



AGENDA

Extraordinary Council meeting Friday, 15 August 2025

I hereby give notice that an Extraordinary meeting of Council will be held on:

Date: Friday, 15 August 2025

Time: 8:00 AM

Location: Tauranga City Council Chambers
L1, 90 Devonport Road
Tauranga

Please note that this meeting will be livestreamed and the recording will be publicly available on Tauranga City Council's website: www.tauranga.govt.nz.

Marty Grenfell
Chief Executive

Terms of reference – Council

Membership

Chair	Mayor Mahé Drysdale
Deputy Chair	Deputy Mayor Jen Scoular
Members	Cr Hautapu Baker Cr Glen Crowther Cr Rick Curach Cr Steve Morris Cr Marten Rozeboom Cr Kevin Schuler Cr Rod Taylor Cr Hēmi Rolleston
Quorum	<u>Half</u> of the members present, where the number of members (including vacancies) is <u>even</u> ; and a <u>majority</u> of the members present, where the number of members (including vacancies) is <u>odd</u> .
Meeting frequency	Three weekly or as required

Role

- To ensure the effective and efficient governance of the City.
- To enable leadership of the City including advocacy and facilitation on behalf of the community.
- To review and monitor the performance of the Chief Executive.

Scope

- Oversee the work of all committees and subcommittees.
- Exercise all non-delegable and non-delegated functions and powers of the Council.
- The powers Council is legally prohibited from delegating include:
 - Power to make a rate.
 - Power to make a bylaw.
 - Power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan.
 - Power to adopt a long-term plan, annual plan, or annual report
 - Power to appoint a chief executive.
 - Power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
 - All final decisions required to be made by resolution of the territorial authority/Council pursuant to relevant legislation (for example: the approval of the City Plan or City Plan changes as per section 34A Resource Management Act 1991).
- Council has chosen not to delegate the following:
 - Power to compulsorily acquire land under the Public Works Act 1981.
- Make those decisions which are required by legislation to be made by resolution of the local authority.

- Authorise all expenditure not delegated to officers, Committees or other subordinate decision-making bodies of Council.
- Make appointments of members to the council-controlled organisation Boards of Directors/Trustees and representatives of Council to external organisations.
- Undertake statutory duties in regard to Council-controlled organisations, including reviewing statements of intent, with the exception of the Local Government Funding Agency where such roles are delegated to the City Delivery Committee. (Note that monitoring of all Council-controlled organisations' performance is undertaken by the City Delivery Committee. This also includes Priority One reporting.)
- Consider all matters related to Local Water Done Well.
- Consider any matters referred from any of the Standing or Special Committees, Joint Committees, Chief Executive or General Managers.
- Review and monitor the Chief Executive's performance.
- Develop Long Term Plans and Annual Plans including hearings, deliberations and adoption.

Procedural matters

- Delegation of Council powers to Council's committees and other subordinate decision-making bodies.
- Adoption of Standing Orders.
- Receipt of Joint Committee minutes.
- Approval of Special Orders.
- Employment of Chief Executive.
- Other Delegations of Council's powers, duties and responsibilities.

Regulatory matters

Administration, monitoring and enforcement of all regulatory matters that have not otherwise been delegated or that are referred to Council for determination (by a committee, subordinate decision-making body, Chief Executive or relevant General Manager).

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1 OPENING KARAKIA

2 APOLOGIES

3 PUBLIC FORUM

3.1 Cr John Grant

ATTACHMENTS

Nil

4 DECLARATION OF CONFLICTS OF INTEREST

5 BUSINESS

5.1 Local Waters Done Well - Update Report

File Number: A18623377

Author: Christine Jones, General Manager: Strategy, Growth & Governance
Kathryn Sharplin, Manager: Finance
Cathy Davidson, Manager: Directorate Services
Charles Lane, Team Leader: Commercial Legal

Authoriser: Christine Jones, General Manager: Strategy, Growth & Governance

PURPOSE OF THE REPORT

1. To provide elected members with a report on:
 - the implications and legal requirements to be met to give effect to the Council decisions of 5 August
 - request received from Western Bay of Plenty District Council mayor (6 August) and Thames Coromandel District Council (13 August)
 - recently released information from Local Government Funding Agency on expected arrangements for monitoring of in-house water services arrangements (7 August)
 - recently received letter from Department of Internal Affairs on legislative issues (11 August)
 - information from a recent Taituarā webinar (11 August) and external legal advice (12 and 13 August) on requirements for an in-house water services delivery model.
2. To request elected members, after having considered the information in this report, to either reconfirm the Council resolution of 5 August or provide revised/additional direction.

RECOMMENDATIONS

That the Council:

- (a) Receives the report "Local Waters Done Well - Update Report".
- (b) After taking into consideration the information contained in this 'Local Waters Done Well – Update Report':

Either

- i) Reconfirms the resolution of 5 August 2025 that the Water Service Delivery Plan will be prepared for the duration to deliver through an in-house model.

Or

- ii) *Other ...*

BACKGROUND

3. On 5 August Council passed the following resolutions with respect to the service delivery model for waters:

- f) Based on the information and data currently available, and to ensure full engagement is undertaken with Councils across the region, and with iwi, that Council approves the water services delivery model be delivered via an in-house business unit, with the intention of transitioning into a Water Services Council Controlled Organisation (WSCCO) for water and wastewater services, at the latest by 1 July 2028, with an option for Council to also include stormwater services.*
 - g) In the meantime, notes a Water Service Delivery Plan (WSDP) will be prepared for the duration to deliver through an in-house model.*
 - h) To welcome Western BOP District Council, Thames-Coromandel District Council, Rotorua Lakes Council, Kawerau District Council, Whakatane District Council, Opotiki District Council and Taupo District Council for open and inclusive discussions and participate in data and information sharing to explore the future of Bay of Plenty waters.*
4. Prior to 5 August, Council staff had been progressing required work based on Council's previous resolutions of 9 December 2024, 24 March 2025 and 26 May 2025 which all approved proceeding in the direction of a multi-Council Waters Organisation, and a start date no later than 1 July 2027.
5. The 5 August resolutions included the following which have significant implications:
- Decision for an in-house model for the duration of the WSDP
 - Decision of the intent for a multi-Council Water Organisation no later than 1 July 2028.
6. While the inhouse model was one of the options assessed through the business case and consultation processes, it was never determined by elected members to be a preferred or likely model, and therefore there was only a low level of work completed on the implementation requirements and implications. Similarly, there had been no previous indication that Council was considering a multi-Council water organisation commencement date that might be between 2 July 2027 and 30 June 2028.
7. Since the 5 August resolution was passed, staff have assessed the implications of the WSDP on an in-house model and the potential start date of a Water Organisation between 2 July 2027 and 30 June 2028. Further information has been prepared and received including:
- Impact of the in-house model on the non-water's capital investment available envelope, and extent of required reductions to the capital programme to remain within the Local Government Funding Agency set parameters. This was addressed in the business case and option analysis, but has been further quantified in this report.
 - Correspondence from WBOPDC, TCDC and Department of Internal Affairs (DIA)
 - Impacts of not proceeding with a water's organisation by 1 July 2027 in terms of legislative requirements associated with a Water Services Strategy.
 - Understanding the legal requirements and the practical process to transition from an in-house business unit to a multi-Council water organisation no later than 1 July 2028 as per Councils resolved intention.
8. Given the significance of the issue, the upcoming statutory timeframe, and the nature of the additional information now available, staff considered it prudent and appropriate to formally report to Council at the earliest practicable opportunity.
9. The further information matters are outlined in this report. As some of this information was either not known or not available to Council when the 5 August decision was made, it is recommended by staff that elected members take it into consideration, and then either reconfirm the 5 August 2025 decision or provide revised/additional direction to staff.

