

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Council will be held on:

Date: Thursday 4 May 2017
Time: 9.30am
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Council OPEN AGENDA

Membership

Chairperson	Mayor A King
Deputy Chairperson	Deputy Mayor M Gallagher
Members	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr G Mallett
	Cr A O'Leary
	Cr R Pascoe
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr P Yeung

Quorum: A majority of members (including vacancies)

Meeting Frequency: Monthly – or as required

Lee-Ann Jordan
Governance Manager

28 April 2017

Telephone: 07 838 6439
Lee-Ann.Jordan@hcc.govt.nz
www.hamilton.govt.nz

Purpose

The Council is responsible for:

1. Providing leadership to, and advocacy on behalf of, the people of Hamilton.
2. Ensuring that all functions and powers required of a local authority under legislation, and all decisions required by legislation to be made by local authority resolution, are carried out effectively and efficiently, either by the Council or through delegation.

Terms of Reference

1. To exercise those powers and responsibilities which cannot legally be delegated by Council:
 - a) The power to make a rate.
 - b) The power to make a bylaw.
 - c) The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan.
 - d) The power to adopt a Long Term Plan or Annual Plan, or Annual Report.
 - e) The power to appoint a Chief Executive.
 - f) The power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the Long Term Plan, or developed for the purpose of the Council's governance statement, including the 30-Year Infrastructure Strategy.
 - g) The power to adopt a remuneration and employment policy.
 - h) The power to approve or change the District Plan, or any part of that Plan, in accordance with the Resource Management Act 1991.
 - i) The power to approve or amend the Council's Standing Orders.
 - j) The power to approve or amend the Code of Conduct for Elected Members.
 - k) The power to appoint and discharge members of committees.
 - l) The power to establish a joint committee with another local authority or other public body.
 - m) The power to make the final decision on a recommendation from the Parliamentary Ombudsman, where it is proposed that Council not accept the recommendation.
 - n) The power to amend or replace the delegations in Council's *Delegations to Positions Policy*.
2. To exercise the following powers and responsibilities of Council, which the Council chooses to retain:
 - a) Resolutions required to be made by a local authority under the Local Electoral Act 2001, including the appointment of an electoral officer and reviewing representation arrangements.
 - b) Approval of any changes to Council's vision, and oversight of that vision by providing direction on strategic priorities and receiving regular reports on its overall achievement.
 - c) Approval of any changes to city boundaries under the Resource Management Act.
 - d) Adoption of governance level strategies, plans and policies which advance Council's vision and strategic goals.
 - e) Approval of the Triennial Agreement.

- f) Approval of the local governance statement required under the Local Government Act 2002.
- g) Approval of a proposal to the Remuneration Authority for the remuneration of Elected Members.
- h) Approval of any changes to the nature and delegations of the Committees.

Oversight of Policies:

- *Corporate Hospitality and Entertainment Policy*
- *Delegations to Positions Policy*
- *Elected Members Support Policy*
- *Significance and Engagement Policy*

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies	5
2	Confirmation of Agenda	5
3	Declarations of Interest	5
4	Public Forum	5
5	Council Minutes - 6 April 2017	6
6	Elected Member Briefing notes - 30 March 2017 <i>(attachment under separate cover)</i>	15
7	Elected Member Briefing notes - 13 April 2017	16
8	Chair's Report	20
9	One Victoria Trust - The Meteor Theatre Update Report	27
10	Waters Study (Water, Wastewater and Stormwater - Sub-regional Collaboration)	31
11	Regulatory Effectiveness and Efficiency Programme	83
12	The Government's consultation document "Clean Water"	91
13	Beale Cottage Historic Reserve Management Plan implementation	111
14	Animal Education and Control Dog Control Act 1996 - Section 10A report	117
15	Amendment to Finance Committee Delegations - Governance Structure 2016- 19	125
16	Resolution to Exclude the Public	130

1 Apologies

2 Confirmation of Agenda

The Council to confirm the agenda.

3 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4 Public Forum

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of the Mayor.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Democracy Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Democracy by telephoning 07 838 6439.

Committee: Council**Date:** 04 May 2017**Report Name:** Council Minutes - 6 April 2017**Author:** Amy Viggers

Status	<i>Open</i>
---------------	-------------

Recommendation

That the Council confirm the Open Minutes of the Council Meeting held on 6 April 2017 as a true and correct record.

1. Attachments

- Attachment 1 - Council Minutes - Open - unconfirmed - 6 April 2017

Council

OPEN MINUTES

Minutes of a meeting of the Council held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 6 April 2017 at 9.45am.

PRESENT

Chairperson	Mayor A King
Deputy Chairperson	Deputy Mayor M Gallagher
Members	Cr M Bunting
	Cr J R Casson
	Cr S Henry
	Cr D Macpherson
	Cr G Mallett
	Cr A O’Leary
	Cr R Pascoe
	Cr P Southgate
	Cr G Taylor
	Cr L Tooman
	Cr P Yeung

In Attendance:

- Richard Briggs – Chief Executive
- Chris Allen – General Manager City Infrastructure
- Kelvyn Eglinton – General Manager City Growth
- David Bryant – General Manager Corporate Services
- Sean Murray – General Manager Major Events, Venues, and Tourism
- Sean Hickey – General Manager Strategy and Communications
- Blair Bowcott – Executive Director Special Projects
- Jason Harrison – City Transportation Unit Manager
- Maire Porter – City Waters Unit Manager
- Matthew Bell – Rates and Revenue Manager
- John Purcell – Parking Team Leader
- Cory Lang – Building Control Manager
- Emily Botje – Facilities Unit Manager
- Paul Gower – Programme Manager, Growth and Assets
- Jeff Neems – Communications Advisor
- Nigel Ward – Acting Communications Team Leader
- Parvati Patel – Water Assets Engineer
- Sarah Ward – Programme Manager, Corporate Planning

Alice Morris – City Planning Policy Team Leader

Governance Advisors: Lee-Ann Jordan – Governance Manager
Becca Brooke – Governance Team Leader
Amy Viggers – Committee Advisor
Ian Loiterton – Committee Advisor

1. Apologies

Resolved: (Crs Pascoe/Casson)

That the apologies from Cr Mallett for early departure from the meeting at 12.00pm and from Cr O’Leary for departure from the meeting from (4.00pm-4.30pm) are received.

