

Document No: A538280

Report To: Council



Meeting Date: 27 July 2021

Subject: **Deputation: Waitomo Sister City Incorporated
– Multi-Year Community Partnership Grant
Application**

Type: Information Only

Purpose of Report

- 1.1 The purpose of this business paper is to advise Council that Janis MacDonald, Chairperson of Waitomo Sister City Incorporated will be in attendance at 9:00am to speak to Council in support of the Waitomo Sister City Multi-Year Community Partnership Grant Application.

Suggested Resolution

The Deputation from Waitomo Sister City Incorporated be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie". The signature is fluid and cursive, with the first name being more prominent.

MICHELLE HIGGIE
MANAGER – GOVERNANCE SUPPORT

Document No: A535376

Report To: Council



Meeting Date: 27 July 2021

Subject: Declaration of Members' Conflicts of Interest

Purpose of Report

- 1.1 The purpose of this business paper is for elected members to –
- 1 Declare interests that may be deemed a potential conflict with their role as an elected member relating to the business papers for this meeting, and
 - 2 Declare any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 29168.

Commentary

2.1 **Conflicts of Interest**

2.2 Every elected member has a number of professional and personal links to their community. They may own a business or be a member on a board or organisation. They may have a pecuniary (financial) interest or a non-pecuniary (non-financial) interest. These interests are a part of living in the community which they need to make decisions about in their role with Council.

2.3 Elected members are governed by the Local Authorities (Members' Interests) Act 1968 and are guided by the Auditor-General in how this Act is administered. In relation to pecuniary interests, the two underlying purposes of the Act are to:

- ensure members are not affected by personal motives when they participate in local authority matters; and
- in contracting situations, prevent members from using their position to obtain preferential treatment from the authority (the Council).

2.4 Non-pecuniary interests relate to whether an elected member could be in danger of having a real or perceived bias for an issue under consideration.

2.5 Elected members will also have interests that are considered no greater than the public at large. For example, most elected members will own a property and therefore be a ratepayer in the Waitomo District.

2.6 Conflicts of interest at times cannot be avoided, and can arise without anyone being at fault. They need not cause problems when they are promptly disclosed and well managed.

2.7 **Declarations of Interests and Conflicts**

2.8 At the beginning of each triennial council term, elected members are requested to disclose known interests on behalf of themselves (including spouses and partners). It is up to the elected member to judge whether they have any interests to declare. Some elected members may not have any, other elected members may have many.

2.9 As well as this, elected members may decide that they have an interest in a particular issue or item to be discussed at a meeting. There is a standing item on every meeting agenda for elected members to declare conflicts of interest.

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- 2.10 These declarations should be clear as to whether there is just an "interest" with no pecuniary benefit and no greater benefit than to any member of the public, or they may be a Council appointed representative to an organization, or whether there is a "conflict of interest" in that there could potentially be a pecuniary or other direct benefit to the elected member.
- 2.11 Members who have declared a "conflict of interest" at the commencement of a meeting should make a further declaration when that item of business is considered and leave the meeting table (or the meeting room) and not take part in any discussion, debate or voting on the matter of conflict.
- 2.12 Attached to and forming part of this business paper is information to assist elected members in determining conflicts of interest.

Declarations

Mayor Robertson will invite elected members to give notice of any conflicts of interest relating to the business for this meeting.

In the event of a Declaration being made, the elected member must provide the following information relating to the Declaration:

Elected Member Name:		
Item(s) of Business on the Order Paper	Reason for Declaration	Type of Conflict Financial Non-Financial Conflict of Roles Pre-Determination
Item No -	•	•



MICHELLE HIGGIE
MANAGER – GOVERNANCE SUPPORT

Local Authority (Members' Interests) Act 1968

- 3.1 The Local Authority (Members' Interests) Act 1968 helps to protect the integrity of local authority decision-making by ensuring that Councillors are not affected by personal motives when they participate in Council decision-making and cannot use their position to obtain preferential access to contracts. This Act deals with two forms of "interest":
1. Pecuniary
 2. Non-pecuniary
- 3.2 **Pecuniary Interest**
- 3.3 The **two** specific rules in the Act are that members cannot:
1. Enter into contracts with their local authority worth more than \$25,000 (including GST) in a financial year unless the Auditor-General approves the contracts (referred to as the contracting rule). Breach of this rule results in automatic disqualification from office; and
 2. Participate in matters before the Council in which they have a pecuniary interest, other than an interest in common with the public (referred to as the participation rule). Breach of this rule is a criminal offence and conviction results in automatic disqualification from office
- 3.4 A pecuniary interest is one that involves money. This could be direct or indirect. It is sometimes difficult to decide whether an interest in a particular matter is pecuniary or some other kind. It is always the responsibility of elected members to make this decision, to declare any interest when appropriate and to ensure that as an elected member you comply with the Act's requirements at all times. The Act generally provides that no person shall be capable of being a member of Council if that person is concerned or interested in any contracts with the Council where the total payments made by the Council in respect of such contracts exceeds \$25,000 in any one financial year.
- 3.5 The Act also provides that an "interest" exists where a member's spouse is involved and/or where a member or their spouse is a major shareholder or have control or management of a company which contracts with Council or where the company has a pecuniary interest in the decision. It may also apply where your family trust has a contract with the Council.
- 3.6 The Act does provide that on application to it the Office of the Auditor General may give specific approval to a member being concerned or interested in a particular contract, in which case the provisions of the Act will not disqualify the Councillor from remaining in office. The approval needs be gained before the contract concerned is entered into.
- 3.7 The Act also requires that a member shall not vote or take part in the discussion of any matter in which he/she has any pecuniary interest, other than an interest in common with the public. This interest is required to be declared by the member and is noted in the minutes.
- 3.8 The Office of the Auditor General is the agency, which oversees this legislation and it also has the responsibility and power to institute proceedings against any member. The Act does not define pecuniary interest, however the Office of the Auditor-General uses the following test: "Whether, if the matter were dealt with in a particular way, discussing or voting on that matter could reasonably give rise to an expectation of a gain or loss of money for the member concerned."
- 3.9 In deciding whether you have a pecuniary interest you should consider the following factors: What is the nature of the decision being made? Do I have a financial interest in that decision – do I have a reasonable expectation of gain or loss of money as a result of making that decision? Is my financial interest one that is in common with the public? Do any of the exceptions in the Act apply to me? Could I apply to the Auditor-General for approval to participate?
- 3.10 Further guidance is provided in the booklet "Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968" which has been provided to 5 elected members. It is important that you pay particular attention to the contents of this booklet as this is one of the few areas of the Council's business where staff do not set out to provide

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pro-active advice and members are personally liable for compliance with the provisions of this Act.

3.11 Non-Pecuniary Interest

3.12 Non-pecuniary interest is any interest the member may have in an issue that does not involve money. A common term for this is "bias" or pre-determination. Rules about bias operate not only to ensure that there is no actual bias, but also so there is no appearance or possibility of bias. The principle is that justice should not only be done, but it should be seen to be done. Bias may be exhibited where:-

- By their statements or conduct a member may indicate that they have predetermined the matter before hearing or considering all of the relevant information on it (including the Council's debate); or
- The member has a close relationship with an individual or organisation affected by the matter.

3.13 Non-pecuniary interest is a difficult issue as it often involves matters of perception and degree. The question you need to consider, drawn from case law, is: "Is there, to a reasonable, fair-minded and informed observer, a real indication of bias on the part of a member of the decision making body, in the sense that they might unfairly regard with favour (or disfavour) the case of a party to the issue under consideration?" If there is, the member should declare their interest and withdraw from the debate and take no further part in the discussion of this item. The law about bias does not put you at risk of personal liability. Instead, the validity of the Council's decision could be at risk. The need for public confidence in the decision-making process is paramount and perception can be an important factor. Again the booklet provided by Office of the Auditor General provides some excellent advice and information on this issue.

Waitomo District Council Procurement Policy 2018

4.1 The following are extracts from WDC's Procurement Policy:

WDC's procurement activities will be conducted in line with the core Procurement Principles and a decision framework that ensures:

- **Adherence** – all procurement is required and is undertaken in accordance with the Procurement Policy and all other associated WDC Policies and Strategies;
- **Openness** - all procurement is made in an open and transparent manner with full and fair opportunity for all eligible suppliers;
- **Fairness** - all procurement is carried out in a fair manner and decisions are made with impartiality and without bias;
- **Integrity** - all WDC employees and/or authorises third parties undertaking procurement do so ethically, equitably and with behavioural standards of the highest levels;
- **Value for Money** – all procurement considers the costs and benefits over the life of the goods, services and/or works, and in doing so takes into consideration local procurement;
- **Risk** – all procurement considers the risks (commercial and otherwise) and ensures these are managed appropriately;
- **Lawfulness** - all procurement is within the law and meets WDC's legal and organisational obligations;
- **Accountability** - employees and/or authorised third parties and suppliers are accountable for their performance; and
- **Sustainability** - all procurement is environmental and socially sustainable wherever possible, having regard to economic, environmental, and social impacts over their lifecycle.

Conflict of Interest and Declarations Policy 2018

WDC is required to identify, disclose, document and manage employees' conflicts of interest, and to ensure that decisions made on behalf of WDC and the community are fair and free of bias or perceived bias.

Note: the words "decision" and "decisions" should be taken to include recommendations and advice:

- (a) that might significantly influence decisions that will be made by other people; or
- (b) on development of strategies and policies that will guide future WDC decision making on service provision, purchasing, contracting or staff employment.

WDC recognises that the professional and personal interests of employees mean that conflicts of interest sometimes cannot be avoided, and can arise without necessarily establishing a fault. Conflict need not cause difficulties, and can be managed so that the best interests of WDC and its ratepayers, residents or customers are served.

DEFINITION OF CONFLICT OF INTEREST

A **conflict of interest** exists when an employee could be influenced or could be perceived as being influenced by a personal or private interest in **any transaction** while performing their WDC duties and/or responsibilities. A personal or private interest is an interest that may bring benefit to an employee as an individual, or to others associated with the employee i.e. spouse or family member, to whom the employee may later benefit.

A **transaction** includes, but is not limited to:

- (a) the exercise or performance of a function, duty, or power of WDC; or
- (b) an arrangement, agreement, or contract to which WDC is a party; or
- (c) a proposal that WDC enter into an arrangement, agreement, or contract; or
- (d) development of a strategy or policy that will guide future decision making on service provision, purchasing, contracting or staff employment; or
- (e) the consideration of or decision made by or at a meeting of Council or its committees and subcommittees.

A Conflict of Interest may exist where the employee:

- will or may derive a benefit from the transaction – a financial, professional or personal benefit;
- has a financial interest in another party to a transaction;
- is a director, shareholder, officer or trustee of another party to the transaction, or is a person who will or may derive a financial benefit from the transaction;
- has an interest in another party tendering for work which WDC is considering; or
- is the partner, parent, child, spouse, sibling, or close friend of another party to the transaction, or a person who will or may derive a benefit from the transaction; or
- is an affected member or interested party in a proposal considered by Council.

Managing conflicts of interest

A conflict of interest is a situation where the responsibilities you have in your work for a public organisation are affected by an interest or relationship you have in your private life.

Having a conflict of interest does not necessarily mean you have done anything wrong. It all depends on how you manage it.

You need to ask yourself not just whether the interest or relationship means you are biased, but also whether someone looking in from the outside could have reasonable grounds to think you might be.

The “rules” for managing conflicts of interest in the public sector are generally stricter than in the private sector. If you work for a public organisation, the public needs to have confidence that any decisions you make:

- are made impartially and for the right reasons; and
- are not influenced by personal interests or ulterior motives.

Any decisions about conflicts of interest should take into account the core public service values:

- integrity;
- impartiality
- trustworthiness;
- respect; and
- responsiveness.



Tips for managing conflicts

- Make sure you know what rules apply to you, whether in your employment contract, contract for services, terms of appointment, or any internal policies of the entity you work for.
 - Declare any interests you have that might pose a conflict. This shows you are being open. It will also help the entity you work for avoid putting you in a situation where a conflict might arise, or to manage a conflict if one arises.
 - Follow any rules or guidance provided by the entity you work for when deciding how to manage a conflict.
- As a minimum, declare any conflicts you have as soon as you become aware of them, preferably in writing.
 - Think about what else you might need to do to manage the conflict. Get advice if you need to. Talk to your manager, or if you are on a board, the chairperson.
 - You need to consider ethics as well as legal rules. Just because it's not unlawful to participate, that does not necessarily mean it would be appropriate to participate.

If in doubt, stay out.



When you have to make a decision, ask yourself:

FINANCIAL

- Do you stand to gain or lose financially from the decision?
- Does someone close to you – like an immediate family member – or a business you are involved with stand to gain or lose financially from the decision?

A situation does not need to involve cash changing hands to be considered a financial interest. A financial interest could, for example, relate to an effect on the value of property.

A financial interest might be direct or indirect. In situations that someone close to you or a business you are involved with has a financial interest, you might be considered to share their interest.

Financial interests are generally treated more strictly than other types of interest. If you have a financial conflict of interest, the law presumes you are biased. This is why you should automatically treat a financial conflict of interest seriously, even if it seems trivial to you.

For some entities in the public sector, there are specific statutory requirements that apply to managing the financial conflicts of interest, which you need to be aware of.

NON-FINANCIAL

- Is someone close to you or an organisation you are involved with likely to be affected by the decision you make?
- If so, is there a risk that you will be seen to be biased in your decision because of this relationship or association?

If you have a conflict of interest, but not one from which you stand to gain or lose financially, the law does not automatically assume you are biased.

This does not necessarily mean a non-financial conflict is less serious than a financial conflict – but there is generally more room for judgement about whether it is acceptable for you to participate.

Questions you need to think about include:

- How close is your relationship with this other person or organisation?
- Will they be directly affected by the decision?
- How seriously will they be affected?

CONFLICT OF ROLES

Will a second organisation you have a role in (entity B) be affected by the decision you are making for the public organisation you work for (entity A)?

If so:

- Is there a risk that you will be seen to be acting in the interests of entity B rather than entity A?
- If you participate in this decision, is there a risk that you might breach obligations you owe to either entity – for example, a duty of loyalty or confidentiality?

The issue with a conflict of roles is not so much whether you personally have a conflict, but whether the interests of the two organisations conflict.

If you have a conflict of roles, you will need to consider whether it is appropriate for you to participate in the decision-making process “on both sides of the table”. You will also need to think about whether you are going to be in a position to fulfil your obligations to both entities at the same time.



If there is a risk that there might be conflicts at some point during the decision-making process, you should discuss your situation with both entities. This gives each an opportunity to consider the risks from their perspective and decide whether they are comfortable with you participating on both sides.

PRE-DETERMINATION

Is there anything you have previously done or said that might make people think you are not going to listen fairly to all the relevant information before you make your decision?

It is accepted that people working for public entities will have their own views on many matters, and, in many cases, might already have views on what the “right answer” to an issue is.

You are not required to approach every decision as though you have given it no prior thought, or have no existing knowledge or opinion. However, you are required to keep an open mind, and you must be prepared to change or adjust your views if the evidence or arguments warrant it.

That means you need to take care that what you do or say does not make it look like you have already made your decision before you have considered all the relevant information and evidence.

Where to read more

FINANCIAL	NON-FINANCIAL	CONFLICT OF ROLES	PRE-DETERMINATION
Paragraphs 3.7-3.11	Paragraphs 3.12-3.24	Paragraphs 3.25-3.31	Paragraphs 3.32-3.40
Scenarios 3, 5	Scenarios 1, 2, 3, 9, 11	Scenarios 8, 10	Scenarios 4, 7
If you are an elected member of a local council, or a member of the governing body of any other entity to which the Local Authorities (Members' Interests) Act 1968 applies, please also read our Guide on that Act.			

WAITOMO DISTRICT COUNCIL

MINUTES OF A MEETING OF THE WAITOMO DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, QUEEN STREET, TE KUITI ON TUESDAY 29 JUNE 2021 AT 9.00AM

PRESENT: Mayor John Robertson, Deputy Mayor Guy Whitaker, Council Members Phil Brodie, Allan Goddard, Lisa Marshall, Janene New and Sue Smith

IN ATTENDANCE: Helen Beever, General Manager – Community Services; Michelle Higgie, Manager – Governance Support; Terrena Kelly, General Manager – Strategy and Environment (for part only); Alister Duncan, General Manager – Business Support(for part only); Tony Hale, General Manager – Infrastructure Services (for part only) and Jenelle Burnell, Leader - Communications and Engagement (for part only)

1. Council Prayer

2. Declarations of Member Conflicts of Interest

Members declared interests/conflicts of interest in respect to the Agenda as set out below:

Item(s) of Business on the Order Paper	Reason for Declaration	Type of Conflict <i>Financial</i> <i>Non-Financial</i> <i>Conflict of Roles</i> <i>Pre-Determination</i>
Item No 16: Adoption of 10 Year Plan 2021-2031 and Setting of Rates for Financial Year 2021/2022	Councillor New <ul style="list-style-type: none">Trustee of the Game on Charitable Trust	Conflict of Roles
	Deputy Mayor Whitaker <ul style="list-style-type: none">Timber Trail Lodge - Director and Shareholder	Financial
	Councillor Smith <ul style="list-style-type: none">Member of Waitomo Museum	Conflict of Roles

3. Verbal Reports: Elected Member Roles and Responsibilities

The Councillors gave verbal reports on their individual portfolio roles and responsibilities as follows:

Cr Brodie

1. Local Government New Zealand Zone 2 Meeting
2. Mokau 10YP Consultation Meeting
3. Piopio 10YP Consultation Meeting

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4. Mokau Roding Site Meeting (Footpaths)
5. 3 Waters Reform Zoom Meeting
6. Piopio 10YP Consultation Meeting
7. Kopaki Rail Overbridge Site Blessing
8. The Lines Company Customer Advisory Panel Meeting
9. King Country River Care Meeting
10. Local Government New Zealand Rural and Provincial Sector Meeting
11. Regional Transport Committee Meeting
12. National Field Days – Piopio Food Caravan
13. Mokau Museum Annual General Meeting
14. Waitomo Ratepayers Collective Meeting

Cr New

1. Legendary Te Kuiti Meetings
2. Farewell – Mark and Heidi Brittenden
3. Waitomo Sister City Strategic Planning Meeting
4. Citizens Awards Working Party Meeting
5. The Lines Company Customer Advisory Panel Meeting

Cr Goddard

1. Benneydale Hall Committee
2. Stadium Project Steering Group Meetings

Cr Marshall

1. Kura Tahi Wananga
2. Waitomo Ratepayers Collective Meeting
3. Matariki Celebrations
4. Maniapoto Settlement Huia
5. MMTB Triennial Trustees Appointment Meeting
6. Creative Communities Meeting
7. Colour Run at Te Kuiti High School

Cr Smith

1. District Consultation Meetings
2. Waitomo Museum Meeting
3. Waitomo Ratepayers Collective Meeting (Zoom)
4. Te Anga Hall Annual General Meeting

Deputy Mayor Whitaker

1. Brook Park Meetings
2. Waitomo Sister City Strategic Planning Meeting
3. 3 Waters Reform Webinar
4. Legendary Te Kuiti Meetings
5. Timber Trail Lodge Open Day
6. Colour Run at Te Kuiti High School

Mayor

1. 3 Waters Reform Meetings
2. Future of Local Government Meeting
3. Waitomo Ratepayers Meetings

Resolution

The verbal reports be received.

Brodie/Marshall

Carried

4. Confirmation of Minutes – 27 April 2021

Resolution

The Minutes of the Waitomo District Council meeting of 27 April 2021, including the public excluded portion of the Minutes, be confirmed as a true and correct record.

Robertson/Goddard Carried

5. Confirmation of Minutes – 27 May 2021 (Hearing of Submissions to the 10 Year Plan 2021-2031)

Resolution

The Minutes of the Waitomo District Council meeting of 27 May 2021 be confirmed as a true and correct record.

Robertson/Brodie Carried

6. Confirmation of Minutes – 9 June 2021 (Deliberation of Submissions to 10 Year Plan 2021-2031)

Resolution

The Minutes of the Waitomo District Council meeting of 9 June 2021 be confirmed as a true and correct record.

Robertson/Goddard Carried

7. Receipt of Unconfirmed Audit, Risk and Finance Committee Minutes - 11 May 2021

Resolution

The Unconfirmed Minutes of the Waitomo District Council Audit, Risk and Finance Committee meeting of 11 May 2021 be received.

Robertson/Whitaker Carried

8. Mayor's Report: 29 June 2021

Council considered the Mayor's Report prepared for the 29 June 2021 Council Meeting.

Resolution

The Mayor's Report for the 29 June 2021 Council Meeting be received.

Robertson/Goddard Carried

9. Local Government New Zealand – 2021 Annual General Meeting: Remits

Council considered a business paper presenting the Remits received and approved by Local Government New Zealand for consideration at the 2021 Local Government New Zealand Annual General Meeting and for Council to resolve how it will vote on each of the Remits.

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

Resolved

- 1 The business paper on Local Government New Zealand – 2021 Annual General Meeting: Remits be received.
- 2 Mayor Robertson be authorised to vote on the Remits to be considered at the 2021 Local Government New Zealand Annual General meeting as follows:

Remit	Support / Oppose	Comments
1 Tree Protection	Support	
2 Rating Value of Forestry Land	Support	
3 Funding of Civics Education	Oppose	Council does not think councils should get involved in this. It is being done now through Youth Councils and other programmes that already exist.
4 Promoting Local Government Electoral Participation	Support	
5 Carbon Emission Inventory Standards and Reduction Targets	Support	
6 WINZ Accommodation Supplement	Oppose	Council does not think councils should get involved in this.
7 Liability – Building Consent Functions	Support	

Brodie/Marshall Carried

10. Progress Report: Delivery against Communications Strategy

Council considered a business paper informing Council of progress made in respect of the Communications Strategy.

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

Resolved

The Business Paper Progress Report: Delivery against Communications Strategy be received.

Robertson/Marshall Carried

11. Civic Financial Services Limited – 2021 Annual General Meeting

Council considered a business paper seeking ratification of the appointment of a Proxy for the 2021 Civic Financial Services Limited Annual General Meeting and to inform the Council of the outcome of that Meeting.

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

Resolved

- 1 The business paper on Civic Financial Services Limited – 2021 Annual General Meeting be received.
- 2 Council ratify the action of the Chief Executive in appointing Mr Ian Brown, Chief Executive of Civic Financial Services Ltd to act as Proxy for the Waitomo District Council at the Civic Financial Services Limited – 2021 Annual General Meeting.
- 3 Council note the outcome of Civic Financial Services Limited’s 2021 Annual General Meeting as follows:

Ordinary Business

- *The Minutes of the Annual General Meeting held on 19 June 2020 and the Special General Meeting held on 13 August 2020 were approved.*
- *The Annual Report and Financial Statements for the year ending 31 December 2020 were accepted.*
- *The appointment of the Auditor-General as auditor was recorded, noting the Auditor-General has appointed Mr Silvio Bruinsma of Deloitte to undertake the audit.*

Directorate

- *Existing Directors Anthony Marryatt and John Melville were retiring from office by rotation in accordance with the Constitution of the Company. Both had been nominated by the Civic Board for re-election and offered themselves for re-election as Directors.*
- *Jo Miller had been nominated by Hutt City Council as a Director and offered herself for election.*
- *Louise Edwards and Bevan Killick had each been nominated by Christchurch City Council as a Director and offered themselves for election.*
- *Anthony Marryatt and John Melville have been re-elected, and Jo Miller has been elected as Directors.*

58 Councils voted on the election of Directors, representing 10,387,593 shares amounting to 92.34% of the shareholding of Civic Financial Services Ltd.

Each of the candidates received the following votes.

Name	No of Votes for Candidate	% of Total Shareholding
<i>A Marryatt</i>	<i>6,264,749</i>	<i>55.69%</i>
<i>J Melville</i>	<i>6,134,420</i>	<i>54.53%</i>
<i>J Miller</i>	<i>8,916,147</i>	<i>79.26%</i>
<i>L Edwards</i>	<i>4,129,106</i>	<i>36.71%</i>
<i>B Killick</i>	<i>4,235,069</i>	<i>37.65%</i>

Robertson/Goddard Carried

12. Civic Financial Services Ltd - Annual Report 2020

Council considered a business paper presenting the Annual Report for Civic Financial Services Limited for the year ended 31 December 2020.

Resolved

- 1 The business paper on Civic Financial Services Ltd Annual Report for the year ended 31 December 2020 be received.
- 2 The Civic Financial Services Ltd Annual Report for the year ended 31 December 2020 be received.