KEY FINANCIAL BASIS OF IN-HOUSE SERVICE DELIVERY WSDP

10. Council's Water Service Delivery Plan (WSDP), a 10-year delivery plan, is due to be submitted to the Department of Internal Affairs (DIA) by 3 September¹. The draft WSDP prepared up to 5 August had been based on establishment of a multi-Council Water Organisation, in accordance with the previous Council resolutions. Staff are now preparing a WSDP based on an in-house model as per the 5 August resolution.
11. The in-house WSDP that staff are now preparing is based on the in-house financial modelling which has previously been presented to Council.
12. The Local Government Funding Agency (LGFA) approved a bespoke covenant of 350% net debt to revenue. Conditions of the bespoke covenant include that the covenant would be reviewed if the Council's waters debt transferred to a new water CCO and that at least 20% debt headroom is required under the covenant. Therefore, the in-house financials are based on a level of debt and operating surplus that enables the level of capital expenditure proposed in the WSDP (and LTP) at a maximum level to enable the whole of council to remain within a debt to revenue ratio of 330%
13. LGFA on 7 August 2025 clarified their expectations for the in-house water model as per below:

EXPECTATIONS – FOR THE INHOUSE WATER MODEL



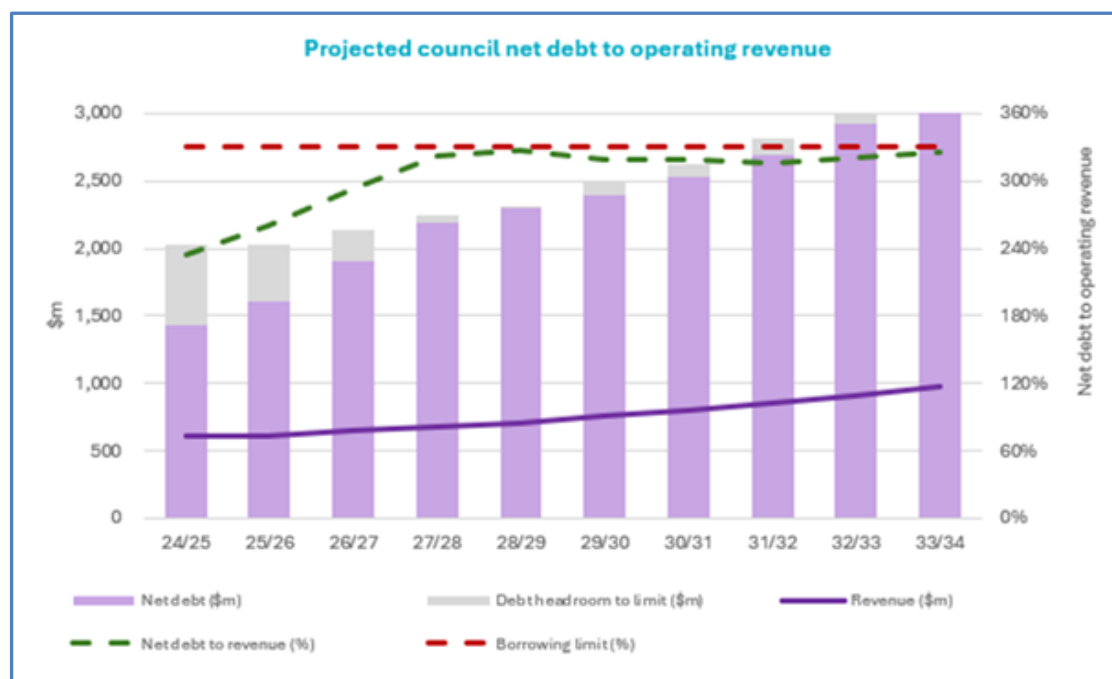
New Zealand Local
 Government Funding Agency
 Te Pūtea Kāwanatanga ā-rohe

- ❑ Governance
 - An independent Chair for the committee overseeing water services (Directors Institute of NZ).
 - Are additional independent skills required for a high risk and high-profile area of the council.
- ❑ Financial Prudence
 - Councils should focus on achieving the financial prudence balanced budget benchmark each year.
 - WSDP's will require sufficient water revenue
 - LGFA will look to ensure revenue is not transferred from non-water activities to make the WSDP look better
- ❑ Inhouse expertise to navigate the technical, regulatory and long-term investment challenges that water entities will required.
- ❑ Good Reporting
 - Financials for the water activities
 - Reporting against regulatory standards
 - Future Capex plans

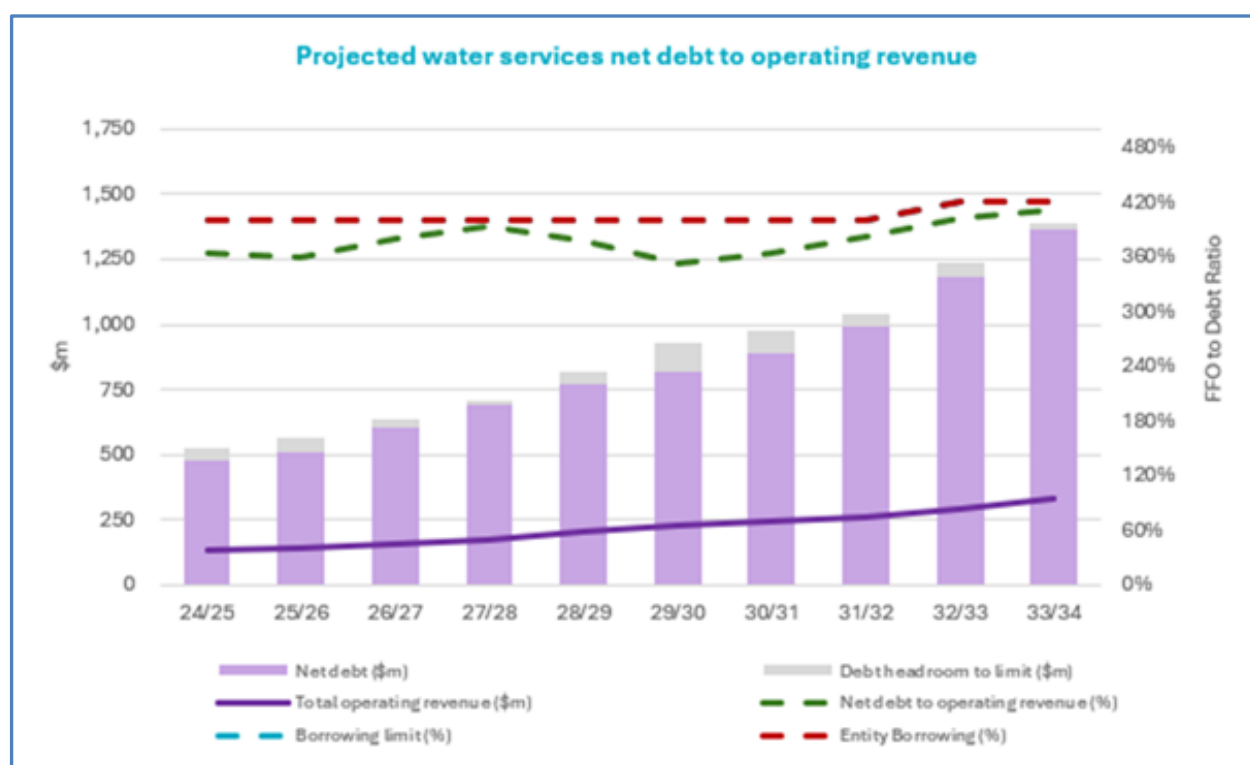
14. The key financial parameters on the in-house model service delivery which will be reflected in the in-house WSDP are:
 - No inclusion at this time for the independent governance arrangements expected by LGFA and the greater level of inhouse expertise, but this is not considered material in terms of the overall financial costs and can be addressed at a later date. It will be noted in the Implementation Plan as matters to address.
 - Level of capital spend on waters is based on the same capital programme as the multi-Council Water Organisation model but without the efficiency savings (\$2.14b for the 10 years).