2. Confirmation of Agenda

It was noted that the attachments in relation to item 9 – Heritage Fund Report were difficult to read due to the small font. Governance staff would ensure all documents were readable in the future.

Resolved: (Crs Southgate/Yeung)

That the agenda is confirmed noting the following corrections for Item 14 (Heritage Fund Report):

- recommendation (b) on page 89 of the agenda to refer to attachment 3, not attachment 4; and
- page 103 - \$ figure shown in the bottom right hand corner should be \$25,690.00, not \$25,960.00.

3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

4. Public Forum

Vanessa Williams (Hamilton Central Business Association (HCBA)) spoke to Item 9 (Proposal for free 2-hour on-street parking in the CBD). Ms Williams advised that HCBA was supportive of the proposal going out for public engagement based on initial responses to survey they had carried out with their members. She responded to questions from Elected Members concerning the survey results and HCBA views on the parking proposal.

5. Council Minutes - 7 March 2017

Resolved: (Crs Casson/Taylor)

That the Council confirm the Open Minutes of the Council Meeting held on 7 March 2017 as a true and correct record.

6. Council Minutes - 9 March 2017

Resolved: (Crs Casson/Henry)

That the Council confirm the Open Minutes of the Council Meeting held on 9 March 2017 as a true and correct record.

7. Council Minutes - 28 March 2017

Resolved: (Crs Macpherson/Bunting)

That the Council confirm the Open Minutes of the Council Meeting held on 28 March 2017 as a true and correct record.

8. Chair's Report

Resolved: (Mayor King/Cr Gallagher)

That the Council receives the report.

9. Proposal for free 2-hour on-street parking in the CBD

Chair of the Central City Parking Control Task Force introduced this report, explaining the discussion and work that had informed the development of the proposal. The task force was established by Council Resolution on 7 March 2017¹ and comprised staff and Elected Members. Staff and members of the taskforce responded to questions from the Elected members on the following:

- The proposal was in alignment with other policies such as Access Hamilton and CCTP, which promote a vibrant City Centre and increased use of public transport.
- Educating the public about the 2 hour free parking within a 24 hour period if the proposal was to move to the next stage.
- Employees occupying street parking.
- How the targeted rate would work.
- WOF and registration compliance.

Motion (Crs Taylor/Macpherson)

That Council:

- a) receives the report;
- b) approves the preferred option of the Central City Parking Control Task Force to:
 - i. implement a maximum 2 hour free parking policy in the central city encompassing both the blue zone and the yellow zone, as defined in the current Central City Transformation Plan, commencing 1 October 2017;
 - ii. that the free 2 hours will be a cumulative total between the hours of 8.00am to 8.00pm Monday to Saturday with parking on Sunday and Public Holidays remaining free with no time restrictions;
 - iii. note that the implementation include the methods described in paragraph 28 of this report; and
 - iv. note that there will be no change to the current 2-hour maximum on-street parking time limit within the CBD.
- c) approves the preferred option in (b) above along with the proposed targeted rates as shown below be consulted on as part of the 2017/18 Annual Plan and reported back to Council on 1 June 2017.

Revenue Sought (incl. GST)	Breakdown by financial source		Year 1 (9 mths) Average Rate Increase		Year 2 onwards Average Rate Increase	
	CBD	City Wide	CBD	City Wide	CBD	City Wide
\$ 1,667,500	\$166,997.96	\$1,500,502.04	\$104.29	\$19.93	\$139.05	\$26.57

- d) approves the Amended Revenue and Financing Policy, Amended Funding Needs Analysis Policy, and Amended Rating Policy to be consulted on as part of the 2017/18 Annual Plan and reported back to Council on 1 June 2017; and
- e) asks the Central City Parking Task Force to:
 - i. monitor the performance of the free parking initiative, should it be implemented; and
 - ii. continue to consider other parking initiatives in the CBD and nearby commercial centres, and how they link with wider transport strategies.

The Motion was put.**Those for the Motion:**

Mayor King, Councillors Gallagher, Yeung, Macpherson, Bunting, Casson, Henry and Taylor.

Those against the Motion:

Councillors Pascoe, Tooman, O'Leary and Southgate.

The Motion was declared carried.

Resolved: (Crs Taylor/Macpherson)

That Council:

- a) receives the report;
- b) approves the preferred option of the Central City Parking Control Task Force to:
 - i. implement a maximum 2 hour free parking policy in the central city encompassing both the blue zone and the yellow zone, as defined in the current Central City Transformation Plan, commencing 1 October 2017;
 - ii. that the free 2 hours will be a cumulative total between the hours of 8.00am to 8.00pm Monday to Saturday with parking on Sunday and Public Holidays remaining free with no time restrictions;
 - iii. note that the implementation include the methods described in paragraph 28 of this report; and
 - iv. note that there will be no change to the current 2-hour maximum on-street parking time limit within the CBD.
- c) approves the preferred option in (b) above along with the proposed targeted rates as shown below be consulted on as part of the 2017/18 Annual Plan and reported back to Council on 1 June 2017.

Revenue Sought (incl. GST)	Breakdown by financial source		Year 1 (9 mths) Average Rate Increase		Year 2 onwards Average Rate Increase	
	CBD	City Wide	CBD	City Wide	CBD	City Wide
\$ 1,667,500	\$166,997.96	\$1,500,502.04	\$104.29	\$19.93	\$139.05	\$26.57

- d) approves the Amended Revenue and Financing Policy, Amended Funding Needs Analysis Policy, and Amended Rating Policy to be consulted on as part of the 2017/18 Annual Plan and reported back to Council on 1 June 2017; and
- e) asks the Central City Parking Task Force to:
 - i. monitor the performance of the free parking initiative, should it be implemented; and
 - ii. continue to consider other parking initiatives in the CBD and nearby commercial centres, and how they link with wider transport strategies.

