

Document No: 794522

Report To: Council



Meeting Date: 26 November 2024

Subject: **Deputation: Maniapoto Rugby Sub Union**

Type: Information Only

Author(s): Michelle Higgin
Manager – Governance Support

1. Purpose of Report

- 1.1 The purpose of this business paper is advise that Shelley Mitchell, on behalf of the Maniapoto Rugby Sub Union, will be in attendance at 9.00am to brief Council on challenges currently being faced by the Sub Union relative to the rugby facilities (rugby field, grandstand and changing rooms) at Waitete Road, Te Kuiti.

2. Suggested Resolutions

- 2.1 The following is a suggested resolution only and does not represent Council policy until such time as it is adopted by formal resolution.

1 The Deputation: Maniapoto Rugby Sub Union be received.

Document No: 794523

Report To: Council



Meeting Date: 26 November 2024

Subject: **Presentation: Local Waters Done Well Programme Update – Delivery Plans and Future Options**

Type: Information Only

Author(s): Michelle Higgle
Manager – Governance Support

1. Purpose of Report

- 1.1 The purpose of this business paper is inform Council that Marlon Bridge, Chief Technical Advisor, Local Waters Done Well Programme (Local Government Branch of the Department of Internal Affairs), and Kelvin French and Vaughan Payne (CoLab) will be in attendance at 10.30am to provide an update on the Local Waters Done Well Programme including Delivery Plans and Future Options.

2. Suggested Resolutions

- 2.1 The following is a suggested resolution only and does not represent Council policy until such time as it is adopted by formal resolution.
- 1 The Presentation: Local Waters Done Well Programme Update – Delivery Plans and Future Options be received.

WAITOMO DISTRICT COUNCIL

MINUTES OF A MEETING OF THE WAITOMO DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON TUESDAY 29 OCTOBER 2024 AT 9.00AM

- PRESENT:** Mayor John Robertson
Deputy Mayor Allan Goddard
Dan Tasker
Eady Manawaiti
Gavin Todd
Janene New
Janette Osborne
- IN ATTENDANCE:** Tainui Stephens (2024 Tuia Rangatahi for Waitomo)
Waikato Times
1 Member of the Public
- STAFF:** Chief Executive, Ben Smit
Manager – Governance Support, Michelle Higgie
General Manager – Community Services, Helen Beever
Chief Financial Officer, Tina Hitchen
General Manager – Strategy and Environment, Alex Bell
Manager – Strategy and Policy, Charmaine Ellery
Acting Roothing Manager, Darren Laycock
Local Roads Professional Services (Pinnacles), Ryan Stanley
Manager – Community Development, Sarah McElroy

1. Karakia Tuwhera

2. Declarations of Member Conflicts of Interest
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No declarations made.

3. Confirmation of Minutes: 24 September 2024
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Resolution

The Minutes of the Waitomo District Council meeting of 24 September 2024, including the public excluded minutes, be confirmed as a true and correct record.

Robertson/Goddard Carried

4. Confirmation of Minutes: 15 October 2024
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Resolution

The Minutes of the Waitomo District Council extraordinary meeting of 15 October 2024, including the public excluded minutes, be confirmed as a true and correct record.

Robertson/Goddard Carried

5. Receipt of Unconfirmed Audit and Risk Committee Minutes: 15 October 2024
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Resolution

The Unconfirmed Minutes of the Audit and Risk Committee meeting of 15 October 2024, including the public excluded Minutes, be received.

Robertson/Tasker Carried

6. Mayor's Report – October 2024

Mayor Robertson presented his report for October 2024.

Resolution

The Mayor's Report – October 2024 be received.

Robertson/Todd Carried

7. Chief Executive Report – September/October 2024

Council considered a report prepared by the Chief Executive for September/October 2024 providing an oversight of the organisation and its progress toward achieving its vision, outcomes and priorities.

The Chief Executive expanded verbally on the business paper and answered Members questions.

Mayor Robertson expanded on the Chief Executive's Report in respect to the implementation of Forestry Roding Agreements, and specifically relating to the negative impact of forestry harvesting on Mapara South Road by Greenplan.

Resolution

- 1 The Chief Executive Report – September/October 2024 be received.
- 2 Council noted Resolution 3 passed by Council on 4 June 2024 as part of Item 13 - Deliberation of Submissions: 2024-2034 Long Term Plan and Proposed Fees and Charges 2024/2025 under the heading "Roding Differential or Targeted Rate for Exotic Forestry" as follows:

"Council negotiates agreements with landowners and/or plantation owners and/or managers of forestry exotic properties, whereby they assume all or part of the funding and/or management of road repairs or road reconstruction, being roads directly and significantly impacted when forest harvesting takes place."
- 3 Council noted that no agreement has been reached with Greenplan with respect to Mapara South Road, a road being directly and significantly impacted by forestry harvesting currently.
- 4 The Chief Executive seek a written agreement with Greenplan, or such other responsible party or parties, that covers Mapara South Road and achieves the objectives of the 4 June 2024 resolution.
- 5 The details be reported back to the next Council meeting.

Robertson/Todd Carried

8. Inframax Construction Limited – Governance Matters for 2024 Annual General Meeting
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Council considered a business paper presenting matters for consideration relating to the upcoming Inframax Construction Limited 2024 Annual General Meeting which will be convened in the Council Chambers on Tuesday 5 November 2024 at 11.00am.

The Manager – Governance Support expanded verbally on the business paper and answered Members questions.

Mayor Robertson suggested that Council also increase the Board Chairperson remuneration.

The Chief Financial Officer entered the meeting at 9.35am.

Resolution

- 1 The business paper on Inframax Construction Limited – Governance Matters for 2024 Annual General Meeting be received.
- 2 Council confirms the number of Directors for Inframax Construction Limited pursuant to Clause 11.1 of the ICL Constitution i.e. "unless so determined, the minimum number shall be four and the maximum number shall be six."
- 3 Council notes that current Board Chair, Earl Rattray, has indicated his intention to retire from the Board at the 2025 Annual General Meeting, and that Council will need to include the appointment of a new Director into its work plan for 2025.
- 4 Council re-appoints Chris Ryan to the Board of Directors following retirement by rotation pursuant to the Inframax Construction Limited Constitution and the Retirement by Rotation Plan approved by Council on 31 October 2023.
- 5 Council notes that there has been no increase in Director remuneration since 2015, and approves an increase in Director remuneration of 10%, increasing Director (non-Chair) remuneration from \$30,000 to \$33,000 per annum and Chair from \$60,000 to \$66,000 per annum.

Robertson/Goddard Carried

9. Leadership/Governance, Finance and Information Services Activity Update Report
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Council considered a business paper providing an update on activities that form part of the Leadership/Governance Group including Finance and Information Services.

The Chief Financial Officer and Chief Executive expanded verbally on the business paper and answered Members questions.

Resolution

The business paper on Information Services, Finance and Leadership/Governance Activity Update Report be received.

New/Tasker Carried

The Chief Financial Officer left the meeting at 9.41am.

10. WDC Queen Street Administration Building – Facility Improvements

Council considered a business paper seeking approval for proposed facility improvements at the Queen Street Administration Building.

The General Manager – Community Services and Chief Executive expanded verbally on the business paper and answered Members questions.

Council members expressed their concern that \$65,000 would be insufficient to complete the required work and recommended that the amount be increased to \$85,000.

Resolution

- 1 The business paper on WDC Queen Street Administration Building – Facility Improvements be received.

- 2 Facility improvements to the multipurpose Civil Defence storage area, kitchen and staff rooms and toilets are undertaken with a maximum budget of \$85,000.

Goddard/New Carried

Acting Rooding Manager and Local Roads Professional Services entered the meeting at 9.49am.
The General Manager - Community Services re-entered the meeting at 9.53am.

11. Better off Funding Projects – Financial Update

Council considered a business paper providing a financial update on Better off Funding projects and to review future spending on these.

The Chief Executive expanded verbally on the business paper and answered Members questions.

Council worked through the re-allocation of Better Off Funding grant funds as presented in the business paper and agreed –

- Town Gateways – Traffic Calming: Move to the Unallocated Tranche
- Les Munro Centre Revitalisation – Business Case and Scoping: This project should be a Long Term Plan project, however with the funding needing to be spent before the next Long Term Plan the funds should be left with the project, noting that Council may revisit this allocation.

Resolution

- 1 The business paper on Better off Funding Projects – Financial Update be received.
- 2 The project budgets outlined in Table One be moved to the 'Unallocated Tranche' Category for future potential use for 3 Waters Capital Expenditure or 3 Waters Transition as follows:

Project Grouping	Project Name	BOF Grant	Actual	Committed costs 30 Sept 24	Uncommitted funds 30 Sept 2024	Potential treatment of uncommitted funds
Town Gateways	Traffic Calming	450,000	3,625		446,375	Unallocated tranche
Walkways	Walkways	396,000	362,662		33,338	Unallocated tranche
Les Munro Centre Revitalisation	Business Case and Scoping	200,000	48,626	17,628	133,746	Leave with project at this time <i>(to be revisited)</i>
Social Good Partnerships	Sports Development Initiative	200,000			200,000	Leave with project
	Housing Strategy	80,000	78,300		1,700	Unallocated tranche
	Mokau Museum	30,000	30,000		Nil	
	Rangatahi Pathways Coordination	600,000	415,476	184,524	Nil	
	Centennial Park Concept Development	50,000	49,271		Nil	
	Total Social Good Partnerships	960,000				
Town Amenity	Piopio, Benneydale Hall & SH30	525,000	484,353			
	Marokopa Campground Building	50,000	58,090			
	Total Town Amenity Projects	575,000	542,443		32,557	Unallocated tranche
Unallocated Tranche		969,000			969,000	
	TOTAL :	3,550,000	1,530,403	202,152	1,816,716	

*Any amounts below \$1,000 have not been included as uncommitted funds

- 3 Council authorise the Chief Executive to proceed with current Better Off Funding project implementation programs.

Robertson/New Carried

Tainui Stephens (2024 Tuia Rangatahi for Waitomo) entered the meeting at 10.08am.

12. Presentation - Tuia Rangatahi Leadership Programme - Introduction of 2024 Representative - Tainui Stephens

Tainui Stephens briefed the Council on his involvement in the Tuia Rangatahi Leadership Programme this year.

Resolution

The verbal report from Tainui Stephens, 2024 Tuia Programme Rangatahi be received.

Mover/Seconder Carried

13. 2024-2027 Low-Cost Low-Risk Work Programme

Council considered a business paper seeking approval of the resilience related programme of works which was formerly included in the 2024-2027 Programme of Works for Low-Cost Low Risk and to discuss the implications of a reduction in the Roothing budget as a result of New Zealand Transport Agency (NZTA) cuts and make recommendations.

The Chief Executive expanded verbally on the business paper and answered Members questions.

Members noted the correction required to the table in the business paper as follows:

Line 2 (Taharoa Road Resilience Improvements), Column 3 – change 422,000 to 519,000
Line 5, (Oparure Road River Stabilisation), Column 5 – change 519,000 to 422,000

Resolution

- 1 The business paper on 2024-2027 Low-Cost Low-Risk Work Programme be received.
- 2 Council note the confirmation from the New Zealand Transport Agency that the following resilience related projects included in the 2024-2027 Low-Cost Low-Risk Work Programme will be funded FAR Rate of 88%:

Site	Total Cost	NZTA Share
Kent Street Slip Repair	420,000	370,000
Taharoa Road Resilience Improvements	590,000	519,000
Waitahi Road Overslip	350,000	308,000
Speedies Road Underslip	150,000	132,000
Oparure Road River Stabilisation	480,000	422,000
Total:	\$1,990,000	\$1,751,000

- 3 The remaining local share component of the Low Cost Low Risk funding in the three-year roading programme be left unallocated awaiting details on a Speed Management proposal from staff and future New Zealand Transport Agency funding to fund future resilience projects.

Robertson/Osborne Carried

14. Speed Management – Implementation
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Council considered a business paper seeking approval of the proposed implementation of the Speed Management Plan after changes to the rules and funding availability.

Local Roads Professional Services (Pinnacles) expanded verbally on the business paper advising that the New Zealand Transport Agency has now stated that as this work is mandated there will be some funding provided however the amount has not yet been confirmed.

The Manager – Community Development entered 10.50am

Resolution

- 1 The business paper on Speed Management Implementation be received.
- 2 That the proposed costs of the Speed Management Implementation are approved and will be funded from the already approved local share from the Low-Cost Low Risk budget and any New Zealand Transport Agency funding that becomes available.

Robertson/New Carried

The Acting Roading Manager and Local Roads Professional Services (Pinnacles) left the meeting at 10.53am.

The General Manager – Strategy and Environment entered the meeting at 10.54am.

15. Centennial Park Development
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Council considered a business paper providing an update Elected Members on the status of the Centennial Park Grandstand Ablutions project and recommend an approach for the scope of the project and its funding.

The General Manager – Community Services and Chief Executive expanded verbally on the business paper and answered Members questions.

Resolution

- 1 The business paper on Centennial Park Development be received.
- 2 Council upgrade the Grandstand Ablutions including public toilets at a cost of \$269,000. (\$250,000 funded from Grassroots and \$19,000 funded from the property capital improvements budget).
- 3 The public toilets would only be open for events. The current Centennial Park public toilets by the current playground will remain open until further decisions on the development of the park are considered.
- 4 Council acknowledges the support of Grassroots' grant funding for this project.

Manawaiti/Tasker Carried

16. Rangatahi Engagement Plan

Council considered a business paper presenting the Rangatahi Engagement Plan for adoption.

The Manager – Community Development expanded verbally on the business paper noting amendments to be made to the Rangatahi Engagement Plan as circulated as follows:

- Remove – at local High School
- Remove – Festival for the Future
- Rora Street Revive

- King Country Highways
- Add – The Great NZ Muster

Resolution

- 1 The business paper on the Rangatahi Engagement Plan be received.
- 2 Council adopt the Rangatahi Engagement Plan.

New/Tasker Carried

The Manager – Strategy and Policy entered the meeting at 10.57am.

17. **Bi-Monthly Regulatory Update Report** (including Land Covenant – Kahaho Stream)

Council considered a business paper –

- 1 Providing an update on work programmes that form part of the Regulatory Activity; and
- 2 Seeking approval of the request from Herenga a Nuku Aotearoa — The Outdoor Access to become the Grantee of a land covenant to enable enduring access to the Kahaho stream.

The General Manager – Strategy and Environment expanded verbally on the business paper and answered Members questions.

Resolution

- 1 The Bi-Monthly Regulatory Update Report be received.
- 2 Council agrees to be the Grantee of the voluntary creation of a land covenant which secures enduring public legal access alongside the Kahaho Stream.

Goddard/New Carried

18. **Adoption of Statement of Proposal for Consultation on Reviewed Land Transport Bylaw 2024 and Draft Rooding Policies**

Council considered a business paper seeking approval of a reviewed draft Land Transport Bylaw 2024 and a Statement of Proposal, and draft Road Encroachment, Stock Underpass and Road Naming Polices for public consultation.

The Manager – Strategy and Policy expanded verbally on the business paper and answered Members questions.

The Chief Financial Officer re-entered the meeting at 11.05am.

Council members requested that the draft Road Naming Policy, Clause 1.9 b) be amended to read: "Suggest a name suitable to the geographical area, and"

Resolution

- 1 The business paper on the Adoption of Statement of Proposal for Consultation on Reviewed Land Transport Bylaw 2024 and Draft Rooding Policies be received.
- 2 Council adopts the Statement of Proposal, which includes the draft revised Land Transport Bylaw 2024, for public consultation.
- 3 Council adopts the draft Road Encroachment, draft Stock Underpass and draft Road Naming Policies, for public consultation.

- 4 Council approves that the public consultation period begins on 31 October 2024 and concludes on 2 December 2024.
- 5 Council authorises the Chief Executive to make editorial or layout changes to the Statement of Proposal and Draft policies that may be necessary before it is made publicly available.
- Goddard/Osborne Carried

The General Manager – Strategy and Environment and Manager – Strategy and Policy left the meeting at 11.11am.

19. Co-Lab 2023/24 Annual Report

Council considered a business paper presenting the Annual Report 2023/24 for Co-Lab, the Council's Controlled Organisation.

The Chief Financial Officer expanded verbally on the business paper and answered Members questions.

Resolution

- 1 The business paper on the Co-Lab Annual Report 2023/24 be received.
- 2 The Co-Lab Annual Report 2023/24 be published on Council's website.

Robertson/Manawaiti Carried

The Manager – Strategy and Policy entered the meeting at 11.13am

20. Civic Financial Services Ltd – Half-yearly Accounts Civic Financial Services Ltd – Half-yearly Accounts to 30 June 2024

Council considered a business paper presenting the Half Yearly Accounts to 30 June 2024 for Civic Financial Services Ltd.

The Chief Financial Officer expanded verbally on the business paper and answered Members questions.

Resolution

The business paper on the Civic Financial Services Ltd - Half Yearly Accounts to 30 June 2024 be received.

Robertson/Todd Carried

21. Annual Report 2023/24 – Adoption

Council considered a business paper presenting the Draft Annual Report 2023/24 for consideration and adoption, subject to amendment, as recommended by the Audit and Risk Committee

The Manager – Policy and Strategy and Chief Financial Officer expanded verbally on the business paper and answered Members questions.

Resolution

- 1 The business paper on Draft Annual Report 2023/24 – Adoption be received.
- 2 The Chief Executive be delegated authority to ensure any formatting/grammatical changes and feedback from Council is accurately reflected in the Final Annual Report 2023/24 prior to publication.

- 3 The Mayor and Chief Executive be delegated authority to sign the Letter of Representation for the year ended 30 June 2024 and the Letter of Representation for Trustee Reporting to Deloitte on behalf of Waitomo District Council.
- 4 The audited Draft Annual Report 2023/24 be adopted.

Robertson/Goddard Carried

22. Motion to Exclude the Public

Council considered a business paper enabling Council to consider whether or not the public should be excluded from the consideration of Council business.

Resolution

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter, as specified by Section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for the passing of this resolution
Inframax Construction Limited: Financial Statements for the year ended 30 June 2024	Section 7(2) - (c) To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information – (i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied;	Section 48(1)(d) – That the exclusion of the public from the whole or the relevant part of the proceedings of the meeting is necessary to enable the local authority to deliberate in private on its decision or recommendation in any proceedings to which this paragraph applies.
Les Munro Centre Update	Section 7(2) - (h) To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.	Section 48(1)(d) That the exclusion of the public from the whole or the relevant part of the proceedings of the meeting is necessary to enable the local authority to deliberate in private on its decision or recommendation in any proceedings to which this paragraph applies.

- 3 Council agree the following staff, having relevant knowledge to assist in the consideration of the items of business to be public excluded, remain in attendance to assist the Committee with its decision making:

Staff Member	Reason for Remaining in Attendance
Chief Executive	Council CEO
Manager – Governance Support	Committee Secretary
Chief Financial Officer	Portfolio Holder
General Manager – Community Services	Portfolio Holder

- 4 This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in the public.

Robertson/Manawaiti Carried

The Manager – Strategy and Policy left the meeting at 11.21am

1. Public Excluded Items to be made public following Council's decision taking

Resolution

Following Council's consideration and decision taking of the public excluded items -

1 Inframax Construction Limited: Financial Statements for the year ended 30 June 2024

The Resolution only be made public as follows:

Resolution

- 1 *The business paper on Inframax Construction Limited: Financial Statements for the year ended 30 June 2024, including the audited financial statements, be received.*
- 2 *The Inframax Construction Ltd Annual Report 2023/24 be published on Council's website following the Annual General Meeting.*

Robertson/Manawaiti Carried

2 Les Munro Centre Update

The Resolution only be made public as follows:

Resolution

- 1 *The business paper on Les Munro Centre Update be received.*
- 2 *Council authorise the installation of the replacement air conditioning system to proceed subject to the forecast expenditure being less than the remaining budget.*

Robertson/Tasker Carried

Robertson/New Carried

There being no further business the meeting closed at 11.29am

Dated this day of

JOHN ROBERTSON
MAYOR

Confidential

Document ID:

Report To: Council



Meeting Date: 26 November 2024

Subject: Mayor's Report – November 2024

Type: Information Only

Author(s): John Robertson
Mayor

1. Purpose of Report

1.1 The purpose of this business paper is to present the Mayor's report for the current month.

2. Suggested Resolution

2.1 The following is a suggested resolution only and does not represent Council policy until such time as it is adopted by formal resolution.

1 The Mayor's Report – November 2024 be received.

3. Commentary

3.1 Businesses are creatures of enterprise. They thrive when they invest wisely in their future. They disappear when they fail to do so.

3.2 Councils are creatures of legislation. They serve their communities well when they invest wisely in their future. But they also live on if they fail to do so, usually at a hidden cost to ratepayers.

3.3 We all want our Council to serve our community well by investing wisely. In terms of the Local Government Act, this means "... in the present and for the future."

3.4 Today we have an agenda item on the delivery of public water services, now and into the future. We are considering how water services might be best governed and managed. We could continue as is, but a collective of some kind with other Councils would likely be beneficial to our communities in the future.

3.5 If we track down the full journey of the Waikato Waters model to where the assets and related debt is transferred into a regional CCO, the question immediately arises as to the financial sustainability of what is left of our Council.

3.6 We will have "stranded overheads." In other words we will have overhead costs that may have been appropriate for our original size but are not appropriate for an organization that has shrunk by 25% after water services are removed. If the Waikato Waters model is selected, we need to address stranded overheads contemporaneously. We are advised by officers that paring back such overhead costs will not be easy.