¹ It is no longer possible to seek an extension of the WSDP deadline of 3 September 2025, as under s19(2)(d) of the Preliminary Arrangements Act such an extension needed to be submitted 1 month before the deadline of 3 September 2025.

- An additional \$200m of revenue to be collected through charges to maintain debt at the appropriate level to meet covenants. The model showed higher charges to consumers than a CCO model from 2027/28. Over the years from 2027/28 through to 2033/34, the average connection would pay an additional \$3,233 under an in-house model compared with a multi CCO.
 - Based on the WSDP capital programme, the wider capital programme of Council would be based on residual debt capacity available within the LGFA bespoke covenant conditions. The assumption will be that the WSDP capital for water is the priority and therefore Council's non-waters capital delivery will be constrained. The prioritisation within this remaining debt capacity envelope would occur through the Annual Plan and Long-Term Plan processes.
 - The indicative maximum debt to revenue ratio for the water entity would be circa 400%, but modelling would require lower ratios than this in some years to offset wider Council debt to revenue pressures.
15. The Report to Council on 9 December 2024 on the Indicative business case noted the CCO option provided more debt capacity and increased access to capital financing through LGFA.
16. This finding was confirmed by the Martin-Jenkins model and reported to Council prior to consultation on 24 March 2025. The Report noted:
- “Overall, a CCO model has a small to moderate amount of increased debt capacity when compared to the in-house model. This would enable more investment in water (CCO) and non-water infrastructure (TCC), and along with the efficiency savings to capital delivery, would enable more investment to be delivered to communities for the same cost.”*
17. Further high-level financial modelling has been undertaken of the debt capacity constraints on capital expenditure of Council under an in-house water delivery model. The non-water capital delivery envelope under an in-house business model indicates that expenditure of \$400m would need to be removed from the current capital programme over the period 2027 to 2034. This is circa 17% reduction in the non-water's capital programme through this time. This modelling estimate is based on more conservative assumptions about capital subsidies and other external capital revenue than was included in the LTP.
18. The graphs below are proposed to be included in the DIA WSDP as part of the financial sustainability assessment of in-house delivery. Council's projected net debt comes close to the limit of 330% at the assumed revenue levels and with \$400m of capital removed from rest of Council by 2029.



19. The second graph shows the ring-fenced water business unit with a debt to revenue ratio against a limit of 400% debt to revenue. The internal limit would need to increase in the last two years to 420% to accommodate the capital programme as capacity allows within the wider Council.



IMPLICATIONS OF TAURANGA CITY COUNCIL DECISION FOR OTHER COUNCILS

20. Western Bay of Plenty District Council (WBOPDC) and Thames Coromandel District Council (TCDC) were provided with copies of the resolutions passed by TCC on 5 August immediately at the conclusion of the meeting.
21. Mayor Denyer (WBOPDC) sent a letter to Mayor Drysdale and TCC Councillors on 6 August 2025 (**attachment 1**). The key points in Mayor Denyer's letter were:
 - TCC resolution places WBOPDC in a very challenging situation
 - WBOPDC is not in a position now to submit a WSDP by the statutory deadline that is able to be implemented.
 - Request TCC reconsider the decision and continue to work with WBOPDC toward a multi-council water organisation with a stand-up date of 1 July 2027.
 - Signalling that WBOPDC may need to write to the Minister seeking Crown intervention.
22. WBOPDC is in discussions with the Department of Internal Affairs (DIA) as to the options available in terms of preparation of the Water Services Delivery Plan (WSDP), and impacts of those options. DIA has advised that if WBOPDC submitted a WSDP based on a joint model with TCC from 1 July 2027, and TCC submits an in-house business unit WSDP then the WBOPDC plan would not be accepted. This is because WBOPDC would be unable to meet financial sustainability requirements in the Act as it does not have an implementable WSDP if based on the standalone option.
23. WBOPDC has written to the Minister, based on the current situation it finds itself in, it requests a Crown facilitator as provided for under the legislation. The reasoning for this is that WBOPDC has assessed it is unable to submit a compliant WSDP by 3 September.
24. TCDC have prepared a WSDP (based on a joint WSO with TCC and WBOPDC), and also a WSDP (based on an in-house business unit). Due to the inefficiencies in moving to an in-house business unit and the additional costs for their ratepayers in the long term as a result of an in-house business unit, TCDC has written to the Minister requesting a Crown facilitator. TCDC has written to both WBOPDC and TCC outlining the situation. TCDC letter to TCC is attached (**attachment 2**).

DEPARTMENT OF INTERNAL AFFAIRS ON LEGISLATIVE PROVISIONS

25. DIA have written to TCC outlining provisions in the Local Government (Water Services Preliminary Arrangements) Act 2024 (**attachment 3**).
26. The key points from the DIA correspondence are:
 - There is a legislative ability for a territorial authority to consider:
 - the impact of a decision on the water services delivery model on communities in a joint water services entity area
 - the views of other territorial authorities who may be part of a joint water services entity.
 - A Crown facilitator can be appointed on request of a territorial authority or if the Minister on reasonable grounds considers it would be beneficial.
 - A Crown facilitator will have defined terms of reference and will be empowered to consider alternative joint service delivery arrangements.

WATER SERVICES STRATEGY

27. The Local Government (Water Services) Bill (**Bill**) includes requirements in respect of a Water Services Strategy (**WSS**). A WSS is required to be prepared by all water service providers (i.e. both territorial authorities with an in-house business unit model, and Water Organisations). It is the primary document for strategic, financial, infrastructure planning and accountability.

28. The WSS will need to be adopted no later than 30 June 2027 and must come into force no later than 1 July 2027².
29. A territorial authority operating an In-house Business Unit (**IBU**) is required to undertake public consultation on the main aspects of the WSS. A Water Organisation is also required to undertake consultation on its WSS, however this consultation is with the shareholders of the Water Organisation, as opposed to the public.
30. A WSS is a separate document to Council's LTP. It is discrete and separate, and will be auditable, requiring annual reports against the outcomes of the WSS deliverables.
31. If the Water Organisation had an establishment date of 1 July 2028, two³ WSS would need to be prepared:
 - The first WSS would be prepared by Council for the IBU which would need to be in place by 1 July 2027.
 - The second WSS would be prepared by Water Organisation, in response the Statement of Expectations issued by the shareholders and would need to be in place by 1 July 2028.

REPORTING AND COMPLIANCE OBLIGATIONS

32. In addition to the WSS, both an IBU and a Water Organisation will have other reporting and compliance obligations. These reporting and compliance obligations include a Water Services Annual Budget, Water Services Annual Report and Statement of Compliance etc. The reporting and compliance obligations are virtually the same for both an IBU and a Water Organisation. A more detailed side by side comparison of the key reporting and compliance obligations, which also provides an overview of the potential for duplication of tasks, is set out in **Attachment 4**.

TRANSITIONING FROM AN IBU TO WATER ORGANISATION

33. Council has resolved an intention to establish an IBU and then to transition to a Water Organisation by no later than 1 July 2028. The process to implement a transition from IBU to Water Organisation will depend on the timing of that transition process. Specifically, there is a slightly different process depending on whether the transition occurs before or after 3 September 2026.