The meeting adjourned (11.30am-11.45am) during the discussion of the above item.

Cr Mallett retired from the meeting (12.00pm) during the discussion of the above item. He was not present when matter was voted on.

The meeting adjourned (1.30pm – 2.20pm) at the conclusion of the above item.

10. Approval of Draft 2017/18 Annual Plan Consultation Document

The General Manager Strategy and Communications introduced the report, noting that based on the previous item (*Proposal for free 2-hour on-street parking in the CBD*) the document under discussion was Document A, Attachment 1. Feedback given by the Elected Members included the following:

- Information in the document referenced the Central Government's definition of a balanced book. Link to supplementary information on the Council's website to be added so that the public can refer to this to remove any confusion.
- Giving prominence to the parking proposal on the front page.
- Consideration of other forms for feedback e.g. postal responses.

Resolved: (Crs King/Casson)

That Council:

- a) receives the report;
- b) approves the draft Consultation Document, including CBD parking options, (Document A, Attachment 1), subject to the changes requested at this meeting, for public consultation from 7 April 2017 to 7 May 2017;
- c) notes that Council will hear verbal submissions on 18 May 2017; and
- d) notes that Council will deliberate on the Annual Plan on 1 June 2017.

Cr O'Leary Dissenting.

The meeting adjourned (3.00pm – 3.10pm) during the discussion of the above item.

11. Policy on seismic performance for Council buildings

The Programme Manager, Growth and Assets introduced the report highlighting the following;

- The report was focused on buildings only due to the new legislation The Building (Earthquake-prone Buildings) Amendment Act 2016.
- Effective from 1 July 2017 is that upgrades and additions are 34% of the New Building Standard.
- Major earthquake in Kaikoura has influenced the pace in which seismic assessments are completed which has created a greater need for a policy to be put in place.
- Council needs to approve a policy on how it wants to assess and manage any risk to its own building portfolios.

Staff responded to questions from the elected members regarding the above points.

Resolved: (Cr O'Leary/Mayor King)

That Council approves the Draft Seismic Performance of Buildings Policy.

Cr O'Leary retired from the meeting (3.55pm) at the conclusion of the above item. She was present when the matter was voted on.

12. Eastern Bulk Main Subsidence Remedial Works

Staff spoke to the report advising that they were seeking retrospective approval for expenditure from the subsidence event that occurred on the Waikato River bank. This event caused damage and destabilisation of the area around critical council water assets.

Resolved: (Crs Pascoe/Tooman)

That Council

- a) receives the report;
- b) approves a project budget of \$1,880,000 to manage the full works resulting from the subsidence around the eastern bulk water main which occurred in February 2017, noting that \$800,000 of this budget is required to permanently protect critical infrastructure and to reinstate other damaged infrastructure once the works have been fully scoped and costed;
- c) delegates approval to the CE to negotiate and award Contract 16275 to Brian Perry Civil Ltd for the sum of \$650,000; and
- d) approves an Approved Contract Sum for Contract 16275 of \$780,000 which includes the tender sum of \$650,000 plus a contingency of \$130,000.

13. Update on Grassroots Trust Application

Resolved: (Mayor King/Cr Macpherson)

That Council:

- a) receives the report; and
- b) notes that the original agenda Item 17 Application for Approval – Grassroots Trust on 9 March 2017 has been withdrawn.

14. Heritage Fund

Staff introduced the report noting the following corrections to the Heritage Fund Report:

- recommendation (b) on page 89 of the agenda to refer to attachment 3, not attachment 4; and
- page 103 - \$ figure shown in the bottom right hand corner should be \$25,690.00, not \$25,960.00.

Resolved: (Deputy Mayor Gallagher/Cr Casson)

That Council:

- a) receives the report; and
- b) approves the recommendations on the allocation of the Heritage Fund as set out in Attachment 3 to the report.

15. Governance Statement

The Governance manager confirmed that the Governance Statement was a legislative requirement.

Resolved: (Deputy Mayor Gallagher/Cr Macpherson)

That Council approves the Local Governance Statement 2016-2019.

The meeting was declared closed at 4.17pm.

Committee: Council

Date: 04 May 2017

Report Name: Elected Member Briefing notes
- 30 March 2017

Author: Amy Viggers

Status	<i>Open</i>
---------------	-------------

Recommendation

That the Council confirm the notes of the Elected Member Briefing held on 30 March 2017 as a true and correct record.

1. Attachments

- Attachment 1 - Elected Member Briefing Notes - OPEN - 30 March 2017 (*Under Separate Cover*)

Committee: Council

Date: 04 May 2017

Report Name: Elected Member Briefing notes
- 13 April 2017

Author: Amy Viggers

Status	<i>Open</i>
---------------	-------------

Recommendation

That the Council confirm the notes of the Elected Member Briefing held on 13 April 2017 as a true and correct record.

1. Attachments

- Attachment 1 - Elected Member Briefing Notes - OPEN - 13 April 2017

Elected Member Briefing Notes – 13 April 2017

Time and date:	13 April 2017
Venue:	Committee Room 1, Hamilton City Council
In Attendance:	Mayor King, Deputy Mayor Gallagher, Crs Yeung, Henry, Taylor, Macpherson, Tooman, Casson, Pascoe, O'Leary.
Apology for Full Session:	Crs Mallett, Southgate, Bunting.
Apologies for lateness/early departure:	Crs O'Leary, Casson, Taylor,

Discussion

The briefing session covered the following topics in the open session:

- Waters Study
- External Funding Priorities
- Central City Safety Plan and Peoples Project
- Libraries Facilities Plan
- Clear Water Submission

There were a number of key points arising from the discussions:

1. Waters Study

(Presentation was provided)

Colin Crampton, CE of Wellington Waters was in attendance to talk about Wellington Waters, a company that works with 5 shareholding Councils in the greater Wellington area. The shareholders have retained ownership of their own assets and the company works on a trusted advisor model. Crs Macpherson, Deputy Mayor Gallagher visited Wellington Waters recently in their capacity as members of the Waters Governance Group.