Goddard/Brodie Carried

13. North King Country Indoor Sports and Recreation Centre – Funding Agreement Drawdown

Council considered a business paper presenting a request from the Game On Charitable Trust to re-sequence the drawdown of Waitomo District Council's grant contribution to the 2021/2022 financial year.

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

Resolved

- 1 The business paper on North King Country Indoor Sports and Recreation Centre – Funding Agreement Drawdown be received.
- 2 Council approve drawdown of the Game On Charitable Trust grant of \$1.5 million in the 2021/2022 Financial Year, subject to both parties signing the Funding Agreement between Waitomo District Council and the Game On Charitable Trust.
- 3 Subject to Council approving Resolution 2 above, Council approve the raising of a loan of \$1.5 million to fund a capital grant to the Game On Charitable Trust.

Brodie/Marshall Carried

14. Policy Review – 10 Year Plan 2021-2031

Council considered a business paper presenting for adoption, the final draft of the policies reviewed as part of the 10 Year Plan 2021-2031 development.

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

Resolved

- 1 The business paper on Policy Review - 10YP 2021-2031 be received.
- 2 Council adopt the amended Revenue and Financing Policy.

- 3 Council adopt the Policy on Remission of Rates (including Remissions and Postponements of Rates on Maori Freehold Land).
- 4 Council adopt the Treasury Policy.
- 5 Council adopt the Significance and Engagement Policy.
- 6 Council adopt the Policy on Appointment of Directors to Council Controlled Organisations.

Robertson/Marshall Carried

15. Adoption of 10 Year Plan 2021-2031 and Setting of Rates for Financial Year 2021/2022

Council considered a business paper:

- a. Presenting the final draft 10 Year Plan 2021-2031 for Council consideration and adoption as per Section 93 of the Local Government Act 2002; and
- b. Recommending the setting of rates for the 2021/22 financial year pursuant to Sections 23 and 24 of the Local Government (Rating) Act 2002.

The General Manager – Strategy and Environment, General Manager – Business Support and General Manager – Infrastructure Services expanded verbally on the business paper and answered Members’ questions.

Note: Rates Resolution dollar amounts are GST inclusive.

Council requested that as part of the final editorial, the opening statement in the Mayor’s Introduction include an English translation.

Resolved

- 1 The business paper on 10 Year Plan 2021-2031 and Setting of Rates for Financial Year 2021/2022 be received.
- 2 Council adopt the final draft 10 Year Plan 2021-2031.
- 3 The Chief Executive be delegated authority to make any final editorial amendments to the final draft 10 Year Plan 2021-2031 and any changes requested by the Council at this meeting.
- 4 Pursuant to Sections 23 and 24 of the Local Government (Rating) Act 2002, Council set the rates, charges and instalment due dates for the 2021/22 financial year commencing 1 July 2021 and ending on 30 June 2022 as follows:

1. GENERAL RATE

A General Rate set under section 13 of the Local Government (Rating) Act 2002 (LGRA) made on every rating unit across the District, assessed as a rate per \$100 of capital value. The General Rate is not set differentially. The General Rate will contribute to the funding of:

- Leadership
- Other Land and Buildings
- District Libraries
- Aquatic Centre
- Les Munro Centre

- Aerodrome
- Public Facilities
- Parks and Reserves
- Elderly Persons Housing
- Community Halls
- Cemeteries
- Community Development
- Economic Development
- District Promotion
- Emergency Management
- Regulatory Services
- Waste Minimisation
- Resource Management

Requirement in 2021/22 (incl. GST)

General Rate	Rate per \$100 capital value	Total Revenue Requirement (\$000)
All rating units in the District	0.18583	6,367

2. UNIFORM ANNUAL GENERAL CHARGE

A Uniform Annual General Charge (UAGC) per separately used or inhabited part of a rating unit across the District, set under Section 15(1) (b) of the LGRA. The UAGC will contribute to the funding of:

- Leadership
- Parks and Reserves
- District Libraries
- Aquatic Centre
- Les Munro Centre
- Other Land and Buildings
- Public Facilities
- Elderly Persons Housing
- Community Halls
- Cemeteries
- Aerodrome
- Community Development
- Emergency Management
- Regulatory Services
- Resource Management
- Waste Minimisation

Requirement in 2021/22 (incl. GST)

Uniform Annual General Charge	Charge per SUIP	Total Revenue Requirement (\$000)
All rating units in the district	\$728	4,000

Definition of SUIP

A separately used or occupied part of a rating unit includes any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement, or any part or parts of a rating unit that are used or occupied by the ratepayer to more than one single use. This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner.

For the avoidance of doubt, a rating unit that has only one use (i.e. does not have separate parts or is vacant land) is treated as being one separately used or inhabited part.

3. TARGETED RATES

Targeted Rates are set on categories of land defined by some factor, such as geographic location or provision of service. The titles of 'Targeted Rate' (TR) and 'Targeted Fixed Rate' (TFR) are used by this Council. Targeted Fixed Rates are based on a uniform

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amount set per separately used or inhabited part of a rating unit (SUIP) or set per rating unit. Targeted Rates are assessed based on capital value or water consumption.

Targeted Rates Differentiated on Location

Council will use location (Schedule 2(6) LGRA) to define the land liable for the Targeted Services TFR, Piopio Retirement Village Contribution TFR, Rural Stormwater TFR, Te Kuiti Urban Stormwater TFR and targeted rate, and the Marokopa Community Centre TFR.

The following location definitions for the respective rating areas will apply:

Te Kuiti Urban Rating Area	All rating units situated within the Te Kuiti Urban Rating Area (Refer to Revenue and Financing Policy (RFP) for further details)
Te Kuiti Urban and Periphery Rating Area	All rating units situated within a 5km radius, all around, from the Information Centre (deemed to be the centre of town), in Te Kuiti. (Refer to RFP for further details)
Rural Rating Area	All rating units situated within the Rural Rating Area (Refer to RFP for further details)
Piopio Township	All rating units connected or with the ability to connect to the Piopio Wastewater System (Refer to RFP for further details)
Piopio Wider Benefit Rating Area	All rating units situated in the rural areas around Piopio Township (excluding Rating units/SUIPs connected or with the ability to connect to the Piopio Wastewater System) that are deemed to indirectly benefit from the Piopio Wastewater reticulation network. (Refer to RFP for further details)
Marokopa Community Centre Rating Area	Any separately used or inhabited part of a rating unit within the defined Marokopa Community Centre area (as contained in the RFP).

3.1 Aquatic Centre TFR

An Aquatic Centre TFR set under section 16 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit in the District, differentiated by rating areas, to part fund the Aquatic Centre Activity. The rating areas for the purpose of assessing the Aquatic Centre TFR will be the Te Kuiti Urban and Periphery Rating Area and Rating Units in the District not in the Te Kuiti Urban and Periphery Rating area.

Requirement in 2021/22 (incl. GST)

Aquatic Centre (TFR)	Charge per SUIP	Total Revenue Requirement (\$000)
Te Kuiti Urban and Periphery Rating Area	\$104	244
Rating Units in the District not in the Te Kuiti Urban and Periphery Rating Area	\$19	61

3.2 Piopio Retirement Village Contribution TFR

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 per rating unit situated within the Piopio Township and the Piopio Wider Benefit Rating Area to fund the support of the continued delivery of elderly housing accommodation services provided by the Piopio Retirement Trust Inc. through the remission of service charges.

Requirement in 2021/22 (incl. GST)

Piopio Retirement Village Contribution (TFR)	Charge per Rating Unit	Total Revenue Requirement (\$000)
Piopio Wider Benefit Rating Area and Piopio Township	\$25	19

3.3 Rural Stormwater TFR

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit in the Rural Rating Area of the District to fund the Rural Stormwater Activity.

Requirement in 2021/22 (incl. GST)

Rural Stormwater (TFR)	Charge per SUIP	Total Revenue Requirement (\$000)
Rural Rating Area	\$8	28

3.4 Te Kuiti Urban Stormwater TFR and Targeted Rate

- (i) Council set a TFR under section 16 of the Local Government (Rating) Act 2002 per rating unit in the Te Kuiti Urban Rating Area to partly fund the Te Kuiti Urban Stormwater Activity.
- (ii) Council set a Targeted Rate under section 16 of the Local Government (Rating) Act 2002 to partly fund the Te Kuiti Urban Stormwater Activity, to be assessed as a rate per \$100 of Capital value on every rating unit in the Te Kuiti Urban Rating Area excluding those in respect of which there is a current resource consent to discharge stormwater into the Mangaokewa Stream, and so are not using any part of the urban reticulated stormwater or drainage network.

Requirement in 2021/22 (incl. GST)

Te Kuiti Urban Stormwater (TFR)	Charge per rating unit	Total Revenue Requirement (\$000)
Te Kuiti Urban Rating Area	\$169	302

Te Kuiti Urban Stormwater Targeted Rate (TR)	Rate per \$100 Capital Value	Total Revenue Requirement (\$000)
Te Kuiti Urban Rating Area (excluding rating units not using network)	0.04225	194

3.5 Marokopa Community Centre TFR

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 assessed per separately used or inhabited part of a rating unit within the defined Marokopa Community Centre Rating Area.

Requirement in 2021/22 (incl. GST)

Marokopa Community Centre (TFR)	Charge Per SUIP	Total Revenue Requirement (\$000)
Marokopa Community Centre Rating Area	\$22	5

3.6 Water Rates

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 for Water Supply differentiated on the basis of supply area. The TFR is set per separately used or inhabited part of a rating unit within the relevant community, with liability calculated based on whether the SUIP is connected, or merely serviceable (Serviceable means the rating unit is within 100m of water main and practicably serviceable in the opinion of Council).

Requirement in 2021/22 (incl. GST)

Water Supply (TFR)	Charge		Total Revenue Requirement (\$000)
	Per connected SUIP	Per serviceable SUIP	
Te Kuiti	\$638	\$319	1,312
Piopio	\$880	\$440	215
Maniaiti / Benneydale	\$880	\$440	103
Mokau	\$880	\$440	192

3.7 Extraordinary Water Supply Rate

Council set a TR under section 19 of the Local Government (Rating) Act 2002 per cubic metre of water consumed over and above an annual consumption of 292m³ per SUIP, differentiated by supply area, for any rating unit situated in Te Kuiti, Piopio, Maniaiti / Benneydale or Mokau that has been fitted with a water meter and/or is defined as having an extraordinary supply (in accordance with Council's Water Service's Bylaw). The rates are:

Requirement in 2021/22 (incl. GST)

Water Supply Rate (TR)	2021/22 Charge per cubic metre (including GST) above 292m ³
Te Kuiti	\$2.77
Piopio	\$3.03
Maniaiti / Benneydale	\$3.34
Mokau	\$4.44
Total Revenue Requirement (\$000)	1,093

Metered Water Supply Due Dates

	Reading Period	Due Date
Te Kuiti Meat Companies	Monthly	15 th of the month following invoice
Te Kuiti, Piopio, Mokau and Maniaiti/Benneydale	Jul-Dec 2021 Jan-Jun 2022	15 th of the month following invoice

3.8 District Wide Benefit Rate for Water Supply

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 on every rating unit within the District to part fund the Water Supply activities.

Requirement in 2021/22 (incl. GST)

District Wide Benefit Rate for Water Supply (TFR)	Charge per Rating Unit	Total Revenue Requirement (\$000)
All Rating Units in the District	\$44	202

3.9 Wastewater Rates

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 to provide for the collection and disposal of sewage. The TFR is set per separately used or inhabited part of a rating unit within the District, with liability calculated based on whether the SUIP is connected to the wastewater network, or merely serviceable (Serviceable means the rating unit is within 30m of sewer reticulation and practicably serviceable in the opinion of Council).

Requirement in 2021/22 (incl. GST)

Wastewater (TFR)	Charge		Total Revenue Requirement (\$000)
	Per connected SUIP	Per serviceable SUIP	
Maniaiti / Benneydale	\$919	\$460	101
Te Waitere	\$919	\$460	15
Te Kuiti	\$919	\$460	1,545
Piopio	\$919	\$460	194

3.10 Wastewater rates for non-residential properties in Te Kuiti

For all non-residential properties in Te Kuiti, Council set a TFR under section 16 of the Local Government (Rating) Act 2002 per SUIP set on a differential basis based on the following Categories:

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- **Category 1** - All Businesses
- **Category 2** - Education & Community Childcare, Places of Worship, Marae, Clubs and Societies and Emergency Services. This category consists of organisations that are generally deemed 'not for profit'. For avoidance of doubt, Category 2 only covers properties with uses listed within this category and no others.
- **Category 3** - Government Department use, Rest Homes and Hospitals.

All non-residential SUIPs will be charged one base charge for up to four pans and per pan (Pan Charge) for every pan over and above this threshold on the following basis:

Base Charge:

Requirement in 2021/22 (incl. GST)

Non- Residential Targeted Rate (TFR)	Base Charge per SUIP (up to 4 pans)	Per Serviceable SUIP	Total Revenue Requirement (\$000)
Category 1	\$460	\$460	94
Category 2	\$460	\$460	17
Category 3	\$919	\$460	7

Pan Charge:

Requirement in 2021/22 (incl. GST)

Non- Residential Targeted Rate (TFR)	Number of pans	Charge per pan (Pan Charge)	Total Revenue Requirement (\$000)
Category 1	5th pan and over	\$644	66
Category 2	5-10 Pans	\$276	2
	Over 10 Pans	\$184	22
Category 3	5th pan and over	\$644	29

3.11 Trade Waste Contribution - TFR

Council set a Trade Waste Contribution TFR under section 16 of the Local Government (Rating) Act 2002 per rating unit in the District in recognition of the contribution made to the social and economic well-being of the District by the large industrial users of the Te Kuiti Wastewater Network.

Requirement in 2021/22 (incl. GST)

Trade Waste Contribution (TFR)	Charge per Rating Unit	Total Revenue Requirement (\$000)
All Rating Units in the District	\$39	180

3.12 District Wide Benefit Rate for Wastewater

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 on every rating unit within the District to part fund the Wastewater activities.

Requirement in 2021/22 (incl. GST)

District Wide Benefit Rate For Wastewater (TFR)	Charge per Rating Unit	Total Revenue Requirement (\$000)
All rating units in the District	\$51	232

3.13 District Rooding Rate

Council set a District Rooding targeted rate under section 16 of the Local Government (Rating) Act 2002 as a rate per \$100 of capital value on every rating unit across the District to part fund Subsidised Rooding (part of Roads and Footpaths Activity).

Requirement in 2021/22 (incl. GST)

District Rooding Rate (TR)	Rate per \$100 Capital Value	Total Revenue Requirement (\$000)
All rating units in the District	0.14588	4,998

3.14 Solid Waste Collection Rate

Council set a TFR under section 16 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit to which Council provides a kerbside collection and recycling service differentiated by service areas where Council operates kerbside collection and kerbside recycling services - Te Kuiti, Piopio, Mokau (including Awakino) communities and Waitomo Village and some surrounding parts.

Requirement in 2021/22 (incl. GST)

Solid Waste Collection (TFR)	Charge per SUIP	Total Revenue Requirement (\$000)
Te Kuiti	\$66	132
Waitomo	\$71	47
Piopio	\$146	33
Mokau	\$144	45

3.15 Solid Waste Rate

Council will set a TFR under section 16 of the Local Government (Rating) Act 2002 per separately used or inhabited part of a rating unit District wide to part fund the Solid Waste activity.

Requirement in 2021/22 (incl. GST)

Solid Waste (TFR)	Charge per SUIP	Total Revenue Requirement (\$000)
All rating units in the District	\$179	979

3.16 District Development Rate

Council set a District Development Targeted Rate under section 16 of the Local Government (Rating) Act 2002 as a rate per \$100 of capital value differentiated between Commercial and Industrial Businesses, and Rural Businesses, to part fund Economic Development, Visitor Information Centre, District and Regional Promotion and Event Co-ordination activities.

Requirement in 2021/22 (incl. GST)

District Development Rate (TR)	Rate per \$100 Capital Value	Total Revenue Requirement (\$000)
Commercial and Industrial Businesses	0.04697	170
Rural Businesses	0.00767	170

4. RATES PAYMENTS

Rates will be payable in four equal instalments with the due dates for payments being:

1st Instalment	31 August 2021 (Tuesday)
2nd Instalment	30 November 2021 (Tuesday)
3rd Instalment	28 February 2022 (Monday)
4th Instalment	31 May 2022 (Tuesday)

Note: The due date for payment of each instalment is the last working day in each of the months specified above.

Rates payments will be allocated to the oldest debt first.

5. RATES REMISSIONS AND POSTPONEMENTS

Council has developed a Rates Remissions Policy as per LGA (section 102 (3)(a), 108 and 109)) and LGRA (Section 85). Remission categories include Properties Used Jointly as a Single Unit, Community Organisations and Clubs and Societies, Penalties, Financial Hardship, Organisations Providing Care for the Elderly, New Residential Subdivisions, Maori Freehold Land, Cases of Land Affected by Natural Calamity, New Businesses and Rates and/or Penalties following a rating sale or abandoned land sale. The estimated value of these rates remissions is \$262,000 for the 2021/22 year.

Under the Policy on Remission of Rates, Council will not offer any permanent postponements of rates.

6. PENALTIES

Pursuant to sections 57 and 58 of the Local Government (Rating) Act 2002, Council may apply penalties as follows:

- (a) A penalty charge of 10 percent (10%) on any part of an instalment that has been assessed for the financial year commencing 1 July 2021 and which remains unpaid after 5pm on the due date for payment of that instalment, to be added on the penalty dates below:

Instalment 1	3 September 2021
Instalment 2	3 December 2021
Instalment 3	3 March 2022
Instalment 4	3 June 2022

- (b) A further penalty charge of 10 percent (10%) on any part of any rates assessed before 1 July 2021 that remains unpaid on 1 July 2021, to be added on 5 July 2021.
- (c) No penalties will be charged where a ratepayer is paying rates by direct debit or where there is an approved payment arrangement in place.

Robertson/Brodie Carried

- 5 Council asked that its appreciation be passed on to WDC staff involved in completing the 10 Year Plan 2021-2031.

Brodie/New Carried

16. Fees and Charges to Support the 10 Year Plan 2021-2031

Council considered a business paper presenting for consideration and adoption the draft Fees and Charges Schedule for the Financial Year 2021/2022 prepared in support of the 10 Year Plan 2021-2031.

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

Council noted that on Page 17 of the Fees and Charges relating to General Refuse, the description requires clarification so that it is very clear that there is a minimum charge of \$5.00 (for all refuse weighing up to 10 kilograms) and then an additional 26c per kilogram (\$260.00 per tonne) for all refuse weighing over 10 kilograms.

Resolved

- 1 The business paper on Adoption of Fees and Charges to support the 10 Year Plan 2021-2031 be received.

- 2 Council adopt the Fees and Charges Schedule for Financial Year 2021/2022 as set out in Document No A529167, to become effective on 1 July 2021.

Goddard/Brodie Carried

17. Motion to Exclude the Public

Council considered a business paper pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987 giving Council the right by resolution to exclude the public and/or staff from the whole or any part of a meeting on one or more of the grounds contained within that Section.

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. Deputation: Waitomo Backpackers Ltd	Section 7(2)(a) – To protect the privacy of natural persons, including that of deceased natural persons;	Section 48(1)(a)(i)
2. Waitomo Backpackers Ltd	Section 7(2)(a) – To protect the privacy of natural persons, including that of deceased natural persons;	Section 48(1)(a)(i)
3. Verbal Progress Report: Investment Oversight Working Party	Section 7(2)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations);	Section 48(1)(a)(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 Committee with its decision making:

Staff Member	Reason for Remaining in Attendance
General Manager – Community Services	Acting Chief Executive
Manager – Governance Support	Committee Secretary
General Manager – Business Support	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/Brodie Carried

The meeting closed to the public at 10.18am.

The meeting adjourned for morning tea at 10.18am and reconvened at 10:44am.

The General Manager – Strategy and Environment, General Manager – Business Support, General Manager – Infrastructure Services and Leader – Communications and Engagement left the meeting at 10:44am.

18. Consideration of Public Excluded Items to be made public following Council's decision taking

Resolution

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

1 Verbal Progress Report: Investment Oversight Working Party

In accordance with Section 7(2)(i) of the Local Government Official Information and Meetings Act 1987 – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations), the resolution only be made public as follows:

Resolution

The Verbal Progress Report: Investment Oversight Working Party be received.

Robertson/Brodie Carried

2 Deputation: Waitomo Backpackers Ltd

In accordance with Section 7(2)(a) – To protect the privacy of natural persons, including that of deceased natural persons; the resolution only be made public as follows:

Resolution

The Deputation from Waitomo Backpackers Ltd be received.

Smith/Brodie Carried

Robertson/Brodie Carried

There being no further business the meeting closed at 12:13pm

Dated this day of 2021

JOHN ROBERTSON
MAYOR

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Confidential

Document No: A541737	
Report To:	Council
	Meeting Date: 27 July 2021
	Subject: Mayor's Report

The LGNZ Conference was held in Blenheim from 15 to 17 July.

We were joined by Hon. Nanaia Mahuta for two days. The Prime Minister and Minister of Finance addressed the Conference also, as did National's Local Government spokesperson, Chris Luxon.

Anxiety about "Three Waters" and the "Future of Local Government" dominated the Conference.

As elected members know, Central Government plans to take away from Councils the provision of drinking water, wastewater and stormwater. Government intends to transfer these assets to four large regional water entities. The regional entity proposed for the Waitomo District will serve 800,000 people, including the cities of Hamilton, Tauranga, New Plymouth and Rotorua.

Government also has launched a review of the future role of local government. A small panel has been set up to explore this, looking ahead for the next thirty years. The panel is to report back to Government in 2023.

Uncertainty is not helpful for Councils. The best laid plans are made when one has confidence in the future. Risks always exist, but when the risks include a total rewrite of Council's role, planning gets really hard.

While not explicitly stated, signals indicate that Government will draft legislation later this year that will compel Councils to transfer their water assets to the proposed new regional organisations in 2024.

At the Conference a "carrot" was offered to Councils by the Prime Minister as an incentive for them to embrace the Government's new model. She announced a \$2.5 billion package to cover "transition costs" associated with the proposed reforms as well as funding to invest in "community wellbeing" initiatives.

Waitomo District Council's share of this package would be \$14 million. This is a lot of cash, but I expect the devil to be in the detail. This amount will be on top of whatever is provided to us by the new water entity to pay off the debt linked to our water assets. Council officers expect this to be \$26 million when the change takes place.

Central government is local government's master, and as such they will finally determine the detail and timetable for delivery of the packages. They will also determine what our future role will be.

Change of this magnitude does cause anxiety. The sooner the changes are confirmed and the detail decided, the sooner and better we as a Council will be able to plan. Planning for this new future should take effect with our yet to be written 2024 Long Term Plan.

In the meantime, we and every other Council will need to cope with a local government climate of uncertainty, not made any easier by the fact that COVID 19 is likely to be with us for this same length of time.



JOHN ROBERTSON, QSO
MAYOR

Document No: A535276

Report To: Council



Meeting Date: 27 July 2021

Subject: Documents Signed under Council's Common Seal

Purpose of Report

- 1.1 The purpose of this business paper is to inform Council of documents signed under the Common Seal of the Council.

Commentary

- 2.1 As set out in Council's Policy on Use of the Council Seal, all documents authenticated or signed on behalf of the Council by way of affixing the Common Seal must be reported to the Council so that, if necessary, Council can ratify the sealing and pass appropriate resolutions to record the same.
- 2.2 **Deed of Assignment of Lease –Speedies Road, Waitomo**
- 2.3 WDC and Speedys Road Hydro Limited (the Assignor) were parties to a Deed of Lease in relation to a Local Purpose Reserve adjacent Speedies Road, Waitomo.
- 2.4 The Assignor has sold its hydro generation business and assets to Southern Generation Limited Partnership (the Assignee).
- 2.5 The Deed of Assignment of Lease signed under Council's Common Seal (witnessed by the Chief Executive and two Elected Members) addresses the sale and new ownership of the hydro generation business and assets.

Suggested Resolutions

The business paper on Documents Signed and Sealed under Council's Common Seal be received.

A handwritten signature in blue ink, appearing to read "Michelle Higgie".

MICHELLE HIGGIE
MANAGER – GOVERNANCE SUPPORT

Document No: A541621

Report To: Council



Meeting Date: 27 July 2020

Subject: Waikato Regional Council – Notification of PM₁₀ Exceedances for Te Kuiti Airshed

Type: Information Only

Purpose of Report

- 1.1 The purpose of this business paper is to inform Council that the Waikato Regional Council has recorded two exceedances of the National Environmental Standards for Air Quality PM₁₀ Standard this year resulting in the Te Kuiti Airshed losing its compliant status.