The process to transition from an IBU to Water Organisation

34. Under the Preliminary Arrangements Act, there is a requirement to submit a WSDP by 3 September 2025. Under section 23 of that Act, there is a process to re-submit an amended WSDP by 3 September 2026 (for clarity, there is no process within the Preliminary Arrangements Act to submit an amended WSDP after that date).
35. In order to prepare an amended WSDP by 3 September 2026, we anticipate Council will need to have completed all its due diligence on other Councils and have made a final decision on how it wishes to proceed with a Water Organisation by around April 2026 (in order to provide sufficient time and runway to prepare an amended WSDP by the 3 September 2026 deadline).
36. Any amendment to the WSDP must be approved by the Secretary of Local Government, against the high threshold set out at section 23 of the Preliminary Arrangements Act. That section requires that the proposed amendments to the WSDP are "*significant and necessary due to exceptional circumstances*". In other words, there is no unilateral or automatic right to amend a WSDP, nor is there an ability to amend "for convenience" or mere change of heart.

² Schedule 1, Clause 5 of the Bill.

³ There is also the possibility of having to prepare a third WSS if Council established a Water Organisation but choose to retain responsibility and ownership of all or some of the stormwater assets. This is further explained under the heading "Stormwater" below.

Ultimately, it would be out of Council's hands whether or not the Secretary of Local Government allows Council to amend its WSDP.

37. Should the Secretary of Local Government allow Council to amend its WSDP, then the new WSDP would need to include a detailed implementation plan about how the new Water Organisation will be established (including timeframes etc). Council would then need to action the WSDP's implementation plan, including the negotiation of CCO establishment documents (including constitution, shareholders agreement, transfer agreement, statement of expectations).
38. In addition to the above, Council will also need to undertake a process known as a **"change proposal"** under the Bill. The legislative and practical process for implementing a change proposal would include:
 - (a) As mentioned above, first completing due diligence on other Councils and making a final decision to present to the public on how it wishes to proceed with a Water Organisation (i.e. concluding successful negotiations with partnering entities).
 - (b) Council must then consult the public on the following three options for water services delivery:
 - (i) The status quo (which would comprise the IBU remaining in operation).
 - (ii) The proposed change that Council has landed on (e.g. a Water Organisation).
 - (iii) At least one other reasonably practicable option.
 - (c) Following consultation (and taking the outcome of such consultation into account) the Council must then decide whether or not to implement is change proposal.
 - (d) If following consultation, the Council resolves to proceed with the change proposal and establish a Water Organisation, Council will then need to undertake all necessary steps including preparation of the constitution, shareholders agreement, transfer agreement, statement of expectations.

Risks associated with transitioning from an IBU to Water Organisation

39. There is a risk of contradictory consultation processes happening at the same time:
 - (a) On the one hand, Council will likely be required to publicly consult on the summary of its WSS for the IBU. That public consultation process will need to occur in advance of the July 2027 deadline (which is when the WSS must come into force). In order to reflect Council's 5 August resolution (g) (i.e. to establish an IBU) the WSS will need to be presented to the public on the basis of an IBU remaining in place for a period of 10 years. That is, the WSS must give effect to the WSDP that is in place at the time the WSS is prepared.
 - (b) On the other hand, in order to reflect Council's 5 August resolution (f) (i.e. to transition from an IBU to a Water Organisation by no later than 1 July 2028) Council will be required to undertake public consultation on the change proposal. The change proposal will need to be presented to the public on the basis of the IBU being replaced by a Water Organisation.
40. There is a real possibility that the above two consultation processes will either occur at the same time, or within a very short space of one another. Even worse, there is a possibility Council could be required to consult on the change proposal (about the transition from an IBU to Water Organisation) before it consults on the WSS for the IBU. This will likely lead to a risk of confusion or misunderstanding of Council's intent for the delivery of water services.
41. There is also a risk of increased time and cost. To implement Council's 5 August resolutions, staff will likely be required to undertake work to implement two waters delivery models (i.e. first an IBU, and then secondly a Water Organisation). There is a strong likelihood this could

lead to a greater drain on Council resources, and increased time and cost. The Transition Costs and Project Budget are further discussed below.

OVERVIEW OF PATHWAYS TO ACHIEVE A WATER ORGANISATION

42. Council has resolved an intention to transition to a Water Organisation by no later than July 2028. There are likely three pathways to give effect to this resolution:
- Pathway 1: Submit a WSDP based on an IBU. Then prior to 3 Sept 2026, amend the WSDP under the Preliminary Arrangements Act to create a Water Organisation, and undertake a change proposal under the Bill to create a Water Organisation (“**Pre September-2026 transition**”)
 - Pathway 2: Submit a WSDP based on an IBU. Then after 3 Sept 2026, undertake a change proposal under the Bill to create a Water Organisation (“**Post September-2026 transition**”)
 - Pathway 3: Submit a WSDP based on a Water Organisation from 1 July 2027⁴ (“**Proceed straight to Water Organisation**”)
43. These three pathways, and the obligations that are likely to be imposed on Council under each pathway, are further described in visual flowcharts at **Attachment 5**.

STORMWATER

Transfer of stormwater assets / services

44. Council has resolved an intention to transition to a Water Organisation by no later than 1 July 2028, *“with an option for Council to also include storm water.”* Prior to this, on 26 May 2025 Council had resolved to approve *“an integrated, three-waters approach for the delivery of water services, with all three water services (water supply, wastewater and stormwater) delivered through the same organisation”*.
45. Under clause 11 of the Bill, a Council may enter into a transfer agreement with a Water Organisation to transfer *“specified responsibility for providing water services; and, any specified infrastructure, related assets, and other matters.”* This means Council can elect to transfer one or more water services (water supply services; wastewater services; stormwater services) from the Council to the Water Organisation. In other words, there is the ability to transfer 1, 2, or 3 waters from the Council to the Water Organisation.
46. The Bill has been drafted in such a way to potentially allow for the transfer of a portion of one of the waters⁵. For example, it may be possible transfer “2.5 waters” from the Council to the Water Organisation (water supply services, wastewater services and some stormwater services) and for the Council retain responsibility and/or ownership of the balance of stormwater services and assets. However, if this process were to play out, it would likely mean both the Council and Water Organisation would meet the definition of a water services provider under the Bill. Therefore, both the Council and Water Organisation would need to prepare individual WSS, and meet all other obligations imposed on a water service provider under the Bill. In short, it will likely mean double the work.
47. In the light of the potential complexity mentioned the above, Council may wish to consider entering into a transfer agreement with the Water Organisation to transfer 3 waters. However, through the Statement of Expectations, the shareholders (which would include the Council) could direct the Water Organisation to enter into a contract with Council to provide stormwater services on behalf of the Water Organisation. Under clause 21 of the Bill, the Water Organisation would be responsible for stormwater services, and would retain control over the development of policy related to storm water and retain control over pricing of

⁴ This path is not consistent with Councils resolutions of 5 August 2025, but is mentioned here for completeness.

⁵ See clause 11 and Schedule 2, clause 4 of the Bill.

stormwater. However, the Council will avoid falling within the definition of a water service provider and all the obligations imposed on water service providers under the Bill.

48. Staff recommend that Council considers the significant implications of the treatment of delivery of stormwater and the compliance requirements associated with implementation of the Council intention as per the 5 August resolution.