3.7 Of course, if both the Waitomo and Otorohanga Councils decide to take up the Waikato Waters model there is an obvious solution. By amalgamating the two Councils on the same date as asset and debt transfers take place, we could also deliver significant overhead cost reduction.

3.8 There is one other matter that I want to mention.

3.9 Councillor Todd and I met with Trustees of the Maniapoto Rugby Sub-Union Inc in October. They briefed us on the role of the Incorporated Society as owners and guardians of the playing field, grandstand and changing rooms in Waitete Road. They explained the funding model and advised us of the challenges of funding their greatest cost, insurance. Shelley Mitchell is appearing before us today to discuss this further.

Document ID: 792369

Report To: Council



Meeting Date: 26 November 2024

Subject: **Community and Partnerships Bi-Monthly Activity Update Report**

Type: Information Only

Author(s): Helen Beever
General Manager – Community Services

1. Purpose of Report

- 1.1 The purpose of this business paper is to update Council on activities that form part of the Community and Partnerships Group.
- 1.2 The business paper also provides an update on a range of Council recreation services and activities.

2. Suggested Resolutions

- 2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.
 1. The business paper on Community and Partnerships Bi-Monthly Activity Update Report be received.

3. Background

- 3.1 At its meeting of 28 February 2023, Council adopted a new reporting framework detailing bi-monthly financial reporting and Council group activity reporting.
- 3.2 A reporting schedule was agreed with Infrastructure and Community reporting on the same bi-monthly agenda.
- 3.3 The Community and Partnerships report incorporates commentary on its activities.

4. Commentary

4.1 COMMUNITY SUPPORT AND DEVELOPMENT

- 4.2 The Community Support and Development group of activities incorporates Safe Communities, Community Grants, Youth Engagement and Events.

4.3 **CURRENT ACTIVITY**

4.4 CREATIVE COMMUNITIES SCHEME

- 4.5 The Creative Communities Scheme (CCS) aims to support arts and cultural initiatives that promote participation in a diverse range of artistic activities.
- 4.6 The Waitomo District Council oversees two CCS funding rounds annually.
- 4.7 The application period for the current round closed on 1 November 2024, with a total of ten applications received from various community groups and individuals.

- 4.8 The Committee will review and assess the applications on 19 November 2024.
- 4.9 SPORT NEW ZEALAND RURAL TRAVEL FUND
- 4.10 The Rural Travel Fund was introduced by Sport New Zealand in response to concerns from territorial authorities about the low participation rates in sport among young people in rural areas.
- 4.11 Factors such as geographical isolation, urban migration, limited employment opportunities, and a lack of access to other funding sources have been identified as key barriers preventing young people in rural communities from engaging in physical activities.
- 4.12 Sport New Zealand aims to build an effective and efficient network to help achieve its goal of increasing physical activity among Kiwi youth through sport and recreation.
- 4.13 Waitomo District Council administers this fund on behalf of Sport New Zealand.
- 4.14 Applications for the current round closed on 8 November 2024 with a total of 11 applications received from a range of groups and schools within the community.
- 4.15 The Committee will review and assess the applications on 14 November 2024.
- 4.16 WAITOMO DISTRICT CHRISTMAS PARADE
- 4.17 The Waitomo District Christmas Parade will be held on Friday 13 December 2024, in Te Kuiti. The parade will commence at 6pm. The theme for this year's parade is 'Christmas Songs'.
- 4.18 Legendary Te Kuiti are running Christmas Markets alongside the Parade at the Railway Plaza, along with our local food trucks.
- 4.19 CENTENNIAL PARK FUNDING SUPPORT
- 4.20 A funding application was lodged with the Northern Districts Cricket Regional Facilities Fund. The application was successful with a grant of \$8,650 confirmed to assist with costs for the artificial cricket wicket.
- 4.21 Staff propose a further application be lodged with Grassroots Trust for the cricket nets. A separate business paper is included within this agenda.
- 4.22 **RISKS AND OPPORTUNITIES**
- 4.23 There are no immediate identified risks with this activity.
- 4.24 **LOOKING FORWARD – THE NEXT 3 MONTHS**
- 4.25 Planning for the 2025 Great NZ Muster.
- 4.26 Activation of the Youth Engagement Plan.
- 4.27 CUSTOMER SERVICES AND LIBRARY
- 4.28 **CURRENT ACTIVITY**
- 4.29 CUSTOMER SERVICES
- 4.30 Customer Services collaborated with local businesses to develop a special package for members of the New Zealand Motor Caravan Association who will be visiting the district for the Great New Zealand Muster in 2025. The concept was positively received by business owners, with many expressing interest in participating. The businesses that have confirmed their participation and will be offering specials for the event include:
- The Floral Studio - hosting a one-hour workshop.
 - Gallagher Meads Exhibition - opening on 28 March 2025, 5pm to 7pm.

- Blooms and Brews - coffee and muffin special.
- New Zealand Shearing Championship – a complimentary programme with the purchase of tickets for the final's night.
- Boscós - special meal deal.

4.31 Customer Services attended the Maniapoto Games on Saturday 26 October 2024, in the form of a 'Pop up Council'. This was used as an opportunity to promote Council and Library services and engage with the community.

4.32 RATES REBATE

4.33 The Rates Rebate applications have shown a notable increase this year. From 1 July to 31 October 2024, a total of 230 applications were processed, compared to 179 during the same period in 2023, reflecting an increase of 51 applications.

4.34 WAITOMO DISTRICT LIBRARY

4.35 The October holidays were once again a great success with 125 activity packs handed out to library users aged 5 to 12 years. The theme for these packs was Super Sporty, and included crafts such as a homemade foosball, cornhole, and a ring toss game; as well as activities like spot the difference, word search, and colouring in; amusing items like jokes and sports facts; and a reading challenge. These packs are designed to be taken home and completed during the holidays. The goal is to provide children with hands-on activities that will educate, inspire, and activate their brains while also providing an alternative to technology. The packs are made at a very low cost and are popular with parents and grandparents alike.

4.36 The library also held fun events such as homemade marble runs, a collaborative storybook project, and the library collaborated with:

- The Re-creators for two craft events – sun catchers and 3D bird art. (The Re-creators are an organisation whose purpose is to enable communities to live more sustainably through creative upcycling).
- Smart Water - to host an engaging and interactive event emphasising the importance of being smart with how water is used in our daily lives.

4.37 These events were well attended and thoroughly enjoyed by all.

4.38 At the time of writing this report, the library hosted two homeschoolers' get-togethers, each attended by 5 out of the 9 families who are signed up. The next get-together is scheduled for 19 November 2024. This group has already become invaluable to the participants with children building friendships and parents sharing ideas/problem-solving etc. The library provides games, challenges, STEM activities as well as refreshments and gives its members space to relax and mingle while building relationships.

4.39 **RISKS AND OPPORTUNITIES**

4.40 There are no immediate identified risks with this activity.

4.41 **LOOKING FORWARD – THE NEXT 3 MONTHS**

4.42 The library has been approached by a member of the public in regard to forming a writer's group for current and budding writers. This will be a group of like-minded individuals who come together monthly to share their work, seek advice from the group and help to encourage creative writing. The first meeting is scheduled for 27 November 2024 and will continue on the fourth Wednesday of each month. So far, the response to the advertising has been well received.

4.43 This summer, Waitomo District Library and Otorohanga District Library are collaborating in a Summer Legends Reading Challenge, Raumati Toa. The goal of this challenge is to collect a full set of 15 Taniwha trading cards (3 of these being rare). These can be collected by completing challenges, attending events, finding painted rocks in our parks and reserves and trading them at the library, sharing reads with library staff, completing beanstack challenges among many other opportunities. The challenge will run from 2 December 2024

to 31 March 2025. Staff hope this will be a fun way to encourage reading over the summer period.

4.44 The Re-Creators have received funding to run further upcycling workshops in our district, and the library will take advantage of this opportunity. They will be returning to the library to host two Christmas craft events on 11 December 2024. The first session will be journal making for adults, and the second will be homemade Christmas crackers with the children. Each workshop will cater for 16 participants, and The Re-Creators will bring along all the recycled materials and the knowledge to make these upcycled projects.

4.45 The library is working towards bringing a little magic back to Christmas this year with the staff working toward making the library a festive space for the community. Come visit the library during December to take part in the 2024 Christmas countdown.

4.46 **HUMAN RESOURCES**

4.47 The recruitment process is underway for the following positions:

- Roding Engineer
- Mechanical Treatment Plant Operator
- Administrator – Infrastructure Services

Document ID: 793873

Report To: Council



Meeting Date: 26 November 2024

Subject: **Grassroots Trust Limited Grant Application – Centennial Park Cricket Nets**

Type: Decision Required

Author(s): Sarah McElroy
Manager – Community Development

1. Purpose of Report

- 1.1 The purpose of this business paper is for Council to consider a grant application to Grassroots Trust Limited to assist with costs for cricket nets at Centennial Park.

2. Suggested Resolutions

- 2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.
- 1 The business paper on Grassroots Trust Grant Application - Centennial Park Cricket Nets be received.
 - 2 That Council approves the lodging of a grant application to Grassroots Trust Limited for funding towards the purchase and installation of cricket nets at Centennial Park for an amount up to \$70,000 excluding GST.

3. Background

- 3.1 Council adopted the Centennial Park Concept Development Plan at the 30 July 2024 Council meeting.
- 3.2 The Plan outlines a range of development concepts including a new pump track, playground, picnic tables and a BBQ area. Enhancements to the playing fields, park entrances, visual upgrades to the buildings, along with enhanced parking and road frontage are also outlined in the Plan.
- 3.3 Priorities of work were agreed by Council at the 24 September 2024 Council meeting, with activation of the Oval and North Field being the first priority. This includes installation of soccer/rugby goals and pads, an artificial cricket wicket and cricket nets.

4. Commentary

- 4.1 Grassroots Trust provides local funding to local communities. The Trust supports amateur sport, education and various charitable community initiatives.
- 4.2 There is an opportunity to apply to Grassroots Trust for financial assistance to help activate the North Field at Centennial Park.
- 4.3 This business paper seeks a resolution from the Council of their support to apply to Grassroots Trust Limited for funding up to \$70,000 excluding GST to assist with costs for the purchase and installation of cricket nets at Centennial Park.

5. Considerations

5.1 RISK

5.2 There is a risk that the funding application to Grassroots Trust Limited is unsuccessful.

5.3 CONSISTENCY WITH EXISTING PLANS AND POLICIES

5.4 The application for grant funding is consistent with existing plans and policies.

5.5 SIGNIFICANCE AND COMMUNITY VIEWS

5.6 Under the Significance and Engagement Policy 2021 this matter is of low significance.

Document ID: 771858

Report To: Council



Meeting Date: 26 November 2024

Subject: **Infrastructure Services Group Bi-Monthly Activity Update Report**

Type: Information Only

Author(s): Shyamal Ram
General Manager – Infrastructure Services

1. Purpose of Report

- 1.1 The purpose of this business paper is to update Council on the activities that form part of the Infrastructure Services Group.

2. Suggested Resolutions

- 2.1 The following is a suggested resolution only and does not represent Council policy until such time as it is adopted by formal resolution.

- 1 The business paper on Infrastructure Services Group Bi-Monthly Activity Update Report be received.

3. Background

- 3.1 At its meeting on 28 February 2023, Council adopted a new reporting framework detailing bi-monthly financial reporting and Council group activity reporting.
- 3.2 A reporting schedule was agreed, with Infrastructure and Community reporting on the same bi-monthly Agenda, and Business Support and Leadership / Governance and Regulatory reporting on the other month.
- 3.3 The Infrastructure Services report provides commentary on activities and operational projects covering three waters, roading, waste management, housing, and other property.
- 3.4 The report provides relatively high-level detail and will provide commentary on significant, not 'business as usual' matters.
- 3.5 Each sub-group will cover the following:
1. **Current Activity** - This narrative will cover operational projects, any further narrative on Capex projects not covered in the bi-monthly financial report, issues, and operational topics in these activities.
 2. **Risks and Opportunities** that are important to note.
 3. **Looking Forward** - What is happening in the next 1-3 months to give a picture of what is coming up.

4. Commentary

4.1 ROADS AND FOOTPATHS

4.2 The Roads and Footpaths group of activities incorporates maintenance and renewal of the road surface, pavement, footpaths and other roading assets such as bridges and structures.

4.3 CURRENT ACTIVITY

4.4 The capital works programme is progressing with tenders being loaded onto Tenderlink for tendering purposes. Currently we have the Rehab contract online and the first couple of storm repair sites. This process should be completed by end of December.

4.5 DRAINAGE RENEWALS

4.6 The latest drainage inspection report has been submitted to Council. This will help form the basis for the drainage renewals programme going forward. We are prioritising sites and creating a forward works programme. In the interim, we are completing sites that we are aware are an issue and culverts that are identified in the field.

4.7 LOW-COST LOW-RISK

4.8 Low-Cost Low-Risk (LCLR) was initially not funded by NZTA. There has now been subsequent funding applied for to undertake the sites associated with resilience. The remaining programme of works and a subsequent priority list went to a Council Workshop on Tuesday 15 October 2024, for some further direction.

4.9 The Kent Street slip repair project falls within the LCLR funding referred to above. This funding has now been granted through the government resilience fund and works have begun to scope and deliver this financial year.

4.10 There was a significant slip on Mapara South Rd on 8 October 2024. This has been cleared, the road rebuilt and it is now opened to traffic again. There was an additional slip approximately 2km before this slip, on 8 November 2024. This is currently being discussed with NZTA regarding funding as well as the logging company as to who is paying for repairs. Access has been made for residents living past the slip area.

4.11 Pre-resealing repairs have been completed in advance of the resealing to be undertaken later in the year. The programme for this season is 42km, which is above the KPI but will make up for the reduction in last year's programme.

4.12 CYCLONE RECOVERY

4.13 In February 2022, July-August 2022, January 2023, and September 2023 the region was struck by severe adverse weather. The initial response works have been completed, and repair works are now well underway with some significant contracts.

4.14 All works related to Cyclone Dovi have been completed except for one slip site on Mapara Road which was delayed due to WRC Winter Working requirements. This will be completed this financial year.

4.15 There are 15 sites for the 24/25 season where designs are underway or completed. These are currently being tendered prior to Christmas and construction will commence after Christmas. All repairs for this storm event are to be completed this financial year.

4.16 The work on the Mangarino Road site from the storm event in September 2023 is complete. The road was opened to normal traffic in October 2024. The site has been entered for a national award in the category for works under \$2m through IPWEA.

4.17 A letter has been sent to the Chief Executive at NZTA from Mayor John Robertson. This is to seek approval for the increased FAR that has been approved by the NZTA board for storm related projects. This is mainly for the Gisborne and Hawkes bay areas who were hit hardest by recent storm events to assist with the hardship of funding the local share of repair costs. As WDC suffered significant damage, we have also sought to have the higher

rate of FAR applied to previously approved funding. If this is approved, it would be worth approximately \$102k to WDC.

4.18 **RISKS AND OPPORTUNITIES**

4.19 Opportunity to get favourable prices for the early tendering of the Pavement Rehabilitation and Storm Damage contracts.

4.20 **LOOKING FORWARD – THE NEXT 3 MONTHS**

4.21 Cyclone recovery emergency works are ongoing (multiple weather events).

4.22 Additional funding streams are being sought with NZTA.

4.23 Work is ongoing on the Bridge Maintenance Forward Works Programme.

4.24 Tendering all of the 24/25 contracts.

4.25 **THREE WATERS**

4.26 The Three Waters group of activities includes drinking water, wastewater, stormwater, and management of treatment plants and the reticulation network. This section will also cover a summary of transition activities relating to the three waters reform.

4.27 **CURRENT ACTIVITY**

4.28 **THREE WATERS REFORM**

4.29 The Mayor and the Chief Executive in continuous discussions with other Waikato councils to look for collaboration and aggregation opportunities. The Heads of Agreement will be discussed separately with the Elected Members.

4.30 **DRINKING WATER**

4.31 We are part way through the tender process for Stage 2 of the Te Kuiti Water Resilience Project. The initial close date was late November 2024, but we have now extended this at the request of one of the contractors to the 13 December 2024, with an expected award date in early February. We are currently negotiating easements with the landowners.

4.32 Leak detection was conducted for Piopio township during the months of September and October 2024. We detected two large water leaks which were repaired immediately. These repairs resulted in the town reservoir recovering and no breaches in water take consent at the treatment plant.

4.33 We have started filling the Mokau Water Treatment Plant bottom dam after repairs to the liner were completed.

4.34 **WASTEWATER**

4.35 The dewatering and sludge removal tender has been advertised. A contract is expected to be awarded by the end of December.

4.36 An application for the renewal of Benneydale Wastewater Treatment Plant resource consent to discharge treated wastewater to stream and land was submitted to Waikato Regional Council on Friday 8 November 2024.

4.37 The expected cost for the Benneydale Wastewater Treatment Plant application to renew the discharge consent is \$132,000. This cost includes engaging an Environmental Consultant to carry out all the required investigations, reporting, liaison with all stake holders, conducting meetings with WRC, Taumata Arowai and Waitomo District Council, attending onsite inspection/meeting with Te Nehenehenui (TNN)/Iwi, providing options for Treatment Plant improvement etc.

4.38 There will be additional costs associated with Local Iwi and TNN conducting their Cultural Impact Assessment (CIA) reports to be submitted to Waikato Regional Council as part of the application.

4.39 STORMWATER

4.40 Inspections of the critical stormwater reticulation network, such as open channels, wingwalls and screens will continue to be monitored before, during, and after heavy rainfall events. Remedial work before any forecast heavy rainfall will be implemented as soon as possible by the Council's maintenance contractor.

4.41 We still have not been able to link all four level sensors to our SCADA system, so we can programme and configure it to send a text or sound an alarm when the water level reaches a pre-set level.

4.42 The stormwater modelling work in Te Kuiti has been awarded to the WSP consulting firm.

4.43 Work continues with the stormwater Medium-Term Plans. This includes attenuation ponds. The first two ponds aim to minimise flooding on Ward, Ngatai and Duke Streets. The first site is at the back of Hill Street properties and the second is on the Ward Street Reserve. The majority of the property owners have been met with. The water table is currently being monitored before the design can be commenced.

4.44 **RISKS AND OPPORTUNITIES**

4.45 Risk: Waikato Regional Council may instruct WDC to improve the treatment of wastewater for Benneydale after we lodge our application to continue discharging under current conditions.

4.46 Risk: Cultural Impact Assessment (CIA) report by Local Iwi and TNN may require Council to improve the overall treatment plant process and improve water quality up and down the stream at the point of discharge.

4.47 Opportunity: Seeking a Telemetry and SCADA specialist contractor who is closer to the Waitomo district, to attend any critical and emergency situations (when required).

4.48 **LOOKING FORWARD – THE NEXT 3 MONTHS**

4.49 Piopio Septic Tanks: Work is continuing on inspections and servicing of all 199 domestic sewer pumps for each property in the Piopio township. So far, 111 properties have been serviced and returned to normal operations. This is unbudgeted but must be undertaken for operational and resource consent reasons. We are currently exploring if this work can be brought inhouse with an additional resource.

4.50 Water Project: The Three Waters pipeline renewals programme for the next two to three years is currently being finalised. Once all the sites have been identified, the services can then be procured.

4.51 Stormwater: Inspection and confirmation continue for the six stormwater outlet locations for Piopio, Mokau, Maniaiti/Benneydale, Marokopa, Te Waitere and Waitomo Village. These will be updated on GIS Maps. This will provide accurate sampling and monitoring of stormwater discharges.

4.52 Water Meter Project: The water meters will be rolled out to all the schemes together over the next three years. Work continues on understanding how many properties have backflow devices (Manifold) and suitable water meters. This will assist in selecting the correct meter and reading method.

4.53 WASTE MANAGEMENT

4.54 The Waste Management activity incorporates Landfill, Kerbside Collections and Transfer Station operations.

4.55 **CURRENT ACTIVITY**

4.56 Benching work above the high wall at the Te Kuiti Landfill is ongoing. All stormwater has been successfully diverted to the designated catchment areas, and debris removal from the base of the high wall is scheduled for the coming weeks.

4.57 Vegetation overgrowth on the Landfill's batter slope has been fully cleared, providing an improved view of the toe bund.

4.58 A road extension has been completed to provide access to the new working face of Cell 2.

4.59 Standardised signage has been installed at all Transfer Stations to align with Ministry for the Environment (MfE) requirements.

4.60 **RISKS AND OPPORTUNITIES**

4.61 The primary risk for this quarter is the potential delay in excavation work under the High Wall due to unfavourable weather conditions.

4.62 **LOOKING FORWARD – THE NEXT 3 MONTHS**

4.63 We are looking forward to the continuation of various Waste Management and Minimisation Plan projects which will be implemented by our Waste Minimisation Officer.

4.64 Finalising the development of options for the future of the Landfill.

4.65 We continue to monitor the leachate levels in the stormwater near the landfill. The recent work on the overburden slip removal has resulted in some improvements.

4.66 **PROPERTY AND FACILITIES**

4.67 The Property and Other Facilities activity covers:

- Parks and Reserves
- Public Amenities
- Residential and Elder Housing
- Library
- i-Site
- Railway and Administration Buildings
- Aerodrome
- Holiday Parks

4.68 **CURRENT ACTIVITY**

4.69 Properties at 59 Esplanade and 4-8 Jennings Street have been sold and notices have been issued to the tenants. The section at 2 Jennings Street is still to be sold.

4.70 Leak detection monitoring on the Waitomo District Aquatic Centre is ongoing, with a pending decision on whether to proceed with an in-pool physical assessment.

