable outcomes, building climate resilience, and reducing TCC's emissions. The built environment, including water networks, play a crucial role in the resilience of our city. Water infrastructure is a long-term investment and the infrastructure built today may still be operating 100 years from now. Any future service delivery model needs to consider sustainability to be of upmost importance.
Working beyond Tauranga	**We recognise we are an integral part of the wider Bay of Plenty region and upper North Island – Tauranga is a well-connected city having a key role in making a significant contribution to the social, economic, cultural, and environmental well-being of the region.** This approach highlights the need to work effectively with our partners, regionally and nationally; including considering how the services we deliver connect with the wider region. LWDW enables the creation of new water service delivery models with other councils. We will therefore consider how we contribute to the success of our neighbours and wider New Zealand, ensuing that decisions result in sustainable outcomes both within and beyond our borders. Discussions with other councils, including our neighbouring Western Bay of Plenty District Council are ongoing, in relation to the ability to create a jointly owned water organisation in either the short or medium term.

Refer Appendix Two for more detail on how the delivery of three waters is integral to achieving the goals within relevant Council's strategies and action and investment plans.

Financial context at Tauranga City Council

TCC is one of New Zealand's most indebted councils with total debt of $1.2b at the commencement of the LTP in 2024 (Figure 8). TCC's relatively high level of borrowing has been undertaken to build infrastructure to cater for rapid population growth. Infrastructure has been prioritised for new roads and three waters to enable more housing. The ability for Council to service its high level of debt is dependent on its revenue level. The debt to revenue ratio indicates revenue coverage and is currently limited to below 280% debt to revenue ratio across all council borrowing. Waters revenue under a waters CCO set up under LWDW would be able to access borrowing from LGFA at 500% debt to revenue ratio. This level of borrowing is similar to that planned for the waters' activities within council in the Long-Term Plan. However, if borrowed within the CCO structure it would free up borrowing capacity for the rest of Council which is more heavily constrained at present.

The LTP includes a capital programme of $4.9b over the ten years and an increase in council borrowing to $2.6b by 2034. Based on revenue assumptions in the LTP, the debt to revenue ratio moves close to council's borrowing limits which overall are at 280% from year 2 of the LTP, using Local Government Funding Agency (LGFA) foundation policies as the basis for calculation.

Figure 8: Tauranga City Council financial snapshot[9].

capital investment programme over 10 years	total debt 2024	total operating revenue 2024	total operating expenditure 2024
$4.9b	$1.2b	$395.5m	$447.1m

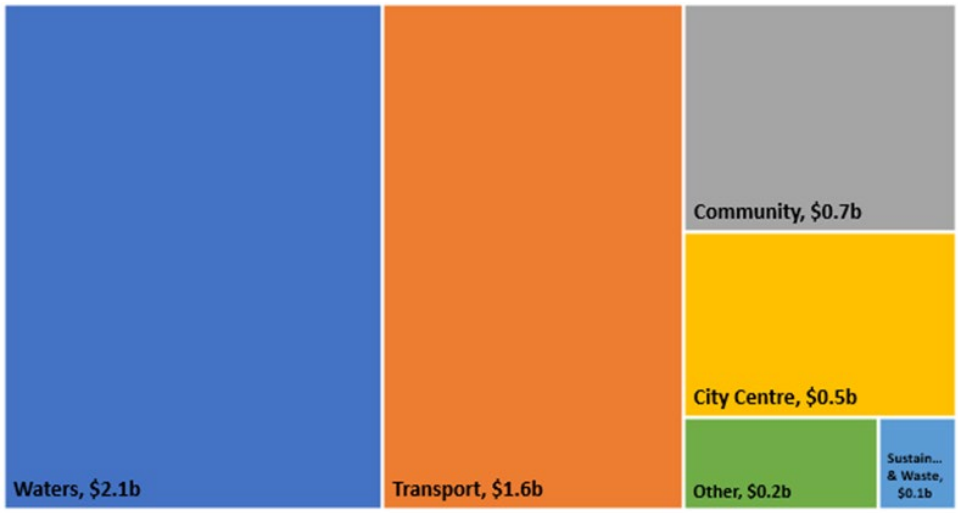
The priority areas for capital investment proposed in the 2024-34 LTP are a continuation of priorities established in the previous LTP 2021-31:

- Revitalising the city centre.
- Growth in the west (Tauriko).
- Growth in existing zoned areas (including intensification in Te Papa/city centre).
- Community facilities and amenity.
- Transport network upgrades.
- Water network upgrades and investment in Te Maunga wastewater upgrades.
- Sustainability and resilience.

The LTP identifies a large capital programme of $4.9b to be delivered over the ten years to meet planned infrastructure investment for the city and to continue to provide for growth pressures. An additional $284m operational projects of a capital nature were also included. Figure 9 summarises the expenditure proposed by priority[10]. Capital investment in water services is a significant part of the overall planned investment accounting for $2 billion of the $4.9 billion over ten years.

[9] LTP 2024-34
[10] LTP 2024-34

Figure 9: LTP capital programme 10 years ($4.9 billion)[11].



A changing financial landscape

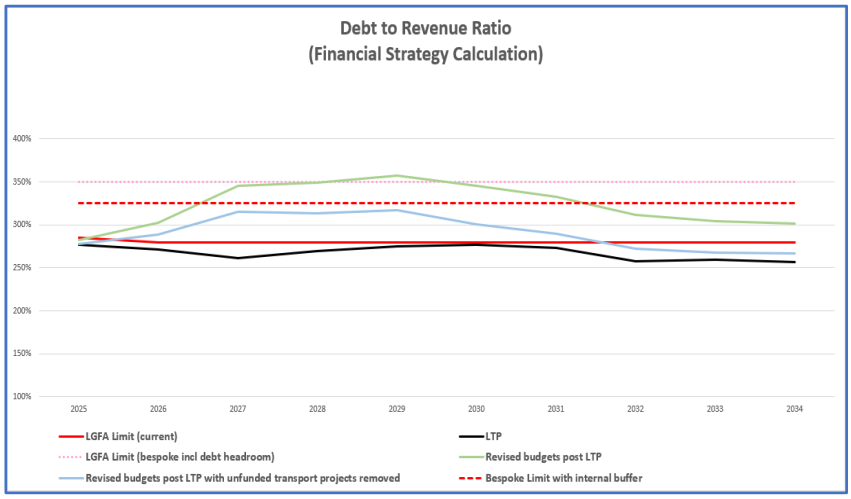
Since adoption of the LTP, there have been changes in the financial assumptions that were included in the LTP, bringing more debt onto council's balance sheet (refer to Council report[12]). Key events leading to these changes are:

- A decision to use LGFA financing rather than IFF to fund Te Manawataki o Te Papa means that $151.5m of funding comes back onto the balance sheet as ratepayer funded borrowing.
- A decision of NZTA to decline funding of Cameron Road Stage 2 removes $104m of NZTA revenue and puts at risk a further $56m of Infrastructure Acceleration Fund (IAF) revenue.
- The latest National Land Transport Programme (NLTP) decisions result in other subsidy revenue being removed from capital projects. In total approximately $35m of assumed capital subsidy for LCLR and other transport projects has been removed from the first three years of the LTP and the subsidy for the Turret Road bridge is $33m less than assumed in the LTP.

The debt to revenue ratio is significantly affected by the increased debt and loss of capital revenues identified in the above list. Figure 10 shows incrementally the impact of the funding, financing and capital budget changes outlined above. The graph draws on latest project budgets and forecasts since the LTP was set, and includes the loss of NLTP funding. It illustrates that the borrowing limit could be breached unless action is undertaken to reduce capital expenditure and borrowing. At this stage the model is based on high level changes and as the annual plan process is worked through this information will be fully modelled in the corporate planning system.

[11] Tauranga City Council. Long-term Plan 2024-34, p 270.
[12] Update on Long-term Plan High Level Financials – Council report, 16 September 2024

Figure 10: Revised LTP debt to revenue ratio and LGFA limits.



Given the changing financial landscape, it should be noted that LTP base figures have been used for the purpose of analysis in this Indicative Business Case, rather than updated post LTP financials. In terms of outcomes, this does not materially change the overall conclusions. In the updated financials, however, there is reduced available capital capacity within the core council operations to support the waters entity through capital structure.

TCC's current credit rating from Standard and Poors (S&P) is A+ but on negative watch. Compared to non-government agencies A+ is a strong rating enabling Council to access competitive interest rates for its borrowing. There is strong downside risk to Council's credit rating as local government debt increases to meet responsibilities to deliver more infrastructure, including in three waters and to support new housing. Council can continue to borrow from LGFA if it maintains a credit rating. However, the level and terms of borrowing are likely to be affected by a growing debt burden if not adequately supported by increasing revenue.

Financial context – water service delivery

Council's significant funding and financing challenges also inhibits investment in the water's activity.

The following series of graphs (Figures 11 -14) illustrate the financial context for three waters based on the current LTP. Key points to note over the next ten-years are:

- The significant growth programme planned totalling $1 billion.
- The substantial funding gap for projects amounting to about $270 million in the LTP.
- The high waters debt that constrains other council activities, nearly reaching limits in years 2027-2029.
- Surpluses from year 2028 onwards are planned to be used to retire waters debt.

- Water rates and charges are pushed high (approximately 10% per annum, year on year for the next 10 years) to retire waters debt, rising to approximately 2.25% of mean household income by 2034.

The impact of this is a substantial difference between the LTP constrained and unconstrained waters budget, estimated at over $400 million over the ten-year LTP period. Some of this difference is attributable to the deferral of growth projects to outside the ten-year planning horizon. Water infrastructure is lead infrastructure for these growth projects. However, Council may not have sufficient debt capacity to deliver these growth areas earlier even if the waters component could be advanced.

A further change since the LTP has been the deferral of significant roading projects because of loss of NZTA funding. As a result of these changes, e.g., deferral of Cameron Road Stage 2, some waters infrastructure is not required in the timeframes included in the LTP. The key areas where water projects have been reduced or deferred in the LTP include (refer Appendix Four for further detail):

- Stormwater treatment to enhance the environment.
- New Mount Maunganui reservoir for drinking water supply.
- Improvements to sludge treatment at Chapel Street.
- Water infrastructure to enable Te Tumu and Keenan Road growth areas.
- Stormwater management projects to allow for intensification.
- Infrastructure resilience projects.

Figure 11: Funding gap for three waters 10-year LTP budgets for growth, levels of service and renewals.

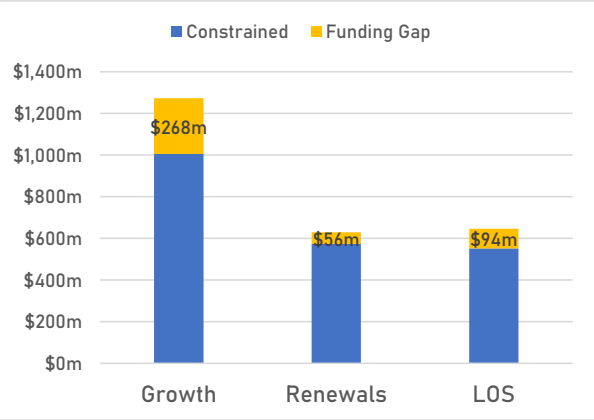


Figure 12: Waters debt to revenue ration and bespoke limits.

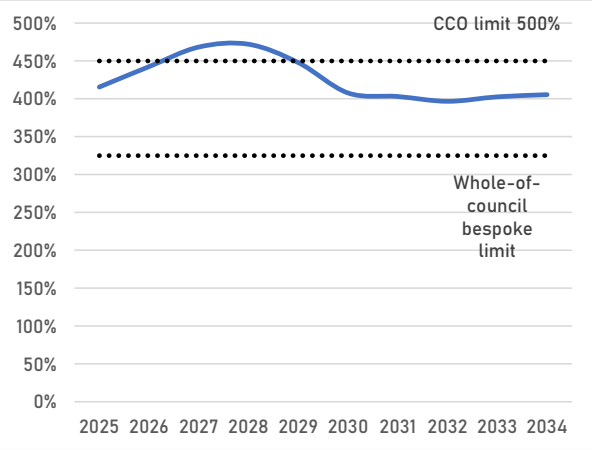


Figure 13: Waters operating surplus (revenue less operational expenditure including interest and depreciation.

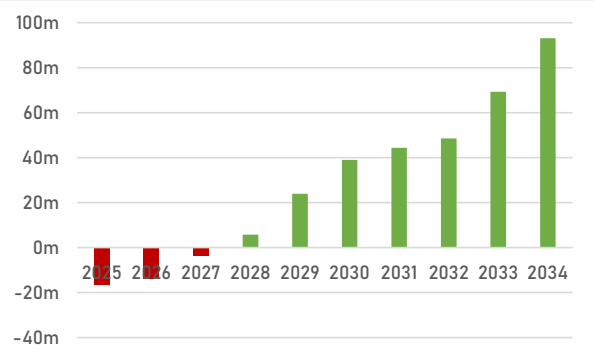
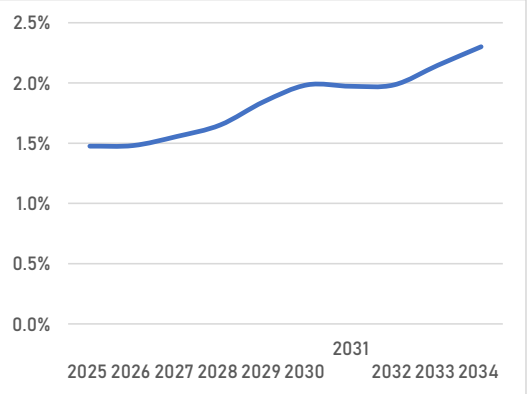


Figure 14: Revenue per mean household income.



Current and planned future water charges

TCC's Revenue and Financing Policy 2024[13] sets out how each activity group charges for their operational expenditure. Table 3 provides a summary across the current water activities.

Table 3: Summary of current charging method and median costs for water activities.

	Description of how TCC charges	Median costs	
		Residential household	Commercial and industrial
Stormwater	Stormwater is charged via general rates.	$294	commercial $692 industrial $522
Wastewater	Wastewater is charged through a targeted rate on a differential basis on each serviceable or connected rating unit[14]. For the 2024/25 year this rate is: • $719.12 per water closet or urinal on every connected rating unit. • $359.56 per separately used or inhabited part of a rating unit.	$719	$1438[15]
Water supply	Drinking water is charged volumetrically, the unit rate being the same for both residential and commercial (unit rate = $3.54m^3$). Plus a base charge based on meter size (typically $38.48 for a domestic 20mm meter)	$492	$2,451
TOTAL		**$1,505**	commercial **$4,581** industrial **$4,411**

Residential and commercial/industrial customers makeup 91% and 9% of the customer base respectively. It should be noted that commercial/industrial customers consume approximately five times more water than that of median residential customers and this is reflected in the median costs for water supply ($719 compared with $2,451). However, this is not the case for wastewater. Wastewater costs represent nearly half of water costs paid by a median residential household (Figure 15). If it is assumed that the amount of water used (water supply) would roughly equate to the amount disposed of (wastewater), residential customers pay proportionally higher than commercial/industrial customers that use five times more water but pay approximately twice the amount as a residential household for wastewater.

Costs to water users are forecast in the LTP to increase substantially over the next ten years for water supply, wastewater and stormwater delivery. On average, the cost to users will more than double during this timeframe, with a rise from approximately $2,000 in 2025 to $4,450 by 2034 (Figure 16).

[13] LTP 2024-34, Revenue and Financing Policy 2024: https://www.tauranga.govt.nz/Portals/0/data/council/long_term_plans/2024-34/files/06-policies.pdf
[14] A rating unit used primarily as a residence for one household is treated as having not more than one water closet.
[15] This assumes two toilets per business and does not include trade-waste charges paid by a small number of commercial customers.

Figure 15: Proportion of water charges for a median residential household.

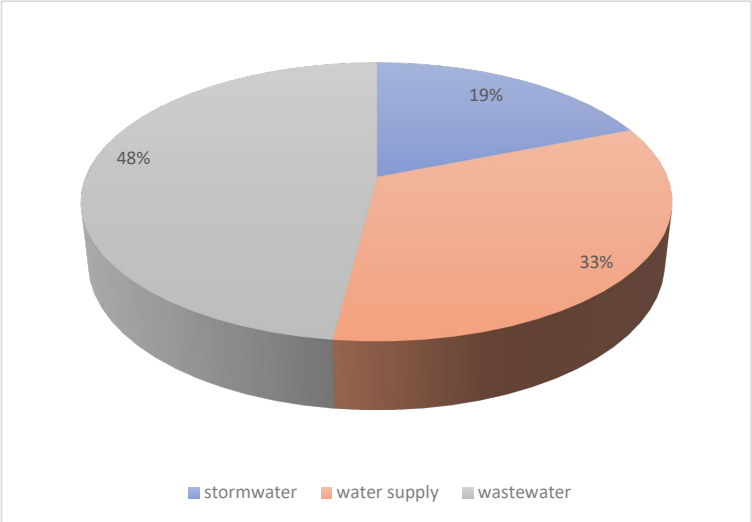
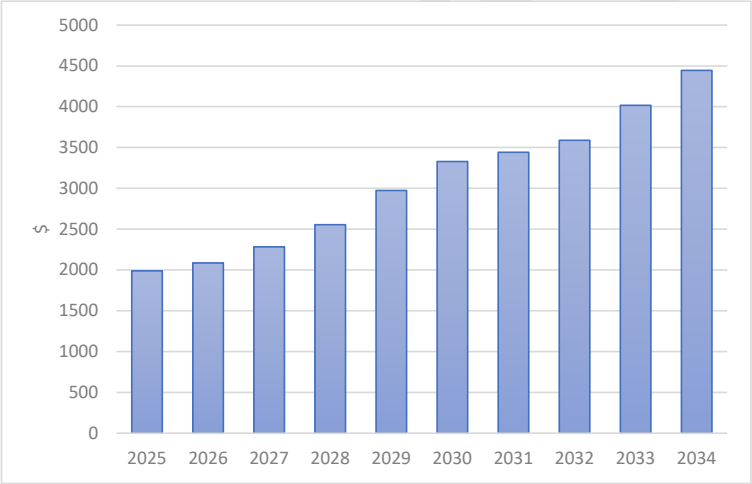


Figure 16: Projected average cost per connection for water service delivery 2025-34.



Waters at Tauranga City Council – a well-performing network

Our water networks generally perform well, compliance is excellent, and a high proportion of our communities are connected to our water services. Looking ahead, our main challenges for water service delivery relate to growth, climate change, natural hazards and meeting future economic and environmental regulations.

Council takes an integrated approach to managing its water services, focusing on the lifecycle of water and maximising its quality and related health and environmental outcomes, as it moves through Tauranga's waters systems. Water services include the water supply, wastewater, and stormwater networks:

Water services definitions

Water supply network means the infrastructure and processes that are used to provide a drinking water supply; or firefighting water supplies, if the supply is part of a drinking water supply; and are owned by, or operated by, for, or on behalf of a territorial authority, a council-controlled organisation, or a subsidiary of a council-controlled organisation.

Wastewater network means the infrastructure and processes that are used to collect, store, transmit through reticulation, treat, or discharge wastewater; and are owned by, or operated by, for, or on behalf of a territorial authority, a council-controlled organisation, or a subsidiary of a council-controlled organisation.

Stormwater network means the infrastructure and processes that are used to collect, treat, drain, reuse, or discharge stormwater in an urban area; and are owned by, or operated by, for, or on behalf of a territorial authority, a council-controlled organisation, or a subsidiary of a council-controlled organisation; and includes an overland flow path: green water services infrastructure that delivers stormwater services watercourses that are part of, or related to, the infrastructure described above.

Delivery of water services are effective and efficient given current constraints. Council's water team and network perform very well in relation to other New Zealand service providers. However, when comparing across international standards, Council lags well behind. For example, a comparison undertaken by the Water Industry Commission for Scotland in March 2022, established that there are still step changes that can be made to improve customer outcomes, as Council lags behind the United Kingdom that has already undergone reform[16].Council is committed to supplying water, a wastewater system and a stormwater and flood control system that is sustainable over the long-term and is resilient and affordable. As such, investment in waters has been at an appropriate level to maintain a well performing network that safeguards public health and the environment. The advances that Council has made in its management and delivery of water services over time have been the result of the successful implementation of previous plans and strategies. Additionally, Council is focused on ensuring these are managed in a culturally and environmentally appropriate manner.

[16] Water Industry Commission for Scotland (March 2022): What the DIA's Request for information tells an economic regulator about the prospects for charges in Tauranga City Council.

Overarching considerations (challenges and opportunities) that apply across water services are:

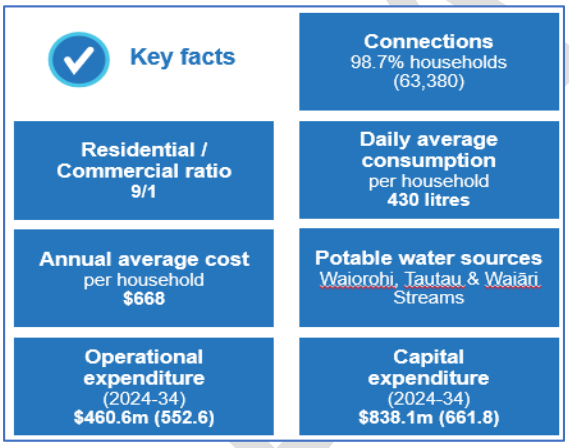
- **Climate change –** expected to bring further significant change in our weather patterns, sea level rise, and warmer temperatures.
- **Natural hazards** – potential for earthquakes, volcanic eruptions, tsunami, due to our geographic location.
- **Urban growth and infrastructure provision** – being able to accurately identify the rate and location of urban development in our fast-growing city, to enable us to support this with the infrastructure needed.
- **Regulatory compliance and legislative change** – particularly stormwater considerations under LWDW, resource management system reform, and freshwater management reform.

Water supply

Water supply infrastructure consists of water collection ('raw' water); water treatment (turning 'raw' water into 'drinking' water, which includes all water that comes out of taps); treated water storage; and treated water distribution.

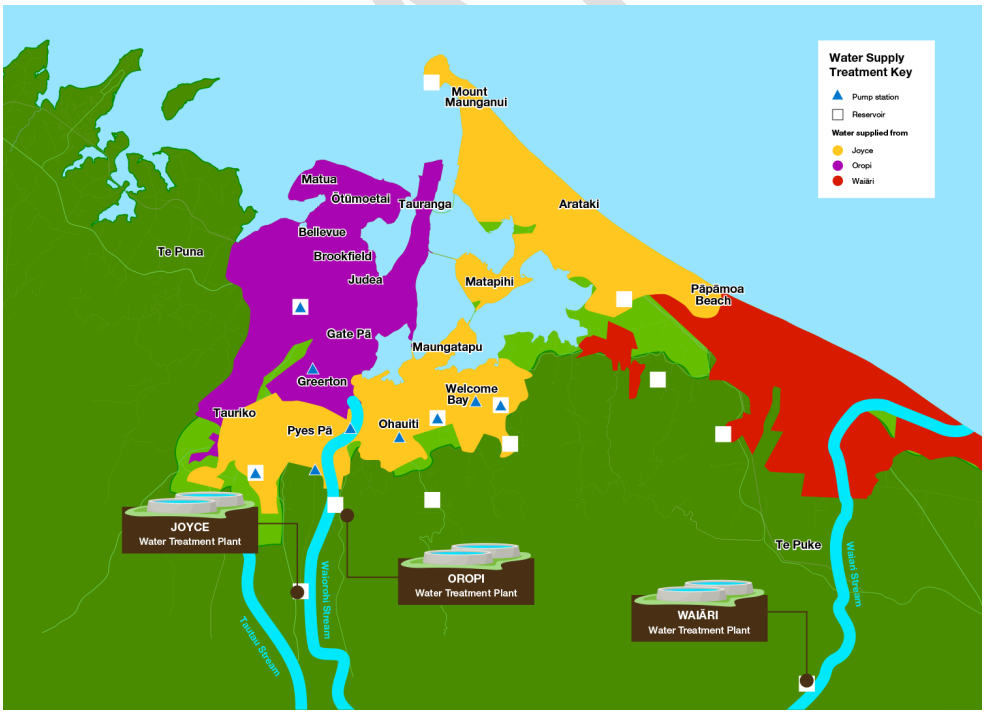
Replacement value of assets: **$814,000,000.**

Condition of assets: **90% fair, good, very good.**



Collection	Three raw water intake structures and pump stations, 1 raw water reservoir, 11 km of raw water pipes and various pumps.
Treatment	Three water treatment plants, five treated water reservoirs and various buildings. Microfiltration systems, deliver drinking water of a very high quality.
Storage, pumping, and system management	13 treated water reservoirs across the network, eight pump stations, 95 bulk meters and associated control valves.
Treated water distribution network	1,477 km of mains and service lines, hydrants (5,501), valves (12,330), water meters (domestic 58,601, Commercial & Industrial 4,451)
Resource consenting	Waiorohi and Tautau water take consents both expire October 2026. Waiāri water take consent expires 2044.
Performance and compliance	• Complies with Health Drinking Water Amendment Act 2012 • Compliance with resource consents is high. • Customer levels of service and performance measures are met.
Demand management	Fully metered water supply helps our communities understand the value of water helping us to manage demand (Te hinonga tiaki wai Tauranga - the Tauranga water conservation project).

Figure 17: Supply areas for drinking water services.



Challenges and considerations ahead

Level of demand needs to be understood and managed	To mitigate pressures of population growth and climate change, Tauranga has implemented an active, year-round approach to water management, in conjunction with other initiatives such as universal metering, large water user's policy, water conservation education and water loss minimisation. Rainwater harvesting and working with industry to optimise water use and reuse are also becoming focus areas for Council. Modelling levels and location of future demand are other key focus areas, to ensure availability of both infrastructure and supply.
Tangata Whenua considerations	Tangata whenua have a strong interest in the health of the freshwater streams that the city draws its water from, both in terms of residual streamflow and the impact of asset operations on the environment. The water take re-consenting project has a strategy and engagement plan which will incorporate input from Te Rangapū.
Security of supply is a significant issue for our growing city	The primary mechanism for ensuring the long-term availability of water is the consenting process, which allocates the amount of water available for abstraction. The taking of water is subject to three consents, two of which will expire on 1 October 2026 (Joyce Road Water Treatment Plant and Oropi Water Treatment Plan). Obtaining replacement consents is critical to ensure Tauranga's water supply can continue without disruption.
Renewal of aging infrastructure	Timely renewal of some assets that are experiencing early deterioration (e.g. Asbestos Cement (AC) mains, some uPVC pipes, reservoirs, backflow devices, meters) and upgrades at treatment plants are needed to keep our water network well maintained.

Wastewater

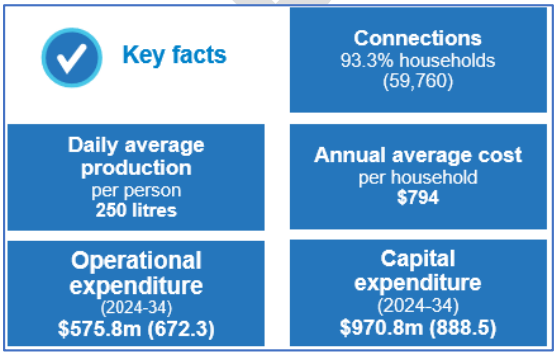
A network of infrastructure to manage sewage, protecting public health and the natural environment. Council treats its wastewater to a very high standard.

Replacement value of assets: $1,341,410,000.

Condition of assets: 88% fair, good or very good.

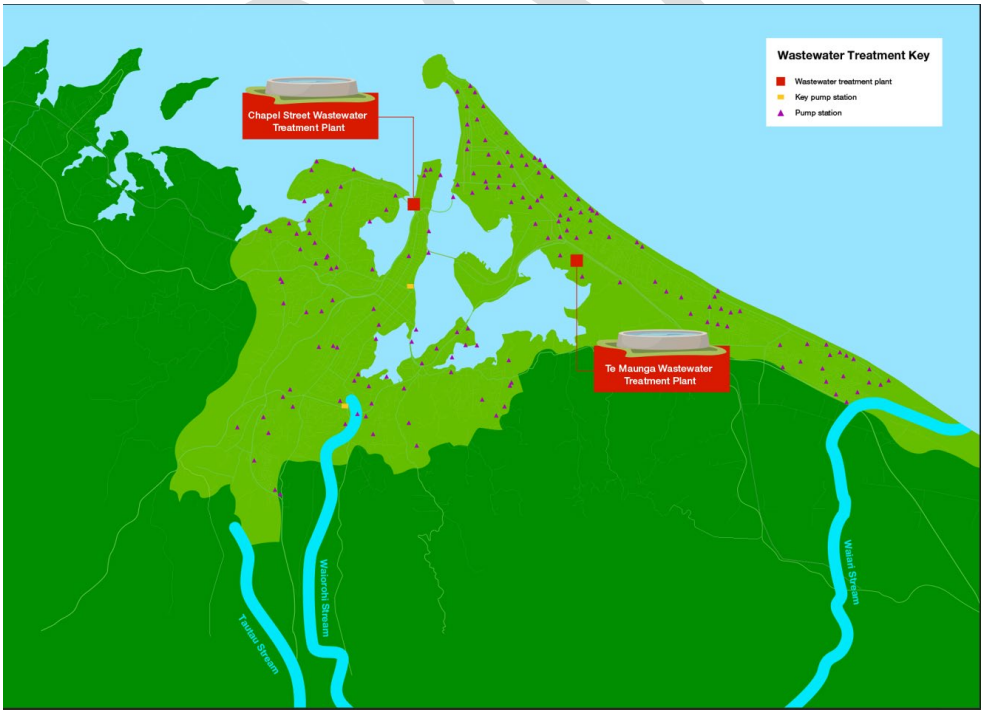
Reticulation: approximately 1,294 kilometres of wastewater mains and service lines, and 19,997 manholes.

Pump Stations: 234 wastewater pump stations.



Chapel Street WWTP	Consists of pre-treatment, primary clarification, flow balancing, secondary treatment utilising contact stabilisation and clarification and sludge digestion followed by ultraviolet treatment. The maximum feasible capacity of the Chapel Street WWTP has been reached and no further upgrades are planned at this site.
Te Maunga WWTP	Consists of pre-treatment and secondary treatment comprising of extended aeration and secondary clarification. Final effluent then gravitates to a sludge-settling lagoon the flows through a wetland before being pumped out to sea via the ocean outfall.
Te Maunga WWTP Southern Pipeline	This is a major infrastructure asset that supports intensification and greenfield development on the city centre side of the harbour for the next 50 years. This rising main conveys flows from Memorial Park pump station (PS) under the harbour to Te Maunga WWTP.
Wetlands	1,477 km of mains and service lines, hydrants (5,501), valves (12,330), water meters (domestic 58,601, Commercial & Industrial 4,451).
Ocean Outfall (Te Maunga)	A 600 mm diameter post tensioned concrete pipeline extending approximately 950 metres offshore from Pāpāmoa Beach. This pipeline is buried to a depth of approximately three metres in the surf zone.
Resource consenting	The current consents expire in 2040. Commencing the consent application process for the Te Maunga and Chapel Street WWTPs is high priority.
Performance and compliance	• Compliance with resource consents is high. • Customer levels of service and performance measures are met..

Figure 18: Wastewater services treatment plant locations.

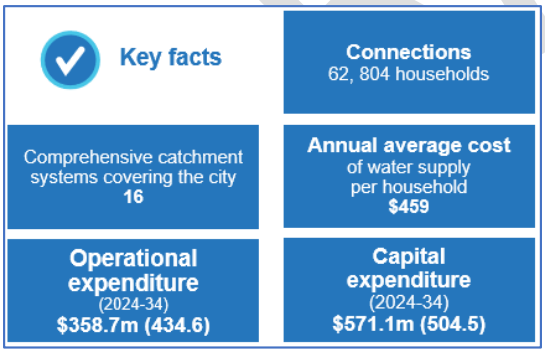


Challenges and considerations ahead

Aging infrastructure	Most of Tauranga's wastewater network was constructed between the 1970s and 1980s and is now in the middle of its lifecycle. Although the network generally performs well, and renewals are not currently a major driver for investment, this is likely to change over the 30-years, with an intensive renewal period expected.
Capacity of the ocean outfall	This is the key constraint for Tauranga's wastewater system, and an augmentation programme for the ocean outfall is high priority. Installed in the 1970s, the 950 m long ocean outfall is in poor structural condition. Its current operational capacity is about 53% of its design capacity (discharging up to 480 l/s instead of the 900 l/s it is consented to convey.)
Tauranga's growing population	Additional wastewater flows (quantity) and contaminant loads (quality) generated by the increasing number of people living and working in Tauranga are the major driver for the overall projected 30-year capital expenditure. Prioritising augmentation of the ocean outfall pipe, and investing in the wastewater system as a whole, to ensure it is environmentally sustainable and meets the demands of growth.
Culturally appropriate approaches	A Program Business Case model has been used for future wastewater planning. This is focused on establishing long-term and productive partnership arrangements with mana whenua to jointly develop approaches to wastewater management that are sustainable, affordable, and culturally appropriate.

Stormwater

Managing stormwater to protect public health and safety by reducing the impacts of flooding on people, property, water quality and eco-systems in a city which is facing the double challenges of population growth and climate change.



Replacement value of assets: **$925,418,000.**

Condition of assets: **94.6% fair, good or very good.**

Control and treatment assets.

Overland flow paths: 70 km

Ponds and wetlands: 242 ha

Stormwater ponds: 147

Stop banks: 1km

Stormwater reserves and other green infrastructure that have a combined flood management and recreational function and improve biodiversity. Control and treatment assets minimise the impact the discharged stormwater has on the receiving environment.

Conveyance assets.

Stormwater mains and service lines: 1,012 km

Pump stations: 6

Manholes: 14,507

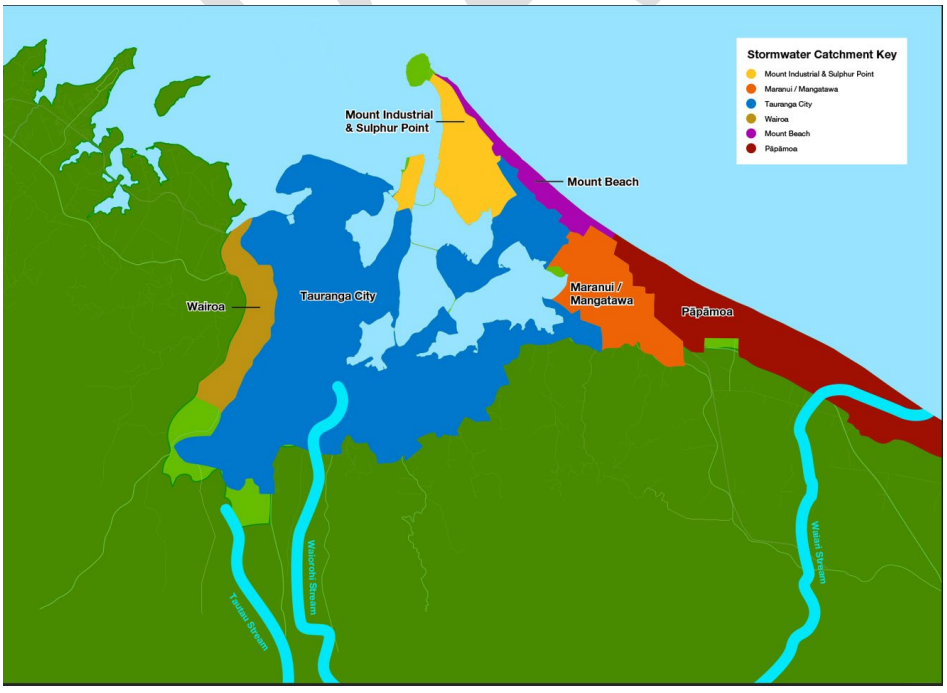
Drains: 117.9 km

Culverts: 1.3 km

Conveyance assets transport the stormwater from the catchments to where it is discharged into streams, the harbour or the ocean.

Resource consenting	Three comprehensive stormwater catchment consents cover the six stormwater catchments based on land use and the type of receiving environments.
Performance and compliance	Compliance with resource consents is high. Customer levels of service and performance measures are generally met. The exception is the higher number of complaints than the DIA measure of 2 per 1000 properties (2.68).

Figure 19: Stormwater catchment areas.



Challenges and considerations ahead

Reversing degradation of receiving environments	Many watercourses are affected by the contaminant load contained in urban stormwater run-off and exhibit poor water quality and lost mauri.
Improving resilience	Communities' and infrastructure resilience to climate change impacts is a future challenge. In parts of the city there is a reliance on soakage, as the implications for the risk of land instability are not well understood.

Current shared services with Western Bay of Plenty District Council

Council and Western Bay of Plenty District Council have strong working relationships, joint arrangements, and shared services across the water business, including:

- Joint water supply arrangements, including the jointly held Waiāri Consent (Water Allocation) with an allocation of 75% and 25% to TCC and Western Bay of Plenty District Council.
- Acceptance and treatment of wastewater flows from Ōmokoroa and part of Te Puna with the pipeline owned and operated by Western Bay of Plenty District Council which discharges to the Tauranga City Council owned Bethlehem pump station that is then treated at Chapel Street WWTP.
- A joint operations and maintenance contract with Downer New Zealand Ltd covering key activity areas for all the network's reticulation requirements. This contract has entered its fourth year of delivery.
- Laboratory services where Tauranga City Council has provided all accredited water testing requirements for the Western Bay of Plenty District Council waters business for approximately five years.

Refer Appendix Three for more detail.

STRATEGIC ASSESSMENT

LWDW may provide an opportunity to alleviate some of the pressure being felt in our high growth city. Key drivers for change in Tauranga differ from many across the country. With a high performing waters network, our drivers for change are strongly linked with growth, affordability, and certainty for the future of water service delivery in the city. To maintain and further improve quality delivery of waters services Tauranga will need to continue to attract and retain a skilled workforce and invest in ways to ensure efficient and effective operations.

The strategic assessment justifies the need to invest in change. It provides confidence that a proposed investment responds to a true need and links to required outcomes and benefits.

Council faces a fundamental challenge in being able to fund and deliver the infrastructure needed to support the growth and development of the city. Recent government policy announcements amplify this challenge with the direction that councils in future will be required to provide zoned and serviced land able to accommodate 30 years of future growth, requiring levels of investment that are greater than that currently provided for in Council's Long-term Plan.

Defining the problems

This IBC uses Investment Logic Maps (ILM) to ensure there is a sound problem definition. ILM is a technique to ensure that the 'story' about a proposed investment makes sense and to test and confirm that the rationale for a proposed investment is evidence based and compelling.

Three ILMs were completed for this project, each with a specific focus. Together these ILMs view the problems and benefits from different perspectives/ lenses, as described in Table 4:

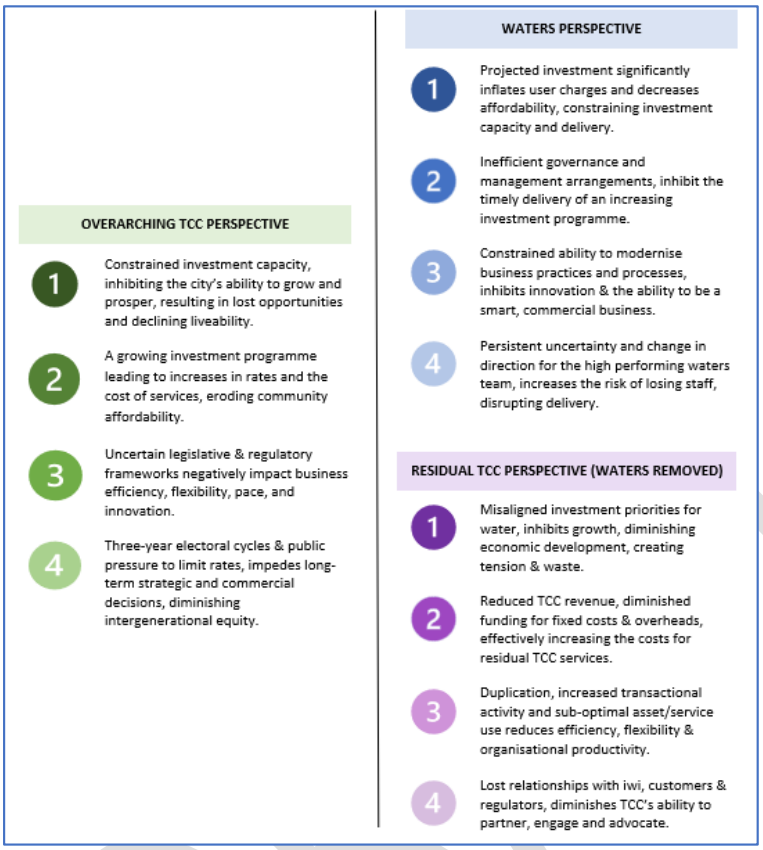
Table 4: Three ILMs completed.

FUTURE PROOFING OUR CITY	ILM FOCUS AREA	DESCRIPTION
Holistic TCC ILM	Defining the overarching problems for TCC.	Overarching problems for TCC that the opportunity presented through LWDW may alleviate.
TCC's waters	Defining the problems from an in-housed TCC water services delivery perspective.	Problems from a TCC waters activity perspective that the opportunity presented through LWDW may alleviate.
Residual TCC (waters removed)	Defining future problems for TCC (if waters activity was removed).	This is future facing – problems from a TCC organisational perspective in the event that the waters activity is removed from TCC.

ILMs set out the core problems and benefits of the opportunity presented by LWDW (which is to examine different water service delivery options). All three ILMs were developed collaboratively with the Project Steering Group during a series of four workshops held between May and August 2024. Refer to Appendix Five for copies of the ILMs. A summary of the problem statements from the ILMs is provided as Table 5 below.

The overarching problems from a TCC perspective, along with identified causes and effects, are further explained in the following section. Refer to Appendix Six for further explanation of the problems from an in-housed TCC water services perspective and Appendix Seven for further explanation of the problems from a residual TCC (if waters activity was removed) perspective.

Table 5: Suite of problem statements from each perspective.



Defining the overarching problems

Council lacks investment capacity to continue to service a high-growth city. It faces ever-increasing funding and financing challenges, inhibiting the Council to invest appropriately to maintain and provide for current and future communities. This negatively impacts on growth and the functionality and liveability of the city.

Four key overarching problem statements have been identified for Tauranga City Council. These focus on problems that inhibit the Council from achieving outcomes for our communities. Each problem statement has been broken into causes and effects.