Charging for stormwater

49. In the event Council retained responsibility and ownership of the stormwater assets and services, Council would be entitled to retain status quo for charging, that is using a property's ratable value for calculating the charge.
50. In the event Council transferred responsibility and ownership of the stormwater assets and services to the Water Organisation, charging for stormwater would need to be in accordance with clause 63 of the Bill. Clause 63 allows for pricing for the first 5 years after establishment of the Water Organisation to be based on a property's rateable value, as long as the charge is not entirely based on a property's ratable value. By the sixth year after establishment of the Water Organisation, a Water Organisation must use a method other than a property's ratable value for calculating the charge⁶.

TRANSITION COSTS AND PROJECT BUDGET

51. Further information has been requested in respect to transition costs of an estimated \$6.1 million, and the project budgets that have been previously reported to Council (Attachment 6)
52. To provide some comparison, the following information has been sourced from other councils delivering through in-house business units, single WO and multi-WO. The TCC numbers are based on the original modelling and costs for a 3 council transition. It demonstrates that our early estimates are not out of sync with other areas.
53. **Comparative transition cost estimation table**

Council / Connection No.s	# Connections	WSP Structure	Transition cost budget
Tauranga City Council	101,000	Multi – WO (3 Councils)	\$6.1 million Not including Digital
Hamilton City Council / Waikato	81,000	Multi – WO (2 Councils) Accepted WSDP	\$6 million Not including digital
Waikato Water	49,000	Multi – WO (6 councils) Pending acceptance of WSDP	\$16.5 million
Hawkes Bay	55,000	Multi – WO Pending acceptance of WSDP	\$7.8 million Not including digital
Palmerston North	52,000	Mult Pending acceptance of WSDP i- WO	\$4.25 million Not including digital
Selwyn	26,000	Single WO Accepted Plan	\$1.8 million Not including digital
Marlborough	17,000	Single WO Accepted plan	\$5 million Not including Digital

⁶ The Council could provide guidance to the Water Organisation on this matter through the Statement of Expectations (see clause 188 of the Bill); The regulator would also have a role in ensuring a Water Organisation sets fair pricing and charging (see clause 189 of the Bill).

54. Project budgets and workstream deliverables were developed in 2024, and were based on our experience with the previous Governments 3 Water Reforms (3WR) programme, alongside what we knew of the Local Water Done Well policy. The 3WR programme provided information on the type of workstreams a transition programme would require, the deliverables required (attachment 6), and the complexity and expertise necessary to complete transition processes. The table below does not include digital investment or \$200k of fixed term staff time already in place to support the transition through 2025/26.
55. The cost estimates are a current 'best guess estimate', as there is minimal previous or comparative information to provide cost guidance. It has been prepared by identifying the workstreams required to be undertaken, the senior level of roles which will be needed to resource those workstreams, and some external specialist support lump sums to bring advisory to what is a major mergers and acquisitions type of project. Once the WSDP has been approved, staff will undertake further work on detailing the workstreams and developing more detailed cost estimates.

Water CCO Establishment CC3000080 Water CCO	
FY25/26	FY 26/27
\$2.998 mill	\$1.875 mill
SUB TOTAL \$2.998 mill	SUB TOTAL \$1.875 mill
3000080 (IBIS# 238870)	3000080 (IBIS# 238870)
<i>Established and Approved Nov 2024, as part of AP (26) revision</i>	<i>Established and Approved Nov 2024, as part of AP (26) revision</i>
Plus	Plus
\$896k Consultancy 3 Water Reforms Budget	
\$60k legal fees	\$50k legal fees
\$60k Māori engagement	\$25k Māori engagement
TOTAL \$4.015 Million	TOTAL \$1.95 Million

OPTIONS ANALYSIS

56. This report provides additional information to Council that was not available at the 5 August meeting as it related to:
- Correspondence or events that occurred after 5 August
 - Detailed implementation and legal requirements or implications related to in-house service delivery model and a potential Water Organisation date between 2 July 2027 and 1 July 2028, which were not pathways that Council had previously resolved to progress, and therefore had not previously been reported to Council in detail.
57. Staff recommend that Council, after considering the additional information in this report, either reconfirms the 5 August resolution for clarity purposes, or provides additional / other direction.

FINANCIAL CONSIDERATIONS

58. Water services can be delivered sustainably in-house, based on DIA Sufficiency tests. However, because of waters high debt and capital requirements, this option requires water consumers to pay more (\$200m more revenue collected from customers by 2034 than under the multi CCO model), as charges need to be higher to sustain the ring-fenced debt levels and maintain an acceptable debt to revenue ratio of the water Business Unit. The indicative modelling suggests an internal debt to revenue ratio limit for waters of about 400% debt to revenue ratio.

59. The rest of Council is also impacted financially by having waters delivery in-house. The higher debt demands of waters within the whole of Council bespoke covenant limits means that there needs to be further prioritisation of capital or significant additional revenue found to support the remaining capital investment of Council.
60. Based on % rate increases in the LTP for the ten years, along with conservative but realistic modelling of capital subsidy revenues (\$30m per annum), the capital programme would need to be reduced by \$400m from the capital expenditure currently within the corporate planning model (noting costs and timing of some projects have been updated from the LTP, through the annual planning process).
61. Lower % rates increases than in the LTP would result in more capital needing to be prioritised out, while higher external revenues could support more capital. Revenue requirements and capital prioritisation will be further considered through the annual plan and Long-term planning processes of council.

LEGAL IMPLICATIONS / RISKS

62. Legal matters outlined in other sections of this report.

SIGNIFICANCE

63. 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.
64. 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 .
 - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
65. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the issue is of high significance.
66. Taking into consideration the above assessment, that the issue is of high significance, officers are of the opinion that no further engagement is required prior to Council making a decision. The reason is that this matter has already been through a public consultation process and further engagement with Tangata Whenua has been undertaken (as per 14 July Council report).

NEXT STEPS

67. Next steps will be to report to Council with a draft WSDP for approval for submission to DIA prior to the statutory deadline date of 3 September.

ATTACHMENTS

1. **2025 08 06 Letter WBOPDC Mayor Denyer to TCC Mayor and Councillors re LWDW decision - A18637272** [!\[\]\(01d5914006c620a5d6bd40fdd52ce174_img.jpg\)](#) 
2. **Letter TCDC to TCC 13 August 2025 - A18646755** [!\[\]\(791ef49ed27b531c2eeb8ed15f1efb2c_img.jpg\)](#) 
3. **Department Internal Affairs 11 August 2025 re LWDW legal provisions - A18635719** [!\[\]\(f20c492f62296af26c27f15c9ef0340b_img.jpg\)](#) 

4. **LWDW Reporting and Compliance Obligation Comparisons - A18645692** [↓](#) 
5. **Pathways to achieve a Waters Organisation - A18645627** [↓](#) 
6. **LWDW Project Budgets Transition Costs and Workstream Deliverables - A18642592** [↓](#) 



Western Bay of Plenty District Council
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Tauranga 3143
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westernbay.govt.nz

6 August 2025

Tauranga City Council
Private Bag 12022
Tauranga Mail Centre
Tauranga 3143

Dear Mayor and Councillors,

LWDW – Tauranga City Council decision – 5 August 2025

Tauranga City Council (TCC) and Western Bay of Plenty District Council (WBOPDC) have been working closely and collaboratively on our LWDW aggregation of waters services for some time. I am now writing to express my dismay that you resolved on 5 August to deliver your waters services in-house rather than within a multi-council CCO that had previously been envisaged, and that staff from both councils had been working towards.

A multi-council CCO involving TCC was extensively and independently modelled to be a win-win for both councils, significantly reducing the costs to our ratepayers. WBOPDC and TCC have long worked collaboratively in the three waters space. We have contractual arrangements for the wastewater from Ōmokoroa piped to Tauranga for treatment, and all your freshwater is sourced from our district. In addition, we share laboratory services, and a shared maintenance contract for three waters. These arrangements have delivered mutual benefits to both organisations, which could be further enhanced through the establishment of a multi-council CCO.