Background

- 2.1 Air quality within towns and cities can be affected by a number of activities including natural sources such as sea spray, pollen, volcanic activity and human created sources such as home heating, traffic and industrial discharges.
- 2.2 In New Zealand, including the Waikato Region, air quality is worst in towns and cities located inland where cold, calm conditions over winter can result in the formation of inversion layers that confine air pollutants to ground level.
- 2.3 Currently the main air quality indicator is PM₁₀ which refers to airborne particulate matter that are 10 microns in diameter or less and are therefore small enough to inhale.
- 2.4 Since monitoring began in the Te Kuiti airshed by Waikato Regional Council (WRC), prior to 2013 the PM₁₀ Standard was typically breached a number of times each winter period, however the number of exceedances slowly reduced and in the period 2013-2020 there were no further exceedances. With five consecutive years of no breaches, Te Kuiti was classified as an air quality compliant airshed.

Commentary

3.1 September 2020: Amendments to the National Environmental Standards for Air Quality (NESAQ) and how this may impact the Te Kuiti Airshed

- 3.2 In September 2020, WRC provided WDC with an update on its airshed monitoring programme and proposed amendments to the National Environmental Standards for Air Quality (NESAQ). A summary of that advice is as follows:

1 While Regional Councils around New Zealand had previously focussed their monitoring programmes on PM₁₀, the focus is now shifting towards the finer particle range, referred to as PM_{2.5} (particulate matter with a diameter of 2.5 µm or less) which provides better evidence of effects on human health and is more indicative of the problem source, which is combustion related. In general, the smaller the particle, the further it can penetrate into the lungs and enter the bloodstream, increasing the risk for human respiratory and cardiovascular health.

- 2 *The National Environmental Standards for Air Quality (NESAQ) introduced in 2005 include an air quality standard for PM₁₀ which is based on a daily average concentration of 50 micrograms per cubic metre of air.*
- 3 *Once that daily average is exceeded more than once within a 12 month period then it is a breach of the standard and the airshed is classified as polluted, which places some restrictions on consents for industry that discharge to air and there is also an expectation by the Ministry for the Environment (MfE) that compliance strategies will be put in place by councils to achieve compliance.*
- 4 *MfE proposed some amendments to the NESAQ which (as of September 2020) WRC predicted would come into force in early (March to April) 2021. One of the amendments proposed is that Regional Councils will be required to monitor PM_{2.5}. In addition to this there will be new standards introduced based on both daily average and annual average limits for PM_{2.5}. While the annual average standard is likely to be able to be met, preliminary monitoring of PM_{2.5} in Te Kuiti (since late 2019) indicates that the daily average standard of 25 micrograms per cubic metre of air will not be able to be met.*
- 5 *The NESAQ amendments allow for the PM_{2.5} standard to be exceeded no more than three times per 12 month period. Over the 2020 winter season WRC recorded six exceedances of the proposed standard and advised that if this standard is brought in to force WRC would have to classify Te Kuiti as a polluted airshed again.*
- 6 *While industry does contribute to PM_{2.5} and PM₁₀ in the Te Kuiti airshed, woodburners are still the main contributing source as is the case in most airsheds around NZ.*
- 7 *In 2020, WRC had only one polluted airshed based on the PM₁₀ standard in the Waikato Region. That airshed is Tokoroa which exceeds the PM₁₀ standard by around 5 times per year. Based on the proposed new PM_{2.5} standard, that exceedance will increase to an estimated 40 times per year. Hamilton has also come close to exceeding the PM_{2.5} standard and WRC is sure that Taupo and Putaruru will also exceed it, but as of September 2020 had not yet monitored PM_{2.5} in those two airsheds yet.*
- 8 *Other Regional Councils from around NZ have also identified that the proposed amendments will increase the number of non-compliant/polluted airsheds in their region. All Regional Councils have raised this as being an issue in individual submissions made to MfE regarding the amendments and consider that meeting the long term annual average is the most important with regards managing health impacts and that setting the daily standard for PM_{2.5} needs better justification. Regional Councils are meeting with MfE on 23 and 24 September to discuss this further.*
- 9 *Depending on the outcome of MfE's decision on the finalised amendments, this could mean that WRC would need to start looking at introducing management and implementation options for improving air quality in Te Kuiti to a point where the airshed was compliant again (and also extending this to some other airsheds in the Waikato region). Currently the Waikato Regional Council's focus has only been on the Tokoroa Airshed regarding management and implementation options.*
- 10 *WRC put together a business case for consideration in the 2021-2031 Long Term Plan. That business plan requested additional budget and labour resources that are*

anticipated would be required as a result of the proposed amendments to the NESAQ that will result in the need to actively implement strategies for compliance across more than just the Tokoroa airshed that we are currently resourced to manage.

3.3 June 2021: Notification of PM₁₀ Exceedances in Te Kuiti Airshed

3.4 On Friday 25 June 2021 WRC notified Waitomo District Council as follows:

- 1 *Amendments to NESAQ are still waiting to be finalised and introduced. MfE are delaying a decision based on pending outcomes of a World Health Organisation (WHO) review of guidelines that will be used for informing our air quality standards. WRC predicts that this is likely to be finalised in the last quarter of this calendar year.*
- 2 *The current NESAQ regulations includes an air quality standard for PM₁₀ which is based on a daily average concentration of 50 micrograms per cubic metre of air. Once that daily average is exceeded more than once within a 12 month period then it is a breach of the standard and the airshed is classified as polluted.*
- 3 *Between 2013 and 2020 there were no exceedances of the standard and after five years of no breaches, Te Kuiti was classified as a compliant airshed.*
- 4 *The proposed NESAQ amendments which will be looking at introducing the WHO guideline for PM_{2.5} (even small particles than PM₁₀ that can be inhaled) would be a more stringent standard to meet than the current PM₁₀ standard. Based on WRC's initial PM_{2.5} monitoring in Te Kuiti it is expected that Te Kuiti would be a non-compliant airshed again.*
- 5 *However, this winter (2021) WRC has recorded two exceedances of the PM₁₀ standard as per below:*

<i>27 May 2021</i>	<i>53 micrograms per cubic metre (ug/m3)</i>
<i>23 June 2021</i>	<i>55 ug/m3</i>
- 6 *As there have been two exceedances within a 12 month period, this means that Te Kuiti has now reverted back to being a polluted (non-compliant) airshed after having been a compliant airshed for the last 4 -5 years. While WRC expected this to happen with the more stringent standards being introduced shortly, it has unfortunately occurred this winter based on the existing PM₁₀ standard.*
- 7 *WRC has advised that the status for the Te Kuiti Airshed has now reverted back to polluted (non-compliant) and that public notification of this must be made in the Waitomo News within one month.*

3.5 Now that the Te Kuiti Airshed is again non-compliant, WRC will need to start looking at introducing management and implementation options for improving air quality in Te Kuiti sooner than anticipated and may employ similar strategies to those used for the Tokoroa airshed. Some of the options for air quality improvement considered include:

- Incentive schemes available to the non-compliant/polluted airshed communities for upgrading old woodburners.
- Education and awareness campaigns for improving air quality.
- Initiatives that primarily target landlords and primary wood merchants.

- Funding agreements and Memorandums of Understanding with key stakeholders such as the District Health Board, Territorial Authorities and Iwi and public private partnerships.
- A co-funding agreement with EECA for the installation of heating appliances.
- Regulatory options such as a requirement for non-compliant woodburners to be upgraded when a house is sold (i.e. "a point of sale bylaw") could also be considered.

3.6 WDC will continue to keep a "watching brief" on the proposed NESAQ amendments and will report to Council any WRC strategies implemented to improve air quality within the Te Kuiti Airshed as necessary.

Suggested Resolution

The business paper on Waikato Regional Council – Notification of PM₁₀ Exceedances for Te Kuiti Airshed be received.



MICHELLE HIGGIE
MANAGER – GOVERNANCE SUPPORT

20 July 2020

Document No: A541782

Report To: Council



Meeting Date: 27 July 2021

Subject: Annual Report on Waitomo District Council Dog Control Policy and Practices

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to present to Council for consideration and adoption the Waitomo District Council Dog Control Policy and Practices Report 2020/2021 ("the Report").

Background

- 2.1 Section 10A of the Dog Control Act 1996 ("the Act") requires councils to report annually on the administration of its Dog Control Policy and Practices. This has been a requirement since the Act was amended in 2003.

Commentary

- 3.1 Section 10A of the Act specifies the information that Council must include in its report in respect of each financial year as follows:
 - (a) *the number of registered dogs in the territorial authority district:*
 - (b) *the number of probationary owners and disqualified owners in the territorial authority district:*
 - (c) *the number of dogs in the territorial authority district classified as dangerous under section 31 and the relevant provision under which the classification is made:*
 - (d) *the number of dogs in the territorial authority district classified as menacing under section 33A or section 33C and the relevant provision under which the classification is made:*
 - (e) *the number of infringement notices issued by the territorial authority:*
 - (f) *the number of dog related complaints received by the territorial authority in the previous year and the nature of those complaints:*
 - (g) *the number of prosecutions taken by the territorial authority under this Act."*
- 3.2 The Report addresses all the matters required by the Act.
- 3.3 Section 10A also specifies that Council must publically notify the Report within one month of adopting the report, publish the report online, and send a copy of it to the Secretary for Local Government.

Considerations

4.1 **Risk**

4.2 There is no risk to Council in adopting this report.

4.3 **Significance and Community Views**

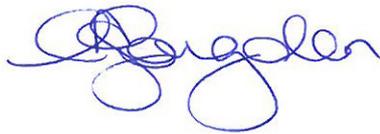
4.4 This is not a significant decision (in accordance with Council's Significance and Engagement Policy) and there is no requirement for Council to consider any affected persons. Providing the report to the Secretary of Local Government is an operational matter.

Recommendation

5.1 It is recommended that Council adopt the Report and give public notice as required by the Act.

Suggested Resolutions

- 1 The business paper on Annual Report on Waitomo District Council Dog Control Policy and Practices' be received.
- 2 Council adopt the Report on Waitomo District Council Dog Control Policy and Practices 2020/2021 (Doc 541572).



CHARLENE LONGDEN

EXECUTIVE ASSISTANT - STRATEGY AND ENVIRONMENT

21 July 2021

Attachment: Report on Waitomo District Council Dog Control Policy and Practices 2020/2021 (Doc A541572)



**REPORT ON
WAITOMO DISTRICT COUNCIL DOG CONTROL POLICY AND PRACTICES
2020/2021**

TO: The Secretary for Local Government
FROM: Executive Assistant – Strategy and Environment
SUBJECT: Report on Waitomo District Council Dog Control Policy and Practices - 2012/2021
DATE: 27 July 2021

1 INTRODUCTION

This is Waitomo District Council’s (WDC) annual report on Dog Control Policy and Practices for the period 1 July 2020 to 30 June 2021, as required by section 10A of the Dog Control Act 1996.

2 DOG CONTROL POLICY AND PRACTICES

2.1 Dog Control in the District

The total number of active dogs on WDC’s Register at the end of the 2020/2021 registration year was 3,363, a decrease of 98 dogs from 2019/20.

WDC provides a twenty-four hour Animal Control Service, with Animal Control Officers (“ACO”) covering this function during normal business hours. Any urgent animal control service requests received after-hours (including weekends and public holidays) are responded to by an after-hour’s Contractor. Training is provided to Contractors, with both providers working closely together on animal control matters.

WDC also maintains good working relationships with the local Police, veterinarians and the Waikato SPCA.

WDC employs one full time ACO, a Compliance Administrator and one part-time ACO through its shared services arrangement.

The ACO works predominantly in the field, whilst the Compliance Administrator oversees the administration of the WDC Database, the National Dog Database (NDD), and the registration process.

WDC operates a Dog Pound in William Street, Te Kuiti. The Pound equipment is updated on an as needed basis.

This year, there was a decrease in the number of dogs impounded from the previous year. 116 dogs were impounded (compared to 125 in 2019/20), with 68 dogs returned to their owner, 18 dogs euthanized, and 30 re-homed.

The owners of impounded dogs are required to pay an impounding fee, as well as registration fees if the dog is unregistered, plus micro-chipping fees if applicable. In addition, sustenance fees are charged for each day the dog is in the pound.

Microchipping continues to be a key focus. It is noted that the Act requires dogs being registered for the first time to be chipped within two months of registration (with herding dogs exempt from the requirement) and classified dangerous and menacing dogs are also required to be microchipped.

Microchipping is carried out by the ACO who has the appropriate training to perform the task. Owners are charged a nominal fee of \$25 to cover costs.

The WDC Dog Control Bylaw was formally adopted in 2015 and due for review in December 2024.

2.2 Dog Control Enforcement Practices

For this period, WDC received 319 dog control related complaints (284 in 2019/20) that required action.

WDC takes a pragmatic approach to enforcement, and generally attempts to educate dog owners in the first instance. For example, if a registered dog is picked up for a first wandering offence, the dog might be returned to the owner with a verbal warning, rather than impounding.

Complaints relating to wandering dogs numbered 163 this year, a slight increase from the 2019/20 period (157). In addition, 68 complaints were received in relation to barking dogs (44 in 2019/20), and 17 complaints were received for rushing/aggression (25 in 2019/20). WDC works with complainants to identify and capture wandering dogs, sometimes using WDC owned cage traps if required.

In respect of barking complaints, most are resolved quickly once the owner is advised of the issue and has been provided advice on methods to resolve the issue. Where the issue is not resolved within a timely manner, an Abatement Notice is issued (as provided by the Act) and this has proven to be a useful tool in these circumstances. WDC has issued three barking Abatement Notices in this period (zero issued in 2019/20).

WDC received 46 complaints related to attacks, rushing and/or aggressive dog incidents (52 in 2019/20). Each incident is investigated, and a report completed (including an attack rating assessment). Upon completion of the investigation and reporting, a decision is made (and recorded) as to what action is appropriate as per the requirements of the Act. Each incident is assessed on its merits on a case by case basis.

For this period, 31 (19 in 2019/20) Infringement Notices have been issued and have since either been paid by the Dog Owner or sent to the Court.

The Infringement Notices were issued as follows:

- One for failure to comply with the bylaw;
- Three for breach of section 33EC(1) (failure to comply with effects of classification of dog as menacing dog);
- 22 for breach of section 42 (failure to register dog);
- Three for breach of section 52A (failure to keep dog controlled or confined); and
- Two for breach of section 53(1) (failure to keep dog under control).

2.3 Dogs Prohibited, Leash Only and Dog Exercise Areas

WDC's Policy requires all dogs to be on a leash in public places.

The Policy also identifies dog prohibited areas (i.e. sports grounds, children's playgrounds and schools), and dog exercise areas. Signs are installed as appropriate to advise the public.

2.4 Dog Registration and Other Fees

There were minor changes to the Dog Registration fees for 2020/21. The urban registration fee increased from \$115.00 to \$118.00. The neutered or spayed urban dog fee had no change. Rural registration increased from \$45.00 to \$50.00. Consent to keep more than 2 dogs in the urban are from \$30.00 to \$40.00. There has not been any official monitoring of feedback, however, an increase in dissatisfied comments concerning the increases has been noted. The majority of which have been addressed and satisfied when they have contacted the WDC customer services team.

Where dog owners have not registered their dogs within the required timeframe, these are followed up. The process involves an initial reminder letter and phone call / visit to the Owner. If dog owners continue to fail to register their dogs, the dog(s) are then seized and impounded. Dogs are only released from the pound once they are registered. If this approach is unsuccessful, dogs are seized and held until registered.

2.5 Education

WDC proactively engages in education for dog owners on a monthly basis by a range of mediums including the local newspaper, Waitomo Way (a council newsletter) and WDC's two Facebook pages (one dedicated to Animal Control).

2.6 Disqualified and Probationary Dog Owners

Waitomo District has three disqualified dog owners, and zero probationary owners.

2.7 Menacing and Dangerous Dogs

For this period, there are two dangerous dogs and 27 menacing dogs classified in the District out of a population of 3,363 dogs. Any new dog of a menacing breed/type is identified following registration, classified and referred for a compliance check.

In April 2017, WDC received funding from the Department of Internal Affairs (DIA) to run a Menacing Dog Campaign for the neutering of menacing dogs. As at 30 June 2021, 25 dogs have been neutered under this campaign (since the commencement in May 2017). The Campaign is ongoing while funding is available.

2.8 Other Information

Council requires owners of more than two dogs on any urban property to apply for a permit from Council. Upon application, the Dog Owner's property is inspected in accordance with the requirements of the Dog Control Bylaw. If the requirements are met, the permit is issued subject to any necessary conditions. A permit may be reviewed by WDC at any time, and may be modified or revoked if any non-compliances with the permit are detected.

3 STATISTICAL INFORMATION

Category	For period 1 July 2017 – 30 June 2018	For period 1 July 2018 – 30 June 2019	For period 1 July 2019 – 30 June 2020	For period 1 July 2020 – 30 June 2021
Total number of Registered Dogs	3,468	3,401	3,461	3,363
Total number of Probationary Owners	0	0	2	0
Total number of Disqualified Owners	1	1	1	3
Total number of Dangerous Dogs	0	0	2	2
▪ Dangerous by Owner Conviction Under s31(1)(a)	0	0	0	0
▪ Dangerous by Sworn Evidence s31(1)(b)	0	0	0	0
▪ Dangerous by Owner Admittance in Writing s31(1)(c)	0	0	2	2
Total number of Menacing Dogs	28	28	24	27
▪ Menacing under s33A(1)(b)(i) - i.e. by Behaviour	3	8	5	6
▪ Menacing under s33A(1)(b)(ii)- by Breed Characteristics	7	5	5	5
▪ Menacing under s33C(1) by Schedule 4 Breed	18	15	14	16
Total number of Infringement Notices (excluding cancelled)	51	48	19	31
Total number of prosecutions	1	0	1	2
Complaints received:				
▪ Aggressive	8	21	19	9
▪ Bins/Signs	0	0	0	0
▪ Bite/attack	37	39	27	29
▪ Barking	40	59	44	68
▪ Breach of Council Bylaw or permits	3	2	2	5
▪ Lost Dog/other	26	18	15	21
▪ Rushing in public place	14	2	6	8
▪ Unregistered	4	5	2	2
▪ Wandering	277	194	157	163
▪ Worrying animals	1	1	3	3
▪ No water, shelter, food or exercise	16	8	9	11
Total Complaints Received	426	349	284	319

Note: Variations in reporting numbers on aggressive, bite/attacks and rushing between years can occur as a result of how service requests are coded.

Document No: A541513

Report To: Council



Meeting Date: 27 July 2021

Subject: **Progress Report: Reform of the Resource Management Act 1991 – Release of the Natural and Built Environments Bill**

Type: Decision required

Purpose of Report

- 1.1 The purpose of this business paper is to provide Council with an overview of the exposure draft of the Natural and Built Environments (NBE) Bill, which is one of the three pieces of legislation that will replace the Resource Management Act 1991, along with the Strategic Planning Act and the Climate Change Adaptation Act.

Commentary

2.1 WHAT DOES THE NATURAL AND BUILT ENVIRONMENTS BILL COVER?

2.2 The scope of the NBE Bill is broader than the current RMA, as it emphasises protection and enhancement of the natural environment, rather than just management. The NBE Bill will introduce a national planning framework which will allow the government to directly influence how to achieve important environmental goals, such as housing supply and infrastructure. The government will be able to prepare, update or review the framework without having to go through Parliament, unlike the current situation where it must pass legislation every time it wants to change the RMA. The aim is to help the government respond quickly when changes are needed, such as with the current housing crisis.

2.3 The exposure draft:

- Contains some of the structure and headings of the NBA, with key parts such as the replacement for Part 2 of the RMA fully drafted.
- Does not contain details such as consenting processes, designations, proposals of national significance, Environment Court processes, water conservation, allocation methods, compliance, monitoring and enforcement and transitional arrangements which "will continue to be developed in parallel to the select committee inquiry," according to a briefing document on the reforms.
- Does not contain the process for preparing the new National Planning Framework (NPF) or natural and built environment plans.

2.4 WHAT ARE THE NATURAL AND BUILT ENVIRONMENT PLANS?

2.5 Also set out in the NBE Bill is the framework for creating regional planning committees to prepare the natural and built environments plans. The government wants 14 natural and built environments plans across the country, one per region, rather than the over 100 RMA policy statements, regional plans, and district plans currently in existence. The regional planning committees will prepare the plan.

2.6 NEXT STEPS IN THE PROCESS

2.7 The exposure draft will be presented to Parliament, and then referred to a select committee. The select committee process is expected to run for about three months, during which submissions can be made. Submissions for the first phase close on 4 August 2021.

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- 2.8 There will be a second opportunity to give feedback on the reforms when the second select committee process is held when the full NBE Bill is introduced to Parliament in early 2022.
- 2.9 The second round of feedback on the full NBE Bill is due to occur in early 2022. It is considered that this will contain the matters that Council will wish to submit on (role and function of local government, sequencing of the combined planning process including the make up of the joint committees and how to respond to governance proposals). SOLGM and LGNZ will be lodging submissions on the first phase, which will cover our interests in the current bill.

Suggested Resolutions

- 1 The Progress Report: Reform of the Resource Management Act 1991 – Release of the Natural and Built Environments Bill be received.
- 2 Council agree not to submit on the first phase of the Natural and Built Environments Bill as the key matters relevant to territorial authorities have not been published in this version (i.e. consenting process, monitoring and enforcement, and the natural and built environment plans).



FIONA HILL
SENIOR PLANNER

20 July 2021

Document No: A534571

Report To: Council



Meeting Date: 27 July 2021

Subject: Adoption of Statement of Intent 2021/2022 for Inframax Construction Limited

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to present and adopt the Statement of Intent (SoI) for Inframax Construction Limited (ICL).

Background

- 2.1 Section 64 of Local Government Act 2002 (LGA 2002) requires the board of all council-controlled organisations (CCO) deliver a draft SoI on or before the 1 March in the preceding the financial year to which the draft statement of intent relates.
- 2.2 Council received draft SoI from ICL within the statutory deadline of the 1st of March. The draft SoI was presented to Council on the 30 March 2021.
- 2.3 Council resolved the draft SoI's be received and requested ICL to make the following amendments for the final Statement of Intent:
 - That high level financial statements be prepared and included in the final Statement of Intent 2022
 - That the non-financial measure "Number of Local Events supported" be reported as two separate items – (1) Events Supported in Waitomo District and (2) Events Supported in Other Areas of Operation.
- 2.4 Section 64 of LGA 2002 also requires the board of all CCO's to deliver a completed SoI to the shareholders before the commencement of the financial year to which it relates.
- 2.5 Changes to the Local Government Act 2002 that came into effect on the 22 October 2019 requires Council to:

"Each shareholding local authority must publish the adopted statement of intent on an Internet site maintained by or on behalf of the local authority within 1 month of adopting it, and must maintain the statement on that site for a period of no less than 7 years."

Commentary

- 3.1 ICL has delivered completed SoI for the 2021/2022 financial prior to the commencement of the 2021/2022 Financial Year.
- 3.2 ICL Board have adopted and delivered a SoI that is consistent with the draft SoI presented to Council on the 30 March 2021.
- 3.3 The performance measures and targets have been updated to reflect the changed economic climate and operational matters.
- 3.4 The Equity Ratio has increased from a target of 61% to 62%, Earnings before Interest, Tax, Depreciation and Amortisation has been increased from \$2.2m to \$2.5m and the Revenue forecast has been increased from \$34m to \$35m.

- 3.5 There has been two changes to the non-financial performance targets. The Lost Time Injury Rate has been replaced with a new measure of Notifiable Injuries, ICL believe this is a more relevant safety measure and aligns with Health and Safety at Work Act 2015.
- 3.6 The second change is the target for ACC Weekly Compensation Days, this target has been increased from 150 days to 985 days due to three back injuries that fall within the 150-300 day category.
- 3.7 Council provided feedback on the draft SoI requesting that the Number of Local Events Supported be categorised and reported in two categories, Waitomo District and Other Areas of Operation. The target is unchanged and ICL are proposing to support 9 events in the Waitomo District area and 6 events in Other Areas of Operation.
- 3.8 ICL have not included high level financial statements in the final SoI.

Considerations

- 4.1 **CONSISTENCY WITH EXISTING PLANS AND POLICIES**
- 4.2 The decision to adopt the SoI 2021 as presented will be consistent with Council's understanding of the future plans of ICL and its objectives for the CCO.
- 4.3 **SIGNIFICANCE AND COMMUNITY VIEWS**
- 4.4 The SoI 2021 is aligned to ICL's constitution and plans and forecasts discussed with the Council previously and is generally aligned with the expectations of Council from its shareholding. Therefore the decision is not considered to require public engagement as per Council's Significance and Engagement Policy.