PROBLEM 1	Constrained investment capacity, inhibiting the city's ability to grow and prosper, resulting in lost opportunities and declining liveability.
Causes	➢ Tauranga City is a high growth city with population forecast to increase nearly 30% by 2050. ➢ Council lacks the investment capacity to continue to service a high growth city, including debt levels that are approaching borrowing limits. ➢ There is a growing need for Council to invest in growth, resilience, and sustainability further exacerbates investment constraints.
Effects	➢ *Deferral of growth projects (Keenan Road and Te Tumu urban growth areas) reduces housing supply by 640 homes in 2024-34 and 1,260 homes in 2034-40.* ➢ *Housing shortfall is amplified with a shortfall of 7,000 homes forecast by 2054, with NPS-UD requirements also unmet.* ➢ *Liveability in Tauranga is under threat with the city becoming a less desirable place to live with a high cost of living and inadequate infrastructure to cater for a growing population.*

Causes

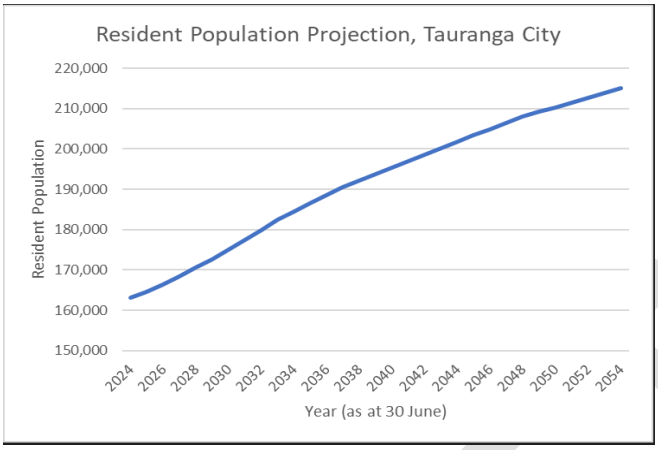
- **Tauranga City is a high growth city with population forecast to increase nearly 30% by 2050**

Tauranga has a population of 162,800[17] and has historically been one of New Zealand's fastest growing cities, with growth rates consistently higher than the country as a whole. With people attracted by the region's temperate climate, natural environment, and proximity to other major centres, such as Auckland and Hamilton, this is expected to continue with population forecast to reach 210,000 by 2050 (refer Figure 20).

Tauranga city faces a fundamental challenge in being able to fund and deliver the levels of infrastructure investment needed to support growth and development of the city. The Government's recent policy announcements requiring councils to provide zoned and serviced land able to accommodate 30 years of future growth further adds to this challenge. Meeting the pressure of growth will require levels of investment that are greater than currently provided for in Council's Long-term Plan.

[17] Stats NZ Estimated Resident Population (ERP) as of 30 June 2024

Figure 20: Resident population projection for Tauranga City.



- **Council's lack of capacity to continue to service a high growth city**

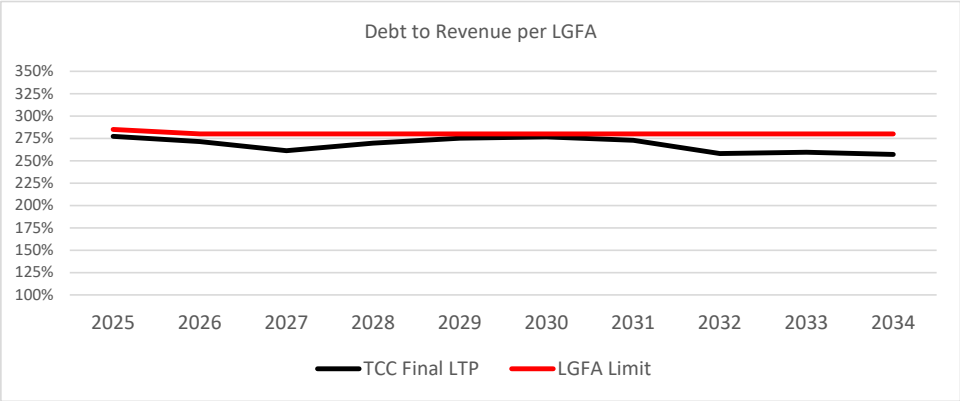
Council faces significant funding and financing challenges, which can be broadly categorised as balance sheet constraints and lack of revenue capacity to fund a growing city. These issues are interconnected and are being experienced by many high growth councils, across New Zealand.

As well as significant balance sheet issues, Council also faces affordability issues resulting from the current funding system for growth. The current system provides for the financial benefits of growth to be realised through the central government taxation system whilst the cost remains with local government rating system. This imbalance is a significant impediment to growth councils and results in high debt levels to fund growth infrastructure that is repaid over a long time period and therefore restricts future debt capacity. As a result, infrastructure is deferred negatively effecting the liveability and functionality of the city.

A growing city requires additional investment to maintain existing infrastructure and provide for future growth. Council's capital investments are typically funded from debt, which is constrained by the level of debt it can take on through the Local Government Funding Agency (LGFA)[18]. The graph below shows that Council is approaching borrowing limits in 2025 (refer Figure 21). Council's high debt level is due to investing in growth infrastructure as it struggles to cater for population growth. Consequently, the capital programme and revenue levels set by Council in upcoming years through the 2024-34 Long-term Plan ensure borrowing limits, although close, do not exceed the LGFA over the next ten years.

[18] LGFA provides certainty of access to debt markets, enabling Council to obtain funds at the best possible rate to fund projects of benefit to the community.

Figure 21: Tauranga City Council debt to revenue.



A significant amount of work has been undertaken to date to determine what infrastructure is required, where, when, and how much it may potentially cost. Central government policy direction, the Urban Form and Transport Initiative (UFTI), SmartGrowth and Council planning documents have informed this work and provided a framework for the most suitable growth locations.

During the recent LTP process (2024-34), fiscal constraints resulted in growth investment being prioritised with some key growth projects being delayed. Over the next ten years, investment of $144m is planned to develop the new western growth areas in and around Tauriko West, the Tauriko Business estate and Keenan Road, providing for the construction of up to 4,000 new homes, improvements to the state highway networks and connections, and an additional 100-150 hectares of business land providing for an additional 2,000 jobs. In terms of delayed growth projects, this means the postponement of approximately 1,900 new homes in greenfield areas being delayed in the period 2024 to 2040, as well as 57 hectares of new business and employment land.

- **Growing need for Council to invest in resilience and sustainability**

Tauranga is already vulnerable to climate induced hazards including slips, flooding, coastal erosion, and inundation. Climate change will exacerbate the consequences of these hazards and introduce new impacts from increasing extreme temperatures, drought, changing ocean acidity and rainfall variability. The combination of growth, plus the city's coastal location, mean that coastal hazards are significant for Tauranga. Over 2,800 buildings are identified as having 'High' risk of coastal inundation under a future (2130) 1% AEP event scenario[19]. Coastal erosion is also 'likely'[20] to affect over 450 properties by 2130. Much of the city's critical infrastructure is located on the coast and/or on low-lying land, including wastewater treatment plants, access roads, the port and the airport.

The growing need to invest in resilience and sustainability and to deal with natural disasters, is placing further financial pressure on council. Investment in sustainability and resilience is also identified as a priority area for investment in the LTP. A total of $186 million will ensure the city is ready for our changing environment, does its part to address climate change and can stay connected in the event of an emergency and/or natural disaster.

[19] Tonkin & Taylor (2020) Tauranga City-wide Natural Hazards Risk Assessment
[20] Likely means that there is a 66% chance of an erosion distance being exceeded during that period (Tonkin & Taylor, 2020)

Effects

- **Lost economic opportunity – the cost of deferring growth**

NZIER (2020) assessed the economic impact of a housing shortage in Tauranga city. This work was subsequently reviewed and revised in 2023. NZIER (2023)[21] used the planned number of new houses to estimate the additional number of people residing in Tauranga City and the Western Bay of Plenty. GDP per capita for additional residents was calculated providing an estimate of economic activity (GDP) that the new housing could potentially unlock.

Table 6 outlines the estimated GDP growth from housing developments in Tauranga City. NZIER (2023) findings are based on the following:

- 31,000 new homes constructed in Tauranga City.
- Average number of residents per dwelling in Tauranga is 2.56[22].
- GDP per capita is $64,680 for Tauranga, estimated from the MBIE's MTAGDP database[23].

Based on the above, and using the assumption that the average number of people per dwelling and GDP per capita remains at 2022 levels for both areas, NZIER estimated the new housing developments will unlock $5.14 billion in GDP.

Table 6: Estimated GDP growth from additional housing development[24].

	Tauranga
Additional housing supply	31,000
People per dwelling	2.56
Population growth	79,515
GDP per capita ($)	$64,680
GDP growth ($billions)	**$5.14**

- **High debt levels inhibit city growth, fuelling the housing shortfall**

Tauranga currently has a significant housing shortfall in the order of 5,000 homes and this is projected to grow significantly due to delays in releasing new supply. This is likely to be exacerbated further due to fiscal constraints that mean budgets for infrastructure construction to open up the Keenan Road and Te Tumu urban growth areas will not be included in the draft 2024-34 Long Term Plan. This means development would not be able to commence until around 2040 unless alternative infrastructure funding and financing approaches are identified.

[21] See Addendum
[22] Statistics New Zealand
[23] https://www.mbie.govt.nz/business-and-employment/economic-development/regional-economic-development/modelled-territorial-authority-gross-domestic-product
[24] Priority One, NZIER (2023)

The estimated impact of these changes would be a reduction in housing supply of approximately 640 dwellings in the period 2024 to 2034, and a reduction of 1,260 dwellings in the period 2034 to 2040. Planning processes to rezone these areas for development would still proceed and budgets are proposed for the initial phases of infrastructure projects, for example, design, consenting and land acquisition.

Delays will continue to significantly impact Tauranga's housing market. A shortage of land and housing in Tauranga has created house price escalation, making homes unaffordable for many people. Tauranga's growth projections indicate the need for approximately 30,000 more homes in Tauranga over the next 30 years. Over the 12 months to 30 June 2024, consents have been granted for 500 new homes compared to the projected 1,158 homes needed to support continuing growth. Table 7 below illustrates the extent of the housing shortage in Tauranga, with the city facing a shortage of 7,000 homes in the next 30 years (SmartGrowth Housing and Business Assessment, 2022).

Table 7: Forecast housing demand and supply 2024-2054.

	2024	2054
Housing Supply	62,500	90,500
Housing Demand	68,000	97,500
Shortfall	***5,500***	***7,000***

- **'Liveability' under threat**

Liveability is a core feature of successful cities. "Liveability" as a concept has become increasingly popular in international planning and policy circles. In essence it is about the sum of the factors that make a community a desirable place to live. Research by the University of Melbourne and the Department of Health looked to identify and evaluate liveability indicators and adopted the following definition for liveability: "Liveability reflects the wellbeing of a community and comprises the many characteristics that make a location a place where people want to live now and, in the future."[25].

'Liveability' could be perceived as under threat in Tauranga today, with a lack of housing supply to cater for growth, housing affordability issues and traffic congestion problems making Tauranga city a less desirable place to live. Alleviating some of the financial pressure on Council to plan and provide for our growing population will result in the ability to fund and finance some of the projects that have been delayed or removed to keep pace with our current and future communities' needs.

[25] Lowe, M., Whitzman, C., Badland, H., Davern, M, Hes, D. Aye, L., Butterworth, I. and Giles-Corti, B. (2013). Liveable, Healthy, Sustainable: What Are the Key Indicators for Melbourne Neighbourhoods? Victoria Department of Health and The University of Melbourne, Melbourne, Australia

PROBLEM 2	A growing investment programme leading to increases in rates and the cost of services, eroding community affordability.
Causes	➢ A $4.9b capital investment programme is proposed over the coming ten years with $2.13b of that programme in waters. ➢ Rising costs, including operating, labour, finance, and capital investment costs has added to the capital programme cost challenge. ➢ Planned investment in waters makes up a significant portion of Council's capital expenditure. ➢ The cost-of-living crisis is a particular issue in Tauranga with high average housing costs (58.8% of household income).
Effects	➢ *Cost pressures on Council are reflected in rising rates in Tauranga (and across New Zealand) with 43% median residential rates rise in Tauranga City over the last 4 years (averaging 10.7% per year).* ➢ *Heightened community concerns about affordability and the financial burden of higher local government rates.*

Causes

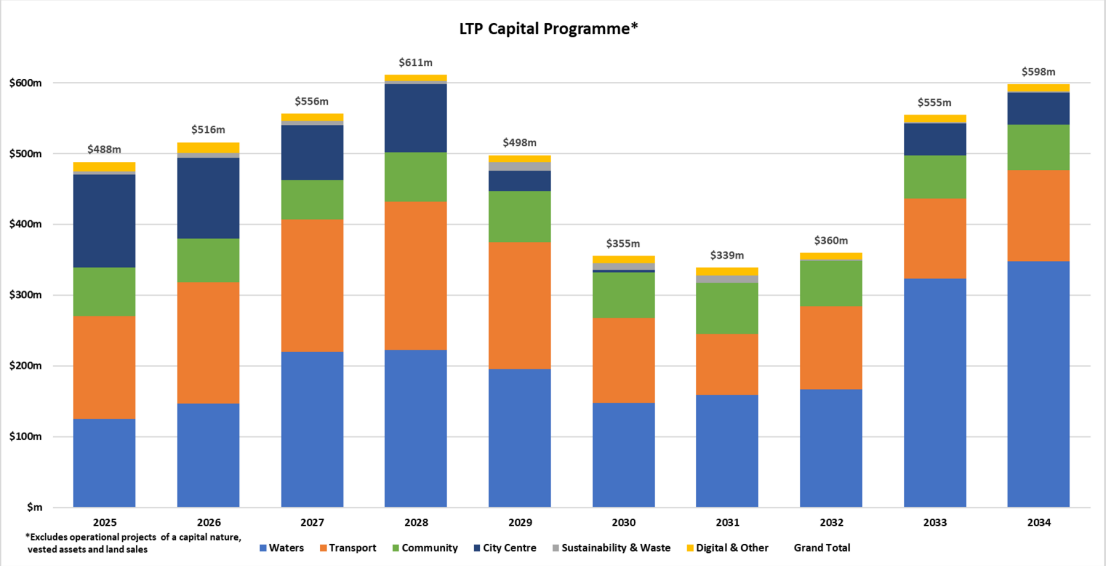
➢ **A growing capital investment programme**

Growth has been an enduring issue for Tauranga and enabling and managing its effects continues to be a challenge to address. This growth puts pressure on existing infrastructure and creates the need for new infrastructure resulting in a growing capital programme. The total capital programme in the LTP (2034-44) is $4.9 billion. Major capex drivers for council such as Te Manawataki o Te Papa, coupled with increased debt servicing costs, push council's balance sheet capacity close to its limit.

Responding to these investment challenges has resulted in an approach that continues to limit new projects or initiatives. Extensions and upgrades for three waters, totalling $1,430 million over ten years, are one of Council's priority areas for investment. Water supply and wastewater infrastructure for compliance and growth needs, including treatment plants and pipe replacements have been prioritised through the LTP, as well as addressing stormwater network ponding issues, including treatment assets to mitigate stormwater quality.

Figure 22 sets out the scale of capex planned investment for the next 10 years for three waters, transport, community, city centre, sustainability and waste, and digital and other. As illustrated, planned three waters investment (refer to blue shading) makes up a significant portion of Council's capital expenditure.

Figure 22: Actual and planned capital expenditure.



➢ Rising costs

Not only is the Council's planned capital programme growing over the next few years, Council has also been experiencing rising costs, including operating, labour, finance and capital investment costs.

Effects

➢ Increased costs and increasing rates

Cost pressures on the local government sector have escalated over the last few years with no new revenue streams. Infometrics (February 2024)[26] estimated that the difference between actual and anticipated cost escalation over the last three years is 20%, meaning that "for every $100m expected to be spent last LTP round, $20m worth of projects will need to be cut to fund the cost escalation on the remaining $80m of original projects". Two contributing factors identified by Infometrics (2024) were:

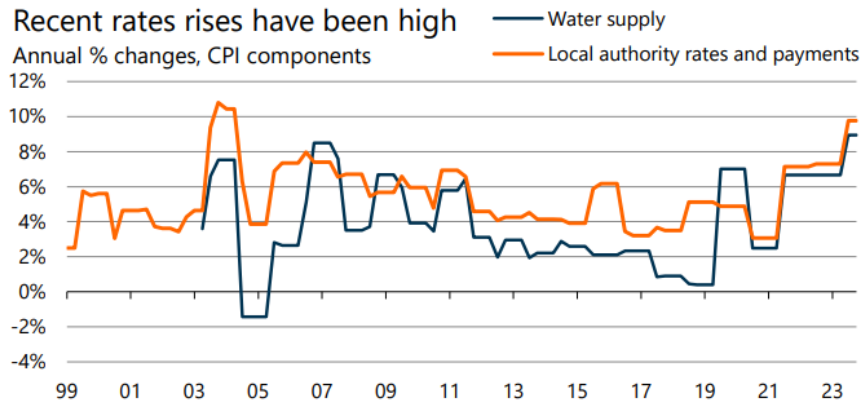
- The overall capital goods price index peaked at 13%pa between 2021 and 2023 (civil construction costs peaked at 15%pa, transport capital cost at 19%pa, and water systems at 15%pa)
- Cumulative inflation since 2020 was more than 25% across the capital costs that local government invests in.

Cost pressures have been reflected in rising rates and water charges. Local government rates are a critical source of revenue for councils across New Zealand, funding vital community services including water services and make up 3.14% of annual household costs across New Zealand (Infometrics, 2024).

[26] Infometrics (2024): Analysing increases in local government costs for Local Government New Zealand (Analysing increases in local government costs v3.pdf)

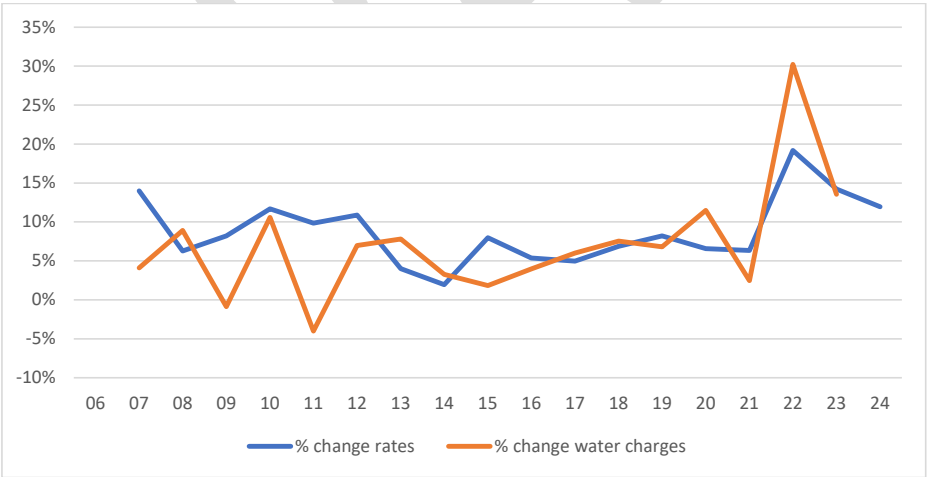
Infometrics (2024) summarised that rate rises averaged 9.8% per annum in 2023 across New Zealand (Figure 23), the fastest increase in rates in 20 years (since a 10.8% per annum increase in 2003).

Figure 23: Local authority rate and water charges rises from 1999 to 2023.



Tauranga City exemplifies this trend with growing rates and water charges in the last few years. Figure 24 illustrates the percentage change for both rates and water charges in Tauranga were highest in 2022 with a percentage change of 19% and 30% respectively. Rates increased by around **7%** in 2023 (compared with 9% across New Zealand), with similar increases projected for upcoming years. This has sparked discussions about affordability, particularly for low- to middle-income households.

Figure 24: TCC rate and water charges rises from 2006 to 2023.



- **Impacts on community affordability**

Community affordability has become a significant concern. The cost-of-living crisis in New Zealand has been marked by rising prices for goods and services, increased housing costs, high mortgage rates and stagnant wages. This is amplified for those living in Tauranga with higher housing costs.

Many residents feel the burden of rising costs in a city that has seen significant property price inflation over the past few years, fuelled by the short supply. In Tauranga in 2024, 58.8% of the average household income is needed to service a 20-year mortgage on the average house value, with a 20% deposit at average 2-year fixed interest rates. This is substantially higher than in New Zealand (49.5%)[27].

The impact of rising rates on household budgets has become increasingly contentious amidst a cost-of-living crisis. Public consultations have highlighted that many residents are struggling with the balance between necessary funding for services and the affordability of those services. As households face significant affordability challenges, communities may perceive rates as one area where they can assert pressure and influence to keep rising household costs down.

PROBLEM 3	Uncertain legislative & regulatory frameworks negatively impact business efficiency, flexibility, pace, and innovation.
Causes	➢ A changing political environment where local government has greater responsibility, higher regulatory standards and more complex engagement, decision-making and accountability requirements. ➢ The significant number and breadth of proposed reforms has significantly impacted local government and how it operates.
Effects	➢ *Uncertainty for councils and communities as they set work programmes and budgets over a ten-year period.* ➢ *Increased direct and indirect cost to councils to implement policy changes and to meet higher regulatory standards* ➢ *Loss of efficiency, productivity, and pace in achieving community outcomes as council teams pivot to a new direction.*

Causes

➢ **Changing and uncertain local government framework**

The impact of proposed reforms has had a significant impact on local government over the last decade. This theme was captured in the Review into the Future of Local Government (2021):

> *Since the 1989 reorganisation, and since the Local Government Act 2002 was enacted, local government and the environment within which it operates has changed greatly. Local authorities have greater responsibilities. They must meet higher regulatory and community standards, and more complex engagement, decision-making and accountability requirements. They must respond to rapid evolution of technology. And they are also required to deal with increasingly complex social, cultural, economic, and environmental issues.*[28]

[27] Infometrics (https://rep.infometrics.co.nz/tauranga-city/living-standards/housing-affordability)
[28] Review into the Future for Local Government, Interim Report (September 2021). *Ārewa ake te Kaupapa.* Raising the platform. Wellington, New Zealand.

Waters and resource management are two reforms identified as creating the most change. The Review into the Future for Local Government (2021) stated "water and resource management reforms are driving the most significant changes in decades."[29]. Adding to the list of recent reforms are actions relating to community wellbeing, climate change mitigation and adaptation, changes to the National Policy Statements on Freshwater, discussions around growing social inequity, and significant investment to upgrade and maintain national infrastructure.

Local Government New Zealand (LGNZ) is calling for an end to the stream of unfunded rules and responsibilities imposed by successive governments that cost councils millions every year. NZIER (2024)[30] found that central government doesn't adequately consider the impact and cost of its decisions on councils and that one-size-fits-all policies often are not in the best interests of local communities. Findings included:

- Many central government reforms result in increased costs for ratepayers, which central government does not adequately address when making its decisions.
- Central government underestimates what its reforms cost councils.
- Councils face high sunk costs when policies change; like freshwater management, which has changed every three years.
- Ratepayers are now subsidising supposed 'cost-recovery' services like liquor licensing because central government sets these fees, and they haven't increased for a decade.
- True costs are hidden because councils absorb them by reducing other service delivery.

For Tauranga City, this is most recently evidenced by changing frameworks that have significantly changed the financial landscape since the adoption of the LTP in June 2024. These key events are discussed in the 'Financial Context' section and relate to the IFF, NZTA decisions and National Land Transport Programme decisions.

Effects

➢ **Impacts on efficiency and innovation**

As well as direct costs to ratepayers as outlined above, reforms have an indirect impact on staff and work programmes. Often a change in central policy direction requires a 're-set' including changes to council teams, strategic planning, implementation delays as well as impacts on community relations. (Re)consulting with the community on projects and work programmes adds to costs and public perceptions of inefficiencies and/or delays. For significant work programmes this can result in a loss of pace and momentum in achieving outcomes, loss of productivity and loss of innovation as council teams pivot to a new direction. Stymied projects and work programmes negatively impact business efficiency as staff adjust to a new direction. With too many changes in one area, this can also lead to a fatigued workforce.

[29] Review into the Future of Local Government (2023)[29]
[30] NZIER (2024). Cost impact of central government reforms. A Report for Local Government New Zealand.

Business efficiency and innovation is fundamental for achieving organisation success. Efficiency provides the foundation for resource optimisation while enabling organisational agility. Innovation can drive organisational growth through technology and research and development, enhancing community outcomes and bringing more benefits to the community faster. It is challenging, however, to leverage operational efficiency to support and enhance innovation when legislative and regulatory frameworks are in a state of flux.

PROBLEM 4	Three-year electoral cycles & public pressure to limit rates, impedes long-term strategic and commercial decisions, diminishing intergenerational equity.	
Causes	➢	Three-year electoral cycles often result in changes to elected members, often with differing priorities that do not align with previous council decisions.
	➢	Community pressure to keep rates down can have significant influence on election results, and on work programmes going forward. This can disadvantage longer-term projects that require continuity.
Effects	➢	*Long-term decisions and work programmes can easily change direction resulting in lost opportunities, delays, and community benefits not being realised.*
	➢	*For a growth city, inadequately planning and providing for sufficient infrastructure can result in an ever-increasing gap (and cost) between what is needed now and in the future.*
	➢	*Unfair burden on future generations as the gap continues to widen and growth pressures continue to increase, and the balance of costs and benefits across generations is unfairly allocated.*

Causes

➢ **Three-year electoral cycle**

Debate about the length of local government electoral cycles was an issue highlighted by the panel in The Future for Local Government Report (2023). Extending the term for local members will "improve members' abilities to make decisions for the long term by providing a longer widow to get things done". This is reinforced by ongoing international debate with a four-year term being the most common in comparable jurisdictions (Scotland, England, most of Canada and other Australian states).

In Tauranga, the past challenge for successive councils to make strategic long-term decisions needed for growth is evident in the Review and Observer Team Report (2020)[31]. This report identified that although successive councils had identified a large amount of critical infrastructure needed to support growth, successive councils had equally failed to fund the delivery of that infrastructure, stating that "successive councils have "kicked the can down the road" and / or have been looking for someone else to pay for the necessary infrastructure".

[31] Tauranga City Council Review and Observer Team Report (16 November 2020)

Tauranga's current council has been elected for a four-year term following the Commission's term coming to an end. Benefits to moving to a longer election cycle in local government include:

- Improved productivity and stability – longer terms allow for more consistent and sustained policy implementation, reducing the disruption caused by frequent elections. According to LGNZ, a four-year term would provide certainty on long-term decisions and projects, minimising the time and resources wasted on reversing policies with each election cycle[12].
- Enhanced long-term planning – with a longer horizon, councils can undertake comprehensive strategic planning and implement projects that require more time to yield results. This is particularly important for infrastructure projects, environmental initiatives, and community development programmes that benefit from continuity and sustained focus.
- Increased voter engagement – extending the term could potentially increase voter engagement by reducing election fatigue. Fewer elections mean that voters are more likely to participate when they do occur, as the significance of each election is heightened.

Effects

➢ **Diminished intergenerational equity**

'Intergenerational equity' is the concept or idea of fairness between ourselves today and future generations. Embedding 'intergenerational wellbeing' into the heart of local government was part of the recommendations put forward in The Future for Local Government Report (2023)[32]. This highlighted that the current system of local government is not resourced to support this and called for a system renewal to enable this to occur. If successive councils continue to not provide adequate infrastructure for growth, this squarely places an unfair burden on future generations as the infrastructure gap continues to widen and growth pressures continue to increase.

Refer to Appendix Six for further explanation of the problems from an in-housed water service delivery perspective and the problems from a residual TCC (with waters removed) perspective.

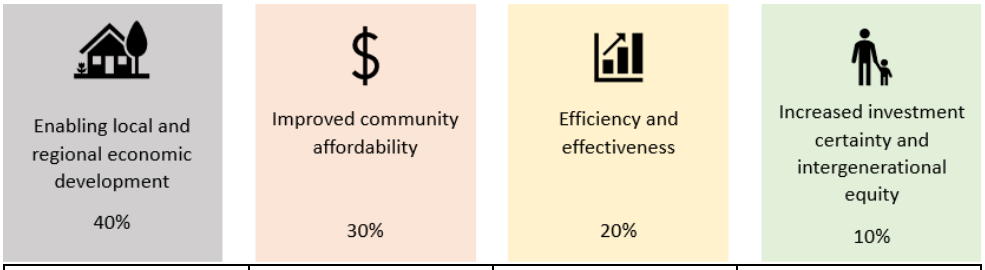
Benefits the LWDW opportunity could achieve

Benefits were identified with the Project Steering Group during the Investment Logic Map workshops which developed the three ILMs provided in Appendix Five.

Figure 25 identifies the overarching benefits that could be achieved from the opportunity provided through LWDW. The focus is on providing certainty for our growing city in an affordable way.

[32] Refer to recommendations 1, 8 and 15.

Figure 25: Overarching benefits from the LWDW opportunity.



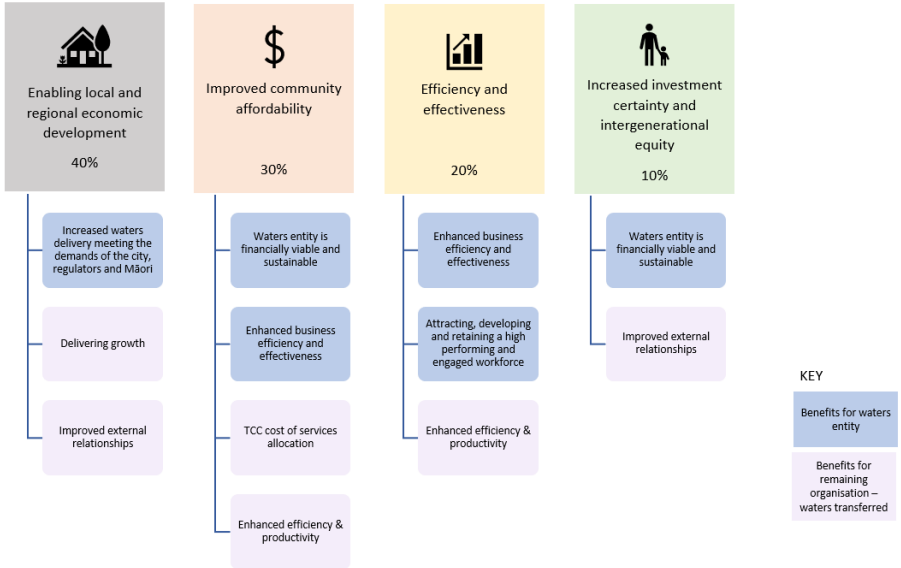
This includes supporting the provision of more housing for our growing population	This includes rates and water charges	If a new waters organisation is established, it should be implemented in a way that leverages efficiency gains and minimises the impact on TCC	Finding the right balance between cost and benefits across generations.

Benefits identified during the Investment Logic Workshops relating to waters service delivery and for the remaining organisation with waters transferred are presented in Figure 26. As with the overarching benefits above, these represent the benefits we are seeking to realise if we address the problem statements identified from both (refer Appendix Seven):

- A waters perspective (blue shaded boxes).
- The remaining organisation with waters removed (purple shaded boxes).

The relationship between the benefits across the three ILMs is represented in Figure 26, with overlaps evident across the overarching benefit statements.

Figure 26: Benefit relationship from the overarching, waters and remaining organisation ILMs.



Identification of high-level risks

Inherent risks are associated with all significant reforms. This section identifies high-level risks that may impact on the benefits realised if a new waters entity is decided upon. The high-level risks were discussed at a workshop in June 2024 and were identified using a risk matrix that identified risks across the political, economic, social/cultural, technical, legal, and environmental contexts. Some of the more significant risks are:

Table 8: Summary of high-level risks that may impact identified benefits.

Political	• Council disagrees with the preferred way forward and a new model is not adopted. • Political indecision leads to Crown intervention. • Unable to find high-level calibre governance. • Lack of clarity of purpose leads to operational impacts.
Economic	• Ability to borrow or collect revenue is inhibited. • Lack of funds for CCO set up leads to risk taking. • Contracts are compromised.
Social/Cultural	• Water charges become unaffordable for some, negatively impacting vulnerable parts of our communities. • Public perception of lack of control / asset loss with a CCO / affordability. • Mana whenua expectations, including environmental and ability to influence, are not met.
Technical	• Revenue collection using old platform is at risk. • Under investment in technology. • Poor external relationships and inflexible arrangements.
Legal	• Uncertainty with Bill 3 provisions. • Regulatory and legislative changes impact on operations.
Environmental	• Environmental outcomes are not prioritised. • Water organisation is ill-equipped to respond to emergencies.

Key constraints, dependencies, and assumptions

The opportunity presented by LWDW is subject to the following constraints, dependencies, and assumptions (Table 9), where:

- Constraints are limitations that are imposed from the outset.
- Dependencies are external influences on a successful outcome, where success is contingent on the future actions if others.
- Assumptions are accepted as true or as certain to happen, without proof.

Table 9: Constraints, dependencies and assumptions of the opportunity presented by LWDW.

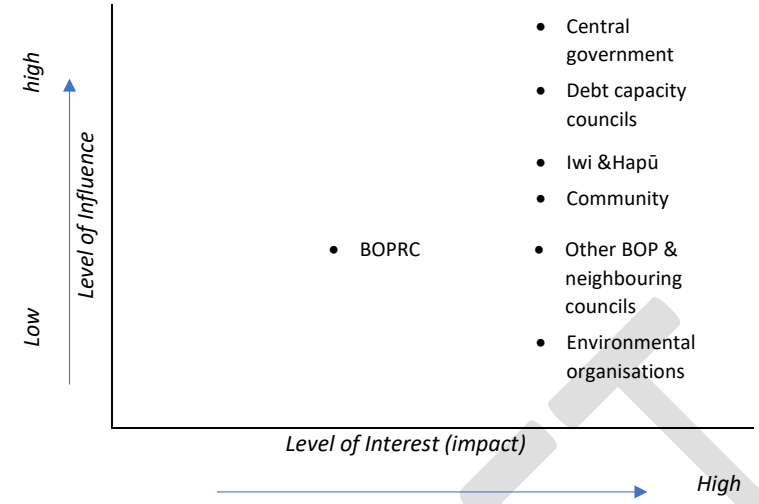
	Constraints	Comments
C1	No elected members on water entity board	Specifically outlined in DIA guidance material. This also removes the ability to have a hybrid board with elected members and professional board members.
C2	No privatisation of water entity	Specifically outlined in DIA guidance material.
C3	Economic regulator will be in place	Specifically outlined in DIA guidance material.
C4	Water entity cannot be expanded to other utilities.	Specifically outlined in DIA guidance material. New entity cannot include transport or other utilities.
	Dependencies	
D1	Local Government Water Services Bill is in development	This Bill is not anticipated to be introduced to Parliament until December 2024.
D2	There are 'debt-capacity' councils that can demonstrate mutual benefits and that are willing and able to join TCC	TCC is informally discussing the benefits of joining with other councils.
D3	Regional deal	High level criteria for selection of local authorities for Regional Deals includes a "commitment to broader government reform objectives such as Local Water Done Well and Going for Housing Growth"[33].
	Assumptions	
A1	Service delivery models	Specifically outlined in DIA guidance material. TCC has relied on the service delivery models put forward by DIA as acceptable models to develop.
A2	Regulatory environment	Costs are based on no change, as no change is recognised as yet.

Identifying key stakeholders

Key stakeholders are identified below in the influence and impact matrix (refer Figure 27). This shows that most key stakeholders can be classified as being either of medium or high interest. Central Government, councils with debt capacity, and the general community are all categorised as having high interest and high influence.

[33] Department of Internal Affairs (2024): Regional Deals Strategic Framework, Wellington (page 25).

Figure 27: Key stakeholders influence and impact matrix.



04

Economic Case

ECONOMIC CASE – RETHINKING HOW WE DELIVER WATER SERVICES

Structured analysis has been undertaken to evaluate a range of options for the future of water service delivery. Analysis has been carried out from both a water services perspective and a TCC perspective (remaining organisation with waters transferred). Initial findings identify a preferred option with a CCO providing the most benefits moving forward.

Purpose

The purpose of the economic case is to identify the service delivery option that optimises value for our community. Having determined the strategic context for the investment proposal and the opportunity presented through LWDW, this economic case:

- Identifies options for alternative service delivery models, using models proposed by Department of Internal Affairs (DIA).
- Undertakes option assessments using both qualitative and quantitative data to identify both:
  - The best way forward for Tauranga's future water service delivery.
  - The best way forward for the residual organisation if water services are removed.
- Undertakes further assessment to identify the best way forward for our communities.
- Recommends an overall preferred way forward under LWDW for Tauranga City.

What is the opportunity that LWDW offers?

A key feature of LWDW is to provide councils with the flexibility to determine the optimal structure and delivery method for water services. This includes the establishment of new, financially separate water organisations.

This section explains the LWDW framework that is also used in the assessment across different options.

New water organisations are intended to enable enhanced access to long-term borrowing for water infrastructure – supporting infrastructure development, while managing costs for consumers.

Councils can continue to deliver water services directly (such as through in-house business units), however they are also able to establish new water organisations that are more financially and operationally independent of councils. These models also make it easier for councils who wish to enter joint arrangements to achieve cost savings, improve efficiency and affordability.

Councils can design their own alternative delivery arrangements if arrangements meet the minimum requirements set out in legislation (refer below discussion). Council also has a choice about which water services are provided through different service delivery arrangements. For example, there is the option to provide drinking water and wastewater services through a water organisation but retain stormwater services in-house.

Proposed minimum requirements

The proposed minimum requirements in the third Bill for all service delivery models are designed to promote efficiency, improve the governance and management of financially sustainable water services, and ensure accountability within the sector. DIA lists the likely requirements for all water service providers:

The requirements will likely include that all water services providers:

	**Will be subject to economic, environmental and water quality regulation** – further information on economic, environmental and water quality regulation is available in the related factsheets: Economic regulation of water services (refer to the economic regulation factsheet for more information), Drinking water quality regulation, and Standards to help reduce water infrastructure costs.
	**Will be subject to a new planning and accountability framework for water services, including the need to produce stand-alone financial statements for water supply, wastewater, and stormwater** – further information outlined in the factsheet: Planning and accountability for local government water services.
	**Must be financially sustainable** – legislation will include an enduring objective for water service providers to be financially sustainable, including a requirement for the ringfencing of water services, an expectation of revenue sufficiency, and accommodating for maintenance, renewals and growth.
	**Must act consistently with statutory objectives** – legislation will set out a list of statutory objectives that will apply to all water service providers. There will also be several additional statutory objectives that apply to water organisations.
	**Will be subject to restrictions against privatisation** – legislation will include prohibitions on losing control, selling or disposing of significant infrastructure. Further, water services assets cannot be used as security.

In addition to the minimum requirements, the legislation will also look to include additional requirements that apply to all water organisations (i.e. will not apply to councils that continue with direct service delivery):

The following additional requirements apply to water organisations:

Current council staff and elected members cannot be appointed to boards.

Water organisations **must be companies.**

Activities of water organisations will be **limited to the provision of water services** and directly-related activities.

Only councils or consumer trusts can be shareholders of a water organisation.

Board appointments must be competency-based and have the appropriate mix of skills, knowledge, and experience.

There will be a range of protections against privatisation.

What is meant by financially sustainable under LWDW?

The Act defines '**financially sustainable'**, in relation to a council's delivery of water services, as:

- The revenue applied to the council's delivery of those water services is sufficient to ensure the council's long-term investment in delivering water services; and
- The council is financially able to meet all regulatory standards and requirements for the council's delivery of those water services.

Once a decision is made on the preferred way forward for water service delivery, a Water Service Delivery Plan will require councils to provide information on three components:

Revenue sufficiency	Is the projected revenue sufficient to cover the costs (including servicing debt) of water services delivery?
Investment sufficiency	Is the projected level of investment sufficient to maintain assets, meet regulatory requirements and provide for growth?
Financing sufficiency	Can the council raise the borrowing required to finance investment while remaining within financial limits?

Councils must also explain how revenue from, and delivery of, water services will be separated from councils' other functions and activities ('ring-fenced'). Ringfencing is a critical requirement for revenue sufficiency and financial sustainability and requires that:

- Water revenues be spent on water services, and
- Water services charges and expenses be transparent and accountable.

TCC's water services are currently ringfenced. Water revenue is collected and spent on water services and a decision on cost recovery for support services is made by the finance team.

LWDW and changes to LGFA financing

Local Government Funding Agency Limited (LGFA) has confirmed it will provide financing to support water CCOs established under LWDW and will assist high growth councils with additional financing. To be eligible, CCOs will need to be financially supported by their parent council or councils. LGFA will:

- Support leverage for water organisations up to a level equivalent of 500 percent of operating revenues.
- Treat borrowing by water organisations as separate from borrowing by parent council(s).
- Lend to multiply-owned water organisations, who are supported by the parent councils.

LGFA is also considering increasing debt limits for high growth councils beyond the current ceiling of 285 percent of operating revenues, potentially up to 350 percent.