A multi-council CCO was also supported by 70% of our community during consultation.

Your resolution now puts us in a very challenging situation. Our modelling had long discounted the option of in-house delivery. Attainment of the financial sustainability requirements are now considered difficult or impossible for us to achieve.

As things stand, we are not in a position to be able to submit a Water Services Delivery Plan by the 3 September deadline that is ultimately able to be implemented, and it is not clear what the pathway would be now to find a new partner that provides the scale to enable financial sustainability. Other neighbouring councils in the Waikato and Bay of Plenty have already resolved their options for creating a Water Services Delivery Plan.

Your resolution invites us and other Bay of Plenty councils to participate in open and inclusive discussions with a view to forming a multi-council CCO by 1 July 2028. However, all the other Bay of Plenty councils have already rejected working with TCC and the proposed delayed establishment of a multi-council CCO does not work for our essential capital expenditure programme and consequent debt profile. Having just been capriciously cast aside, there would also be issues of trust as to whether we might simply be arbitrarily rejected again in 2028.

I am therefore writing to ask you to reconsider your resolution and continue to work towards a multi-council CCO with WBOPDC with a stand-up date of 1 July 2027. If this reconsideration is not achieved, I will have no choice but to write to Minister Watts seeking Crown intervention.

I would like to emphasise the strategic and long-term benefits and necessity of collaboration between our councils through LWDW, and the benefit it provides both for your ratepayers and ours.

I know you are all keen to find a solution that maintains the strong relationship between our councils, and I look forward to working through this in the spirit of collaboration and mutual benefit.

Your sincerely,



James Denyer

Mayor, Western Bay of Plenty District Council



13 August 2025

Mayor Mahé Drysdale & TCC Councillors
Tauranga City Council,
Private Bag 12022,
Tauranga, 3143

Emailed : Mahe.Drysdale@tauranga.govt.nz

Dear Mahé and Councillors,

RE: Local Water Done Well – Thames-Coromandel

Thames-Coromandel District Council (**TCDC**) has been working diligently towards submitting our Water Services Delivery Plan (**WSDP**), with service delivery via a Joint Tauranga City Council (**TCC**), Western Bay of Plenty District Council (**WBOPDC**) and TCDC Water Services Organisation (**WSO**).

From December 2024 through to March 2025 we did robust financial analysis on four options, including an in-house business unit. Our consultation process was thorough and community views were split 51% for a Water Services Organization and 44% for an in-house business unit. However 69% of our submitters noted their key consideration with future water service delivery was 'affordability'.

The financial analysis showed that a TCDC, TCC and WBOPDC joint WSO was the significantly better option for our ratepayers by 2034, and TCDC council therefore made the (well debated) decision on 24 June 2025 to form a WSO with TCC and WBOPDC following many months of staff and elected member engagement.

On the 5th August, as you will know, TCC voted to form an in-house business unit, and WBOPDC decided on a WSO, with TCC only. This misalignment in decisions has now created significant uncertainty, sunk cost and the need for re-work. It also runs counter to the Government's messaging that it is looking for regional collaboration on water services and for larger metropolitan councils to play a leadership role, including as a consideration in deciding on candidates for city-region deals.

Over the last 6 months TCDC has spent considerable time on the TCC/ WBOPDC partnership approach. This included weekly team meetings with all parties, and progressing financial and project management workstreams to support the WSDP development. In addition, we have held elected member meetings with all parties. Each council prepared a WSDP based on a joint WSO, this has been completed and was supported by joint modelling, partnership principles and a draft Commitment Agreement.

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Our council strongly believes that including TCDC within the scope of a joint WSO brings significant benefits to ratepayers in all three districts:

- Including TCDC, adds to the scale for the WSO and therefore creates greater scope for efficiency gains, making services more affordable for ratepayers in each district.
- TCDC's very strong balance sheet (including low water debt relative to revenues) would create significant additional borrowing capacity for the combined entity, especially relevant given the higher level of gearing in our faster growing neighbours
- Being at the table as part of the Commitment Agreement, and through to a Constitution allows for an enduring model that can accommodate smaller Councils in the future, supporting a pathway for councils in Eastern Bay of Plenty, for example, to join in future
- With the addition of TCDC, the proposed water organisation would become the third largest water company in New Zealand, after Watercare in Auckland and the proposed Wellington Metro water organisation. A larger organisation offers the greatest scope for keeping and maintaining skills, and for delivering investment at scale, offering the greatest scope to deliver services affordably.

We are fortunate that we can meet the in-house business unit financial sustainability tests in the legislation, and we have also prepared a draft WSDP on this basis. We also confirm we can achieve the 3 September 2025 deadline, however this approach is not in the best long-term interest for our community.

We have estimated additional costs of \$400,000-\$600,000 for FY25/26 plus staff costs are needed to support delivery of an in-house business unit to meet the legislative requirements, additional costs will also be needed in FY26/27. These significant costs will need be borne by our ratepayers. If we do progress with a joint WSO (in the future) these will be sunk costs. We would much prefer to spend our ratepayer funding on setting up now for the best long term solution for our district.

My purpose in writing is to outline the facts as we understand them and to advise that as a result of last week's decisions by TCC and WBOPDC we are now in a situation that we are :

- Preparing a sub optimal WSDP based on an in-house business unit
- Expect to spend a significant amount of ratepayer funds for external support and staff time to meet the legislative requirements of an in-house business unit in the short term
- These costs will be sunk costs, if we decide to progress a joint WSO in the future

We have written to WBOPDC today to enquire how we can find a solution to the last minute issues raised by one of their Hapu as a result of ongoing Treaty of Waitangi settlements. We do want to recognise the significant work undertaken by TCC staff throughout July 2025 to work with iwi/hapu to address the early issues raised and it was great to see in the final position paper that there are no concerns raised in relation to working with TCDC.

We understand that WBOPDC has written to the minister requesting a Crown facilitator. As this Crown facilitator is able to work across one or more territorial authorities, **we have also written to the minister to request that the appointment of a Crown facilitator also includes TCDC in their remit**, and that they work constructively with the parties towards the establishment of a joint water service organisation.

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We remain convinced that the detailed analysis and modelling completed over the last 6 months clearly demonstrate that the best solution for all three parties is a joint WSO

Thank you for your consideration of this matter and we look forward to your response.

Yours sincerely,

TCDC LWDW working group, elected members :

A blue ink signature of Len Salt.

Len Salt
Mayor
**Thames-Coromandel
District Council**

A blue ink signature of Terry Walker.

Terry Walker
Deputy Mayor
**Thames-Coromandel
District Council**

A blue ink signature of John Grant.

John Grant
District Councillor
**Thames-Coromandel
District Council**

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**Internal Affairs**
Te Tari Taiwhenua

45 Pipitea Street
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Phone 0800 25 78 87
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11 August 2025

Marty Grenfell
Chief Executive
Tauranga City Council

By email - marty.grenfell@tauranga.govt.nz

CC Mayor Mahé Drysdale
mayor@tauranga.govt.nz

Dear Marty

RE: Local Government (Water Services Preliminary Arrangements) Act 2024

Following your Council meeting on 5 August 2025, where water service delivery arrangements were discussed, Council Officers have made enquiries of DIA on specific matters contained in the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act). We provide clarity on these matters in this letter.

Additional powers and exemption

Section 65 of the Act enables Councillors to consider a joint service area when deciding whether or not to establish, join, or amend a joint water services council-controlled organisation (WSCCO).