4.71 As discussed in a previous Council meeting, the old Mokau toilet block is now ready for official closure, and the Property team is preparing the related communications.

4.72 New CCTV cameras have been installed at the front landfill gate on William Street and at the pound, to ensure safety of staff and the general public.

4.73 **RISK AND OPPORTUNITIES**

4.74 The primary risk during this period is that we cannot link the new CCTV cameras to our NX Witness server.

4.75 **LOOKING FORWARD – THE NEXT 3 MONTHS**

- 4.76 The proposed installation of new CCTV cameras at the Les Munro Centre, Aquatic Centre, The Lines Company building and new Mokau toilets.

Document ID: 794587

Report To: Council



Meeting Date: 26 November 2024
Subject: Local Waters Done Well Update
Type: Decision Required
Author(s): Ben Smit
 Chief Executive

1. Purpose of Report

1.1 The purpose of this business paper is to –

- 1 Provide an update on the options being considered for the future management and governance of WDC's 3 Waters.
- 2 Share the draft Heads of Agreement (HOA) developed by Waikato Council Chief Executives on the Waikato Waters Council Controlled Organisation (CCO).
- 3 Confirm whether Council wishes to remain part of the Waikato Water Done Well workstream with the intention of presenting this co-designed Regional Service Delivery Option to the Waitomo community as part of public consultation.
- 4 Seek approval for the Chief Executive to sign the HOA on behalf of Council.
- 5 Confirm, in principle whether, if the regional model is adopted, Council's preferred position is to go to Stage 1 or go directly to Stage 2 (i.e. transfer its water services business directly into what will be an asset owning CCO)
- 6 Share proposed timelines and decision making process.

2. Suggested Resolutions

2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.

- 1 The business paper on Local Waters Done Well Update be received.
- 2 Council approves presenting the Regional Service Delivery Option, as outlined in the Heads of Agreement, to the Waitomo community as part of public consultation on its Water Services Delivery Plan.
- 3 Council approve the Heads of Agreement relating to Waikato Water Done Well as presented.
- 4 Council authorise the Chief Executive to sign the Heads of Agreement on behalf of Waitomo District Council.
- 5 Council confirm in principle its preferred position is to (if the Regional Service Delivery Option is adopted) –

(a) Go to Stage 1.

OR

- (b) Go directly to Stage 2 (i.e. transfer its water services business directly into what will be an asset owning Council Controlled Organisation).

3. Background

- 3.1 Water Reforms require that a Water Services Delivery Plan is established by 3 September 2025. It must identify a future service delivery model that is sustainable.
- 3.2 Engagement with the community on two options is required.

4. Commentary and Analysis of Options

- 4.1 There are four options for the future governance and delivery of Water Services being considered:

4.2 Option 1: Stand Alone

- 4.3 The 'Stand Alone' option is not status quo. If delivery remains internal there needs to be separation as a business unit. The economic and water standards regulators will impose additional costs and resource requirements.
- 4.4 DIA will impose significant scrutiny over, especially small, councils that choose this option.

4.5 Option 2: Waikato Waters

- 4.6 A more detailed paper from the Waikato Water Done Well team is attached providing background information on the HOA.
- 4.7 The draft HOA is also attached. Key components of the agreement are:

4.7.1 Participating Councils

Waipa, Waikato, Matamata Piako, Thames Coromandel, Hauraki, South Waikato, Taupo, Otorohanga and ourselves have participated in the development of the HOA with the opportunity for being a shareholder in the Waikato Waters CCO. Hamilton City has chosen not to. Interestingly and positively Waikato Regional Council has also participated in the discussions given their wish to support the CCO and potentially be a future recipient of services.

- 4.7.2 The aggregated model will be a multi-owned company (a Council Controlled Organisation (CCO)) into which Participating Councils will transfer their water services businesses over time. The CCO will be created in 2025, but it will not be operational until the first half of 2026. Some councils will transfer their business into the CCO in 2026. Other councils will initially only receive particular water-related services from the CCO in the short-term and will transfer their waters business in its entirety at a later date. This has been referred to as Stage 1 and Stage 2.

4.7.3 Stage 1

Asset management planning, input into council planning processes, capital works delivery, strategic or catchment-wide consenting (compliance will stay with councils as part of operations unless that compliance relates to capital works delivery) and project planning and design and procurement.

This covers a number of the areas of risk that we currently have as a council in terms of having the capability and capacity to perform these functions.

Councils can stay receiving services at this level for a 5 year period before having to become a Stage 2 shareholder.

4.7.4 Stage 2: Asset owning, price setting, service delivery CCO

Assets will transfer to the CCO. Debt attributable to two waters less / plus financial reserves will be paid for by the CCO to individual councils based on the original model developed by DIA for the previous reforms.

4.7.5 Structure of CCO

The CCO will operate as a separate organisation with its own Board, Chief Executive and operations. A Shareholder Representative Forum is detailed in the HOA.

4.7.6 Non-binding Heads of Agreement

The resolution in this paper is currently seeking a non-binding commitment from councils on the model as co-designed to date, before moving to the next phase which will involve each council consulting with the public on their options.

The On-ramps and Off-ramps are detailed in Appendix 3 of this paper but the next off-ramp (after choosing to sign the HOA) for councils will be if it does not approve the formal governance documentation that will be developed.

4.7.7 Community Consultation

Legislation will be passed that will simplify (compared to the current Local Government Act requirements) the community engagement process. It is proposed that WDC consult with their community on how they intend to deliver water services in the future around March/ April of 2025 based on the two preferred options decided on by Council.

4.7.8 Proposed Central Government performance monitoring.

Legislation indicates that there will be an economic regulator (perhaps similar to the Electricity Sector) which is likely to be the Commerce Commission, a water standards regulator (Taumata Arowai) and Waikato Regional Council for consent and compliance management.

4.7.9 Stormwater

The current understanding is that stormwater assets will continue to be owned, and rates set and collected, by individual councils. There is the likely option that Waikato Waters would provide the asset management and procurement (effectively Stage 1 services) and if required the operational management to councils that wanted these services. It would be very difficult for smaller councils to maintain an asset management and service delivery team for just stormwater if water and wastewater were delivered by Waikato Waters.

The retention of stormwater ownership and revenue collection has been done because of the significant problem with an aggregated CCO setting pricing and collecting revenue for stormwater. Currently councils have the ability to rate properties. This would be problematic for an aggregated CCO. It is envisaged that Waikato Waters would charge individual councils for the provision of these services and these would be recovered through rates by individual councils. An aggregated CCO would intend to invoice for water and wastewater on the basis of volumetric charges i.e. water meters.

4.7.10 Next investment required by Councils

The next investment required by councils will be for the full development of this service delivery option in a manner that complies with legislation. This would provide information at a level that could be consulted on. The level of this investment will be known shortly.

4.8 Option 3: Service Delivery Agreement with Neighbouring Councils

4.9 Initial discussions have started with a few neighbouring councils to investigate whether there is an opportunity for a collective contract to a service delivery provider.

4.10 These councils are likely to contract BECA to provide the options and overview of what this option may look like.

4.11 Option 4: Department of Internal Affairs (DIA) Virtual CCO Model

4.12 Staff have been in communication with DIA over them supporting us and providing advice. They raised the option of having a CCO for the councils who had not been able to secure aggregation opportunities with other councils.

4.13 They have been in contact with councils over the time to ensure each had an appropriate pathway to develop a Water Service Delivery Plan that would be signed off by DIA. They would 'encourage' (particularly small councils) that a stand-alone option was not a viable option, and they should work with their neighboring councils on the development of a model that could deliver a WSDP jointly.

4.14 It appears a number of mid South Island councils are in this position. DIA believe this option is not as an immediate option, but one that could be a fallback position if other options were not viable.

4.15 Evaluation Criteria

4.16 It is suggested the following evaluation criteria is used for reviewing the four options:

- Create Scale
 - Balance Sheet separation and borrowing to allow for investment.
 - Service affordability through efficiency.
 - Sustainable development, and ability to manage regulatory, environmental and economic regulators.
- Workforce development
 - ability to attract and develop an adaptable, highly skilled and innovative workforce
 - attract and develop a contractor environment with affordable and long term certainty in the supply chain. Leverage buying power and create a medium to long term forward works programme
- Customer focused
 - Dedicated to being responsive
 - New technology to support customers
 - Build customer awareness and understanding of role of water system and value of water
- Ensure local voice
 - Having local voice represented in critical decision making around water investment and management including water takes and discharge and investment in infrastructure replacement, growth and technology.
- Key stakeholder expectations
 - Whole of catchment solutions to enhance decision making, save costs and support growth
 - Recognize all key stakeholders
 - Represent treaty obligations.

4.17 The impact of proposing Options 2 – 4 is that there will be stranded overheads. Losing significant amounts of council's revenue ie waters will result in overheads being spread over less revenue. Overhead costs will reduce but not as much as the loss in overhead recovery from waters.

4.18 The following timetable and decision making process is proposed:

Date	Activity
Nov 2024	Steering Group meeting
Nov / Dec 2024	Work with South Waikato and Ruapehu District Councils and Beca to explore options for a collaborative model
Nov / Dec 2024	Work with DIA to continue to explore options of Virtual CCO and get continued support
26 Nov 2024	Heads of Agreement to Council for approval. Attendees: Vaughan Payne (Waikato Waters), Kelvin French (Colab) and Marlon Bridge (LWDW DIA)
Nov 2024 to Feb 2025	Develop decision making documents for Elected Members to evaluate four options for waters governance and delivery. Choose preferred option and one other for community consultation.
Mar / Apr 2025	Public Consultation on Water Services Delivery Plan. Two options to be defined
May 2025	Workshops and then later deliberations on WSDP options
Quarter 2 / 3 2025	Waikato Waters Transition Planning and establish CCO. Board and CE appointed. Stage 1 shares issued. Establishment team in place.
30 Jun 2025	WDC decision on preferred option before significant decisions made by local government are to cease.
July / Aug 2025	Develop and finalise Water Services Delivery Plan
3 Sep 2025	Water Services Delivery Plan sent to DIA for approval
Quarter 3 / 4 2025	Transition plan updated and ratified by Board. Implementation Plan confirmed.
11 Oct 2025	Local Government Elections
Quarter 1 / 2 2026	Regional Waikato Waters CCO implementation. Two layers of activity: <ol style="list-style-type: none"> 1. Stage 1 councils – Service Level Agreement for functional services. 2. Share 2 shares issues. Assets and liabilities transferred. People and change processes occur
Quarter 1 / 2 2026	Waikato Waters responsible for delivery of water services for Stage 1 and Stage 2 councils who have decided this option.
Quarter 1 / 2 2031	All councils to be at stage 2

5. Considerations

5.1 Done under separate cover and will be emailed

6. Recommendations:

- 6.1 The business paper on Local Waters Done Well Update be received.
- 6.2 Council approve presenting this regional service delivery option, as outlined in the Heads of Agreement, to the Waitomo community as part of public consultation on its Water Services Delivery Plan.
- 6.3 Council approve the Heads of Agreement be signed by the Chief Executive on behalf of Council.
- 6.4 Council confirm in principle whether, if the regional model is adopted, Council's preferred position is to go to Stage 1 **OR** directly to Stage 2 (i.e. transfer its water services business directly into what will be an asset owning CCO).

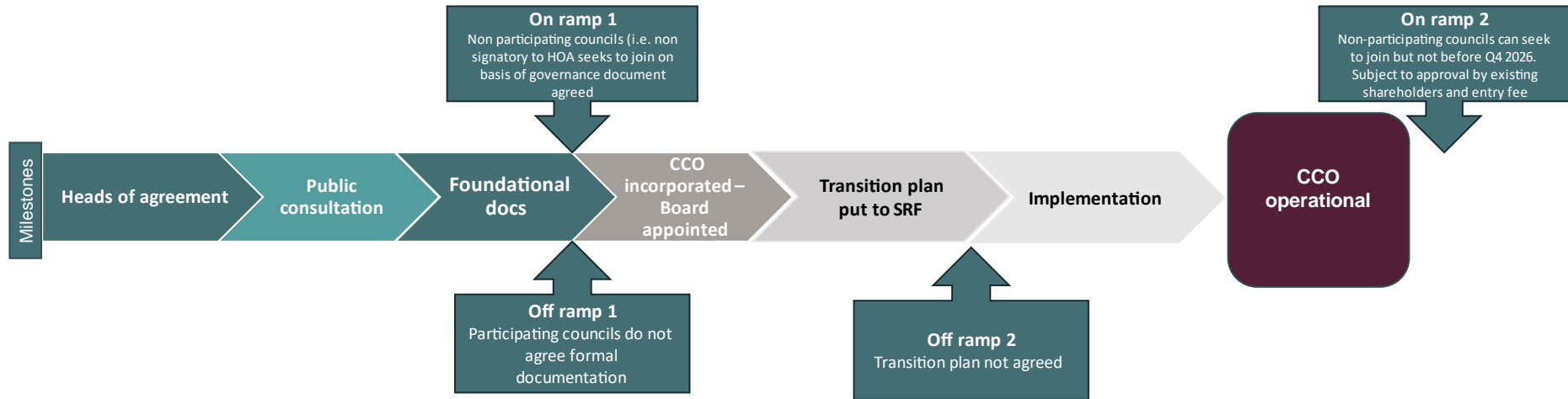
7. Attachments/Separate Enclosures

Attachments:

- 1 Heads of Agreement On/Off Ramps Diagram
- 2 Waikato Water Done Well - Background Document on the Heads of Agreement
- 3 WWDW Timeline and Milestones
- 4 WWDW draft Heads of Agreement

Appendix 1

HOA on / off ramps



Waikato Water Done Well

Background Document on the Heads of Agreement

Waitomo District Council

Report:	Agreed form Heads of Agreement
Meeting Date:	26 November 2024
Prepared by:	Vaughan Payne and Waikato Water Done Well Project Team

Purpose

Enable Waitomo District Council to understand the Heads of Agreement (**HoA**) negotiated by Chief Executives

Confirm whether Council wishes to remain part of the Waikato Water Done Well workstream with the intention of presenting this co-designed regional service delivery option to the Waitomo community as part of public consultation.

Executive summary

1. All Councils in New Zealand are required to identify a viable model for delivering water services to their communities in a way that is financially sustainable and meets regulatory requirement. Councils have options for this. As a minimum, Councils must:
 - a) analyse existing arrangements alongside (at least) one other option with reference to rates, debt, levels of service and water charges. One option must involve joining or establishing a CCO or some other form of arrangement.
 - b) identify a preferred option, and consult the community on the preferred option (while also making the analysis of the other option publicly available)
 - c) decide a future model and include that model in its water services delivery plan. The plans must be delivered to the Department of Internal Affairs (**DIA**) by 3 September 2025 for consideration and approval.
2. The co-designed regional model can be analysed against existing arrangements (and potentially other options).
3. Councils that have negotiated the HoA have agreed in principle to the vision of Te Mana o Te Wai, Te Mana o Te Tangata | Healthy Water, Healthy People. The vision sets the foundation for a strategic and results oriented approach to water services governance and delivery.
4. The HoA sets out the framework of the regional service delivery model co-designed by Chief Executives to meet the strategic direction agreed in principle. The model is measured against success factors, including the need to address 'showstoppers' and be affordable to the community. Affordability has been identified by nearly all Councils as a key challenge for them. Although each Council's needs for Water Service Delivery change are different, all Councils will benefit in some way through a regional model. In line with Government policy,

the proposed model will enable Councils to work together and achieve greater efficiency while also accessing additional borrowing (at Stage 2) to increase the affordability of water services for their communities.

5. The content of the HOA framework is premised on a council-owned limited liability water services company being established (CCO) with two parallel transition plans based on what stage councils want to transition to, and in what timeframe. No dividend would be payable by the company and shares could only be held by a council (not be sold or transferred).
6. The company would be guided by the individual Council's long-term planning and a combined Statement of Expectations to the Board. The Board will be made up of professional directors, appointed by shareholding Councils. A Shareholder Representative Forum would develop with Iwi chairs a proposal regarding their role in shareholder decision-making for council's approval.
7. The proposed regional CCO is significant in terms of scale. Specifically, councils that have negotiated the HoA represent 64% of the Waikato population, 63% of the region's water and wastewater connections and 70% of the region's water services annual revenue (excluding development contributions).
8. Being part of a regional CCO helps to ensure council determines its future through an organisation that it has co-designed with like councils and from a position of strength.
9. By signing the HoA, councils will harness the progress made to date and enable the model to develop into the next phase. The objective of the co-design process is to empower councils to determine their own best future on behalf of the communities they represent, opposed to having no oversight of the designed model.
10. The financial analysis of a regional CCO is currently being updated. This will soon be available.

1. Background to the HOA negotiations

- 1.1. Under the banner 'Waikato Water Done Well', the Waikato Joint Mayors and Chairs Forum (**Forum**) requested that work be carried out to identify collective water services challenges and facilitate co-designing an aggregated water services delivery model, regionally or sub-regionally, to address those challenges. The intent of this work is two-fold:
 - a) to inform a service delivery option councils can consider as part of the requirements of Local Water Done Well (refer paragraph 1.6 to 1.14 below)
 - b) to consider how councils can work together to achieve the strategic direction they have agreed in principle, which includes working smarter by taking a whole of catchment investment approach.
- 1.2. For ease, the collaborative roadmap that has guided the development of the Waikato Water Done Well model is included below. In accordance with this, a proposal was put to the Forum in July 2024 in relation to the co-design of a regional model for water services delivery. The recommendations included that the proposal be put to each Forum member organisation for consideration. This recommendation was endorsed and WDC approved the recommendations when the proposal was put before it.



- 1.3. The detailed recommendations are included in the background section of the attached Heads of Agreement. For ease, the key recommendations are included below:

Recommendation 1: Strategic direction: *That the vision, outcomes and success measures be adopted in principle. [Note: this is included in Schedule 2 to the attached heads of agreement].*

Recommendation 2: Co-design a staged aggregated model (for water services): *That Participating Councils co-design an aggregated model that is staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils (in relation to water services). The end point (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity (this being Stage 2, where the assets and liabilities are transferred from Councils into the entity). [Note: essentially, Stage 2 is the Option 3 multi-Council owned CCO service delivery option]*

Recommendation 4: Heads of Agreement (HOA): *That participating councils instruct their Chief Executive to negotiate a HOA to bring back for their approval by the end of October 2024 (with the intention of the HOA being signed in November 2024). The HOA will be a non-binding agreement between participating councils, entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.*

- 1.4. As mandated, the Chief Executive, together with the Chief Executives of all other Participating Councils, has negotiated the attached HoA. For transparency, the process applied is set out in Appendix 1.

- 1.5. The content of the HoA is explained later in this report (refer section 3). It is important to note:

- a) the HoA remains a non-binding commitment for Participating Councils to work together
- b) the HoA captures good progress made in co-designing an aggregated model and is realistic about the scope and extent of work to be done to develop this option for future water services delivery

- c) the agreed framework is subject to adaptation to reflect accepted feedback from public consultation (including feedback from councils in the form of submissions), and the requirements of further legislation and associated policy
- d) the agreed design (as adapted in light of (c) above) will inform the development of formal CCO governance documentation; including the company constitution and the Shareholders Agreement.

What is the purpose of the HOA?

- 1.6. The purpose of the HoA is to set out the framework of a shared water services regional model that has been co-designed by Participating Councils. To understand why it is needed, it is necessary to set out the national context and regional context in which it was been negotiated.

National context

- 1.7. In a national context, Councils must demonstrate their commitment to delivering water services in a manner that is financially sustainable and meets regulatory requirements. They must do this through water services delivery plans which are a requirement of the Local Government (Water Services Preliminary Arrangements) Act 2024¹ (**Preliminary Arrangements Act**). The plans are due to be delivered to the Department of Internal Affairs (**DIA**) by 3 September 2025 for consideration and approval.

Options

- 1.8. When determining the optimal structure and delivery method for water services, councils have options (as confirmed by DIA guidance²). Subject to meeting minimum legislative requirements (refer Appendix 2), the delivery options are:
- a) **Option 1:** an in-house business unit
 - b) **Option 2:** a single council-owned Council Controlled Organisation (**CCO**) (with Council support)
 - c) **Option 3:** a multi-Council owned CCO (again with Council support)
 - d) **Option 4:** a mixed Council/ consumer trust owned water organisation
 - e) **Option 5:** some other form of arrangement³

Reason for options

- 1.9. The policy intent behind the options is captured in a Ministerial announcement in August 2024:

*“The new water service delivery models will also ensure sustainable water services across New Zealand by providing councils with the flexibility and tools they need to meet their unique needs. **By working together, councils can achieve greater efficiency and access the borrowing they need to keep water services affordable**”*

¹ Enacted in September 2024

² The supporting legislation will only be introduced in late November / early December 2024 (Local Government Water Services legislation (Bill#3)) and is expected to be law by mid-2025

³ Option 5 will not be able to access funding through LGFA and so this option is not considered an effective option at this point in time.

for their communities. Our expectation is that councils will now use this certainty and the additional borrowing capacity to reduce pressure on ratepayers while being able to invest in the critical water infrastructure New Zealand needs.”⁴

1.10. The greater access to borrowing referred to by the Minister:

- a) is achieved because a water services CCO created under Option 2 or Option 3 will be able to borrow up to the equivalent of 500% of operating revenue (around twice that of existing councils) through the Local Government Funding Agency (LGFA), subject to prudent credit criteria and council support
- b) will enable enhanced access to long-term borrowing for water infrastructure. This will reduce the need to fund such investments directly from rates and other revenue and so will decrease the pressure on current day consumers.
- c) The policy intent is to enable councils to move from a system that requires large rate increases to a model that facilitates a smoother price path by combining long-term work programmes across a region (supporting longer-term procurement arrangements) and using debt to spread the costs of long-term assets over time. This will have a significant impact on ratepayer affordability.