Suggested Resolutions

- 1 The business paper on Adoption of Statement of Intent 2021/2022 for Inframax Construction Limited be received.
- 2 Council adopt the Statement of Intent for Inframax Construction Limited.
- 3 That the Statements of Intent for Inframax Construction Limited be published on Council's website.



ALISTER DUNCAN
GENERAL MANAGER BUSINESS SUPPORT

Attachment: Statement of Intent – Inframax Construction Limited (A534450)

Inframax Construction Limited

STATEMENT OF INTENT

FOR THE YEAR ENDING 30 JUNE 2022

1.0 INTRODUCTION

1.1 Inframax Construction Limited is –

- a limited liability company pursuant to the Companies Act 1993.
- a Council Controlled Organisation pursuant to Section 6 subject to the Local Government Act 2002.

1.2 This Statement of Intent is prepared to meet the requirements of Section 64 and Schedule 8 of the Local Government Act 2002.

1.3 It outlines the activities and intentions of Inframax Construction Limited and the objectives to which those activities will contribute. Performance targets and measures are specified, along with the Company's policies relating to governance and other matters.

1.4 The Statement of Intent is reviewed annually by the Company following consultation with Waitomo District Council.

2.0 NATURE AND SCOPE OF ACTIVITIES

2.1 The core business of the Company will be roading maintenance and construction, quarrying and crushing of aggregates and maintenance and construction of utilities and infrastructure assets.

2.2 The Company will compete for infrastructure contracts in the central western North Island Districts and in other areas where it is identified that such contracts will yield an appropriate rate of return or where the Company believes that there are sound commercial reasons for doing so.

2.3 The Company may expand into other ventures and/or activities that are consistent with the Company's objectives and the provisions of the Local Government Act 2002.

3.0 OBJECTIVES

The principal objective of Inframax Construction Limited is to operate as a successful business and to contribute to the well-being of the communities in which it operates.

In pursuing the principal objective the Company and Directors shall:

- Maximise the long-term viability and profitability consistent with the Shareholder's objectives for ownership and value creation.
- Seek and develop profitable business opportunities that make best use of the people, technical and financial resources of the Company.
- Continue to review the available options for the share ownership of the Company, so as to be able to provide informed advice to the Shareholder, as to the most efficient arrangements to enhance both profitability and/or Shareholder value.

- Ensure assets and liabilities are prudently managed consistent with the nature of a contracting business.
- Ensure transparent and informed relationships are maintained with the shareholder within the spirit of 'no surprises'.
- Act as a good employer by:
 - Providing a work environment that recruits, fosters and maintains safe, competent, motivated, committed and productive employees; and
 - Recognising and rewarding excellent performance of any staff.
- Act in an environmentally and socially responsible manner and implement sustainable business practices.

4.0 CORPORATE GOVERNANCE

Pursuant to Section 57 Local Government Act 2002 the Board of Directors is appointed by the Shareholder to govern and direct the activities of the Company.

All Directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Code of Proper Practice for Directors.

4.1 Role of the Board of Directors

The Directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the CCO shall be made pursuant to the authority of the directorate of the Organisation and its Statement of Intent. The Board consults with the Company's Shareholder in preparing and reviewing the Statement of Intent.

The Board meets on a regular basis and is responsible for the proper direction and control of the Company's activities. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to the Shareholder.

The Board accepts that it is responsible for the overall control system operating within the Company but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of the Company.

To achieve this governance the Board will:

- Conduct regular briefings with the designated shareholder representatives to discuss emerging risk and opportunities of the business, the general forecast performance expectations and to learn of relevant changes in council policies, expectations and risk appetite.
- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the Company.
- Act in accordance with the Constitution and Statement of Intent.
- Ensure compliance with applicable legislation, regulation, codes and accounting standards.

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- Structure itself to utilise the expertise of Directors to add value.
- Monitor the effectiveness of overall governance and make changes as needed.
- Monitor and manage potential conflicts of interest between Management, Board Members and the Shareholder.
- Appoint and monitor the performance and remuneration of the Chief Executive Officer and oversee succession planning.
- Ensure the Company's financial management is consistent with good business practice.
- Decide on necessary actions to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensure such actions are taken.
- Ensure the Company's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management).
- In the spirit of 'no surprises', keep the shareholder informed on significant events and issues, including those sensitive to publicity that may arise from Council being a political organisation.
- Promote a culture which requires all employees to adhere to high levels of ethical behaviour.
- Ensure the Company has appropriate risk management/regulatory compliance policies in place and that these are monitored on a regular basis.

4.2 The Role of the Shareholder

The Board aims to ensure that the Shareholder is informed in a timely manner of all major developments affecting the Group's state of affairs. The Shareholder is consulted with on the review of the Company's Statement of Intent and is responsible for the appointment of Directors. Information is communicated to the Shareholder in the Annual Report, the Half-Annual Report and special meetings where required.

The Shareholder is expected to:

- Deal with issues raised by the Company in a prompt and expedient fashion.
- Maintain a high level of communication with the Company on relevant matters.
- Ensure transparent and collaborative relationships are maintained with the Company.

5.0 PERFORMANCE INDICATORS

In its half-year and annual report, the Company will record its performance relating to its goals and objectives.

6.0 PERFORMANCE MEASURES AND TARGETS

The Company will endeavour to exceed the targets of the Projected Business Plan.

6.1 Ratio of Shareholder's Funds to Total Assets

The Ratio of Shareholder's Funds to Total Assets shall not be less than that set out in this Statement of Intent.

6.2 Current Ratio

The Current Ratio measures solvency. The Company will maintain a positive Current Ratio.

6.3 EBITDA

Earnings before interest, tax, depreciation and amortisation gives an indication on the underlying operational profitability of the business.

6.4 Revenue

Measuring revenue growth gives a good indication of the rate at which the Company has expanded the business.

6.5 Bank Covenants

The Company will meet all bank covenants

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	30 June 22	30 June 23	30 June 24
6.1 Equity Ratio Shareholders funds expressed as % of Total Assets	62%	65%	67%
6.2 Current Ratio Current assets expressed as a % of current liabilities	Positive	Positive	Positive
6.3 EBITDA Earnings Before Interest, Tax, Depreciation and Amortisation	\$2.5m	\$2.6m	\$2.7m
6.4 Revenue Revenue Targets	\$35m	\$35m	\$36m
6.5 Bank Covenants As agreed with bank from time to time	met	met	met

7.0 NON-FINANCIAL PERFORMANCE MEASURES

7.1 Notifiable Injuries

As defined by S23 of the Health and Safety at Work Act 2015

7.2 ACC Weekly Compensation Days

ACC weekly compensation days measures and gives an indication of workplace safety. It is also a measure of wellness in the workplace and indicates how a company cares for and rehabilitates employees injured at work.

7.3 ISO 9001 Accreditation

ISO 9001 is a quality accreditation standard verifying that the Company has systems and processes in place to operate to industry best practices. It confirms that issues within the Company are identified, recorded and information used to generate continual business improvement.

7.4 ISO 45001 Accreditation

ISO 45001 is a global standard for Occupational Health and Safety (OH&S) Management Systems that provides a practical solution to improve the safety and health of both employees and other personnel by preventing work-related injury and ill health, as well as by proactively improving the Company's OH&S performance.

7.5 Environmental Consent Compliance

There are 3 measures of environment consent compliance- full, partial and non-compliance. Full compliance of consents held by the Company indicates that all conditions of consents are met in full and the organisation is acting in an environmentally responsible manner.

7.6 Number of local events supported in operating area

Number of local events supported by the Company indicates that the Company is acting in a socially responsible manner, supporting and adding value to local communities in its operating area.

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	30 June 22	30 June 23	30 June 24
7.1 Notifiable Injuries	Zero	Zero	Zero
7.2 ACC Weekly Compensation Days	985	850	750
7.3 ISO 9001 Accreditation	Standard Achieved	Standard Achieved	Standard Achieved
7.4 ISO 45001 Accreditation	Standard Achieved	Standard Achieved	Standard Achieved
7.5 Environmental Consent Compliance	Full Compliance	Full Compliance	Full Compliance
7.6 Number of Local Events Supported	15 (Waitomo district 9 other 6)	15 (Waitomo District 9 other 6)	15 (Waitomo District 9 other 6)

8.0 DIVIDEND POLICY

- 8.1** Subject to the Directors being satisfied as to the solvency of the Company, the meeting of its bank covenants and the integrity of its asset replacement and investment programme, the Company is committed to the provision of annual distributions to the Shareholder.
- 8.2** A dividend payment is not anticipated in the 2021/2022 financial year.
- 8.3** Should a distribution to the Shareholder occur, it will be made, after consultation with the Shareholder, by subvention payment, or other mutually agreed methods after taking account of all tax considerations.
- 8.4** The Company may declare dividends as approved by the Directors.
- 8.5** The Directors may from time to time pay interim dividends.

9.0 ACCOUNTING POLICIES

- 9.1** The Company will maintain accounting records in accordance with the Companies Act 1993 and the Financial Reporting Act 2013.

Significant accounting policies adopted by the Company in its Annual Report are –

Compliance with New Zealand generally accepted accounting practice (NZ GAAP).

Preparation on a historical cost basis, apart from Land and Buildings and Heavy Quarry Equipment which are stated at their fair value.

Preparation on a going concern basis.

Financial assets, other than those at fair value, are assessed for impairment at each balance date.

Revenue and profit are primarily recognised based on value earned.

Trade and other receivables are stated at their expected realisable value, after providing for impairment.

Aggregate stocks are valued using standard costs based on the estimated average cost of production.

Property, plant and equipment, other than land and buildings and Heavy Quarry Equipment (which are measured at fair value), are carried at cost, less accumulated depreciation and impairment losses.

Trade and Other Payable are recognised when the Company becomes obliged to make future payments.

10.0 INFORMATION TO BE PROVIDED TO SHAREHOLDERS

- 10.1** Annual Report and half-yearly operational report will be submitted in accordance with the Local Government Act 2002.
- 10.2** The half-yearly report will report on the progress against the performance targets agreed to in the Statement of Intent. The half-yearly report will be made available to the Shareholder no later than 1 March in every year.
- 10.3** The Annual Report will include all items required by the Companies Act 1993, the Financial Reporting Act 2013 and such other information as the Directors' deem necessary for the Shareholder to measure performance of the Company against performance targets agreed to in the Statement of Intent.

11.0 SIGNIFICANT ACQUISITIONS

- 11.1** Procedure to be followed as per Schedule 8, Clause 9(1)(i) of the Local Government Act 2002 regarding share transactions will be at the discretion of the Directors unless the acquisition qualifies as a major transaction as defined in 11.3.
- 11.2** The Board will consult with the Shareholder before making any significant acquisition including investment in another entity.
- 11.3** Acquisitions involving more than 10% of the total assets of the company will constitute a "major transaction" under Section 129 of the Companies Act 1993 and will require a special resolution of the Shareholder.

12.0 ESTIMATED COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT

- 12.1** An independent valuation dated 8 September 2020 concluded that the fair value of 100% of the shares in the Company at 30 June 2020 was \$8.8m.
- 12.2** The Directors believe that value of the shares will continue to grow.
- 12.3** Net Assets in the Annual Report as at 30 June 2020 stood at \$11.0m.

13.0 CAPITAL SUBSCRIPTION

- 13.1** No capital will be required from the Shareholder.
- 13.2** No capital injections from the Shareholder are expected in the current period.

Document No: A534569

Report To: Council



Meeting Date: 27 July 2021

Subject: Adoption of Statement of Intent 2021/2022 for Waikato Local Authority Shared Services Limited

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to present and adopt the Statement of Intent (SoI) for the Waikato Local Authority Shared Services Limited (WLASS).

Background

- 2.1 Section 64 of Local Government Act 2002 (LGA 2002) requires the board of all council-controlled organisations (CCO) deliver a draft SoI on or before the 1 March in the preceding the financial year to which the draft statement of intent relates.
- 2.2 Council received draft SoI from WLASS within the statutory deadline of the 1st of March. The draft SoI was presented to Council on the 30 March 2021.
- 2.3 Council resolved the draft SoI be received and that no changes are suggested to the draft Statement of Intent for the year ending 30 June 2022.
- 2.4 Section 64 of LGA 2002 also requires the board of all CCO's to deliver a completed SoI to the shareholders before the commencement of the financial year to which it relates.
- 2.5 Changes to the Local Government Act 2002 that came into effect on the 22 October 2019 requires Council to:

"Each shareholding local authority must publish the adopted statement of intent on an Internet site maintained by or on behalf of the local authority within 1 month of adopting it, and must maintain the statement on that site for a period of no less than 7 years."

Commentary

- 3.1 WLASS has delivered a completed SoI for the 2021/2022 financial prior to the commencement of the 2021/2022 Financial Year.
- 3.2 WLASS Board adopted and delivered a SoI that is consistent with the draft SoI presented to Council on the 30 March 2021. The priority and performance measures are unchanged, operational budgets have changed to reflect the focus and planned projects for the 2021/2022 financial year.
- 3.3 The total income has increased by \$415,882, total operating expenditure has also increased by \$591,043 and total depreciation / amortization has reduced by \$1,104 resulting an increased to the projected deficit of \$174,056, the projected deficit of \$355,915 is to be funded from reserves.

Considerations

4.1 **CONSISTENCY WITH EXISTING PLANS AND POLICIES**

4.2 The decision to adopt the SoI 2021 as presented will be consistent with Council's understanding of the future plans of WLASS and its objectives for the CCO.

4.3 **SIGNIFICANCE AND COMMUNITY VIEWS**

4.4 The SoI 2021 is aligned to WLASS constitution and their plans and forecasts discussed with the Council previously and is generally aligned with the expectations of Council from its shareholding. Therefore, the decision is not considered to require public engagement as per Council's Significance and Engagement Policy.

Suggested Resolutions

- 1 The business paper on Adoption of Statement of Intent 2021/2022 for Waikato Local Authority Shared Services Limited be received.
- 2 Council adopt the Statement of Intent for Waikato Local Authority Shared Services Limited.
- 3 That the Statement of Intent for Waikato Local Authority Shared Services Limited be published on Council's website.



ALISTER DUNCAN
GENERAL MANAGER BUSINESS SUPPORT

Attachment: Statement of Intent – Waikato Local Authority Shared Services Limited (A534449)



2021 Statement of intent

For the year ended 30 June 2022

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This SOI is a public declaration of the activities and intentions of the Council Controlled Organisation, Waikato Local Authority Shared Services Ltd (WLASS). It outlines the nature and scope of the work it will undertake, the Directors’ accountabilities to the shareholders for corporate performance and financial forecasts, as required by Schedule 8 of the Local Government Act 2002. This information is provided in relation to the financial years ended 30 June 2022 to 30 June 2024.

Message from the Chair

Our goal is to improve the experience of councils' communities and staff, improve performance, reduce costs, and build trust and confidence with central government (**Goal**).

WLASS has made substantial progress in 2020. We aim to continue that in 2021.

We have been delivering what we said we would. The priority projects set out in last year's Statement of Intent have either been completed or significantly advanced. Some of those projects, notably the Building Consent Shared Services project, have challenged councils to think quite differently about how they deliver services (more on that shortly).

"At its heart WLASS exists to identify, and develop business cases, for ideas that have the potential to transform its shareholder councils."

Our priority projects have recently led to two new services. WLASS Water Services supports councils by providing water sampling and analysis, trade waste management and water conservation education services. Nine councils are participating in one or more of these services. Through the Coordinated Infrastructure Procurement service, we are working with councils to facilitate a better outcome for them, their communities and suppliers, by identifying opportunities to procure and sequence infrastructure work on a cross-council basis.

At its heart WLASS exists to identify, and develop business cases, for ideas that have the potential to transform its shareholder councils.

WLASS develops business cases using, generally, a three-stage process. Once an idea has been identified and received priority then we begin a short discovery phase to test whether the idea may have value across the region. Upon receipt the board then decides whether to move the idea to the second phase, which is opportunity assessment. If the board approves the opportunity assessment, then a detailed business case is prepared.

While the discovery, opportunity assessment and business cases are being built it is essential that WLASS receive full and timely cooperation and support to put up the best case for Councils. But, and this is fundamental, each Council retains the absolute right to decide whether or not to adopt the business case when received, and roll out the proposed service in its district.

In pursuing our Goal in 2020 we did strike challenges.

A good example of these challenges was provided in December 2020, when the board was presented with an indicative business case for a building consent shared services approach with a request for funding to develop a detailed business case for a particular option. While our priority projects all can add significant value, this was the first project that was truly transformational – reimagining how building consent services are delivered and recommending this be delivered on a regional basis.

With this work we struck difficulty in developing the indicative business case, and the work took longer due to opposition from some members of council staff, largely arising from anxiety about change. In addition, the commitment to *actively* supporting the development of the detailed business case varied from Council to Council.

My key messages are these:

1. For WLASS to truly achieve its potential, it is essential that every council chief executive:
 - a. *actively* support it to develop the best possible business case for each idea, as fast as practicable;
 - b. communicate to their staff regularly, and often, the importance of that support; and
 - c. ensure staff tasked with working with WLASS, prioritise that work.

The faster we can develop good business cases, the faster those councils who want to can implement the idea.

2. The central government's water and RMA reform agendas provide more, not less, reason to proactively show that, as a region, we are already embracing changes to create a more efficient and effective local government. In doing so, the councils of the region put themselves in a better position to control their destiny rather than have central government make it for them.

For these reasons, WLASS will continue to advance a transformational agenda. We will not shy away from challenging councils to think differently – to think regionally, but knowing that they are able to decide and then act locally, in a way that is best for their communities. Equally, we will continue to progress initiatives as hard and as fast as practicable.

Certainly, WLASS has itself learned valuable lessons from this year's work: the need for better communication and greater focus on helping council chief executives manage the potential for change within their organisation and building more compelling business cases.

Nevertheless, I continue to believe that WLASS provides an excellent vehicle for councils to work together and share the costs of developing ideas to meet the goal, while retaining each council's right to proceed or not.

Peter Stubbs
Chair

Peter Stubbs
Chair

Background

WLASS is owned in equal portion by the 12 Waikato local authorities:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua Lakes
- South Waikato District
- Taupō District
- Thames-Coromandel District
- Waikato District
- Waikato Regional
- Waipa District
- Waitomo District

It was established in 2005 as a vehicle through which these councils could collaborate and identify opportunities for undertaking activity on a shared basis. More recently, shareholders embarked on a transformation of the company. The purpose of that transformation was to move the company to a true

service delivery agent for, and strategic partner of, the councils. The structural changes of that transformation were completed in late 2019 and bedded-in throughout 2020.

Our vision and the outcomes we are looking for

The 2020 SOI introduced a new performance reporting framework. That framework is set out on the following page.

The framework better reflects the outcomes the transformed company is seeking, for you and your communities, and how we will go about achieving those outcomes. It highlights the company's roles of:

- Ideas laboratory - taking ideas that have the potential to create value, from their genesis through to business case; and
- Service provider to councils.

WLASS is acutely aware of the challenging and changing environment within which councils currently operate. Given this environment it is also acutely aware of the role it needs to play in reducing costs to its shareholding councils (or improving performance without an increase in cost). While improving the experience of councils' communities will always be front of mind as we develop ideas, we will not do this if it results in an unacceptable layer of additional, unrecoverable cost to councils. Similarly, we want to facilitate more engagement between central government and Waikato councils, and build central government's confidence in councils in the region. However, we see this as a by-product of achieving the other two outcomes, through which we aspire to show Waikato councils to be the exemplar of how local government in a region can work.

Our vision	Waikato councils working together to shape happier communities and staff, and forge effective councils.					
Outcomes we are seeking	Council costs are reduced / performance is improved, without increased cost	The experiences of councils' communities are improved			Central government investment into and engagement with Waikato councils is increased	
Our specific objectives	<ul style="list-style-type: none"> ➤ Achieve effectiveness and efficiency gains ➤ Reduce duplication of effort and eliminate waste through repetition 		<ul style="list-style-type: none"> ➤ Promote and contribute to the development of best practice ➤ Make it easier for communities to engage with councils in the Waikato region on a consistent basis ➤ Promote business transformation to improve communities' experiences 		<ul style="list-style-type: none"> ➤ Enable the Waikato councils to collectively be more effective as a region on the national stage ➤ Contribute to building central government's confidence in the Waikato region, and to encourage central government investment 	
Priorities: How we will achieve our outcomes	Investigate the right opportunities	Develop opportunities on time and within budget	Ensure opportunity benefits are realised	Provide services that meet the needs of councils	Foster cross-council collaboration	
What we must manage well	Our relationships	Our services	Our projects	Our people	Our resources	Our reputation

Priorities – doing what we said we would do

We want to ensure that Waikato councils are working together the best way possible, for the collective benefit of them and their communities. We want to do this because we believe it is the right thing to do for Waikato. If we achieve this, it will mean a relatively lesser burden on ratepayers, happier communities and council staff and more impactful councils.

In the 2020 Statement of Intent, we told you we had completed the structural changes required to transform the company into a service delivery agent and a true strategic partner to councils.

While we do not see the transformation as ‘complete’, the 2020/21 financial year has seen those changes embedded and our focus turn to ensuring we do what we said we would: And we have. All five of our priority projects set out in last year’s Statement of Intent have either been completed or are under development. This has included:

- Commencing work looking at how building consent services could be improved;
- Expanding the service offering to include water sampling and analysis, trade waste management and water conservation services. This increases the size of the company, by revenue, by ~40%;
- Completing the project to consider how infrastructure procurement could be coordinated regionally - we have a strategic procurement manager in place, working with council staff to identify and deliver on opportunities; and
- Developing an opportunity assessment which looks at a regional approach to staff learning and development.

Beyond the priority projects, we have been managing the LiDAR project: notwithstanding a delayed start when the COVID-19 lockdown prevented flying toward the end of

last summer, all data has now been captured and is currently being processed. We are progressing to plan on Waikato OneView project. That project is the next phase of a roadmap toward a regional approach to Geographic Information Systems (GIS) and is looking at establishing Waikato-wide geospatial data sets and a simple way for customers to view that data. A minimum viable product is to be launched early in the new financial year. We continue to progress initiatives within Waikato Regional Infrastructure Procurement (WRIP, formally “coordinated infrastructure procurement”), having recently identified a suite of initial opportunities with Councils’ Infrastructure GMs.

At the same time, we have had an eye to the future. With all our priority projects identified last year now either complete or underway, as noted above, the Board has considered and agreed on the next suite of projects, having had particular regard to the environment currently faced by the local government sector. Development of some of these opportunities is already underway. The projects

Spotlight on WLASS Water Services

In the second half of 2020 we agreed to integrate the services of the Shared Services Partnership (made up of Hamilton City and Waipa and Waikato District Councils) into the company’s offerings. In doing so Sampling and Analysis, Trade Waste Management and “Smart Water” services will be taken up by eight councils across the region.



This initiative will provide high quality services, consistently, across the region, improve trade waste management practices and improve community wellbeing. It is a great example of how we can work together to benefit our communities in a cost-effective way.

were conveyed to council chief executives in a letter of intent in the second half of 2020. The support received for the ideas confirms we are on the right track. The Board also agreed to add value for councils by undertaking the development of opportunities in a way that fulfils shareholding councils' obligations under section 17A of the Local Government Act 2002 (LGA) for the area being considered. Doing so will do away with each council's need to separately undertake these reviews.

Our priority projects for the coming year are:

1) Shifting landscapes: Refining how and where WLASS can add most value

Waikato councils are faced with significant change: Central Government reform of 3-waters and the RMA, and a review of the future of local government generally, have all commenced. Councils are grappling with what these changes will mean for their organisations in the future, and what will remain of them when the changes are complete.

WLASS will continue to support Waikato councils to be the best they can be for their communities. It will also continue to think regionally and support councils to act locally. However, we need to be clear

how councils think we best do that given the shifting landscape. How can we add the most value? What should we focus on that is achievable and actionable? How can we support councils to influence change, to get ahead of the game and create their own destiny?

For the board to answer these questions, it needs to understand from Waikato councils what services councils believe they should ensure are delivered to their communities, and what services they believe:

- i. only the councils should deliver (noting that all councils are not the same);
- ii. could be delivered by service delivery agents (i.e. CCOs like WLASS);
- iii. could be delivered by third parties; and
- iv. central government should deliver.