These new arrangements aim to provide councils with access to the level of financing needed to make the necessary investments in water infrastructure, at low cost of financing, while managing the impact of rates rises in ratepayers. As outlined by LGFA, the benefits for councils and communities include that:

- *Using debt financing for investment in infrastructure is a fundamental aspect of delivering utilities, and water services are no exception.*
- *The Minister of Local Government has spoken of the infrastructure deficit New Zealand is facing with water. The financing arrangements provided by LGFA provide councils with increased lending flexibility to address these challenges, while ensuring affordability for ratepayers.*
- *Increased borrowing to fund necessary investment in water infrastructure reduces the need to fund investments across longer periods of time, which should be reflected in smaller increases in rates and water charges.*

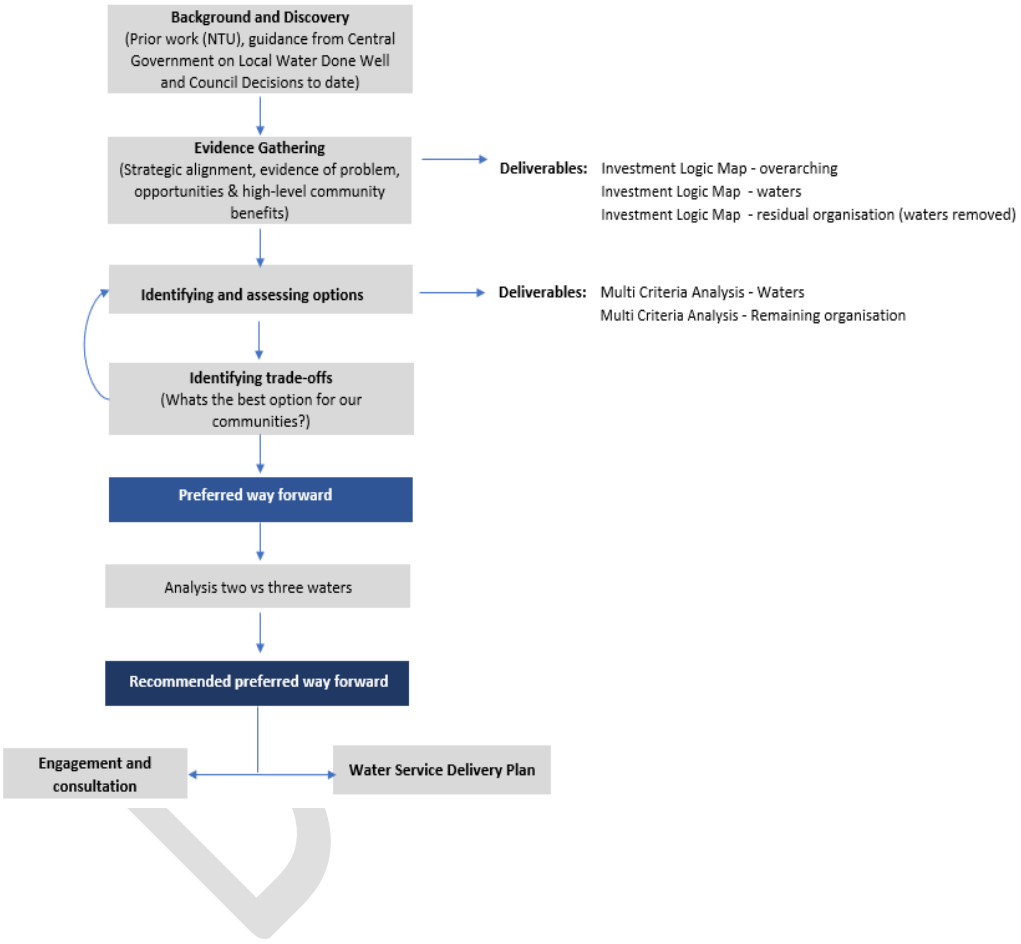
This is important because LGFA is the source of most debt financing accessed by local government and is the lowest cost provider. Without change to key financing ratios, council will find it even more difficult to stay under the LGFA debt to revenue ceiling. Refer to DIA's 'Financing for councils and water organisations' factsheet[34] for more information and Appendix Ten for further detail from LGFA (letter).

[34] https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/02.Factsheet-Financing-for-councils-and-water-organisations.pdf

Pathway to identify the preferred way forward

The process to identify the preferred way forward is outlined in Figure 28. This represents the key steps taken to assess across options. The deliverables (as set out below) from these steps were evaluated with the Project Steering Group.

Figure 28: Process to identify the preferred way forward.



What options are available under LWDW?

Five core options are available under LWDW with differing ownership, governance, strategy, accountability and borrowing features. Options are represented on a spectrum of least ambitious (current delivery model) to most ambitious (consumer trust model involving three or more councils).

There are several variables to consider when identifying and assessing water service delivery options in response to LWDW:

- The structure or form of the organisation.
- The number of local authorities that combine or partner with each other.
- If stormwater is addressed in the same manner as water and wastewater.

There are also options for joint procurement, or shared services that may apply across all options identified below.

Key assumptions and considerations

The need to continue to operate and invest in waters infrastructure and services is an ongoing need, no matter which option is decided on. Additional needs include:

- Greater transparency requirements in relation to the move to economic regulation – there will be a need to show how planned levels of investment meets Tauranga's needs and that the level of funding and investment is appropriate.
- Waters operations will need to generate sufficient operating surpluses to sustainably operate and respond to rising environmental and public health standards and respond to growth.
- All delivery options will be subject to the same environmental, health and economic regulatory framework.
- There are limited approaches to raising waters revenue and essentially all water charges will fall to the same communities that currently pay.
- There are limits to borrowing that differ across options. Water CCOs will be able to borrow through the LGFA, but to do so they must have a professional board of directors, have revenue independence (set and collect water charges), have support from council(s) in terms of an underwrite.
- There is still a high level of uncertainty until the third and final piece of LWDW legislation is in place.

Identifying the options

Department of Internal Affairs released LWDW guidance[35] suggesting a set of service delivery options available to councils. These were used as a base for option identification.

Aligning with Central Government's options, seven options were identified by the project team and then tested with the Project Steering Group in three workshops held between June and August 2024. Figure 29 outlines the options considered in alignment with the suggested models. Table 10 provides a matrix comprising a summary of features for each relevant service delivery model option. Note, alternative options were considered but not considered viable under the LWDW framework.

The same set of options were used to test both the future water service delivery options and to test the impacts on the future organisation if waters service delivery was removed.

[35] https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/Water-services-delivery-models-Guidance-for-local-authorities-(August-2024).002.pdf

Figure 29: Alignment of DIA and TCC options for water service delivery.

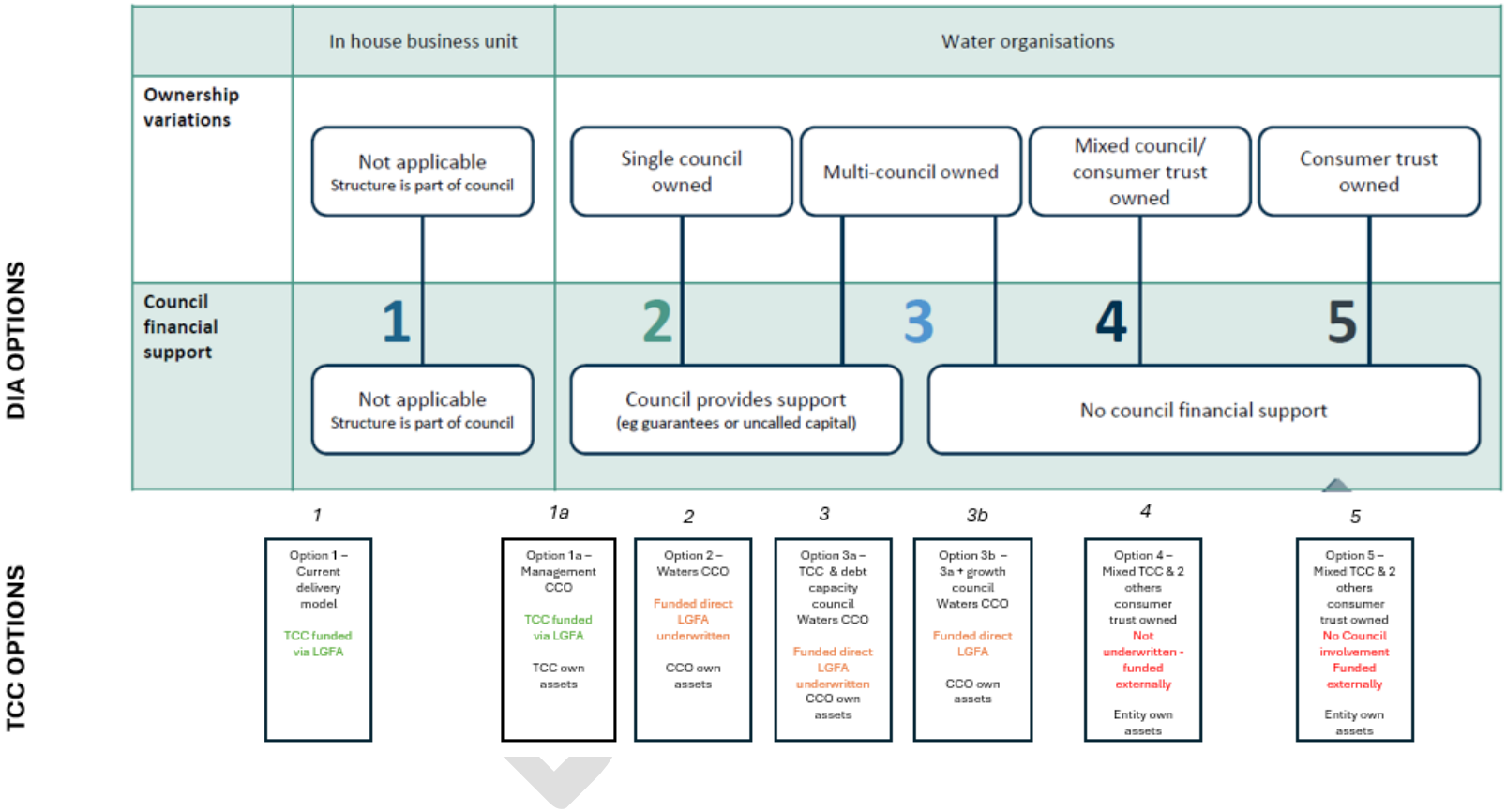


Table 10: Summary of features of service delivery models.

	1. Internal business unit or division	1A. TCC management CCO	2. TCC CCO	3. Jointly owned TCC & debt capacity Council	3B. 3 plus growth council	4. Mixed ownership/ consumer trust owned water organisation	5. Consumer Trust owned water organisation
Ownership	Wholly council owned as a business unit or division.	Wholly council owned as a business unit or division.	Wholly council owned as a separate water services organisation.	Ownership shared across two councils.	Ownership shared across three councils.	Consumer trust owns majority stake in water organisation, with one or more council.	Wholly owned by consumer trust as a separate water organisation.
Governance	Internal business unit or division, responsible to Council through established mechanisms under Local Government Act 2002.	Councils (and potentially other groups) appoint Appointments and Accountability committee (or can appoint board directly). Council or committee oversee board performance.	Councils (and potentially other groups) appoint Appointments and Accountability committee (or can appoint board directly). Council or committee oversee board performance.	Councils appoint members to a Shareholder Council, which appoints Board and oversees performance.	Councils appoint members to a Shareholder Council, which appoints Board and oversees performance.	Councils and trustees appoint a shareholder council to appoint directors.	Trustees appoint directors and oversees performance.
Strategy	Councils must prepare Water Services Strategy.	Parent council issues Statement of Expectations. Water organisation prepares Water Services Strategy.	Parent council issues Statement of Expectations. Water organisation prepares Water Services Strategy.	Shareholders agree process for issuing combined Statement of Expectations. Water organisation prepares Water Services Strategy.	Shareholders agree process for issuing combined Statement of Expectations. Water organisation prepares Water Services Strategy.	Shareholders agree process for issuing combined Statement of Expectations. Water organisation prepares Water Services Strategy.	Trustees issue Statement of Expectations Water organisation prepares Water Services Strategy.
Accountability	Water-focused annual reports and financial statements.	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives.	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives.	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives.	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives.	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives.	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives.
Borrowing	Council borrows, with water activity groups meeting their share of financing costs (on internal and external borrowing).	Council borrows, with water activity groups meeting their share of financing costs (on internal and external borrowing).	Borrowing via council or direct from Local Government Funding Agency with council financial support (guarantee or uncalled capital).	Borrowing direct from Local Government Funding Agency (with financial support from parent councils) or from banks.	Borrows independently of local authorities, subject to water organisation achieving sufficient credit-quality and track record.	Borrows independently of local authorities, subject to water organisation achieving sufficient credit-quality and track record.	Borrows independently of local authorities, subject to organisation achieving sufficient credit-quality and track record.

Option descriptions

Options are represented on a spectrum of least ambitious (current delivery model / status quo) to most ambitious (consumer trust model involving three or more councils). The further across the spectrum the less dependence on Council the options become.

A summary of key factors[36] for each option highlights the similarities and differences.

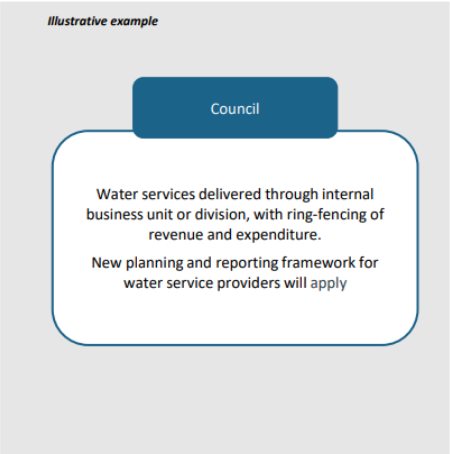
Option 1 – Internal business unit / TCC's current delivery model

This option represents the current delivery model / status quo. Water services would continue to be delivered directly by Council 'in house' through an internal business unit or division, with planning and budgeting integrated into council planning and budgeting processes. This option:

- Would be subject to new ring-fencing requirements (TCC is already ring-fenced), financial sustainability requirements, and economic regulation.
- Revenue continues to be generated through a combination of volumetric water charges and general and targeted rates and financial/development contributions.
- Water service delivery is fully integrated into council strategy, planning, and service delivery.

It should be noted that financial information for this option is based on LTP 2024-34 figures. As described in the Strategic Case, the financial landscape of Council has changed substantially with several key events bringing more debt onto Council's balance sheet. It should be noted that using LTP budgets for waters is not materially different as the key differences are in transport and community, which remain with Council.

	Key features
Ownership	• 100% council owned as a business unit or division within the organisation • No new organisation is established
Governance	• Internal business unit or division responsible to the elected council members, with other usual council governance oversight
Strategy	• Councils will need to prepare a Water Services Strategy
Accountability	• Water division reports to council per established internal processes • Water service delivery will be accountable to the public through usual local democracy practices • Water-focused annual report and stand-alone financial statements on water will be completed to enhance current requirements
Borrowing	• Borrowing undertaken by council with water activity groups meeting their share of financing costs (on internal and any external borrowing)



[36] https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/Water-services-delivery-models-Guidance-for-local-authorities-(August-2024).002.pdf

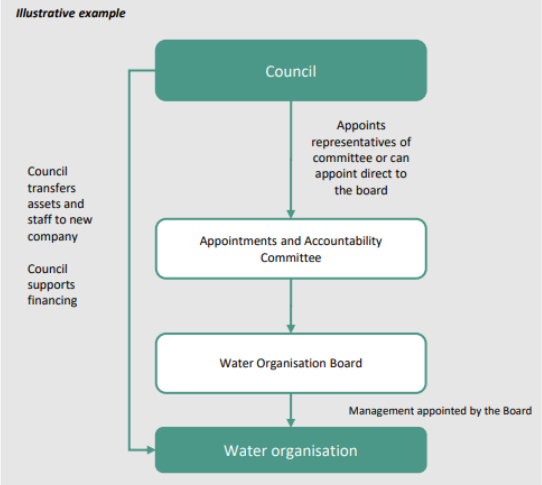
A sub-option (1A) refers to a management CCO, similar to the Wellington Water model. In this option, staff and management sit within a management CCO which has a professional board providing dedicated focus on delivering water services (operations) under a statement of expectation set by the Council. Asset ownership stays with Council and water budgets are agreed as part of the Council LTP process (as if it would for an in-house business unit of Council).

Option 2 – TCC council-owned water organisation

Option 2 represents a new company being established to deliver water services, where Council:

- Can transfer or retain ownership of assets.
- Has flexibility to design governance and appointment arrangements, including to consider whether and how they involve mana whenua, consumers, or community representatives (for example via an appointments and accountability body).
- Can choose to appoint board members directly.
- Would provide financial support to enable the CCO to borrow from the Local Government Funding Agency.

	Key features
Ownership	• Limited liability company, 100% owned by the council • Ownership rights spelled out in a constitution, subject to compliance with legislation
Governance	• Appointments made directly or via an Appointments and Accountability Committee (or similar body) • Board comprised of independent and professional directors
Strategy	• Shareholding council issues Statement of Expectations • Water organisation prepares Water Services Strategy and consults the council
Accountability	• Water organisation reports regularly to shareholding council on performance (for example quarterly) • Water organisation prepares annual report containing audited financial statements, including reporting on actual performance, and other matters outlined in the water services strategy. • Water organisation required to act consistently with statutory objectives
Borrowing	• Borrowing via council or from Local Government Funding Agency directly supported by council guarantee or uncalled capital



Option 3 – Joint or multi-council-owned water organisation (multi-council CCO)

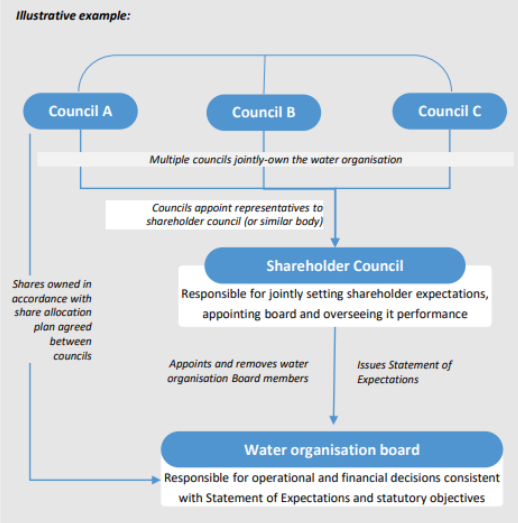
Under this option, two or more councils would establish a jointly owned water organisation. Councils have flexibility to establish shareholder rights and interests through a company constitution and/or shareholder agreement. Financing options and credit rating impacts would be dependent on whether shareholding councils choose to provide financial support or not.

For the purpose of this analysis, this option is separated into two sub-options:

- **Option 3** is based on a jointly owned CCO between TCC and a debt capacity council that would be underwritten by councils.
- **Option 3B** is based on a multi-party CCO between TCC, a debt capacity council and a third growth council. This model allows the assessment of changes that may be realised through scale with another growth council as well as the combination of two high growth-debt councils joining an asset owning CCO. This model still assumes councils would support to allow the CCO to assess LGFA financing.

A 'debt-capacity council' represents councils that have significant capacity before reaching Local Government Funding Agency's borrowing limits. In comparison, a growth council are those councils that are 'Tier 1 councils' as defined in the National Policy Statement on Urban Development. Growth councils are often characterised by high debt levels and balance sheet issues.

	Key features
Ownership	• Limited liability company owned by two or more councils • Ownership arrangements and rights set out in a constitution and/or shareholder agreement, subject to compliance with the legislation
Governance	• Councils agree how to appoint and remove directors, for example through a shareholder council or similar • Board comprised of independent and professional directors
Strategy	• Shareholding councils agree the process for issuing a combined Statement of Expectations • Water organisation prepares Water Services Strategy and consults shareholding councils
Accountability	• Water organisation reports regularly to shareholding councils on performance (for example quarterly) • Water organisation prepares annual report containing audited financial statements, including reporting on actual performance and other matters outlined in the Water Services Strategy. • Water organisation required to act consistently with statutory objectives
Borrowing	• Borrowing arrangements and credit rating implications dependent on whether shareholding councils provide financial support



Option 4 – Mixed council/consumer trust owned water organisation (multi-councils)

In option 4, one or more councils would establish a jointly owned water organisation with a consumer trust holding a majority stake. Councils will have flexibility to establish shareholder rights and interests through a company constitution and/or shareholder agreement upon establishment. Water consumers elect trustees to the Consumer Trust. That consumer trust is then represented on the shareholder council (along with council representatives) and/or appoints board members directly. Certain restrictions apply to Consumer Trusts to protect against privatisation.

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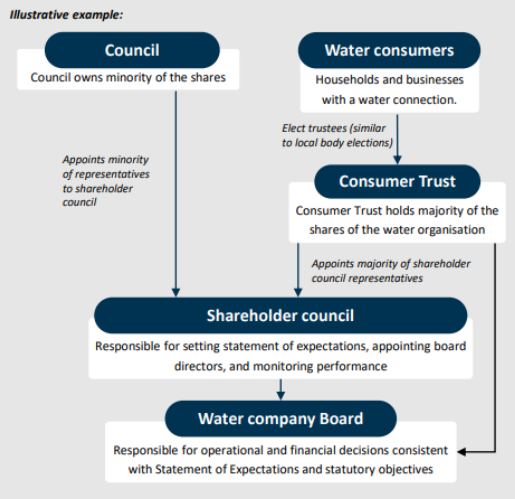
	Key features
Ownership	• Limited liability company owned by one or more councils with consumer trust majority ownership • Ownership arrangements and rights set out in constitution and/or shareholder agreement, subject to compliance with legislation
Governance	• Councils and consumer trust appoint a shareholder council to appoint directors • Water organisation governed by independent, professional board of directors
Strategy	• Shareholders agree the process for issuing a combined Statement of Expectations • Water organisation prepare Water Services Strategy and consults shareholders
Accountability	• Water organisation reports regularly to shareholders on performance (for example quarterly) • Water organisation prepares annual report containing audited financial statements, including reporting on actual performance and other matters outlined in the water services strategy. • Water organisation required to act consistently with statutory objectives
Borrowing	• Borrowing would be independent of local authorities (for example banks) and subject to water organisation achieving sufficient credit-quality and track record

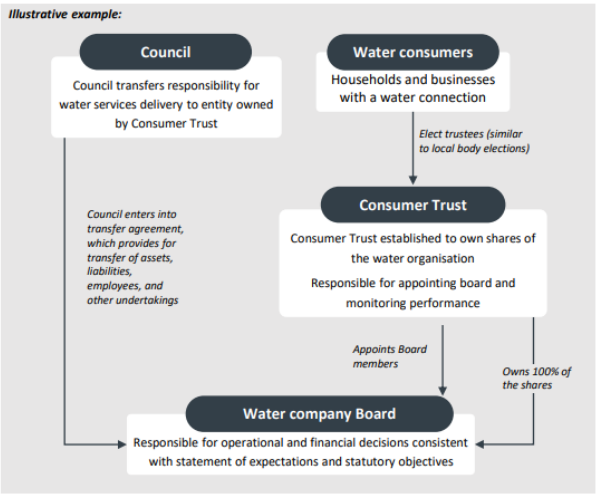


This option is based on three councils joining to form a multi-council / consumer trust model. It is assumed that to make this option viable, at least three councils would be needed to obtain independent financing on the open market with no LGFA financing accessible.

Option 5 – consumer trust owned water organisation

Under this Option 5, one or more councils would establish a wholly consumer trust-owned water organisation, and transfer water assets and responsibility for water services delivery to it. The council would have no ongoing involvement, as the company board is wholly appointed through the Consumer Trust. Water consumers elect trustees to the Consumer Trust, similar to local body elections.

	Key features
Ownership	• Limited liability company solely owned by a newly established consumer trust • Trust deed is subject to certain minimum requirements to protect against privatisation
Governance	• Trustees appoints company directors • Water organisation governed by independent, professional board of directors
Strategy	• Trustees issue Statement of Expectations • Water organisation prepares Water Services Strategy
Accountability	• Water organisation reports regularly to trustees and consumers on performance (for example quarterly) • Water organisation prepares annual report containing audited financial statements • Water organisation required to act consistently with statutory objectives
Borrowing	• Borrowing would be independent of local authorities (for example banks) and subject to water organisation achieving sufficient credit-quality and track record



For this assessment, Option 5 is based on three councils joining to form a multi-council / consumer trust model. It is assumed that to make this option viable, at least three councils would be needed to make it possible to obtain independent financing with no LGFA financing accessible.

What are the main considerations across the options?

A summary of main considerations across each option were provided by Martin Jenkins and are outlined in Table 11.

Table 11: Main considerations across the options.

Characteristics	Option 1: Current delivery model (LTP)	Option 1A: Management CCO Professional Gov TCC Funded (through LTP)	Option 2: Independent Waters CCO TCC underwritten (LGFA access)	Option 3: TCC & debt capacity Council (WBOP) Independent Waters CCO Under written (LGFA access)	Option 3B: 3 & growth Council, Independent Waters CCO Under written (LGFA access)	Option 4: TCC/WBOP/3rd Consumer Trust owned water organisation
Strategic focus	Strategic focus is broad, with elected member and executive leadership focus. Distributed across all council functions.	Greater strategic focus on water operations and capital delivery than Option 1. However, pricing, investment and funding decisions distributed between council and management CCO can lead to a 'strategic disconnect' between the council and the CCO.	Benefits from a singular focus on water services. May create 'interface issues' with other council functions that need to be managed and have the potential to give rise to problems (e.g., relating to land use planning, provision for growth).	Benefits from a singular focus on water services. May create 'interface issues' with other council functions that need to be managed and have the potential to give rise to problems (e.g., relating to land use planning, provision for growth).	Benefits from a singular focus on water services. May create 'interface issues' with other council functions that need to be managed and have the potential to give rise to problems. Adding councils outside SmartGrowth partnership adds complexity.	Benefits from a singular focus on water services. 100% trust ownership would result in an entity that operates at arms-length from council, resulting in a loss of council influence over strategic direction.
Governance	Elected members continue to have decision-making responsibility.	Board of CCO does not have full set of levers (i.e., ability to determine investment levels and set water charges) to run the company. Risk of incentive misalignment, with council retaining responsibility for investment, pricing and financing decisions, but Management CCO being seen to be responsible and held to account for asset condition, network performance.	Asset-owning models, where responsibility for investment, pricing and financing decisions rest with the board, aligns decision making and incentives for asset stewardship and effective and efficient operations. Clarity for Board of having single shareholder.	Asset-owning models, where responsibility for investment, pricing and financing decisions rest with the board, aligns decision making and incentives for asset stewardship and effective and efficient operations. Board has statutory obligation to ensure service delivery by the CCO meets the joint Statement of Expectations issued by shareholding councils.	Introduction of multiple shareholders requires careful consideration of ownership and shareholder decision rights, with greater scope for divergence of shareholder interests as the number of owners increases and/or with greater diversity in the underlying communities of interest.	Depends on the ownership structure. Mixed ownership model (i.e., mixed council and trust ownership) is similar to option 3B. 100% consumer-trust owned is similar to Option 2.

Characteristics	Option 1: Current delivery model (LTP)	Option 1A: Management CCO Professional Gov TCC Funded (through LTP)	Option 2: Independent Waters CCO TCC underwritten (LGFA access)	Option 3: TCC & debt capacity Council (WBOP) Independent Waters CCO Under written (LGFA access)	Option 3B: 3 & growth Council, Independent Waters CCO Under written (LGFA access)	Option 4: TCC/WBOP/3rd Consumer Trust owned water organisation
Accountability	Accountability to elected members and through existing mechanisms under LGA (council and council committee structures) and management reporting lines. The Local Government Water Services Bill is expected to introduce new strategy, planning and accountability mechanisms. These are expected to be uniform requirements that apply to all service delivery models.	Added complexity from distributed accountabilities between council and management CCO. Accountability mechanisms for Management CCO likely to be a mix of ownership levers (Letter of Expectations, Statement of Intent or equivalent) and contractual agreements (Service Level Agreement, Funding Agreement). With distributed decision making and responsibility, it will be challenging to specify performance measures for a Management CCO that are solely within the CCO's discretion (e.g., responsibility for network performance, customer service levels, regulatory compliance is not independent of investment decisions).	Oversight of performance by single council. Enables a direct relationship between the regulator, board and management, supporting effective regulation. This structure enables more effective regulation than Option 1 or 1A by creating a direct relationship between the company and the regulator, supporting greater external scrutiny of performance and strengthened incentives for the board and management of the company. Well established frameworks for setting customer service levels, network performance standards, compliance requirements.	Similar to Option 2 but success of this model requires additional shareholder coordination mechanisms (e.g. shareholder forum or similar). There are good models to draw on here, for example TasWater.	Similar to Option 3, noting that more shareholders can add complexity including in relation to shareholder decision rights.	Accountability under this model is more directly to consumers via a consumer trust. These models have had mixed results in the electricity sector, and trustee elections are often characterised by low turnout. Effectiveness of Trust-ownership structures in models that do not involve distributions of surplus are unproven.
Workforce	No significant difference, but potentially some workforce retention risk if there are more attractive options in other cities with CCOs.	Similar to Option 1.	Improved ability to attract and retain specialist workforce compared to options 1 and 1A, but shouldn't overstate the difference.	More likely to attract skilled workers due to greater specialisation, better career paths. A larger entity slightly more attractive from a talent and attraction perspective.	Similar to Option 3, albeit significant additional scale would offer further opportunities (e.g., if a second metro council was added).	Similar to Option 3B.

Characteristics	Option 1: Current delivery model (LTP)	Option 1A: Management CCO Professional Gov TCC Funded (through LTP)	Option 2: Independent Waters CCO TCC underwritten (LGFA access)	Option 3: TCC & debt capacity Council (WBOP) Independent Waters CCO Under written (LGFA access)	Option 3B: 3 & growth Council, Independent Waters CCO Under written (LGFA access)	Option 4: TCC/WBOP/3rd Consumer Trust owned water organisation
Community	Existing community focus. Extensive opportunity for consultation and engagement via LTP process.	Potential for confusion for customers as to who is responsible (e.g., where to direct customer enquiries regarding billing and services etc). This risk may be more pronounced during transition phase. *NB, we have assumed that consultation about community priorities, investment, willingness to pay is managed by council rather than Management CCO.*	CCO would likely replicate some existing consumer consultation and engagement activities, specific to water services. Subject to consumer protection regulations, including independent dispute resolution. Stronger forms of economic regulation would be expected to drive a customer focus with requirements to engage communities.	Same as option 2.	Same as option 2.	Same as option 2.
Cost efficiency	Existing opportunities for efficiency gains but lower scope for efficiency benefits relative to CCO options large enough to generate scale benefits (see separate efficiency discussion).	Opportunities for efficiencies are limited under this option and there are risks of diseconomies due to incentive misalignment and additional overheads.	There is some scope for operating and capital efficiencies in the medium (e.g., within 2-5 years) to longer-term, net of establishment costs. The scope for efficiency is hard to estimate precisely without comparative benchmarking information, but available evidence is strong enough to base assumptions on.	Increasing scope for operating and capital efficiencies relative to option 2, dependent on scale and geographic considerations. Some benefits may have been realised through existing operational synergies with WBOP, but scope for asset management, procurement and technology-enabled efficiencies remain.	Increasing scope for operating and capital efficiencies relative to option 2, dependent on scale and geographic considerations. Scale efficiencies are expected to increase up to the 600-800,000 connected population range.	Same as option 3B.

Characteristics	Option 1: Current delivery model (LTP)	Option 1A: Management CCO Professional Gov TCC Funded (through LTP)	Option 2: Independent Waters CCO TCC underwritten (LGFA access)	Option 3: TCC & debt capacity Council (WBOP) Independent Waters CCO Under written (LGFA access)	Option 3B: 3 & growth Council, Independent Waters CCO Under written (LGFA access)	Option 4: TCC/WBOP/3rd Consumer Trust owned water organisation
Financing ***We note this is all subject to LGFA, confirming that public guidance will apply (see note below)***	LGFA covenant based on consolidated financials. This means TCC financial strategy will need to be based on consolidated debt to revenue at a prudent level below [350%]. Achieving this will require significant water debt retirement from FY28 - 34 to enable non-water capital expenditure (leading to significant surpluses). If this results in a higher TCC debt to revenue than the status quo, it may result in a credit rating downgrade. This may increase interest rates (though wouldn't under LGFA's current methodology).	Same as Option 1. LGFA has indicated that it will require (amongst other things) a Water CCO to have the following in place to benefit from higher covenants: 1. Asset ownership established for the CCO through transfer agreement. 2. Powers for the water CCO board to assess, set, and collect water services charges. Option 1A would therefore be similar to Option 1 from a financing perspective.	LGFA water CCO covenant based on [500%] debt-to-revenue. LGFA non-water covenant based on [350%] debt-to-revenue (assessed at parent not group). This means more water + non-water debt is available than under Option 1 (500% + 350% > 350%). The above assumes TCC will require both water and non-water to maintain borrowing at a prudent level below the LGFA covenant (to be resilient and fiscally responsible). TCC subject to greater risk under this structure due to the water CCO guarantee (this needs to be managed through CCO/guarantee controls). Likely outcome is a credit rating downgrade relative to Option 1. This may result in additional 0-l0bps of interest cost (water and non-water), expected to be offset by improved efficiency.	Same as Option 2. The multi-council entity could either be set up to manage separate balance sheets (based on council area) over time or a single combined balance sheet. If the latter, the entity may either benefit from the smoothing effect of divergent asset replacement/investment cycles or be hindered by converging investment cycles that consume debt capacity. The parent council guarantee can be joint and proportionate however, the proportionality terms will need to be negotiated (and could create risk for one council or another). The quantum of the guarantee may also need to be revisited over time with councils which may cut across some of the governance benefits.	Same as Option 3.	Consumer trust-owned structures are not expected to be able to raise finance from LGFA, and so would need to raise finance from banks or capital markets at a higher cost of finance compared with other options.

It should be noted that the option of a multi-council CCO not underwritten by councils (i.e. 3B but not underwritten) was also considered but not included in this analysis. This was because:

- LGFA do not currently intend to lend to water CCO's that are not underwritten by councils.
- LGFA is expected to be significantly lower cost than private markets (bank or bond) on Day 1 (given it benefits from Crown support, diversification, Council support and scale).
- Private markets are also expected to impose more restrictive covenants than [500%] debt to revenue (particularly where there is no council guarantee).

Martin Jenkin's advised that there may be benefits to this structure in the medium-term once a track record and more stable balance sheet is achieved. Watercare process indicates that the premium to LGFA may not be too significant (however they have a long track record as a standalone CCO.)

Approach to optioneering

This analysis looks at LWDW from two perspectives:

1. The waters entity (inclusive or exclusive to Council).
2. The remaining organisation (if waters is removed).

This is an innovative approach that helps Council to:

- Integrate optioneering.
- Understand trade-offs.
- Develop mitigations for trade-offs going forward.

Figure 30: Approach to reach a preferred option.

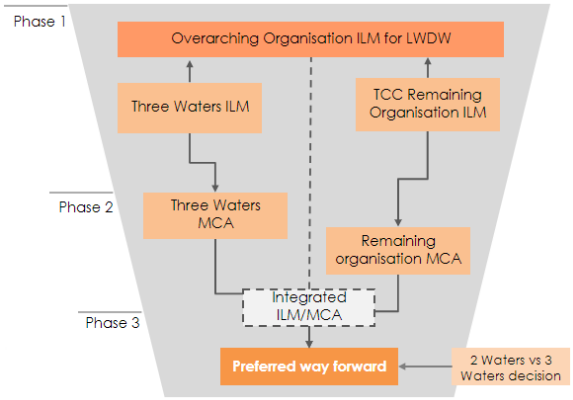


Figure 30 illustrates the planned approach for reaching a preferred option through integrating the waters and the remaining organisation MCAs into an integrated MCA (hatched text box). However, this was unable to be achieved due to the level of uncertainties and unknowns.

Analysing the options

Determining the optimal future service delivery model for our communities was investigated from two perspectives - waters service delivery and the future remaining organisation (with waters transferred). Multi-criteria analysis (MCA) across options shows there is no clear preferred option that will bring optimal benefits to both waters and the remaining organisation, requiring a balance or trade-offs to reach a preferred way forward.

Option analysis

Option analysis was carried out in three stages:

1. Multi-criteria analysis across options for the first 10 years using both quantitative and qualitative information.
2. Further analysis on advantages and disadvantages in the short, medium and long-term.
3. Consideration of advantages and disadvantages of two or three waters moving to a new waters organisation.

Multi-criteria analysis

The multi criteria analysis (MCA) tool provides an indicative comparative assessment across options – a method to assess option(s) with the best mix of outcomes. It is a decision-making process that evaluates multiple conflicting criteria. This method is particularly useful when decisions involve complex trade-offs between different factors, such as costs, risks, business needs etc.

This MCA process was completed (on reported on below) twice:

1. An MCA for future water service delivery models.
2. An MCA for future TCC if water service delivery was removed from the organisation.

Four assessment criteria were used to analyse the preferred way forward:

1. **Four investment objectives** (aligned with benefits) identified in the strategic case for each MCA.

   Investment objectives are derived from the benefits developed during the ILM process.

Waters	
	Financially viable and sustainable three waters business.
	Increased three waters delivery meeting the demands of the city, regulators & Māori.
	Enhanced business efficiency and effectiveness.
	Attracting, developing & retaining a high performing, and engaged workforce.
TCC (waters removed)	**Delivering growth**
	TCC cost of service allocation.
	Enhanced efficiency and productivity.
	Improved external relationships.

2. **Cost – '**Financial sustainability' as defined in the LWDW framework is used to compare costs across options:

		Measures utilised
Revenue sufficiency	Is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?	*NPV surplus/deficit*
Investment sufficiency	Is the projected level of investment sufficient to meet regulatory requirements and provide for growth	*Constrained investment = renewals + growth + levels of service*
Financing sufficiency	Is there enough money to cover the costs of a project or investment. It involves checking if the funds you have or can get (like loans, investments, or savings) are enough to meet all the expenses needed to complete the project successfully	*Debt/revenue ratio*

The following assumptions were also used in the financial analysis:

- Current LTP numbers provide an accurate reflection of the financial position.
- Current annual three waters revenue/charges from LTP remain unchanged.
- Additional debt headroom is utilised to deliver additional investment.
- CCO's guaranteed by council borrow on the same margins as the parent's credit rating.
- CCO benefits from capital and operational efficiency gains. A conservative approach to efficiencies was adopted based on Mafic and Martin Jenkin's (2024) advice and international research:
    - Option 1 – base case.
    - Option 2 – 1.0% opex and 1.0% capex efficiencies.
    - Option 3 – 1.2-1.4% opex and 1.0-1.3% capex efficiencies.
    - Option 3B – 2.0-2.5% opex and 1.2-1.5% capex efficiencies.
- Community trust model has lower credit rating, and higher interest rates.
- Stranded costs: $8.6m out of the $20.5m waters annually provides towards TCC overheads.
- New entity setup cost: $7.0m.
- Revenue quality – no material change as advised by Mafic (not modelled).

3. **The high-level risks associated with delivering the investment proposal.** High level risks were considered and ranked by the Project Steering Group in workshops.

4. **Business needs (or changes) required to get from the current arrangements to deliver the** investment objectives. These are business needs that have not been previously considered elsewhere in the MCA or investment objectives but directly align with relevant strategies for Tauranga City. They include:

    - Water, Wastewater & Stormwater strategies (draft).
    - Strategies enabling intensification and growth SmartGrowth, UFTI and NPS-UD).
    - Supply Chain – relationship with the market, economies of scale, pipeline.

For more detail on MCA methodology refer Appendix Eight.

Waters – option analysis (MCA results)

From a waters perspective the formation of a CCO, either with a stand-alone CCO and/or jointly owned CCO with a debt capacity council, is the preferred way forward. Despite this, affordability is effectively unchanged, capital delivery remains constrained, and debt remains high.

The purpose is to understand the problems and opportunities of LWDW from the perspective of water services.

To recap, the ILM process found that there are:

- Financial constraints.
- Complex decision making.
- Inefficient systems and processes.
- Capability and capacity risks.

Benefits that were also developed during the ILM process are also used as investment objectives (or outcomes we want to invest in). For waters, the four benefits are:

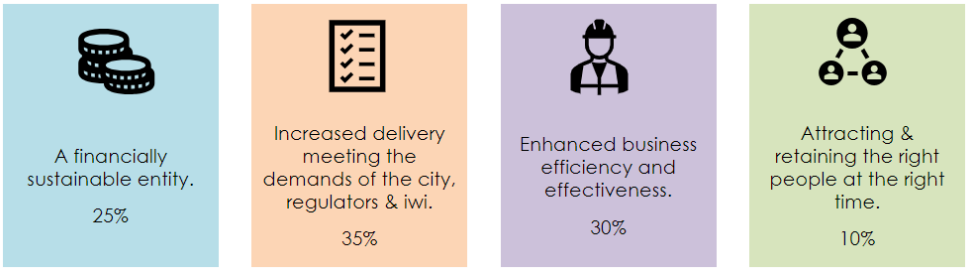


Figure 31: Summary of MCA findings from a water service delivery perspective.

		Option 1	Option 1a	Option 2	Option 3	Option 3b	Option 4	Option 5
		Current delivery model	TCC Management CCO	TCC Independent CCO	Joint TCC & debt capacity Council	Option 3a + growth Council	Mixed ownership/ consumer trust owned water organisation	Consumer Trust owned water organisation
Investment Objectives	Financial sustainability							
	Increased delivery							
	Efficiency & effectiveness							
	Workforce							
10 Year Expenditure per connection		$17,839	$17,474	$17,866	$18,543	$17,311	$19,505	$19,505
Risks								
Business Needs								
Results		26.9%	41.1%	69.6%	77.9%	70.4%	66.2%	66.2%
Ranking		7	6	3	1	2	4	4

Sensitivity analysis

Evaluation criteria were assigned a weighting based on their importance and relevance to the assessment. Sensitivity analysis determines how different variables contribute to a model's overall uncertainty, for example, what happens if we double the cost weightings, or risk weightings? If the outcome or ranking remains unchanged, this means the model is stable or reasonably certain. These weightings (Table 12) were tested through a sensitivity analysis and do not have a significant impact on the overall ranking of options (Table 13).

Table 12. Sensitivity analysis – criteria weighting assumptions.

	Initial	2x Inv. Obj. Sensitivity 1	2x Cost Sensitivity 2	2x Risk Sensitivity 3	2x Bus. Needs Sensitivity 4
Investment Objectives	25%	50%	17%	17%	17%
Cost	25%	17%	50%	17%	17%
Risks	25%	17%	17%	50%	17%
Business Needs	25%	17%	17%	17%	50%
	100%	**100%**	**100%**	**100%**	**100%**

As demonstrated by the sensitivity analysis below, the ranking of options does not substantially change with variations to the criteria weightings, meaning the model is stable.

Table 13: Sensitivity analysis – Waters Entity.

	Option 1	Option 1a	Option 2	Option 3	Option 3b	Option 4	Option 5
	Current delivery model	TCC Management CCO	TCC Independent CCO	Joint TCC & debt capacity Council	Option 3a + growth Council	Mixed ownership/ consumer trust owned water organisation	Consumer Trust owned water organisation
Initial	7	6	2	1	3	4	4
2x Inv. Obj.	7	6	5	1	2	3	3
2x Cost	7	6	2	1	3	4	4
2x Risk	2	5	3	1	4	6	6
2x Bus. Needs	7	6	2	1	3	4	4

Interpreting results

The MCA identifies Option 3 **'Jointly owned TCC and debt capacity Council CCO'** as the preferred option (Figure 31).

Option 2 'TCC Independent CCO' and Option 3b '3 plus additional growth council' rank second and third, indicating a move towards CCO or joint delivery is preferable for the waters organisation (Figure 31). It should be noted, however, that none of the options available offer a 'magic bullet' as financial sustainability remains an issue.