Colin Crampton responded to questions from Elected Members on the following points:

- Public consultation processes for the establishment of Wellington Waters
- Who pays and how financial contributions are set and managed
- Governance of the company and voting models
- What the company does and how things work operationally
- The financial benefits of this approach, especially the added value (cost optimisation) approach versus cost savings
- Taking a regional approach, regional relationships, regional investment and prioritisation of individual shareholders' needs
- Opportunities/thresholds/barriers to joining the company.

Consultants Stephen Halliwell and Peter Winder, and Executive Director Special Projects presented on the new option of a shared waters management company: how it could work and what it could look like. Staff and members of the Waters Governance Group responded to questions from Elected Members on:

- Ownership of assets
- Required investment and operating costs as well as the treatment of debt, depreciation and development contributions
- Customer management and billing
- Implications for Council waters staff
- Benefits and risks of the three options other than status quo before the Council: Enhanced Shared Services, Shared Waters Management Company, Asset-owning CCO
- Public consultation and next steps.

2. External Funding Priorities

Community Business Manager and Partnership and Sponsorship Manager presented to Elected Members on project and funding prioritisation for external funding opportunities. They discussed projects currently prioritised for external funding, the risks of ad hoc approaches, opportunities to improve coordination and strategy for fundraising for major projects, and the success factors involved in gaining competitive external funding. Staff responded to questions from Elected Members on:

- What funders are looking for
- Business cases
- How Elected Members can build and support relationships with funders
- Next steps.

3. Central City Safety Plan and Peoples Project

(Presentation and handouts provided)

Julie Nelson, CE Wise Group and representatives from NZ Police attended for this item. Staff included Kelvin Powell and Debbie Lascelles.

Julie Nelson spoke about the aims of the Peoples Project and the progress and achievements to date, noting that the housing first approach to dealing with the complex issues of supporting vulnerable people and reducing antisocial behaviours, works. In response to questions from Elected Members Ms Nelson, police representatives and staff highlighted:

- The importance of stability through housing as a platform for addressing other issues such as addictions and employability
- The importance of multi-agency approaches
- The good data being collected and the joint research project underway by the Peoples Project, the University Waikato and Otago University
- The growing number of families they are seeing and 'working poor'
- The costs to society of homelessness and the (more favourable) costs of intervention
- The unintended and negative consequences of giving to people begging and the intent of the 'Your Help May Harm' campaign
- A reduction in crime in the central city
- That while the region would receive additional police through the recent Government decision, rural areas within the region also had policing requirements
- Council had a role in the design of open spaces to improve safety and public behaviours.

Elected Members were supportive of a review of the Central City Safety Plan and proposed that a taskforce comprising Cr O'Leary as Chair, Crs Casson and Taylor, Mayor King, Julie Nelson, Vanessa Williams from HCBA. Police agreed to provide a representative to attend the meetings.

4. Libraries Facilities Plan

General Manager Community, Collections and Heritage Manager and Libraries Asset Management Planner presented on the strategic context and progress of the Libraries Community Facilities Plan including examples of community library hubs, and provided an overview of the Central Library services. Options for Earthquake Strengthening for the Central Library were also discussed.

- Staff responded to questions on:
- The philosophy behind having bigger libraries with expanded services in city centres
- The trends for community hubs as key components of modern libraries
- Usage of the suburban libraries and opportunities for the Rototuna, Chartwell and Hillcrest Libraries
- Seismic issues in the Central Library
- Alternative sites for central library services including the heritage collection, and in particular opportunities to house the central library in the Caro Wing or Municipal building.

Staff undertook to bring a report on options for re-locating the central library and a cost/benefit analysis of 34% earthquake strengthening of the Central Library to Community and Services Committee before August 2017 for consideration through the 10 Year Plan discussions.

5. Clean Water Submission

Senior Planner presented an overview of the key points and implications for the Council of the Government's proposed policy for clean waters. Elected Members would have an opportunity to provide feedback on the Council's submission which would require approval at the 4 May 2017 Council meeting.

Committee: Council**Date:** 04 May 2017**Report Name:** Chair's Report**Author:** Amy Viggers

Status	<i>Open</i>
---------------	-------------

1. Attachments

- Attachment 1 - Chair's Report 4 May 2017
- Attachment 2 - TOR Financial Strategy and Revenue Taskforce



Chair's Report

Friday April 21

Staffing in the Mayor's office

The Mayor's office has one permanent fixed term employee, the Mayor's Executive Assistant, and one casual contractor, Issues Support. The Executive Assistant manages the Mayoral diary, correspondence and provides the "front desk" function for the Mayoral office. This is a full time fixed term employment contract and aligns the Council term. The Executive Assistant is an employee of Hamilton City Council.

The Issues Support role and has been set at a maximum of 30 hours a week. The role involves research and analysis across a wide variety of topics that align with Mayoral responsibilities. A key function of this role is to ensure that the Mayor is well informed and briefed on key topics and issues. The role also undertakes communication support.

This role is undertaken by a contractor on a casual contract basis and is not an employee of Hamilton City Council.

The role was appointed within delegated authority.

To provide the necessary level of flexibility to meet the changing needs of the Mayoral Office, the Chief Executive is using a casual contract with no guaranteed hours and the ability to terminate without notice.

The team is working well together and are managing the office workflow efficiently. There are no immediate plans to increase staffing within the office; however staffing will be assessed based on need.

The costs of salaries and contractor to support the Mayoral Office are budgeted with costs to date being significantly below budget.

10 Year Plan Financial Strategy/Revenue Taskforce

On the 7th of March 2017 the following resolution was passed:

“That:

- a) the report be received;*
- b) Council review the current Council approved Financial Strategy in preparation for the 2018-28 10 Year Plan and report back with recommendations for changes, if any, to this Financial Strategy; and*
- c) the review is to include looking at revenue stream options including changes to the present rating structure and/or calculation of rates, targeted rates being suggested, and give consideration to all and any other options for rating and revenue gathering; and*
- d) a report come back to the 24 August 2017 Council Meeting.”*

To support Council in meeting the requirements of this resolution a Financial Strategy/Revenue Taskforce is recommended.