This project will provide that understanding. In doing so, it will help clarify the future of local government, provide a touchstone for making better decisions on how councils can most effectively deliver their functions, and provide WLASS with clarity on its part in supporting councils to do so.

2) Digital enablement – creating an omnichannel for your communities

There are rising community expectations of:

- Self-service;
- Digital engagement;
- Instant service;
- Personalised service; and
- Falling costs.

Spotlight on LiDAR

We are managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. Ground survey commenced in December 2020 and aerial surveying in January 2021. The full data set will be publicly available by October 2022. LiDAR is a foundational data asset essential to decisions involving the physical world. It has the potential to help drive regional economic growth and spur new investment by enabling councils and businesses to efficiently plan and develop housing, road, and water infrastructure, and better prepare for hazards such as flooding, landslides and erosion.

The project involves funding from eleven councils plus several commercial companies and the Provincial Growth Fund (via LINZ).



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With this, there is a risk of a growing gap between community expectations and council service delivery because each council, acting individually, has limited ability (both expertise and available capital) to:

- 1) 'go digital' and provide 21st century, customer focused, digitally-enabled services; or
- 2) use technology to transform the way they work, manage assets and deliver services.
[sourced (paraphrased) from McGredy Winder & Co Sept. 2017 report to WLASS]

Technology is interwoven to various degrees within each council's business and operational frameworks. Any changes to technology cannot therefore be considered in isolation. However, to address the expectation gap, councils can work together to:

- Provide consistent customer and community experiences across the region;
- Realise significant cost savings and mitigate risks;
- Leverage existing skills, knowledge and experience for better digital outcomes for all;
- Achieve systems and process efficiencies through standardisation, which could lay the groundwork for potential back office shared services;
- Make better use of vendors and influence the market;
- Leverage total IT spend and cross-council resources; and
- Get recognition from central government for generating sustainable value from technology investment.

This will help address perceived problems that:

- Customers are not always able to receive a resolution at their first point of contact with council;
- Staff are not always able to find the information they need to solve customer queries;
- Cross-council knowledge is not shared effectively; and
- Staff knowledge is not retained or captured.

3) Establishing a GIS centre of excellence

For most councils, there is limited ability/need for a full-time resource that has expertise in GIS. However, having access to that resource, as and when required, would be useful to meet internal needs and community enquiries in a timelier manner. There could therefore be value in the creation of a GIS centre of excellence (COE) that provides core data and GIS system management, as well as analytical work, to support the operation of councils.

This review will follow on from the Waikato OneView project to complete the GIS roadmap.

4) Establishing an Asset Management centre of excellence

Waikato councils collectively are responsible for significant assets. They are accountable to the public for ensuring these assets are well managed. Some councils have difficulty in attracting and retaining appropriately skilled staff. Others may simply benefit from a lift toward best practice. Regardless, there is an opportunity to consider establishing a COE, likely reflecting an expansion of RATA's existing capability, to support councils in this area.

5) Regional policy and by-law development

This opportunity considers the value of have a standard suite of policies across local authorities. It would include benchmarking the existing policies and by-laws and establishing a timetable for review to avoid duplication of effort wherever possible.

Beyond these priority projects we will continue to look at other initiatives that add value. The RATA Advisory Group have been prioritising a suite of ideas and will develop one or more of these over the next 12 months. The various WLASS working parties, comprising representatives from each of the councils, will also continue to look at ways in which their disciplines can be improved.

As you asked, we've changed

The company has changed significantly over the last 24 months. Up until the second half of 2018 it had no employees, and relied solely on a contracted, part-time resource. Today, through the transformation, it has grown to nine employees and a broader team of 35¹. That increase in resourcing reflects the small team engaged to identify initiatives and develop opportunities that are then presented to councils, and the establishment of new services (water sampling and analysis, trade waste management, water education, IQP/producer statement registrations and infrastructure procurement), as a result.

Our governance structure has also been streamlined to be more agile and independent, moving from a board of twelve, to six members including an independent chair.

Fundamentally we have matured. We have:

- Robust processes in place to develop opportunities through to business case;
- Introduced secondment arrangements for council staff to contribute to the development of opportunities, at the same time increasing their capability;
- Established a change management framework to support opportunity development;
- Started moving to a 'user pays' approach to service offerings; and
- Shifted the dial to projects that, while posing a greater challenge, are transformational and have the potential to add significant value.

Active council support remains critical

While WLASS has grown, it remains a small company. Having council resources to support the company continues to be critical.

The WLASS working parties, comprising representatives from the councils, are an invaluable part of how we work and essential to the company being able to develop opportunities. They have a role in identifying problems to be solved. They have a role in supporting the development of opportunities, by:

- Providing resource;
- Acting as a sounding board; and
- Actively championing *the development* of ideas, including helping WLASS tell the story about why we are developing those ideas.

The working parties (and council chief executives and other senior leaders) also have a role in helping prepare their councils for change that might come from opportunities if the council chooses to adopt the solution. Any change management must be leader-led from within the councils themselves.

So, while we have changed, councils must also. WLASS will only be as successful as its shareholding councils allow it to be. You have asked us to go as hard and fast as possible. You have asked us to challenge you to transform how councils could operate. We are doing these things and will not shy away from continuing to promote a transformational agenda, but it will only work if councils, from the top down, embrace the opportunity to change, actively supporting the development of the best business cases possible. We said in last year's Statement of Intent that councils need to commit to accepting the challenge of changing the way things are done where there is a sound case for doing so. That remains the case. A change in mindset must precede transformation.

¹ Including RATA and WLASS Waters Services staff who are employed by Waipa District and Hamilton City Councils respectively, but are wholly contracted to WLASS to provide services to other councils

Performance measures

Last year's Statement of Intent introduced a new suite of performance measures. We will continue to track how well we are delivering on our strategic priorities using these.

Priority	Performance measure	Target
<p>Prioritise and develop business cases for opportunities that, if implemented, add value to councils by achieving one or more of our objectives</p> <p>Link to outcomes in the performance framework (refer pg. 5)</p> 	<ul style="list-style-type: none"> ➤ Business cases will include measurable benefits linked to one or more of the outcomes sought ➤ Businesses cases are supported by councils (evidenced by take up of the opportunity) 	<p>Projected savings/increased revenue to councils of at least \$300k</p> <p>75% of councils</p>
<p>Develop opportunities and deliver projects within agreed budgets and timelines¹</p> <p>Link to outcomes in the performance framework (refer pg. 5)</p> 	<ul style="list-style-type: none"> ➤ Opportunities / projects are developed / delivered within agreed timelines ➤ Opportunities / projects are developed / delivered, within approved budget ➤ Overall, Company Management / Support functions will be undertaken within budget, unless additional expenditure has board pre-approval 	<p>80%²</p> <p>90%²</p>
<p>Ensure projects realise their expected benefits</p> <p>Link to outcomes in the performance framework (refer pg. 5)</p> 	<ul style="list-style-type: none"> ➤ Measurable benefits are actively monitored and reported against ➤ Audit & Risk Committee undertake an assessment of projects following implementation (which will include an assessment of whether projected benefits have been realised) 	<p>Six-monthly</p> <p>For \$200k+ Projects (based on cost of opportunity development and ongoing investment)</p> <p>Assessment within 15 months</p> <p>90% of projected quantifiable benefits are realised</p>
<p>Ensure existing services are meeting the needs of councils</p> <p>Link to outcomes in the performance framework (refer pg. 5)</p> 	<ul style="list-style-type: none"> ➤ The services we provide (below) are considered by councils who use that service to meet or exceed their expectations (evidenced by an annual survey): <ul style="list-style-type: none"> ○ RATA – roading & waters ○ Waikato Building Cluster ○ Regional Infrastructure Technical Specifications ○ Energy & Carbon Management ○ Professional Services Panel ○ Health & Safety pre-qualification 	<p>80% of councils</p>

Priority	Performance measure	Target
Foster and promote cross-council collaboration and networking to share ideas on improving efficiencies and best practice <div style="border: 1px solid black; padding: 2px; width: fit-content;"> Link to outcomes in the performance framework (refer pg. 5) </div>	➤ Across these groups, ideas for future consideration and/or initiatives are identified each year	Four per annum

- 1 Budgets and timelines for opportunity development will be those established following discovery and/or opportunity assessment. A business case will refine these parameters with respect to project delivery.
- 2 Time and cost targets for the development of opportunities and delivery of projects have been initially set based on what, in practical terms, are consider stretch goals, but achievable. However, we aspire to *always* better, or at least meet, timetables and budgets.

The targets noted above are for the three-year forecast period. They will form the baseline from which we will seek to continually improve.

Transparency and reporting to councils

The company will continue to deliver the following information to shareholders:

- Within two months of the end of the first half of the financial year, a half-yearly report, including Statements of Financial Performance, Financial Position, and Cashflows and commentary on service performance including an assessment of progress against performance measures; and
- Within three months of the end of the financial year, an audited Statement of Financial Performance, Statement of Changes in Equity, Statement of Financial Position, Statement of Cashflows and commentary on service performance.

We will continue looking at ways of keeping you informed of how we are progressing. We are part of the Waikato Local Government team and know that we are not currently seen as such by some council staff. We need to work with councils to change that and will therefore be communicating more broadly, and frequently, with council staff.

Governance arrangements

WLASS conducts itself in accordance with its constitution, its annual Statement of Intent, the provisions of the LGA and WLASS policies.

The Board is made up five council representative directors and an independent Chair. There is also a standing Audit & Risk Committee.

The current Directors of WLASS are:

Director	Representing
Peter Stubbs	Independent Chair
Chris McLay	Waikato Regional Council
David Bryant	Hamilton City Council

Director	Representing
Gareth Green	Otorohanga, Rotorua, Taupo, South Waikato and Waitomo District Councils
Gavin Ion	Waikato and Waipa District Councils
Rob Williams	Hauraki, Matamata-Piako and Thames-Coromandel District

Under the constitution Gavin Ion must resign his position on 30 June 2021, but may be reappointed by the councils he represents for a further 3-year term, and Waipa and Waikato District councils have confirmed his reappointment.

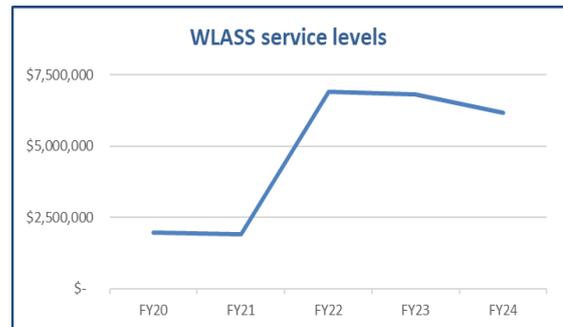
The independent Chair of WCLASS receives director fees and reimbursed expenses. Directors representing the councils will not receive any fees or reimbursed expenses for work undertaken on behalf of the company.

Financials

Overview

Service levels

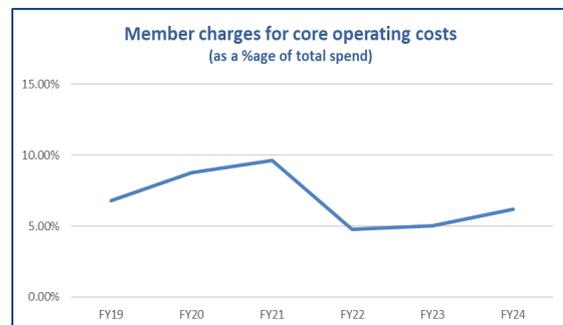
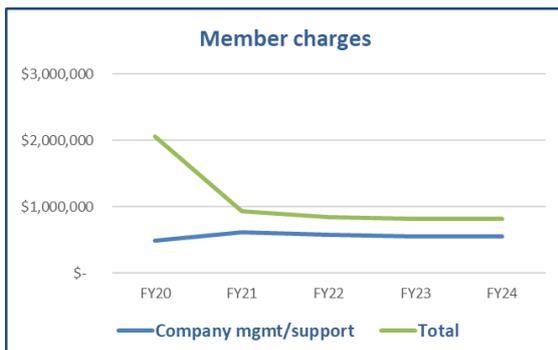
Revenue from service levels significantly increases in the 2022 financial year, being the first full year of activity for Coordinated Infrastructure Procurement and WCLASS Water Services. RATA data collection projects commencing in that year also contribute to the increase. As the RATA data collection is completed, overall services fees taper off (although the other services are forecast to continue growing).



Member charges

While service levels are forecast to increase, we are conscious of mitigating the increase in member charges. This reflects the shift toward a user pays basis. Total member charges significantly reduced in the 2021 financial year with Future Proof and Waikato Plan being transitioned to Waikato Regional Council in that year. Charges are expected to remain flat throughout the forecast period.

Member charges to meet core operating costs (company management / support) remain largely flat throughout the forecast period (averaging ~5.6% of total expenditure).



Statement of Financial Performance

Waikato Local Authority Shared Services Company Summary for the forecast financial years ended 30 June 2022-2024				
	2020 SOI	2021 SOI		
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24
Income				
Company Management / Support	1,102,910	1,391,159	1,334,268	1,344,268
Working parties projects	1,145,858	716,183	527,879	535,012
RITS	31,616	27,000	27,378	27,761
Information Technology	1,007,000	772,462	87,201	47,862
Energy Management	70,000	128,000	133,000	134,862
Shared Valuation Data Service (SVDS)	379,761	388,115	396,654	402,207
Road Asset Technical Accord (RATA)	1,300,557	2,231,000	1,892,000	1,360,000
Waikato Regional Transport Model (WRTM)	389,456	1,594,706	1,893,812	454,344
Waikato Building Consent Group	333,250	667,083	721,264	790,693
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	440,000	752,500	812,500	577,640
WLASS Water Services	-	3,327,113	3,369,578	3,408,742
Total Income	6,205,408	12,000,321	11,200,533	9,088,391
Operating Expenditure				
Company Management / Support	1,087,487	1,534,552	1,556,234	1,583,288
Working parties projects	1,165,858	979,195	529,738	536,430
RITS	31,616	27,000	27,378	27,761
Information Technology	1,108,531	847,833	71,455	43,962
Energy Management	124,900	127,900	132,264	134,115
Shared Valuation Data Service (SVDS)	384,993	351,195	359,899	364,938
Road Asset Technical Accord (RATA)	1,300,557	2,231,000	1,892,000	1,360,000
Waikato Regional Transport Model (WRTM)	389,456	1,594,706	1,893,812	454,344
Waikato Building Consent Group	333,250	617,083	721,264	790,693
Waikato Mayoral Forum	5,000	5,000	5,000	5,000
Water Collaboration	440,000	752,500	812,500	577,640
WLASS Water Services	-	3,268,219	3,116,020	3,197,954
Total operating expenditure	6,371,648	12,336,183	11,117,563	9,076,126
Earnings before interest, tax and depreciation/ amortisation (EBITDA)	(166,240)	(335,862)	82,970	12,265
Depreciation / amortisation				
Company Management / Support	1,864	5,471	5,471	-
WBCG	0	-	-	-
WRTM	14,583	14,583	14,583	-
Total Depreciation / amortisation	16,447	20,054	20,054	-
Earnings before interest and tax (EBIT)	(182,688)	(355,915)	62,916	12,265
Net Surplus (Deficit) before tax	(182,688)	(355,915)	62,916	12,265

As for the current financial year, we are budgeting a loss of ~\$356k in the coming year as we continue to use cash reserves to fund some project activity. In the outyears we maintain a small profit level.

Statement of Financial Position

Waikato Local Authority Shared Services					
Financial Position					
for the forecast financial years ended 30 June 2022-2024					
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	
CAPITAL					
Shares - SVDS	1,607,001	1,607,001	1,607,001	1,607,001	
Shares - WRTM	1,350,000	1,350,000	1,350,000	1,350,000	
Retained Earnings	(2,021,997)	(2,418,218)	(2,774,133)	(2,711,217)	
Plus Current Year Operating Surplus/(Deficit)	(182,688)	(355,915)	62,916	12,265	
TOTAL CAPITAL FUNDS	752,316	182,868	245,784	258,049	
ASSETS					
CURRENT ASSETS					
Prepayments	253,342	178,900	181,405	183,944	
Accounts Receivable	248,216	310,270	600,016	560,027	
Bank	647,330	1,080,452	369,744	5,335	
GST Receivable / (Payable)	29,628	124,224	24,562	26,998	
TOTAL CURRENT ASSETS	1,178,516	1,693,846	1,175,727	776,304	
NON-CURRENT ASSETS					
SVDS - Intangible Asset	3,065,316	0	0	0	
WRTM - Intangible Asset	2,296,855	2,296,855	2,296,855	2,296,855	
MoneyWorks Software	1,195	1,195	1,195	1,195	
Accumulated Depreciation	(5,334,200)	(2,283,467)	(2,298,050)	(2,298,050)	
IT Equipment	5,592	19,000	19,000	19,000	
Accumulated Depreciation - IT equipment	(4,521)	(9,992)	(15,462)	(15,462)	
TOTAL NON-CURRENT ASSETS	30,237	23,591	3,538	3,538	
TOTAL ASSETS	1,208,754	1,717,437	1,179,264	779,841	
LESS CURRENT LIABILITIES					
Accounts Payable	367,565	1,451,670	846,885	426,302	
Accounts Payable Accrual	35,000	35,000	35,000	40,000	
Employee Benefits	53,872	47,900	51,596	55,490	
TOTAL CURRENT LIABILITIES	456,437	1,534,570	933,481	521,792	
NET ASSETS	752,317	182,868	245,784	258,049	

Statement of Cashflows

Waikato Local Authority Shared Services					
Statement of Cashflows					
for the forecast financial years ended 30 June 2022-2024					
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	
Cashflows from Operating Activities					
Interest Received	2,000	500	507	514	
Receipts from Other Revenue	6,503,168	11,937,767	10,910,281	9,127,866	
Payments to Suppliers	(6,484,401)	(11,183,608)	(11,721,157)	(9,490,354)	
Taxes Paid	0	0	0	0	
Goods & Services tax (net)	36,794	(94,596)	99,662	(2,436)	
Net cash from operating activities	57,561	660,063	(710,708)	(364,409)	
Cashflows from Investing Activities					
Capital enhancements	0	0	0	0	
Purchase of PPE	0	(13,408)	0	0	
Purchase of investments	0	0	0	0	
Net cash from investing activities	0	(13,408)	0	0	
Net increase in cash, cash equivalents and bank accounts	57,561	646,655	(710,708)	(364,409)	
Opening cash and cash equivalents and bank overdrafts	589,770	433,797	1,080,452	369,744	
Closing cash, cash equivalents and bank accounts	647,330	1,080,452	369,744	5,335	
Summary of Bank Accounts					
BNZ - Call a/c	647,330	1,080,452	369,744	5,335	
Closing Balance of Bank	647,330	1,080,452	369,744	5,335	

Appendix I: What we do - current activities

The principal initiatives operating under the WLASS umbrella are:

- Aligned resource consent planning
- Energy management
- Health & safety pre-qualification
- Joint procurement initiatives
- LiDAR
- Regional Asset Technical Accord (RATA)
- Regional Infrastructure Technical Specifications
- Shared Valuation Data Services (SVDS)
- Waikato Building Consent Group (WBCG) – including IQP/Producer Statement registrations
- Waikato Regional Aerial Photography Service (WRAPS)
- Waikato Regional Transportation Model (WRTM)
- WLASS Water Services (WWS)

Aligned resource consent planning

This toolkit provides regional consistency and best practice processes in the administration of resource consenting. It is used by nine councils (Taupo and Otorohanga are not currently participating, and Waikato Regional Council processes different types of resource consents from the territorial local authorities). WLASS controls the documentation on the WLASS website, and the Waikato Resource Consent forum manages the process for making updates and amendments to the templates and documents in the toolkit.

Energy management

WLASS entered into a three-year Collaboration Agreement with the Energy Efficiency Conservation Authority (EECA) in February 2016. Across the programme EECA provided funding of \$210,000. Implemented projects have delivered 3.62m kWh in energy reduction annually (as against a target of 2.5m kWh), saved \$446,000 per annum.

From 1 July 2019 a new energy and carbon management programme was entered into between WLASS and the nine participating councils. Councils were slow to engage in the elective component of the new programme notwithstanding we know councils see climate change generally as a significant issue. A lack of engagement has meant that some councils have not gotten the value out of it that they otherwise might have. We will continue to drive this programme and encourage councils to support it. More recently, there has been some activity in undertaking carbon stocktakes which is encouraging.

Health & safety pre-qualification

WLASS contracts with RJ Safety Consulting (previously SHE Software), to manage the Local Government Health & Safety Contractor Pre-qualification Scheme on behalf of councils. Twenty councils and one CCO are now using the scheme with approximately 1,600 contractors registered, which enables them to be pre-qualified to work for any of the participating councils.

Further detail on these activities and the councils involved in each can be found on the WLASS website at <http://www.wakatolass.co.nz/>.

Joint procurement initiatives

WLASS is a party to numerous joint procurement contracts between the company, shareholding councils and suppliers. Councils choose whether to be a party to a particular contract. Wherever possible we negotiate a syndicated contract with the supplier to allow additional councils to join later.

The most significant suite of contracts comprises the Professional Services Panel, involving eight councils and upwards of 150 suppliers. The current panel arrangement was established in August 2019.

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In 2019 standard regional procurement policies, templates and procedures were developed for use by councils and procurement training provided to council staff.

LiDAR

WLASS is managing a project to create highly detailed 3D maps and models of the Waikato landscape using LiDAR (Light Detection and Ranging) technology. The project's start was delayed with Covid-19. However, flying commenced in January 2021. The project involves funding from ten councils plus several commercial companies and the Provincial Growth Fund (via LINZ).

Regional Asset Technical Accord (RATA)

RATA was initially established as a centre of excellence for road asset planning in 2014.

The original aim of RATA was to achieve best practice in road asset management by improving capability, capacity and outcomes through effective collaboration. This aim remains but in 2019 the business unit expanded its activity into waters assets. By leading asset management best practice, RATA enables better decision-making through the effective collection and use of good quality data, and the implementation of good practice processes and systems for data collection, analysis and management.

Waipa District Council employs RATA staff who are then contracted to provide services to WLASS.

Regional Infrastructure Technical Specifications (RITS)

The RITS document sets out how to design and construct transportation, water supply, wastewater, stormwater and landscaping infrastructure. Prior to developing RITS, each Council had its own technical specifications for infrastructure resulting in different standards having to be met across the Waikato region. RITS provides a single regional guide, making business easier.

The RITS is published on the WLASS website (<http://www.waikatolass.co.nz/>), and ongoing maintenance of the document is the responsibility of a Project Co-ordinator, managed by WLASS.

Shared Valuation Data Service (SVDS)

This service provides timely and accurate valuation data to the participating councils. The SVDS has become the accepted valuation database for the region. Data sales significantly reduce the net cost to the participating councils. In the first half of 2020, the transition to a software-as-a-service arrangement with a new provider was completed further reducing cost to councils.

Waikato Building Consent Group (WBCG)

The WBCG was initially set up by five Waikato local authorities in 2004 to foster co-operation, collaboration and consistency in building functions, legislative interpretation and process documentation across the partnering councils. The activity transferred to WLASS on 1 July 2016 and now comprises eight councils.

The WBCG has developed a common quality assurance system with associated supporting documentation that meet the legislative requirements of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006. These regulations cover all aspects of the operational management and compliance of a Building Consent Authority (BCA).

On 1 July 2020, WLASS assumed responsibility for managing the region's IQP and Producer Statement registers for the benefit of councils.

Waikato Regional Aerial Photography Service (WRAPS)

WRAPS was set up in the 1990s for the supply of colour, digital, ortho-rectified, aerial photography for the Waikato Region. Photographs are captured periodically (~every 5 years). Most recently contracts were executed in December 2020 to undertake the latest programme.

Waikato Regional Transportation Model (WRTM)

The WRTM became fully operational in February 2010. It provides accurate information to councils and to external users (for a charge) for their transport modelling requirements. The WRTM is the only recognised strategic transport modelling resource in the Waikato Region and is jointly funded by the NZTA.

WRTM is making a significant contribution to strategic planning surrounding land use and infrastructure within the region and has been involved in regionally and nationally significant investigations including the Waikato Expressway Network Plan, the Waikato Regional Land Transport Strategy and Regional Policy Statement and transport impact assessments in relation to the development of Ruakura.

WLASS Water Services (WWS)

In the second half of 2020 the company agreed to subsume the previous Shared Services Partnership activity (involving Hamilton City and Waipa and Waikato District Councils), into its suite of services available to other councils. Nine councils are to take up one or more of the sampling and analysis, trade waste management and Smart Water services available.