1.11. In the context of the councils who have negotiated the HoA, affordability of water charges is a key challenge that has been identified (refer table at paragraph 1.20 below).

Process before deciding options

1.12. Before confirming their intended service delivery model, as a minimum, councils must:

- a) identify and assess the advantages and disadvantages of two options: retaining existing arrangements (i.e. Option 1: the internal business unit) versus joining, establishing or amending a CCO (i.e. Option 2 or 3) or another form of joint arrangement
- b) carry out an analysis of the above two options with reference to rates, debt, levels of service and water charges
- c) identify a **preferred option** and make the analysis of the other option publicly available
- d) decide in relation to the future model and include that in its water services delivery plan.

1.13. Appendix 2 sets out further detail on the relevance of service delivery models in the context of water services delivery plans and the process councils must go through before deciding on the model to include in its water services delivery plan.

1.14. Water services delivery options are required to meet future regulatory requirements, which includes the soon-to-be introduced economic regulation. In general terms, the role of the regulator will be to make sure there is the right level of water infrastructure investment, to enforce information disclosure, drive efficiency gains, and ensure consumers are protected. Economic regulation will increase transparency and external

⁴ [Unlocking Local Water Done Well: New water service delivery models | Beehive.govt.nz](https://www.beehive.govt.nz/unlocking-local-water-done-well-new-water-service-delivery-models)

scrutiny of water services businesses. Initial requirements for information disclosure are expected by early 2026. The ability to address economic regulation from when it is effective should also be a consideration for councils as they undertake this analysis.

Regional context

- 1.15. As noted in prior reports, the Waikato is known nationally for its leadership in managing water, being courageous and innovative to ensure better long-term outcomes for Lake Taupō, the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf.
- 1.16. The Waikato region sits at the heart of the ‘golden triangle’, a strategically significant socio-economic zone between Auckland and the Bay of Plenty regions. The region’s growth is increasingly impacting on its rural and provincial communities which are also critical for supporting a number of nationally significant sectors based in the Waikato including tourism, market gardening, forestry and wood processing, dairy farming, sheep and beef farming, mining, aquaculture and horse breeding.
- 1.17. Councils who have negotiated the HoA are the rural and provincial councils, all of whom have agreed in principle to the vision of Te Mana o Te Wai, Te Mana o Te Tangata | Healthy Water, Healthy People. The vision sets the foundation for a more strategic and results oriented approach to water services governance and delivery.
- 1.18. It provides a future-focused opportunity that transcends borders, allowing the Waikato to show leadership in Water Services Delivery for generations to come, with a unified voice and scale. This strategic opportunity to work together for the benefit of communities and the wider region was recognised during negotiations with reference to the whakataukī by King Tawhiao; *“Ki te kotahi te kākaho, ka whati; ki te kāpuia, e kore e whati”* | *When a reed stands alone it is vulnerable, but a group of reeds together is unbreakable.*
- 1.19. Waikato councils have recognised a range of significant challenges (see paragraph 1.21 below) in the management of water services and have generally acknowledged that change is necessary to deliver the best outcome for ratepayers and the wider community.

Scale of Participating Councils

- 1.20. Together, the scale of Participating Councils is not insignificant with:
 - a) 324,090 people or 64% of the region’s population
 - b) Growth over the last five years ranging from 3% to 13.7%, and all districts having growth higher than the national average of 2.07%
 - c) 208,221 connections or 63% of the region’s water and wastewater connections
 - d) \$208,092 million or 70% of the region’s water services annual revenue (excluding development contributions).

Challenges of Participating Councils

- 1.21. The challenges to delivering water services over the next 10-year period have been assessed across Councils to be as follows:

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

1.22. The interconnection between all the above challenges, and the findings set out in the August 2024 technical report, have been summarised in the following visual:



1.23. At the heart of it, affordability is a key consideration of most councils, particularly in a cost-of-living crisis. The overall funding envelope will determine the extent of a council's financial ability to meet compliance requirements, and to also address investment needs, whether they relate to growth, levels of service, resource consents and/or renewals. Whether a council has financial constraints or not, it must have access to a skilled and capable workforce (internal and external) to have confidence it can and will deliver services to the requisite level.

Pathway to a solution designed through HoA

1.24. In line with the policy intent of Local Water Done Well, Participating Councils are working together to determine how best to deliver water services in a sustainable way. The regional model has been co-designed by the Chief Executives with a focus on:

- a) positioning councils to address their individual challenges together and achieve the collective strategic outcomes. In summary, these outcomes are:
 - i. Financial sustainability
 - ii. Leading workforce
 - iii. Customer focus (including affordability)
 - iv. Local influence
 - v. Delivering on expectations and protecting public health and the environment.
- b) addressing the showstoppers or local concerns previously identified by councils.

2. What does the HoA propose?

The content of the HoA framework is premised on:

- 2.1. **Form:** a limited liability company being established
- 2.2. **Purpose:** the overarching purpose of the company being to achieve the strategic direction (refer clause 3 of the HoA). As councils are aware, the original recommendation was to co-design an aggregated model that would be stood up in stages; Stage 1 being functional services and then Stage 2 (an asset-owning CCO into which councils will transfer their water services business). During negotiations it became apparent some Councils need to go directly to Stage 2. To enable this, the HoA provides that:
 - a) On the date the CCO is operationalised, there will be two categories of councils – those going directly to Stage 2 and those transitioning into the CCO in a staged manner, starting with Stage 1
 - b) The CCO will be set up as an asset-owning CCO from the outset (i.e. akin to a Watercare) but with two parallel transition plans
 - i. Transition planning for the transfer of the water services business of those councils going directly to Stage 2
 - ii. Transition planning for councils who are going to Stage 1 and who will obtain functional services from the CCO from the date it is operationalised under the terms of a service level agreement
- 2.3. **Councils will own the Company:** Councils will own the company as shareholders. When the CCO is first established, all councils will hold shares equally and will be referred to as Stage 1 shareholders. When the CCO 'goes live' and a council transfers its water services business into the CCO, Stage 2 Shares will be issued to that council and it will become a Stage 2 shareholder. Stage 2 Shares will be allocated between councils based on the number of full connections. The terms of the shares include:
 - a) No dividend
 - b) Shares cannot be sold or transferred and can only be held by a council
 - c) Stage 1 shareholders must enter into a service level agreement with the CCO. To have confidence that scale and efficiencies will be achieved over a reasonable time, all councils commit to moving to Stage 2 within five years of the CCO becoming operational (with it being assumed that the CCO will be operational from July 2026)

- d) When a Council moves to Stage 2, its Stage 1 shares will be cancelled. A Shareholding Council cannot be a Stage 1 Shareholder and Stage 2 Shareholder at the same time
- 2.4. **Council's ability to influence:** Stage 1 Shareholding Councils will continue to set the direction for its infrastructure assets through long-term planning (and such new requirements). The CCO will support these councils delivering on these through the service level agreement. Stage 2 Shareholding Councils will continue to set the direction for water services and infrastructure assets in their service area through a combined Statement of Expectations to the Board and through input into, and monitoring of, other documents (as required under the new accountability framework). In both scenarios it is expected the CCO will be required to provide water infrastructure to help deliver spatial plans prepared by councils which reflect local voice and aspirations.
- 2.5. **Directors:** a professional board of directors will be appointed by the Shareholding Councils having regard to the Board Skills Matrix set out in Schedule 7 to the HoA. By law, directors cannot be elected members or staff members of any of the Shareholding Councils). Accordingly, no Council can have "representatives" on the Board. The role of the Board is to act in the best interests of the company and ensure a fully focused approach to water services, creating opportunities for new capital and operating efficiencies (at Stage 1 and Stage 2).
- 2.6. **Iwi Partnership:** Until there is clarity on which councils are shareholders in the CCO, it is not possible to engage meaningfully with Iwi to work through their involvement in shareholder decision making. For this reason, the role of Iwi in relation to shareholder decision making has been left as a matter for the Shareholder Representative Forum (comprising Mayors) to lead with the Waikato Iwi Chairs Forum (or relevant Iwi Chairs depending on the councils involved). The HoA proposes that the SRF develop a proposal on how best to partner with Iwi, including respecting existing arrangements between councils and hapū/Iwi.
- 2.7. In addition, the Statement of expectations will highlight the importance of the CCO having strategic relationships with Iwi, hapū and other entities (e.g. Waikato River Authority; Waihou, Piako, Coromandel Catchment Authority). As the Board is an independent Board, councils will not have representatives on the Board. For the same reason, it will not be possible to have Iwi 'representatives' on the Board. However, as set out in the Board Skills Matrix at Schedule 7, integrating Te Ao Māori and Tikanga Māori in a professional board environment is a Board competency. The HoA notes that the proposal in relation to the long-term engagement with Iwi will require deep engagement and consideration and so it is likely to postdate the initial board appointment process (aiming for mid-2025). For the initial appointment process, the Waikato Iwi Chairs Forum (or relevant Iwi Chairs) will be invited to participate in the appointment process so there is assurance this Board competency is demonstrated during the recruitment process.
- 2.8. **CCO being operationalised:** Once the CCO is operational, the ownership structure will alter in the manner set out above (i.e. there will be both Stage 1 Shareholders and Stage 2 Shareholders). The CCO will have two layers of activity:
- a) water services delivery to customers in the service areas of Stage 2 Shareholders
 - b) functional services to Stage 1 Shareholders that will acquire services from the CCO under the terms of a Service Level Agreement for a period of time but will seek to

transition their business into the CCO in an incremental manner over no longer than a 5-year period

2.9. Next phase and on-ramps and off ramps:

- a) The indicative timeline together with the milestones for the next phase is included in a separate attachment to the Council Business Paper.
- b) Signing the HoA is an on-ramp to the next phase of developing Waikato Water Done Well as an option for water services delivery
- c) The next phase will require investment from Councils to enable:
 - i. the full development of this service delivery option in a manner that complies with legislation. This will require an analysis of the option that can be considered by councils and either consulted on (where it is the preferred option) or made publicly available (where it is not the preferred option) and support with the presentation of the option as part of the public consultation process and subsequent council decision making. (**Note:** the HoA describes one option being considered by Council. The other option Council is required to consider is its existing arrangement; this option is not within scope of the Waikato Water Done Well Project team)
 - ii. development of formal governance documentation (constitution and shareholders' agreement) which, as noted above, will be based on the position arrived at by the Chief Executives and will be brought back to Councils for formal approval. A Council can leave this arrangement ('off-ramp') if it does not approve the documentation.
 - iii. Once the CCO is established, it is intended other councils will be able to join the CCO over time. However, no new shareholders will be admitted between the CCO being established (indicative timeline being mid 2025) and for a period after the CCO is operationalised. The next on-ramp after the CCO is incorporated will be late 2026. Any council joining will need the approval of existing shareholders and will be required to pay an entry contribution fee and such other requirements as set out in the formal governance documentation.

2.10. An illustrative example of the multi-council owned CCO taken from DIA which is reflective of what is intended in the context of the HoA co-designed model is included in Appendix 3.

3. How does regional design support strategic outcomes?

The strategic outcomes agreed by Participating Councils in principle are set out (blue boxes) followed a brief explanation of how the co-designed CCO can deliver these outcomes.

Outcome 1:	Success Measures:
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create scale and change to enable the significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban development

- Balance sheet separation is achieved together with ability to borrow in a practical and cost-effective manner
- Achieve more with the same amount of revenue

- 3.1. Multiple independent reports commissioned over the last decade (or more) at a national and local level show three waters can be delivered more cost-effectively if councils leveraged scale (refer August 2024 technical report).

Creating scale

- 3.2. As noted at paragraph 2.15 above, the scale of Participating Councils is not insignificant, including 324,090 people or 64% of the region's population, 208,221 connections or 63% of the region's water and wastewater connections, and \$208,092 million or 70% of the region's water services annual revenue (excluding development contributions).
- 3.3. A finding was made in previous work (refer August 2024 technical report) that not all councils need a full water services organisation now, but it is highly likely all councils and communities will need and benefit from one at some point. Through the co-design process, it has been agreed that scale will be created as follows:
- Participating Councils will have the option of going directly to Stage 2 (i.e. transfer their water services business directly into the asset-owning CCO). This will greatly assist Councils who are reaching their debt capacity but also responds to the risk identified by other Councils of separating their operations and capital works activity
 - The establishment of the CCO will not be staged but Participating Councils can stage the way they transfer their business into the CCO, with Councils that join at Stage 1 receiving functional services from the CCO
 - To ensure there is confidence that scale will be created, all Participating Councils commit to transferring their business into the CCO within five years of it becoming operational

Balance sheet separation and increased borrowing

- 3.4. LGFA has confirmed that water services CCOs which control the water revenue for water services can borrow 500% revenue subject to prudent credit criteria being met. In a multi-council owned CCO such as that proposed for Stage 2 Councils, this will be treated as separate from council borrowing (but with Council support). Balance sheet separation will be achieved under this proposed model. This will also free up a council's balance sheet for non-water activities. The more Councils that aggregate together, the more the revenue generated by the CCO (at Stage 2) and so the more it can borrow. A key focus of the proposed model is to ensure that investment is made in a more strategic and cost-effective manner (refer later paragraphs).

Achieve more with revenue

- 3.5. Financial modelling based on full aggregation by 2031 shows that aggregation requires less revenue than a standalone scenario to achieve the same outcomes. The financial analysis of a regional CCO is currently being updated. This will soon be available. The Board of the CCO, having regard to what is required from a regulatory compliance perspective

and with reference to the Shareholders' Statement of Expectations, will determine whether savings should be applied to reducing rates for customers or are needed for reinvestment in assets.

Enable significant infrastructure investment

- 3.6. A design feature of the multi-council owned CCO for Stage 1 Councils and Stage 2 Councils is to have a single team focused on water services, procuring contractors and delivering projects on time and in budget. This will enable Shareholding Councils to deliver on the significant capital works required over the next decade alone. Excluding HCC, Waikato Councils indicate circa \$2.3 billion is budgeted to be invested in three waters over the next decade alone.
- 3.7. Although Waikato Councils have been able to progressively increase their capacity to deliver capital work programmes over the last decade⁵, this is based on spend against budget. According to Infometrics, water services infrastructure is estimated to cost 30% more to build than three years ago. Increased capital expenditure does not always reflect value and better outcomes. Economic regulation will shift the focus from delivery against budget to outcomes, quality service delivery and customer benefits.

Strategic consenting

- 3.8. A further design requirement in the investment category is that there is a more strategic and cost-effective approach to consenting (noting one third of all water consents in the region expire in the next five years). Consenting is a significant driver of capital works programmes. Currently, consents are granted on an ad-hoc first-in first-served basis. In relation to wastewater treatment plants (**WWTP**) (which are the most expensive to consent and upgrade), there are currently 20 consented discharges (12 Councils) in the Waikato and Waipā river catchment and 24 consented discharges (14 Councils) in the Hauraki River catchment. A visual of where the WWTPs are located is included in Appendix 4.
- 3.9. The model proposes a shift to consents that take a whole of catchment investment approach and to work smarter by seeking the best return on investment for the rivers concerned. This could include:
- a) Nutrient balancing between WWTPs (council and industry)
 - b) A long-term integrated catchment plan to inform the best return on investment through a potential:
 - i. an offset regime to reduce the impact of diffuse discharges (land use)
 - ii. a partnership opportunity between all parties: Iwi, river authorities, industry, farmers and the CCO
- 3.10. Waikato Regional Council has supported and invested in the development of this regional model. The HoA acknowledges the contribution to date and captures the need for the transition plan to include exploring future partnership opportunities with WRC including, but not limited to, technical leadership around a catchment-based approach to land use planning, infrastructure services and consenting.

⁵ In the three years ending 20/21, an average of 78% of actual capex budgets was spent. More recent reports on capex budgets versus actual spend indicate this gap continues to close.

Leading Workforce

<p>Outcome 2:</p> <p><i>create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato</i></p>	<p>Success Measures:</p> <ul style="list-style-type: none"> • Supply chain has longer-term certainty, providing confidence to invest • Specialist waters staff will be retained, protecting regional capability and enhancing future service delivery
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- 3.11. The aggregated approach to capital works through a single focused team, together with the creation of a consolidated Asset Management Plan (AMP) informed by a long-term strategy, will provide the supply chain with longer term certainty of pipeline and give it confidence to invest in resources to support the AMP.
- 3.12. The above will also enable supply chain management, again through a single team. This will both lower and smooth costs as Councils will not be competing for the same resources.
- 3.13. Critical waters staff and contractors report being under pressure given the ageing workforce, competition (from other potential employers including locally and offshore) and an environment of ongoing uncertainty. Smaller Councils, where operations can be highly dependent on a few individuals, are at risk of losing critical staff. Civil construction contractors must also deal with the peaks and troughs in workflow that arise from each council's three-yearly LTP capital works programmes. Their ability to deliver is increasingly challenged given their current state resources. Contractors advise it will take 2-3 years to gear up for programmes bigger than what is currently in the market.
- 3.14. Specialist waters staff across the region will work together in the CCO, sharing knowledge, building capability, enhancing future service delivery and better local career paths for the regional water's workforce. A continued local presence to support local delivery is an expectation of the operating model and can be specified in the Statement of Expectations.
- 3.15. The design gives existing staff line of sight of a Council's intentions and so confidence as to their future career pathway. This is important as uncertainty created by various reforms has gone on for too long. This also makes service delivery more resilient, particularly for smaller Councils where operations can be highly dependent on a few individuals. The need to create an attractive proposition for staff remains even more important as other CCOs are stood up around the motu and engage in a recruitment drive to attract the most skilled.

Responding to economic regulation

- 3.16. The workforce will need to be supported by the CCO's capability to build systems and processes that efficiently respond to and meet the requirements of economic regulation.

A CCO at Stage 2 will enable Councils to prepare for economic regulation by removing water services from their main activities and transferring these into an organisation designed to respond to regulatory requirements.

<p style="text-align: center;">Outcome 3:</p> <p style="text-align: center;"><i>be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water</i></p>	<p style="text-align: center;">Success Measures:</p> <ul style="list-style-type: none"> • Investment in systems is increased, data is standardised, leading to better analysis and more confident decision-making • Can demonstrate transparency and compliance • Affordable to the community
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- 3.17. The agreed transition principles (refer clause 10 of HoA) state there must be a seamless transition for customers. While the management of the CCO will be overseen by the Board, Councils will set the strategic direction via the accountability framework which includes the preparation of a combined Statement of Expectations. The minimum content agreed includes a requirement that the Board focus on achieving better outcomes for communities. The strategic framework adopted in principle by the shareholders is the starting point for what the Board needs to achieve.
- 3.18. In relation to systems and compliance, Taumata Arowai has identified the need to improve the quality of data (particularly for network performance) and completeness of reporting. All Councils will need to adapt their water services business to meet the requirements of economic regulation; this will have a massive impact on how water services business must operate with increased transparency and external scrutiny being key features.
- 3.19. Significant investment to demonstrate compliance with information disclosure requirements under economic regulation will be needed through robust data and asset management systems. By aggregating, there is the opportunity work together to leverage new technologies to achieve this outcome. This is also relevant to Outcome 2 as the multitude of systems across Councils and the lack of standardised data is likely to impact the ability of operators to properly manage the relevant networks.

Local influence

<p style="text-align: center;">Outcome 4:</p> <p style="text-align: center;"><i>ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharge</i></p>	<p style="text-align: center;">Success Measures:</p> <ul style="list-style-type: none"> • Local concerns addressed (but in a balanced matter that does not undermine balance sheet separation) • The water services model can give effect to the spatial plans of each council (noting the plan informed by strong local voice). • Prioritisation framework and statement of expectations (for example) capture the strong local voice heard by Councils
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- 3.20. A requirement of legislation is that a competency-based Board must be appointed. Neither elected members nor staff of a Shareholding Council can be appointed to the

Board. The co-designed model ensures that local voice is represented in the following manner:

- a) Within the HoA, each shareholder will have at least one representative on the Shareholders Representative Forum; this being the body that will support the coordination of multiple council interests in relation to those matters that fall within scope of the shareholders decision making.
- b) At Stage 1, all shares are held equally, giving all shareholders equal influence
- c) Best endeavours will be applied to reach all shareholder decisions by consensus. Where this cannot be achieved, shareholders will vote, with 75% being the threshold for decisions.
- d) Councils with Stage 2 shares will have shares allocated based on number of full connections (with review periods included). This was arrived at as the appropriate means for allocating shares because:
 - i. Shares cannot be sold or transferred in the CCO
 - ii. No dividend is attached to shares
 - iii. The relevance of the number of shares is the ability to influence decisions
 - iv. As influence is exercised on behalf of customers, the number of connections best reflects community interests and local voice

- 3.21. To protect the influence of all Shareholders, two levels of decision making are included in the decision-making framework for Stage 2; 75% of votes and 75% of number. The latter ensures that a few large shareholders can not unduly dominate.
- 3.22. The HoA provides for the development of a transition plan, which will be brought to Shareholding Councils for approval when only Stage 1 Shareholders exist. This must incorporate the principles that will inform the investment prioritisation framework of the CCO (including any transition). This will be approved before the CCO 'goes live'.
- 3.23. Under the new accountability framework Bill#3 will introduce, Councils will also set out their expectations of the Board in a combined Statement of Expectations which will include strategic outcomes, priorities and any other general guidance shareholders wish to include. This will capture the strong local voice heard by Shareholding Councils and set the expectation that the CCO give effect to the spatial plans of each Council.
- 3.24. A new document, referred to as a water services strategy, will be required from the Board. This will set out the Board's strategic priorities, how it will meet regulatory requirements, and how it will respond to the Statement of Expectations. Shareholders will have the opportunity to review and comment on this before the water services strategy is finalised.