The draft terms of reference are attached to this report and it is recommended that the taskforce is to be chaired by Cr Pascoe with membership including Cr Mallet, Cr O’Leary, the Chief Executive and Mayor. The draft terms of reference also include two independent members yet to be identified.

Recommendation

That:

- a) the report is received;
- b) the draft terms of reference for the Financial Strategy/Revenue taskforce are approved;
- c) the taskforce is chaired by Councillor Rob Pascoe with the Mayor, Councillors Mallett and O’Leary and the Chief Executive appointed as members; and
- d) the taskforce is delegated the responsibility to appoint the remaining two independent members of the taskforce themselves.

Andrew King
Mayor – Hamilton City Council

TERMS OF REFERENCE

10 Year Plan Financial Strategy/Revenue Taskforce

1. Background

2. Council's financial strategy has been in place since 2012. It was premised around achieving financial sustainability over time through efficiency savings, cutting capital expenditure and increasing rates. Financial sustainability was communicated as increased surpluses and reduced debt over time through decreased spending (capital and operating) and increasing rates. A further aspect of the financial strategy was increased transparency which was achieved through rates certainty (the 3.8% rates increase) and clear measures of performance.
3. There are two main measures of performance of this strategy:
 - Balancing the Books
 - Debt to Revenue
4. On the 7th of March 2017 the Chief Executive (CE) reported that early analysis indicated that the costs of running the city were not being covered by operating revenue (i.e. revenue excluding growth related revenue such as development contributions). The CE acknowledged the financial strategy in place since 2012 was fit for purpose, noting that with increasing growth pressures development contributions were now starting to mask the underlying performance of the Council.
5. The key message was that the financial strategy needed to be reviewed to ensure it is fit for purpose going forward.
6. In addition, the CE acknowledged that all councils are required to report on the legislative Balanced Budget measure, a measure that excludes development contributions and that in the case of Hamilton City Council reports larger deficits than Council's Balancing the Books measure.
7. The financial strategy is a key aspect of the Council's approach to its obligation under the Local Government Act 2002 (LGA). The LGA requires Council to have in place a Revenue and Financing Policy, a policy that outlines the choices Council has made to determine the appropriate funding of operating expenditure and capital expenditure from the sources of funds listed in the LGA.
8. Any review of the financial strategy requires consideration of the Revenue and Financing Policy – including how revenue sources are considered and also alternative sources of revenue. Changes in revenue sources may require specific public consultation in addition to the consultation required around approval of the 10 Year Plan and Revenue and Financing Policy.
9. At the 7th of March Council meeting it was resolved:

That:

- a) *the report be received;*

- b) Council review the current Council approved Financial Strategy in preparation for the 2018-28 10 Year Plan and report back with recommendations for changes, if any, to this Financial Strategy; and
- c) the review is to include looking at revenue stream options including changes to the present rating structure and/or calculation of rates, targeted rates being suggested, and give consideration to all and any other options for rating and revenue gathering; and

d) a report come back to the 24 August 2017 Council Meeting.

10. It should be noted that it is the Mayor's legislative responsibility to lead Council's plans however the Council will approve the Financial Strategy and Revenue and Financing Policy.

11. Purpose of the Taskforce

12. Reporting to Council the taskforce will support the Council in meeting the requirements of the Local Government Act and the 7th of March resolution by providing governance oversight of the review/update of the:

- Financial Strategy
- Council's Revenue and Financing Strategy
- The identification of alternative funding opportunities

13. Role of the Taskforce

14. The role of the taskforce is to:

- Provide governance and oversight.
- Provide direction to staff.
- Provide a point of engagement for other elected members and the community.
- Support management at Council meetings and Elected Member briefings.
- Support management during any public consultation.

15. Scope and Objective

16. The taskforce will provide governance oversight over the following:

- The review of the financial strategy, including:
 - Underlying financial principles
 - Financial levers
 - Targets
 - Measurement
 - Key risks and mitigations
- Review of Revenue and Financing policy, including:
 - Consideration of impacts of the financing strategy
 - Review of Council's funding for existing and future costs (operating, including depreciation, and capital) – this includes rates, user fees

and development contributions as well as the incidence of rates and the funding benefit assessment

- Consideration of alternative funding options (including sources, e.g. revenue, and structure).
 - Any public consultation, including any consultation documentation, either legislatively required or at the discretion of council.
 - Pre-engagement with the Local Government Funding Agency, PWC Treasury and Audit New Zealand.
17. The taskforce will support the Council in adopting a robust financial strategy that ensures the city finances are managed sustainably and effectively meet the funding challenges of a growing city as well as adequately considering the funding mechanisms available, both existing and new, to meet these growth pressures as well as the cost of future plans.

18. Reporting to Council

19. There will be engagement meetings with Council. These engagements will ensure full Council remains heavily involved in this programme of work, is kept up to date and as needed makes decisions.
20. The engagement with the Council will be via Elected Member Briefings and Council meetings.
21. The 7th of March resolution required a report back by the 24th of August 2017. It is expected that this will one of many milestone reports as the scope of this Taskforce will not be completed until the 10 Year Plan is adopted.

22. Membership or the Taskforce

Chair:	Councillor Rob Pascoe
Membership:	Mayor Andrew King Councillor Garry Mallett Councillor Angela O'Leary Chief Executive Richard Briggs Independent Member XXXX Independent Member XXXX
Officers Supporting:	Financial Controller Tracey Musty Contractor David Foster

23. Budget

24. There is no specific budget allocated to the taskforce however the taskforce will be a critical governance forum during the 10 Year Plan which does have a specific budget.

Item 8

25. **Meeting Frequency and Duration**
26. The taskforce will meet as required and at least once a month. The taskforce will stay in place until the 2018/28 10 Year Plan is adopted.