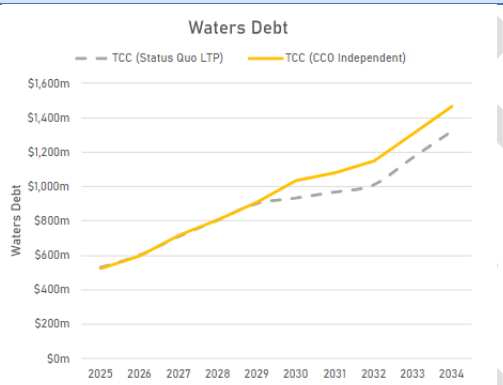
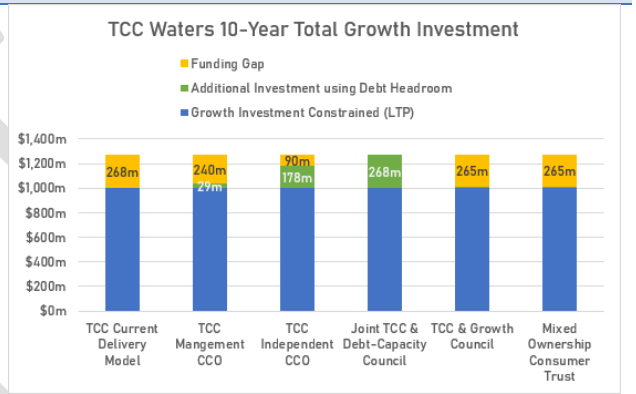
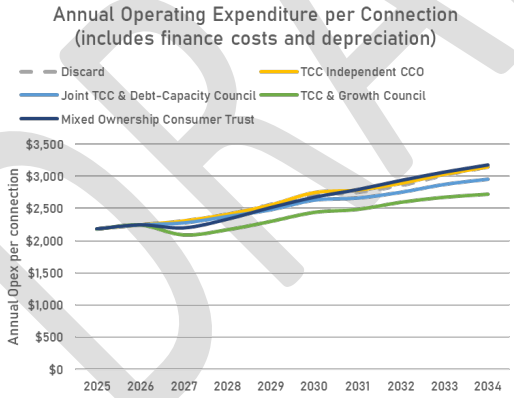
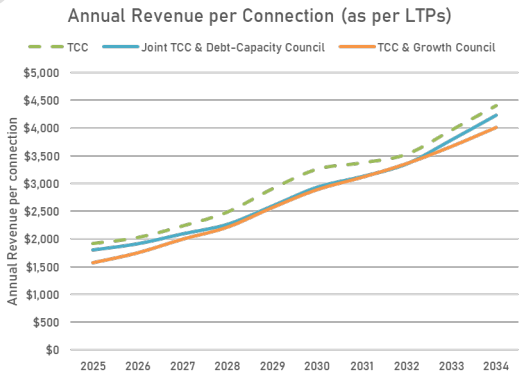
The results are considered robust given Option 3 remains the preferred option across all sensitivity analysis (Table 13).

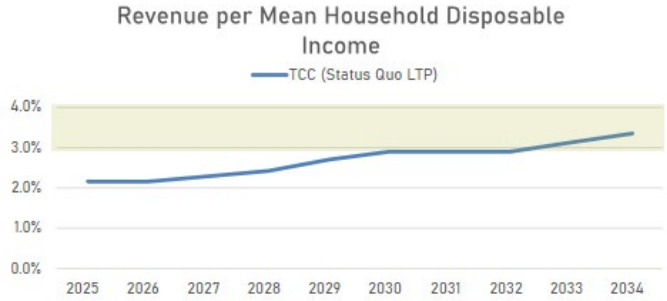
Table 14 provides graphs and key points from the analysis of options from the water's perspective. Despite being the preferred way forward, under a CCO option:

- Financial sustainability remains subdued, with debt remaining high - constraining growth in non-water activities[37]
- Cost to consumers is marginally improved in the short term but is likely to remain an issue longer term.
- Affordability experiences a marginal change.
- Delivery is improved, but remains constrained, particularly for growth (refer to the green section on the bar graph 'TCC Waters 10 Year Total Growth Investment' in Table 14).
- Efficiency and effectiveness improves.
- Attracting and retaining staff improves.

[37] Modelling assumes revenue streams are unchanged from LTP and headroom capacity is used to deliver growth.

Table 14: Key points from the waters analysis.

Key points to note		
Financial sustainability • Debt remains high in a CCO option compared with the current delivery model. • CCO options (independent and with a 'debt-capacity' council) provide headroom for additional investment, but a funding gap still remains.		
Customer charges • Marginal changes in operational costs between options. COO models additional finance costs are offset by efficiency gains. • Water revenues in the current LTP increase by 10% year on year to nearly $4,500 to produce surplus and allow debt retirement.		

Key points to note	
Affordability for consumers • Using OFWAT[38]'s affordability measure, water charges are deemed affordable as they are within the 3-4% range in relation to mean household disposable income.	

[38] OFWAT is the regulator for the water sector in England and Wales.

Remaining organisation – option analysis (MCA results)

The establishment of a new water organisation does not clearly benefit the remaining organisation. The MCA ranks the 'Current delivery model' as the preferred option with a 'Jointly owned TCC and debt capacity Council CCO' ranking second.

The purpose is to understand the problems and opportunities of LWDW from the perspective of TCC, the remaining organisation, if water services are transferred.

To recap, the ILM process found that there are:

- Misaligned investment priorities.
- Reduced TCC revenue that increase costs.
- Duplication and increased transactions, reducing productivity.
- Changed relationships.

Benefits that were also developed during the ILM process are also used as investment objectives (or outcomes we want to invest in). For waters, the four benefits are:

Figure 32: Summary of MCA findings from a remaining TCC perspective.

		Option 1	Option 1a	Option 2	Option 3	Option 3b	Option 4	Option 5
		Current delivery model	TCC Management CCO	TCC Independent CCO	Joint TCC & debt capacity Council	Option 3a + growth Council	Mixed ownership/ consumer trust owned water organisation	Consumer Trust owned water organisation
Investment Objectives	Delivering growth							
	Cost of services							
	Efficiency & productivity							
	External relationships							
10 Year Total Cost All Services		$54,651	$54,378	$54,771	$55,474	$54,300	$56,494	$56,494
Risks								
Business Needs								
Results		77%	48%	40%	68%	26%	33%	33%
Ranking		1	3	4	2	7	5	5

Sensitivity analysis

Sensitivity analysis was carried out using the same parameters as the waters MCA (discussed above).

As demonstrated by the sensitivity analysis below, the ranking of options does not substantially change with variations to the criteria weightings, meaning the model is reasonably stable. Exceptions to this occur when assessing the sensitivity of the options in relation to business needs. Business needs used in the MCA included:

- Water, Wastewater & Stormwater strategies (draft).
- Strategies enabling intensification and growth (smart growth, UFTI and NPS-UD).
- Supply Chain – relationship with the market, economies of scale, pipeline.

Table 15: Sensitivity analysis – remaining organisation (waters transferred).

	Option 1	Option 1a	Option 2	Option 3	Option 3b	Option 4	Option 5
	Current delivery model	TCC Management CCO	TCC Independent CCO	Joint TCC & debt capacity Council	Option 3a + growth Council	Mixed ownership/ consumer trust owned water organisation	Consumer Trust owned water organisation
Initial	1	3	4	2	7	5	5
2x Inv. Obj.	2	4	3	1	7	5	5
2x Cost	1	3	4	2	7	5	5
2x Risk	1	3	4	2	7	5	5
2x Bus. Needs	1	6	7	2	5	3	3

Interpreting results

The MCA identifies **Option 1 'Current delivery model' as the preferred option** with Option 3 'Jointly owned TCC and debt capacity Council CCO' ranking second.

All other options score poorly as they:

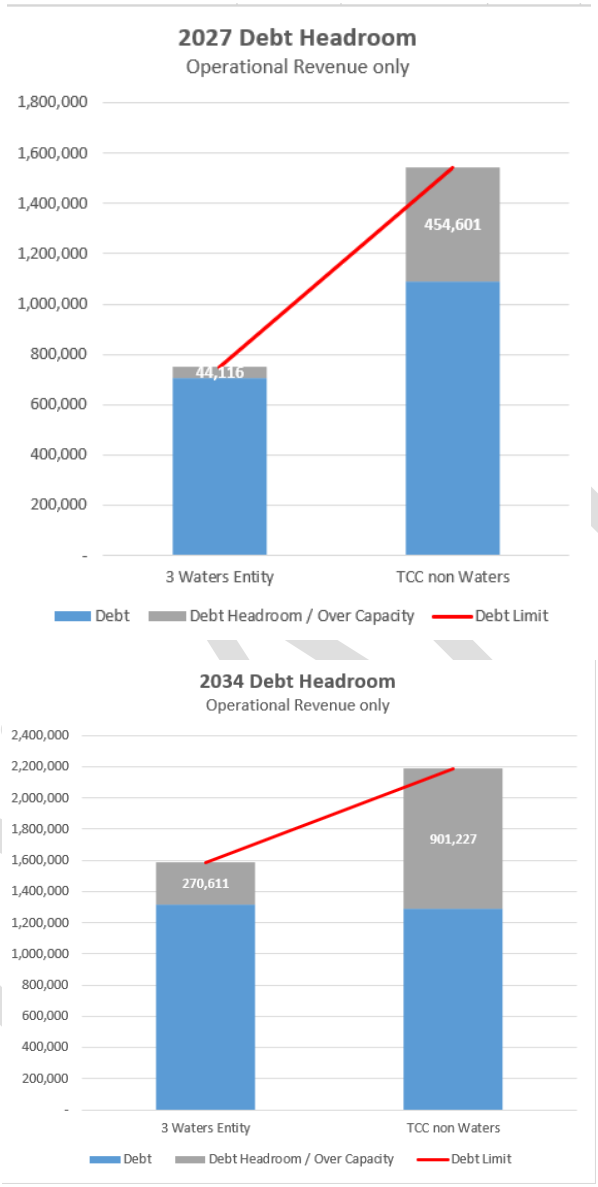
- Deliver less growth investment.
- Risks are higher from a TCC perspective as a consequence of separation from council activities and the potential for conflicting priorities.

Comparing Option 1 (Status Quo) with Option 3 (TCC & Debt capacity Council CCO):

- **Financial Sustainability** – Option 3 has improved financial headroom, and the ability to deliver more capital for both waters and non-waters investment.
- **Cost to consumers** – costs are similar.
- **Affordability** – There is no change, revenue has been maintained, however there is opportunity.
- **Debt** – this remains high (see Figure 33 that compares debt headroom pre and post debt retirement. Note this refers to the $300 million water debt retirement in the last 5 years of the LTP).
- **Delivery** - Option 3 can deliver more in terms of the capital programme.
- **Efficiency and effectiveness** – both are similar as TCC are anticipating efficiency losses due to conflicting objectives.
- **Risk and business needs –** Option 1 has less risk and is more aligned with business needs.

In summary, the establishment of a new water organisation does not benefit the remaining organisation. It should be noted that current thinking, understanding, and knowledge is imperfect for creating and evaluating the MCA and that LWDW policy is still in development with Bill 3 still to be introduced. By understanding the trade-offs for the remaining organisation, TCC can mitigate the value loss should they choose to move towards a jointly owned delivery model.

Figure 33: Comparison of TCC's and the waters entity debt headroom in 2027 (pre-debt retirement) and 2034 (post debt-retirement) with debt limits.



Combining the MCA results

The two MCA's have produced conflicting results. However, both have identified Option 3 as a good option. The move towards a CCO model provides a pathway to improving financial sustainability and slight uplifts in the capacity to deliver more towards growth.

The two MCA have produced conflicting answers:

- From a Waters Entity perspective, forming a jointly owned delivery CCO with a debt capacity council is the highest value option.
- From a remaining organisation perspective, continuing current delivery through an internal business unit or division is the highest value option and a jointly owned CCO is ranked second.

When viewing the assessments holistically, the preferred way forward for three waters is to move towards a joint or multi owned CCO model – given this is the only option that provides a pathway towards improving financial sustainability.

Why there is no 'financially sustainable' option under LWDW

The financially sustainable definition used in analysis is set by the LWDW policy (refer page 74). Specifically, it requires that there is enough revenue and investment capacity within the entity to fund all new capital required for both regulation and growth, as well as maintaining and renewing current city infrastructure.

For all options, financial sustainability for waters is challenged by the high level of future capital investment required (refer Figure 33). Future capital investment is needed to meet the level of growth expected under the NPS-UD and to meet current understandings of regulatory requirements. This is particularly difficult when the waters activity already carries a large amount of debt relating to growth investment, such as the new Waiāri water supply and treatment facility costing approximately $300m over the next 30 years.

Financial sustainability under LWDW also requires that there is adequate revenue able to be raised to pay the operating costs of the business, to meet borrowing requirements, and over time to repay debt to provide headroom for future investment. Growth related debt is repaid over a long timeframe through development contributions with the annual interest charges capitalised until it is repaid (meaning debt grows year on year). Revenue for large infrastructure, such as Waiāri, is collected through city-wide development contribution charges as new dwellings are built over the next 30 years. Operating costs for water services, including paying interest on non-growth debt, are covered through charges to users. None of the options assessed above provide revenue sources other than those mentioned above, and therefore, the ability to charge enough to meet ongoing operating and borrowing requirements is limited to assumptions around affordability for users.

CCO options provide a better overall access to debt at competitive prices through LGFA by providing a higher borrowing limit overall (500% on waters activities and 280-350% overall on other activities) without the council having to accommodate higher waters debt within its total borrowings.

The extra debt headroom can be utilised through lower water charges to consumers than the current delivery model. This is not a silver bullet as the extent of debt financing for development contributions and level of service investment mean both the current delivery model and CCO options are likely to

be debt constrained. Without the option of higher charges to consumers to create an operating surplus to retire debt in the last five years of the LTP, these options are not 'financially sustainable' under the LWDW framework. An alternative to this higher charging for debt retirement would be off-balance sheet funding of a significant proportion of growth debt through other funding mechanisms, such as under the Infrastructure Funding and Financing Act 2020.

The options of a consumer trust or multiple owned non council guaranteed CCO have higher borrowing costs and credit risk than the LGFA-funded options and therefore are seen as even less financially sustainable.

Does LWDW provide an opportunity for waters and council?

With no obvious 'winner' or 'loser' when it comes to water service delivery under Central Government's LWDW policy, we need to consider the overarching ILM to evaluate if either option realises the benefits that were identified. In other words, does either option:

- Enable local and regional economic development?
- Improve community affordability?
- Enhance efficiency and effectiveness?
- Increase investment certainty and intergenerational equity?

Can we realise the benefits that are key to the LWDW opportunity with a CCO option?

Four overarching benefits that flow from the proposal were identified as part of the ILM process. The focus is on providing certainty for our growing city in an affordable way. The following provides discusses the extent to which the following benefits will be realised if a decision is made to move to a CCO option.

A CCO will enable more financial resources to deliver more capital works for growth.

Tauranga city faces a fundamental challenge in being able to fund and deliver the levels of infrastructure investment needed to support growth and development of the city. The Government's recent policy announcements requiring councils to provide zoned and serviced land able to accommodate 30 years of future growth further adds to this challenge. Meeting the pressure of growth will require levels of investment that are greater than currently provided for in Council's Long-term Plan.

The opportunity of LWDW provides a slight uplift in local and regional economic development with improvements in debt capacity – enabling more growth projects to be delivered.

Debt capacity

The 2024-34 LTP included three waters along with all other council activities. At the time of development, the very high existing debt levels of three waters coupled with a very high ongoing capital programme meant that debt retirement was needed in the last five years of the LTP to enable the whole of council to remain within the 280% debt to revenue ratio.

As discussed above, the modelling for the MCA has been based on the LTP. It is noted that the debt position of council has been adjusted post the LTP to reflect reforecast budgets for 2025 and capital limits proposed for 2026. These changes were made in response to not proceeding with the removal IFF and NZTA funding (see discussion in the Strategic Case) and have not been included in the analysis based on LTP figures. However, using LTP budgets for waters is not materially different as the key differences are in transport and community, which remain with Council.

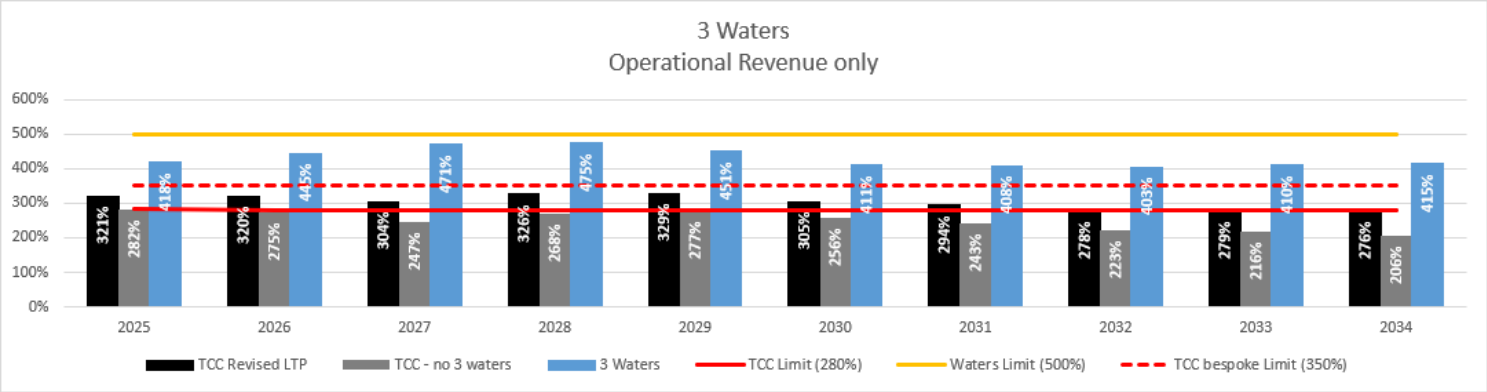
Two figures relating to debt capacity are described and provided below. Graphs are based on revised LTP expenditure across council and use operational revenue only which is more relevant to LGFA bespoke covenants. For each, the same series of debt capacity graphs are produced for comparison purposes:

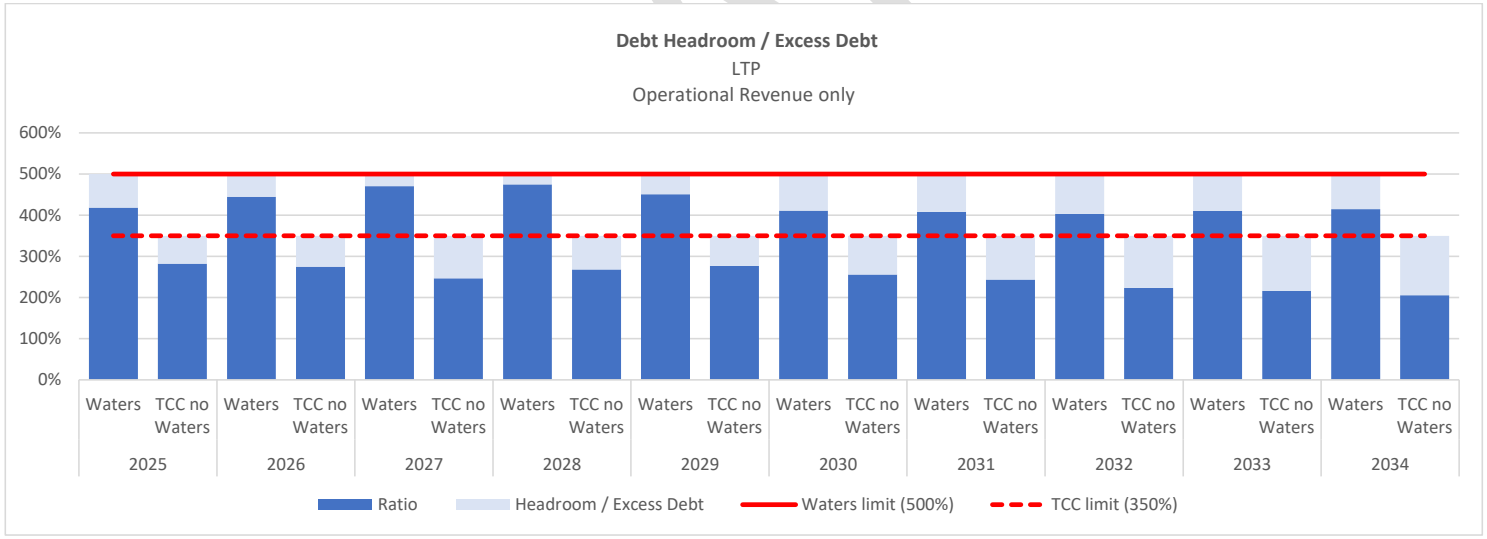
- **Debt to revenue ratios for TCC (LTP), waters and the remaining (no waters) organisation** – ten-year graphs for waters and the remaining council illustrating the debt headroom under revised limits of 500% for waters CCO and 350% bespoke covenant for remaining TCC. The debt to revenue ratios against limits shows debt capacity in the gap between the top of each bar in the graph and the limit line.
- **Debt headroom –** these graphs also show debt to revenue ratios against limits with the debt headroom shown clearly for both waters and the remaining TCC organisation.
- **Debt headroom graphs for years 2027, 2028 and 2034** – graphs translate the percentage capacity into actual dollars for these years for both a three waters entity and the remaining TCC organisation (with no waters). The red line depicts debt limits i.e. if the red line is below the grey debt headroom /over capacity bar, this means that limits have been breached.

Figure 34 relates to the LTP 2024-34 that inform the MCA results. Figure 35 provides an alternative scenario where $258 million of debt retirement is removed to allow for a reduction in water user charges.

	Commentary
Figure 34 LTP base numbers, including $300 million of debt retirement in three waters.	The LTP numbers that are used in the core MCA model include $300 million of debt retirement in three waters (Presentation One). Debt retirement is achieved by high year on year increases in water charges (approximately 10% per annum to raise sufficient surpluses to pay back debt/depreciation reserve deficits in the waters activities). Key points: • There is sufficient debt capacity in a waters CCO to not breach the 500% water limit. Note that in years 2027 (472%) and 2028 (475%) this gets close. • There is sufficient debt capacity in the remaining TCC to not breach bespoke limits of 350% with at least 68% debt/revenue headroom across the ten-year period, with capacity improving post 2030. • The three debt headroom graphs (2027,28 and 34) show that there is more percentage capacity and also more dollar capacity in council than in the highly indebted waters CCO even though it has a higher debt limit.
Figure 35 Alternative scenario where $258 million of debt retirement is removed from three waters to allow for a reduction in water user charges.	If the surpluses were not accepted at such a high level by the economic regulator there would be less investment capacity in the CCO. This second set of graphs shows the impact on debt capacity of a surplus over the last five years of $50 million per annum rather than $300m. Key points: • There is more investment capacity for TCC with waters removed (comparison of black and grey bars). • There is insufficient debt capacity in a waters CCO (blue bars) over the ten-year timeframe with the CCO breaching debt limits (yellow line) from year 2031 to 2034. • There is sufficient debt capacity in the remaining TCC organisation to not breach bespoke limits of 350% (red hashed line) with TCC being well within limits (between 107% and 144% debt capacity from 2031 onwards). • The three debt headroom graphs (2027,28 and 34) show that there is more percentage capacity, and also more dollar capacity in Council, than in the highly indebted waters CCO even though it has a higher debt limit. It also shows debt limits being breached by $461,475 in 2034 by the three waters entity. • Without capital restructuring this would not be an acceptable option under the current borrowing limits. The remaining organisation's debt capacity would need to be utilised by holding a portion of waters debt from day one. Consideration to remaining organisation's required investment before capital restructuring is considered.

Figure 34: Debt to revenue ratios for waters and the remaining organisation – using LTP base figures.





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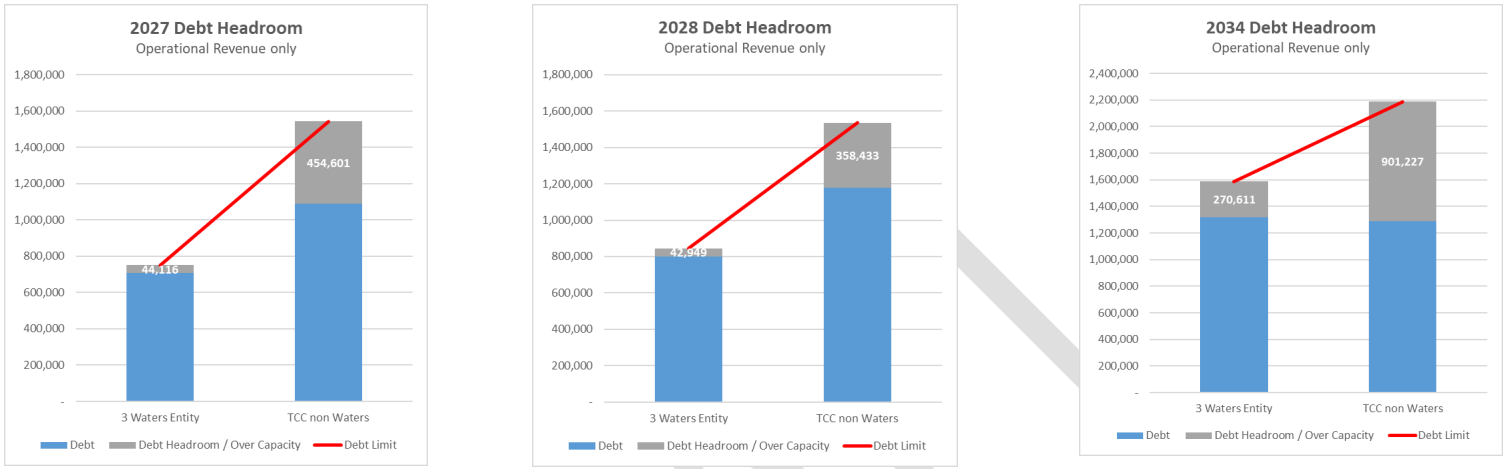
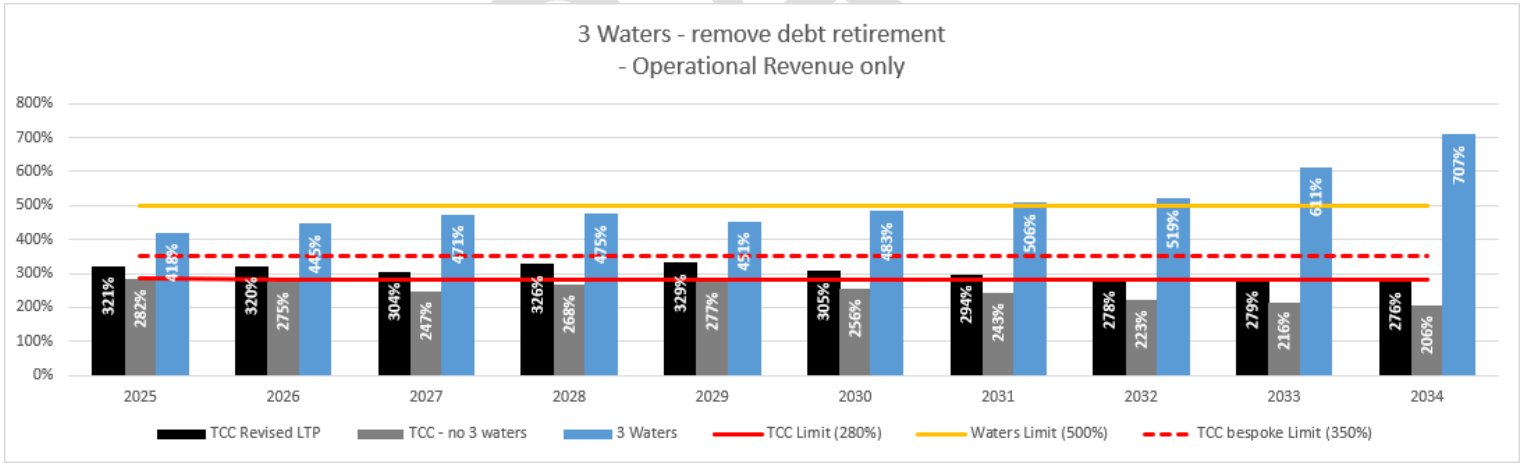


Figure 35: Debt to revenue ratios for waters and the remaining organisation – using LTP figures with $258 million debt retirement removed.



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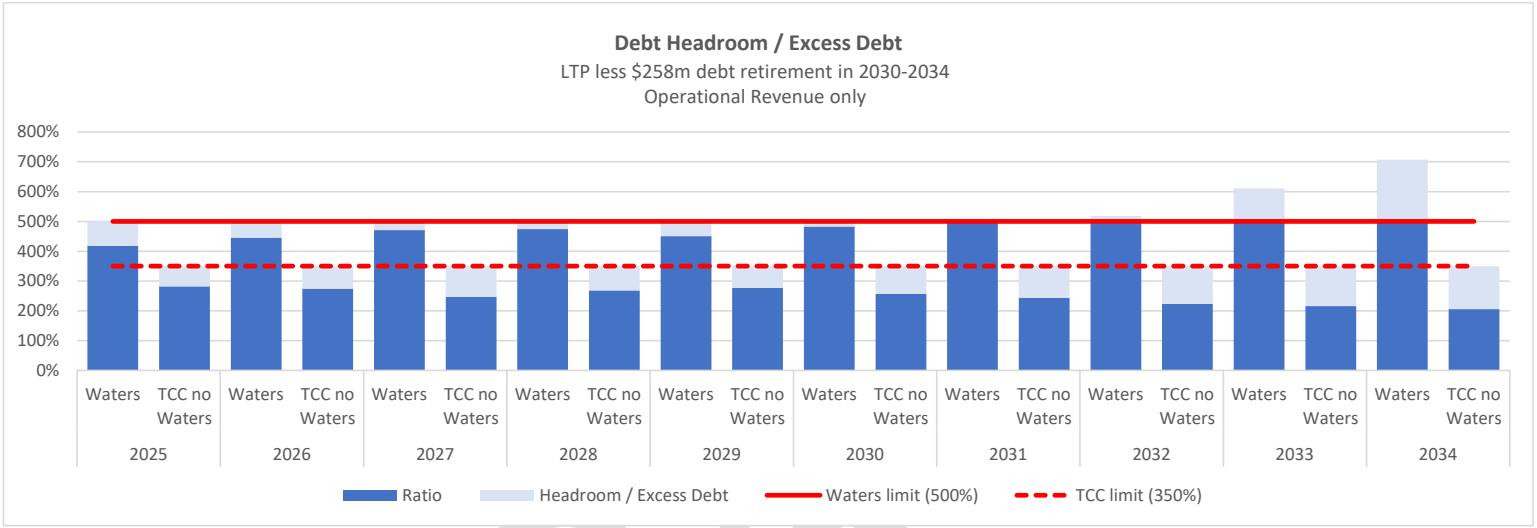
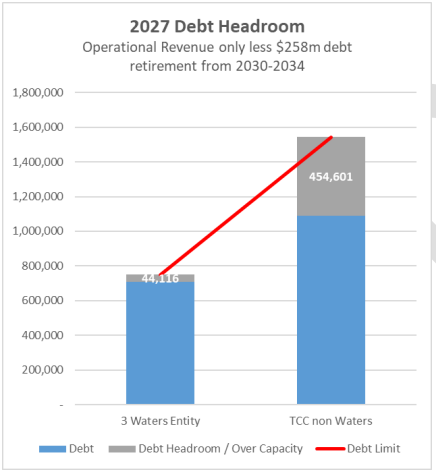
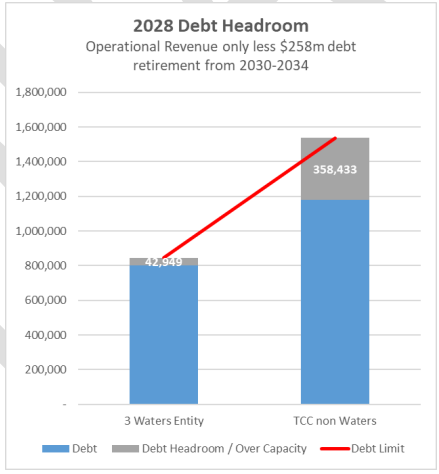
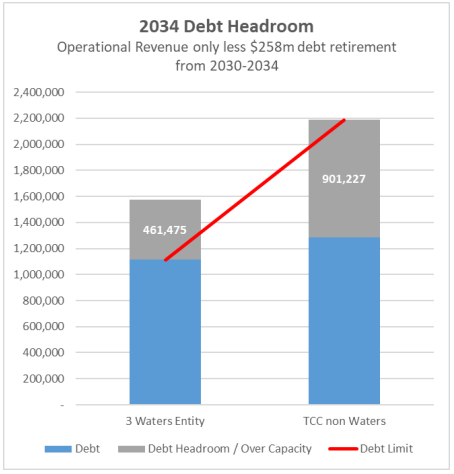

Debt Headroom / Excess Debt
LTP less $258m debt retirement in 2030-2034
Operational Revenue only
800%
700%
600%
500%
400%
300%
200%
100%
0%
Waters
TCC no Waters
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
Ratio
Headroom / Excess Debt
Waters limit (500%)
TCC limit (350%)


2027 Debt Headroom
Operational Revenue only less $258m debt retirement from 2030-2034
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
454,601
3 Waters Entity
TCC non Waters
Debt
Debt Headroom / Over Capacity
Debt Limit


2028 Debt Headroom
Operational Revenue only less $258m debt retirement from 2030-2034
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
358,433
3 Waters Entity
TCC non Waters
Debt
Debt Headroom / Over Capacity
Debt Limit


2034 Debt Headroom
Operational Revenue only less $258m debt retirement from 2030-2034
2,400,000
2,200,000
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
461,475
901,227
3 Waters Entity
TCC non Waters
Debt
Debt Headroom / Over Capacity
Debt Limit

101

$

Improved community affordability

30%

A CCO does not make services more affordable.

Safe and reliable water, wastewater and stormwater are vital for everyday life. It is therefore important to ensure that water affordability is an important factor considered in deciding on the future of water service delivery. For the purposes of this document, water affordability means the ability of households to pay for their water services. Measuring or defining affordability of essential water services is difficult – what is affordable for one household may be very unaffordable for another.

Based on international research undertaken by OFWAT[39], the regulator for water services in England and Wales, the affordability threshold used in this IBC is 3-4% of mean household disposable income.

As discussed in the Strategic Case, average water charges are planned in the current LTP to more than double in the next 10 years from $2,000 in 2025 to $4,450 by 2034. Using OFWAT's affordability measure, this is deemed affordable as it tracks within the 3-4% affordability threshold. Customer charges remain much the same with a slight reduction in consumer charges for both the joint and multi owned CCO options (refer page 89).

Efficiency and effectiveness

20%

A CCO will improve efficiency and effectiveness for waters that will accumulate overtime. Efficiency losses in the short-term for TCC are expected with the shifting of water delivery services to a new entity.

Waters CCO

Martin Jenkin's (2024) analysis suggests that modest efficiency gains could be achieved from improved asset management, procurement, and greater scope for innovation. Annualised operating and capital efficiency gains of at least 1% can be expected with larger gains expected under a multi-council model with greater scale (1.5-2% per annum operating efficiency improvements

Martin Jenkins highlight that efficiency gains would come from:

- Asset management – use or data capture, storage, and analytic technologies to improve asset maintenance reducing whole of life costs.
- Digital and mechanical automation of network operations.
- Savings from strategic procurement and sourcing, enabled by longer-term certainty of investment pipeline.
- Professional governance coupled with economic regulation will drive greater focus on key performance in relation to customer service levels, regulatory compliance, network performance and asset condition and value for money for customers.

It should be noted that, although less likely, some of these efficiencies could be available within a council in-house delivery model.

[39] OFWAT: Affordable for all – How can we help those who struggle to pay their water bills? OFAT, United Kingdom

Significant improvements in efficiency have been achieved overseas from similar water reforms. Martin Jenkins (2024) notes that overseas medium scale water only companies that are subject to economic regulation make a significant improvement in efficiency over time. For example, many Australian economic regulators challenge urban water authorities to deliver between 2-4% annualised efficiency improvements. Martin Jenkins also highlights that given their cumulative nature; even small efficiency gains translate into significant benefits for customers in the medium to longer-term. International research shows efficiencies of up to 40-50% reduction in operating costs in England and Wales (over 15 years) and Scotland (over 8 years) as well as a 20 percent unit cost reduction in the first 5 years. Refer Appendix Nine for a summary of findings from international research on efficiency gains from water reform.

Remaining TCC organisation

There will be efficiency losses to the remaining organisation with the transfer of water services to a water organisation.

Stranded overhead costs of approximately $8.6 million are estimated. A significant portion relates to digital services ($6 million) which all or most is likely to be recovered. As Martin Jenkins (2024) suggests, an approach to mitigating the impact on the organisation in the short-term would be through shared services arrangements. For example, billing, accommodation, and other corporate services (including digital services) could be shared for a period. Overtime, these functions could gradually be absorbed by the water organisation.

Council's primary loss in efficiency relates to loss of economies of scope in core council functions. Integrated growth planning and alignment and coordination with other infrastructure, such as transport and stormwater catchment management, may be more challenging to achieve.

Increased investment certainty & intergenerational equity

10%

A CCO will have greater scrutiny from, regulators, professional governors and shareholders increasing investment certainty. But capacity to deliver remains constrained placing more pressure on future generations as the infrastructure gap continues to widen. In comparison, the remaining TCC organisation has improved debt headroom and the ability to deliver more capital investment.

The challenge with growth investment is that it takes a long time to repay. If there is inadequate provision for growth infrastructure, this squarely places an unfair burden on future generations as the infrastructure gap continues to widen and growth pressures continue to increase.

A waters-focussed organisation (CCO or other) would be expected to provide better incentive and accountability for cost efficiency and appropriate price setting and revenue collection. This is because a waters CCO would be more likely to prioritise investment to achieve savings (for example smart metering and system improvements), than a council which has many competing demands on its investment priority. It would also be likely to attract skilled staff with its operational and professional focus. Governance and management would look to appropriate pricing and charging within regulated requirements, for example, exploring options for differential charging.

Further work is required to establish whether the additional costs (particularly in the first few years) of a multi-council guaranteed CCO would outweigh the higher cost savings from economies of scale. It is likely that to achieve operational savings from scale, the combination may need to be considerably larger than only one debt capacity CCO (for example, Western Bay of Plenty District Council would add only about 30,000 additional connections).

Growth funding through development contributions is expected to cause stress to the financial sustainability of waters entities and councils and limit borrowing capacity across all scenarios because of the very long cost recovery time. For this reason, IFF funding of waters debt (or other new growth funding tools) may add value particularly for large city-wide investment.

Capital structure optimisation

Through LGFA, it is expected that water CCOs will be able to access cheaper debt than would otherwise be available to them through alternative financing sources. By financing investments in water infrastructure through debt, the cost of the asset can be spread over its lifetime, reducing the up-front pressure on operating revenues. The use of water CCOs also allows councils to separate their revenue streams, meaning non-water services revenue streams can be kept for investments in non-water assets.

If through capital structure[40] decisions council retained some of its debt it would enable waters to borrow more before it hit prudent capacity limits. This is likely to be maintained (possibly enhanced under specific assumptions) by a CCO involving other councils that have more debt headroom relative to required capital investment. This capacity could be used to fund growth areas, for example, Belk Road. Under CCO options, there is limited ability to borrow more because existing debt is already nearing maximum limits.

Financial sustainability could be enhanced if there were additional forms of funding, for example, government capital subsidy or a share of GST on new subdivisions.

Alternatively, it may be sustainable if some of the required capital investment is able to be removed from the water entity's balance sheet, for example, through Infrastructure Funding and Financing. IFF may be an approach that could be utilised to provide more intergenerational equity. A significant benefit of the IFF Act is that it reduces the immediate burden on rate/levy payers. Rather than being funded upfront by rates, infrastructure projects financed through IFF are paid overtime by the beneficiaries—residents and businesses who directly benefit from the infrastructure improvements. This "user pays" approach means that the cost of infrastructure is distributed across future residents and businesses who will utilise the infrastructure, rather than existing ratepayers. This also makes the costs more equitable, as the people directly benefiting from the infrastructure ultimately pay for it through levies attached to the properties they occupy.

[40] Capital structure refers to the mix of capital – its debt and equity.

Further analysis comparing the current delivery model with a waters CCO arrangement

Additional factors and political considerations both for and against the establishment of a CCO compared with the current delivery model are outlined in the table below.

	Description	CCO (joint or multi-owned CCO)	Current Delivery model
Aligning with central government's political direction	It is important to view LWDW in the wider context of central government changes and opportunities. One important opportunity for TCC is the Regional Deals framework that has been initiated by Government to support economic growth, critical infrastructure, and housing. If the Western Bay of Plenty sub-region is selected it is expected that timeframes for agreeing deals will be 2025 or 2026. One of the high-level criteria for assessment in the Regional Deals Strategic Framework is a "commitment to broader government reform objectives such as Local Water Done Well and Going for Housing Growth"[41].	✓ Aligns with central government's direction meeting the high-level criteria for a regional deal. ✓ Possibly strengthens relationship with central government as a Council that is committed to transformation and growth and has the capability, capacity, readiness, and a track record to deliver. ✗ Separating waters delivery from Council's planning for growth may result in less than favourable outcomes, with misalignment of priorities, and a continuation of a growing housing shortfall.	✗ Does not meet the high-level criteria for a regional deal, unless it can be shown that the current operating model is more beneficial for "Going for Housing Growth". ✓ Council has already developed a strong relationship with central government as a Council that is committed to growth and has the capability, capacity, readiness, and track record to deliver.
Working across our boundaries	Working across our boundaries is one of three strategic approaches for Council. It highlights the need to work effectively with our partners, regionally and nationally; including considering how the services we deliver connect with the wider region, and how mana whenua work with neighbouring Iwi and Hapū. Considering how we contribute to the success of our neighbours and wider region through LWDW is essential. Discussions with other councils are ongoing in relation to the ability to create a jointly owned water organisation in either the short or medium term.	✓ Aligns with the current sub-regional SmartGrowth strategy – our plan to manage growth – including considering housing, land, infrastructure, transport, community development, tangata whenua aspirations and the natural environment. – Including a waters entity to SmartGrowth would introduce complexities but may better address a key infrastructure need to support growth. ✗ At an operational level, multi-agencies do not always align and coordinating work programmes may be more challenging, negatively impacting the ability for the city to grow.	✓ TCC currently works across the subregion with a holistic perspective, across many activities, including waters, transport, spatial planning etc.

[4141] https://www.beehive.govt.nz/sites/default/files/2024-08/Regional%20Deals%20Strategic%20Framework.pdf (page 24)

	Description	CCO (joint or multi-owned CCO)	Current Delivery model
Community	Canvasing community views on the best way forward should form an important next step in this process.	✓ Economic regulation will drive customer focus, with water CCOs required to engage with communities and customers in relation to service levels and willingness to pay. ✗ The Tauranga community may not perceive a joint or multi-party water entity as being in their best interests and may have concerns about cross subsidisation, loss of control and/or higher rates and water charges.	– Economic regulation will drive customer focus in waters, but this may not be to the same extent as in a separate water entity. ✓ Council is built around working with communities to provide services and facilities to improve community wellbeing now and for the future.
Governance	Accountability will be strengthened through Water Service Strategies, ringfencing and separate accounts and audit.	✓ There are benefits of professional boards with a sole focus on water service delivery, with economic regulation providing both reputational and financial incentives to perform[42]. – Accountability of water CCOs to council will be through Statement of Performance Expectations.	✓ There may be benefits of water services remaining in council when considering integration of projects that cross activity groups, such as planning and implementation growth projects. – Council will be directly accountable to economic and environmental regulators.