Delivering on Expectations

<p style="text-align: center;">Outcome 5:</p> <p style="text-align: center;"><i>meet the expectations of key partners and stakeholders including those represented in Treaty settlements</i></p>	<p style="text-align: center;">Success Measures:</p> <ul style="list-style-type: none"> • Treaty settlement obligations can be given effect to • Ability to invest in whole of catchment solution, supporting regional economic growth
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3.25. The role of Iwi in relation to shareholder decision making has been left as a matter for the Shareholder Representative Forum to work with Iwi on. This will ensure Iwi have clarity as to the Councils who are committed and can sensibly assess what that means for them. This relates only to the role of Iwi in shareholder decision making. Effective partnering with Iwi is a key requirement for the Board in the minimum content of the Statement of Expectations. This would include maintaining and enhancing existing relationships Councils have with local hapū and Iwi as they relate to water services, and forming effective relationships with with current and proposed entities (Waikato River Authority, Hauraki Gulf Forum and Waihou, Piako, Coromandel Catchment Authority).

Outcome 6: <i>Protecting public health and the environment</i>	Success Measures Ability to invest in whole of catchment solution, supporting regional economic growth
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3.26. As noted at paragraph 4.10 above, a key focus in the design is to invest in a whole of catchment solutions. This will require an understanding of the overall impacts that multiple water takes or wastewater discharges are having on the health and wellbeing of rivers that transcend council boundaries. In this manner, the CCO can ensure consent processes deliver the best return on investment at a catchment scale as opposed to being driven by expensive ad hoc individual consent processes.

3.27. The HoA includes engaging with Iwi in relation to achieving this outcome but also forming effective working relationships with Waikato Regional Council and Taumata Arowai.

4. 'Showstoppers' and HoA Design

4.1. Previous government reform and other attempts at establishing fully operational water services entities have been unsuccessful. This is largely due to what has been identified as 'showstoppers' in the context of the Waikato Water Done Well work. The showstoppers were identified from one-on-one discussions with Chief Executives as to what they considered to be the "showstopper" in the context of their business and confirmed by the Forum Reference Group. The showstoppers were then distilled into four categories as per the below table. This section sets out how the HoA design proposes to address them.

4.2. It is important to note that while the 'showstoppers' are addressed in the HoA model, without the support of local leaders, communities may be reluctant to buy into a fully aggregated entity.

Overarching groups identified	'Showstoppers' captured in grouping
1. Local voice and influence	<ul style="list-style-type: none"> • Timeframe to price harmonisation (formerly known as cross-subsidisation) • Enabling local voice • Governance • Prioritisation of communities • Community perception re assets being 'given away' • Ability to Influence pricing • Iwi buy in and influence in decision making

2. Distributional impacts	<ul style="list-style-type: none"> • Timeframe to price harmonisation • Prioritisation of communities • Water metering
3. Service delivery, scope and standards	<ul style="list-style-type: none"> • Ability to create scale and move quickly • Stormwater – in or out
4. Transitional considerations	<ul style="list-style-type: none"> • Ability to create scale and move quickly • Stranded costs • Costs involved in standing up a CCO

Local voice and influence – HoA Design

- 4.3. In addition to the design matters set out in Outcome 4 above, the transition plan proposed by the HoA requires Shareholding Councils agreement on:
- a) the pricing principles for charging and the pathway to long-term pricing harmonisation (whether on a regional basis and / or local community-based approach to pricing (jam-jarring)). The overriding requirement of economic regulation is that the true cost of the service is reflected in the price.
 - b) Assets will be owned by the CCO which, in turn, will be owned by Shareholders. Assets cannot be given as security. Shares can only be held by Councils.
 - c) Iwi and shareholder decision making – partnership proposal to be prepared by Shareholder Representative Forum

Distributional Impacts – HoA design

- 4.4. Process for addressing historic underinvestment will be agreed by the Shareholding Councils (refer clause 10.13 of the HoA). This approach recognises the fact that Councils will have to complete Water Service Delivery Plans and address any underinvestment in any event.

Service delivery, scope and standards – HoA design

- 4.5. HoA has created a staged approach to enable some Councils to move faster than others. This includes the enablement of Councils to go directly to Stage 2 where that is appropriate in the context of their business.
- 4.6. It is proposed that stormwater be addressed via a stormwater management agreement in the first instance but noting the optionality that may be available later once the scope of Bill#3 is fully understood.

Transitional considerations – HoA design

- 4.7. Stranded costs is a risk that must be managed as part of the transition planning. Transitional arrangements between Councils and the CCO will be worked through to manage and minimise such costs. The staging approach also enables Stage 1 shareholders to manage this cost as part of their change planning for transition into the CCO within the 5-year timeframe.
- 4.8. The more Councils, the more that costs can be shared. It may be that the costs can be passed into CCO from a point in time – this is a matter that is being discussed with LGFA. If further Councils join, they will be required to pay an entry contribution in the manner set out in the HOA.

5. Implications of signing the HoA

- 5.1. Waikato Water Done Well gives Councils a co-designed service delivery option to deliver on the strategic outcomes in a way that can be measured against success and has mechanisms for addressing ‘showstoppers’. This model can be analysed by Councils against existing arrangements (and potentially other options) in accordance with the legal requirement that Councils assess at least two options, one of which must involve joining or establishing a CCO or some other form of arrangement.
- 5.2. By signing the HoA:
- a) a Council is agreeing to continue to be part of the next phase of development of the Waikato Water Done Well model. This will involve:
 - development of a proposal that will set out in detail the advantages and disadvantages of the co-designed model together with all other information required by legislation
 - ongoing good faith discussions and investment in the development of the model for the next phase of public consultation, followed by formal governance documentation
 - b) Participating Councils keep Waikato Water Done Well alive as an option. If sufficient Councils do not sign, and Councils take a wait and see approach, momentum will be lost and the collective initiative will fail. This will result in the consequential loss of:
 - the investment to date of the ten Councils (including WRC) in co-designing a collective model
 - the collective pathway to addressing Council’s challenges in a timely manner
 - the opportunity for communities to be presented with this option for consideration and feedback
- 5.3. The model proposed by the HoA enables Council to lock in the agreed terms on which they can join a CCO whether directly as a Stage 2 Shareholder or later down the line. The alternative is for a council to retain their existing arrangements and when the need for scale materialises (including capability to address the full impact of economic regulation), Councils find themselves seeking to join an existing CCO they have had no input into designing. Continuing to develop the model into the next phase gives Councils the opportunity to determine their own future rather than having it directed to them.
- 5.4. To safeguard the above, Participating Councils are asked to maintain momentum in a CCO that they have co-designed to meet individual and collective needs. In the interests of ensuring local voice is heard in relation to options, the regional option should be continued and disclosed to the public during consultation to ensure their feedback can be received. The model can then be improved to reflect this feedback (which will include council submissions).
- 5.5. If a council chooses not to sign the HoA, it is not progressing with WDDW workstream as an option.
- 5.6. However, if a council intends to put the regional model forward as the alternative option during consultation, and make it publicly available, the council will still need to engage with the project to complete the analysis of WDDW as an option.

- 5.7. For those Councils who wish to put the regional model forward as an option during consultation, it is proposed a Joint Committee will be established by the Participating Parties to support the consultation process. Although Councils may consult at different times, it will be important that the format and content for a regional model proposal is agreed by the relevant Councils to ensure consistency in messaging to communities.
- 5.8. To enable all Councils to consult within their intended timeframes, it is not intended that the HoA be amended before public consultation. However, the formal governance documentation will reflect all accepted feedback from consultation and will be brought back to each Council for consideration and approval.

6. Required investment

- 6.1 The required investment to support WWDW is currently being updated and will be shared with Chief Executives prior to Council decisions on WWDW.

7. Next steps

- 7.1. The indicative timeline and future decision points are included in as a separate attachment to the Council Business paper.
- 7.2. The immediate next step is the progression of the regional model proposal for it to be an option considered by communities as part of the public consultation process. Feedback will be considered and will inform Council decision-making.
- 7.3. If the Council decision making is favourable, and there are sufficient Councils, the governance documentation for the regional CCO will be finalised and brought back to Councils for formal approval.

Appendix 1 - HoA Development Process

Negotiations

1. On 7 October 2024 an initial draft of the Heads of Agreement was circulated to CEs (**Initial HoA**). This captured the output of meetings had with the CEs on:
 - a) 18 September
 - b) 27 September; and
 - c) 2 October 2024
2. CEs were asked to provide written feedback on the Initial HoA by 11 October 2024. Such feedback was duly provided by the majority of CEs and the HoA was updated to incorporate this. In addition, the Initial HOA has been updated to reflect:
 - a) matters discussed with CEs and feedback received on 9 October and 16 October respectively
 - b) feedback received from Russell McVeagh following review
3. A further version of the HoA was circulated to CEs on 18 October 2024 and this was discussed at the 23 October meeting.
4. Following on from the above, a further iteration was circulated and discussed on 30 October 2024.
5. Based on the output of the above discussions, an agreed form HoA was circulated on 1 November 2024.

Process applied to develop content [to be completed]

6. The questions that informed the scope of discussions between the CEs during the negotiations of the HoA are set out below.

1. Form of entity	2. Purpose of entity	3. Stage 1 shares allocation	4. Who is on shareholder forum?
5. What is Iwi involvement?	6. How will shareholders make decisions?	7. Directors	8. Scope of Statement of Expectations?
9. What does public consultation look like?	10. Transition planning	11. Stage 2 – how and implications	12. On ramp / off ramp

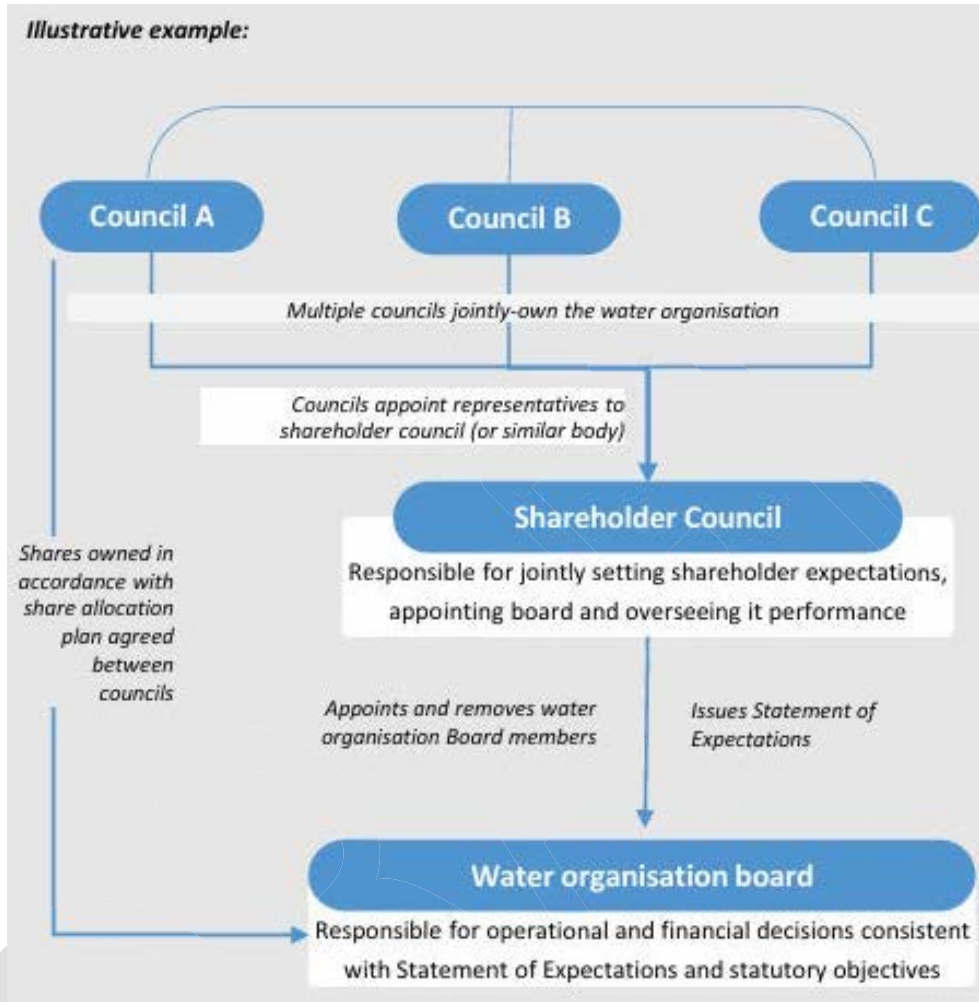
Appendix 2 – Water Services Delivery Plans and service delivery models

1. Water services delivery plans are required under the Preliminary Arrangements Act. The focus of these plans is financial and asset condition, investment requirements and service delivery model arrangements.
2. Process wise:
 - a) each council is required to submit a water services plan by 3 September 2025
 - b) this must include the intended future water services delivery model
 - c) the minimum requirements for all service delivery models are that they:
 - a) can meet economic, environmental and water quality regulation
 - b) meet new planning and accountability framework
 - c) are financially sustainable (with ring-fencing of water services, revenue sufficiency and investment sufficiency)
 - d) act consistently with statutory objectives
 - e) are subject to restrictions against privatization
 - d) Councils must consult on the intended future water services delivery model
 - e) Councils are only required to consult on their anticipated or proposed arrangements/model for delivering water services.
 - f) In their decision making regarding the preferred option, Councils must identify and assess the advantages and disadvantages of at least two options;
 - f) retaining their existing arrangements (i.e. the internal business unit); and
 - g) joining, establishing or amending a CCO or another form of joint arrangement. Councils may choose to consider more options
 - g) when consulting, Council must make the analysis of the above options publicly available, with information as to:
 - h) what is proposed, an explanation of it and the reasons for the proposal
 - i) how proceeding with the proposal is likely to affect:
 - the Council's rates, debt, and levels of service; and
 - any charges for water services:
 - j) how not proceeding with the proposal is likely to affect:
 - the Council's rates, debt, and levels of service; and
 - any charges for water services:
 - k) if the proposal involves a joint water services CCO, or a joint local government arrangement, the implications for communities throughout the joint service area of that

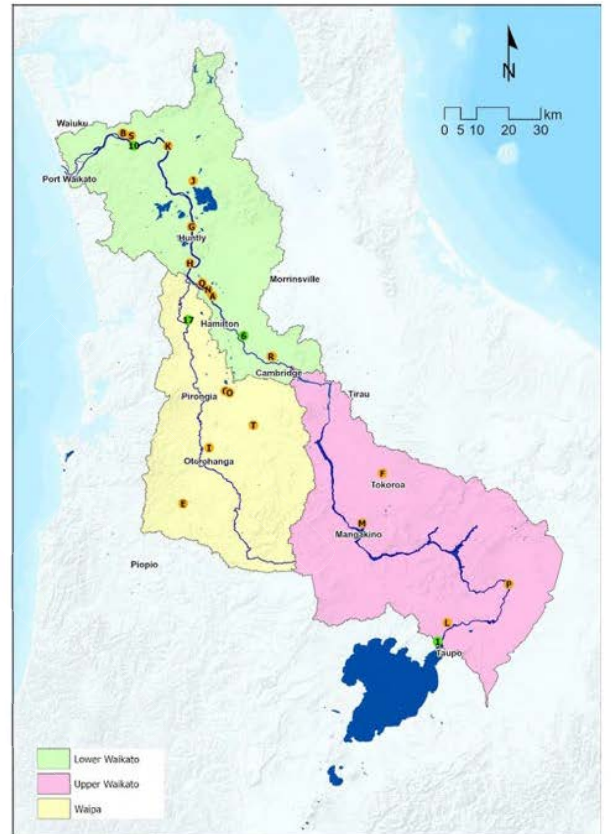
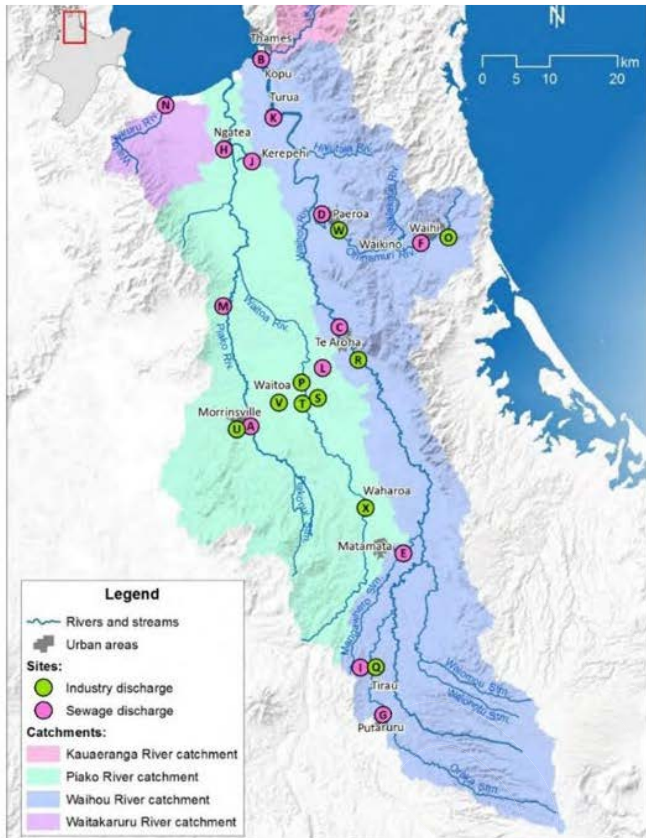
- l) if the proposal involves transferring ownership or control of a strategic asset to a water services CCO or the joint local government arrangement, a description of any accountability or monitoring arrangements the authority will use to assess the performance of the water services CCO or the joint local government arrangement in regard to the asset
- m) any other relevant implications of the proposal that the authority considers will be of interest to the public.

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Appendix 3 – Multi-Council owned CCO example



Appendix 4 – Wastewater Treatment Plants in the Waikato and Hauraki river catchments



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Date	Activity
Nov 2024	Steering Group meeting
Nov / Dec 2024	Work with South Waikato, Ruapehu District Councils and Beca to explore options for collaborative model
Nov / Dec 2024	Work with DIA to continue to explore options of Virtual CCO and get continued support
26 Nov 2024	Heads of Agreement to Council for approval. Attendees: Vaughan Pain Waikato Waters and Marlon Bridge LWDW DIA
Jan / Feb 2025	Develop decision making documents for Elected Members to evaluate four options for waters governance and delivery. Choose preferred option and one other for community consultation.
Mar / Apr 2025	Public Consultation on Water Services Delivery Plan. Two options to be defined
May 2025	Workshops and then later deliberations on WSDP options
Quarter 2 / 3 2025	Waikato Waters Transition Planning and establish CCO. Board and CE appointed. Stage 1 shares issued. Establishment team in place.
30 Jun 2025	WDC decision on preferred option before significant decisions made by local government are to cease
July / Aug 2025	Develop and finalise Water Services Delivery Plan
3 Sep 2025	Water Services Delivery Plan sent to DIA for approval
Quarter 3 / 4 2025	Transition plan updated and ratified by Board. Implementation Plan confirmed.
11 Oct 2025	Local Government Elections
Quarter 1 / 2 2026	Regional Waikato Waters CCO implementation. Two Layers of Activity: 1. Stage 1 councils – Service Level Agreement for functional services. 2. Share 2 shares issues. Assets and liabilities transfer People and change processes occur
Quarter 1 / 2 2026	Waikato Waters responsible for delivery of water services for Stage 1 and Stage 2 councils.
Quarter 1 / 2 2031	All councils to be at stage 2

HEADS OF AGREEMENT

relating to

WAIKATO WATER DONE WELL

Between the Signatory Councils listed in Schedule 1

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Parties

This agreement is entered into between the Councils listed in Schedule 1 (**Participating Councils**)

Background

- A. Under the banner 'Waikato Water Done Well', the Waikato Joint Mayors and Chairs Forum (**Forum**) requested that work be carried out to support individual councils in the Waikato to make an informed decision on the merits of aggregating water services, regionally or sub-regionally.
- B. In July 2024, based on a pre-circulated paper and a presentation made by the Waikato Water Done Well Project team, the Forum endorsed the following recommendations being put to each Forum member organisation for decision making:
 - a. **Strategic direction:** That the vision, outcomes and success measures (as now set out in Schedule 2 to this agreement) be adopted in principle.
 - b. **Co-design a staged aggregated model (for water services):** That participating councils co-design an aggregated model that is staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils (in relation to water services). The end point (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity (this being Stage 2, where the assets and liabilities are transferred from Councils into the entity).
 - c. **Advise Forum Chairs of decision:** That each member organisation formally advise the Forum Chairs of their decision in relation to the above recommendations by mid-September 2024. Non-participating councils will exit this workstream but will be kept informed of the work underway.
 - d. **Heads of Agreement (HOA):** That participating councils instruct their Chief Executive to negotiate a HOA to bring back for their approval by the end of October 2024 (with the intention of the HOA being signed in November 2024). The HOA will be a non-binding agreement between participating councils, entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.
- C. Over the course of August and September 2024, the above recommendations were presented to each Waikato council. A formal resolution to participate was passed by all but one council (this being Hamilton City Council) and a mandate given to the Chief Executives to negotiate a HOA. This mandate was also given by Waikato Regional Council (**WRC**) to its Chief Executive to participate in the HOA process and contribute towards the negotiation of a regional approach.
- D. The Chief Executives have discharged the mandate from their respective organisations. This agreement documents the output of the HOA negotiations and the intended key terms of the formal governance documentation for the proposed aggregated model. For completeness, it is noted that the negotiations were completed based on the relationship principles and HOA decision making framework set out in Schedule 3. It is intended that the

- same relationship principles will inform the Participating Councils negotiation of the formal governance documentation.
- E. During the course of negotiations (and subject to formal council approval and public consultation), certain Participating Councils expressed the desire / need to move directly to the Stage 2 end-point (and transfer their water services business to the aggregated entity) rather than progress in an incremental manner. To ensure flexibility, the ability of Participating Councils to go directly to the Stage 2 end-point is also built into this HOA.
 - F. The role of WRC as a key party to the negotiation of this agreement, and as a strong partner and supporter of the collaborative regional approach that can deliver the strategic outcomes is again acknowledged. At this point it is noted that WRC is not a signatory to this agreement because its functions are currently outside the scope of water services contemplated by this agreement. However, to demonstrate its ongoing support for a regional approach, WRC has requested the provision be included in this agreement to formally document its wish to maintain a partnership relationship going forward (refer clause 10.10 and 10.11 below).