Attachment 2

Committee: Council

Date: 04 May 2017

Report Name: One Victoria Trust - The Meteor Theatre Update Report

Author: Sean Murray

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan, Hamilton Theatres Review (2012-2014)</i>
Financial status	<i>There is budget allocated In January 2014, HCC gifted the theatre building and fixtures (with an estimated sale value of \$1.1m), plus a one year operating grant totalling \$75,000 and an earthquake strengthening works contribution of \$150,000 (since uplifted)</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To inform to Council on the refurbishment works by One Victoria Trust of The Meteor Theatre and the impact on the availability of performance space in Hamilton as requested by the Community and Services Committee at its meeting on 4 April 2017.

Recommendation from Management

That Council receives the report.

3. Attachments

- Attachment 1 - Summary of Council's Support of Performing Arts Venues in Hamilton

5. Background

- At the Community and Services Committee meeting on 4 April 2017, the following resolution was passed:

Item 8: That the Community and Services Committee notes that the Chief Executive is requested to bring back a report on the recently reported building issues facing One Victoria Trust and the impact on the availability of performance space in Hamilton to the 4 May 2017 Council Meeting.

7. Council's Support of Performing Arts Venues

- Council presently has interests (and has had past interests) in Hamilton's performing arts venues. Over time some of these have been vested to other parties and they have benefited from a range of council funding mechanisms.

Item 9

- 9. Attachment one provides a comparative summary of those venues including Council’s immediate past and current support levels.
- 10. As the attachment demonstrates, Council support has differed dramatically as a result of the widely varying needs of organisations involved and the varying state of the theatre properties themselves.
- 11. There are also several past Council decisions relating to Hamilton’s Theatres which may be of interest. They are linked in the table below:

Meeting & Date	Item Description	Links
Ordinary Council 26 September 2013	Item 19a: Proposal to gift the Meteor Theatre to One Victoria Trust	Report Resolution
Ordinary Council 28 August 2014	Item 11: Theatres Review Closeout Report	Report Resolution
Ordinary Council 25 June 2015	Item 9: Clarence Street Theatre – Approval of Gifting to Community Trust	Report Resolution

12. Current Situation

- 13. Hamilton and the surrounding Waikato region are currently suffering from the closure of Founders Theatre (March 2016.) While a number of past theatre users have found substitute rehearsal and performance space, the alternatives have been less than optimal with a great deal of compromise on the part of performing arts groups. In some cases this dramatically increases the strain for community groups in achieving their objectives.
- 14. In addition to that, while some commercial users have moved to alternative venues within Hamilton, we are now seeing increasing evidence that a number of touring acts are by-passing Hamilton as a result of the Founders closure and the concerns that alternative venues are not right-sized or properly configured for their performances.
- 15. That said, Hamilton still benefits from a wide range of performing arts facilities - but not at the level of service or scale to that of Founders Theatre. Work on a replacement option for Founders Theatre is moving quickly however as reported to Council’s Community and Services Committee in early April, it is likely to take some time (estimated 2020/21) before Founders is fully replaced. Over that time a gap in the market will remain despite the best efforts of Council (and others) to find and provide interim solutions. This is an unavoidable reality.
- 16. In addition to the loss of the Founders Theatre, The Meteor (operated by the One Victoria Trust) is currently closed for unavoidable building remediation work and an upgrade of its facilities.

17. The Meteor Theatre

- 18. Council entered into a Deed of Gift with One Victoria Trust and in 2014 handed over full operating and property management responsibility to the Trust. A condition of the gift (as proposed to council by the Trust) was that the Trust would have raised sufficient funds to undertake earthquake strengthening works by 2017. As a part of that condition council agreed to contribute at total of \$150,000 to be put towards the earthquake strengthening works cost and upon completion of the works, full ownership of the building would transfer from Council to the Trust. Council would continue to own the land the building sits on.

19. At the time of the arrangement, the Trust was fully aware of the building condition and most importantly the need for seismic strengthening and other building upgrade investment required. At the time Council held cost estimates for the strengthening work valued at \$600,000.
20. The One Victoria Trusts cost estimate for the build programme was \$1,157,434 (including a small contingency). Money for this was raised from a number of national and community sources including the \$150,000 granted by Council as a part of the gifting package.
21. The Trust closed the theatre and commenced the build programme in mid-January 2017 with a planned re-opening on 1 May 2017. However as the build programme has progressed, the contingency has been exhausted and further additional unforeseen costs have been discovered and part funded by private contributors.
22. The following additional overruns have now come to light:

Additional work required	Cost
Asbestos (found in three places) *	\$7,063
An engineering peer review required further structural changes.	\$35,451
Unforeseen ground conditions has led to additional foundation work	\$13,798
Total additional and unfunded cost	\$56,292

* Previous work by Council on the property had also discovered a small amount of asbestos and this had been disclosed to the Trust.

23. At the time of preparing this report the Trust has advised that they have applied under urgency for additional funding through a number community organisations and a public appeal. Assuming funding is found for the additional work The Meteor Theatre will move its scheduled re-opening to 18 May but only if the required funds can be raised quickly.
24. The shift from a scheduled re-opening from 1 May to 18 May has already caused some events to be relocated elsewhere as a short term solution. We are advised that any further delays will lead to additional cost for the Trust and most likely a reduction in activity.

Signatory

Authoriser	Sean Murray, General Manager of Venues, Tourism and Major Events
------------	--