[42] Mafic

	Description	CCO (joint or multi-owned CCO)	Current Delivery model
Transformation of the waters sector	LWDW is the Coalition Government's plan to address New Zealand's longstanding water infrastructure challenges through transforming the water's sector.	✓ Being early adopters may result in being leaders in the Bay of Plenty for the transformation of the waters sector.	✓ Other than financial constraints, our current delivery model has a: • A high performing waters team in comparison with other NZ councils • Water networks that perform well • Excellent compliance • A high proportion of our communities connected to water services. • Low risk of health issues. ✗ We are not capable of keeping up with the needs for transformational change at the pace required of a high performing service provider (improved customer centricity, digital transformation, sustainability, water loss management etc.).

	Description	CCO (joint or multi-owned CCO)	Current Delivery model
Te Ao Māori and Iwi and Hapū expectations	Te Ao Māori is one of three strategic approaches for Council. It is a commitment to understand and apply key Māori concepts that enhance outcomes for the community. There has been limited engagement with Iwi and Hapū on LWDW to date. Preferred options and implications are therefore unknown. It will be important to provide adequate time to engage with Iwi and Hapū to gather viewpoints and consider concerns.	✓ Iwi and Hapū may perceive a new waters entity as providing better alignment with Iwi and Hapū boundaries (if a jointly owned CCO with WBOPDC) and with improved environmental outcomes through a wider catchment approach. ✗ Water is a culturally significant resource which may not align with a water entity's focus on business outcomes. Tangata whenua, from multiple Iwi and Hapū groups, may wish to be involved at a detailed level. It may be necessary to have significant support from TCC during the early stages. ✗ Iwi and Hapū may have concerns about appropriate representation to ensure water is managed in a culturally sensitive way.	✓ Council and Iwi and Hapū have worked hard to establish trust and sound working relationships and protocols for engagement.
Staff expectations		✓ Becoming a centre of waters excellence attracting and retaining highly skilled staff. ✗ Remaining TCC workforce may be impacted if a new waters entity is established due to cost allocations / stranded costs.	✗ Waters team may be impacted in terms of motivation and engagement if no change is made as reform has been an ongoing issue. As water CCOs with scale are stood up in other regions, TCC staff retention will inevitably become problematic.

What are the risks associated with a CCO option?

There are risks associated with CCO options but in general a water CCO is less likely to be prone to problems if it is set up appropriately and subject to regulation.

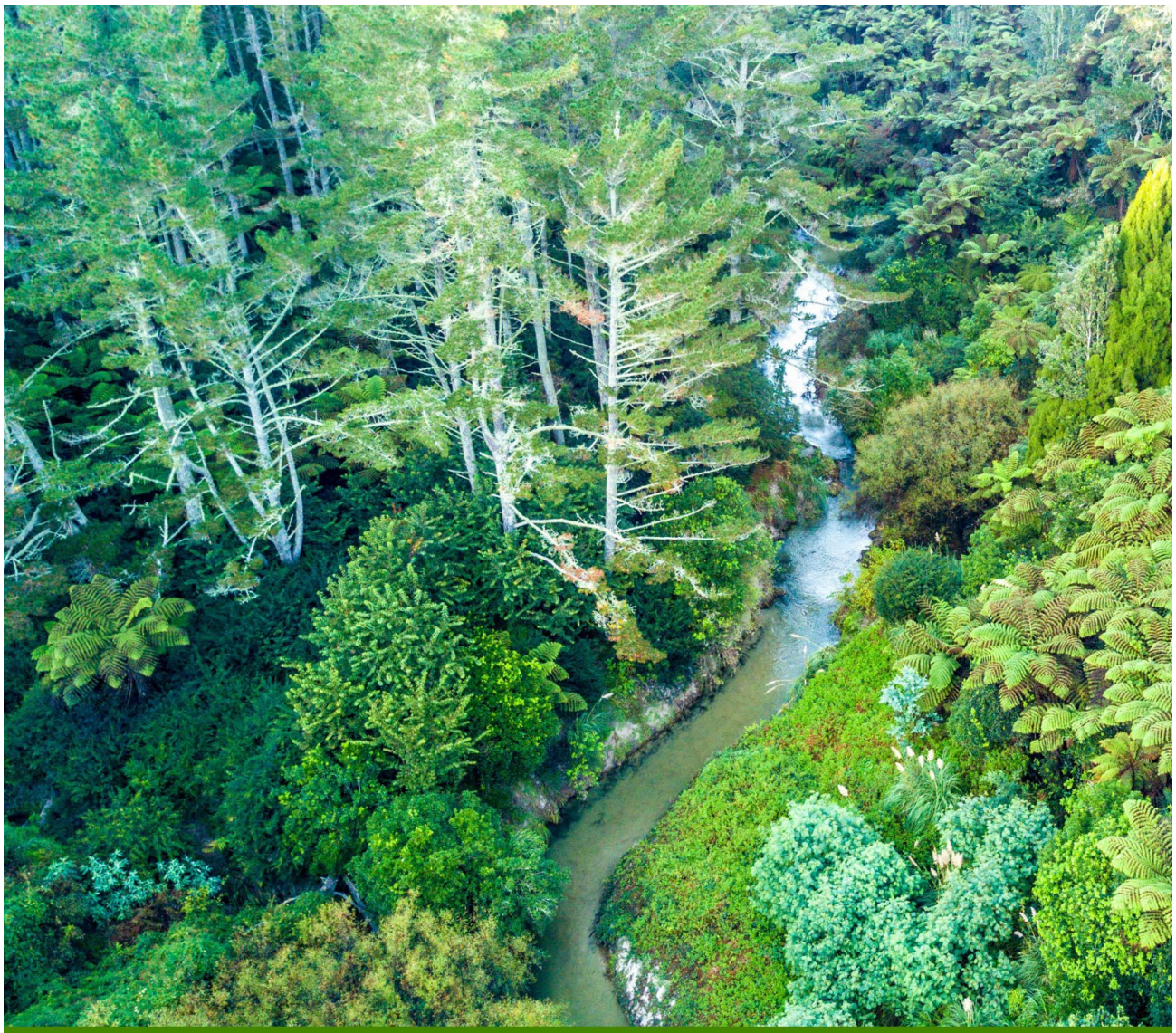
The main risks identified by Martin Jenkins (2004) are set out below.

Risks	Commentary
Governance failure	Appointing board members that, individually or collectively, do not have the skills and experience required to effectively set the strategy and performance targets and monitor management's performance against that strategy.
Ineffective scrutiny of performance / failure to act on performance issues	This risk is a function of how clearly expectations are set at the outset, including the establishment of a clear performance framework and service standards that span the areas of customer service, network performance, regulatory compliance, and value for money. Regulation will bring increased transparency of performance, and CCOs are likely to be more effectively regulated than in-house business units.
Establishing an entity with a balance sheet that does not support the ongoing investment required	Transfer of assets, liabilities, revenues and costs to a new water company may result in it having low credit quality and / or unable to adequately fund the level of ongoing investment required (limited headroom for new investment). This risk is not inherent to the CCO model. The additional borrowing capacity of CCOs relative to councils should reduce this risk, but attention will still need to be made to how a new entity is structured financially, including the amount of debt and revenues transferred to it.
Lack of alignment of shareholder interests	In a multi-council ownership situation, if different council have different interests or priorities, then the board or management may be pulled in different directions. The legislative requirement for a single Statement of Expectations aims to mitigate this. Structures such as shareholder councils can also mitigate this risk.
Workforce	The ability to attract and retain a high-quality management team and a qualified workforce is a key determinant of success. As with any model, potential risk is if new governance and management establish a culture or working conditions that do not enable a high-performing workforce.

Multi-council CCOs and risk of conflicting expectations

Additional risks associated with multi-council CCOs primarily relate to conflicting objectives or expectations between council shareholders. This is likely to be of greater risk if there is a dominant shareholder resulting in skewed investment prioritisation or shareholder councils with conflicting objectives that are difficult to resolve or manage.

Martin Jenkins (2024) note that potential areas where these conflicts may arise include differences in service standards, planning for growth, investment prioritisation and pricing. These potential issues will need to be anticipated in any design multi-council CCO arrangements. Martin Jenkins also advise that it will take time to 'harmonise' service standards, address problems with asset condition and adjust tariffs



05

Further Considerations

FURTHER CONSIDERATIONS FOR ESTABLISHING A WATERS CCO

If Council decides to progress with a CCO option, there are several considerations:

- Future arrangements for stormwater management.
- Opportunity for shared service arrangements with other councils.
- Opportunity for alternative revenue arrangements.
- Transitional arrangements for both a new waters entity and the remaining organisation.

Future arrangements for stormwater management

How best to approach stormwater is an issue that Council will need to consider further following the release of Bill 3. Initial analysis suggests that managing three waters together is beneficial. It also highlighted that most of the issues for either option can be addressed by relationship agreements confirming roles and responsibilities, and service level agreements to manage services and any contract arrangements.

The Government is proposing a new approach to the management of stormwater services under LWDW. Government announcements[43] in relation to stormwater management set out that Councils are expected to retain legal responsibility and control of these services but will have flexibility to choose the arrangements that best suits their circumstances. If a decision is made to create a separate water organisation, Council will need to decide if it continues to deliver stormwater or if it will transfer this activity to the water organisation.

Under LWDW, councils will be able to:

- Continue to deliver stormwater services.
- Contract a new water organisation to deliver aspects of those stormwater service delivery.

  or

- Transfer aspects of stormwater service delivery (this might include stormwater network assets) to a water organisation.

If councils choose to transfer some or all aspects of the delivery of stormwater services, they will still be responsible for determining the levels of service and performance targets for the delivery of stormwater management services (subject to regulatory requirements and community preferences). They will also be able to continue to recover costs from ratepayers for stormwater services that they continue to deliver. Water organisations will be responsible for identifying the costs of delivering stormwater management services that meet the expected levels of service and meet performance targets.

[43] https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/04.Factsheet-Future-arrangements-for-stormwater.pdf

These changes respond to urban intensification and climate change creating increased pressure on the delivery of stormwater services. Government's thinking is that a new approach to the management of the stormwater network and services will lift capacity and capability. It is also thought that giving councils a choice about the best way to manage stormwater is important given the overlaps with land use planning, roads, parks and reserves and urban watercourses that impact on the operation of stormwater network.

The Local Government Water Services Bill will set out the enduring settings for the new water services system. It is the third piece of legislation in the Government's three-stage process for implementing Local Water Done Well.

To assess if Council should continue to deliver stormwater services or transfer to a water organisation, internal engagement with staff from the waters, growth, transport and places and spaces teams was undertaken. Staff indicated that either option was workable with the following key themes being raised:

- Accountability.
- Regulatory and environmental compliance.
- Emergency management.
- Growth planning.
- Digital.
- Resourcing – capability and capacity.
- Innovation (including digital platforms).
- Tangata whenua partnership – one water catchment approach.
- Customer – one point of contact.

Tables 16 and 17 summarise the opportunities and issues identified during the internal engagement.

Table 16 – Opportunities and issues three waters – standalone CCO

Opportunities	Issues	Resolution approach
3 waters – standalone CCO		
• Economic and environment Regulation– all 3 waters can be regulated by one team. • Optimising resources, capacity and capability. • One water view – direct accountability, supports Water sensitive city. • Specialised team to respond to emergencies. • SW funded by CCO balance sheet – able to access more funding. • Customer has one point of contact for 3 waters. • Operations and maintenance contract services is 3 waters, • Potential for more Innovation gains (tech). • Tangata Whenua preference for one water cycle approach. • Integrated asset management and procurement. • Integrated 3 waters model beneficial for growth. • LOS approach consistent. • Wastewater and stormwater are interconnected.	• Emergency management – council will remain responsible for EM/CD activities, CCO responsible for incident management. • Concern on integration for growth/spatial planning. • Adhering to council consenting timeframes. • Concern on responsibility, asset ownership and identification for water assets, roading assets, and spaces and places assets and how they interface.	Relationship Agreement / Service Level Agreement required including clarity of roles and responsibilities for: • Emergency management. • Spatial and growth planning. • Transportation and activity management • Spaces and Places activity management. • Customer call centre and complaint management processes

Table 17 – Opportunities and issues two waters – standalone CCO (stormwater remains with Council)

Opportunities	Issues	Resolution approach
2 waters – standalone CCO (SW remains with council)		
• Supports integration through early planning and development phases. • SW and Transportation are key to Spatial planning, structure planning and rezoning and potentially better to be led by council. • Better accountability for SW/Emergency management planning. • Developers more comfortable liaising with planning/growth teams. • Development engineers to take on more autonomy (make decisions on drainage matters). • Better placed to update flood hazards links to District Plan. • Able to manage consenting timeframes better. • Land development, designation and acquisition will be better managed. • Strategic land purchase (flood zone, retreat) better managed.	• Economic and environment Regulation – will need expertise and resources to respond to regulatory requirements. • Resourcing and expertise split and potentially duplicated between Council and CCO. • With legislation changes, organisation is accountable for Private SW overland flow paths and urban waterways. • SW, if funded via council balance sheet, likely to be more constrained. • Customer has 2 organisations to contact. • Procurement and planning separated. • High level of interface required for capital programme. • SW still needs to be ringfenced from council activities. • Managing SW / WW operational responsibilities (overflows, inflows).	Relationship Agreement / Service Level Agreement required including clarity of roles and responsibilities for: • Emergency management. • Spatial and growth planning. • Transportation and activity management. • Spaces and Places activity management. • Customer call centre and complaint management operating processes. Consider contracting arrangement with CCO to access skills/resources for regulatory and service delivery support.

It should be noted that the approach to manage either option is similar. Most of the issues can be addressed by relationship agreements confirming roles and responsibilities between a waters organisation and council(s) and service level agreements to manage services and any contract arrangements. Note for either option, Council will remain the 'Plan Maker' and the stormwater activity and/or a CCO will be the 'Plan Taker', getting direction from Council.

How best to approach stormwater is an issue that Council will need to reconsider further following the release of Bill 3. Points to investigate further include:

- Financial implications of both options. Financial implications will include the cost for establishing, maintaining and managing levels of service of the agreements.
- The challenge of transferring delivery and assets while legally retaining the role of collecting revenue and legal responsibility for stormwater outcomes.
- Interconnections between piped networks, overland flow paths, roads and other parts of the stormwater system.
- Relationships with growth planning, flood management, risk, and accountability.

Opportunity for shared service arrangements with other councils

There is an opportunity for Tauranga's water entity to establish and implement shared services with other councils that have a need for affordable access to the necessary expertise and services to meet current and future regulatory compliance, while providing alternative revenue streams to tackle debt.

A growing number of Councils have a need for affordable access to the necessary expertise and services to meet current and future regulatory compliance. Investing to build capability in own resources is beyond their reach but they are willing to procure from others with a good track record, and with the ability to expand services at marginal cost.

These Councils recognise they have limited (or no) pathways for transformational change that would underpin better decision making, drive efficiency, mitigate operational risks and keep abreast with technological change and good practice in the sector.

Typically, these are also the councils that struggle to commit to being part of a larger multi-council CCO in the medium term, sometimes referred to as the "orphan" councils of LWDW. Some have already approached TCC and indicated that if we were to establish a larger organisation with capability, that they would want to procure shared services from us. For them this could possibly be a "stepping stone" towards becoming a shareholder Council of the CCO in future years and in the interim assist them with delivering their water services, operating systems, as well as helping them to retain their existing water services workforce.

Some of the services that TCC could develop to provide such Councils affordable access to specialist skills / experience / systems (either by up-scaling existing capability or adding complementary resources) include:

- Water and wastewater plant technical support, treatment process advice (including relief staff to cover planned and unplanned leave).
- Water education and conservation programs.
- Smart digital / business systems, asset management, work management, customer relationship management.
- Reporting and analysis, performance management.
- Centre of excellence – strategic infrastructure planning, asset services, trade waste management, procurement services, and health and safety.

- Quality assurance / management systems (ISO, Telarc).
- Compliance monitoring and reporting and information disclosure to regulators (Water Service Authority, Commerce Commission, Regional Councils).
- Sampling and laboratory services.
- Asset condition assessments, including water loss management and inflow and infiltration programs.
- Maintenance services contract management.
- Metering / billing processing.
- Project management office – programme / project / contract management capability.

Opportunity for alternative revenue arrangements

The opportunity for multi-council CCOs to develop new or additional revenue arrangements that underpin their ability to incur increased investment (in infrastructure as well as business transformation) will increasingly be possible as they scale-up in-house capability and leverage better technology.

Some of the revenue opportunities that could be explored include:

- Extending the provision of shared service arrangements (as described above) under contract to other Councils. TCC already has such revenue recovery in play with Western Bay of Plenty District Council for provision of wastewater processing, laboratory services and maintenance services contract management.
- Develop more comprehensive volumetric water and wastewater services pricing using alternative tariffs (stepped, seasonal, time of use etc) in conjunction with smart metering to increase revenue from high demand users, but also improve fairness, equity and affordability outcomes. The added benefit of rewarding low water users (i.e. encouraging sustainable behaviours) will be to significantly defer the need for capacity upgrades[44] in the medium to longer term i.e. getting better utilisation of existing infrastructure assets and water sources / streams.
- Introduce differential charging for commercial and industrial customers in conjunction with revised (possibly higher) trade waste charges to drive better environmental outcomes.

[44] TCC introduced "first generation" volumetric charging 25 years ago which brought about significant behavioural change resulting in a 25% reduction of average daily water demand and peak reduction of 30%. This deferred the urgent capacity investment ($200million Waiāri project) by about 15 years. It is possible to get a further 15 to 20% reduction in average demand (evidenced in several other countries) by investing in transformational technology (smart meters, IoT, AI), skilled resources, real-time monitoring /management of networks, combined with a strong customer awareness / water services pricing program.

Transitional arrangements for both a new waters entity and the remaining organisation

There are several transitional arrangements that will need consideration if Council decides to move to a jointly owned CCO. This will include a set of agreed principles. Council will also need to identify key characteristics / criteria for preferred Councils to ensure any joint arrangements are mutually beneficial.

Indicative overarching principles and characteristics for a jointly owned CCO

Indicative overarching principles and characteristics for a jointly owned CCO are set out below.

Indicative principles for a jointly owned waters CCO	
Treaty Principles	The CCO's constitution must make provision to honour the Treaty Principles in all relevant aspects of the business.
Legislative compliance	All activities requiring resource consent are fully consented; well established relationships in place with all three water regulators; monitoring, reporting and regulatory requirements complied with, or expiring consents have a process in place for renewal.
Customer centricity	Customer-experience objectives (responsive, informative, easy, seamless, enjoyable) and associated processes must be aligned; employees and contractors empowered to prioritise customer satisfaction; consistency in customer service for all serviced areas.
Fairness and equity	Pricing of water services fairly reflects customer utilisation of services (metering and volumetric wherever possible); differential pricing for residential and commercial/industrial; intergenerational equity reflected in funding and pricing.
Environmental stewardship	A core value is the sustainable use of natural resources in all service delivery; Te mana o te wai is at the heart of the CCO Constitution; commitment to a reduction in per capita water use leading to more efficient infrastructure investment and reduced demand on freshwater streams; smart systems to reduce sewage overflows to environment.
Price quality of services	Business performance measured and compared against sector standards; productivity and efficiency targets established for medium / long term benefit of customers; inter-generational equity is transparent and inclusive in delivery model.
Performance and accountability	Statement of Expectations to stakeholder councils and communities is honoured through actions and outcomes. Measuring performance outcomes is embedded into business processes.
Partnerships	Demonstration of ability to form healthy partnering relationships with contractors, key mana whenua partnerships, other key stakeholders and the wider community.
Localised costs of service	Activities surrounding debt and direct costs of renewing, improving, operating and maintaining the network of each partnering Council can be ring-fenced so that communities fund their fair portion of services.
Indicative characteristics for preferred councils	

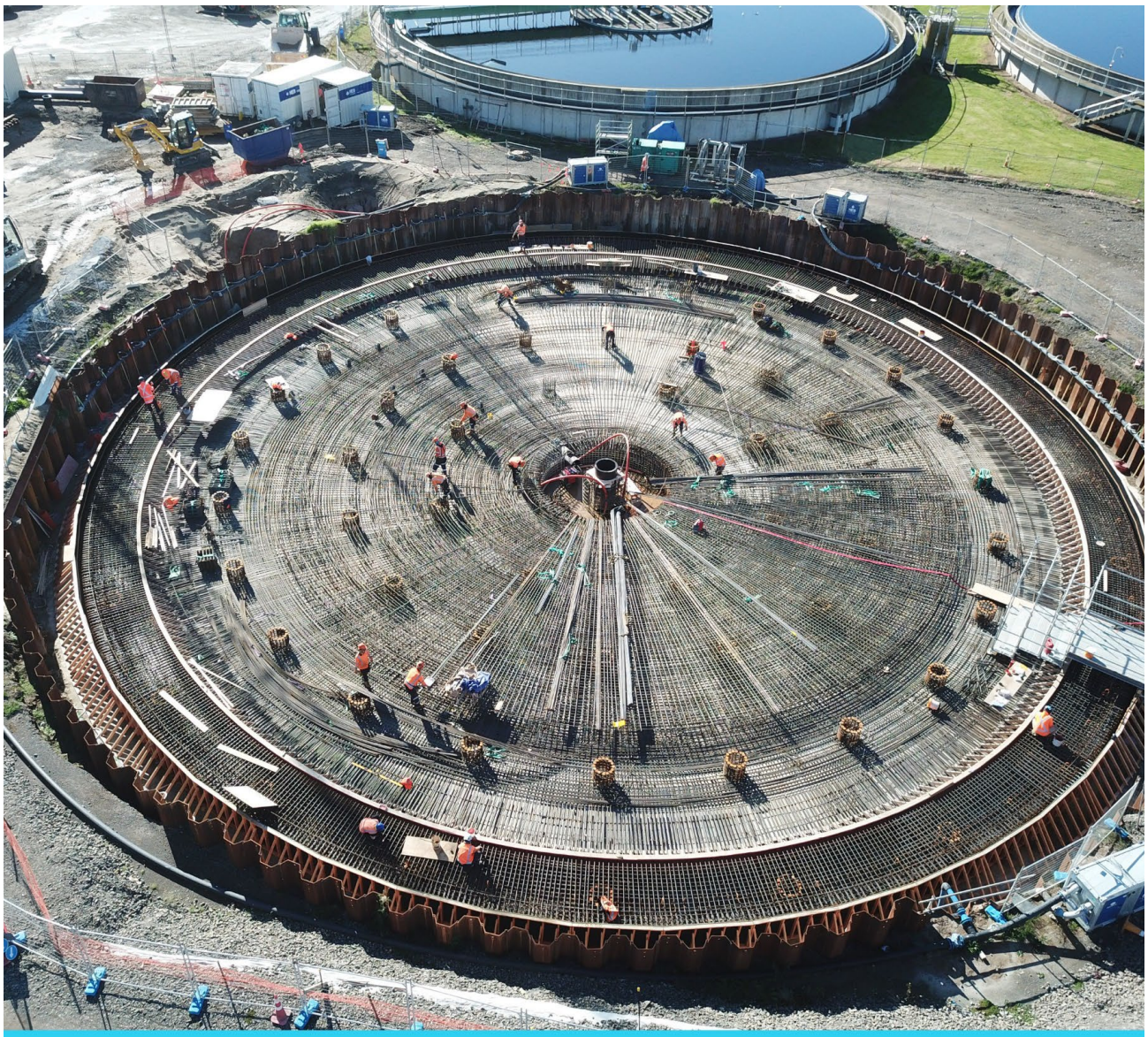
Low growth-debt	Analysis shows that to join with a council with low growth-debt will provide benefits to TCC.
Clear service delivery objectives	Clearly defined levels of service for each of the three water services that align with regulatory standards and are agreed for urban, provincial and rural service areas of CCO; includes response times for service disruption.
Strive for improvement – quality of service, efficiency, productivity	Continuous improvement culture; utilise quality management systems (ISO, Telarc etc); leverage economies of scale; organisational design; ongoing reform initiatives; invest in technology and people.
Transformative organisation that can embrace change	Digital and technological transformation is already part of forward business planning; IoT and AI applications; Targeted R&D to underpin better service delivery; Water Loss management and I&I Programs; and Smart metering.
Striving for world class asset services	Excellent maturity of asset information is evident; Asset Management practices and advanced modelling adopted; Optimal renewal programs under development (including climate adaptation effects, resilience etc.)
Stakeholder/ partner relationships well established	Relationships include Iwi and Hapū collectives, developer forums, high water users, trade waste customers.
Customer centric	Performance and services will ultimately be focused on improving the customer experiences, understanding customer experience through journey mapping, and other customer connectivity opportunities.
Financial sustainability	Work practices and processes are focused on gaining the most value for money for customers, procurement and operations are continually monitored for financial prudence.
Role in equalisation of pricing	Partnering Councils have a decision-making role in whether, over time, there is equalisation of pricing for the CCO.

A number of processes will need to be in place to ensure a smooth transition, including:

- Methodology developed for share allocation, which may include the following components:
  - A common methodology for the valuation of transferring assets.
  - Ring-fenced water services debt prior to establishment.
  - Ring-fencing of direct costs of renewing (renewal programme), maintaining the network for each council.
  - Establish standard for assets condition (e.g., reticulation networks, water meters) with any shortfalls identified and capital cost to reach standard quantified.
  - Process for any future decision-making on any equalisation of pricing over time.
- Establish roles and responsibilities to ensure stormwater activities integrate seamlessly with a CCO.
- Establish customer processes and responsibilities including the delivery of a 24/7 service.
- Establish a process for addressing stranded costs across the TCC organisation, including the role of digital services and what a CCO's digital investment will need to be.
- Change management plan is developed that fosters alignment and collaboration across the organisation and clearly communicates a transparent change process.

Other relevant terms and conditions to be agreed will include the following.

Constitution of CCO	Rules for governing the CCO that are jointly developed and approved by shareholder Councils.
Combined Statement of Expectation	Sets out expectations shareholders have of the Board, including how the entity is to conduct its relationship with the shareholding councils, communities, Iwi and Hapū, and other Māori organisations. This may include financial and funding arrangements, ring fenced revenue, equalisation principles in terms of a time-period for pricing harmonisation, condition of assets, risk exposure, and levels of service.
Board competencies	Matrix of skills, number of board members; Iwi and Hapū representation; process for appointment.
Shareholder Agreement	Sets out how shareholders will operate with the Board of Directors of CCO and between themselves (contract between shareholders).
Shareholding Council	How to determine shareholding of each Council (Debt; Asset Valuation; Annual Revenue etc.); Total number of shares and ratio of shareholding; Minimum requirements of a shareholder (asset condition / performance standard; risk and liability register; levels of service delivered; level of regulatory compliance Day 1); Allocation of shares - principle is that allocation must reflect the nett value of what is transferred.
Relationship Agreement(s) – extent of arrangements to be covered	Agree each Council and the CCO's accountability and responsibility to each other will be, including what shared services are to be provided from CCO to each Council and vice versa.
Service Level Agreements (contractual arrangements)	Specific contracts between parties and the CCO; novation of contracts.
Customer contract	Develop a formal agreement between the new CCO and the community that outlines the terms and conditions of services.



06

Recommendation and next steps

RECOMMENDATIONS

A **jointly owned three-waters CCO that is mutually beneficial for both partners and can grow to include multiple councils over time** represents the best way forward.

It is recommended that the preferred way forward for the future of water service delivery is:

- The establishment of a three-water jointly owned Tauranga City Council and 'debt capacity council' CCO; and
- If no suitable 'debt capacity council' is ready to proceed with establishing a jointly owned CCO by 1 July 2026, then a Tauranga City Council independent CCO should be established with a view to moving to the preferred joint or multiply owned CCO in the future.

It is also recommended that through the Water Service Delivery Plan, Council publicly consults on the:

- Current delivery model (status quo).
- Jointly owned three waters CCO with a 'debt capacity council', with the option to set up a stand-alone Tauranga City Council CCO that others can join later if no suitable debt capacity council is ready to proceed by 1 July 2026.

NEXT STEPS

There are several steps needed before a final decision is made on the future of water service delivery. Planning and implementing the following next steps are essential ingredients for a successful move towards a jointly owned CCO with a debt capacity council.

The following next steps are recommended for progressing the decision for future water service delivery:

- Engaging with Iwi and Hapū through Te Rangapū Mana Whenua o Tauranga Moana.
- Public consultation with our communities.
- Developing the Water Services Delivery Plan.
- Continued discussions and due diligence with other councils in relation to establishing a mutually beneficial jointly owned waters CCO by 1 July 2026.

Engaging Iwi and Hapū

Engagement with Iwi and Hapū on is a vital next step in the decision to develop a waters CCO.

Te Rangapū Mana Whenua o Tauranga Moana Partnership is an autonomous body made up of 17 representatives from each of the hapū and iwi in the Tauranga City Council area. The purpose of Te Rangapū Mana Whenua o Tauranga Moana Partnership is to:

- Provide a forum for tangata whenua within the Tauranga City Council area to discuss and debate local authority concerns and allow the Te Rangapū Mana Whenua o Tauranga Moana Partnership to implement initiatives to advance and protect the interests of tangata whenua,
- Provide an opportunity for Council and the Te Rangapū Mana Whenua o Tauranga Moana Partnership to discuss and develop Council concepts, procedures, policies, and projects that will impact on Tauranga Moana Tangata Whenua.

Six representatives of the Te Rangapū Mana Whenua o Tauranga Moana Partnership are nominated on the Tangata Whenua/Tauranga City Council Committee. The role of this committee is to provide strategic leadership and advice to Council, tangata whenua and the wider community in respect of environmental, social, economic, and cultural outcomes relating to tangata whenua.

Principles of the partnership between TCC Elected Members and Tangata Whenua members include that the partners:

- Recognise the Treaty of Waitangi as the founding document of Aotearoa NZ.
- Will work with respect, goodwill, honesty, trust, and integrity toward the other party and celebrate cultural diversity.
- Recognise that the relationship is a mutual two-way relationship and any changes of the agreement need to involve discussions and agreement between the partners.
- Recognise the need for Tauranga City Council to work within a legislative framework.
- Recognise the independence of each partner, including:
    - The tangata whenua representatives as a voice for Māori communities.
    - Recognise the independence of hapū and iwi.
    - The Council as a democratic decision maker, responsible to the community as a whole.

To have meaningful influence, there is the potential for a governance role for Iwi and Hapū within a CCO model as part of a shareholder forum, board appointments and advisory groups. The Board would also need to have suitable competencies and skills in relation to Te Ao Māori and the Treaty of Waitangi.

To ensure durable and long-term arrangements within the organisation, there would need to be clear, designated roles to partner with Iwi and Hapū that are confirmed through the Water Service Delivery Plan.

Engaging our communities

This IBC is indicative only. The views and feedback from our communities is a vital ingredient to making a sound decision on if the preferred approach of a CCO represents the best way forward for our communities.

Under LWDW, Council has two options for decisions for consultation if Council decides that a single or jointly owned CCO arrangement is the preferred way forward (refer Simpson and Grierson's Decision for Consultation diagram below):

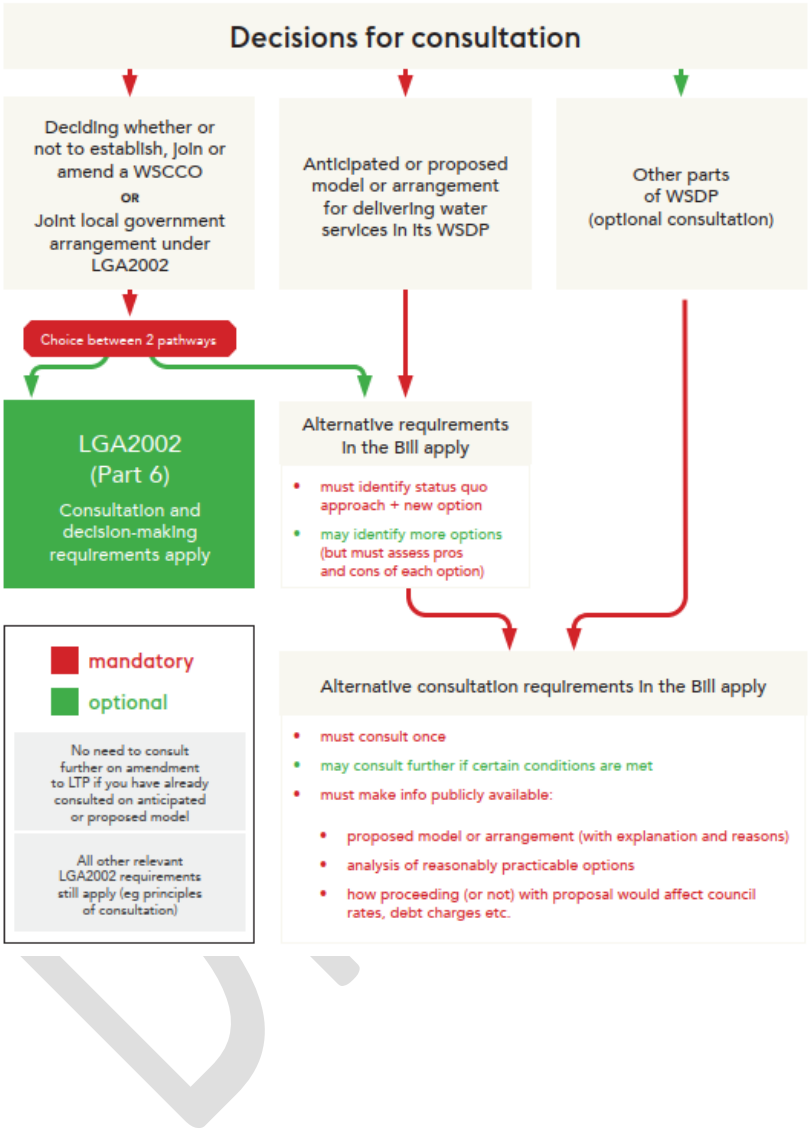
1. **LGA pathway** - Deciding whether to establish or join a Water Service CCO or a joint local government arrangement under the Local Government Act 2002 using Part 6 and the consultation and decision-making requirements.
2. **LG(WSPA) Bill pathway** - Deciding whether to establish a Water Service CCO under the Local Government (Water Services Preliminary Arrangements) Bill (LGWSPA Bill) using the alternative requirements as set out in sections 61-64.

Information must be made publicly available, including:

- Explanation and reasons why proposed model is preferred.
- Analysis of options.
- How proceeding (or not would affect council rates, debt charges etc.).

The new provisions under the Local Government (Water Services Preliminary Arrangements) Act (2024) is the recommended approach. This provides the most tailored pathway for consultation and will ensure communities understand the new service delivery model proposal, the reasons for proceeding with change, and its impacts on rates, debt and charges.

The timing for community engagement / consultation is planned for early 2025. Refer to the attached communication and engagement plan for more detail.


Decisions for consultation
Deciding whether or not to establish, join or amend a WSCCO
OR
Joint local government arrangement under LGA2002
Anticipated or proposed model or arrangement for delivering water services in its WSDP
Other parts of WSDP (optional consultation)
Choice between 2 pathways
LGA2002 (Part 6)
Consultation and decision-making requirements apply
Alternative requirements in the Bill apply
must identify status quo approach + new option
may identify more options (but must assess pros and cons of each option)
mandatory
optional
No need to consult further on amendment to LTP if you have already consulted on anticipated or proposed model
All other relevant LGA2002 requirements still apply (eg principles of consultation)
Alternative consultation requirements in the Bill apply
must consult once
may consult further if certain conditions are met
must make info publicly available:
proposed model or arrangement (with explanation and reasons)
analysis of reasonably practicable options
how proceeding (or not) with proposal would affect council rates, debt charges etc.

Developing the Water Service Delivery Plan

The Local Government (Water Services Preliminary Arrangements) Act was enacted on 3 September 2024 and included the requirements for councils to develop Water Services Delivery Plans within 12 months of enactment. This means any work on a sub or regional solution would also need to be completed within that timeframe, and possibly in parallel to work on a standalone plan.

Water service delivery plans will require:

- The current state of the water services network, including current levels of service, asset condition and lifespan, the asset management approach being used, and any issues, constraints or risks impacting on the delivery of water services.
- The water infrastructure needed to meet regulatory requirements and provide for population growth.
- The operational and capital expenditure required to deliver water services.
- Financial projections including:
    - The operating costs and revenue required to deliver water services, including how that revenue will be separated from the territorial authority's other functions and activities.
    - Projected capital expenditure on water infrastructure.
    - Projected borrowing to finance the delivery of water services.
- The anticipated or proposed model for delivering water services, (including whether the territorial authority is likely to enter a joint arrangement or will continue to deliver water services in its district alone).
- An implementation plan that:
    - For local authorities submitting a joint plan, sets out a process for delivering the proposed model or arrangements, including timeframes and milestones, a commitment to give effect to the proposed model or arrangements once the plan is accepted, and the name of each local authority that commits to delivering the proposed model or arrangements.
    - For local authorities proposing to deliver water services alone, sets out the actions that the local authority will take to ensure its delivery of water services will be financially sustainable by 30 June 2028.

Water service delivery plans will be required to cover a period of not less than ten financial years, starting with the 2024/25 financial year. Council staff consider a 30-year horizon is more appropriate for assessing sustainability of water services given the long-asset lives and investment cycles. Future regulatory requirements are expected to drive higher costs, with many of these costs likely to be faced beyond the current long-term period. It is therefore prudent to assess viability and sustainability over both a 10 year and 30-year time horizon.

In addition, all future planning work will need to align with the 30-year Infrastructure Strategy, which is prepared under the Local Government Act 2002. This will also ensure alignment with the 30-year SmartGrowth projections, and also the required timeframes for a Future Development Strategy as required under the National Policy Statement on Urban Development.

Timeframes – the road ahead

An indication of timing is outlined in Appendix One. It should also be noted that Bill 3 is due to be introduced to Parliament in December 2024. This will help to create more certainty, particularly around the economic regulator's approach and pricing for consumers.

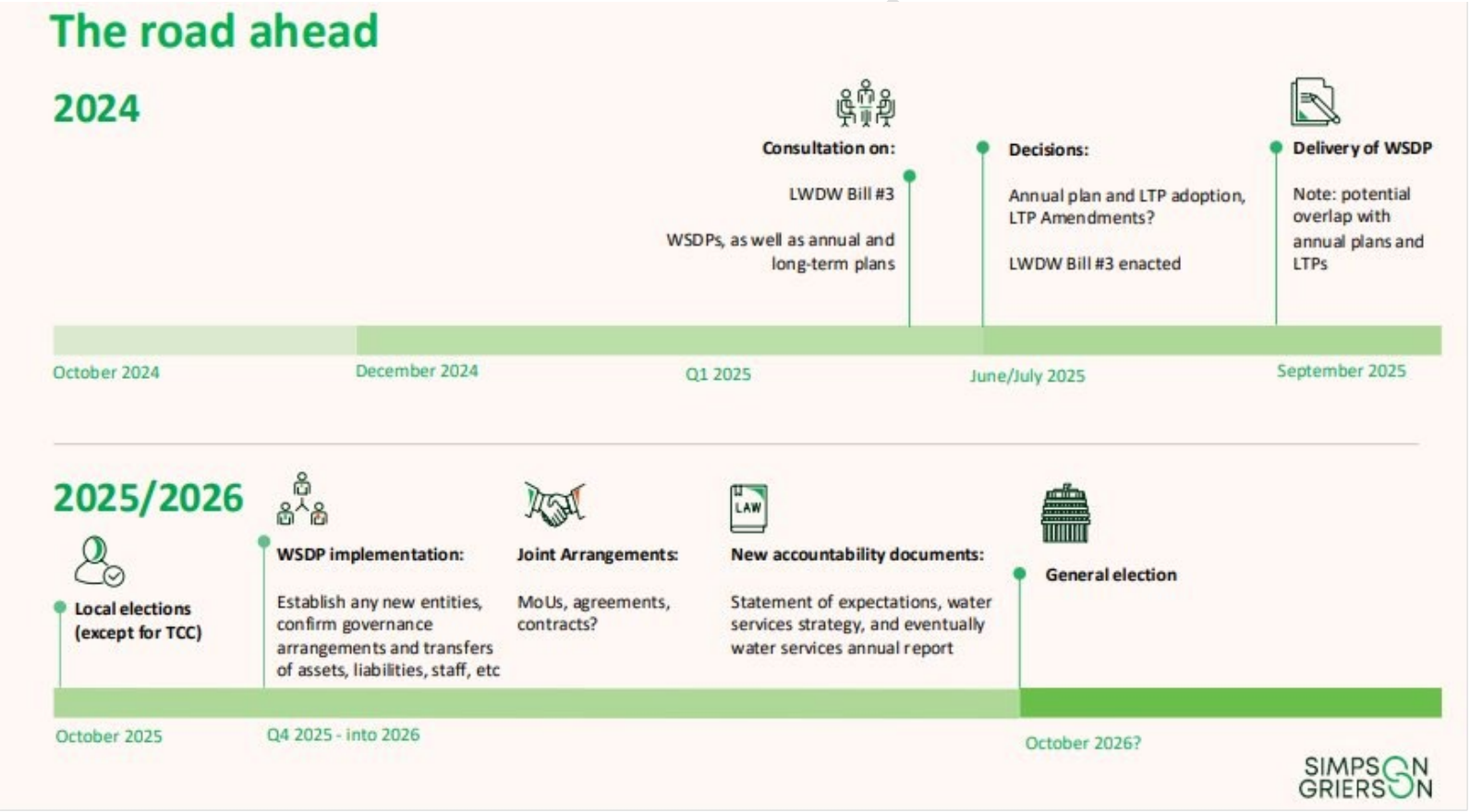
If Council decides to proceed with the recommended option, there is a significant work programme that will need to be implemented for both the waters CCO and the remaining Council team.

Some of the key considerations are:

- Working closely with potential partnering council(s).
- Baseline conditions for councils.
- Water Service Delivery Planning (joint or singular).
- Establishing a new waters entity (including governance arrangements and transfer of assets and liabilities)
- Creating a Statement of Expectation.
- Creating strong governance with appropriate skills and expertise.
- Ensuring an integrated approach to growth planning/other council activities and water services.
- Transferring arrangements between council and a new waters entity, in relation to:
    - Iwi and Hapū relationships.
    - customers relationships.
    - contractors (e.g. Downer).
    - internal council processes and systems.
- Staffing implications for both council and a waters entity.
- New accountability documents for a CCO (Statement of Expectations and Water Services Strategy).
- Progression of shared service arrangements for both Council (e.g. digital) and a new waters entity with other Councils (if appropriate).