Agreement

The Parties have agreed the following:

1. Legal status and purpose of this agreement

- 1.1. This agreement is not intended to be legally binding. It is entered into by the Parties in good faith to demonstrate their commitment to co-design an aggregated model for the delivery of water services that can achieve the purposes set out in clause 3.
- 1.2. This agreement sets out the framework of the agreed design and is subject to such adaptations as are considered necessary by the Parties to comply with the requirements of upcoming legislation (Bill#3), any associated Government policy and the outcome of public consultation.
- 1.3. The intention of the Parties is for this agreement to inform the key provisions of:
 - a) the formal documentation required to establish the aggregated model, namely:
 - i. Public consultation documentation
 - ii. Constitution
 - iii. Shareholders' agreement (including terms of reference for the Shareholder Representative Group (refer section 7 below))
 - iv. Statement of expectations
 - b) the service level agreement to be entered into between each Participating Council and the CCO at Stage 1.
- 1.4. Further detail on the content and purpose of the above documents is set out in Schedule 4 to this agreement. These documents will be brought back to each Party for consideration and formal approval at the appropriate time.
- 1.5. By entering this HOA, the Parties commit to undertake the co-design activities for the aggregated model. To ensure consistent messaging across communities as to the content of this HOA, and what has been agreed, Participating Councils agree to collaborate and ensure, to the extent practicable, a no surprises approach is taken when communicating about the contents of this HOA and the analysis of this option.

2. Establishment of a water services company

- 2.1. Subject to public consultation and agreement on the formal documentation, the Parties agree to establish a water services company which will be:
- a) incorporated as a limited liability company under the Companies Act 1993
 - b) owned by the Parties who will have voting rights
 - c) a Council Controlled Organisation (**CCO**) within the meaning of section 6 of the Local Government Act 2002
 - d) an asset owning fully regulated company that will deliver water services to communities (Stage 2) and a provider of **Agreed Functional Services** (refer clause 10.6) to Participating Councils for the period of time that they are at Stage 1
 - e) a waters services CCO within the meaning of section 5 of the Local Government (Water Services Preliminary Arrangements) Act 2024 (**Preliminary Arrangements Act**)
- 2.2. The CCO will have:
- a) the registered name of Waikato Waters Limited and a registered office will be confirmed closer to the date of incorporation. Any change in name is a matter on which shareholder approval must be sought
 - b) have the purpose set out in clause 3 below
- 2.3. The key provisions in, and format of, this agreement, set out:
- a) how the CCO will be owned, including the classes of shares that can be held (**Council Ownership**) with each Council referred to as a **Shareholding Council**
 - b) what decisions will be brought to Shareholding Councils for decision making, how the shareholders will make those decisions and communicate expectations to the Board of Directors (**Shareholding Councils Influence and Control**)
 - c) the way Shareholding Councils will organise themselves to make decisions in relation to those matters that Shareholders have decision making rights over (**Shareholder Representative Forum**)
 - d) the requirements for appointing Directors (**Board of Directors**)
 - e) the intended process for engaging with Iwi and determining how to effectively partner with Iwi (**Iwi Partner Involvement**)
 - f) the intended steps to undertake transition planning to the Stage 2 end-point from an operational perspective, with clarity on the part of the journey to get to Stage 1 (**Transition Planning**)
 - g) the steps a Shareholding Council will undertake to move to Stage 2 (**Transfer of water services business into CCO**)
 - h) how the proportionality of Stage 2 Shares will be set as between Shareholding Councils (**Issue of Shares at Stage 2**)
 - i) high-level overview of what will be settled between a Council and the CCO at the time the Council transfers its business into the CCO (**Settlement**)
 - j) key matters to be included in the Stage 1 service level agreement (**Service Level Agreement**)

- k) all Parties agree that the model proposed should be inclusive and designed to cater for the collective benefit. Provision is made for other councils to join over time subject to existing shareholder approval. To enable the Board to focus on establishing the CCO and ensure smooth and safe transition for existing shareholders, there will be periods where other councils cannot be admitted into the model. Similarly, there is provision for councils to exit the model¹. These are referred to as **On-ramps / Off-ramps** in this HOA.

3. Purpose of water services company

3.1. The overarching purpose of the CCO is to:

- a) achieve the objectives of the Shareholding Councils, both commercial and non-commercial, as stated in the relevant governance documentation and Statement of Expectations
- b) enable Shareholding Councils to collectively achieve the strategic outcomes for water services in their service area in the long term. The strategic outcomes approved in principle are:
 - i. create scale and change to enable the significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban and commercial development
 - ii. create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato
 - iii. be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water
 - iv. ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges
 - v. meet the expectations of key partners and stakeholders including those represented in Treaty settlements and Joint Management Agreements
 - vi. protecting public health and the environment
- c) support Shareholding Councils in complying with law, including the Preliminary Arrangements Act, water and wastewater standards, economic regulation such further regulatory requirements as are introduced in the suite of enduring settings for Local Water Done Well
- d) to the extent responsibility for any matter vests in the CCO, to comply with the law.

3.2. The purpose of Stage 1 is to enable Participating Councils to move to the end-point in a timeframe that works for them (through no longer than a 5 year lens. The incremental approach involves the CCO providing Agreed Functional Services (refer clause 10.6) at Stage 1 to:

¹ It will be a matter for each council to consider (at the appropriate time) what the implications are for it exiting the model if it has committed to it as part of its water services delivery plan.

- a) enable councils to collectively leverage immediate opportunities for their communities and unlock some benefits of a joined-up approach to water infrastructure in the short-term. The immediate opportunities intended to be unlocked (which will also be realised at Stage 2) are:
 - i. Stronger workforce development (build together rather than compete)
 - ii. Capital works delivery (more efficient and cost-effective driven by professional board and single management team)
 - iii. Resilience: infrastructure planned through single AMP informed by a long-term infrastructure strategy
 - iv. Smarter consenting: evolve from ad hoc consent applications to integrated consents
 - v. Better data: consolidated system capturing standardized data and leading to better decision making
 - vi. Identify opportunities for cost saving by having a focussed approach across the region. For example, management of water allocation across councils.
- b) get councils as far along the road to the vision and achieving the strategic outcomes as practicable in the context of Stage 1 while providing a means by which the council can engage with the CCO to respond to its future needs and move to Stage 2 at the appropriate time
- c) conduct its affairs in accordance with sound business practice and in a manner that adheres to the relevant services level agreement while supporting relevant councils to achieve their individual water services strategy deliverables and performance measures, noting that Participating Councils at Stage 1 will retain:
 - i. ownership of water services assets
 - ii. the role of water services provider (and so will remain the regulated provider)
 - iii. decision making in relation to price setting and investment priorities.

4. Roles and responsibilities in a water services company

Note: For ease of reference, the roles and responsibilities as between the Board, Shareholders and the Shareholders Representative Forum is set out below.

- 4.1. **Board:** under general law, the business of a company must be managed by the directors. Policy guidance issued to date has confirmed that Local Water Done Well legislation (Bill#3) will require the Board of a water services organisation (as defined in that legislation) to be made up of professional directors. Neither staff nor elected members of a shareholding council can be appointed to the Board. Directors must act in the best interests of a company.
- 4.2. **Shareholders:** Shareholders are the owners the company and will appoint the Board. However, they do not have the authority to directly instruct directors on how to manage the company on a day-to-day basis. There are matters that a Board must seek shareholder approval for which will be set out in the company constitution and the shareholder agreement. Shareholders will also set their expectations of the Board through a combined Statement of Expectations. The governance documentation informed by this HOA will empower the CCO to issue at least two classes of shares; Stage 1 Shares and Stage 2 Shares (refer clause 5 below).

- 4.3. **Shareholder Representative Forum:** the purpose of the Shareholder Representative Forum is to support the coordination and expression of multiple council interests. It will be the Forum at which shareholders will cast their votes to make decisions on those matters that are reserved for shareholder decision making (refer clause 7 below).

5. Council Ownership

- 5.1. Council ownership in the CCO will be way of shares in the company.
- 5.2. Councils will hold shares as **Stage 1 Shareholders** or **Stage 2 Shareholders**.
- 5.3. On establishment the CCO will only have **Stage 1 Shares** on issue. Stage 1 Shares will be held by all Participating Councils who are listed as Shareholders on incorporation of the CCO. This will include both Participating Councils who will progress to Stage 1 in the short-term and Participating Councils who have committed to going directly to Stage 2 by a specific date (refer clause 5.6).
- 5.4. Stage 1 Shares will be held equally among the Shareholding Councils and all shareholders will have the same voting rights.
- 5.5. Stage 2 Shares will be issued to Participating Councils on the transfer of their water services business (drinking water and wastewater) into the CCO. The number of Stage 2 Shares will be determined in accordance with clause 12. Stage 1 Shares previously held by such councils will be cancelled.
- 5.6. Subject to public consultation and agreement on the formal documentation, all Shareholding Councils agree in principle to becoming a Stage 2 Shareholder in future and support the CCO in achieving the overarching purpose identified at clause 3.1. The timing and circumstances on which a Shareholding Council will move to Stage 2 will be determined by each council.
- 5.7. The Parties acknowledge that as Participating Councils move to Stage 2, the number of Stage 1 Shareholders will reduce. Once the number of Stage 2 Shareholders is the same or greater than the number of Stage 1 Shareholders, it is no longer appropriate for Stage 1 Shareholders to be able to influence key decisions in respect of the ownership rights of the CCO. This is reflected in clause 6.4 below. After a period of 5 years from the CCO becoming operational, it is intended that all Stage 1 Shareholders will have transitioned to Stage 2 and there will be no more Stage 1 Shareholders.

Terms of Shares

- 5.8. Shares will be issued on the following terms:

Stage 1 Shares	Stage 2 Shares
a)	Shares cannot be sold or transferred and must be owned by a council (or another water services CCO)
b)	Shareholders must be a party to the shareholders agreement
c)	A security interest cannot be given over any shares
Note: Bill#3 will also prohibit water services assets being used as security.	

d) Shares will not carry a right to a dividend	
<p>e) Subject to clause 5.3 and clause 5.7, shares are held subject to the relevant council:</p> <ul style="list-style-type: none"> • becoming a party to a service level agreement with the CCO (with the effective date being when the CCO is operational) for a period of 5 years • committing to the CCO providing the Agreed Functional Services (refer clause 10.6). <p>If a shareholder terminates the services level agreement (or it expires), it will trigger a cancellation of its Stage 1 Shares (for no consideration).</p>	<p>e) Stage 2 shares will be issued to a council in return for it transferring its water services business (assets and liabilities) into the CCO and the CCO undertaking to discharge all future water services delivery obligations for that Council (refer clause 11 and clause 12)</p>
<p>f) Shares are held equally by shareholders with all shareholders having the same voting rights.</p>	<p>f) Shares are held in accordance with the methodology agreed in clause 12 below.</p>

5.9. **Note:** As noted above, Stage 1 Shares will be cancelled once a Shareholder becomes a Stage 2 Shareholder. Each Council will have a different number of Stage 2 Shares when it becomes a Stage 2 Shareholder (determined in accordance with Clause 12). Accordingly, there will be a difference between the voting power of the different Stage 2 Shareholders. The decision-making framework in Section 6 below has been designed to manage this. This will be scenario tested once there is greater clarity on who wishes to progress with WWDW and the likely allocation of shares once those parties have progressed to Stage 2. As with all provisions in this HOA, it will also be reviewed against the requirements of upcoming legislation.

6. Shareholding Councils influence and control

- 6.1. The general role of a shareholder in a company is set out in clause 4.2 above.
- 6.2. In the CCO, Shareholding Councils will have oversight of decision making in the CCO in the following manner:
- voting on those matters that are reserved for Shareholding Council decision making (refer clause 6.4)
 - issuing a Statement of Expectations to the Board (refer clause 6.5)
 - oversight of the Board through the reporting requirements from the Board to the Shareholders (refer clause 6.8).

Matters reserved for Shareholding Council decision making

- 6.3. The matters that require approval of the Shareholding Councils are set out in the below table. The Shareholding Councils will reach agreement on these matters through votes cast by their representative on the Shareholder Representative Forum.
- 6.4. While best endeavours will be applied for decisions to be made by consensus, this may not always be possible in a timely manner. To ensure the CCO can operate effectively, and

that Shareholding Councils have confidence in their ability to influence decision making, the level of support required for a decision to be made collectively by the Shareholding Councils is as set out below. The level of support at Stage 1 refers to when all shareholders are Stage 1 Shareholders. The level of support at Stage 2 applies from the first issue of Stage 2 Shares.

Reserved matter	Stage 1 Level of Support	Stage 2 Level of Support
Changes to constitution	75%	51% or more of Stage 1 Shareholders and 75% votes (and number) Stage 2 shareholders
Admission of new shareholders. Noting the intention for the model to be inclusive and that only Stage 2 shareholders will be admitted after incorporation	75%	75% votes (and number) of Stage 2 shareholders
Five-year periodic review of Stage 2 Share allocation provided for in clause 12.4	N/A	75% votes and number Stage 2 Shareholder
Any changes to the rights attached to shares (Note: is class of share specific)	75%	75% number of Stage 1 Shareholders for changes to Stage 1 Shares only 75% votes and number Stage 2 Shareholders for changes to any class of shares
Any winding up or restructuring (includes any merger or amalgamation)	75%	75% votes of Stage 2 shareholders (and 75% number)
Any major transactions	75%	75% votes of Stage 2 shareholders (and 75% number)
Appointment of Directors	75%	51% or more Stage 1 shareholders and 75% (number) of Stage 2 shareholders
Approving the transition plan for Stage 2 (will include: the pricing principles for future fully	75% (with option for dissenting shareholder to off-ramp in	N/A

Reserved matter	Stage 1 Level of Support	Stage 2 Level of Support
regulated entity and investment prioritisation framework)	accordance with clause 15.3)	(Note: The transition plan will be approved and implemented when Stage 2 shares are issued)
Approving Statement of Expectations	75%	Combined SOE for purpose of Bill#3: 75% votes of Stage 2 shareholders (Note: Ongoing expectations of Stage 1 shareholders will be more appropriately addressed in service level agreement)

Statement of Expectations

- 6.5. Shareholding Councils will prepare a combined Statement of Expectations which will inform and guide the decisions and actions of the CCO Board.
- 6.6. The Statement of Expectations must cover all matters required by legislation and be consistent with the agreed purpose of the CCO.
- 6.7. The agreed minimum content of the combined Statement of Expectations is set out in Schedule 5.

Reporting requirements

- 6.8. Subject to such adjustments as may be necessary to meet the minimum requirements under Bill#3, the Board must deliver to the Shareholder:
 - a) half yearly report: a report on the CCO's operations during each half year, with the report delivered within 2 months after the end of the half year.
 - b) an annual report on the CCO's operations which complies with all legislative requirements. For Stage 2 shareholders, this will include the requirements to be confirmed by Bill#3
 - c) such other reporting as may be agreed by the Shareholding Councils after discussion with the Board
 - d) a draft water services strategy for comment to Stage 2 Shareholding Councils.
- 6.9. **Note:** *Bill#3 will provide that all relevant strategy and planning information related to water services must be included in a water services strategy document and not in the LTP. The strategy will be required every three years and the content and process for developing it will be set out in legislation. Stage 1 Shareholders will be required to prepare their own water services strategy document with input from the CCO. The CCO will be responsible for a water services strategy in respect of the business transferred by Stage 2 Shareholders. The Board must state how it is giving effect to the statement of expectations. Stage 2 Shareholders will be able to comment on the draft water services strategy and the Board must consider these comments before preparing a final version.*

7. Shareholders Representative Forum

- 7.1. The role of the Shareholder Representative Forum is as stated at clause 4 above.
- 7.2. The Shareholding councils commit to co-operating and supporting the CCO to be empowered to deliver on its purpose. Effective communication and cooperation between the CCO and Shareholding Councils is critical to the CCO's success. While Shareholding Councils expect that the Chair of the CCO Board and the CCO Chief Executive will develop and maintain strong relationships with each Shareholding Council, it is also necessary that the CCO be able to engage with Shareholding Councils in a co-ordinated and expedient manner.
- 7.3. It is agreed that a Shareholder Representative Forum will be established immediately after the incorporation of the CCO. Each Shareholding Council will appoint a representative with the necessary authority to cast votes on its behalf in relation to matters that are brought to the Shareholder Representative Forum for decision making. Each Party will confirm who their representative is at the time they formally adopt the governance documentation. In the absence of a Party confirming otherwise, their representative will be their Mayor.
- 7.4. Shareholder Representative Forum terms of reference will be agreed as part of the preparation of the formal governance documentation. Proposed content for the terms of reference is included at Schedule 6. This includes that there is clarity on the matters the Shareholder Representative Forum:
 - a) has delegated authority in relation to and so effective decision making
 - b) must refer back to respective Councils for decision making. In relation to such matters, the Representative will be required seek a decision from their Council within a stipulated timeframe and in accordance with the process applicable to that Council. The Shareholder Representative will then bring the decision back to the Shareholder Representative Forum and vote in accordance with that decision.
- 7.5. Shareholder Representatives must be equipped to cast votes on behalf of their councils at each meeting.
- 7.6. Decisions made by the Shareholder Representative Forum are binding on the councils.

8. Board of Directors

- 8.1. The role of the Board is as stated at clause 4 above.
- 8.2. In accordance with legislative requirements, a Board of professional Directors will be appointed to govern the CCO. No current council staff nor elected members of any Shareholding Council can be appointed to the Board.
- 8.3. The minimum number of directors will be 5 and the maximum number will be 7 (subject to clause 8.7).
- 8.4. The Shareholder Representative Forum will lead the recruitment (with external support), selection and appointment of the Chair of the Board of directors.
- 8.5. The Chair will support the Shareholder Representative Forum in the recruitment, selection and appointment of the additional Board members.
- 8.6. All appointments will be competency based having regard to:
 - a) the essential attributes and core competencies of directors provided for in the Institute of Directors Competency Framework; and

- b) the required Board Skills Matrix set out in Schedule 7
- 8.7. The CCO will be incorporated before the competency-based Board is appointed. Named Directors will be required at the time of incorporation. To enable this, it is agreed that two nominal directors will be appointed at the time of incorporation until such time as the appointment of the professional Board of Directors. The nominal directors will be confirmed by those councils who adopt the formal governance documentation to establish the CCO. The nominal directors will be approved by the Chief Executives from Participating Councils and may be from their number.

9. Iwi Partner Involvement

- 9.1. The Waikato is known nationally for its leadership in managing water to help ensure better long-term outcomes for the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf. Participating Councils have adopted in principle the vision 'Te Mana o Te Wai, Te Mana o Te Tangata | Healthy Waters Healthy People'.
- 9.2. The purpose of the CCO (refer clause 3) includes meeting the obligations of Councils as represented in Treaty settlements and other agreements including Joint Management agreements. Given such obligations, an opportunity exists for the CCO (and its Shareholding Councils) to:
- a) benefit from strategic relationships with Iwi partners to deliver on its purpose (and identify cost effective solutions to resource consents); and
 - b) build upon existing co-governance entities of the region (Waikato River Authority, Hauraki Gulf Forum and Waihou, Piako, Coromandel Catchment Authority). (**Note:** this would not change any existing commitments to Iwi from any council).
- 9.3. The Statement of Expectations will also particularise the expectation that the Board will establish and maintain these strategic relationships. In relation to the role of Iwi in shareholder decision making, the Shareholder Representative Forum will be responsible for engaging with Iwi to prepare a proposal for how shareholders can effectively partner with Iwi and with existing arrangements across the region to achieve the agreed outcomes. The proposal will be brought back to each of the Shareholding Councils for consideration and approval.
- 9.4. For completeness, reference is made to the Board Skills Matrix at Schedule 7 which includes specialist experience of integrating Te Ao Māori and Tikanga Māori in a professional board environment. As the proposal in relation to the long-term engagement with Iwi will require deep engagement and consideration, it is likely to postdate the initial board appointment process. For the initial appointment process, the Waikato Iwi Chairs Forum will be invited to participate in the appointment process so there is assurance this Board competency is demonstrated during the recruitment process.

10. Transition Planning

- 10.1. The establishment of the CCO will provide the legal structure into which the relevant people, processes and systems must transition in order for the CCO to operationally deliver the Stage 1 Agreed Functional Services and Stage 2 water services delivery.