Summary of Council's Support of Performing Arts Venues in Hamilton – April 2017

Hamilton Performing Arts Theatres	Ownership	Council Contribution	Notes
The Founders Memorial Theatre	HCC	Full asset ownership and operating liability	Theatre closed. Subject to Momentum Waikato investigations for the potential build of a new major performing arts theatre for the region
The Meteor	HCC to vest building to One Victoria Trust upon firm commitment by the Trust to a building upgrade plan by January 2017 Land remains in council ownership	In January 2014, HCC gifted the theatre building and fixtures (with an estimated sale value of \$1.1m), plus a one year operating grant totalling \$75,000 and an earthquake strengthening works contribution of \$150,000 (since uplifted)	Build programme scheduled for completion in mid-May 2017 having been closed for five months The Trust advises a \$56k shortfall and at the time of writing this report are still trying to raise the funds (or underwrite) needed
Clarence Street Theatre	HCC to vest building to Clarence Street Theatre Trust once the rebuild is fully funded and committed (June 2017 deadline). Land remains in council ownership	In June 2015 HCC gifted the theatre building and fixtures (with an estimated sale value of \$1.5 m), plus a one year operating grant of \$75k and an earthquake strengthening works contribution of \$150k (yet to be uplifted)	The Clarence St Theatre Trust is currently investigating earthquake strengthening works /upgrade options at a cost to the Trust of \$76k A final build plan and costs remain unknown at this time
Gallagher Performing Arts Centre	University of Waikato	\$2m contributions to a \$10m build cost in 2000 plus an annual operating grant with 2018 being the final grant year Over the life of the arrangement, Council will provide \$2.25m in operating support	Currently under university review with plans potentially for a new teaching and rehearsal wing Funding source yet to be determined
Riverlea Theatre	Riverlea Theatre Trust	Building gifted in November 2007 under a 20 year lease agreement Land occupied by the Trust and land adjacent to the site sold by Council to Trust in 2016 for \$350k (market value of \$535k)	The Trust is preparing a plan for a 12 step upgrade of the theatre Timing is uncertain however the total plan is estimated to cost the Trust over \$3.5m

Committee: Council

Date: 04 May 2017

Report Name: Waters Study (Water, Wastewater and Stormwater - Sub-regional Collaboration)

Author: Stephen Halliwell

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Triennial Agreements (regional collaboration elements)</i>
Financial status	<i>There is not a budget - Risk and Opportunities funding allocated Amount \$76,158 March YTD (\$652,000 2014-2017)</i>
Assessment of significance	<i>Having regard to the decision- making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. To inform Council on the options for waters sub-regional collaboration.
3. To seek approval of Hamilton City Council's (Hamilton's) preferred option for waters sub-regional collaboration.
4. To seek approval to reconvene discussions with Waipa and Waikato District Councils on a preferred waters sub-regional collaboration model and associated public consultation material

5. Executive Summary

6. This report is a consequence of the Hamilton's resolution on 13 December 2016 (Attachment 1) and is informed by work conducted by the Hamilton City Council Waters Governance Group (HCC WGG) and the Elected Members Briefing on 13 April 2017.
7. In December 2016, Hamilton was aware that Waikato District Council (Waikato) had resolved to accept the Record of Agreement for an Asset Owning Company and that Waipa District Council (Waipa) had resolved a preference for a Non-Asset Owning Company as described in their report from Morrison Low.
8. Council in requesting more information in December 2016 also expressed a desire to consult on the agreed outcome of the Waters Study as soon as possible.
9. In order for the three councils to be in a position to consult with their communities Hamilton must first express a preferred option and then the councils must reconvene discussions and reach an agreement.
10. This report provides a balanced analysis of the three options for change which are currently being considered:

- Enhanced Shared Services
 - Shared Waters Management Company
 - Asset Owning Company
11. During its consideration of the options the HCC WGG developed a new Shared Waters Management Company option. This new option has been informed by; research and a visit to Wellington Waters Ltd, Waipa's Morrison Low transitional option and learnings from the Waters Study to date.
 12. This report recommends that; the Shared Waters Management Company should be Hamilton's preferred waters sub-regional collaboration model. It is the HCC WGG's conclusion that the Shared Waters Management Company is the best option for sub-regional collaboration. It achieves most of the non-financial benefits, most of the financial benefits and is considerably less risky to establish. As the Shared Waters Management Company can be operating more quickly than the Asset Owning Company these benefits start accruing sooner.
 13. The previously proposed Asset Owning Company, while remaining the most cost effective option (as analysed by Cranleigh), has also been assessed as having a high establishment risk. These higher risks include concerns about the quality of asset management information and challenging elements within local government legislation. This option is not recommended.
 14. The Enhanced Shared Services option is the least cost effective option. This model does not operate anywhere else in New Zealand to this scale and carries unacceptable risk for the host council. This option is not recommended.

15. Recommendations from Management

- a) That Council receives the report.
- b) That Council:
 - (i) Receives the information on the Enhanced Shared Services, Shared Waters Management Company and Asset Owning Company as contained in *Attachment 2: Waters Study – Overview of Governance Structure Options*;
 - (ii) Approves the Shared Waters Management Company as Hamilton City Council's preferred model for waters sub-regional collaboration;
 - (iii) Authorises the Hamilton City Council Waters Governance Group members to reconvene discussions with Waikato and Waipa District Councils on a preferred waters sub-regional collaboration model; and
 - (iv) Authorises the Hamilton City Council Waters Governance Group members, in conjunction with Waipa and Waikato District Councils to obtain information necessary for public consultation and prepare the Consultation Document for Hamilton City Council approval.

16. Attachments

17. Attachment 1 - Waters Study - Council Resolution December 2016
18. Attachment 2 - Waters Study – Overview of Governance Structure Options
19. Attachment 3 - Waters Study - Draft Shared Waters Management Company Record of Agreement