07 Appendices

Appendix One: Local Water Done Well Roadmap



Appendix Two: Relevant Council strategies and action and investment plans

<table>
<tr><td></td><td colspan="2">Tauranga Taurikura – We value and protect our environment.
Tauranga is a city that values our natural environment and outdoor lifestyle, and actively works to protect and enhance it.</td></tr>
<tr><td>Primary Strategy</td><td>Tauranga Taurikura – Environment Strategy 2022-23
We prioritise nature.
We value, protect and enhance our environment.
Toitū te marae a Tane, toitū te marae a Tangaroa, toitū te tangata.
If the land and sea are sustained so too will the people.
This strategy sets out our goals and actions to achieve a ‘valued, protected and enhanced environment’, including that Tauranga is a:
• Water sensitive city.
• Climate resilient city.</td><td rowspan="2">Alignment with three waters
The water management challenges of Tauranga are strongly connected to the city’s growth, land use and its reliance on stream-based water supply. Growth over a relatively short timeframe has put increased pressure on the city’s infrastructure and on our natural environment. Negative environmental outcomes, such as pollution of waterways, sedimentation and a loss of biodiversity are some of these. There is still more work to do to protect and enhance our water resources and environments.
A water sensitive city encompasses the principles of providing a healthy natural environment for water, a range of quality sources and ways to use it and having a community which have the knowledge and desire to make wise choices about water.
Tauranga’s water supply is reliant on extraction from streams with inevitable impacts on hydrological ecosystems and freshwater mauri. The city’s growth will require further sources in future as the city grows further.
Tauranga’s wastewater system is generally in good condition and works well. Council has work programmes to ensure that any risks of harm to people or the environment are minimised from outflows and have appropriate response approaches in place.
Water-centred design approaches are being adopted to reduce stormwater impacts on waterways and the harbour. Flood risks that will increase with climate change are also in the process of being addressed through Plan Change 27 by controlling inappropriate development in flood plains. Sediment runoff is an ongoing issue for the harbour (managed by the regional council) and heavy metal contamination exceeds limits on occasion in identified ‘hotspot’ areas. The water strategy commits to addressing these issues over the coming years to reduce negative impacts of the city on harbour ecosystem health.</td></tr>
<tr><td>Relevant AIPs</td><td>Climate Action and Investment Plan (AIP) 2023-2033
This AIP outlines the actions that Council will take towards the city-wide goal stated in Tauranga Taurikura (Environment Strategy) for a ‘low emissions and climate resilient city’, including the goal of: “As a city, we understand our risks and are ready and prepared to adapt to a changing climate”.
This AIP includes an aspiration that “our built environment and land development planning s low-emissions and resilient” with priority actions:
• Progress the Mount north Flooding and Stormwater Adaption Project to address stormwater issues.
• Investigate wastewater treatment plant sites, to understand detailed natural hazards/climate change risks and prepare specific adaption plans.</td></tr>
</table>

	Tauranga - Tātai Whenua - We have a well-planned city. **Tauranga is a city that is well planned with a variety of successful and thriving compact centres and resilient infrastructure.**	
Holistic and Primary Strategies	**SmartGrowth Strategy 2023-2073** is the sub-regional plan to manage growth. It considers how housing, land, infrastructure, transport, community development, tāngata whenua aspirations, and the natural environment need to be looked at together to achieve effective long-term growth. **The Connected Centres Programme (Urban Form and Transport Initiative)** is reflected in the SmartGrowth Strategy 2023-2073.	**Alignment with three waters** Tauranga's water management challenges are strongly connected to the city's growth. Water infrastructure is a long-term investment and the infrastructure built today may still be operating 100 years from now. As the century unfolds the climate in Tauranga will change. As temperatures rise, our wind, rainfall and seasonal patterns will shift, and we will see more extreme events and unpredictability in our weather. We're already seeing the impacts of our changing climate, with increasing heavy rain events. Flooding and coastal erosion threaten our essential infrastructure, valuable ecosystems, and the safety of our community. The built environment, including water networks play a crucial role in our resilience to natural hazards. Infrastructure needs to be resilient to natural hazards, to protect communities and reduce social and economic distress following a natural hazard event. The combination of growth, plus the city's coastal location, mean that coastal hazards are significant for Tauranga. Over 2,800 buildings are identified as having 'High' risk of coastal inundation under a future (2130) 1% AEP event scenario[45]. Coastal erosion is also 'likely'[46] to affect over 450 properties by 2130. Much of the city's critical infrastructure is located on the coast and/or on low-lying land, including wastewater treatment plants, access roads, the port and the airport. Avoiding growth areas where infrastructure is likely to be compromised in the future due to climate change and where there are no feasible options for adaption and maintaining a resilient network will need to be considered in future decision making.
Relevant AIPs and contributing strategies	**Draft Stormwater Strategy 2024-54** **Draft Water Supply Strategy 2024-54** **Draft Wastewater Strategy 2024-54** Each of these strategies/AIPs outline: • The high-level strategic opportunities and challenges for the next 30 years and beyond. • Existing projects and programmes that will address these challenges. • Decisions and activities needed to ensure the delivery of each of the three waters is sustainable, affordable, and aligned to community and legal expectations. • Proposed infrastructure investment for the short to medium term (2024-54).	

[45] Tonkin & Taylor (2020) Tauranga City-wide Natural Hazards Risk Assessment
[46] Likely means that there is a 66% chance of an erosion distance being exceeded during that period (Tonkin & Taylor, 2020)

Table 1: Alignment of water services with community outcomes and implications for LWDW

Community Outcome	How water services contribute to community outcomes	LWDW implications
 An inclusive city	Water services are fundamental to social wellbeing and provide a daily necessity.	The health and social wellbeing of our communities rely on adequate, reliable and resilient water networks. Tangata Whenua have a significant relationship with water that also needs consideration.
 A city that values, protects and enhances our environment	Water supply, wastewater and stormwater management can have a direct impact on the environment. How impacts are mitigated and managed are vital to protecting our environment.	Water services are subject to significant environmental regulation. The Government's LWDW programme will introduce further regulation relating to stormwater management and national standards for wastewater discharges.
 A well-planned city	Planning for the implementation, renewing and upgrading of water infrastructure is an inherent part of the long-term planning and asset management process required by legislation.	The way in which water services are delivered may provide an opportunity for Council to deliver investment that is required to support growth, contributing to a well-planned city. Ensuring the ongoing integration of growth planning with water services management will need to be ongoing.
 A city that supports business and education	Water services are fundamental to economic activity and social wellbeing, including for business and schools.	Approximately 10% of our water users are commercial users and water services play a significant role in many of these businesses. Ensuring that businesses are educated, supported, and contribute fairly towards water services is important.

Appendix Three: Current shared services with Western Bay of Plenty District Council

WATER SUPPLY	
Joint water supply arrangements	**Drinking Water Plants and Water Catchment Land** Our city's water comes from three sources: the Waiorohi, Tautau and Waiāri Streams. Council holds resource consents to take water from these streams to supply Tauranga with water. All three of TCC's water treatment plants, including raw water sources, are in the WBOPDC area. This includes large amounts of catchment land that TCC owns. The new water treatment plant, the Waiāri, is a catchment area where TCC does not own the land. This means that TCC has invested in building relationships with council staff, mana whenua, and landowners in the area.
	Memorandum of Understanding for water supply resources aimed at undertaking joint actions to develop the water supply resources / systems of the Western Bay of Plenty in an integrated and sustainable way. The MOU had specific reference on the "Agreement for Sharing the Waiāri Water Permit".
	Waiāri Consent (Water Allocation) is jointly held between TCC and Western Bay of Plenty District Council and allocates 75% (45,000 m3/day) of the abstraction right to TCC and 25% (15,000 m3/day) to the Western Bay of Plenty District Council. Western Bay of Plenty District Council are still to initiate the use of their portion of the consent.
	Joint Drinking Water - Hygiene Code of Practise refers to the amalgamated hygiene codes of practise of the two councils in 2009. The purpose of a Hygiene Code of Practise is to eliminate sources of contamination.
	Sub-regional water solutions are ongoing discussions about opportunities for TCC to potentially utilise or share some of Western Bay of Plenty District Council's resource consents. These discussions were initiated to look at alternative source water options when TCC's Joyce Road source water supply (Tautau Stream) was challenged during a drought event (2019 to 2022). Joyce Road can process up to 33 million litres a day. These discussions have been continued to assess ongoing areas where source water optimisation could be undertaken in future.
WASTEWATER	
Acceptance and treatment of wastewater flows from Ōmokoroa and part of Te Puna	**The Ōmokoroa Wastewater Pipeline Agreement** is a 50-year agreement signed in 2003. The pipeline is owned and operated by Western Bay of Plenty District Council and discharges to the TCC owned Bethlehem pump station that is then treated at Chapel Street WWTP. In the last 12-month period, TCC received a flow of 401,481 cubic meters and collected a revenue of $987,658 (GST excl).
OTHER SERVICES	
Operations and Maintenance Contract with Downer NZ Ltd	In 2013, TCC and Western Bay of Plenty District Council made the decision to mature the operations and maintenance contracts at the same time opening the opportunity for a consideration of a joint approach to market (a collaboration). The joint approach resulted in Downer NZ Ltd winning a 10-year contract (with a combined annual value of $16 million). In July 2021, a joint contract between TCC, WBOPDC and Downer commenced, the only collaboration in New Zealand. The contract is a 24 hour/7 days per week reactive and planned maintenance services contract, covering key activity areas for all the network's reticulation requirements.

Laboratory Services	Since 2018, the TCC Laboratory has provided all accredited water testing requirements for the WBOPDC 3 waters business. Testing recovers $406,000, which accounts for 38% of the total revenue for the Laboratory.
Our Water Future Programme (2022) – on-hold	This is a joint initiative of TCC and Western Bay of Plenty District Council intended to respond to challenges around three waters delivery, such as catering for ongoing growth, adapting to climate change, and complying with anticipated changes in regulation. The programme seeks to leverage collaboration between TCC, Western Bay of Plenty District Council, Tangata Whenua and other partners to better understand how water supply, wastewater, and stormwater interrelate with each other, and to create a fully integrated approach to sub-regional three waters management capable of achieving public health, environmental, urban amenity (community) and cultural outcomes. One of the key outcomes is to strategically align three waters infrastructure planning at a sub-regional scale in accordance with growth assumptions and ongoing spatial planning under SmartGrowth. A technical working group with representatives from Western Bay of Plenty District Council and TCC has been established to develop a work programme. Although it addresses an agreed and identified need for the Western Bay of Plenty sub-region, funding arrangements require further discussion, particularly in light of LWDW. This Programme is currently on hold.

Appendix Four: LTP waters projects deferred / reduced due to financial constraints

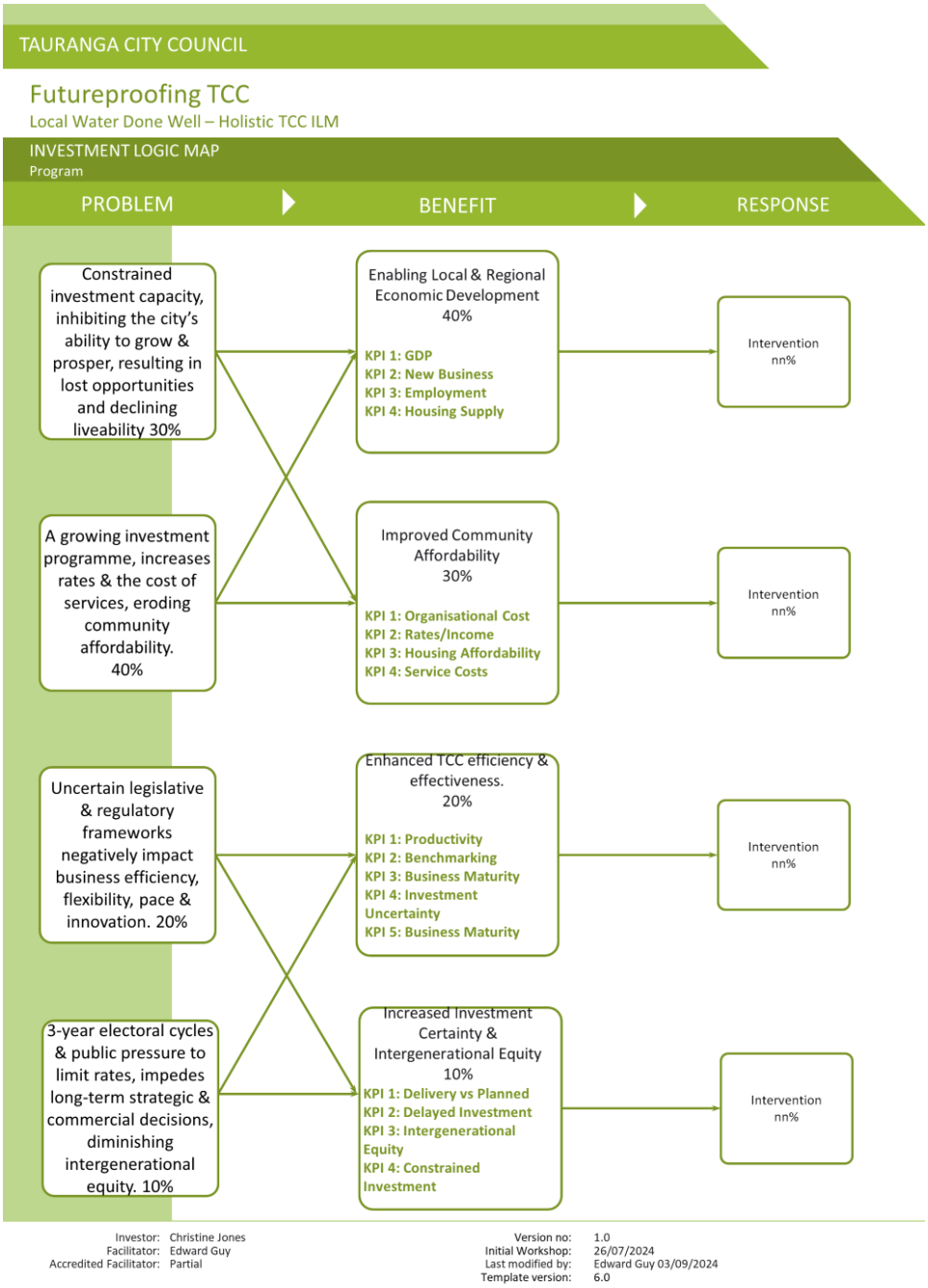
Projects deferred / delayed		Project description
Levels of service / growth projects	1.	Reduced programme for enhancing stormwater treatment impacting on expanding environmental improvements (especially in urban areas where trigger levels are exceeded for Zinc).
	2.	New Mount Maunganui Reservoir, including the water mains (to link Waiāri to Mount), and upsizing the Mount reservoir to provide for infill housing and to minimise the need for summer water restrictions.
	3.	Coastal trunkmain stage 1 and 2 to support levels of service for the Mount Maunganui area, and to supply water from Waiāri treatment plant to the coastal area, freeing up the supply from Joyce treatment plant to be used for western growth areas.
	4.	Chapel Street WWTP recuperative thickening of sludge to enhance sludge treatment. This will open capacity for Chapel Street WWTP and absorb load from Te Maunga. Chapel St WWTP is a more efficient plant to operate for energy and lower production of greenhouse gas emissions.
	5.	Water infrastructure to support Te Tumu and Keenan Road Urban Growth Areas.
	6.	Providing reticulated wastewater services to a range of non-serviced areas across the city, for example Carmichael Road. These areas are dispersed and very expensive to provide for.
	7.	A few small discretionary projects, such as the upgrade of the Maleme Street wastewater dump station for motor homes / caravans in response to frequent upgrade requests.
	8.	Waiāri cultural mitigation project relating to the water take consent. This may impact relationships with iwi in the Western Bay area.
Resilience	9.	Multiple stormwater management projects to allow for intensification in areas such as Te Papa and Otumoetai.
	10.	Infrastructure resilience projects that support growth and levels of service.
Renewals	11.	Water pipe asset renewals due to the early failure of asbestos cement pipes because of high pressure on the pipe network.
	12.	Reduction in water supply reservoir renewals due to increased costs for these asset types over the last number of years.
	13.	Reduction in stormwater reticulation renewals for stormwater mains, including those relating to the civic development.
	14.	Parks asset renewals in stormwater reserves.
Transformation	15.	Implementation of smart water metering.

Other factors to note:

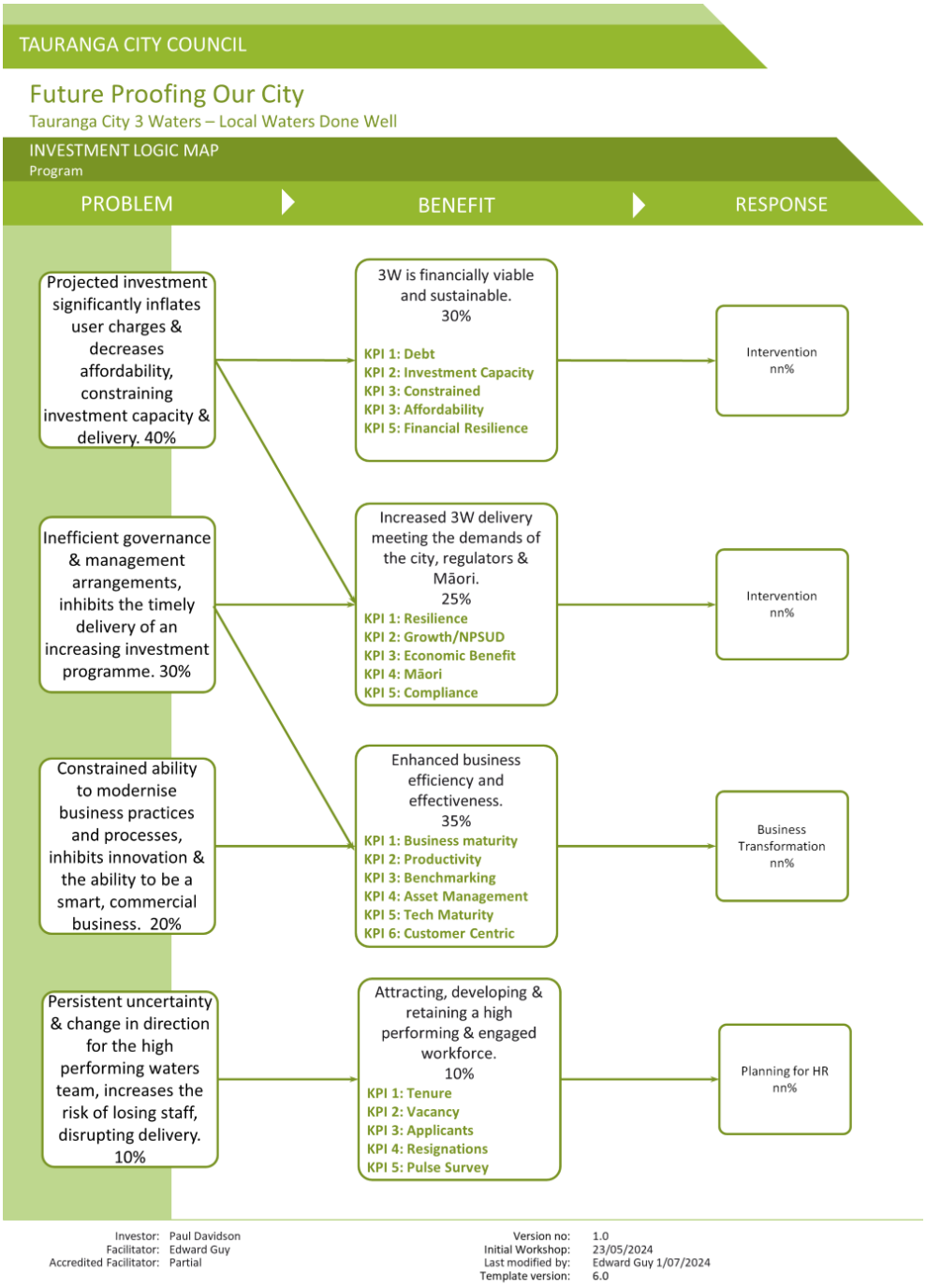
- There is no budget in the current LTP to deliver water infrastructure to the western corridor (Keenan) or eastern corridor (Te Tumu). The unconstrained budget delivery is planned to enable housing to be built in Keenan by 2031 and Te Tumu by 2036. The latter simply cannot be delivered earlier, it is a big stretch to achieve even in this timeframe.
- No additional infrastructure resilience projects are being delivered in the first couple of years in the LTP, as the budget is being used to fund resilience components of needed growth projects like the Opal Drive pump station.
- There is insufficient capacity to identify and integrate emerging technology as focus is on meeting day-to-day operational requirements e.g. smart water metering.
- In general, alignment with transport projects is implemented where possible with a 'dig once' philosophy. Cameron Road and 15th/Turret projects are examples where waters follow transport.
- There is a need for longer term programme certainty with waters projects requiring a long lead in time to for planning before delivery can occur.
- Any additional requirements set by new LWDW legislation, for example driving improvements and transformation of service delivery with respect to regulated levels of service, better environmental outcomes, more resilient infrastructure / systems, adaptation to climate change effects, digital transformation, adequate resourcing and workforce development, long-term affordability and business sustainability is not included in these budgets.
- Levels of service are all being met, and the focus of investment is to maintain or achieve current levels of service – there is no planned uplift.

Appendix Five: The three ILMs

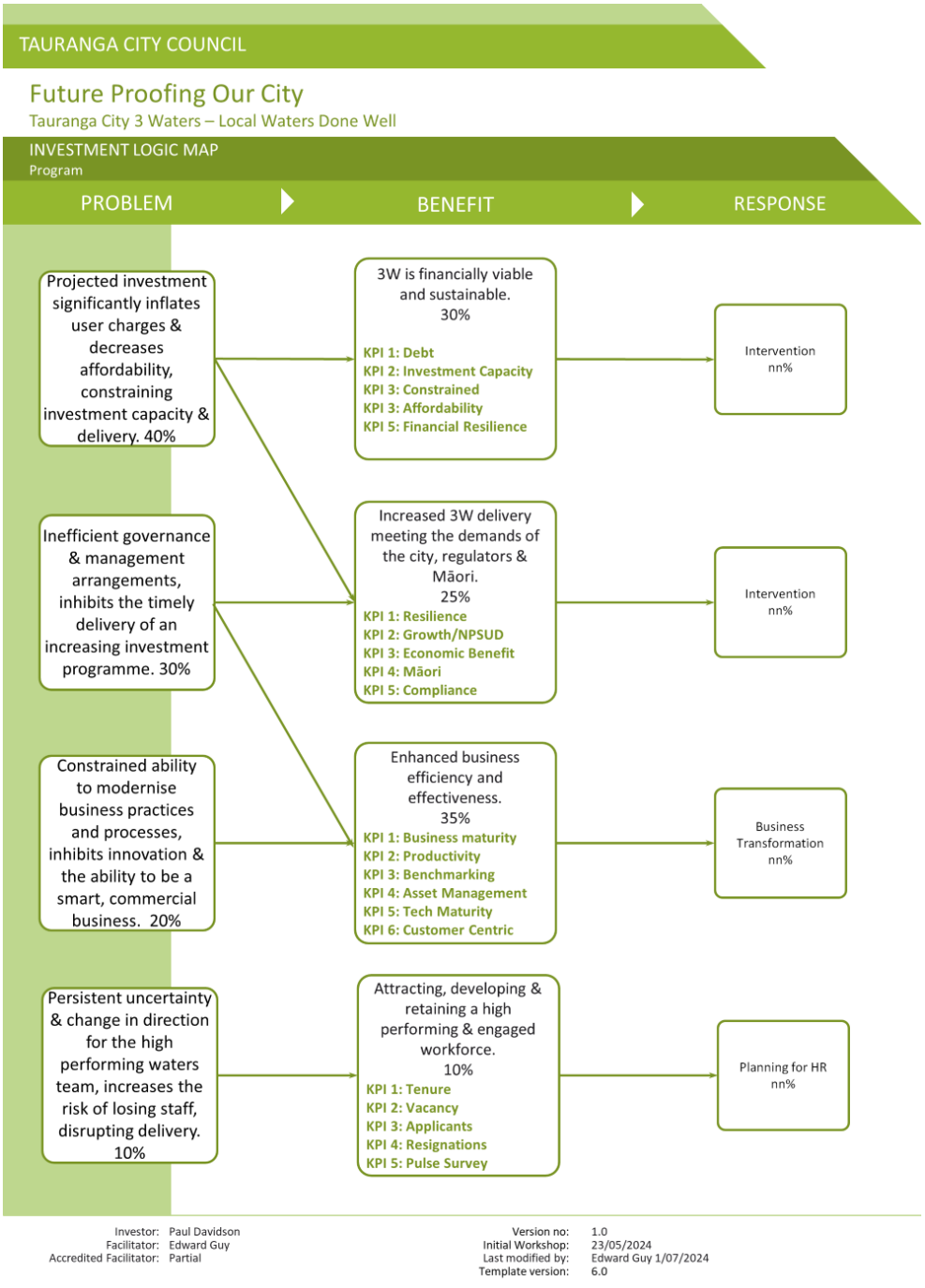
Holistic / Overarching ILM



In-housed TCC waters activity



Future-state TCC (if waters activity was removed)



Appendix Six: Defining the problems - in Waters / for TCC (if Waters removed)

The following information is in addition to the *Defining the overall problems for TCC (with waters in-housed)* section earlier in this report.

Defining the problems for in-housed TCC waters activity

Four key problem statements have been identified for Tauranga City Council's water service delivery. These focus on problems that inhibit the waters team from achieving water outcomes for Tauranga's communities.

PROBLEM 1	Projected investment significantly inflates user charges and decreases affordability, constraining investment capacity and delivery.	
Causes	➢	Water services carries a disproportionate amount of Council debt and requires significant ongoing investment that is forecast to double in four years and triple in 10 years.
	➢	Council has increased the amount collected from rates revenue, particularly in the waters activities. Total debt retirement over the next ten years is $396m, of which $300m is focused on waters debt.
	➢	Anticipated economic regulation and compliance requirements will lead to higher costs for users, future compliance issues and/or lower levels of service. Water charges will increase 10% year on year as set out in the LTP 24-34.
Effects	➢	*Three waters Council's current debt to revenue ratio (Council's ability to service the debt) is at a point where key growth projects are being delayed.*

Continued population growth places pressure on our existing waters network, including:

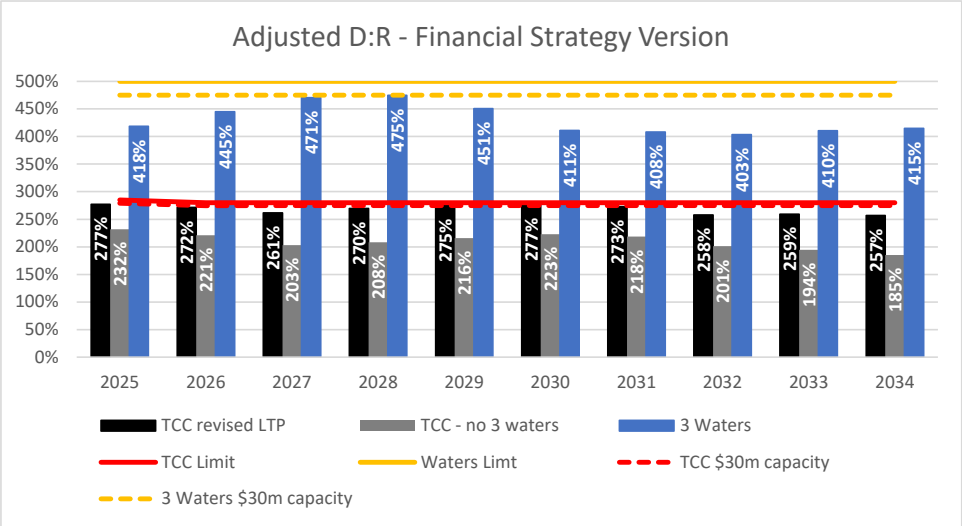
- The volume of water needed to be supplied.
- Network capacity for increasing wastewater flows (quantity and quality).
- The need for adequate stormwater capacity to cope with more frequent extreme rain events in increasingly densely populated areas.
- Supporting growth with waters infrastructure in areas distant to treatment facilities.

Water services carries a disproportionate amount of Council debt and requires significant ongoing investment that is forecast to double in four years and triple in 10 years so it can continue to provide safe, reliable, and affordable water services to our growing communities. Prioritising investment in waters will require significant trade-offs across other areas as Council simply cannot keep pace with the investment needed to provide for our present and future communities.

High existing debt levels in waters and the large capital programme for waters are significant contributors to Council's debt problem. This is mostly due to the large infrastructure investment in facilities such as the Waiāri water plant and Te Maunga wastewater treatment plant. As shown in Figure 1, the ratio of debt to revenue for the water activities over the next ten years ranges from 403% to 475%, with waters debt to revenue ratio nearing the 500% limit at its highest in 2028 (475%). When

averaged into Council's total debt to revenue ratio, the high-water ratios substantively constrain Council's ability to borrow for other infrastructure projects needed across the city.

Figure 1: Tauranga's projected debt to revenue ratio.



In order to pay down debt, Council has increased the amount collected from rates revenue, particularly in the waters activities. Total debt retirement over the next ten years is $396m, of which $300m is focused on waters debt. This ensures investment in infrastructure can continue.

An increase in council rates would present an opportunity to support both CAPEX requirements (increase revenue to support raising debt to fund capital projects) and OPEX requirements (to fund the increasing maintenance and operations programme). However, raising rates to a level that delivers the required investment is likely unaffordable for residents and businesses, and unlikely a feasible solution.

Anticipated economic regulation and compliance requirements will also lead to higher costs for users, future compliance issues and/or lower levels of service.

The existing funding model is not sustainable or affordable, and Council has been under significant funding pressure for many years. Three waters Council's current debt to revenue ratio (Council's ability to service the debt) is at a point where key growth projects are being delayed. (Refer Appendix Four: LTP water projects deferred / reduced due to financial constraints).

PROBLEM 2	Inefficient governance and management arrangements, inhibit the timely delivery of an increasing investment programme.	
Causes	➢	Waters infrastructure is often complex, expensive, and requires long-term strategic investment requiring continuity of funding and governance.
	➢	Elected members may not have the specialised skills or experience to make informed and effective decisions relating to waters infrastructure.
	➢	Funding for the water's investment programme competes directly with other strategic priorities across council.
Effects	➢	*Delays or changes in decision-making can lead to missed opportunities and increased project costs.*
	➢	*There is a lack of dedicated focus to drive waters performance measures and outcomes for the benefit of communities.*

Effective governance structures provide the checks and balances needed to keep projects on track and running to plan. Inefficient governance and management in councils can lead to underinvestment and challenges meeting community needs, for several reasons:

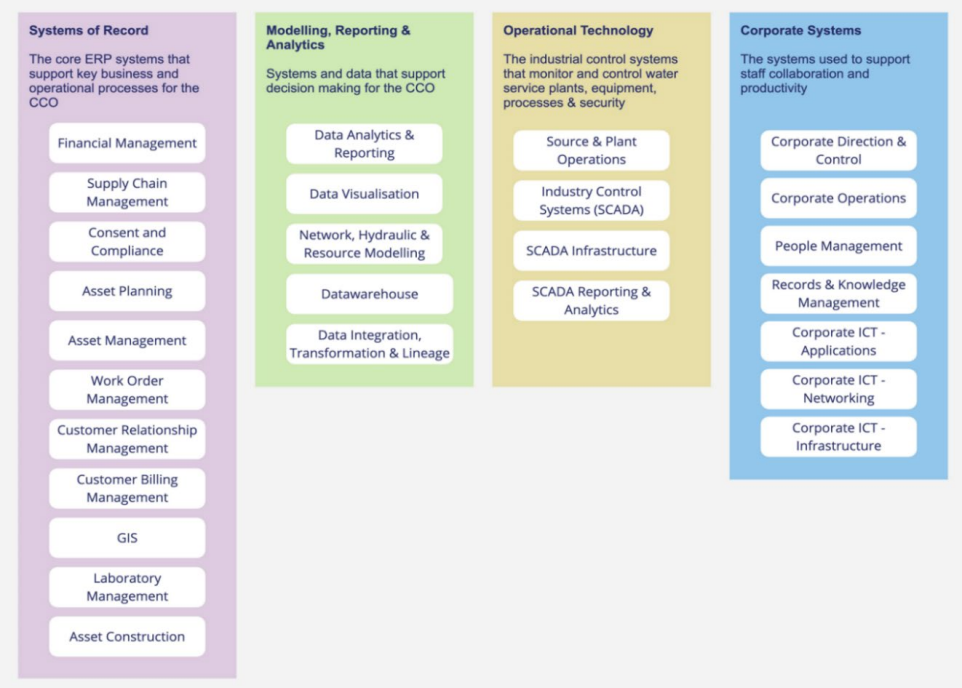
- Lengthy approval processes for projects can slow down decision-making and delay necessary upgrades.
- Budget constraints may not allow Council to keep pace with infrastructure needs, restricting the ability to invest in water infrastructure improvements.
- Prioritisation of short-term political considerations over long-term infrastructure planning. This risk-averse approach can lead to underinvestment in critical water infrastructure projects.
- Lack of technical expertise to manage large-scale water projects effectively. This can result in poorly planned initiatives.
- While public accountability is essential, it can also lead to conservative decision-making. Councils may avoid innovative financing solutions or partnerships that could enhance investment due to concerns over public scrutiny.

Council has successful experience in using alternative governance models and currently works with numerous CCOs such as Bay Venues Ltd (kaitiaki for more than 20 community facilities) and Te Manawataki o Te Papa Limited, which was established to govern and lead delivery of the civic development projects.

PROBLEM 3	Constrained ability to modernise business practices and processes, inhibits innovation & the ability to be a smart, commercial business.	
Causes	➢	Competing directly with other strategic priorities across council means there is minimal funding for innovative, automated, and technological advances in the waters space.
	➢	Council avoids innovative and technological solutions that could enhance investment due to concerns over public scrutiny.
	➢	The need to align with other Council processes means that there is a lack of dedicated focus to water outcomes.
Effects	➢	*A waters business that lacks customer centricity and SMART technology.*
	➢	*A lack of incentive for customers to change behaviour, and therefore lost opportunities to reduce overall costs and improve environmental outcomes.*

Business maturity in terms of business practices and processes in the waters' activity has been constrained. Analysis carried out by Richard Lennox in June/July 2024 found that there are multiple opportunities for step changes to be made across the following four categories: systems of records; modelling, reporting and analytics; operational technology; and corporate systems. Figure 2 summarises what was included in each of the four categories.

Figure 2: Opportunities for step change in business practices and processes.



Key areas for improvement included better alignment between waters and other corporate systems, technological advancements (for example), through automation and smart meters and real time performance, customer centricity improvements, and aligning with local processes to optimise local water outcomes.

Refer Table 1 for more detail where the average score refers to a scale of 1=low and 5=high.

Table 1: Key areas for improvement.

Category	Ave. score	Assessment
Systems of record	3.09	Generally mature - uplifting KPI's would require a dedicated focus on water business unit outcomes, which may have detrimental outcomes on other business units within council.
Modelling, reporting and analytics	2.88	SCADA systems are well managed and deliver on key operational outcomes. Opportunities exist to better integrate this area with other corporate systems. Future investment in integrated smart meters, additional integration to business systems and further automation required to uplift KPI's.
Operational technology	1.91	Significant challenges exist within the water reporting & analytics space given the split in data. Opportunities to provide a productivity step change in the use of water specific data to help decision makers, planners and customers understand the real-time performance of the water network. Limited publication of data to customers impacts customer centricity.
Corporate systems	2.76	Business maturity is good. Productivity is impacted by many systems not being aligned to local processes, causing significant manual work arounds. Opportunities exist to align business systems to local processes to optimise for local water outcomes.

Changes to business practices can have a significant impact on consumer behaviour, capital expenditure and environmental outcomes. This is evident by the implementation of universal water metering and volumetric charging across the city, resulting in approximately 39,000 meters being installed over a three-year period (1999-2002).

Overall, staff have demonstrated that the combination of universal water metering, volumetric water pricing and water conservation education successfully changed the water demand (particularly peak) profile in the city and enabled the delay of capital and operating expenditure. Findings reported by Sternberg and Bahrs[47] included that:

- There was a 30% reduction in peak demand, which enabled a proposed new water scheme to be delayed by at least 10 years. This resulted in substantial deferment of capital expenditure.
- There was an estimated projected net average savings of about $4.7 million per annum. The net present value of savings over the 30-year period was estimated at about $83 million.
- Socio-economic benefits were realised by TCC and the community - customers pay for water they use on a fair and equitable basis for water consumed.
- Ongoing demand management initiatives are more efficient and sustainable, in line with Resource management Act (RMA) requirements.

[47] Sternburg, J. and Bahrs, P. Water Metering – The Tauranga Journey.

PROBLEM 4	Persistent uncertainty and change in direction for the high performing waters team, increases the risk of losing staff, disrupting delivery.	
Causes	➢	Waters reform has been ongoing for over five years creating a level of uncertainty in the sector, including in the TCC waters team.
	➢	Transition through reforms is challenging for waters staff in relation to job security, and staff morale.
Effects	➢	*The demand for skilled professionals leads to competition within and outside of the waters sector. Employees may be lured away overseas or by better offers in sectors that have greater stability.*

Council staff focused on the water services business currently total 145, with a further 152 staff supporting water services business functions to varying degrees.

High performing water services staff have been in a state of flux since the three waters review in 2017 that was set up to address the challenges facing the regulation and delivery of three water services. Not only have staff had to grapple with ensuring health and environmental outcomes are achieved in the face of climate change impacts with a constrained council balance sheet, but water services staff have also had to face the following significant changes:

- A new water services regulator (Taumata Arowai).
- New legislation to implement three Waters Reform including the Water Services Entities Act 2022 that grouped councils across the country into four public entities to deliver waters services across the country.
- Removal of all legislation and policy work for Three Waters to introduce LWDW by the new coalition government.

Appendix Seven: Defining future problems for TCC (with waters removed)

Four key problem statements have been identified for Tauranga City Council's if the water activities are removed from the organisation. This perspective requires a 'future state' lens or perspective for the organisation that assumes all water activities have been removed to a new water entity.

PROBLEM 1	Misaligned investment priorities for water, inhibits growth, diminishing economic development, creating tension & waste.	
Causes	➢	A new *waters* entity may not align or synchronise with TCC's strategic priorities, particular if water CCOs have the final say on the Statement of Expectations.
	➢	If a CCO, the waters CCO would need to report through to TCC, which is likely to create tension.
	➢	Communication and alignment between the two entities may be more challenging.
	➢	Multi-agencies do not always align and coordinating work programmes and projects may be more challenging (e.g. TCC, NZTA and new waters CCO).
Effects	➢	*Trade-offs made by a new water entity would most likely prioritise compliance (environmental and economic) rather than strategic direction communicated through a Statement of Intent.*
	➢	*Ability for the city to grow and prosper may be negatively impacted.*

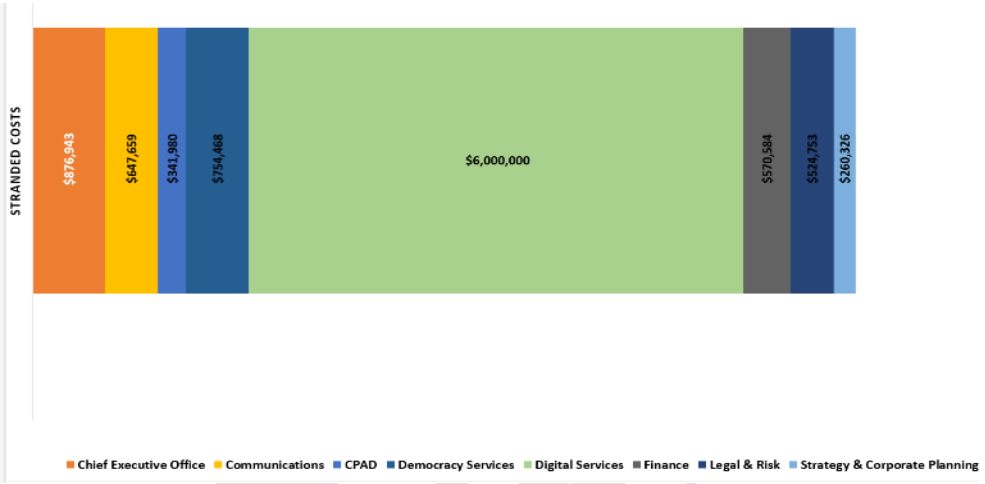
Without coordinated management, separating the management of water services from local government may result in a misalignment of strategic priorities. The lack of a unified strategy could exacerbate inefficiencies resulting in higher costs to communities, and delays or lost opportunities to deliver much needed housing to our growing communities. This is of particular concern as it is expected that the waters CCO has the final say on any content in the Statement of Expectations. This may be exacerbated if the water organisation is made up of two or more councils.

Ultimately, a separation may hinder the growth of the city and may deter potential investors looking for more streamlined processes.

PROBLEM 2	Reduced TCC revenue, diminished funding for fixed costs and overheads, effectively increasing the costs for residual TCC services.	
Causes	➢	16% of TCC's overhead allocations are currently paid for by the waters' activity ($20.5M)
Effects	➢	*Residual costs (stranded costs of approximately $10M annually will need to be allocated across the TCC business.*
	➢	*Any duplication of costs within Council and the new waters entity will increase costs to the community, adding to the affordability issue.*

With the transfer of water service delivery, there will be a loss of revenue (water charges) and also increased costs to the remaining organisation through 'stranded costs'. Stranded costs refer to those recurring annual operating expenses allocated to the remaining organisation after the waters' activity has been transferred. Figure 1 below illustrates the estimated costs for the different activity groups. Digital services have the highest level of stranded costs estimated at $6M per annum. For digital services, most of this cost will be recovered as the CCO will most likely 'buy-back' TCC digital services, at least in the short to medium term.

Figure 1: Annual stranded costs by activity groups across Council.