Appendix II: Policy Statements

Statement of accounting policies

Reporting entity

Waikato Local Authority Shared Services Limited (“the Company”) is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002 (LGA), by virtue of the shareholding councils’ right to appoint the Board of Directors.

The primary objectives of the Company are to:

- Develop opportunities that benefit the Waikato region's local authorities; and
- Act as a vehicle to deliver value-added services to those local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Summary of significant accounting policies

Basis of preparation

Financial statements are prepared on the going concern basis, and the accounting policies are applied consistently throughout the period.

Statement of Compliance

Financial statements are prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Financial statements are prepared in accordance with and comply with Tier 2 PBE Standards reduced disclosure regime (RDR). WLASS is eligible to report under the RDR as it:

- is not publicly accountable; and
- has expenses more than \$2 million, but less than \$30 million.

The accounting policies set out below are consistent with the prior year, other than the inclusion of policy:

- on operating leases, related to the lease of commercial premises;
- employees; and
- property, plant and equipment.

Measurement base

The financial statements are prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IR) is included as part of receivables or payables in the statement of financial position.

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The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

In preparing the financial statements the Company makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no areas requiring estimate or assumptions made that are considered to carry a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Intangible assets

Useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the expected period of use of the asset by the Company and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact the amortisation expense recognised in the income statement and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

Impairment of intangible assets

Intangible assets measure at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus deficit.

Revenue

Revenue

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

Other Revenue

Member charges for all activities are recognised when invoiced to the user (i.e. councils). The recorded revenue is the net amount of the member charges payable for the transaction. Contributions received for projects that were not completed in a financial year are recognised when the Company provides, or is able to provide, the service for which the contribution was charged. Until such time, contributions are recognised as liabilities.

Operating expenses

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Personnel costs

Defined contribution schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

Receivables

Short-term receivables are recorded at the amount due, less any provision for amounts not considered collectable.

Receivables are initially measured at nominal or face value. Receivables are subsequently adjusted for penalties and interest as they are charged and impairment losses. Non-current receivables are measured at the present value of the expected future cash inflows.

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, with original maturities of three months or less, and bank overdrafts.

Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Intangible assets Other financial assets

Investments in bank deposits are measured at fair value plus transaction costs.

At each balance date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

Payables and deferred revenue

Short-term creditors and other payables are recorded at their face value

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Contributions received for projects that were not completed in a financial year are recognised as deferred revenue until the Company provides, or is able to provide, the service for which the contribution was charged.

Employee benefits liabilities

Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These includes salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Reconciliation of equity

Equity is the shareholders interest in WLASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed equity

Contributed equity is the net asset and liability position at the time the company was formed. The allocation of capital amongst shareholders is explained in this note.

Retained earnings

Retained earnings is the company's accumulated surplus or deficit since formation.

Document No: A541348

Report To: Council



Meeting Date: 27 July 2021

Subject: Progress Report - Three Waters Reform

Type: Information Only

Purpose of Report

- 1.1 The purpose of this business paper is to brief Elected Members on the Three Waters Reform media releases.

Background

- 2.1 The New Zealand Government has initiated a wide ranging reform of the three waters sector.
- 2.2 At the Council Meeting on the 25 August 2020 Council resolved to participate in Tranche 1 of the Government's Three Waters Reform Programme.
- 2.3 An obligation of the decision was to complete a Request for Information (RfI) and furnish the RfI to the Department of Internal Affairs (DIA) by the 28 February 2021, this was completed.
- 2.4 The Water Industry Commission for Scotland (WICS) was commissioned by Central Government to complete the modeling and provide advice on the Three Waters Review.
- 2.5 An analysis of data contained in the RfI has now been completed by the WICS. The DIA have released the dashboards 30 June 2021 and modeling on the 8 July 2021.

Commentary

- 3.1 Local Government in New Zealand have been asked to make a very significant decision in the coming months. The decision is associated with the largest change to Local Government in New Zealand for the past 40 years, and in a timeframe that is not commensurate to the magnitude of the decision to be made. New Zealanders are being asked to make this decision while there are too many unanswered questions about the full impact of the reform including the very future of Local Government.
- 3.2 The current reform has been triggered by the Havelock North Water Incident in 2016 where contaminated groundwater entered the water network and led to 5,000 people falling ill, and four consequential deaths.
- 3.3 The subsequent Government inquiry in 2017 observed that New Zealand had fallen well behind international best practice in the delivery of drinking water and made wide ranging reform recommendations.
- 3.4 The decision to be made centres on the transfer (*or not*), of all drinking water, wastewater and storm water assets including all field operations from Council to a new Crown Entity. For Waitomo District Council (WDC) the new Crown Entity incorporates the Waikato, Bay of Plenty, Taranaki and parts of the Manawatu-Whanganui region.
- 3.5 The decision is very complex and the right answer is difficult to conclude, depending on where, and how you view the issue, and what information you have to rely upon.

3.6 There has been much commentary around medium to small councils' inability to fund the level of infrastructure required to meet the drinking water standards. This issue has also been identified by the Hamilton City Council due to the high growth the city is experiencing.

3.7 The ability to fund infrastructure can only be determined on a council by council basis, and at times, local government as a sector have let ourselves down by acting on poor decisions, or diverting rates income from essential infrastructure to "nice to haves", or kept rates too low to meet critical infrastructure replacement costs.

3.8 Does the poor performance of some councils give government justifiable grounds to reform the entire sector?

3.9 **OVERVIEW OF GOVERNMENT THREE WATERS REFORMS**

3.10 The Government Three Waters reforms contains 3 Pou or Poles/Pillars:

- Pou tautahi: Taumata Arowai, Water regulator.
- Pou taurua: Regulatory Reform, Water Services Bill.
- Pou tatoru: Service delivery reform. Equitable access to more affordable and reliable water services.

3.11 **POU TAUTAHI: TAUMATA AROWAI**

3.12 Taumata Arowai is the national Water Quality Regulator

3.13 Taumata Arowai state on their website: We will work collaboratively across Aotearoa, taking our lead from Te Tiriti o Waitangi and Te Mana o te Wai.

3.14 Our aro:

1. Providing leadership on the three waters: drinking water, wastewater and stormwater. Holding ourselves and water service suppliers to account.
2. Setting, promoting, advising on, enforcing, and monitoring the national standards for drinking water.
3. Promoting and advising on the national standards, and shining a light on the performance of wastewater and stormwater.
4. Building relationships, trust, and confidence within communities and those we work alongside.
5. Administering and managing in partnership for current and future generations.
6. Lifting sector capability, capacity, leadership and equitable opportunities for Aotearoa in reaching those standards

3.15 **POU TAURUA: WATER SERVICES BILL**

- Currently in Select Committee
- Expected to be enacted second half of 2021
- Empowering Act for Taumata Arowai
- Water Services Bill – submissions closed 2 March 2021, a huge number of submissions received.

3.16 Introduced into Parliament in July 2020, the Bill

- was informed by consultation with targeted engagement with iwi and Māori, Local Government New Zealand (LGNZ), Kāhui Wai Māori and a technical advisory group
- sets out the regulatory framework that Taumata Arowai will administer

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3.17 If passed, the Act will

- significantly extend and strengthen the drinking water regulatory framework
- provide oversight and national-level reporting functions for wastewater and stormwater – ‘shine a light’ on the system. Regional councils will continue to be the regulator of wastewater and stormwater
- incorporate requirements relating to Te Mana o te Wai

3.18 Taumata Arowai

- will administer the regulatory framework set out in the Bill, which is expected to be passed in the second half of 2021
- has been established as an independent Crown entity under separate legislation – the Taumata Arowai–the Water Services Regulator Act 2020

3.19 Main features of the Water Services Bill

1. At all times drinking water suppliers have a primary duty to supply safe drinking water.
2. Transition arrangements mean that large suppliers (serving 500 or more people) must have a drinking water safety plan by the end of year one. Small suppliers (serving less than 500 people) have a five-year transition period to complete their drinking water safety plans.
3. All people with functions and duties under the legislation to give effect to Te Mana o te Wai.
4. The legislation is being implemented according to scale, complexity and risk – not a ‘one size fits all’ approach.
5. The regulatory framework is consistent with international best practice.
6. There is a strong focus on capability – new authorisation and occupational regulation requirements will be established through secondary legislation. Local authorities are required to meet authorisation requirements within five years

3.20 **POU TAUTORA: WATER SERVICE DELIVERY (STRUCTURAL) REFORM**

1. Multi-Regional water service delivery entities – models from 1-15:
2. 4 entities preferred option
3. Statutory Entities with asset ownership, ability to take on higher debt than Councils
4. Maori Governance and Commercial Boards appointed
5. Te Mana o te Wai principles embedded
6. Entity set up and transition July 2022
7. Probable 4-year transition period

3.21 **OTHER GOVERNMENT REFORMS INITIATIVES THAT WILL IMPACT THREE WATERS**

3.22 In addition to the three waters reforms discussed above, the Government has also announced further wide ranging reforms of freshwater, resource management, climate change and zero carbon, all of which have potential to have significant impacts on the delivery of Three Waters services. The impacts have a regulatory rule, operations and cost:

- RMA reform
 - National Built Environments Act.
 - Strategic Planning Act (30yr spatial plans require output – big picture, long term planning view).

- Managed Retreat and Climate Change Adaptation Act.
 1. NPS Fresh Water (including Te Mana o te Wai)
 2. NPS Urban development
 3. NPS Coastal
 4. NES Sources of Human Drinking Water
 5. Review of the Future of Local Government 2021
 6. Zero Carbon Act and Climate Change Commission initiatives
 7. Climate Change adaptation initiatives
 8. Water Economic Regulator is being discussed and planned
 9. National Environmental Regulator is being discussed (see Infrastructure Commission 'Water Reform in NZ' report
 10. Possible nationally mandated consumer protection oversight provisions in relation to the provision of three waters services

3.23 **RISKS**

3.24 Council risks with regard to the three waters reform are:

- Ability to meet the new service level and Taumata Arowai regulatory requirements
- Ability to resource infrastructure service delivery requirements – staff and external support
- Ability to engage effectively with Iwi, Hapu and Marae within the new statutory requirements
- Economic Regulator will price set water charges; Council may lose flexibility in this – see Lines Companies as an example
- Possible National Environmental Regulator may introduce a range of higher Environmental related service levels

3.25 Attachment 5 provides summary of the WDC risk discussion associated with three waters reform. Risk, brief discussion, size of risk (high, medium, low) and risk mitigation measures are included in the table for both the Opt-in and Opt-out options.

3.26 **DIA / WICS MODEL ASSUMPTIONS**

3.27 The information released by DIA in June 2021 has been transparent with regard to the modelling and analysis carried out by WICS on behalf of DIA. In common with all models, the models used by DIA/WICS have a number of built-in assumptions, that when taken together have produced the results, and very large potential future costs being discussed by the Minister of Local Government, and the New Zealand media.

3.28 The assumptions are made on a New Zealand wide basis, and may not necessarily be valid for WDC. Major assumptions in the WICS/DIA Model are:

1. Use of UK Econometric models developed in 2003-04
2. Use of same service level standards as the UK (i.e. European water and discharge standards)
3. Growth investment was modelled on 95% population coverage of public water supplies (NZ is current 80%)
4. A cap of \$70,000 per connected citizens for growth and enhancement investment included in the model based on observed levels of spending in Scotland on rural areas

5. 30-40% efficiency gain for large multi-regional entities with 800,000+ population
 6. No efficiency gains for local authorities with population 60,000 or less
 7. Better debt raising ability for large multi-regional entities with lower interest rates
 8. Capped debt raising for local authorities are 2.5 times their revenue
- 3.29 When running these models for 30 years with these assumptions embedded, the very large numbers recently publicly quoted are easy to arrive at, particularly because the growth model assumes 15% more coverage by water supply systems in a sparsely populated country.
- 3.30 Independent reviews of the DIA/WICS modelling by Farrierswier and Beca, whilst generally supportive of the model scope and direction also raised a range of issues with the model application, which whilst technical in nature, could have large impacts on the currently published model results.
- 3.31 **WDC DASHBOARD**
- 3.32 The dashboard depicting Waitomo District Council Three Waters current position published by the DIA has a factual inaccuracy. Councils' Three Waters debt is \$26 million not zero as displayed.
- 3.33 Staff have contacted the DIA and have been informed that the dashboards will not be changed. A number of other Councils also have factual errors in the dashboards published.
- 3.34 A high-level model has been released by DIA to Councils, populated with Council's data. By updating the model to include the \$26 million of debt and adjusting the required revenue to achieve the goal of a debt to revenue ratio of less than 2.5 times, the projected household cost in 2051 increases by \$77, from \$15,394 to \$15,471.
- 3.35 The key assumptions included in the council specific model that drive or influence the projected results are:
- Growth and enhancement investment
 - Debt to Revenue ratio
- 3.36 **GROWTH AND ENHANCEMENT INVESTMENT**
- 3.37 WICS assessed and compared the New Zealand water standards to that of the United Kingdom and concluded that the standards appeared to be broadly similar to those in place in Scotland at the start of Scotland's reform journey. WICS also reviewed the extent to which the New Zealand context was similar to Scotland.
- 3.38 WICS sought to understand the likely scope for enhancement investment: improving the quality of drinking water, the aquatic environment and levels of service. To do this, WICS considered the relationship between key drivers of investment: population density, length of rivers, coastline, ground water and surface water characteristics.
- 3.39 The modeling is based on observed enhancement expenditure in the United Kingdom over the last 25 years.
- 3.40 The result of this investigation and modeling, has projected the need for Waitomo District to invest \$383,250,000 over the next 30 years in enhancement investment, or \$12,775,000 each year.
- 3.41 **DEBT TO REVENUE RATIO**
- 3.42 The modeling has set the parameter to maintain a Debt to Revenue ratio of 2.5 times or less and to achieve this ratio as quickly as possible. The ratio of 2.5 times of Debt to Revenue is the current maximum ratio set for most councils borrowing from Local Government Funding Agency (LGFA).
- 3.43 The limit set by LGFA is for the whole of Council not each activity, thus providing councils with headroom in some activities. WDC's Debt to Revenue ratio as at 30 June 2020 was 1.05, while the Three Waters Activities Debt to Revenue ratio was 3.9.

3.44 **Three Water Reform Programme – Support Package**

3.45 On the 15 July the DIA released the Three Waters Reform Programme – Support package, a copy is attached and forms part of the report. The support package is dependent on the Three Water Reform progressing.

3.46 A key element of the Three Waters Reform Programme – Support package is the distribution of \$2.5 billion to support the local government sector through the transition to the new water services delivery system.

3.47 The two board components to this support package are:

- \$2 billion of funding to invest in the future of local government and community wellbeing, while meeting the priorities for government investment. (Better Off Component)
- \$500 million to ensure that no local authority is financially worse off as a direct result of the reforms. (No Worse Off Component)

3.48 The Crown will be contributing \$1 billion and the new water entities will contribute \$1.5 billion towards the support package.

3.49 DIA and Local Government New Zealand (LGNZ) will continue to develop the process for assessing the various components of the support package, including the conditions that would be attached to any funding. More information and guidance will be released in the coming months.

3.50 **Better Off Component**

3.51 The Better Off Component is allocated to territorial authorities using a national consistent formula based on:

- A 75% allocation based on population
- A 20% allocation based on the New Zealand deprivation index
- A 5% allocation based on land area (excluding national parks)

3.52 WDC's share of the Better Off Component is \$14,181,798.

3.53 WDC will be able to use this funding to support the delivery of local wellbeing outcomes associated with climate change and resilience, housing and local placemaking.

3.54 There will be a requirement to demonstrate that the use of this funding supports the three water services delivery reform objectives and other local wellbeing outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:

- Supporting communities to transition to a sustainable and low-emissions economy. Including by building resilience to climate change and natural hazards.
- Delivery of infrastructure that:
 - Enables housing development and growth, with a focus on brownfield and infill development opportunities where those are available.
 - Support local place-making and improvements in community well-being.

3.55 The Three Water Services delivery reform objectives are:

1. Significantly improving safety and quality of drinking water services and environmental performance of wastewater and stormwater systems.
2. Increasing the resilience of Three Waters Service provision to both short and long term risks and events, particularly climate change and natural hazards.
3. Moving the supply of Three Waters Services to a more financially sustainable footing and addressing the affordability and capability challenges faced across the sector and particularly by some small suppliers and councils.

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4. Undertaking the reform in a manner that enables local government to further enhance the way in which it can deliver on its boarder "wellbeing mandates" as set out in the Local Government Act 2002.
 5. Ensuring all New Zealanders have equitable access to affordable Three Waters Services.
 6. Improving the coordination of resources and unlocking strategic opportunities to consider New Zealand's infrastructure needs at a larger scale.
 7. Improving transparency about, and accountability for, the delivery and costs of three waters services, including the ability to benchmark the performance of service suppliers.
- 3.56 At this stage it is not known how or if the "Better Off Component" will be apportioned across the criteria or the associated conditions.
- 3.57 **No Worse Off Component**
- 3.58 The No Worse Off Component includes an up to \$250 million to support councils to meet unavoidable costs of stranded overheads, based on:
- \$150 million allocated to Councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger council.
 - Up to \$50 million allocated to the Auckland, Christchurch and Wellington Water councils, with some conditions.
 - Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for by the per capita rate (the process for determining this will be developed by the Department of Internal Affairs working closely with Local Government New Zealand).
- 3.59 The allocation of the first \$150 million to Councils (excluding Auckland, Christchurch and councils involved in Wellington Water) has not be included in the information released to date.
- 3.60 The remainder of the No Worse Off Component will be used to address adverse impacts on the financial sustainability of territorial authorities. The DIA will work with LGNZ and Taituarā (previously Society of Local Government Managers) to develop agreed principles for how the assessment of financial sustainability support will be undertaken, the methodology for quantifying this support requirement, and the process for undertaking the associated due diligence process with councils.
- 3.61 Local authorities will be encouraged to use accumulated cash reserves that have been earmarked for future water infrastructure investment (subject to reserve conditions) prior to the "go live" date of 1 July 2024.
- 3.62 It is intended that any material reserve balances remaining at that time will be transferred to the new water services entities with a commensurate commitment to invest those funds in the communities that paid for them, consistent with the conditions under which they were raised.
- 3.63 WDC as at 30 June 2020 had \$2 million in depreciation reserves for the Three Waters activities.
- 3.64 **Timing of Support Payments**
- 3.65 The timing for when funding will be made available will depend on the purpose for which it is sought:
- Up to \$500 million of funding from the Better Off Component of the support package will be made available for use by councils from 1 July 2022, with the remainder available from 1 July 2024 when the new water services entities are anticipated to be established. The process for release of this amount is being worked through and further details will be provided in the coming months.

- Funding to meet stranded costs and address adverse impacts on financial sustainability will be met at the time of or shortly after transfer of assets, liabilities and revenue to the new water services entities.

3.66 **Heads Of Agreement**

3.67 A Heads of Agreement between The Sovereign in Right of New Zealand (Central Government) and New Zealand Local Government Association Incorporated Te Kahui Kaunihera O Aotearoa (NZLG) for partnering commitment to support Three Waters Services Delivery Reform has been released and is attached to the business paper.

3.68 The key section of the Heads of Agreement is 4.3(c);

if, after the end of the period referred to in clause 3.2(b), the Government decides to adopt an "all in" legislated approach to the Three Waters Reform then LGNZ agrees that it will accept such a decision on the basis that:

- i. "all in" participation of local authorities is needed to realise the national interest benefits of the reform;*
- ii. such acceptance does not imply that LGNZ supports such approach;*
- iii. LGNZ will not actively oppose such approach; and*
- iv. LGNZ may publicly express its disappointment that the Government has considered it necessary to adopt such approach.*

3.69 Including this clause, Central Government is strongly signaling that if required to progress the Three Waters Reform Programme, they are willing to legislate as required.

3.70 **Timeframes**

3.71 The original timeframe for the Three Waters Reform for council decision and consultation with communities will be revised.

3.72 An 8-week window has been inserted to allow council to consider the reform proposals and support package. It is Central Government's view that elected members, iwi/Maori, and council staff will understand the compelling need for reform to improve health, environmental and affordability outcomes for local communities.

3.73 Central Government will take further decisions on the next steps of the reform pathway. Proceeding the 8-week period regarding consideration of the reform proposals and support package, Council will need to start consultation with the community. The community consultation is to consider the proposals and the next steps determined and released by the Government.

Suggested Resolution

The Progress Report: Three Waters Reform be received.



ALISTER DUNCAN

GENERAL MANAGER – BUSINESS SUPPORT

16 July 2021

Attachments:

- 1 Waitomo Dashboard (A541351)
- 2 Three Waters Reform Programme Support Package and Frequently Asked Questions (FAQs) (A541350)
- 3 Joint Statement of Position on Three Waters Reform (A541349)
- 4 Heads of Agreement (A541403)
- 5 Summary of Risks (A541841)

Waitomo District Council

Economic

GDP Growth

Low Scenario High Scenario

Employment Growth

Low Scenario High Scenario

Financial

Average Household Cost per Annum (Real):

FY21: Current

FY51: Reform FY51: No reform

Performance

Operating Performance Assessment Band (*)

1 Leading	2 Exceeding expectations
3 Performing in line with expectations	4 Performing below expectations

Operations

Three Waters FTEs

Distribution Zones Reporting Determinand Failures

Capital Expenditure Forecast (FY21 - FY30):

● Renewals ● Growth ● Enhancement

Current Investment in Renewals as a Percentage of Depreciation:

Services

Total Number of Billed Properties:

Water Wastewater Stormwater

Debt to Revenue (FY21):

\$5M \$0M

● Debt ● Revenue

Debt Revenue Debt to Revenue

Population Affected by Water Restrictions

Population Change (Summer vs Winter)

Properties Affected by Unplanned Interruptions

Total Unplanned Interruptions

RFI Information sourced directly from Rfl submission
 C Information sourced via calculations using Rfl submission and other sources
 * Relevant to Local Authorities who completed Rfl workbook I

Three Waters Reforms Programme – Support package

Summary

The Government has developed, in close partnership with Local Government New Zealand, a package of \$2.5 billion to support the sector through the transition to the new water services delivery system, and to position the sector for the future. This package will ensure that local authorities are supported through the transition process, the financial impacts of reform are managed and importantly, all councils and communities will transition to the new system for delivering three waters services in a better position than where they are now.

There are two broad components to this support package:

- \$2 billion of funding to invest in the future of local government and community wellbeing, while also meeting priorities for government investment (the “better off” component)
- \$500 million to ensure that no local authority is financially worse off as a direct result of the reform (the “no worse off” component).

The better off component of the support package, which comprises \$1 billion Crown funding and \$1 billion from the new water services entities, is allocated to territorial authorities on the basis of a nationally consistent formula that takes into account population, relative deprivation and land area. This formula recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs, and differences across the country in the ability to pay for those needs. Territorial authorities will be able to use this funding to support the delivery of local wellbeing outcomes associated with climate change and resilience, housing and local placemaking.

The no worse off component of the support package comprises an estimated \$500 million contribution from the new water services entities to ensure that no local authority is in a materially worse position financially to continue to provide services to its community as a direct result of the reform. This includes an up to \$250 million provision to support councils to meet the unavoidable costs of stranded overheads associated with the transfer of water assets, liabilities and revenues. The remainder of the no worse off component will be used to address adverse impacts on the financial sustainability of territorial authorities.

Initial analysis indicates that the vast majority of councils are likely to be financially better off through the reforms. Councils likely to suffer adverse financial impacts are primarily those with a low level of water debt to revenue and a high level of non-water debt to revenue. The Department will undertake further work with councils during the transition period to understand the potential financial impacts at a local level, including through undertaking the associated due diligence process.

In addition to the support package, the Government expects to meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and provision for reasonable legal, accounting and audit costs. There is an allocation for these costs within the \$296 million tagged contingency announced as part of the 2021 Budget Package for transition and implementation activities. This allocation is additional to the \$2.5 billion support package.

The Department of Internal Affairs is continuing to work with Local Government New Zealand to develop the process for accessing the various components of the support package outlined above, including conditions that would be attached to any funding. More information and guidance will be made available in the coming months.