Transition principles

- 10.2. To ensure a smooth and safe transition, the transition planning will be undertaken in accordance with the following transition principles:

- a) **Sustainability:** focussing on long term financial and non-financial benefits
- b) **Pragmatic:** balanced and pragmatic approach to reach end goal; each stage of planning must be fit for purpose and achievable in the circumstances
- c) **Simplicity:** people understand what is proposed and why
- d) **Flexibility:** design and timing are flexible to cater for different needs
- e) **Commercial robustness:** independent professional board accountable to shareholders and clarity as to respective roles
- f) **Equitable:** everyone wins at some stage based on taking a long-term view
- g) **Value for money:** choices made as part of transition using sound procurement to get the best public value and affordable services for customers
- h) **Work smart:** to the extent appropriate, the work programme will leverage off previous relevant work rather than reinvent the wheel
- i) **Safe transition:** focus during establishment is on safe transition with transformational outcomes being a long-term objective
- j) **Manage expectations:** maintain confidence of key stakeholders
- k) **Customers:** create seamless transition from a service delivery viewpoint
- l) **Employees:** certainty, opportunity, fairness and consistency – feel valued

Scope and timing of planning

- 10.3. Participating Councils have expressed a desire to move to Stage 2 at different times. In keeping with the transition principle regarding flexibility, the transition planning will provide flexibility for this to be achieved.
- 10.4. Pending the appointment of the CCO Board, the Participating Councils will drive development of a transition plan. As soon as practicable, transition planning will commence with staff of the relevant councils. A high-level overview of the activities that Participating Councils will be required to engage in transition planning is included at Schedule 8.
- 10.5. Stage 1 Shareholders will receive Agreed Functional Services in accordance with the Service Level Agreement to be entered into between each Shareholding Council and the CCO.
- 10.6. The **Agreed Functional Services** are identified as:
- a) asset management planning
 - b) input into council planning processes
 - c) capital works delivery
 - d) strategic or catchment-wide consenting (compliance will stay with councils as part of operations unless that compliance relates to capital works delivery)
 - e) project planning and design and procurement
- 10.7. Implementation of transition planning will be supported by a:
- a) robust change process to support safe and seamless transition of people, systems and processes into the CCO
 - b) for Stage 1 Shareholders, a process for agreeing the capital works programme both at the time of transition and periodically after that so the CCO has line of sight of

councils' intentions in sufficient time to give the supply chain certainty of pipeline.
[Note: The intention is to leverage off information in the water services delivery plans that are signed off by councils as this should capture the detailed capital works to meet regulatory requirements for the first number of years]

- 10.8. The full scope of activity of the CCO at Stage 2 will be worked through in detail as part of the transition planning. Legislation will partly assist the transition with policy confirmation already received that Bill#3 will include provision regarding:
- a) transitional arrangements in relation to the transfer of assets and liabilities and ability of the CCO to issue offers to existing council staff
 - b) the powers for a water services organisation to control connections
 - c) the power to carry out work on land that is required by a utility provider to ensure infrastructure can be constructed
 - d) an updated approach to the bylaws relating to water services
 - e) transitional provisions as to how a water services provider will transition to the new system over time.
- 10.9. In addition to the above, the end-point transition plan must incorporate:
- a) how the CCO will charge for and collect revenue on 'day 1'. This is likely to be under a transitional arrangement in the early years until the CCO has capability to invoice customers directly
 - b) the pricing principles for charging and the pathway to long-term pricing harmonisation (whether on a regional basis and / or local community based approach to pricing). The pricing pathway will take time and must include detail of the period of 'jam-jarring' and any charges for historical under-investment (refer clause 10.12 and 10.13.) that may be considered appropriate). In particular, of the establishment principles:
 - i. **Simplicity**: people understand what is proposed and why
 - ii. **Equitable**: everyone wins at some stage based on taking a long-term view
 - iii. **Value for money**: affordable services for customers
 - c) principles that will inform the investment prioritisation framework (including any transition)
 - d) consideration of any wider existing agreements or contracts
 - e) a plan for relationship management with civil and other contractors
 - f) systems the CCO will rely on for operations (e.g. finance, asset management, people, customer facing software) and any transitional arrangement required before the systems are fully operational
 - g) readiness criteria the Board will apply to determine readiness to receive a water services business in a seamless and safe manner.
- 10.10. The transition plan must also have regard to the future partnership opportunities identified by Participating Councils with WRC which include, but are not limited to:
- a) technical leadership around a catchment-based approach to land use planning, infrastructure services and consenting
 - b) shared services including technology

- c) the future delivery of functional services by the CCO to WRC
- 10.11. The Chief Executives of Participating Councils will continue to explore these partner opportunities in the timeframe between now and the establishment of the CCO, with the Board and Chief Executive of the CCO taking responsibility thereafter. The Statement of Expectations will reflect these opportunities.

Addressing historical underinvestment

Note: *The need to bring assets up to a standard is an issue that needs to be addressed as part of the new regulatory regime whether a Council chooses to join a CCO or not. A multi-council owned asset owning CCO will, for asset management and economic regulatory purposes, need to develop standards for the assets it holds. At the time of transfer of assets into the CCO, some council's assets may be over this standard and others may be under this. The following provision is included in this agreement to provide Participating Councils with a framework for navigating this*

- 10.12. Councils are required to identify and address any historical underinvestment as part of the development of water services delivery plans. This applies irrespective of whether a Council seeks to join a CCO or not. At the time of entering into this agreement, this work is still underway by Councils and pending legislation will confirm the scope of the future regulatory regime.
- 10.13. Under the Waikato Water Done Well model, Councils will transfer to Stage 2 at different times, up to a timeframe of 5 years from the CCO becoming operational. At the time of transfer of a water services business, there may be a remaining gap between what is required to comply with regulatory requirements and a Council's infrastructure backlog. To address any backlog, as part of transition planning and having regard to the developing requirements of economic regulation, the Participating Councils will agree the principles and process for measuring and addressing any underinvestment by a Participating Council and the collective position in relation to cross subsidisation. In so doing, Councils will:
- a) be guided by pragmatism
 - b) leverage off assessments done in other water services CCOs (including overseas, where appropriate)
 - c) consider the lack of water meters a historic underinvestment

11. Transfer of water services business into CCO (Stage 2)

Two waters or three waters

- 11.1. In return for the CCO undertaking to discharge all future obligations of a Council in relation to the delivery of drinking water and wastewater services (see clause 11.3 below for stormwater services), a Council will transfer its water services business into the CCO.
- 11.2. Bill#3 will provide that Councils will retain legal responsibility for the management of stormwater services but, in the context of a CCO, can choose to:
- a) deliver stormwater services in-house but contract aspects to the CCO
 - b) transfer aspects of stormwater service delivery (including certain stormwater network assets) to the CCO (DIA guidance provides that further detail in relation to what this

means in relation to the CCO being able to charge for stormwater will be provided in Bill#3).

- 11.3. It is agreed that the option in clause 11.2(b) above is the preferred option in the early years of the CCO with councils determining if they will receive stormwater management services from the CCO. The provision of such services will be charged on a cost-plus basis. Prior to a Shareholding Council moving to Stage 2, it will engage with the CCO regarding the nature of the stormwater management services to be provided by the CCO, together with the levels of service, performance targets and the cost to be paid to the CCO for the service.

Scope of transfer

- 11.4. The starting point for determining what will transfer from a Shareholding Council to the CCO will be the information in the relevant Shareholding Council's approved water services delivery plan (as signed off by councils and certified by CEs). This will provide detail on the current state of a Council's water services business (with the plans due to be submitted by 3 September 2025 subject to an extension of time being granted).
- 11.5. Where the intended transfer of the business is over 18 months after the water services delivery plan has been approved, the Board may require a further independent assessment of:
- a) current state of assets of a council, the value and lifespan
 - b) necessary investment for the assets to be compliant
 - c) ring-fenced water services debt
 - d) ring-fenced water services revenue (including development contributions that are attributable to water services activity)
- 11.6. As a minimum, the transfer at Stage 2 will include:
- a) the transfer of assets, liabilities, and other matters relevant to water services (including contracts) from Councils to the CCO
 - b) transfer of development contribution or financial contribution required for water services infrastructure from Councils to the CCO
 - c) payment by the CCO to the Council of its two waters infrastructure debt. The mechanics of this will be confirmed with LGFA.
- 11.7. The net amount payable by the CCO to the Shareholding Council will be calculated in accordance with clause 13 below.
- 11.8. Bill#3 will provide further detail on the legislative mechanisms that will be available to transfer water services business into a water services CCO (assets, liabilities, processes to offer staff a role in the CCO). All legislative requirements and processes that Bill#3 will provide to support a transfer will be complied with and incorporated into the transition planning.

12. Issue of Stage 2 Shares

- 12.1. **Note:** As stated at clause 5.8, Stage 2 Shares cannot be sold or transferred, nor do they carry a right to a dividend. The relevance of the number of Stage 2 Shares is the voting rights that they carry. The matters which will be voted on and the threshold for decisions to pass are set out in clause 6.4.

- 12.2. The voting rights that a shareholder has will be exercised to inform the direction of the CCO in the circumstances set out in clause 6.4. As the influence of a Shareholder will be exercised for the benefit of the communities to whom water services are being delivered, it has been agreed that shares will be allocated by reference to number of full connections in a council in the following manner:
- a) The first issue of Stage 2 Shares will be based on one share for every 1,000 full connections (rounded up) within the relevant Participating Council's service area on the date of issue
 - b) All subsequent issues of Stage 2 Shares will:
 - i. be based on one share for every 1,000 connections (rounded up) within the service area of the incoming shareholder on the intended date of issue (**Intended Date**)
 - ii. trigger a review of the Stage 2 Shares held by existing Stage 2 Shareholders and the issue of further Stage 2 shares to reflect any increase in the number of connections in its former service area on the Intended Date. Any decreases in connections will be ignored.
- 12.3. Stage 1 Shares held by a council will be cancelled (for no consideration) on issue of Stage 2 Shares to that council.
- 12.4. To ensure the proportionality of Stage 2 Shares reflects the number of connections across the service area, and can be adjusted to reflect material changes whether due to population growth or other changes, a 5 yearly review of connections will be carried out. This requirement to carry out a review can be waived with the approval of 75% (votes) and 75% (number) of Stage 2 Shareholders.
- 12.5. Shareholding Councils waive any pre-emptive rights in respect of the issue of shares to an existing Shareholder Council where the shares are issued because of the transfer of its business into the CCO (or because of an increase under clause 12.2(b)(ii) or clause 12.4).

13. Settlement between CCO and Councils

- 13.1. A settlement statement will be prepared in advance of a Shareholding Council's business transferring into the CCO. The form of the settlement statement will be agreed between the CCO and the Shareholders in advance (with regard had to any guidance issued by DIA in relation to transfer agreements and / settlement statements and tax advice to inform the development of an efficient approach to settlement statement).
- 13.2. As a principle, on settlement the CCO will be required to refinance out the level of council debt (less cash reserves) attributable to water at the settlement date. In practical terms, this will require the CCO to borrow from LGFA, pay the proceeds to council, and council then use the proceeds to pay down water related borrowings with LGFA.

14. Service Level Agreement

- 14.1. Key provisions in the Service Level Agreement will include:
- a) Effective date from which services will be provided
 - b) A commitment to obtain all Agreed Functional Services from the CCO from the effective date (subject to limited exceptions for 'in-flight' projects)

- c) The need to provide an inventory of existing contracts that will be managed by the CCO from the effective date
- d) Agreement that CCO will be the principal to all future contracts for capital works management
- e) Agreement as to the management charge payable to the CCO for general overheads and services
- f) Annual work programme agreed in advance together with capex budget (and instalments for payment). Details as to how CCO will be funded.
- g) Three-year plan to be provided no later than 6 months prior to the due date for water services strategy (which will be required under the new legislation).

15. On-ramps / Off-ramps

Stage 1 on-ramps and off-ramps

- 15.1. In this HOA, a Participating Council commits (in good faith) to negotiate formal governance documentation and such other matters as necessary to establish the CCO. If a Participating Council does not adopt the formal governance documentation, it will exit the Waikato Water Done Well Workstream. The timeframe for completion of the formal governance documentation is estimated to be the end of Q1 2025 / early Q2 2025.
- 15.2. Councils who have not been party to this HOA but consider and agree to the governance documentation before the CCO is formally incorporated can join as a Shareholding Council during this time. This is subject to:
 - a) other Participating Councils' agreement
 - b) a contribution towards the costs that have been incurred and investment made by other councils in the ongoing Waikato Water Done Well work determined in accordance with the same formula set out in clause 15.11 below.

Next off-ramp (ability to exit)

- 15.3. If a Shareholding Council cannot agree to the transition plan that is presented to it by the Board (estimated to be in Q3 2025) within a period of 3 months after the establishment plan is tabled to the Shareholder Representative Forum²:
 - a) it can exercise its option for the CCO to buy back its shares (for nominal consideration); or
 - b) the other shareholders can pass a resolution (75% in number) to buy back that shareholders shares (for no consideration)
- 15.4. Cancellation of shares in these circumstances does not mean the existing council will be unable to obtain services under a services level agreement once the CCO becomes operative. However, the council will no longer be a Shareholding Council.

² It is the responsibility of each Council (based on its own factual circumstances) to consider its ability to exit against its water services delivery plan commitment.

Future on-ramps (admitting other councils as shareholders)

- 15.5. After incorporation, it is intended that new shareholders will only be admitted as Stage 2 Shareholders. The CCO may choose to offer functional services to other councils under a service level agreement but these councils will not be shareholders.
- 15.6. While the intention is to create an entity for the collective benefit, this needs to be balanced with the need to enable the CCO to focus on developing the processes that will achieve the anticipated efficiencies and safely transition existing shareholders into the CCO (and provide certainty for the purpose of completing water services delivery plans). For this reason, new shareholders will not be able to join in the period between the CCO being established and the first Shareholding Council having safely transitioned to Stage 2. Assuming the first Shareholding Council will transition to Stage 2 on 1 July 2026, it is anticipated that other shareholders will not be admitted any earlier than Q3 2026.
- 15.7. The admission of new shareholders will be subject to the approval of existing Shareholding Councils.
- 15.8. Any application to become a shareholder must be supported by a formal resolution from the council submitting the application. The Board will put a proposal to the shareholders via the Shareholder Representative Forum seeking approval to admit a new shareholder.
- 15.9. The proposal must include:
- a) an independent assessment of the proposed incoming shareholders assets and:
 - b) whether there is any historical underinvestment that needs to be addressed, having regard to the position of the Participating Councils determined in accordance with clause 10.12 and 10.13.
 - c) financial implications for the CCO if the council is admitted
 - d) conditions of entry that will apply, including the entry contribution to be made by the incoming shareholder (refer clause 15.11 below)
 - e) likely shares to be issued to incoming shareholder and impact on existing shareholders. The number of shares that will be issued to the incoming shareholder will be determined by the same Stage 2 Share issue methodology
 - f) a recommendation in relation to the timing and transition of the proposed new shareholder which ensures any risk to the safe transition of existing Shareholders or operations of the CCO is fully mitigated.
- 15.10. The applicant shareholder will be required to meet the cost of the Board preparing the above proposal.
- 15.11. If the proposal is approved, the Incoming Shareholders will be required to:
- a) accede to the shareholders agreement on the existing terms
 - b) pay the entry contribution agreed by the existing Shareholders which is equitable and factors in the upfront monetary and time investment made by the original Shareholders. The entry contribution will be no less than the:

contribution towards the IP built up by the CCO *plus* cost of
establishment of CCO

divided by: current number of connections *multiplied by* number of
connections in service area of incoming shareholder

- c) comply with any further conditions of entry established by the Board and approved by existing shareholders

16. Water services delivery plans and the HOA

- 16.1. The Parties are each obliged to prepare a water services delivery plan under the terms of the Preliminary Arrangements Act and submit it to the Department of Internal Affairs by 3 September 2025 for approval. Each Party is obliged to consult with its communities on the future water services delivery model that it intends to adopt in its water services delivery plan. The manner in which consultation will take place will be addressed by Participating Councils outside of this Heads of Agreement.
- 16.2. The framework in this HOA is predicated on:
 - a) the future service delivery model of each Participating Council being underpinned by the establishment of the CCO and being informed by the positions developed under the governance documentation
 - b) a joint water services delivery plan being prepared by those councils who adopt the formal governance documentation to establish the CCO (following public consultation); and
 - c) Participating Councils working together and supporting the workstreams under the HOA to enable each council to comply with their obligations under the Preliminary Arrangements Act.
- 16.3. A short-term success measure that has been agreed in principle by Participating Councils is that each of them will submit a compliant water services delivery plan.

17. Governance of HOA implementation

- 17.1. The Parties agree that implementation of this HOA will be overseen by the Chief Executives of the Participating Councils (and noting that entry into formal governance documentation must be brought back to each council for decision making).
- 17.2. The Chief Executives will be responsible for:
 - a) ensuring their respective Elected Members are updated regularly on progress
 - b) determining whether, for efficiency purposes, a steering group should be formed from their number to oversee the work programme. Should a steering group be considered necessary, the group must include a Chief Executive from a minimum of one council intending to move to Stage 1 and the Chief Executive of each council intending to move directly to Stage 2.
- 17.3. The above will apply until the CCO is incorporated. From incorporation, the Shareholder Representative Forum will be established. The Chief Executives will work with the members of that Forum to transition governance oversight in a manner considered appropriate at that time.

18. Term and termination clause

- 18.1. This agreement commences on the date it is last signed by all of the Participating Councils and continues until:

- a) the CCO is established in accordance with the formal governance documentation accepted by the Shareholding Councils; or
- b) a resolution is passed by a Party that it does not wish to adopt the formal governance documentation.

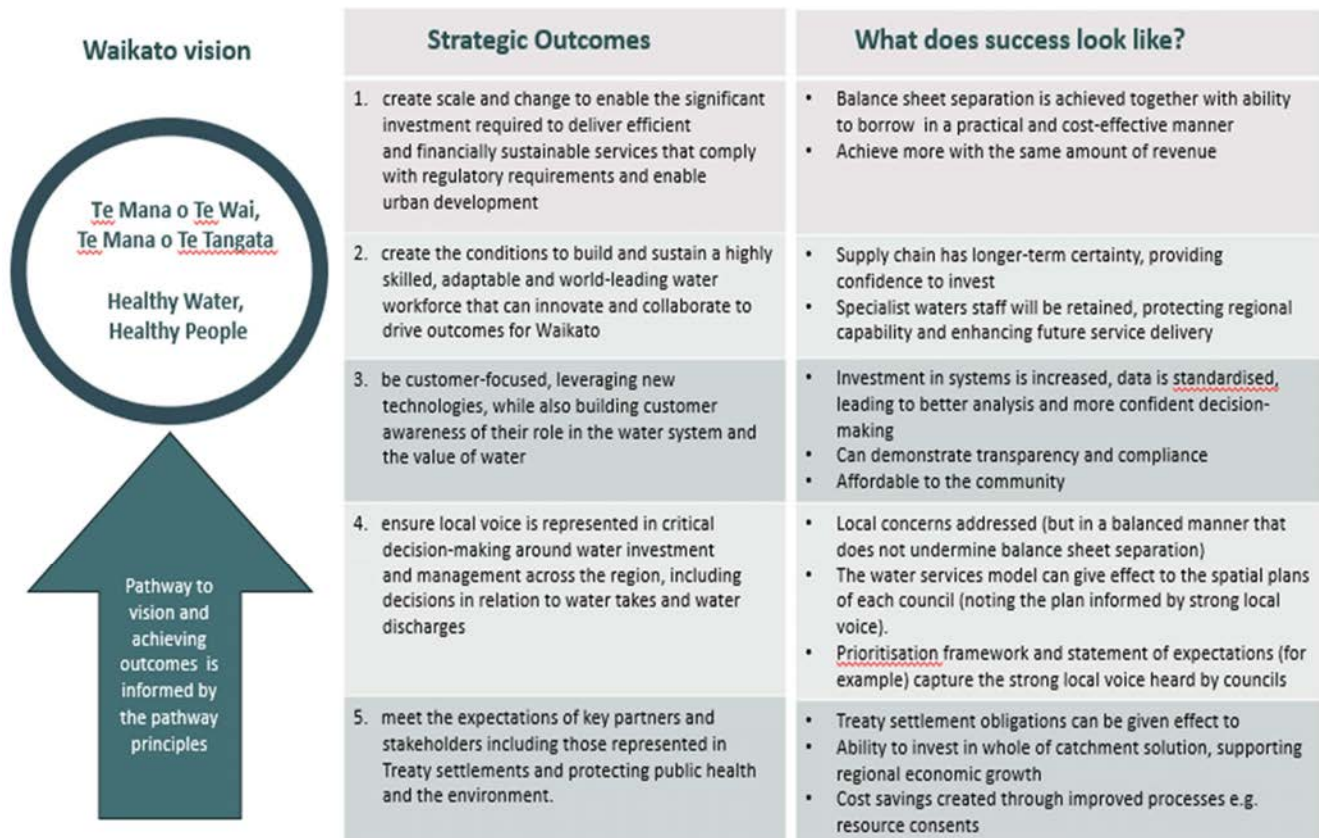
19. Dispute resolution

- 19.1. The Parties agree that best endeavours will be applied to facilitate the avoidance of disputes in the first instance.
- 19.2. Although this HOA is not legally binding, should a dispute arise, the Parties will attempt to resolve that dispute through good faith negotiations. All formal documentation entered into by the Parties will contain a substantive dispute resolution clause.
- 19.3. The purpose of this clause is to provide a dispute resolution process should a dispute or difficulty arise before the formal documentation is adopted.
- 19.4. Should a difficulty arise in relation to the HOA that is not resolved through negotiations, a party to the difficulty may at any time give written notice to another party requesting that a meeting take place to seek to resolve the dispute. The Chief Executives of the parties to the difficulty must meet within ten business days of the giving of the notice and endeavour to resolve the difficulty in good faith.
- 19.5. If such meeting does not take place or if five business days after the meeting the difficulty remains unresolved, the matter may, at the discretion of the Party who notified the difficulty, be referred to the Chair of Audit and Risk Committee (or equivalent Committee) of the respective parties who must negotiate in good faith to resolve the difficulty.
- 19.6. If it is referred to the Chair of Audit and Risk Committee (or equivalent Committee) and after five business days of being referred, the difficulty remains unresolved, the parties must, in good faith and acting reasonably, determine the appropriate means of resolving the difficulty whether through:
 - a) a request for a Crown Facilitator to be appointed under the Preliminary Arrangements Act; or
 - b) participating in mediation with an independent mediator.
- 19.7. If the parties do not agree on a mediator, then the mediator will be appointed by the President of the New Zealand Law Society.
- 19.8. The parties must mediate the difficulty in accordance with principles agreed between them or, if no agreement can be reached, the principles determined by the mediator.
- 19.9. Unless the parties agree otherwise, the mediator's fee and any other costs of the mediation itself (such as for venue hire or refreshments) will be shared equally between the parties, but the parties will each pay their own costs of preparing for and participating in the mediation (such as for travel and legal representation).