PROBLEM 3	Duplication, increased transactional activity and sub-optimal asset/service use reduces efficiency, flexibility & organisational productivity.
Causes	➢ Currently, there is a high level of cross over in team activities and operational tasks performed jointly by both waters and other divisions in the organisation.
Effects	➢ *The transitional period to unravel cross-over tasks will reduce efficiency and productivity of staff and may impact on employee culture in the TCC organisation.* ➢ *On-going duplication of activities will lead to some inefficiencies in the short and medium term.*

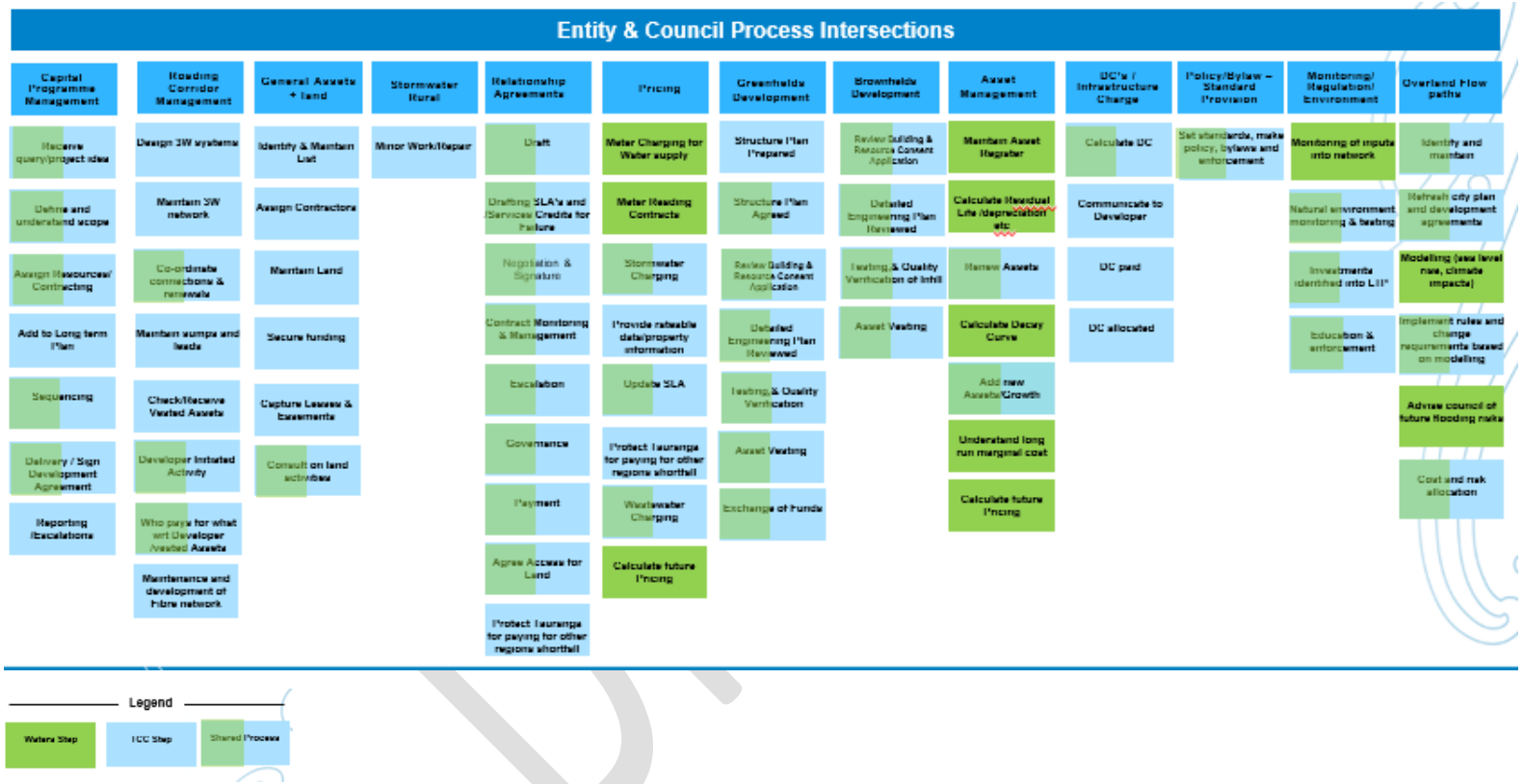
At present, there are many overlapping functions and activities between the waters' activity and the rest of council business. Table 1 below summarises the implications of overlapping activities and shared services.

Table 1: Summary of current cross-team activities and shared services.

	Description of task	Implications (if a new water entity)
Core water activities	Those core tasks a water utility undertake such as sourcing and treating water, maintaining and repairing infrastructure, monitoring water quality and implementing conservation programs.	No change to these – transferred to new entity.
Cross-team activities involving waters team	Tasks that TCC undertake that typically involve multiple teams, including waters. This may either be led by waters, or they contribute such as asset management or overland flow paths.	Multi-team activities are those operational tasks performed jointly by both Waters and other divisions in the organisation. There are 15 Activities identified in this category, either for TCC or the water organisation to manage.
Shared services activities	Tasks that TCC undertake on behalf of all activity groups, (including Waters).	A number of TCC support staff work either full-time or part time in waters activities across 11 areas: • Data and digital. • Customer contact centre. • Legal, risk and procurement. • Iwi relationship management. • Human resources. • Emergency management. • Business continuity. • Communications. • Finance. • Revenue collection. • Debt collection.

Initial analysis on the process intersections between a new waters entity and council are high, with Figure 2 (on the following page) illustrating the level of shared processes (blue/green) that will need to be worked through.

Figure 2: Intersections between a future water organisation and TCC processes.



A new water organisation will mean that there will need to be an unravelling of the intersections identified in Figure 2. This may take some time and impact on efficiency and productivity as teams duplicate investments in technology or services. A concern is that the impact on residual TCC may be significant as outlined in Problem 2 above. Also, a lack of streamlined processes between Council and a water organisation may frustrate employees and stakeholders alike, further compounding inefficiencies and impacting on relationships.

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PROBLEM 4	Lost relationships with iwi, customers & regulators, diminishes TCC's ability to partner, engage and advocate.	
Causes	➢	The significant relationship that Iwi and Hapū have with wai (water) will mean that it will be important for Iwi and Hapū to create and maintain a good working relationship with a new water entity.
	➢	TCC will no longer have a direct relationship with customers through the water activity.
Effects	➢	*With already stretched resources, adding another agency for Iwi and Hapū to liaise with may result in minimising the Iwi and Hapū relationship with TCC, impacting on TCC's ability to partner and engage.*
	➢	*TCC's relationships with customers are reduced with waste collection being the only other Council service to reach majority of households.*

Establishing a separate waters entity may impact relationships with iwi and customers as it effectively adds another 'touch-point' for people.

For Iwi and Hapū, this separation may lead to frustration as iwi groups will need to navigate multiple channels rather than having a single point of contact within local governance. The potential for miscommunication or conflicting priorities is also higher. This could hinder iwi collaboration with council and a water organisation, resulting in missed opportunities for partnership and a weakened ability to advocate for cultural strategic priorities and shared goals.

Similarly for customers, this separation could create confusion for residents about who to turn to for solutions, leading to delays in addressing critical issues like infrastructure repairs or water quality concerns. Overall, this added layer could disrupt the trust and relationships that are essential for meaningful collaboration and effective governance, potentially diminishing Council's ability to effectively partner and engage.

Appendix Eight - MCA Methodology

Options were assessed against a set of criteria to determine which delivers best value for money. A multi criteria analysis (MCA) was developed to scope options against multiple monetary and non-monetary criteria. The MCA provides a method to assess and identify the option(s) with the best mix of outcomes and value for money.

This process was completed twice:

1. An MCA for future water service delivery models.
2. An MCA for future TCC if water service delivery was removed from the organisation.

Assessment criteria

Four assessment criteria were used to analyse the preferred way forward:

1. **Four investment objectives** (aligned with benefits) identified in the strategic case for each MCA.

Waters Investment Objectives

- Financially viable and sustainable three waters business.
- Increased three waters delivery meeting the demands of the city, regulators & Māori.
- Enhanced business efficiency and effectiveness.
- Attracting, developing & retaining a high performing and engaged workforce.

Remining TCC Investment Objectives

- Delivering Growth.
- TCC cost of service allocation.
- Enhanced efficiency and productivity.
- Improved external relationships.

2. Costs, including capital costs and operational costs.

Net present value (NPV) cost – This is the present value of expenditure per connection multiplied by the number of connections. Net present value (NPV) is used to calculate the current value of a future stream of payments. NPV uses discounted cash flows to account for the time value of money. The discount rate used is 5% (Treasury's recommendation).

Information sources are based on the following:

- Funding impact statements for waters and TCC - Inflated and Uninflated LTP 25-34.
- Statement of financial position for waters and TCC - Inflated and Uninflated LTP 25-34.
- Capex – LTP data (constrained) and Infrastructure Strategy (unconstrained).
- Population and connection data – TCC growth projections for LTP 25-34 and waters internal connection data.
- Affordability - Statistics New Zealand's mean household disposable income data.

3. **High-level risks associated with delivering the investment proposal –** these were considered and ranked by the Project Steering Group in workshops.

4. **Business needs (or changes) required to get from the current arrangements to deliver the** investment objectives. These are business needs that have not been previously considered elsewhere in the MCA or investment objectives but directly align with relevant strategies for Tauranga City.

Weighting of assessment criteria

Assessment area	Weight
Investment objectives	25%
Costs	25%
Risks	25%
Business Needs	25%

Normalisation

Once each of the options were scored against each criterion, the scores were normalised to make different criteria comparable[48]. There are several methods for normalisation, with vector normalisation being one of the most common and accepted due to its stable performance. This method has been applied in this MCA.

Technique for Order of Preference by Similarity to Ideal Solution (TOPSIS)

The MCA uses the Technique for Order of Preference by Similarity to Ideal Solution (TOPSIS) method for ranking the different options against the weighted scoring criteria. TOPSIS works by comparing each option to two "ideal" points: the best possible option (where all criteria are perfect) and the worst possible option (where all criteria are the worst). It then calculates how close each option is to the best one and how far it is from the worst. The option that is closest to the best solution and farthest from the worst, ranks highest. This approach helps find the option that strikes the best balance across all the criteria being considered.

This ranking method does not inform whether an option is financially viable, but rather assesses which of the options should be taken forward for further analysis.

[48] Scores must be normalised to make different criteria comparable, especially when they are measure in different units or scales. The goal is to transform all the criteria so that they're on the same scale, usually between 0 and 1. This ensured that one criterion did not dominate because it is measured on a larger scale.

Analysis

The scoring criteria has been assessed on a combination of qualitative and quantitative basis by Rationale and TCC.

Investment Objectives 1 and 2 and costs have all be assessed based on a quantitative basis from financial information provided by TCC. Expenditure, revenue, operating surplus, and debt from water activities has been calculated on a per TCC connection or capita basis. This ensures that costs and revenue are not escalated across options, in particular for options that have size and scale[49].

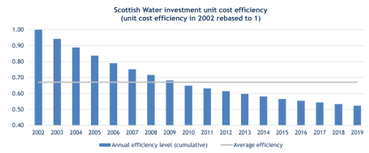
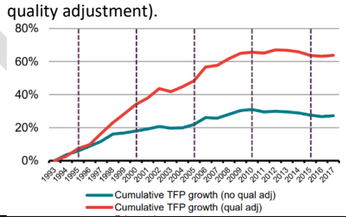
Investment Objectives 3 and 4, risk and business needs have been assessed on a qualitative basis by TCC and Rationale.

MCA findings provide an indicative comparative assessment across options. Once a preferred way forward is decided, more detailed financial, benefits and risk assessments will need to be developed.

[49] For example, for scoring criteria 'Costs' (present value costs) are calculated by number of Tauranga connections multiplied by the expenditure per connection. Whilst the number of connections for TCC stays the same over the 10-year period regardless of the water delivery structure, revenue and expenditure forecasts are expected to fluctuate depending on the new structure and other councils' involvement.

Appendix Nine – Summary of international research - efficiency gains from water reform

CCO Efficiency Opportunities – Assumptions / Evidence / Commentary

	Productivity Commission (Australia)	WICS (Scotland)	Frontier Economics	UK Water Trade Association	Farrierswier
Document Links	*Australian Productivity Comm Report - efficiency material.pdf*	*wics-efficiency material.pdf*	*Frontier Economics - efficiency material.pdf*	*Water-UK - efficiency material.pdf*	*Farrierswier - efficiency material.pdf*
Date:	February 2021; National Water Reform, Australia Productivity Commission	May 2021; Water Industry Commission	June 2019; for DIA. Water reform learnings from UK, Ireland, Tasmania, Victoria	September 2017; Water UK, Productivity Improvement in the Water Industry	May 2021; for DIA
Operational Efficiency	Larger water entities have in-house expertise to analyse operational performance with a risk management lens, aimed at optimising processes, driving efficiency, reducing costs	In a regulated service environment, 40-50% reduction in operating costs achieved: - Over 15 years (England and Wales) - Over 8 years (Scotland)	Strong evidence the structural reforms in these jurisdictions led to significant improvements in productivity and efficiency. Some showed type #1 efficiency, but most were #2 (* below)	Efficiency improvements are linked to productivity gains. Cumulative trend (UK) has shown upward trend, even across GFC period. Key metric is TFP (Total Factor Productivity)	- Applying a scale adjustment to the WICS "base efficiency" of 50% (over 20 years) is necessary to recognise reduced efficiency capability of CCO's with population less than 800,000.
Capital Expenditure Efficiency	Evidence that water resource / infrastructure planning done at scale for larger entities leads to more efficient infrastructure staging / timing and sizing / capacity investment.	Investment improvement achieved (Scotland): - 20% unit cost reduction in first 5 yr. (actual) - 45% unit cost reduction over 18 yr. (actual)  - Future target of 0.75% p.a. until 2040	- Consolidated Capex programs for larger scale (regional) entities in growth jurisdictions, showed evidence of significant productivity and efficiency improvement. - Initial structural reforms in Melbourne (Corporatisation) showed evidence of 23% savings / efficiency gains from rationalisation of (duplicate) procurement processes and resourcing / overheads.	Cumulative TFP growth (1993 – 2017) has increased by 64% on a quality adjusted basis, and 27% (most conservative basis without quality adjustment). 	- Similar to Operational Efficiency, a scale adjustment should be applied to the WICS figures to recognise o scale effects (where < 800,000 population) and o specific geographic features.
Efficiency Categories	Similar commentary as other reports (size / scale, expertise, transformation)	Efficiency gains through: - Improved Asset Management Processes - Improved Procurement Practices - Innovation / Transformation (digital etc.)	Similar efficiency gains to other reports, plus: - Strong regional Capex delivery (Victoria) - Improved technical, scientific capability. -	Productivity (TFP) as a ratio total quantity (outputs: inputs) and includes methodology to incorporate service quality improvements	Efficiency through scale: - Reduction in corporate overheads, - Elimination of duplicate functions, - Larger work program (procurement efficiency) - Leverage larger resource and asset base
Factors that influence Efficiency Gains	- Water demand management (WDM) in larger water entities is well implemented. It results in improved efficiencies (asset capacity and water resource utilisation); also deferred future investment needs. - WDM includes network management practices, water loss, volumetric pricing and customer behaviour, investment in smart technology and data analytics	- Economies of Scale (size of the Entity) - Management / Governance excellence - Clarity of policy priority (SoE) - Regulation (quality, economic, environment) - Regulatory compliance "gap" - Initial condition / performance of assets - Initial Level of Service - Geographic service area and topography - Service connection density. - Proximity of water resources - Receiving water environment	- Economies of scale - Reduction in corporate overheads - Staff rationalisation - Eliminate duplicate functions	- Economies of scale - Technical efficiency - Capacity utilisation	- Corporate governance (asset owning entity); adhere over time to sound principles (SoE). - "Spend to Save" Transformation projects that accelerate efficiency capability (e.g. smart technology, better business systems etc.) - Amalgamated (multi-Council) CCO's ability to attract and retain skilled resources to drive procurement, innovation = efficiency - Asset level optimisation opportunities i.e. connected networks, headworks etc. - Demand-side management measures that defer growth (capacity) expenditure.

Comments:

1. ***Operational Efficiency** Definition #1 = the act of spending less and receiving the same outcome; Definition #2 = receiving a better service level outcome for the same level of spending
2. Measuring and reporting Operational Efficiency (#1) results can be obscured by changes to service levels and / or operating environments. Comparisons between service providers require equity in service level / performance thresholds.
3. **Capital Expenditure Efficiency** measures unit cost of delivery over time.
4. **Efficiency trajectory** is compounded / cumulative, and is typically linked to:
   a. Timescale: efficiency gains plateau after 10 – 15 years
   b. Size and scale: efficiency increases progressively with the "sweet spot" at 800,000 population (diminishing gains thereafter).
   c. Catch-up gains: achieved at a point in time where max. level of efficiency is achieved with current technology and management processes.
   d. Ongoing gains: moving the efficiency "frontier" over time as technologies and management decision-making processes improve (Transformation of the CCO)
5. **Amalgamation** = short-term increases in establishment / operating cost (legal, systems, redundancies etc), followed by enduring efficiency and performance gains that significantly exceed pre-amalgamation projections.

Appendix Ten – Local Government Funding Letter – Financing to Local Government for Water Services

LGFA
New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

22 October 2024

Marty Grenfell
Chief Executive
Tauranga City Council
marty.grenfell@tauranga.govt.nz

Dear Marty,

LGFA financing to local government for water services

Local Government Funding Agency Limited (LGFA) recently confirmed our commitment to provide financing to support water council-controlled organisations (CCOs) established under Local Water Done Well.

As the lowest cost provider of financing to local government, because of our scale and AAA credit rating, LGFA is well positioned to support the local government sector as it considers future investment requirements and next steps for their water services delivery arrangements.

Following the Government's August announcement and subsequent information shared via LGFA and the Department of Internal Affairs (the Department), LGFA is writing to provide you with further information about the financing options available via LGFA, and the benefits for councils and your communities.

In the August announcement the Government provided details of the proposed water services delivery models that will be available under Local Water Done Well. These comprised:

1. Internal business unit or division of council
2. Single council-owned water organisation
3. Multi-council owned water organisation
4. Mixed council/consumer trust owned water organisation
5. Consumer trust owned water organisation.

LGFA in this letter is providing further information if a council decides to proceed with either of the council-owned water organisation models (2 and 3).

New Zealand Local Government Funding Agency Limited
Auckland Level 7, The Shortland Centre, 55 Shortland Street
Wellington Level 11, City Chambers, 142 Featherston Street
PO Box 5704, Lambton Quay, Wellington 6145 | Phone +64 4 974 6530
lgfa.co.nz

Financing for Local Water Done Well – August Announcements

In August LGFA confirmed it will:

- Support leverage for water CCOs up to a level equivalent to 500 percent of operating revenues (around twice that of existing councils), subject to water CCOs meeting prudent credit criteria and where a parent council guarantee or uncalled capital is in place. LGFA will treat borrowing by water CCOs as separate from borrowing by parent council or councils.
- Lend to multiply-owned water CCOs, who are supported by the parent councils through guarantees or uncalled capital.
- Make available to water CCOs its existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.

These new arrangements provide councils with access to the level of financing needed to make the necessary investments in water infrastructure, at low cost of financing, while managing the impact of rates rises on ratepayers.

Benefits for councils and communities

Using debt financing for investment in infrastructure is a fundamental aspect of delivering utilities, and water services are no exception.

The Minister of Local Government has spoken of the infrastructure deficit New Zealand is facing with water. The financing arrangements provided by LGFA provide councils with increased lending flexibility to address these challenges, while ensuring affordability for ratepayers.

Increased borrowing to fund necessary investment in water infrastructure reduces the need to fund investments directly from rates and other revenue. This can smooth the impact of investments across longer periods of time, which should be reflected in smaller increases in rates and water charges.

Considerations for councils as you assess current and future water services delivery arrangements

We understand that several councils, as part of the development of their Water Services Delivery Plans, are working with the Department to assess the financial viability of their current water services delivery arrangements and exploring future models for water services delivery to determine how increased borrowing can facilitate investment without significantly impacting affordability for consumers.

In many cases, the benefits of additional borrowing headroom, created through the set-up of a water CCO, to fund investment are evident for individual councils as well as for groups of councils working together.

LGFA believes that a benefit of a water CCO is that it owns the water assets, uses debt to finance growth and renewals (in certain situations), and water charges pay for operating expenditure and interest expense.[1] A water CCO will be like other regulated utility businesses such as Electricity Distribution Businesses (EDBs). They are well understood by credit rating agencies and LGFA will seek to use similar financing ratios such as Funds From Operations (FFO) to Debt and FFO to Interest Expense that are typically applied to EDBs.

Therefore, LGFA will lend approximately twice as much to a water CCO than to a council, provided the water CCO has an investment grade credit rating (or a clear pathway to achieving one).

LGFA itself is an example of a council-owned organisation, demonstrating the successful collaboration and shared benefits that can be achieved. Since our establishment in 2012, our membership has grown to 77 out of the 78 councils[2] and six council controlled organisations. We provide over 90% of sector borrowing to our members. We have achieved significant scale benefits, provided cost savings to the sector, extended the term of debt available and provided sector access to financing at all times. LGFA is owned by thirty councils and Central Government with a proven independent governance structure of a board and Shareholder Council that works well together.

The benefits for water CCOs to finance through LGFA include:

- LGFA recognises that councils intending to move their council water delivery activities from a department of council to a water CCO face a period of transition. For example, water meters could be installed and a shift to volumetric water charging in place of a uniform rate. There may be a period of "catchup capital expenditure" and deferred maintenance. LGFA will work with councils to agree an appropriate level of borrowing to achieve the above, including to ensure that the water CCO is committed to achieving a strong standalone credit rating over time.
- LGFA recognises that councils will be keen to spread the cost of upgrading water assets over time. LGFA will endeavour to provide some flexibility in its application of borrowing ratios provided the water CCO is committed to improving its credit metrics over time
- Irrespective of whether the water CCO is wholly or partially owned by a council, LGFA will take the approach of assessing the credit quality and potential borrowing capacity of the water CCO and the parent council(s) separately. This is subject to LGFA being satisfied of the ability of such council and water CCO to meet their financing obligations on a prudent basis.

We see real benefits for councils that establish water CCOs to access the additional debt financing LGFA can provide. We encourage you to consider what a water CCO could achieve for your council and communities.

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[1] LGFA will only lend to a water CCO if it is asset owing (not a management company) with its own water revenue stream.

[2] All except Chatham Islands Council, which LGFA has approved for membership.

Further support and information

LGFA continues to work closely with the Department and with Crown Infrastructure Partners to provide information and support for councils as you consider your future water services delivery arrangements through the development of your Water Services Delivery Plans.

We encourage you to contact us directly by emailing andrew.michl@lgfa.co.nz, if you would like further information or to discuss how additional financing from LGFA can benefit your council and communities.

We have also attached some additional information the Department and LGFA has prepared to support your decision-making at this critical stage, capturing further detail about the benefits enabled by new structural and financing arrangements under Local Water Done Well.

We understand the Department will be continuing to provide information and guidance to councils to support the implementation of Local Water Done over the months ahead. LGFA is also considering holding an informal session with council finance staff to discuss any issues they may want to raise and discuss with LGFA.

We look forward to continuing to support you to enable the successful delivery of water services.

Yours sincerely,

Craig Stobo
Board Chair

Mark Butcher
Chief Executive

LGFA
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Te Tari Taiwhenua
Internal Affairs

October 2024

Key information: Benefits to councils and communities from the establishment of water CCOs and financing arrangements through LGFA

This document provides further detail for councils about the benefits enabled by establishing water CCOs and the financing arrangements through LGFA, to support informed decision-making by councils about their future arrangements for water services delivery.

It complements the information shared in August 2024 about the key details of New Zealand's future water services delivery system under Local Water Done Well. Further information is available at: dia.govt.nz/Water-Services-Policy-Future-Delivery-System

Characteristics of water CCOs established under Local Water Done Well

The establishment of a council owned water CCO under Local Water Done Well will enable:

1. Retained local ownership of and direction setting for water services and infrastructure assets, at minimal financial cost to councils;
2. Reform of the water services industry that will create opportunities for new capital and operating efficiencies for water CCOs; and
3. Additional flexibility and financial resilience to ensure financially sustainable water services provision.

1. Retained local ownership of and direction setting for water services and infrastructure assets, at minimal financial cost to councils

This means:

- Retain local ownership of water services and infrastructure assets.
- Direct ownership interest for councils in the water CCO.
- Councils appoint Board members of a water CCO.
- Ability to set performance expectations to a new water CCO under the new planning and accountability framework.
- The water CCO will be required to provide a Water Services Strategy to shareholding councils under the new planning and accountability framework.
- Owning council guarantee (or uncalled capital) in place to ensure ongoing ownership and support arrangement, and enduring interests in the successful and financially sustainable delivery of water services to communities.

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2. **Reform of the water services industry that will create opportunities for new capital and operating efficiencies for water CCOs**

This means:

- Professional, skilled, and independent directors appointed. An effective and appropriate capital structure for infrastructure business.
- Meeting LGFA's prudent credit criteria for additional financing.
- Providing operational and investment certainty.
- Easier to comply with ringfencing and economic regulation requirements.
- Focus on operational and capital efficiencies to deliver investment and services to communities at more optimal cost.

3. **Additional flexibility and financial resilience to ensure financially sustainable water services provision**

This means:

- Increased access to debt financing through LGFA for water services (to an equivalent 500% of water revenues, around twice that of existing councils).
- Increased borrowing capacity for owning council, which enables councils to utilise new borrowing headroom to fund non-water infrastructure requirements and reduce non-water rates.
- Ability to plan long-term around investment and financing requirements.
- Increase proportion of investment that is debt-funded rather than rates funded.
- Spread the cost of infrastructure over its life, ensuring intergenerational equity and minimising current consumers' subsidisation of future consumers use of long-lived assets being built now.
- More financial resilience and investment achievable.
- Potentially lower charges to consumers than would be the case under status quo in-house water services delivery arrangements.

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Potential benefits from increased access to debt financing for council owned water CCOs

The establishment of a water CCO under Local Water Done Well and more effective utilisation of debt financing provided by LGFA will enable:

1. Improved financial resilience for water services delivery and councils;
2. Increased or accelerated investment against what councils can currently fund or deliver in-house;
3. Lower prices for communities than achievable under the status quo; and
4. Increased borrowing headroom and financial resilience for owning councils.

1. Improved financial resilience for water services delivery and councils

This means:

- An equivalent five times revenue borrowing limit will increase the borrowing capacity for water services investment.
- This provides enhanced resilience and ability to respond to shocks or adverse events.
- Able to borrow longer term to minimise refinance risk and gain long term financing certainty.

2. Increased or accelerated investment against what councils can currently fund or deliver in-house

This means:

- Additional borrowing capacity could be utilised to deliver additional capital investment against existing revenue and price paths.
- Required capital investment could be accelerated as financing barriers are reduced.
- Financing certainty will enable effective signalling of the investment pipeline to the sector to enable the sector to invest and grow capacity and ability to meet the demand of infrastructure investment.

3. Lower prices for communities than achievable under the status quo

This means:

- Enables revenues to set to the minimum level required to cover the efficient cost of service.
- Utilising debt financing for capital investment means less revenue is required to deliver required levels of investment.
- Debt financing of investment means lower charges for current consumers.

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- Reduces the requirement to fund capital investment for long lived assets that will benefit several generations with rates or charges paid today by current consumers.

4. Increased borrowing headroom and financial resilience for owning councils

This means:

- Separating water revenues and debt can create significant borrowing headroom for owning councils.[3]
- This delivers improved financial resiliency for councils.
- Created borrowing headroom could be utilised for non-water services capital investment requirements to reduce projected rates rises.

[3] LGFA assesses the financial positions of parent council and water CCOs differently from that of credit rating agencies such as S&P Global Ratings. For those councils with a credit rating, we suggest you also engage with the credit rating agency.

Attachment Two:

Local Water Done Well
Summary communications and engagement approach

This document outlines our communications and engagement approach at a high level, in regards to Local Water Done Well and the development of the Water Services Delivery Plan.

1. Introduction:

Central Government has developed a proposed new model for the delivery of three waters (drinking water, stormwater and wastewater) in New Zealand known as Local Water Done Well (LWDW), to replace the now repealed Three Waters legislation. The new model is aimed at addressing water quality and water services infrastructure investment, while keeping local control over water services and assets.

2. Feedback from previous consultation around 3 Waters Reform:

An informal online survey from 18 August – 27 September 2021 received around 295 survey respondents with only around 5% supportive of the reform.

A high level of responses were themed around the following; referendum required to determine participation, concerns relating to iwi input or control, loss of local control/say/accountability, concerns around efficiency and cost of services, sentiment that assets belonged to ratepayers and should not be taken away and a lack of trust in government.

From this previous feedback we know that the community will strongly care about any perceived lack of control of water assets, ownership and cost of water services in any future proposed change.

Te Rangapū Mana Whenua o Tauranga Moana Partnership (a body made up of 17 representatives from each of the hapu and iwi in the Tauranga City Council area) shared a statement of support with us. This committee were given only a short time to give feedback and held concerns around lack of clarity and information provided at that time but were grateful for council committing to input from tangata whenua.

3. Summary of previous engagement:

To date, since the introduction of the first Local Water Done Well Bill we have focused on ongoing engagement in four key areas; with our people (staff), Tangata Whenua, the wider Bay of Plenty Councils, and engaging with the waters team and executive team at Western Bay of Plenty District Council to better understand the possibility of working together in future.

Wider public engagement is planned to take place once we understand the Local Government Water Services Bill due to be released December 2024, and when Council have indicated their preferred option for the delivery of waters services.

The Local Government (Water Services Preliminary Arrangements) Bill lays the foundation for the new approach to water services management. It includes requirements for councils to develop Water Services Delivery Plans, within 12 months of enactment.

Consultation is a requirement of the Water Services Delivery Plan and council must consider their current delivery model and at least one alternative delivery model.

4. Proposed communication and engagement objectives:

1. To raise awareness with our community, people (staff), partners, and stakeholders about new legislation, the impacts of the financial sustainability requirements and help them to understand why change is needed. A key reason we need to change is to comply with economic, environmental, and drinking water regulations recently legislated.

2. To ensure that information regarding LWDW reaches our community, partners and stakeholders, and that anyone wanting/seeking information regarding the new legislation and possible options can access this and understand how they can give feedback.

3. To ensure that our stakeholders, including tangata whenua and high-water users, understand what the legislation means for them, or their business, our city and region.

4. Some possible risks and mitigations:

Risk	Mitigation
1. Consultation feedback is not conclusive or does not give councillors the information or mandate they require	Share plan through council to understand if communications and engagement approach is appropriate. Receive direction around what councillors would like to understand from community feedback.
2. Not yet clear what influence community can have on any decision and therefore the community may feel they were not listened to	Receive direction from councillors prior to consultation on what influence the community can have so our supporting narrative and survey questions can be developed to reflect this accurately.
3. People are busy over the summer holiday season and may not have time to engage on this topic	Share awareness comms ahead of consultation to keep community informed in lead up to consultation period to increase likelihood of engagement. Also use community spaces to go 'where the people are' during consultation period and ensure residents can provide their feedback online.
4. This government legislation is coming soon after the fluoridation directive. The risk exists that any proposed change to water services may stir up negative emotion and anti-government/control sentiment	Let the fluoridation conversation settle before looking to engage on LWDW.
5. This topic is important but discussing the best structure to deliver water services is complex, and includes detailed financial and technical information	We need to be clear about the pros and cons of each option (in simple language) during consultation and wherever possible provide appropriate proof points. But noting this is a topic that will be of limited interest for some.
6. We currently deliver water services to a high standard here in Tauranga and people don't understand what problem we are trying to 'fix'	Clearly outline the future problems we are facing and make a clear case for change (if preferred option is a CCO.)
7. We know people are concerned about issues including loss of local control/say/accountability, ownership. These are 'show stoppers'.	Need to ensure messaging is clear to allay fears around these areas of concern. And clearly describe the benefits of the preferred option.

5. Summary of approach:

Our intention is to share information with our community in three phases. It will likely be a 12-month plan that may extend, depending on the results of consultation.

Stage one, Jan – March 2025 - Communications to raise awareness

Inform our people (staff), our community, partners and key stakeholders about Local Water Done Well, the Water Services Delivery Plan, and explain 'why' change is needed. This is an important step even if people don't engage throughout the consultation process.

Draft high-level messages for stage one:

- As part of new legislation called Local Water Done Well, local councils have been asked to create a future plan for how they will deliver water services to the community (a Water Services Delivery Plan).
- Everyone will still receive the same great quality drinking water, and you'll still be able to do everything you do now.
- But like other councils, our challenge is that having an up-to-date water networks is going to be expensive.
- Change is also coming, and we will need to meet new economic, environmental, and drinking water regulations.
- That's why we need a good plan. Creating this plan will help to ensure we're delivering water services in the most cost effective and efficient way possible, with a 30-year view to the future.
- We've already heard loud and clear from you that water assets must stay in council ownership and under local government control so we can assure you this won't change.
- But some change will (likely) be needed to ensure we can deliver water in a sustainable way.
- In the coming months we'll be talking to you about the available options. Look out for your opportunity to tell us what you think.

Stage two, early 2025 - community consultation/engagement:
Share options including a preferred option for community consultation/engagement to understand community thoughts and feedback, which will be collated and reported back to the council, community and stakeholders.

There are two options available to us to consult. To run a standalone consultation around late February to late March 2025. Or secondly to leverage the Annual Plan consultation process. The benefits and challenges have been outlined in the enclosed table. The recommendation is to leverage the Annual Plan process.

We plan to maximise the "water story" by raising awareness ahead of the consultation process. This will be targeted at key stakeholders such as tangata whenua, high water users, the business sector and the commercial sector.

If consulting on a joint CCO, we would look to align messaging - utilising a similar style of consultation and method of giving feedback. If we do a joint consultation, we recommend that this is done together at the same time.

Additional draft high-level messages for stage two: (further detail is required to develop fully):

- When it comes to delivering water services, we're in a good place compared to many other councils around the country.
- However, servicing a growing city means we need to continue to invest in our infrastructure to keep up with our growing population and ensure we're putting aside money to pay for future upgrades.
- We know that over time the price to deliver water services across NZ is going to increase, regardless of whether we keep doing what we're doing (status quo) or move to a different commercial water services delivery structure.
- Our challenge is to ensure we are opting for the most economically and environmentally sustainable way to deliver water services and meet our regulatory responsibilities. While at the same time continuing to deliver quality water, and responsibly manage our wastewater and stormwater quality.
- And although we know the price for water will increase, whatever we do, we want to manage those costs for our community as best we can.
- As part of new Government policy called Local Water Done Well, local councils have the opportunity to look at alternative ways to deliver water services.
- One option is to set up an organisation that would own the assets on behalf of council to manage and operate our water services, which could be jointly run with other councils.
- This delivery structure is called a council-controlled organisation or CCO and making this change would offer a number of significant benefits including being more cost effective and operationally efficient.

- To ensure a local solution is developed to address a local problem, all local water revenues will go directly to water infrastructure or water related projects to give you confidence your money is being used for the purpose it is being collected.
- Regulators will oversee everything we do to ensure we're financially accountable, meeting the highest quality for water standards and ensuring consumers are protected.
- Whatever delivery model we adopt, this plan will be a promise to future generations, that their access to clean, safe and reliable water services will be safeguarded.

Stage three, TBC 2025 - Close the loop:
Share outcomes regarding decision making about Local Water Done Well with our people, our community, partners and key stakeholders as well as any next steps. It will be very important to support our people through any changes that may result from decisions made. A separate communications approach would be needed to support this aspect.

6. Draft timeline:

When	What
9 Dec 2024	Council approved business case recommendations
January 2024 – March 2025	Awareness communications – what is the "water story" and why is it important
Consultation period concurrently with Annual Plan 28 March 2025 – 28 April 2025	Public consultation regarding Water Services Delivery Plan. Note project team could communicate with partners / stakeholders well before consultation begins to ensure they have adequate time to prepare submissions.
Dates TBC 2025	Dates for decision (TBC)
Dates TBC 2025	Close the loop communication to community (TBC)

7. Tactics:

A separate activity plan has been drafted to show activities across communications channels and with stakeholders.

Stakeholder	Inform	Consult	Involve	Collaborate
City Waters staff, and other staff who primarily or are partially involved in the delivery of LWDW services	✓	✓	✓	
All other TCC staff	✓			
Community • Ratepayers • Residential users • Highwater users – top 100 commercial users (utilise Chambers, Priority One) • All commercial water users (about 3000)	✓	✓		
Te Rangapū Mana Whenua o Tauranga Moana Partnership	✓		✓	✓
Partners • Downer • Water contractors	✓			✓
Potential partner councils' General Managers and communications team			✓	✓
Government • Local Government New Zealand • Department of Internal Affairs		✓		✓

Stakeholder	Inform	Consult	Involve	Collaborate
Growth Partners Business Local developers and their consultants (developer forum)	✓	✓		
BOP & neighbouring councils Environmental Organisations BOPRC		✓		
Media	✓			

11.5 Remuneration fees for external representatives on Council Committees

File Number: **A16704997**

Author: **Coral Hair, Manager: Democracy and Governance Services**

Authoriser: **Christine Jones, General Manager: Strategy, Growth & Governance**

PURPOSE OF THE REPORT

1. This report recommends remuneration changes for the Tangata Whenua members appointed to the Wastewater Management Review Committee and the Tangata Whenua/Tauranga City Council Committee and the Independent Chairperson of the Tangata Whenua/Tauranga City Council Committee. The report recommends remuneration for the newly established position of Independent Chairperson of the Audit and Risk Committee.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Remuneration fees for external representatives on Council Committees".

(b) Approves the remuneration of $53,000 per annum for the Independent Chairperson of the Audit and Risk Committee.

(c) Approves the remuneration of $8,500 per annum for the Independent Chairperson of the Tangata Whenua/Tauranga City Council Committee.

(d) Approves the remuneration of $605 per meeting for the Tangata Whenua representative appointed to the Chairperson or Deputy Chairperson role on the Wastewater Management Review Committee.

(e) Approves the remuneration of $435 per meeting for Tangata Whenua members appointed to the Wastewater Management Review Committee.

(f) Approves the remuneration of $297 per meeting for the Tangata Whenua members appointed to the Tangata Whenua/Tauranga City Council Committee.

(g) Approves changes to the Tangata Whenua Remuneration Policy 2021 as follows:

  (i) Levels of remuneration - section 5.1.2 – a meeting fee set at $297 will be paid to tangata whenua representatives appointed to all other governance committees, advisory groups with joint tangata whenua and elected member membership.

  (ii) Te Rangapū Mana Whenua o Tauranga Moana section 5.2.5 – Council will pay a meeting fee of $297 per individual mandated member (except the chairperson) (one per iwi or hapū) per meeting.

  (iii) Te Rangapū Mana Whenua o Tauranga Moana section 5.2.6 – The Chairperson will be paid a meeting fee of $402 in recognition of the extra duties undertaken by the Chairperson.

EXECUTIVE SUMMARY

2. The remuneration consultant firm Strategic Pay was engaged to review the remuneration of the following positions:

- Independent Chairperson of the Audit and Risk Committee (this is a new position)

- Independent Chairperson of the Tangata Whenua/Tauranga City Council Committee
- Tangata Whenua members of the Wastewater Management Review Committee (review
- Tangata Whenua members of the Tangata Whenua/Tauranga City Council (TW/TCC) Committee

3. The position of Independent Chairperson of the Audit and Risk Committee is new and the recommendation is at the upper end of the range recommended by Strategic Pay.

4. Increases in remuneration are recommended for all members, based on the Strategic Pay advice. The remuneration for the Tangata Whenua members of the Wastewater Management Review Committee (WWMRC) and the Tangata Whenua/Tauranga City Council Committee (TW/TCC) is recommended to increase by 10%. The Independent Chairperson of the TW/TCC is recommended to increase by 30.7% which is at the upper end of the range recommended by Strategic Pay and recognises the role requires significant consultation across the Māori community.

5. The Council can decide on the remuneration levels for these positions. It is recommended these are within the ranges provided by Strategic Pay.

BACKGROUND

6. A review by Strategic Pay was undertaken in 2022 of the Independent Chairperson of the TW/TCC, and the WWMRC and TW/TCC members and it is timely following the July 2024 election to review the remuneration to keep these up to date.

INDEPENDENT CHAIRPERSON AUDIT AND RISK COMMITTEE

7. Strategic Pay was engaged in August 2024 to consider remuneration for the newly established position of Independent Chairperson of the Audit and Risk Committee and their report is set out in Attachment 1.

8. Strategic Pay's approach was to:

   (a) Consider their annual New Zealand Directors' Fee Survey as of February 2024;

   (b) Review what similar roles would be paid if the Committees were under the New Zealand Government's State Services Commission's Cabinet Fees framework;

   (c) Review remuneration Councillors would be receiving, and the relativity to these fees.

9. Strategic Pay set a range between $45,000 to $55,000 per annum. The recommendation is to pay $53,000 per annum which is at the upper limit of the Directors Fee Survey and slightly less than the 40% relativity to councillor remuneration levels.

INDEPENDENT CHAIRPERSON - TANGATA WHENUA/TAURANGA CITY COUNCIL COMMITTEE REMUNERATION

10. Strategic Pay was engaged in 2022 to undertake a review of the remuneration for the Independent Chairperson of the Tangata Whenua/Tauranga City Council Committee following the appointment of a new Chairperson. The remuneration was set in 2022 at $6,500 per annum which was in the middle of the range recommended at that time i.e. between $5,500 to $7,500 per annum.

11. Strategic Pay was engaged to review the remuneration for this position following the July 2024 election and their report is set out in Attachment 2.

12. Strategic Pay's approach was to:

   (a) Review what similar roles would be paid if the Committees were under the New Zealand Government's State Services Commission's Cabinet Fees framework;

   (b) Review the remuneration Councillors would be receiving, and the relativity to these fees.

13. Strategic Pay noted the nature of this role requires significant public consultation across the Māori community and suggested that the Council consider paying against the upper end of the range to recognise this. The range is set between $6,500 to $8,500 per annum. The recommendation is to pay $8,500 per annum.

WASTEWATER MANAGEMENT REVIEW COMMITTEE REMUNERATION

14. Strategic Pay was engaged in 2022 to review the remuneration of the Tangata Whenua members on the Wastewater Management Review Committee (WWMRC) in 2022 following the appointment of new committee members. The remuneration was set in 2022 at $395 per meeting for the members and $550 per meeting for the Chairperson.
15. Strategic Pay was engaged to review the remuneration following the July 2024 election. Their report is set out in Attachment 3.
16. Strategic Pay have recommended the fees be set in the upper end of the range of:
    - $226 to $435 per meeting for members
    - $308 to $633 per meeting for the Chair
17. Strategic Pay's approach was to make a recommendation based on the interpretation of the State Services Commission's Cabinet Fees Framework.
18. The staff recommendation is that members fees are set at the upper end of the range given the complexity of the work undertaken by the WWMRC and the need to attract and retain members:
    - $435 per meeting (10% increase from $395 in 2022)
    - $605 per meeting for the Chair/Deputy Chair of the WWMRC (10% increase from $550 in 2022)
19. Strategic Pay has provided two options in their report. Option 1 to pay a daily rate per meeting or Option 2 to pay according to days spent per month. Option 1 is consistent with the current method of payment where members are paid a daily rate for meetings and any additional workshops they are asked to attend. The daily rate includes preparation time. Option 2 would require additional administration.