The Act provides the ability under section 137 of the Local Government Act 2002 (LGA2002), for a territorial authority, despite sections 12(4) and 14(1)(g) of the LGA2002, to also consider:

- the impact of the joint WSCCO, the joint arrangement, or the joint local government arrangement on the communities in the joint service area (as well as the impact on the authority's district).
- the views of people in communities in the joint service area (as well as the views of people in the authority's communities); and
- the views of the other territorial authorities who are parties to the joint WSCCO, the joint arrangement, or the joint local government arrangement, or are considering whether to become parties to the joint WSCCO, the joint arrangement, or the joint local government arrangement.

These provisions appear relevant to your recent considerations in light of the decisions made by Western Bay of Plenty District Council, also on 5 August 2025, to approve a multi-council CCO as the future delivery model, initially with Tauranga City Council (subject to a corresponding resolution from Tauranga).

Council Officers have also sought clarity on Ministerial powers in relation to water services delivery plans, specifically a Crown facilitator.

In particular, you have requested clarity on a scenario where a nearby territorial authority is unable to submit a plan that meets the financial sustainability requirements in the Act, and how this may impact your council.

The Minister of Local Government may appoint a Crown facilitator under section 25 of the Act to assist and advise a territorial authority or group of territorial authorities to prepare a water services delivery plan. This can be requested by a territorial authority, or a Crown Facilitator can be appointed if the Minister believes, on reasonable grounds, that it would be beneficial because the territorial authority is otherwise unlikely to submit its plan to the Secretary in accordance with the legislated requirements.

The Crown facilitator's functions and powers are set out in section 27 of the Act. They are primarily concerned with advice and assistance, though also encompass powers to direct a council to prepare a plan. In the event a Crown facilitator was appointed to a territorial authority to address financial sustainability issues, the terms of reference would likely include consideration of alternative delivery models, including joint delivery arrangements. Crown facilitators are empowered to assist groups of councils to agree on the terms of a joint arrangement – for instance, by facilitating negotiation – so the consideration of alternative delivery models would likely include the Crown facilitator undertaking engagement with other territorial authorities in close proximity to consider joint delivery arrangements that would address the underlying issues.

Yours sincerely



Lori Hand
Executive Director, Water Services Delivery Reform Programme

Attachment 3 – Summary of Key Reporting and Compliance

The following is a high-level snapshot summary of key reporting and compliance obligations that need to be undertaken in order to implement LWDW. The table summarises the obligations that apply first to an in-house delivery option, and secondly to a multi-council water organisation.

LWDW task to be undertaken	In-house delivery (“IBU”)	Multi-council Water Organisation (“WO”)	If TCC first proceeds with an IBU and then a WO, will TCC need to undertake this task once or twice? ¹	If TCC retains stormwater in house, (ie becomes WSP)	Commentary / references
Water Services Delivery Plan	Y	Y	Twice ²	WSDP re-written to separate Stormwater. (one plan, two delivery methods)	Section 18 of the Local Government (Water Services Preliminary Arrangements) Act 2024 (“Act”) requires this to be submitted by 3 September 2025. Section 23 of the Act requires any amendment to be submitted by 3 September 2026 (and only allows amendments that are “necessary due to exceptional circumstances”)
Water Services Strategy (WSS)	Y	Y	Twice	Two	For a water organisation: clause 191 of the Local Government (Water Services) Bill (“Bill”) For a territorial authority delivering water: clause 195 of the Bill.
Consultation on water services strategy	Y	Y	Twice	Two	For a water organisation: Yes (<u>shareholder</u> consultation). Under clause 196 of the Bill, the Water Organisation must consult with its shareholders on the WSS. For territorial authority delivering water: Yes (public consultation). Under clause 195 of the Bill requires public consultation on a summary of the major matters within a WSS and this must be consulted using the special consultation procedure under ss 83, 83AA and 83A of the LGA 2002.

¹ For clarity, because Council has resolved to start with an in-house business unit, and then transition to a Water Organisation, many of the above tasks may need to be undertaken twice.

² If the transition from IBU to WO occurs prior to 3 August 2026, then the WSDP will need to be updated.

LWDW task to be undertaken	In-house delivery ("IBU")	Multi-council Water Organisation ("WO")	If TCC first proceeds with an IBU and then a WO, will TCC need to undertake this task once or twice? ¹	If TCC retains stormwater in house, (ie becomes WSP)	Commentary / references
					Note also that the shift from IBU to WO is treated as a "change proposal" under the Bill, and that would require TCC to consult the public on the proposal (including the presentation of two other options to the public).
Water services annual budget	Y	Y	Twice ³	Two	Clauses 200 – 202 of the Bill (clause 202 clarifies that water service provider not required to consult on a water services annual budget)
Water services annual report against the WSS	Y	Y	Twice ⁴	Two	Water organisation: Clauses 203 – 204 of the Bill Territorial authority delivering waters: 205 of the Bill Clause 206 sets out the contents
Statement of compliance	Y	Y	Twice ⁵	Two	This is a statement confirming that all statutory requirements "in relation to the water services annual report have been complied with". It must be signed by the chair of the board and chief executive (Water Organisation) or mayor and the chief executive (for a territorial authority). (Clause 8 of Schedule 4 of the Bill)
Commitment agreement	N*	Y	Once ⁶	N/A	*For an in-house only delivery, this is not required. However, in order for TCC to explore the possibility of a multi-council Water Organisation (and give effect to Councils' 5 August resolutions), a commitment agreement or similar framework agreement will be required to enable

³ This task will need to be undertaken once per year.

⁴ This task will need to be undertaken once per year.

⁵ This task will need to be undertaken once per year.

⁶ The Commitment Agreement only needs to be undertaken if there is a WO.

LWDW task to be undertaken	In-house delivery ("IBU")	Multi-council Water Organisation ("WO")	If TCC first proceeds with an IBU and then a WO, will TCC need to undertake this task once or twice? ¹	If TCC retains stormwater in house, (ie becomes WSP)	Commentary / references
					the parties to negotiate in confidence and agree key decisions such as the sharing of costs
CCO establishment documents (shareholders agreement, constitution etc)	N*	Y	Once ⁷	N/A	*For an in-house only delivery, this is not required. However, when TCC transitions to a Water Organisation (i.e. to give effect to Councils' 5 August resolutions) these will all be required
Statement of expectations	N*	Y	Once ⁸	N/A	*For an in-house only delivery, this is not required. However, when TCC transitions to a Water Organisation (i.e. to give effect to Councils' 5 August resolutions) these will all be required Clause 184 of the Bill requires this to be prepared by shareholding councils at least 6 months before the water organisation is required to prepare a water services strategy

⁷ The Commitment Agreement only needs to be undertaken if there is a WO.

⁸ The Commitment Agreement only needs to be undertaken if there is a WO.

Attachment 4 – Pathways

Pathway 1: Stand up IBU and transition to Water Organisation pre Sept-2026



Pathway 2: Transition from IBU to Water Organisation post September-2026

Amend WSDP to reflect Council's resolution for an IBU based on 5 Aug

Submit a WSDP to DIA based on IBU **by 3 September 2025**

TCC STAFF WORKSTREAM 1

Draft WSS for IBU

Undertake public consultation on summary of draft WSS

Taking into account public feedback, resolve to adopt WSS
01 July 2027

Prepare annual budget for IBU.