Better off funding allocation

Council	Allocation
Auckland	\$ 508,567,550
Ashburton	\$ 16,759,091
Buller	\$ 14,009,497
Carterton	\$ 6,797,415
Central Hawke's Bay	\$ 11,339,488
Central Otago	\$ 12,835,059
Chatham Islands	\$ 8,821,612
Christchurch	\$ 122,422,394
Clutha	\$ 13,091,148
Dunedin	\$ 46,171,585
Far North	\$ 35,175,304
Gisborne	\$ 28,829,538
Gore	\$ 9,153,141
Grey	\$ 11,939,228
Hamilton	\$ 58,605,366
Hastings	\$ 34,885,508
Hauraki	\$ 15,124,992
Horowhenua	\$ 19,945,132
Hurunui	\$ 10,682,254
Invercargill	\$ 23,112,322
Kaikoura	\$ 6,210,668
Kaipara	\$ 16,141,395
Kapiti Coast	\$ 21,051,824
Kawerau	\$ 17,270,505
Lower Hutt	\$ 38,718,543
Mackenzie	\$ 6,195,404
Manawatu	\$ 15,054,610
Marlborough	\$ 23,038,482
Masterton	\$ 15,528,465
Matamata-Piako	\$ 17,271,819
Napier	\$ 25,823,785
Nelson	\$ 20,715,034
New Plymouth	\$ 31,586,541
Opotiki	\$ 18,715,493
Otorohanga	\$ 10,647,671
Palmerston North	\$ 32,630,589
Porirua	\$ 25,048,405
Queenstown Lakes	\$ 16,125,708
Rangitikei	\$ 13,317,834
Rotorua Lakes	\$ 32,193,519
Ruapehu	\$ 16,463,190

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Selwyn	\$ 22,353,728
South Taranaki	\$ 18,196,605
South Waikato	\$ 18,564,602
South Wairarapa	\$ 7,501,228
Southland	\$ 19,212,526
Stratford	\$ 10,269,524
Tararua	\$ 15,185,454
Tasman	\$ 22,542,967
Taupo	\$ 19,736,070
Tauranga	\$ 48,405,014
Thames-Coromandel	\$ 16,196,086
Timaru	\$ 19,899,379
Upper Hutt	\$ 18,054,621
Waikato	\$ 31,531,126
Waimakariri	\$ 22,178,799
Waimate	\$ 9,680,575
Waipa	\$ 20,975,278
Wairoa	\$ 18,624,910
Waitaki	\$ 14,837,062
Waitomo	\$ 14,181,798
Wellington	\$ 66,820,722
Western Bay of Plenty	\$ 21,377,135
Westland	\$ 11,150,183
Whakatane	\$ 22,657,555
Whanganui	\$ 23,921,616
Whangarei	\$ 37,928,327
Total	\$ 2,000,000,000

Frequently Asked Questions

What are the elements of the Government's support package?

The Government's three waters reform support package comprises two broad elements to position the sector for the future, and to support the sector through the transition to the new water services delivery system. This includes:

- an investment of \$2 billion into the future for local government and community wellbeing, consistent with the priorities of both central and local government; and
- an allocation of up to around \$500 million to ensure that no local authority is in a materially worse position financially to provide services to its community as a direct result of the reform.

This support package has been developed in partnership with Local Government New Zealand.

What does the better off component of the support package include?

The better off component of the support package comprises a \$2 billion fund that territorial authorities will be able to use to support the three waters service delivery reform objectives and other local wellbeing outcomes in a manner consistent with the priorities of central and local government. It is an investment by the Crown into the future for local government and community wellbeing.

Territorial authorities will be required to demonstrate that the use of this funding supports the three waters service delivery reform objectives and other local wellbeing outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:

- supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards;
- delivery of infrastructure and/or services that:
 - enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available,
 - support local place-making and improvements in community well-being.

What does the no worse off component of the support package include?

The no worse off component of the support package is intended to address the costs and financial impacts on territorial authorities directly as a result of the three waters reform programme and associated transfer of assets, liabilities and revenues to new water services entities.

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It includes an up to \$250 million allocation to support councils to meet unavoidable costs of stranded overheads, based on:

- \$150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils;
- Up to \$50 million allocated to the Auckland, Christchurch and Wellington Water councils excluded above based on a detailed assessment of 2 years of reasonable and unavoidable stranded costs directly resulting from the Water Transfer, as the nationally-consistent formula is likely to overstate the stranded costs for these councils due to their significantly greater scale and population. Stranded costs should be lower with respect to Watercare and Wellington Water as these Council Controlled Organisations have already undertaken a transfer of water services responsibilities, albeit to varying degrees.
- Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for by the per capita rate (the process for determining this will be developed by the Department of Internal Affairs working closely with Local Government New Zealand).

The remainder of the no worse off component will be used to address adverse impacts on the financial sustainability of territorial authorities. The Department of Internal Affairs will work with Local Government New Zealand and Taituarā to develop agreed principles for how the assessment of financial sustainability support will be undertaken, the methodology for quantifying this support requirement, and the process for undertaking the associated due diligence process with councils.

Initial analysis indicates that for most councils, the impact of reform is expected to have a positive effect on their borrowing capacity. Priority will be given to undertaking due diligence with those local authorities that are more likely to suffer adverse borrowing impacts. As an example, this will include councils that have a low level of water debt to revenue and a high level of non-water debt to revenue.

What about other costs associated with reform?

The Government also expects to meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and provision for legal, accounting and audit costs. Provision for these costs has been made within the \$296 million tagged contingency announced as part of the 2021 Budget Package for transition and implementation activities.

Local authorities will be encouraged to use accumulated cash reserves that have been earmarked for future water infrastructure investment (subject to reserve conditions) prior to the “go live” date of 1 July 2024.

It is intended that any material reserve balances remaining at that time will be transferred to new water services entities with a commensurate commitment to invest those funds in the communities that paid for them, consistent with the conditions under which they were raised. Councils will be allowed to retain immaterial reserve balances upon transfer. The materiality threshold will be developed by the Government in discussion with Local Government New Zealand and will be reflected in guidance to the sector.

How has the allocation of the better off funding been determined?

The better off component of the support package will be allocated to territorial authorities using a nationally consistent formula based on:

- a 75% allocation based on population size
- a 20% allocation based on the New Zealand deprivation index
- a 5% allocation based on land area (excluding national parks)

The Government and Local Government New Zealand have agreed to this formula as it recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs and the relative differences across the country in the ability to pay for those needs.

What is the deprivation index and why has it been introduced as part of this formula?

The New Zealand index of deprivation is an area-based measure of socioeconomic deprivation in New Zealand that combines nine variables from the Census, including income levels, educational qualifications, home ownership, employment, family structure, housing and access to transport and communications.

It has been introduced in the formula for allocating the better off component of the support package to recognise the relative distribution of need across the country. It enables a balanced distribution of funding across territorial authorities that complements the remaining two criteria that recognise needs associated with a larger population base and land area.

The New Zealand index of deprivation is used in other areas of local planning and investment, including in relation to health, transport and regional development. Notably, it is used by Waka Kōtahi as part of its funding assistance rate framework to determine the appropriate share of costs that territorial authorities should meet when investing in local land transport networks.

Is this funding contingent on reforms going ahead?

The Government's support package provides certainty for local authorities that, should the reforms proceed, they will be supported through the transition process, the financial impacts of reform will be managed and importantly, all councils and communities would transition to the new system for delivering three waters services in a better position than where they are now.

Territorial authorities should consider the support package alongside the case for change the Government has presented, and the substantial amount of evidence and data that has been released, which shows that reform will deliver significant benefits both nationally and locally. The Government is confident that as elected members, iwi/Māori, and council officers consider the reform proposals and support package, they will understand the compelling need for reform to improve health, environmental and affordability outcomes for local communities and we can move forward with greater confidence.

When will funding from the support package be made available?

The timing for when funding will be made available will depend on the purpose for which it is sought:

- Up to \$500 million of funding from the better off component of the support package will be made available for use by councils from 1 July 2022, with the remainder available from 1 July 2024 when the new water services entities are anticipated to be established. The process for release of this amount is being worked through and further details will be provided in the coming months.
- Funding to meet stranded costs and address adverse impacts on financial sustainability will be met at the time of or shortly after transfer of assets, liabilities and revenue to the new water services entities.

How will territorial authorities be able to access the funding?

The Department of Internal Affairs will work with Local Government New Zealand to finalise the process for accessing this funding, including any conditions that would be attached to the funding, and will provide further information on this in the coming months.

Who will provide the funding?

The support package will be met by both the Crown and the new water services entities.

The Crown will provide \$1 billion of funding towards the better off component of the package, as an investment into the future of local government and community wellbeing.

The Water Services entities will provide \$1.5 billion of funding, comprising:

- An estimated \$500 million towards the no worse off component of the package
- \$1 billion towards the better off component of the package.

It is appropriate for water services entities to bear some of the costs associated with the support package given that future water customers stand to benefit most from reform. From the perspective of future water customers, the size of this benefit is significantly greater than the cost associated with providing some of the funding for the support package. Moreover, given most future water customers are also ratepayers, they stand to benefit from the additional investment into community well-being.

We also note that the proposed support arrangements provided by the Crown to the water service entities (such as a liquidity support), are expected to reduce the borrowing costs. The net present value of the reduced borrowing capacity is expected to be greater than the \$1.5 billion of funding provided by water service entities through the support package.

What is the Crown doing to support local government through the reforms?

The Crown is providing support to local government in a number of tangible and practical ways.

Out of \$3.5 billion in total funding to support the three waters reform, around \$2 billion (just under 60%) represents a direct cash contribution by the Crown, which includes:

- provision of \$1 billion towards the better off component of the support package
- provision of \$296 million as part of the 2021 Budget Package to meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities
- the \$700 million stimulus funding package the Crown made available for local authorities and rural supplies in August 2020.

The remaining \$1.5 billion to be contributed by the Water Services Entities is at effectively no net cost to customers, due to the proposed Crown support arrangements (such as a liquidity support) which reduce the borrowing costs of the water service entities.”

For most councils, reform will free up additional borrowing capacity to invest in other infrastructure and services.

Reform also provides the opportunity for Councils to transfer to the new water services entities the responsibility for meeting significant future investment requirements that will arise from the new water services regulatory regime and rising community expectations. For many councils and communities, these investment requirements are likely to be unaffordable without reform.

Finally, the Government is committed to undertaking further discussions with the sector (including through the Joint Steering Committee) on how the proposed model and design can best accommodate areas of priority at a local level, including:

- how local authorities can continue to have influence on service outcomes and other issues of importance to their communities (e.g. aspiration for chlorine-free water);
- ensuring there is appropriate integration between the needs, planning and priorities of local authorities (representing their local communities) and the planning and priorities of the Water Service Entities; and
- how to strengthen the accountability of the WSEs to the communities that they serve, for example through a water ombudsman.

The Government and Local Government New Zealand's joint position statement on Three Waters Reform

Acknowledging the challenge

Central and local government believe that three waters services are fundamental to the health and wellbeing of our communities and environment; and to our local, regional and national economies. The way they are delivered across New Zealand cannot address the challenges our communities will face in the future.

Analysis produced over the past 12 months shows that all communities will need to invest significantly over the next 30 years to maintain, replace and upgrade ageing assets and to provide for growth. This is reflected by increasing investment in councils' new long-term plans.

Consistently enforced compliance standards, a backlog of infrastructure renewals and external pressures such as climate change, workforce shortages, and economic regulation will create unsustainable pressure on the current system.

Building a new partnership

Three waters reform has created an opportunity for central and local government to work together differently.

In May 2020, the Government and Local Government New Zealand agreed to set up a Joint Steering Committee to provide feedback on the reform of three waters services delivery. This group co-designed delivery of the initial stimulus investment in three waters infrastructure and services, supported the Request for Information (RFI) process and fed back into the Government's policy development. It has interrogated the analysis behind the case for change, facilitated robust conversations, and seen policy shift towards more practicable and enduring solutions.

This model responded to the local government sector's call for a closer working relationship with government, and to the Government's desire to deliver in partnership with the sector. It builds on work undertaken together in response to COVID-19 and has opened the door to a fundamental reset between our two tiers of government, so that change is undertaken together for the benefit of all our communities.

A proposal for change

The Government has proposed creating four new water service delivery entities. The scale of these entities means they'll be able to borrow to fund the significant investment needed to benefit all New Zealanders, from our smallest communities to our largest cities.

As part of this proposal, the Government and LGNZ have developed a package that recognises the importance of local place-making and the critical role that local government plays in that. This package:

- supports local government to invest in the wellbeing of their communities, so that all councils and their communities are better off;
- ensures no council will be financially worse off after reform; and
- makes clear that the Government will cover reasonable transition costs.

The economic model shows that significant benefits are available for all communities and will work best if all councils participate. Each council needs more time to interrogate its own position and understand the implications for their communities and operations. There remain critical issues to work through over the next two months.

These issues include ensuring all communities have both a voice in the system and influence over local decisions. Councils want to be sure the water entities understand and act on communities' needs and wants, including responding to localised concerns like a desire for chlorine-free water.

They want to ensure effective representation on the new water entities' governing boards so that there is strong accountability to the communities they serve. They want to be confident the water entities will respond to their plans for growth. And they want effective assurance that entities, which remain owned by the community, cannot be privatised in future.

We believe continuing the partnership between local and central government is the best way to resolve the remaining questions and policy detail to give these critical reforms the best chance of success. To that end we're recommitting to an agreed a set of shared objectives:

- significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems;
- ensuring robust safeguards against privatisation
- ensuring all New Zealanders have equitable access to affordable three waters services and that the water services entities will listen, and take account of, local community and consumer voices
- improving the coordination of resources, planning, and unlocking strategic opportunities
- ensuring the overall integration and coherence of the wider regulatory and institutional settings
- increasing the resilience of three waters service provision to climate change and natural hazards
- moving three waters service delivery to a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities
- improving transparency about, and accountability for, the planning, delivery and costs of three waters services
- undertaking the reform in a manner that enables local government to continue delivering on its placemaking role and broader "wellbeing mandates".

Looking to the future

We are very aware that how we work together now sets the tone for other large-scale reform affecting the sector, especially the Future for Local Government review.

This review is a real opportunity for New Zealand to re-imagine the roles, responsibilities and resources of councils so that they can meet communities' expectations now and in the future. These expectations have evolved massively since the introduction of the current Local Government Act over 30 years ago. It's time for a genuine re-think about what's needed for local government to respond to communities' changing needs.

For this review to succeed, we need to be partners. Our three waters relationship has allowed robust, open discussions – and opened the door to a fundamental reset between our two tiers of government. Both central and local government are committed to a new way of working together, in tune with our diverse communities and our treaty partnership.



HEADS OF AGREEMENT

BETWEEN

THE SOVEREIGN IN RIGHT OF NEW ZEALAND

AND

**NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION
INCORPORATED TE KAHUI KAUNIHERA Ō
AOTEAROA**

FOR

**PARTNERING COMMITMENT TO SUPPORT
THREE WATERS SERVICE DELIVERY REFORM**

Parties

Name The Sovereign in right of New Zealand
Short name **Crown**

Name New Zealand Local Government Association Incorporated Te Kahui Kaunihera
ō Aotearoa
Short name **LGNZ**

Background

- A The New Zealand Government (**Government**) is undertaking a programme to reform the delivery of three waters in New Zealand (**Three Waters Reform Programme**).
- B LGNZ is an incorporated society that represents the national interests of local government in New Zealand and leads best practice in the local government sector.
- C Since May 2020, the Crown and LGNZ have worked collaboratively to consider the interests of central and local government in relation to the Three Waters Reform Programme.
- D The Crown and LGNZ wish to continue their interests-based partnering relationship:
- (i) to enable LGNZ's ongoing role in assisting with the interface between the Crown and the local government sector in connection with the Three Waters Reform Programme (including supporting the Three Waters Reform Programme objectives and supporting the sector through its implementation and transition); and
 - (ii) to strengthen the important relationship central government has with local government to continue to work together in relation to the Three Waters Reform Programme, acknowledging local government's critical role in placemaking and achieving positive wellbeing outcomes for communities and the shared objective of a thriving, resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities.
- E The Crown and LGNZ now wish to set out the agreed process for, and the terms of, the continuation of their interests-based partnering relationship.
- F The Crown (through the Department of Internal Affairs (**DIA**)) and LGNZ have previously entered into a non-disclosure agreement (**NDA**) under which DIA and LGNZ provided certain undertakings to each other in respect of confidentiality, conflict management and use of information (amongst other key terms), which continues to apply.

Agreed Terms

1. Definitions

1.1 Defined terms and expressions used in this Heads of Agreement shall, unless inconsistent with the context, have the meaning set out in Schedule 1.

2. Mutual commitment to continuing the partnering approach for three waters reform

2.1 In May 2020, the Government (through DIA) and LGNZ committed to working together to explore options for national three waters services delivery reform in recognition of the significant challenges – presently but more so in the future – facing the delivery of water services and infrastructure and the communities that fund and rely on them.

2.2 The Crown and LGNZ each wish to continue:

- (a) an interests-based partnering relationship, including through the Joint Steering Committee, to support:
 - (i) the identification and resolution of matters of concern to the local government sector in a manner that is consistent with the shared objectives referred to in this Heads of Agreement; and
 - (ii) a smooth transition and successful implementation of the Three Waters Reform Programme, as further described in this Heads of Agreement; and
- (b) to strengthen the important relationship central government has with local government to continue to work together in the Three Waters Reform Programme, acknowledging the critical role local authorities play in local long-term planning, local placemaking and achieving positive wellbeing outcomes for their communities and the shared objective of a thriving, resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities.

2.3 The Crown acknowledges that:

- (a) although LGNZ has a mandate to consider the national interests of local government in New Zealand, the mandate of individual local authorities (as set out in the Local Government Act 2002) relates to the interests of their own local community; and
- (b) LGNZ's agreement to support and lead the sector in the manner described in this Heads of Agreement does not bind its members and individual local authorities may determine to adopt a position different to LGNZ's.

2.4 Ensuring recognition of rights and interests of iwi/Māori in three waters service delivery

The Crown and LGNZ recognise Te Tiriti o Waitangi/Treaty of Waitangi and the protection and promotion of iwi/Māori rights and interests in the delivery of three waters services, including through existing Treaty settlement mechanisms. Water can be a taonga of particular significance and importance to Māori and both parties recognise the importance of working in partnership, and acting reasonably and in good faith with the Treaty partner throughout the reform process. Both parties recognise the reform is a significant opportunity to improve outcomes for Māori in the delivery of three water services.

2.5 Shared objectives for the Three Waters Reform Programme

The Crown and LGNZ each acknowledge shared objectives which underpin the Three Waters Reform Programme. The principal objectives (including as they have been refined over the engagement process to date) are:

- (a) that there are safeguards (including legislative protection) against privatisation and mechanisms that provide for continued public ownership;
- (b) significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems (which are crucial to good public health and wellbeing, and achieving good environmental outcomes);
- (c) ensuring all New Zealanders have equitable access to affordable three waters services and that the Water Services Entities will listen, and take account of, local community and consumer voices;
- (d) improving the coordination of resources and planning, and unlocking strategic opportunities to consider New Zealand's infrastructure and environmental needs at a larger scale;
- (e) ensuring the overall integration and coherence of the wider regulatory and institutional settings (including the economic regulation of water services and resource management and planning reforms) in which the local government sector and their communities must operate;
- (f) increasing the resilience of three waters service provision to both short-and long-term risks and events, particularly climate change and natural hazards;
- (g) moving the supply of three waters services to a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities;
- (h) improving transparency about, and accountability for, the planning, delivery and costs of three waters services, including the ability to benchmark the performance of the new Water Services Entities; and
- (i) undertaking the reform in a manner that enables local government to continue delivering (in a sustainable manner) on its placemaking role and broader "wellbeing mandates" as set out in the Local Government Act 2002.

2.6 Other shared objectives for three waters reform and beyond

The Crown and LGNZ further acknowledge the following shared objectives of their interests-based partnering relationship in relation to the Three Waters Reform Programme:

- (a) supporting achievement of the shared three waters reform objectives described above;
- (b) ensuring that the Water Services Entities are set up for future success, including preserving their ability to borrow to accelerate investment and meet future investment demands;
- (c) maintaining good faith participation by central and local government in relation to other large reform programmes, including resource management reforms;
- (d) work in partnership to support the 'workforce transfer guidelines' so as to ensure that workers in local communities are treated fairly as part of the three waters reform process and with the least amount of disruption for staff and local authorities (including so that local

authorities can maintain their ongoing operations, including as they relate to three waters service delivery and investment for the duration of the transition period);

- (e) building on the success of the COVID-19 response and Joint Three Waters Steering Committee processes to demonstrate a new way of working that provides a platform for ongoing, constructive relationships between central and local government; and
- (f) supporting three waters service provision by the new Water Services Entities to be an enabler of a resilient, responsive and sustainable local government system, including as the roles and functions of local authorities may change and develop over time.

2.7 Acknowledgement

The Crown and LGNZ each further acknowledge that the Three Waters Reform Programme is a tested and robust package of reforms that will:

- (a) affordably and sustainably address the water services delivery objectives over the next 30 years; and
- (b) require all-in participation of local authorities to do so.

2.8 Partnering principles – Three Waters Reform

The Crown and LGNZ each wish to conduct their working relationship with the other party in relation to, and throughout the period of, the Three Waters Reform Programme in good faith and in accordance with the following objectives and principles:

- (a) *shared intention*: the shared intention of supporting the Three Waters Reform Programme, including ensuring a smooth transition and successful implementation of the Three Waters Reform Programme;
- (b) *mutual trust and respect*: build and foster working relationships and communication practices that are based on, and value, mutual respect and high trust, including so as to address any issues and concerns that might arise, early and constructively, to ensure that process expectations are clear and aligned and to act and respond in ways that reflect a fair assessment of the importance or materiality of the matters requiring an action or a response;
- (c) *constructive*: non-adversarial dealings between the parties, and constructive mutual steps to avoid differences and disputes and to identify solutions that advance the shared interests and objectives of both central and local government with respect to the communities they serve;
- (d) *open and fair*: open, prompt and fair notification and resolution of any differences or disputes which may arise and the identification of potential risks and/or issues (including potential causes of delay) that could adversely impact the timely completion of the activities within the timeframes specified in any agreed programme of activities; and
- (e) *no surprises*: adopt a 'no surprises' approach in respect of their respective communications to stakeholders and their public statements and to ensure they are consistent with the spirit and intent of this Heads of Agreement.

3. **Support Commitments**

3.1 The Crown and LGNZ each acknowledge that:

- (a) LGNZ will endorse and support such package and the need for all-in participation of local authorities to realise the full system benefits, to help build support for the reform across the sector, in the manner contemplated below; and
- (b) the key features of a Three Waters Reform financial support package are set out in clauses 5.1 to 5.3 below.

3.2 The Crown and LGNZ each agree:

- (a) to continue to carry out the discussions in relation to the Three Waters Reform Programme in good faith with a view to ensuring the reforms are achieved in a manner consistent with the shared objectives set out in clauses 2.4 to 2.6 above and Cabinet decisions in relation to the Three Waters Reform Programme;
- (b) that local authorities will be provided a reasonable period (expected to be around 8 weeks and commencing immediately after the annual LGNZ 2021 conference) to consider the impact of the reforms (including the financial support package) on them and their communities and an opportunity to provide feedback;
- (c) to discuss in good faith (including through the Joint Steering Committee) how the proposed model and design can best accommodate, in a manner consistent with the shared objectives, the following matters:
 - (i) how local authorities can continue to influence how the new water service delivery system as a result of Three Waters Reform will respond to issues of importance to their communities, and provide for localised solutions such as the aspiration for chlorine-free water;
 - (ii) ensuring appropriate integration between the needs, planning and priorities of local authorities (representing their local communities) and the planning and priorities of the Water Service Entities; and
 - (iii) how to strengthen the accountability of the WSEs to the communities that they serve, for example through a water ombudsman; and
- (d) to use all reasonable endeavours (in the case of LGNZ consistent with the resourcing, funding and activities reflected in the funding agreements referred to in clause 6) to achieve support for the Three Waters Reform Programme from the local government sector, including (in the case of LGNZ) as contemplated in clauses 4.2 and 4.3 below.

3.3 DIA and LGNZ have agreed a joint position statement (set out at Schedule 4 of this Heads of Agreement) with respect to the Three Waters Reform Programme. DIA and LGNZ will each ensure that statements made by them respectively in relation to the Three Waters Reform Programme, including statements or information made or provided to the local government sector in relation to the Three Waters Reform Programme (including through LGNZ) including at the annual LGNZ 2021 conference, shall be consistent with the joint position statement.