Schedule 1 – Signatory Councils

[Delete those that do not sign]	Authorised signatory	Signature
1. Hauraki District Council	David Speirs	
2. Matamata Piako District Council	Don McLeod	
3. Otorohanga District Council	Tanya Winter	
4. South Waikato District Council	Susan Law	
5. Taupo District Council	Julie Gardyne	
6. Thames-Coromandel District Council	Aileen Lawrie	
7. Waikato District Council	Gavin Ion	
8. Waipa District Council	Steph O’Sullivan	
9. Waitomo District Council	Ben Smit	

Schedule 2 – Strategic framework



Schedule 3 – Heads of Agreement Development Process

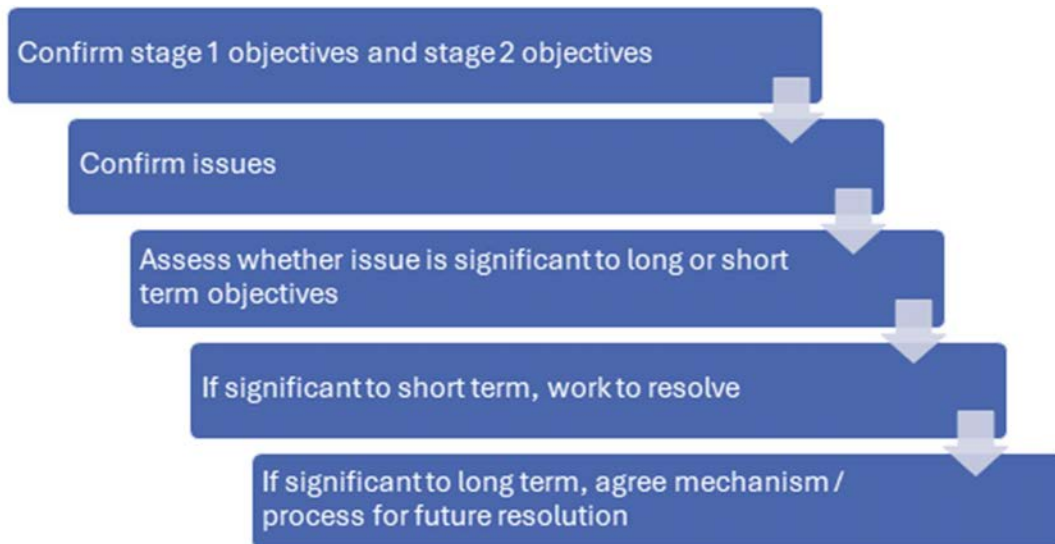
HOA relationship principles

The parties will:

- a) **Partnership:** engage with each other leveraging off their existing relationships of trust and open communication and will seek to resolve any issues through robust and frank discussion
- b) **Maintain confidence:** conduct themselves in a manner that enables each member to rely on each other including respecting confidential discussions and information
- c) **No Surprises:** communicate openly, honestly and respectfully with each other, including sharing of each council's thinking, their issues and actual or potential changes in direction
- d) **Build goodwill:** work in a manner that is reasonable, honourable and in good faith, and which builds and maintains goodwill between the parties and for the benefit of the people and communities the parties serve
- e) **Timeliness:** maintain their commitment to the timeframes agreed through council resolutions and will respond in a timely manner to issues raised and to communications
- f) **Effective engagement:** make themselves available to effectively engage in the negotiations with the objective of searching for solutions to issues raised
- g) **Be strategic:** work through short-term challenges while being focused on long term opportunities.

Heads of Agreement decision making framework

Application of the following decision-making framework when working through the various issues tabled by each council.



Schedule 4 – Documents the HOA will inform

The content of the heads of agreement will inform development of each of the below documents which will be brought back for formal approval at the appropriate time.

Documents	Detail
Public consultation documentation	Will set out the manner in which the Waikato Water Done Well option will be presented to communities alongside other options Councils may have regarding the anticipated or proposed model or arrangement for delivering water services for the purposes of its water services delivery plan, such as the option of remaining with the existing approach for delivering water services where this is a viable option.
Constitution	Based on the aggregated model being a company (refer clause 2 below), this will set out the rules of how any entity will be governed.
Shareholders' Agreement	Will set out how shareholders will operate with the Board of Directors of any entity and between themselves.
Statement of Expectations	Will set out the expectations the shareholders have of the Board, including how the entity is to conduct its relationship with the shareholding councils, communities, Iwi, hapū, and other Māori organisations.
Service level agreement	Scope of services that each Stage 1 shareholding council will acquire and relevant terms and conditions.
Water services delivery plans	Those Councils who commit to establishing a CCO will prepare a water services delivery plan jointly in relation to the future services delivery model.

Schedule 5 – Statement of Expectations Minimum Content

The below is the minimum content that must be included in the Statement of Expectations:

- a) Such matters as required by legislation
- b) That the CCO is managed for the collective benefit
- c) Strategic priorities – including that the Board focus on achieving better outcomes for communities, noting that the shareholders are councils who have determined to come on board for the benefit of their communities
- d) The strategic framework adopted in principle by the shareholders is the starting point for the Board when focussing on the long-term strategic direction
- e) Critical success factors. This includes:
 - i. Clarity on mission of Board and values expected to adhere to
 - ii. Maintaining an effective and trusted relationship with each Shareholding Council:
 - iii. Working collaboratively with each Shareholding Council to support the transition and establishment principles being given effect to, including understanding the impact of transition on councils and, to the extent reasonable, the nature of the services that may need to be provided to manage risk
 - iv. Development of staff
- f) Effective partnering with Iwi (refer 9 clause of the Heads of Agreement) to build on existing obligations of Councils (including giving effect to Te Ture Whaimana) and establish and maintain strategic relationships.
- g) Catchment approach to be taken to consenting and investment
- h) Within the context of the CCO, and the wider Statement of Expectations, establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the CCO and consider ways in which it may foster the development of Māori capacity to contribute to these decision-making processes
- i) Effective partnering with Waikato Regional Council to explore the potential opportunities set out in the Heads of Agreement, and as developed over time.
- j) Engage with regulator re regulatory model.
- k) Board will have a significant focus on ensuring a smooth and successful transition of people, processes and systems at each Stage.
- l) Management of risk and robust change process during transition
- m) Grow the cultural competence of the company through governance, management and workforce
- n) Board to ensure effective delivery of the functional services at Stage 1 in accordance with the terms of the services level agreement
- o) Planning and implementation of Stage 2 is to be carried out in accordance with the agreed establishment principles.
- p) Stage 2 establishment planning in accordance with design parameters and key matters agreed below for Stage 2 design

Schedule 6 – Shareholders Representative Forum Terms of Reference

The Terms of Reference for the Shareholders Representative Forum will include the following as a minimum:

Purpose

1. The purpose of the Shareholder Representative Forum is to support the coordination of multiple council interests and operate as the liaison between the CCO and the Shareholders and between the Shareholders themselves.

Representative

2. It is expected that only one representative from each Shareholding Council will be appointed and attend meetings of the Shareholder Representative Forum. Unless decided otherwise by a Shareholding Council, the representative will be their Mayor.

Decision making

3. The Shareholder Representative Forum will:
 - a) have delegated authority in relation to general shareholder oversight responsibilities and the matters listed in paragraph 5 below
 - b) be responsible for referring those matters not within the Shareholder Representative Forum's effective decision-making back to their respective Councils for decision making. The matter referred will require a decision of the Council to be brought back to the Shareholder Representative Forum within a stipulated timeframe. Shareholder Representatives must be equipped to cast votes on behalf of their councils at the relevant meeting.
4. Decisions made by the Shareholder Representative Forum are binding on the councils and are not capable of review

Delegated authority

5. The role of the Shareholder Representative Forum will include:
 - a) leading the recruitment, selection and appointment process for the Chair of the CCO Board
 - b) in conjunction with the Chair of the Board, lead the recruitment, selection and appointment process for the Board Directors
 - c) approving a remuneration framework for the Board
 - d) negotiating the combined Shareholders Statement of Expectations
 - e) engaging with the Board in response to any requests for input into policy or procedural matters
 - f) ensuring Shareholding Councils are informed about the CCO's performance
 - g) making and implementing decisions on behalf of Shareholding Councils (in a manner that will be particularised in detailed terms of reference)

- h) support decision making in relation to Partner involvement (refer clause 99 of HOA)

Quorum

- 6. For a meeting of the Shareholder Representative Group to have a quorum, at least 75% of the Shareholder Representatives, or their appointed Alternates, must be present. A Representative can appoint an Alternate.

Schedule 7 – Board Skills and Competency

Matrix of Skills

Each Director of the Company must have the skills, knowledge, or experience to:

- guide the Company, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the Company.

In making all Director appointments, the Shareholding Councils must ensure that all directors have the essential attributes and core competencies set out in the Institute of Directors Competency Framework and that the Board collectively has the following attributes:

COLLECTIVE BOARD ATTRIBUTES

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
1.	Chair the Board		√		
2.	Participate fully in the life of the Board and on subcommittees as required				√
3.	Demonstrate the individual attributes outlined below				√
Relevant knowledge and experience in/of:					
4.	Governance and leadership experience				√
5.	Commercial strategic and business acumen (with experience to oversee commercial negotiations)			√	
6.	Board member suitable to chair the Finance and Assurance committee, likely with a Chartered Accountant or equivalent background		√		
7.	Relationship management skills and experience, particularly in the Local Government context and with previous public sector experience Proven track record of high EQ and leading through complex change processes			√	
8.	Understanding of governance delivering community good civil infrastructure assets		√		
9.	Governance experience in industries delivering other utilities (such as electricity, telecoms)		√		
10.	A strong understanding of the Waikato region and contemporary local government context, including appreciation of public accountability			√	

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
11.	Practical, and preferably governance leadership experience in Water Services		√		

Candidates with the ability and willingness to:		Desirable but not mandatory	At least one director	Multiple directors	All directors
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12.	Resource and environmental management and the RMA - <u>– demonstrating a commitment to kaitiakitanga and stewardship of the natural environment</u>		√		
13.	Experience integrating Te Ao Māori and Tikanga Māori in a professional board environment Understands how to lead, impact and influence to maintain, uphold, and proactively engage with the principles of the Treaty of Waitangi		√		
14.	Demonstrates a strong knowledge of relevant settlements in the region, for example, Te Ture Whaimana			√	

Schedule 8 – HOA Council Activity

Council activity

1. To implement this HOA, a detailed project plan is being developed setting out the phases of work, funding and expectations of councils, with the intention of the CCO being operational by no later than 1 July 2026.
2. Transition planning will begin in earnest once Participating Councils have approved the governance documentation. Once planning commences, it is expected that each Participating Council will work with the other Participating Councils to:
 - i. develop and document the Participating Councils' technical, operational, legal and other requirements to support transition planning for the aggregated model ("**Requirements**")
 - ii. plan and design transition to meet the Requirements (to the extent reasonable) at such time(s) required by the other Participating Councils
 - iii. make decisions in relation to matters for developing the aggregated model within agreed timeframes having regard to the timeframe for submission of water services delivery plans and the intended implementation plan
 - iv. provide a dedicated single point of contact for that Participating Council for the management of the project delivery (ideally a project manager, who will also be the person authorised to make decisions (for example, approvals of proposed public comments on the project) on behalf of that Participating Council)
 - v. provide a dedicated and senior level 'sponsor' for the project
 - vi. attend those meetings agreed by the Participating Councils as appropriate or necessary for the effective governance of and/or the delivery of the aggregated model
 - vii. fund and provide resources to undertake the project

Document No: 794478

Report To: Council



Meeting Date: 26 November 2024

Subject: **Water Rates Harmonisation and Metering**

Type: Information Only

Author(s): Ben Smit
Chief Executive

Tina Hitchen
Chief Financial Officer

Helen McWilliam
Rates Advisor

1. Purpose of Report

- 1.1 The purpose of this business paper is obtain guidance on the future funding direction of three areas of current cross-subsidisation in the water and wastewater activities. These are:
1. District wide benefit for Water Supply
 2. Incomplete harmonisation of Water Supply rating across the water schemes
 3. Trade Waste contributions

2. Suggested Resolutions

- 2.1 The following are suggested resolutions only and do not represent Council policy until such time as they might be adopted by resolution.
- 1 The business paper on Water Rates Harmonisation and Metering be received.

3. Background

- 3.1 Staff are planning the installation of, and the charging from, water meters and need some direction on this topic.
- 3.2 Currently there are three areas where water and wastewater are not uniformly rated/charged to ratepayers/users in the District. An explanation of the current situation for each is detailed below:
- 3.3 District wide benefit for Water Supply and Wastewater**
- 3.4 Currently 10% of the total cost of delivering water to the four water schemes and wastewater services for the four wastewater schemes is charged to all rating units (including those in the four schemes). The Revenue and Financing Policy indicates district wide benefits accrue from having environmental benefits and achieving health outcomes.
- 3.5 The district wide benefit rate for water is \$61 per rating unit and for wastewater is \$63 per rating unit.

3.6 Incomplete harmonisation of Water rating across the Water Schemes

- 3.7 The cost of running each of our individual water schemes (Te Kuiti, Piopio, Maniaiti/Benneydale and Mokau) is different. If these rating schemes were not harmonised then smaller schemes/towns would pay more than larger towns. Generally councils harmonise (average the cost per connection across their district). Currently our council is part way through this project for water supply with Te Kuiti being charged \$856 per connected Separated Used or Inhabited Part of a rating unit (SUIP) and the three smaller schemes charged \$1,202 per connected SUIP. Serviceable SUIPs are charged a half charge.
- 3.8 Wastewater is fully harmonised across the schemes with a charge of \$1,111 per connected SUIP. Serviceable (but not connected) SUIPs are charged a half charge.
- 3.9 Stormwater is differentiated on the level of service. The Rural Rating area is charged \$20 per SUIP. Te Kuiti is rated both a fixed charge of \$187 per SUIP and \$0.08424 per \$100 capital value.

3.10 Trade Waste Contributions

- 3.11 The two industrial meat processors in Te Kuiti are partly subsidised by all ratepayers because they contribute significantly to the social and economic benefit of the wider community through employing a large number of people.
- 3.12 All rating units in the District are charged \$41 per rating unit.

4. Commentary

- 4.1 The development of two current projects makes it important that staff get a steer on the future of these three charging mechanisms.
- 4.2 **Waikato Waters** (the potential aggregation of water services) could mean that a larger aggregated water entity will be charging for water and wastewater.
- 4.2.1 District benefit from water and wastewater. In a situation where councils aggregate their water entities into one entity, would WDC still want to or be able to charge all its ratepayers 10% of the total cost of these activities? This is especially so if/when this aggregated entity harmonise all the charges from all the councils that joined.
- 4.2.2 Not having water charges harmonised across our district will be complex and unhelpful (from a change management perspective) for any new potential water entity that WDC may be part of in the future. They are likely to move to harmonised water and wastewater charges (probably volumetric) over time so local unharmonized activities would cause problems.
- 4.2.3 The issue of subsidised trade waste charges for the two Te Kuiti meat processors also needs to be explored.
- 4.3 **The installation of water meters** across all water connections.
- 4.4 Having an unharmonised rating scheme when moving to district wide volumetric charges for water would be more challenging to calculate but more importantly more difficult to communicate.
- 4.5 A financial summary of the potential impact of having full harmonisation of water activity rates, no district wide benefit rates and no trade waste contribution rate is detailed below:

Scenario - Fully Harmonised Water and Wastewater, no District Subsidy and no Trade Waste Contribution					
Water	2024/25 Budget	2024/2025 actual	2024/2025 Fully Harmonised & no District Subsidy	2025/2026 Budget	2025/2026 Fully Harmonised & no District Subsidy
		Per Connected SUIP	Per Connected SUIP		Per Connected SUIP
Te Kuiti	1,595,950	856.00	1,034.00	2,910,451	1,222.00
Rural	620,647	1,202.00	1,034.00		1,222.00
Serviceable rate			517.00		611.00
District Subsidy Per Rating Unit	246,288	61.00	-		-
Total Water activity costs / charges	2,462,885			2,910,451	
Te Kuiti Connected	2,108		Te Kuiti Ability	75	
Piopia Connected	244		Piopia Ability	10	
Mokau Connected	211		Mokau Ability	22	
Benneydale Connected	111		Benneydale Ability	25	
	2,674			132	
Wastewater	2024/25 Budget	2024/2025 actual	2024/2025 Fully Harmonised & no District Subsidy or Trade Waste Contribution	2025/2026 Budget	2025/2026 Fully Harmonised & No District Subsidy or Trade Waste Contribution
		Per Connected SUIP	Per Connected SUIP		Per Connected SUIP
Te Kuiti	2,295,007	1,111.00	1,313.00	2,936,277	1,421.00
Rural		1,111.00	1,313.00		1,421.00
Serviceable Rate		556.00	657.00		710.00
Trade Waste Contribution	163,490	41.00	-		
District Subsidy Per Rating Unit	255,001	63.00	-		-
Total Wastewater activity costs / charges	2,713,498			2,936,277	

- 4.6 It is possible that there would continue to be a fixed service component for every SUIP that had the ability to be connected (serviceable) to water and / or wastewater (as detailed in the LTP) but this needs more thought and later engagement with the community once options are worked up.
- 4.7 There is potential to phase this in over a few years (i.e. before joining any potential service level, asset owning and aggregated pricing water services entity) but it is important that we start planning for these potential changes.
- 4.8 This could be a topic for engagement through the 2025/26 Annual Plan.
- 4.9 Staff look forward to Elected Member comment on this topic before progressing further.

Document ID:

Report To: Council

Meeting Date: 26 November 2024

Subject: **Motion to Exclude the Public**

Type: Decision Required

Author(s): Michelle Higgle
Manager – Governance Support

1. Purpose of Report

1.1 The purpose of this business paper is to enable Council to consider whether or not the public should be excluded from the consideration of Council business.

Note: It is Council's choice whether to consider any of the business listed below in the public or public excluded portion of the meeting.

2. Suggested Resolutions

2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.

- 1 The public be excluded from the following part of the proceedings of this meeting.
- 2 The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter, as specified by Section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for the passing of this resolution
1. Sale of 2 Jennings Street, Te Kuiti	Section 7(2) - (i) To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) (i) Where the local authority is named or specified in Schedule 1, under section 6 or section 7 (except section 7(2)(f)(i))
2. Removal of Trees – 2A Julian Street, Te Kuiti	Section 7(2) - (i) To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) (i) Where the local authority is named or specified in Schedule 1, under section 6 or section 7 (except section 7(2)(f)(i))
3. Les Munro Centre – Air Conditioning System Update	Section 7(2) - (i) To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) (i) Where the local authority is named or specified in Schedule 1, under section 6 or section 7 (except section 7(2)(f)(i))

General Subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Section 48(1) grounds for the passing of this resolution
4. Forestry Roading Agreements Update	Section 7(2) - (i) To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) (i) Where the local authority is named or specified in Schedule 1, under section 6 or section 7 (except section 7(2)(f)(i))
5. Waitomo District Landfill and Te Kuiti Wastewater Treatment Plant Sludge Removal Options	Section 7(2) - (i) To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) (i) Where the local authority is named or specified in Schedule 1, under section 6 or section 7 (except section 7(2)(f)(i))
6. Progress Report – Mokau Seawall	Section 7(2) - (i) To enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) (i) Where the local authority is named or specified in Schedule 1, under section 6 or section 7 (except section 7(2)(f)(i))

- 3 Council agree the following staff, having relevant knowledge to assist in the consideration of the items of business to be public excluded, remain in attendance to assist the Council with its decision making:

Staff Member	Reason for Remaining in Attendance
Chief Executive	Council CEO
Manager – Governance Support	Committee Secretary
General Manager – Strategy and Environment	Portfolio Holder
General Manager – Community Services	Portfolio Holder
General Manager – Infrastructure Services	Portfolio Holder
Property and Facilities Manager	Portfolio Holder
Property Officer	Portfolio Holder
Solid Waste Lead	Portfolio Holder

- 4 This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in the public.

3. Commentary

- 3.1 Section 48 of the Local Government Official Information and Meetings Act 1987 gives Council the right, by resolution, to exclude the public from the whole or any part of the proceedings of any meeting, only on one or more of the grounds contained within that Section.