Undertake all other steps to implement IBU

TCC STAFF WORKSTREAM 2

Enter commitment agreement / framework agreement for sharing information with potential partners **approx. Aug / Sept 2025**

Complete due diligence on prospective Water Organisation partners **approx. Sept 2025 to April 2026**

Pass resolution on Councils preferred Water Organisation model based on outcome of due diligence **approx. April 2026**

Council must then consult the public on the following three options for water services delivery: **approx. May - June 2026**

- The status quo (which would comprise the IBU remaining in operation)
- The proposed change that Council has landed on (e.g. a Water Organisation)
- At least one other reasonably practicable option

Pass resolution following consultation (and taking the outcome of such consultation into account) the Council must then decide whether or not to implement is change proposal **approx. July 2026**

Negotiate, prepare and execute all Water Organisation documents (including constitution, shareholders agreement, transfer agreement, statement of expectations) **approx. Sept 2026 to July 2027**

Implement Water Organisation formally established **approx. July 2027**

Implement Water Organisation **approx. 1 July 2028**

Pathway 3: Proceed straight to Waters Organisation

ONLY ONE TCC STAFF WORKSTREAM

Consider the information in the 15 August 2025 Council report and decide not to reconfirm the 5 August resolutions - **Aug 2025**

Pass resolutions to enter multi-council Water Organisation by 1 July 2027 **Aug 2025**

Revert back to earlier WSDP but amend the start date of the Water Organisation from July 2027 to date agreed submit by **3 Sept 2025**

Recommence negotiations with WBOPDC (including commitment agreement) and leave door open to welcome other Bay of Plenty councils to WO approx. **Aug 2025 to Dec 2025**

Undertake due diligence on WBOPDC (and any other potential parties who take up the initiation) **August 2025 to Dec 2025**

Negotiate and prepare WO establishment documents (constitution, shareholders agreement, transfer agreement, statement of expectations) **2026-2027**

Establish WO and have it up and running **by July 2027**

Attachment Six: Local Water Done Well , Transition Costs, Project Budgets and Workstream Deliverables

Dated: 12 August 2025

Transition Costs

To understand the transition costs for business change, the below table has been populated with TCC transition cost estimation together with information sourced from other councils. The numbers are all budgets and have been sourced from contacts within the industry.

Council / Connection No.s	WSP Structure	Transition cost budget
Tauranga City Council Number of connections: 101,000	Multi – WO (3 Councils)	\$6,1 million Not including digital
Hamilton City Council / Waikato Number of connections: 81,000	Multi – WO (2 Councils) Accepted WSDP	\$ 7.35 million Not including digital
Waikato Water Number of Connections: 49,000	Multi – WO (6 councils) Pending acceptance of WSDP	\$16.5 million
Napier, Hastings, Central Hawkes Bay Number of Connections: 55,000	Multi – WO Pending acceptance of WSDP	\$7.8 million
Palmerston North, Horowhenua and Rangitikei Number of Connections: 52,000	Multi - WO Pending acceptance of WSDP	\$4.25 million Not including digital
Marlborough Number of connections: 17,000	Single WO Accepted plan	\$5 million Not including digital

TCC Budgets (Debt Funded OPEX – to stay with Waters)

Below is a table that confirms TCC budgets for 2025/26 and 2026/27 Financial years. These were developed in 2024, and were based on our experience with the previous Governments 3 Water Reforms (3WR) programme, alongside what we knew of the Local Water Done Well policy. The 3WR programme provided information on the type of workstreams a transition programme would require, the deliverables required, and the complexity and expertise necessary to complete transition processes.

Digital Project CC3000070		Water CCO Establishment CC3000080 Water CCO Est	
FY 25/26	FY 26/27	FY25/26	FY 26/27
\$1.5 mill Vendor costs		\$2.998 mill	\$1.875 mill
\$2.0 mill Staff/Project Costs			
SUB TOTAL \$3.5 mill PROJECT		SUB TOTAL \$2.998 mill	SUB TOTAL \$1.875 mill
3000070 (IBIS# 241259)		3000080 (IBIS# 238870)	3000080 (IBIS# 238870)
Established and Approved Nov 2024, as part of AP (26) revision		Established and Approved Nov 2024, as part of AP (26) revision	Established and Approved Nov 2024, as part of AP (26) revision
Water Collaboration (3000070) Licensing - Budget	Water Collaboration (3000070) Licensing - Budget	Plus	Plus
FY 25/26 (BAU Costs) To manage Downer/Watercare relationship	FY 26/27 (BAU Costs) To manage Downer/Watercare relationship		
\$1.1 mill Watercare licensing - 3rd party <i>(apportioned / partly recovered from WBOPDC)</i>	\$530k Watercare licensing - 3rd party <i>(apportioned / partly recovered from WBOPDC)</i>	\$896k Consultancy 3 Water Reforms Budget item	
\$5k Travel	\$5k Travel	\$60k legal fees	\$50k legal fees
\$25k Consultancy	\$25k Consultancy	\$60k Maori engagement	\$25k Maori engagement
TOTAL \$4.6 million	TOTAL \$560k	TOTAL \$4.015 Million	TOTAL \$1.95 Million

Project Budgets and Deliverables

The below project budget was developed for the proposed multi-CCO programme and provides information on 4 of the 5 workstreams that will be required, as well as allowance for a leadership team and project management support. Digital delivery has been kept separate to this part of the project while a pathway forward, and longer-term shared investment (shared services) is sought.

The current approach to cost sharing with partners has been based on a number of factors; number of connections, population, operating revenue, operating expenditure, asset value and asset replacement value. The result of which demonstrated that TCC would fund 64%, with partner councils paying the remaining 36%.

Workstream	Type of work required (Deliverables)	Total budgeted	Estimated requirements for People Requirements and Specialist Support
Operations & Asset Mgmt (AMOS)	Deliverables: Operations Transition Assurance Checklist, Compliance with Drinking Water Standards and resource consents. Register of consents, Trade Waste Management Plan and Trade Waste Permits, Trade Waste Bylaws and Arrangements, review of trade waste charges, Incident and Emergency Management Framework, Customer contact channels, Contact Centre - Service Agreement, National Infrastructure Development Code (or equivalent), Stormwater Network Assets and Functions for Transfer Identified for Inclusion in Allocation Schedule, Register of consent obligations, Maintenance and Operations standards, processes and procedures, Completion of Customer Charter/Agmt, Growth Planning and Land Development Working Practice Guides, Laboratory services, Capital Programme Framework and Programme, Capital Programme - Capability Structure, Stormwater Modelling Guidelines, Partners / Service Suppliers and Stakeholder plan, Stormwater Service Level Agreements CCO<->Council, Customer Service KPIs, Customer Reporting Mechanisms, Business Continuity Plan, Compliance, Monitoring & Enforcement Plan, Asset Management Plan & Strategic Asset Management Plan guidelines, Fleet Procurement, Transfer of current vehicles, rebranding, cutover processes by Council, Internal Audit, Quality and Risk Management Processes and Procedures, Sustainability Strategy & Emissions Plan	\$ 670,000 <i>TCC Share @64%</i> <i>\$ 556,800</i>	Estimated FTE – 4.5 (4.5 Senior roles) Consultancy - \$200k Peer Review
Legal and Governance	Deliverables: Water Services Strategy, Constitution & Shareholder agreement developed and agreed, Creation of Chief Executive Group, Program Steering Group and Project steering groups + workstream leads. Procurement Policy, Transfer Principles and transfer agreement, Board Terms of Reference, Shareholder Council Established, CCO Name, Delegations Framework, Communications plan, debt payment schedule, CCO Assurance Approach (Compliance framework), Service level agreements, bylaw management and	\$ 1,200,000 <i>TCC Share @64%</i> <i>\$ 768,000</i>	Estimated FTE – 2 (1.5 FTE) Senior roles Plus Support Consultancy - \$900k Peer Review Document drafting

6 CLOSING KARAKIA