4. **LGNZ support of Three Waters Reform**

LGNZ considers:

- (a) the Three Waters Reform Programme is in the national interest of local government and the communities that it represents;

- (b) the partnering approach between the Crown (including DIA and Treasury) and LGNZ in relation to the Three Waters Reform Programme enhances and ensures a long-term commitment to partnership between central and local government in New Zealand; and
 - (c) the Three Waters Reform financial support package (as contemplated in this Heads of Agreement) is fair and reasonable at a national level.
- 4.2 Accordingly, LGNZ commits to supporting, endorsing and promoting the Three Waters Reform Programme.
- 4.3 LGNZ commits to:
- (a) supporting the case for change by:
 - (i) publicly supporting the position that there is a sufficient and evidence-based national case for change, including that the current approach to three waters service delivery is not capable of delivering the outcomes required in an affordable and sustainable way into the future;
 - (ii) noting the analysis supporting the Crown's preferred approach to reform has been tested through the design process, and expressing the view that the proposed model design and approach to reform is sound, appropriate and beneficial when viewed as a whole at a national level; and
 - (iii) assisting LGNZ's members to understand the reform-related information being provided to them by or on behalf of the Crown, how the reform is intended to work and the impact it is likely to have on local authorities and the communities they serve, including throughout the transition period – and in respect of which the Crown (through DIA) commits to supporting LGNZ and the local government sector to actively engage in the transition process and to working through the remaining questions and further policy detail with LGNZ with a view to supporting a smooth transition to, and successful implementation of, the Three Waters Reform Programme;
 - (b) endorsing the Three Waters Reform financial support package announced by the Government (as contemplated in this Heads of Agreement);
 - (c) if, after the end of the period referred to in clause 3.2(b), the Government decides to adopt an "all in" legislated approach to the Three Waters Reform then LGNZ agrees that it will accept such a decision on the basis that:
 - (i) "all in" participation of local authorities is needed to realise the national interest benefits of the reform;
 - (ii) such acceptance does not imply that LGNZ supports such approach;
 - (iii) LGNZ will not actively oppose such approach; and
 - (iv) LGNZ may publicly express its disappointment that the Government has considered it necessary to adopt such approach.
 - (d) leading and supporting the local government sector through change arising from the Three Waters Reform Programme, in the interests of a constructive and orderly transition process.
- 4.4 The Crown (through DIA) and LGNZ will each use all reasonable endeavours to agree a timetable to support the reform (which is consistent with Cabinet decisions in relation to the Three Waters

Reform Programme) including the staged release of information and the process to develop individual local authority agreements.

5. Financial support package to local authorities

5.1 The Crown is proposing that a Three Waters Reform financial support package be provided to local authorities, comprising:

- (a) a “no worse off” package which will seek to ensure that financially, no local authority is in a materially worse off position to provide services to its community directly because of the Three Waters Reform Programme and associated transfer of responsibility for the provision of water services (including the transfer of assets and liabilities) to the Water Services Entities; and
- (b) a “better off” package of \$2 billion which supports the goals of the Three Waters Reform Programme by supporting local government to invest in the wellbeing of their communities in a manner that meets the priorities of both the central and local government, and is consistent with the agreed criteria for such investment set out in Schedule 3 of this Heads of Agreement,

and which will be given effect (including in relation to the process for the provision of funding by Water Services Entities) in agreements between each local authority and the Crown (through DIA). The key principles and process for development of such agreements will be a matter that is considered by the Joint Steering Committee.

5.2 LGNZ acknowledges that the quantum of the proposed Three Waters Reform financial support package set out in clause 5.1 is a fair and reasonable package and contribution to the local government sector having regard to the impacts of the Three Waters Reform Programme on the sector and to contribute to the future of local government in supporting the wellbeing of their communities.

5.3 The Crown and LGNZ have been discussing the proposed Three Waters Reform financial support package and record the agreed principles, as at the date of this Heads of Agreement:

- (a) in relation to the “no worse off” package, in Schedule 2 of this Heads of Agreement; and
- (b) in relation to the “better off” package, in Schedule 3 of this Heads of Agreement,

noting that in relation to those areas of the financial support package that remain to be finalised as contemplated in those schedules, the Crown intends to finalise the same with LGNZ consistent with the principles and partnering approach set out in this Heads of Agreement; and noting also that (as provided in the Public Finance Act 2010) no funding will be due or payable from the Crown until funding is appropriated.

5.4 For the avoidance of doubt, there are a range of other impacts for local authorities that may represent an adverse financial impact, which the support package contemplated in clauses 5.1 to 5.3 above does not take account of, and are intended to be addressed (through a process to be agreed between the Crown (through DIA) and LGNZ) by alternative mechanisms:

- (a) transaction costs associated with facilitating the transfer of assets, liabilities and revenue, including staff involvement in working with the establishment entities and transition unit, and legal, accounting and audit costs. There is an allocation within the \$296 million tagged contingency established as part of the 2021 Budget Package for the transition and implementation costs incurred by councils and DIA will work with LGNZ in developing the parameters of this funding pool, before it is agreed with Ministers and shared with the sector. The funding will look to ensure that councils are able to participate in the reform

programme without putting at risk council delivery of water services during the transition – noting that the funding pool will have a finite limit, needs to deliver the transition objectives, demonstrate value for money to Crown and meet the conditions around the tagged contingency; and

- (b) accumulated cash reserves that have been earmarked for future water infrastructure investment. Local authorities will be encouraged to use these reserves (subject to reserve conditions) prior to the “go live” date of 1 July 2024. It is intended that any material reserve balances remaining at that time will be transferred to new Water Services Entities with a commensurate commitment to invest those funds in the communities that paid for them, consistent with the conditions under which they were raised. Councils will be allowed to retain immaterial reserve balances upon transfer. The materiality threshold will be developed in discussion between DIA and LGNZ and agreed with Ministers before reflecting this in guidance for the sector; and
- (c) any payment to be made to a local authority by the relevant Water Services Entity associated with the transfer of water assets, debt and revenue - being the amount of water-related debt established through any applicable due diligence and/or audit when that Water Service Entity takes over the three waters-related infrastructure and service delivery responsibilities (including the transfer of water assets, debt and revenue) from the local authority to implement the Three Waters Reform Programme.

6. **Crown support for LGNZ to lead and support the local government sector through change**

The Crown is proposing to provide ongoing support to LGNZ, by way of separate funding agreement(s) with LGNZ (and subject to the conditions set out in such agreement(s)):

- (a) in the short term (expected to be through to mid-September 2021) to enable LGNZ to build support within the local government sector for the Three Waters Reform Programme; and
- (b) subsequently through the transition and implementation phases of the Three Waters Reform Programme (expected to be approximately two and half years), to enable LGNZ (including LGNZ engaging Taituarā as appropriate) to support the Crown and the local government sector through the transition and implementation of the Three Waters Reform Programme.

7. **Joint Steering Committee**

- 7.1 The Crown and LGNZ each acknowledge the benefit to both central and local government of the work carried out by the Joint Steering Committee, particularly in ensuring that the perspectives, interests and expertise of both central and local government, and of communities throughout New Zealand, have been accommodated in the development of the Three Waters Reform Programme to date.
- 7.2 The Crown and LGNZ each consider that there is considerable benefit in the Joint Steering Committee continuing to be convened to support the constructive partnering approach between central and local government, to continue to inform the detail that is yet to be developed as part of the Three Waters Reform Programme and to achieve the best outcomes for all New Zealanders through the Three Waters Reform Programme, including through transition and implementation.
- 7.3 The Crown and LGNZ each acknowledge that, in order to give effect to the Cabinet decisions in relation to the Three Waters Reform Programme in a manner that is consistent with the shared objectives set out in this Heads of Agreement, further policy detail remains to be worked through to ensure a smooth transition and successful implementation of the Three Waters Reform

Programme. The Crown (through DIA) and LGNZ agree to continue to work together, including through the Joint Steering Committee, with a view to agreeing an approach to such issues that reflect the priorities of both central and local government.

- 7.4 The Crown and LGNZ therefore agree that the Joint Steering Committee will continue to be convened (on terms to be agreed) to support the Three Waters Reform Programme including through transition and implementation.

8. **Future for Local Government review and other major reform initiatives**

The Crown acknowledges the opportunity to strengthen the important relationship central government has with local government through the Review. The Crown acknowledges, as set out in the terms of reference for the Review, local government's critical role in placemaking and achieving positive wellbeing outcomes for communities. The terms of reference also notes that:

- (a) the Review should be guided by the objectives of the Public Service Act 2020, in terms of building a unified, agile and collaborative public service, grounded in a commitment of service to the community;
- (b) the impact of reform programmes, including those related to the three waters sector and resource management system, are within the scope of the review;
- (c) consideration of the discharge of the functions of the Review should be characterised by a spirit of partnership including between the Review, local government, and iwi/Maori, while upholding the independence of the Review; and
- (d) the Review must identify options for a collaborative approach with the local government sector.

- 8.2 The Crown commits to working through its response to the Review in an open and transparent manner, consistent with the partnership principles set out in this Heads of Agreement including convening a joint steering committee comprising representatives of central and local government (or other appropriate mechanism) to consider issues arising with respect to the Review. This will include working closely on solutions to funding and financing challenges the sector may face, recognising the potential for reform to compromise the sustainability of some local authorities' current financial arrangements.

- 8.3 The Crown (through DIA) commits to working with other government agencies, and Ministers as appropriate, to seek to extend the partnership-based approach contemplated in this Heads of Agreement (including the partnering principles in clause 2.8) to other policy reforms that have the potential to significantly impact local government.

9. **General**

9.1 **Other roles and functions**

The involvement of the Crown (including DIA and Treasury) and LGNZ will not fetter or otherwise limit or compromise the Crown (including DIA and Treasury) or LGNZ respectively (or any other central or local government entity) in performing any regulatory role or function it may have (including as a territorial authority) including, for the avoidance of doubt, in the giving of free and frank policy advice including to Ministers, Cabinet or the Government.

9.2 **Communications protocols**

It is acknowledged that each of the Crown and LGNZ may at times have distinct obligations in terms of communications with respective stakeholders. However, as it works through the matters

contemplated by this Heads of Agreement, it is critical for the credibility and the integrity reflected in the partnership principles that the nature and manner of communications is agreed. A communications protocol will be agreed by DIA and LGNZ which will include how updates and messaging is provided to the local government sector and other stakeholders including the media. The communications protocol will reflect the partnership principles and principles of openness and transparency and confidentiality, and will address where there is a potential conflict in relation to the application of such principles.

Before making any media statements or press releases (including social media posts) or other public statement regarding this Heads of Agreement and/or the Crown's involvement (including through DIA and/or Treasury) with the Three Waters Reform Programme, LGNZ will consult with DIA.

9.3 **No authority**

LGZ does not have the right to enter into any commitment, contract or agreement on behalf of the Crown or any associated body, or to make any public statement or comment on behalf of the Crown or the Government.

9.4 **LGZ Acknowledgement of disclosure**

LGZ acknowledges and agrees that nothing in this Heads of Agreement restricts the Crown's ability to:

- (a) discuss, and provide all information in respect of, any matters concerning LGZ, this Heads of Agreement with any Minister of the Crown, any other government agency or any of their respective advisors, including for the avoidance of doubt for the purpose of giving free and frank advice;
- (b) meet its obligations under any constitutional or parliamentary convention (or other obligation at law) of or in relation to the New Zealand Parliament, the New Zealand House of Representatives or any of its Committees, any Minister of the Crown, or the New Zealand Auditor-General, including any obligations under the Cabinet Manual including the "no surprises" principle.

9.5 **Some Information subject to Official Information Act 1982**

LGZ acknowledges that:

- (a) the contents of this Heads of Agreement; and
- (b) information provided to the Crown (including DIA and/or Treasury);

may be official information in terms of the Official Information Act 1982 and, in line with the purpose and principles of the Official Information Act 1982, this Heads of Agreement and such information may be released to the public unless there is good reason under the Official Information Act 1982 to withhold it.

Signing

Executed as an agreement:

SIGNATURES

SIGNED by the **SOVEREIGN IN RIGHT OF NEW ZEALAND** acting by and through Her Minister of Finance and Her Minister of Local Government:

SIGNED for and on behalf of **NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION INCORPORATED TE KAHUI KAUNIHERA Ō AOTEAROA** by the persons named below, being a persons duly authorised to enter into obligations on behalf of LGNZ:

Hon Grant Robertson, Minister of Finance



Name: Stuart Crosby

Position: President, LGNZ National Council

Date: 13 July 2021



Hon Nanaia Mahuta, Minister of Local Government



Name: Hamish McDouall

Position: Vice-President, LGNZ National Council

Date: 13 July 2021



Schedule 1: Definitions and interpretation

1.1 Definitions:

Defined terms and expressions used in this Heads of Agreement shall, unless inconsistent with the context, have the meaning set out below:

Cabinet means the central decision making body of executive government in New Zealand

Crown means The Sovereign in right of New Zealand.

Joint Steering Committee means the Joint Steering Committee formed in May 2020 by, and comprising representatives from DIA, Treasury, LGNZ and Taituarā to work closely to support a programme of reform for the delivery of three waters.

Review means the Ministerial review into the Future for Local Government.

Taituarā means Local Government Professionals Aotearoa, the national organisation that supports and develops local government professionals in New Zealand (formerly known as the New Zealand Society of Local Government Managers).

Three Waters means drinking water, wastewater and stormwater.

Water Services Entity means the new water services entities to be established by legislation giving effect to the Three Waters Reform Programme.

1.2 Interpretation

In this Heads of Agreement:

- (a) headings are for convenience only and do not affect interpretation of this Heads of Agreement;
- (b) words importing:
 - (i) the singular include the plural and vice versa; and
 - (ii) any gender includes any other gender;
- (c) the term including means “including without limitation”;
- (d) the meaning of “or” will be that of the inclusive, being one, some or all of a number of possibilities.

Schedule 2: “No worse off” package key principles

The Crown and LGNZ acknowledge and agree that the key principles of the “no worse off” package are:

- that the “no worse off” package will seek to ensure that financially, no local authority is worse off as a direct result of the Three Waters Reform and associated transfer of responsibility for the provision of water services (including the transfer of assets, revenues and effective transfer of liabilities) to Water Services Entities (“**Water Transfer**”);
- it is intended that the “no worse off” package will be funded by the relevant Water Services Entity. This approach recognises that the impacts being addressed by this aspect of the support package are closely linked to the Water Transfer. It is also acknowledged that the proposed support arrangements between the Crown and the Water Services Entities, such as a liquidity support, is expected to reduce the borrowing costs and thereby increase the borrowing capacity of the Water Services Entities, supporting funding through this mechanism;
- that the “no worse off” package will acknowledge the costs and financial impacts on local authorities directly as a result of the Three Waters Reform in relation to:
 - o stranded costs, being organisational overheads previously allocated by the local authority to three waters services that are not able to be transferred or avoided in the short-term as part of the Three Waters Reform, and therefore remain with the local authority for a period and be required to be reallocated by the local authority to their remaining activities; and
 - o financial sustainability support, for the (expected small number of) local authorities in respect of which the Water Transfer will adversely and directly affect their financial ability to sustainably perform their non-water related roles and functions at the existing level of performance (noting that for most councils the impact of such transfers is expected to have a positive effect on their borrowing capacity). It is intended that this will be addressed through a one-off payment.
- it is intended that the “no worse off” package will recognise the above costs and financial impacts through:
 - o for stranded costs, up to \$250 million to be allocated to support councils to manage these costs. This represents a nationwide estimate of two years of unavoidable stranded costs for councils with two years considered to be a reasonable period for these costs to be managed. We are proposing a fixed amount as the actual stranded costs faced by any council is dependent on decisions made by the council and cannot be robustly and transparently assessed. The allocation will be spread based on:
 - \$150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils;¹
 - Up to \$50 million allocated for the councils excluded above based on a detailed assessment of 2 years of reasonable and unavoidable stranded costs directly resulting from the Water Transfer; and

¹ The adjustment is based on adjusting the proportional allocation implied by the squared inverse natural logarithm of population. This means smaller councils receive a greater proportional allocation than larger councils

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- Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for above (the process for determining this will be agreed and is subject to the agreement of LGNZ and the Crown (through DIA and Treasury));
- o for financial sustainability, the Crown (through DIA) will work with LGNZ and Taituarā to develop agreed principles for how the assessment of financial sustainability support (described above) will be undertaken, the methodology for quantifying this support requirement, and the process for undertaking the associated due diligence process with councils. The methodology will need to protect the interests of Water Services Entities to ensure only necessary payments are made (up to a maximum of \$250 million), that it does not create poor incentives and ensures a robust and equitable process for New Zealand. Priority will be given to undertaking due diligence with those local authorities that are more likely to suffer adverse borrowing impacts. We note that the due diligence process to confirm three waters debt and revenue for each council will be required to be transparent and robust to ensure equitable treatment of local authorities;
- that the payment of funds under the ‘no worse off’ package to a local authority will be made at the point of the Water Transfer. This is the point at which most of the financial impacts for councils will crystallise.
- that the payment of funds under the “no worse off” package to a local authority will be subject to appropriate conditions to satisfy accountability and other requirements of the Crown. These conditions will include a positive obligation on councils to manage the transfer and reorganisation in a way that minimises the ‘no worse off’ funding required. This would avoid councils seeking greater ‘no worse off’ funding than anticipated on the basis of avoidable costs, and therefore reduces incentives for behaviour that might drive up ‘no worse off’ costs.
- it is acknowledged that certain aspects of the “no worse off” package need to be enabled through legislation including the establishment of the Water Services Entities.

Schedule 3: “Better off” package key principles

The Crown and LGNZ acknowledge and agree that the key principles of the “better off” package are:

- that the better off package is:
 - in recognition of the significance to the local government sector (and the communities they serve) of the transfer of responsibility for water service delivery; and
 - intended to demonstrate central government confidence in the future for local government by providing the sector additional funds to invest in local community wellbeing outcomes, in a way that aligns with the priorities of central government.
- that the better off package will comprise \$2 billion of investment, which will comprise:
 - \$1 billion of Crown funding, \$500 million of which (or such greater amount as may be agreed) is intended to be provided to local authorities from 1 July 2022 to enable early investment; and
 - the remaining \$1 billion to be funded by the new Water Services Entities.

It is intended that such funding (other than that portion of the Crown funding noted above to be provided to local authorities from 1 July 2022) will be provided from 1 July 2024.

- that the funding will be allocated using simple to understand factors for which there are available metrics applied in a way that recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs and the relative differences across the country in the ability to pay for those needs. A combination of population, relative deprivation and land area are recognised as the most relevant measures to recognise those factors. The allocation framework will distribute funding on the basis of a 75% allocation based on population, a 20% allocation based on the deprivation index, and a 5% allocation based on land area.
- that the use of this funding supports the three waters service delivery reform objectives and other local wellbeing outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:
 - supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards;
 - delivery of infrastructure and/or services that:
 - enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available,
 - support local place-making and improvements in community well-being.
- to recognise the role that iwi/Māori will play in the new delivery system as partners, local authorities will be expected to engage with iwi/Māori in determining how it will use its funding allocation.
- to ensure value for money, appropriate contractual mechanisms, similar to those used for the initial water infrastructure investment stimulus package, will be implemented. The Crown (through DIA) will develop these in consultation with LGNZ and will likely include funding conditions, wellbeing assessments, delivery milestones, disbursement profiles, monitoring and reporting arrangements. These mechanisms will seek to make funding easily available while maintaining a reasonable level of accountability.

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- that any funding conditions will acknowledge that long-term plans are subject to change over time. Conditions may include, but are not limited to:
 - o conditions relating to the planned investment in three waters infrastructure for the duration of the transition period, including commitments made through respective 2021-31 long-term plans;
 - o working in partnership with central government to transition to the new water services delivery system, including working collaboratively with the establishment entities for the new Water Services Entities to support the smooth transfer of assets, liabilities, information and staff to the new entities;
 - o assisting in the preparation of initial asset management plans to ensure continuity of investment, and to provide certainty for local authorities regarding what investment will be prioritised by the new Water Services Entities once they assume responsibility for water services delivery;
 - o provisions to address the consequences of local authorities being in material breach of the associated conditions; and
 - o it is acknowledged that certain aspects of the “better off” package need to be enabled through legislation including the establishment of the Water Services Entities.

Schedule 4: Joint Position Statement

CENTRAL-LOCAL GOVERNMENT JOINT POSITION STATEMENT ON THREE WATERS REFORM

Acknowledging the challenge

Central and local government believe that three waters services are fundamental to the health and wellbeing of our communities and environment; and to our local, regional and national economies. The way they are delivered across New Zealand cannot address the challenges our communities will face in the future.

Analysis produced over the past 12 months shows that all communities will need to invest significantly over the next 30 years to maintain, replace and upgrade ageing assets and to provide for growth. This is reflected by increasing investment in councils' new long-term plans.

Consistently enforced compliance standards, a backlog of infrastructure renewals and external pressures such as climate change, workforce shortages, and economic regulation will create unsustainable pressure on the current system.

Building a new partnership

Three waters reform has created an opportunity for central and local government to work together differently.

In May 2020, the Government and Local Government New Zealand agreed to set up a Joint Steering Committee to provide feedback on the reform of three waters services delivery. This group co-designed delivery of the initial stimulus investment in three waters infrastructure and services, supported the Request for Information (RFI) process and fed back into the Government's policy development. It has interrogated the analysis behind the case for change, facilitated robust conversations, and seen policy shift towards more practicable and enduring solutions.

This model responded to the local government sector's call for a closer working relationship with government, and to the Government's desire to deliver in partnership with the sector. It builds on work undertaken together in response to COVID-19 and has opened the door to a fundamental reset between our two tiers of government, so that change is undertaken together for the benefit of all our communities.

A proposal for change

The Government has proposed creating four new water service delivery entities. The scale of these entities means they'll be able to borrow to fund the significant investment needed to benefit all New Zealanders, from our smallest communities to our largest cities.

As part of this proposal, the Government and LGNZ have developed a package that recognises the importance of local place-making and the critical role that local government plays in that. This package:

- supports local government to invest in the wellbeing of their communities, so that all councils and their communities are better off;
- ensures no council will be financially worse off after reform; and
- makes clear that the Government will cover reasonable transition costs.

The economic model shows that significant benefits are available for all communities and will work best if all councils participate. Each council needs more time to interrogate its own position and understand the implications for their communities and operations. There remain critical issues to work through over the next two months.

These issues include ensuring all communities have both a voice in the system and influence over local decisions. Councils want to be sure the water entities understand and act on communities' needs and wants, including responding to localised concerns like a desire for chlorine-free water.

They want to ensure effective representation on the new water entities' governing boards so that there is strong accountability to the communities they serve. They want to be confident the water entities will respond to their plans for growth. And they want effective assurance that entities, which remain owned by the community, cannot be privatised in future.

We believe continuing the partnership between local and central government is the best way to resolve the remaining questions and policy detail to give these critical reforms the best chance of success. To that end we're recommitting to an agreed a set of shared objectives:

- significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems
- ensuring robust safeguards against privatisation
- ensuring all New Zealanders have equitable access to affordable three waters services and that the water services entities will listen, and take account of, local community and consumer voices
- improving the coordination of resources, planning, and unlocking strategic opportunities
- ensuring the overall integration and coherence of the wider regulatory and institutional settings
- increasing the resilience of three waters service provision to climate change and natural hazards
- ensuring three waters service delivery has a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities
- improving transparency about, and accountability for, the planning, delivery and costs of three waters services
- undertaking the reform in a matter that enables local government to continue delivering on its placemaking role and broader "wellbeing mandates".

Looking to the future

We are very aware that how we work together now sets the tone for other large-scale reform affecting the sector, especially the Future for Local Government review.

This review is a real opportunity for New Zealand to re-imagine the roles, responsibilities and resources of councils so that they can meet communities' expectations now and in the future. These expectations have evolved massively since the introduction of the current Local Government Act over 30 years ago. It's time for a genuine re-think about what's needed for local government to respond to communities' changing needs.

For this review to succeed, we need to be partners. Our three waters relationship has allowed robust, open discussions – and opened the door to a fundamental reset between our two tiers of government. Both central and local government are committed to a new way of working together, in tune with our diverse communities and our treaty partnership.

Document No: A541804

Report To: Council



Meeting Date: 27 July 2021

Subject: **Motion to Exclude the Public for the Consideration of Council Business**

Type: Decision Required

Purpose

- 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.
- 1.2 Council may choose whether or not to consider any of the items listed below in the public or public excluded portion of the meeting.

Commentary

- 2.1 Section 48 of the Local Government Official Information and Meetings Act 1987 gives 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.

Suggested Resolutions

- 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. Mayors' Taskforce for Jobs Community Recovery Programme 2021/2022	Section 7(2)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations);	Section 48(1)(a)(i)
2. Verbal Progress Report: North King Country Sport and Recreation Centre	Section 7(2)(i) – To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations);	Section 48(1)(a)(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 Committee with its decision making:

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



MICHELLE HIGGIE
MANAGER – GOVERNANCE SUPPORT