TANGATA WHENUA/TAURANGA CITY COUNCIL COMMITTEE REMUNERATION

20. Strategic Pay was engaged in 2022 to review the remuneration for the Tangata Whenua members on the TW/TCC and the remuneration was set at $270 per meeting which was consistent with the remuneration set in the Tangata Whenua Remuneration Policy 2021.
21. Strategic Pay was engaged to review the remuneration following the July 2024 election. Their report is set out in Attachment 3.
22. Strategic Pay's approach was to make a recommendation based on the interpretation of the State Services Commission's Cabinet Fees Framework.
23. Strategic Pay have recommended the daily fees be set in the upper end of the range of $209 to $297 per meeting for members.
24. The staff recommendation is that members fees are set at the $297 per meeting which is a 10% increase from $270 set in 2022.

TANGATA WHENUA REMUNERATION POLICY 2021

25. Depending on the decisions made at the meeting today, it is recommended that remuneration for tangata whenua representatives on other council advisory boards and Te Rangapū Mana Whenua o Tauranga Moana is increased to be consistent with the TW/TCC members.
26. It is recommended that the meeting fee for members on other advisory boards and Te Rangapū Mana Whenua o Tauranga Moana mandated members be set at $297 per meeting.

This is a 10% increase from $270 per meeting set in the Tangata Whenua Remuneration Policy in 2021 (set out in Attachment 4).

27. For the chairperson of Te Rangapū Mana Whenua o Tauranga Moana it is recommended that the fee be set at $402 per meeting. This is a 10% increase from $365 per meeting set in the Policy in 2021.

28. Per the Policy the Chief Executive may negotiate additional compensation where a tangata whenua is appointed as chairperson of a governance committee, advisory group or forum.

STATUTORY CONTEXT

29. Clause 31(1) Schedule 7 of the Local Government Act (LGA 2002) provides that Council may appoint or discharge any member of a committee. Clause 31(3) provides for the Council to appoint persons who are not members of the Council to its committees if, in the opinion of the local authority, that person has the skills, attributes, or knowledge that will assist the work of the committee.

30. Section 14 of the LGA 2002 requires a local authority, in performing its role, to act in accordance with the principles specified. These principles include, in subsection 14(1)(d), that a local authority should provide opportunities for Māori to contribute to its decision-making processes.

31. Section 81(1)(a) and (b) of the LGA 2002 require that a local authority must (a) establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority; and (b) consider ways in which it may foster the development of Māori capacity to contribute to the decision-making processes of the local authority.

STRATEGIC ALIGNMENT

32. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	☐
We are a well-planned city	☐
We can move around our city easily	☐
We are a city that supports business and education	☐

OPTIONS ANALYSIS

Option 1 – Set remuneration based on Strategic Pay advice – Recommended option

33. In this option the Council would accept the expert advice provided by Strategic Pay and set the remuneration based on the ranges supplied.

34. The Council can set remuneration anywhere in the ranges provided by Strategic Pay.

35. This option would be consistent with the previous decisions regarding remuneration for externally appointed members based on advice from Strategic Pay.

Option 2 – Set remuneration not based on Strategic Pay advice

36. In this option the Council could set remuneration at levels that are not based on Strategic Pay advice.

37. This option is not recommended as the Council would not be guided by expertise in this matter.

FINANCIAL CONSIDERATIONS

38. The budget provides for remuneration for representatives appointed to Council committees at current levels. Any increases can be absorbed into the current budget for governance services.

LEGAL IMPLICATIONS / RISKS

39. There are no legal implications. There is a potential risk of not attracting or retaining external appointees to committees if remuneration does not increase at a pace that reflects the changing workloads and complexities of the committees.

TE AO MĀORI APPROACH

40. The remuneration of tangata whenua representatives is consistent with Council's Te Ao Māori approach and the principle of Rangatiratanga to engage and consult with Tangata Whenua and provide opportunities to contribute to decision making.

CLIMATE IMPACT

41. This decision does not impact on climate change as it is an administrative procedure.

SIGNIFICANCE

42. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

43. In making this assessment, consideration has been given to the likely impact, and likely consequences for:

    (a) the current and future social, economic, environmental, or cultural well-being of the district or region

    (b) any persons who are likely to be particularly affected by, or interested in, the decision.

    (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

44. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.

ENGAGEMENT

45. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

46. Any increases in remuneration will be paid to external representatives.

ATTACHMENTS

1. **Report on fees Independent Chairperson of Audit and Risk Committee - A16733548**
2. **Report on fees Tangata Whenua - TCC Committee Independent Chair - 2024-09-24 - A16733550**
3. **Report on fees for members of Wastewater Management Review Committee and Tangata Whenua-Tauranga City Council Committee - A16704867**
4. **Tangata Whenua Remuneration Policy 2021 - A12397942**

Tauranga City Council

Independent Chair' Fees Review

Delivered by email: Coral.hair@tauranga.govt.nz

Prepared by:
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Senior Consultant, Strategic Pay
August 2024

Private and Confidential

Strategic Pay Limited is independent of Tauranga City Council . In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from management of Tauranga City Council , any board member of Tauranga City Council , or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.

Overview

Coral Hair, Manager Democracy Services for Tauranga City Council ("TCC" hereafter), has commissioned Strategic Pay Ltd to provide a review of fee levels for the independent chair of the Audit and Risk Committee which will be an independent external appointee.

The role of the Committee is to lead elected members with accountability for overseeing the organisation's health and safety, risk management, internal control, and financial management practices, frameworks and processes. The chair plays an important role in safeguarding the Council's staff and its financial and non-financial assets.

Our approach involves gaining an understanding of the organisation and directors' responsibilities by way of review of documentation provided and interview. We then undertake market analysis of relevant samples from the Strategic Pay 2024 New Zealand Directors' Fee database and Remuneration Report as well as the Cabinet Fees Framework and relativities to Councillor rates to determine and position appropriate board fee levels.

Our recommendation is based on several factors including the organisation size, ownership, and industry, and the market data presented.

This report presents the following:

1 Background;
2 Recommendation;
3 Market Data;
4 Market Movement;
5 Chair Fees Ratio;
6 Committees;
7 Director Fees Review;
8 Board Policy and Practice Highlights

Appendices:

a. Appendix 1 – New Zealand Directors' Fee Survey – February 2024
b. Appendix 2 – Strategic Pay Director Methodology
c. Appendix 3 – Strategic Pay CEO Sizing & Remuneration Advice
d. Appendix 4 – About Strategic Pay Ltd

1. Background

With the introduction of new councillors to Tauranga City Council, there is a need for appointment of an Independent Chair to the Audit and Risk Committee. Councillor fees are set independently, however there are not currently any frameworks in place for setting fees for independent directors. Most Council Controlled organisations with independent Boards set fees on the basis of commercial rates and in this instance we believe this coupled with relativites to councillor rates and the cabinet fees framework is appropriate.

BOARD COMPOSITION AND MEETING SCHEDULE

This new Committee has four committee members consisting of one chair, one deputy chair and two committee members meeting quarterly.

ORGANISATION DEMOGRAPHICS

Organisation Demographics / Dimensions	
Organisation Type	Local Authority
Annual Turnover / Budget	$357M
Assets	7B

2. Recommendation

2024 DIRECTORS FEES POLICY

We recommend that Tauranga City Council set the fees in a range from $45,000 - $55,000.

RECOMMENDED FEES RANGES & COMMITTEE FEES

Role / Committee	Recommended Fees Range	
Strategic Pay Directors Fees Survey	$48,000	$53,000
SSC Fees Framework	$42,900	-
Relativities to Councillor Analysis (approximately 40% of full council duties based on workload	$54,360	-

We have considered the results of these three methodologies, and find consensus in the **$45,000 to $55,000** range. *No one methodology overrides the others*.

CONTEXT AND PROCESS TO FEE SETTING RECOMMENDATION

In setting fee levels the importance of understanding both the extent, context and scope of the workload is important. We have done this through application of our Directors Fee's survey, State Services Commission's Fees Framework as well as current councillor rates to try and reflect the time spent on the committee compared to total councillor time commitments. There is overlap between the three in terms of factors to be considered. This is explained in the appendices.

In reviewing the fee levels we have taken into account:

- The fees Councillors receive, and respective relativities to Independent Chair of the Audit and Risk committee;
- The broader marketplace for governance fees including the Cabinet Fees framework, other broadly similar work we have conducted
- Our annual New Zealand Directors' Fees Survey as of February 2024.

In assessing fee levels for the Independent Chair of the Audit and Risk committee , we believe that relativity is important and our view is that fees paid to Councillors should be factored into a final determination on fee levels.

Strategic Pay's guiding principle is that it is important not to undervalue the contributions, experience or time committed by board members.

3. State Services Commission – Cabinet Fees' Framework

In our view, the State Services Commission's Cabinet Fees Framework, last reviewed in 2022, is one of the applicable methodology's for TCC's request for assessment of fee levels for the Independant Chair of the Audit and Risk committee. It is designed to address appropriate fees for members appointed to bodies in which the Crown has an interest which is applicable to TCC.

Such Bodies are classified into four groups as follows:

- Royal Commissions, Commissions of Inquiry and Ministerial Inquiries
- Statutory Tribunals and Authorities
- Governance Boards
- All Other Committees and Other Bodies.

In our view, the Audit and Risk Committee falls into Group 4: All Other Committees.
The below section is taken from 'Revised Fees Framework for members appointed to bodies in which the Crown has an interest'

Audit and Risk Committees - Government Departments

130 Most agencies have established audit and risk committees (or their equivalent). All or almost all of the chairs and members of these committees are external to the agency and they are generally not public sector employees. Due to the skill and expertise required of external chairs and members of these committees and the complexity of the matters on which they advise, higher fees for agency audit and risk committees have been approved. (The Office of the Auditor-General provides advice on audit committees).

131 Fees for chairs of audit and risk committees can be up to $1,430 per day and fees for members can be up to $1,195 per day (up to a maximum of 30 days per annum in both cases).

4. Relativities to Councillor Roles and Fees

We have considered the respective complexity, scope, workload and decision-making powers of both TCC Councillors and the Independent Chair of the Audit and Risk committee.

It is our view that the work of the committee does not equate to the workload of an elected councillor, specifically in two areas:

1. The work of the Indepenant Chair is limited to one committee while Councillors attend all Council meetings.

2. Councillors' workloads and mandate requires them to work across a number of committees and understand a wide variety of issues hence their volume of work is higher overall.

If we were to apply a fee based on the current meeting commitments and reading and preparation time needed prior to any meetings, we would recommend setting fees at around 40% of current council fees. This would equate to fees of around **$54,360.**

Note, it is important to recognise that while the Audit and Risk committee meetings are not at the level of frequency or committment of the other council meetings, the independent Chair will need to be across all the various committee agendas and items. This will mean that there is likely a higher level of preparation and reading required for the Independent Chair to ensure they are across all the key activities of Council.

5. Directors Fee's Market Data

MARKET DATA SUMMARY

TABLE A: SUMMARY RESULTS – DIRECTOR FEE SAMPLES FOR TAURANGA CITY COUNCIL :

Director Market Comparators	Positioning	Base Annual Fee ($)
Revenue	Median	$51,275
Assets	Median	$51,275
Industry / Organisation Type	Upper Quartile	$54,000
Total Sample	Median	$43,570
Samples Above	*Median*	$51,275
Sample Above	*Average*	$52,030

DIRECTORS FEE MARKET DATA – REVENUE ANALYSIS

Our research consistently demonstrates that in the NZ market, company turnover is most strongly correlated with director fee levels, and consequently results of revenue samples are a key consideration as we develop board fee recommendations.

The table below details directors' base annual fee for 28 organisations with total annual revenues in a range around your own. There are 28 chairs and 171 directors in the sample which excludes listed Private Sector Organisations.

TABLE 1: FEES IN ORGANISATIONS WITH REVENUES BETWEEN $200M AND $500M

	Lower Quartile	Median	Upper Quartile	Average
Chair	$70,231	**$101,000**	$140,000	$108,142
Directors	$36,000	**$51,275**	$70,000	$50,764

TABLE 1.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees
Lower Quartile	$234,158,000	$220,434,000	$99,541,000	309
Median	$325,638,000	$1,120,700,000	$630,747,000	510
Upper Quartile	$372,826,000	$2,213,794,000	$1,159,990,000	690

DIRECTORS FEE MARKET DATA – ASSET ANALYSIS

The table below details directors' base annual fee for 46 organisations with total assets in a range around your own. There are 46 chairs and 288 directors in the sample which excludes listed Private Sector organisations.

TABLE 2: FEES IN ORGANISATIONS WITH ASSETS OVER $1000M

	Lower Quartile	Median	Upper Quartile	Average
Chair	$75,944	**$104,300**	$142,250	$118,232
Directors	$35,259	**$51,275**	$70,000	$56,581

TABLE 2.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees
Lower Quartile	$290,000,000	$1,434,223,000	$790,041,000	414
Median	$494,125,000	$2,162,563,000	$1,166,854,233	784
Upper Quartile	$2,072,000,000	$5,733,343,000	$1,847,000,000	3,219

DIRECTORS FEE MARKET DATA –LOCAL GOVERNMENT INDUSTRY ANALYSIS

The table below details directors' base annual fee for 12 organisations operating in the Local Government industry. There are 12 chairs and 57 directors in the sample.

TABLE 3: FEES IN ORGANISATIONS IN THE LOCAL GOVERNMENT INDUSTRY

	Lower Quartile	Median	Upper Quartile	Average
Chair	$60,500	$73,665	**$102,750**	$77,694
Directors	$32,000	$37,000	**$54,000**	$40,218

TABLE 3.1: ORGANISATION DIMENSIONS OF CUSTOMISED MARKET DATA

	Revenue	Total Assets	Shareholders' Funds	Employees
Lower Quartile	$25,100,000	$16,025,318	$4,094,000	78
Median	$38,090,000	$79,025,000	$214,129,000	123
Upper Quartile	$968,258,000	$5,830,000,000	$2,919,757,000	360

DIRECTORS' FEE MARKET DATA – TOTAL SAMPLE

The total sample represents the general market and is made up of both private and public sectors. It details directors' base annual fees for 353 chairs and 1,846 directors from all industry, organisation type and organisation size. The total sample is provided for general information as fees practices vary across the various industries as well as the organisations type and size.

TABLE 6A: DIRECTORS FEES TOTAL SAMPLE

General Market	Lower Quartile	Median	Upper Quartile	Average
Chair	49 000	**81 600**	139 499	101 807
Directors	24 000	**43 570**	70 000	52 032

Fee levels for deputy chairs were not analysed for the general market this year due to the substantial difference between private and public sector practice for this role. Only 34% of organisations have a deputy chair role and appointments are much more prevalent in the public sector.

TABLE 6B: DIRECTORS FEES MARKET DATA – PRIVATE SECTOR

Private Sector	Lower Quartile	Median	Upper Quartile	Average
Chair	80 000	120 126	170 625	133 368
Deputy Chair	42 500	70 000	95 000	73 170
Directors	45 000	66 000	91 000	71 531

TABLE 6C: DIRECTORS FEES MARKET DATA – PUBLIC SECTOR

Public Sector	Lower Quartile	Median	Upper Quartile	Average
Chair	35,000	50,000	74,000	62,407
Deputy Chair	21,000	29,763	42,875	35,631
Directors	17,490	24,300	36,000	29,906

6. Market Movement

Traditionally our data has shown quite variable movements from one year to the next, with subsequent difficulty in using it as a guide for setting directors' fees. The table has a "three year rolling average" for median movements to assist in tracking overall trends.

Period	Chairs			Directors		
	Private Sector Organisation - Listed NZX	Private Sector Organisation - Unlisted	General Market (All Orgs)	Private Sector Organisation - Listed NZX	Private Sector Organisation - Unlisted	General Market (All Orgs)
2022 - 2024	3.0%	4.4%	2.9%	4.0%	4.3%	3.0%

7. Director Fee Reviews

Strategic Pay recommends a formal review of directors' fees at least every two years as good practice. While such reviews may or may not result in increases, it enables the organisation to track market movements, avoid "getting behind" and to ensure appropriate and competitive fees are paid to board members. Additionally, this practice ensures that costs are controlled year on year and minimises large periodic increases. 44% of boards review fees annually.

StrategicPay

8. Board Policy and Practice Highlights

This section predominantly uses policy and practice data; not all respondents answered all policy and practice questions.

Board Demographics

- The typical board consists of a chair and 5 non-executive directors.
- 81.7% of boards have only non-executive board members.
- 34% of boards include a deputy chair.

Board Meetings

- The average number of board meetings per year is 10.
- 60% meet up to 6 to 10 times per year.
- 43% meet for 7 to 8 hours per meeting.

Board Committees

- 99% have an audit committee.
- 28% reported having other committees, with these covering development, disclosure, digital and technology.
- For boards paying fees to chairs of sub-committees, the median fee for audit sub-committees chair is $10,475, and people / culture / remuneration sub-committee chair is $10,000.

Board Fees

- 44% review fees annually; 36% review every two years, those being the most common review periods.
- 47% of chairs had an increase of up to 5% at the last review, while 18% had no increase.
- 35% of directors had an increase of up to 5% at the last review, while 12% had no increase.

Expected Directorship Effort

- Chairs had a median expected effort of 235 hours per year.
- Directors had a median expected effort of 168 hours per year.
- 29% of boards stated their workload had increased over the last 12 months.
- 30% of boards that responded stated the increased time was spent focussing on risk management, and 19% on regulatory / compliance issues.
- Of boards that identified areas in which they should spend more time, the area of activity they felt needs more attention is strategic planning at 81%.

APPENDIX 1: NEW ZEALAND DIRECTORS' FEES SURVEY – FEBRUARY 2024

This annual survey is the basis for understanding current trends and practices in the payment of directors' fees at New Zealand organisations.

This is the 32nd annual survey of its type conducted by Strategic Pay Limited – the longest running survey of directors' fees in the country.

366 organisations contributed data to the 2024 New Zealand Directors' Fees Survey.
2,420 individual directorships were analysed for director fee data.

The survey combines information from three sources:

- Organisations from the Strategic Pay database;
- Questionnaires sent to Strategic Pay master mailing list;
- Publicly available annual reports and NZX listings.

The data is reported as at 1 February 2024.

INCREASES REPORTED BY ORGANISATIONS

Annual Movements in Median 2015 – 2024

Non-Executive Chairs and Directors - All Organisations

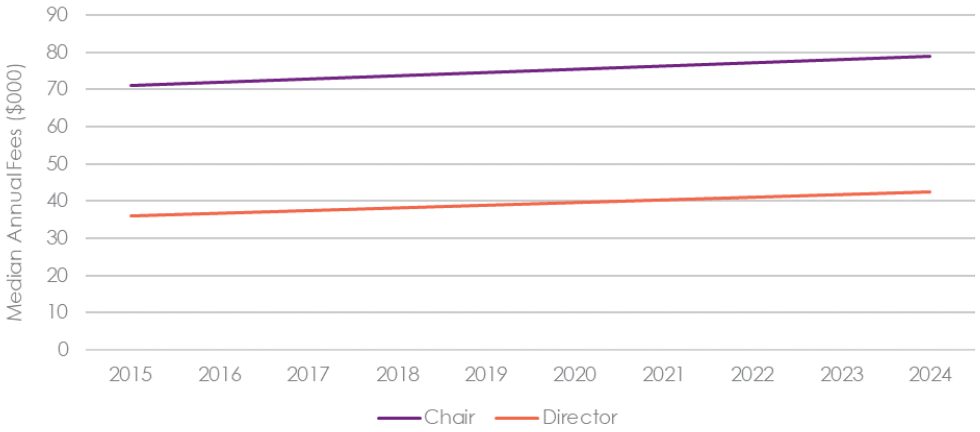
For the first time in nearly 3 years, we have seen notable market movement in our director fee data. Unlike employee remuneration, board fees tend not to be adjusted every year, with many organisations opting for a bi-annual review of fees. As a result, we have seen the impacts of Covid-19 take a lot longer to work through the data than what we have observed in employee remuneration. Although we did see market movement in private sector fees over the last 3 years, the public sector fees have remained static, in part driven by the Government mandated pay restraint. These nil movements have also impacted the overall general market movements.

The following table summarises median movements of the overall sample, by director category, year on year, based on the actual fees reported, from the general market.

Period	Chairs	Directors
	Median	Median
2024	8.8%	8.9%
2023	0.0%	0.0%
2022	0.0%	0.0%
2021	-6.3%	-2.4%
2020	6.7%	2.5%
2019	1.1%	4.6%
2018	1.6%	3.5%
2017	1.8%	2.1%
2016	2.4%	1.5%
2015	2.9%	2.5%

Overall Trend in Median Director Fees 2015 – 2024

As illustrated below, the rate of increase may vary more for chairs than for directors . The graph illustrates the overall trend in median director fees from 2015 to 2024.



INCREASES IN THE YEAR TO FEBRUARY 2024

Three Year Rolling Trend in Median 2020 – 2024

Non-Executive Chairs and Directors – General Market

Traditionally our data has shown quite variable movements from one year to the next, with subsequent difficulty in using it as a guide for setting directors' fees. We have included a three-year rolling average for median to assist organisations in tracking overall trends. We recommend the use of the following figures when applying market movements to set current directors' fees.

Period	Chairs	Directors
	Median	Median
2022 – 2024	2.9%	3.0%
2021 – 2023	-2.1%	-0.8%
2020 – 2022	0.1%	0.0%

An additional factor in market movements is that fees are not always increased annually so fluctuations are common and analysing movements over a longer time span is necessary, particularly if there has been a disruption in the market.

Strategic Pay recommends a formal annual review of directors' fees, which may or may not result in an increase. This ensures that costs are known and minimises larger periodic increases / catch-ups.

APPENDIX 2: STRATEGIC PAY DIRECTOR FEE METHODOLOGY

Strategic Pay has developed an evaluation methodology to assess the relative complexity, risk and scale of an organisation. The methodology has a number of factors we believe can be applied to any organisation to provide a means of assessing appropriate director fees. This is not an evaluation of the individual directors, or the performance of the organisation, but an evaluation of the organisation as a whole, in relation to the role of the directors. The factors are also based on the fundamentals of the organisation, not the skills or requirements of individual directors.

The methodology can be applied to a governance board for any type of organisation.
We have distilled the key factors that affect the complexity, workload, responsibility and risk carried by directors, and that therefore should have some influence on overall fees.

All of the factors we have selected are interdependent and potentially impact on each other. However, we have tried to capture the most important elements that may impact on the complexity of the governance role and how this should be rewarded.

As a whole, these factors provide a good measure of the overall relative size, complexity and responsibility of the directors.

DirectorRate® Factors

- Complexity of Operating Environment
  This factor evaluates the complexity of the environment in which the organisation operates.
- Innovation / Technology / Intellectual Complexity
  Organisations have varying levels of complexity of the products or services that they provide. This adds to the difficulty of the directors' role.
- Board Discretion / Autonomy
  Whilst a governance board always has overall responsibility for the direction and strategy of the organisation, this can vary greatly between organisations.
- Stakeholder Management
  The level of interaction required with shareholders adds to the complexity of the directors' role.
- Revenue / Capital Risk
  Some organisations have very little risk regarding their income and funding, whilst for others income can be highly variable and requiring constant monitoring by the board.
- Liability Risk to Organisation
  The risk of insolvency, or serious financial uncertainty, or potential for serious health and safety events is a significant responsibility for directors.
- Public Perception / Organisation Profile Risk
  Most directors will evaluate the potential reputational risk in joining a board.
- Organisation Revenues and Assets
  Annual revenues / turnover and Total Assets of the organisation

APPENDIX 3: STRATEGIC PAY CEO SIZING & REMUNERATION ADVICE

Strategic Pay assists with the important decision on what to pay executives. We provide an independent recommendation which sits well at the board table and can make potentially challenging conversations easier.

From job sizing and remuneration guidance to pay for performance, we provide bespoke advice to organisations, whether they are large or small, public or private sector, listed or unlisted, headquartered in New Zealand or overseas.

Strategic Pay Senior Executives Report

This report is the best source of remuneration information for boards of directors and business leaders. From guidance on changes to executive packages, incentives and benefits, it provides comprehensive information for all top executives across private and public sectors, and industries.

595
Organisations

27,245
Senior Executives

Job Evaluation & Remuneration

It's important to distinguish between the **value of a position** - what we will work with you to understand; and what the organisation will ultimately **pay the person** to perform that position.

Job Evaluation determines the size of the CEO position, relative to other CEO positions. This is an essential starting point in order to compare similar sized jobs with external market rates, even where jobs may be unique or rare in a particular sector or industry.

Strategic Pay uses SP10® Job Evaluation methodology which provides many advantages for best practice remuneration, and it directly links to NZ's largest source of remuneration data.

Incentives

Strategic Pay endorses the use of incentives for CEO positions when they are structured to drive and reward decisions and behaviours that help achieve the organisation's goals and objectives.

We can help differentiate your organisation from your competitors with an incentive plan that is designed to retain talent, align employee efforts and reward achievement of the desired results.

CEO Remuneration Advice Options

CEO Market Data Snapshot

This report gives you a snapshot of market data from our CEO market data based on a benchmark job match which has been selected using your organisations dimensions. Should you decide to commission an independent remuneration recommendation from this Snapshot, you will receive a full rebate on your Snapshot Report cost.

CEO Job Evaluation & Remuneration Review

This report provides sizing of the CEO role and an independent remuneration recommendation based on analysis of either relevant standard market data sets from our published CEO survey data or customised analysis of relevant comparator organisations and dimensions. Using this, you can establish the going rate of pay for attracting CEO talent or reviewing the current CEO role.

We also offer a **CEO Market Update** at a discounted rate if you've already commissioned a full Job Evaluation & Remuneration Report. This provides an update in subsequent years of the previous report if the job size remains the same.

Consulting

For more information or to have a consultant contact you, simply send your query to info@strategicpay.co.nz

Find out more at www.strategicpay.co.nz

APPENDIX 4: ABOUT STRATEGIC PAY

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Tauranga City Council

Fees Review for Tangata Whenua/ Tauranga City Council Committee Independent Chair

Prepared by:
Dayna Hendry, Senior Consultant
Strategic Pay
September 2024

Private and Confidential

Strategic Pay Limited is independent of Tauranga City Council. In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from Tangata Whenua/Tauranga City Council Committee, any elected committee members or any staff employed by Tauranga City Council or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.

Overview

Coral Hair at, Tauranga city Council has commissioned Strategic Pay Limited ('Strategic Pay') to provide an update on the recommendation regarding fees for an Independent Chair of the Tangata Whenua/ Tauranga City Council Committee.

The necessary background information relating to the intention and process of the Tangata Whenua Independent Chair has been provided previously.

The independent chair is a technical expert in addition to having combined iwi/ hapū support and a high level of competence in tikanga Māori. The independent chair is also expected to have an understanding of a collective view of iwi and hapū as well as the wider Māori community which requires additional consultation and preparation before each meeting. Strategic Pay have been asked to provide guidance on an appropriate level of fees to reflect this commitment.

Our approach involved:

- Reviewing what similar roles would be paid if the Committees were under the purview of the NZ Government's State Services Commission's Cabinet Fees Framework;
- Reviewing the fees paid to the TCC Councillors and understanding the relativities between Councillor roles and pay and those of the Independent Chair of Tangata Whenua/TCC Committee.

This report presents the following:

Recommendation Summary

We recommend that annual Committee fees for Tangata Whenua Independent chair of the TCC be set in a range from **$6,500 to $8,500.**

We would recommend that these fees are set as annual fees rather than a per meeting basis. Annual fees recognise the commitment outside of meetings and is more common from a Director Fee perspective.

Summary Results

Sample	Base Annual Fee ($)
SSC Fees Framework	**6,330**
Relativities to Councillor Analysis (*Approximately 5-7% of full council duties based on meeting numbers)	**6,795 – 9,513**

***We note the nature of this role is that it requires significant public consultation across the Māori community. On that basis, the council might look to consider paying against the upper end of the range to recognise this.**

We have considered the results of these three methodologies and find consensus in the **$6,500 to $8,500** range. *No one methodology overrides the others*.

CONTEXT AND PROCESS TO FEE SETTING RECOMMENDATION

In setting fee levels, the importance of understanding both the extent, context and scope of the workload is important. We have done this through application of the State Services Commission's Fees Framework scoring methodology.

In reviewing the fee levels, we have taken into account:

- The fees Councillors receive, and respective relativities to Tangata Whenua fees;
- The broader marketplace for governance fees including the Cabinet Fees framework, other broadly similar work we have conducted

In assessing fee levels for the Tangata Whenua independent chair, we believe that relativity is important, and our view is that fees paid to Councillors should be factored into a final determination on fee levels.

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State Services Commission – Cabinet Fees' Framework

In our view, the State Services Commission's Cabinet Fees Framework, last reviewed in October 2022, is the most applicable methodology for TCC's request for assessment of fee levels for the Tangata Whenua independent chair. It is designed to address appropriate fees for members appointed to bodies in which the Crown has an interest which is applicable to TCC.

Such Bodies are classified into four groups as follows:

- Royal Commissions, Commissions of Inquiry and Ministerial Inquiries
- Statutory Tribunals and Authorities
- Governance Boards
- All Other Committees and Other Bodies.

In our view, the Tangata Whenua/Tauranga City Council Committee Independent chair falls into Group 4: All Other Committees.

Within the Group 4 assessment, there are four Factors as follows:

- Skills, Knowledge and Experience Required for Members
- Function, Level and Scope of Authority
- Complexity of Issues
- Public Interest and Profile.

Each Factor has its own range of Scores.

We have scored the Tangata Whenua Independent Chair as follows, based on our understandings;

- Skills, knowledge and experience **Score: 8** out of 12 maximum
- Function, Level and Scope of Authority; **Score: 2** out of a maximum of 6
- Complexity of Issues: Score: **Score: 3** out of a maximum of 5
- Public Interest and Profile: **Score: 4** out of a Maximum of 5
- **Total Score: 17.**

Daily rates: SSC Fees Framework Group 4; Level 3

Total Score	Level	Daily Rate Fees Range Chair	Daily Rate Fees Range Member
15 - 19 points	3	$308 to $633	$226 to $435

As stated earlier, fee levels in the State Services Commission's Cabinet Fees Framework have not been adjusted since 2022. Accordingly, we believe it is appropriate to rely on the top end of the respective ranges as the basis for calculating committee fees:

- $633 daily rate for the independent chair. Estimated days = 10. 10 x $633 = **$6,330**

Relativities to Councillor Roles and Fees

We have considered the respective complexity, scope, workload and decision-making powers of both TCC Councillors and the Tangata Whenua independent chair.

It is our view that the work of the committee does not equate to the typical workload of an elected councillor, specifically in three areas:

1 The work is limited to one committee per independent chair while Councillors attend all Council meetings.

2 The representative meetings account for around 6 of the 60 - 66 (estimated as not all Councillors will attend all meetings)

3 Councillors' workloads and mandate requires them to work across a number of committees and understand a wide variety of issues hence their volume of work is higher overall.

If we were to apply a fee based on the current meeting commitments, we would recommend setting fees at around 5%- 7% of current council fees which is assuming over a 6-month period, they would attend 2 or 3. This would equate to fees of around $**6,795 – $9,513.**

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Tauranga City Council

Fees Review for Tangata Whenua/Tauranga City Council Committee and Wastewater Management Review Committee

Prepared by:
Dayna Hendry, Senior Consultant
Strategic Pay
September 2024

Private and Confidential

Strategic Pay Limited is independent of Tauranga City Council. In this context, independence means that Strategic Pay Limited has not been subjected to any undue influence from Wastewater management review members, any elected committee members or any staff employed by Tauranga City Council or any other party in relation to the services provided by Strategic Pay Limited or the outcomes of those services.

Overview

Coral Hair, Democracy Services Manager for Tauranga City Council ("TCC" hereafter), has commissioned Strategic Pay Ltd to provide a update on the recommended fee levels for the Tangata Whenua/Tauranga City Council Committee and Wastewater Management Review Committee.

Our approach involved:

- Making a recommendation based on the interpretation of the Cabinet Fees Framework.

Recommendation Summary

As per previous recommendations, we would recommend that the SSC Fees Framework is used as the basis for setting fee ranges for the Tangata Whenua/Tauranga City Council Committee and Wastewater Management Review Committee chair and members. This approach has also been adopted for other Iwi representatives on Council organisations such as Waipa District Council, Hawkes Bay Regional Council and the Maunga Authority.

We would recommend the following daily fee ranges for the Tangata Whenua/Tauranga City Council Committee due to being scored at SSC level 4 and would also recommend referring to the upper end of the range to reflect the level of commitment required by the members:

Fee levels	Daily Rate Fees Range Chair	Daily Rate Fees Range Member
Standard rate for members	$275 to $402	$209 to $297

We would recommend the following daily fee ranges for the Wastewater Management Review Committee chair and members due to being scored at SSC level 3 and requiring a special skill, knowledge or experience. We would also recommend aligning to the upper end of the ranges to level of commitment required by the chair and members:

Fee levels	Daily Rate Fees Range Chair	Daily Rate Fees Range Member
Rate for Advisors requiring a specific skillset for a project or committee	$308 to $633	$226 to $435

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State Services Commission – Cabinet Fees' Framework

In our view, the State Services Commission's Cabinet Fees Framework, last reviewed in October 2022, is the most applicable methodology for TCC's request for assessment of fee levels for Tangata Whenua/TCC Committee members and Wastewater Management Review Committee. It is designed to address appropriate fees for members appointed to bodies in which the Crown has an interest which is applicable to TCC.

Such Bodies are classified into four groups as follows:

- Royal Commissions, Commissions of Inquiry and Ministerial Inquiries
- Statutory Tribunals and Authorities
- Governance Boards
- All Other Committees and Other Bodies.

Based on understanding of the roles of these members, we believe the Governance groups fall into Group 4: All Other Committees.

This category covers a vast array of bodies from advisory committees, to technical review committees to professional regulatory bodies. These bodies are typically established by agencies or governance boards to provide advice on the agency's functions and responsibilities on a general basis or on specific areas or issues. We believe this is description broadly covers the duties and intent of the Wastewater Management Review Committee and Tangata Whenua/TCC Committee.

Within the Group 4 assessment, there are four Factors as follows:

- Skills, Knowledge and Experience Required for Members
- Function, Level and Scope of Authority
- Complexity of Issues
- Public Interest and Profile.

Each Factor has its own range of Scores. Based on our understanding of the various groups there can be a range of skills depending on the level of advice. We have therefore provided two evaluations to consider as part of setting fees.

We have scored the Wastewater Management Review Committee as follows:

Level 3 – higher levels of knowledge and skills required

- Skills, knowledge and experience **Score: 8**
  - Substantive range of knowledge and experience in a field or professional discipline sometimes associated with senior level functional or technical leadership, executive management or governance roles. May include respected people with broad community support.
- Function, Level and Scope of Authority; **Score: 2**
  - Provides a broad range of advice on technical and/or policy issues (multi outputs) to an agency governance board/CEO or Minister where issues affect Government policy.
- Complexity of Issues: Score: **Score: 3**
  - Issues will include circumstances, facts and concepts different to those that have been experience in the past. Analytical thinking and evaluative judgement will be required to identify realistic alternative and apply/recommend a solution.
- Public Interest and Profile: **Score: 4**
  - Strong public and stakeholder interests and importance would be associated with these issues. Media interest would also be expected, but potential risk to personal or the body's reputation is unlikely.
- **Total Score: 17.**

Daily rates: SSC Fees Framework Group 4; Level 3

Total Score	Level	Daily Rate Fees Range Chair	Daily Rate Fees Range Member
15 - 19 points	3	$308 to $633	$226 to $435

We have scored the Tangata Whenua/Tauranga City Council Committee as follows:

Level 4 – No specific experience

- Skills, knowledge and experience **Score: 4**
  - No specific experience required but members would have a broad general knowledge and may represent a body of opinion.
- Function, Level and Scope of Authority; **Score: 2**
  - Provides a broad range of advice on technical and/or policy issues (multi outputs) to an agency governance board/CEO or Minister where issues affect Government policy.
- Complexity of Issues: Score: **Score: 3**
  - Issues will include circumstances, facts and concepts different to those that have been experience in the past. Analytical thinking and evaluative judgement will be required to identify realistic alternative and apply/recommend a solution.
- Public Interest and Profile: **Score: 4**
  - Strong public and stakeholder interests and importance would be associated with these issues. Media interest would also be expected, but potential risk to personal or the body's reputation is unlikely.
- **Total Score: 13.**

Daily rates: SSC Fees Framework Group 4; Level 4

Total Score	Level	Daily Rate Fees Range Chair	Daily Rate Fees Range Member
10-14 points	4	$275 to $402	$209 to $297

Option 1
Using the daily rates on a per meeting basis. If TCC were to adopt this method they would be making the assumption that by attending a meeting there will have been additional time spent preparing for meetings and the fee to attend the meeting would cover this additional time commitment. There would not be any additional payments for work spent outside meetings or workshops and the members would accept that the fees levels are adequate to cover their overall commitment.

We would recommend that the level 4 pay rates are applied to most advisory groups unless there is a requirement to have a specific level of skills in order to be appointed to a Committee. Where specific skill sets are required we would recommend applying the level 3 pay rates.

Option 2

Pay fees according to days spent per month on committee matters, this would include attending meetings, workshops and any preparation time. Days should be calculated on an 8 hour basis. Reps would need to submit timesheets to appropriately account for their time. Note, TCC could apply the same assumption using hourly rates (daily rate/8).

We would however recommend setting a limit on how many days can be claimed per month to prevent representatives working over and above expected levels of outputs. Based on Strategic Pay's 2024 Directors Fee Survey, we note that typical time commitments on Board duties are as follows:

Expected Hours

An indication of the expected annual time commitment in hours for board members is outlined below.

Role	Hours	
	Median	Average
Chairs	235	342
Directors	168	252

Board members are expected to spend the following amount of time preparing for each board meeting.

Role	Hours	
	Median	Average
Chairs	5	7
Directors	5	5

As per previous advice, in both options we would recommend aligning to the upper end of the Fee ranges to reflect the expected output and level of commitment provided by the members.

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TANGATA WHENUA REMUNERATION POLICY 2021

Policy type	City		
Authorised by	Council		
First adopted	22 February 2021	**Minute reference**	CO1/21/4
Review date	This policy will be reviewed at least every three years or earlier as required. Remuneration will be reviewed upon each update of the Cabinet fees framework.		

1. PURPOSE

1.1 To outline the remuneration payable and any other allowances made available to tangata whenua for the provision of expert advice to council decision-making processes.

1.2 To outline the role of Te Rangapū Mana Whenua o Tauranga Moana in aiding council decision-making.

2. SCOPE

2.1 This policy applies to the remuneration of tangata whenua appointed to Te Rangapū Mana Whenua o Tauranga Moana, Council committees and advisory groups.

2.2 This policy also applies to tangata whenua appointed to provide advice to a council project.

2.3 The policy does not apply to any payments for cultural impact assessments or earthworks monitoring.

4. PRINCIPLES

4.1 Compensating tangata whenua for their involvement in Council decision-making processes and projects reflects the partnership between Council and Tauranga Moana iwi and hapū.

4.2 The achievement of community outcomes requires the active involvement of tangata whenua in decision-making process and projects.

4.3 Council recognises that tangata whenua may have limited capacity and financial resources and that this may restrict their ability to actively participate in Council processes.

5. POLICY STATEMENT

5.1 Levels of Remuneration

5.1.1 Remuneration for tangata whenua appointed to Council standing committees of the whole will be confirmed at the commencement of each electoral term (subject to Council agreeing to tangata whenua representatives on standing committees of the whole).

5.1.2 A meeting fee set at $270 will be paid to tangata whenua representatives appointed to all other governance committees, advisory groups, or fora with joint tangata whenua and elected member membership.

5.1.3 The Chief Executive may negotiate additional compensation (within approved Council budgets) where a tangata whenua representative is appointed as the Chairperson of a governance committee, advisory group or forum.

5.1.4 Tangata whenua representatives appointed to provide input and advice to a council project will be paid an hourly rate of $150 via an agreed contract with specified responsibilities and deliverables

5.1.5 A tangata whenua representative may be appointed to advise a council project where a tangata whenua representative will provide particular skills, expertise and knowledge that is not available in-house. Not all council projects will require the advice of a tangata whenua representative.

5.1.6 Mileage and travel allowances will not be provided.

5.1.7 No remuneration will be paid where a tangata whenua representative is participating in their role as an employee or representative of an organisation and where that person is receiving financial remuneration from that organisation or where that organisation is being remunerated by council for their participation.

5.2 Te Rangapū Mana Whenua o Tauranga Moana

5.2.1 Te Rangapū Mana Whenua o Tauranga Moana (Te Rangapū) provides an opportunity for council staff to work with tangata whenua to ensure Council work programmes are responsive to the interests of tangata whenua.

5.2.2 Te Rangapū and Council will agree an annual contract and budget to enable Te Rangapū to progress identified priorities that support Council to deliver outcomes for Māori.

5.2.3 The budget will also be sufficient to support payment of meeting fees, fund administration expenses, and enable members of Te Rangapū to attend local training sessions related to the activities of Te Rangapū.

5.2.4 The budget allocated to Te Rangapū must be spent for the purposes identified in the contract. Any unspent funds will not be carried forward.

5.2.5 Council will pay a meeting of fee of $270 per individual mandated member (except the Chairperson) (one per iwi or hapū) per meeting.

5.2.6 The Chairperson will be paid a meeting fee of $365 in recognition of the extra duties undertaken by the Chairperson. Additional remuneration may be paid to the Chairperson so long as it remains within the overall budget allocated to Te Rangapū.

6. RELEVANT DELEGATIONS

6.1 The implementation of this policy is delegated to the Chief Executive and their sub-delegates.

7. REFERENCES AND RELEVANT LEGISLATION

7.1 Local Government Act 2002
Cabinet Fees Framework

8. ASSOCIATED POLICIES/PROCEDURES

Tauranga City Council Code of Conduct

Engaging and Paying for Cultural Monitoring of Earthworks Procedure

Cultural Impact / Māori Values Assessment Procedure

Tauranga City Council and Kaumatua/ Tangata Whenua Involvement in Significant Activities and Events

Iwi and hapū protocol agreements