20. Attachment 4 - Waters Study - Elected Member Briefing Slides

21. Background

22. Since 2012 multiple independent reports have advised that councils working together in the sub-region for the provision of water and wastewater activities would deliver significant financial and non-financial benefits for ratepayers and communities. In addition, many of New Zealand's relevant professional bodies (Industry New Zealand, IPENZ, Waters NZ, Ingenium, National Infrastructure Unit) also support the benefits of scale in the reticulation and delivery of water services.
23. On 26 June 2014 Hamilton resolved to "... undertake a detailed business case examination of a Council Controlled Organisation for water and wastewater activities as a joint project between Hamilton City Council, Waikato District Council and Waipa District Council." and "The detailed business case includes an enhanced shared services model as part of the review".
24. On 30 October 2014 Hamilton confirmed the appointment of the Cranleigh consortium following a competitive procurement process and established a Waters Governance Group with 2 members from each council with oversight over the business case development. Councillors Mallet and Pascoe represented Hamilton.
25. The Cranleigh Business Case was a comprehensive piece of work which looked at the case for change, examined three options in detail identifying the benefits of these options and recommending the preferred option.
26. Hamilton resolved on 30 July 2015, "That Council receive the Business Case for Water Services – Delivery Options ("Cranleigh Report")" and "Council supports in principle the formation of a Waters CCO for the Hamilton City, Waikato and Waipa District Councils..."
27. On 29 October 2015, a new Waters Governance Group (WGG) was established to address issues to be resolved prior to public consultation on forming an Asset Owning CCO. This resulted in the *draft Record of Agreement* for an Asset Owning CCO, developed via a series of independently facilitated workshops. The previous Mayor, (Julie Hardaker) along with Councillors Gallagher and Mallett represented Hamilton.
28. Hamilton resolved on 14 July 2016, "That Council adopt the attached Record of Agreement and supporting documentation relating to the potential formation of a water and wastewater CCO for Hamilton City and Waipa and Waikato Districts Councils."
29. In supporting the *draft Record of Agreement*, the councils did not decide to form a CCO. The formation of an asset owning CCO could not progress until:
- All three councils formally proposed forming a CCO following the 2016 Local Government Elections; and
 - Formal public consultation had been carried out.
30. Post the elections on 5 December 2016 Waikato resolved "THAT Council formally support the formation of an Asset Owning Three Council Water CCO".
31. On 6 December 2016, Waipa's Strategy Policy and Planning Committee considered a report from Morrison Low describing a transitional 'mixed model' (starting with a non-asset owning CCO moving towards an asset owning CCO over time). They resolved to amend the *draft Record of Agreement* to include this transitional option.
32. On 13 December 2016 Hamilton requested further information before establishing a preferred waters sub-regional collaboration option and delegated this responsibility to the Hamilton members of the Waters Governance Group (HCC WGG) to progress. (see *Attachment 1*)
33. The members of HCC WGG are: Mayor Andrew, Councillors Garry and David.

34. In a public workshop on 13 April 2017, HCC WGG briefed Hamilton on the conclusions of their research. The briefing included a presentation and Q&A session with Colin Crampton the Chief Executive of Wellington Waters. His presentation outlined the strong relationships with its council shareholders which are built on a high trust model between the company and the councils. He reinforced the benefits of open and transparent business processes for their model. The briefing presentation slides are appended (*Attachment 4*).

35. The Benefits of Sub-Regional Waters Collaboration

36. Multiple reports have exhorted the benefits of waters sub-regional collaboration. These benefits were summarised in the “*Summary of the Proposed Agreement*” prepared to communicate the *draft Record of Agreement* - June 2016.
37. Benefits from a waters sub-regional collaboration include:
- Improving compliance with environmental and drinking water standards.
 - In a CCO structure, the concentration of expertise, the single-minded focus on water services and greater financial resources would ensure environmental and drinking water standards are met. Currently, across parts of the sub-region, those standards are not always met.
 - Helping create a stronger and more resilient waters network across the three council areas.
 - Combining into one entity would make greater expertise and resources available across all three council areas.
 - Helping attract and retain expert waters service staff to work in the region. Working for a larger, dedicated waters organisation is likely to be more appealing to specialist water staff.
 - Helping develop a regional water ‘centre of excellence’.
Having a specialist waters organisation would provide combined expertise in water infrastructure, available locally.
 - Better harnessing and maximising the economic potential of the region.
Water is a critical economic resource. Having water infrastructure managed more efficiently and cost-effectively will better support economic growth and development.
38. The combination of these non-financial benefits results in significant long-term financial benefits.

39. Options Analysis

40. The HCC WPG has prepared two main documents to demonstrate a balanced analysis of the options being considered.
- *Attachment 2: Waters Study – Overview of Governance Structure Options*, provides detailed analysis of each of the options the HCC WGG was asked to consider further.
 - *Attachment 3: draft Shared Waters Management Company Record of Agreement*, provides for how the previously adopted recorded of agreement could be amended for

the new option. (Note: no discussions or agreement has been reached with Waipa or Waikato on this document).

41. A comparison of the cost efficiency and risks for the three options is shown on slide 26 of the Elected Member Briefing slides (*Attachment 4*).
42. Detailed information including; the Cranleigh Report, FAQs, Asset Owning CCO Record of Agreement and previous technical and council reports are all available on the Waters Study website. <http://www.waterstudywaikato.org.nz/home>
- 43. Option 1: Enhanced Shared Services**
44. The Enhanced Shared Services model uses the traditional governance structures of local government; in this case, a joint committee. To effectively achieve a functioning shared service, one council would need to be the host council. The HCC WGG determined the host council takes on an unacceptably high risk.
45. There are no examples of a shared service using these structures for waters infrastructure in New Zealand.
- 46. The HCC WGG is not recommending this option.**
- 47. Option 2: Asset Owning Company**
48. The Asset Owning Company was recommended by Cranleigh. Hamilton, Waipa and Waikato agreed to how such a company would be formed in the *draft Record of Agreement (2016)*.
49. The Asset Owning Company is the most cost effective option. It would achieve significant non-financial benefits which would lead to the cost of waters activities being re-forecast to increase at less than they are current forecast in the status quo model.
50. Since Cranleigh developed their report new information has become available:
 - The Government proposed the Local Government Act 2002 Amendment Bill (No2) intending it would make collaboration between councils easier.
 - Hamilton, Waipa and Waikato submitted on the Bill and proposed further amendments to make forming an asset owning company easier.
 - Following submissions from across the country the Select Committee is undertaking more work and it remains uncertain as to whether, in an election year, this will be progressed.
 - Hamilton has taken legal and audit advice which has confirmed that the legislative processes required to establish a multi-council asset-owning waters company are complex and potentially result in undesirable impacts. The most significant of these could adversely affect development contribution revenue during the lengthy establishment phase of forming the company.
 - Hamilton has resolved that any decision on water meters will be a decision for Hamilton City Council alone.
 - Wellington Waters is changing its business model to capture more of the benefits of collaboration.
 - Other complexities such as quality of asset information, asset valuation, revenue harmonisation and taxation identified by Cranleigh remain significant.

51. The HCC WGG considered these issues and have assessed that the establishment risk for an Asset Owning Company are higher than previously anticipated.
52. ***The HCC WGG is not recommending this option.***
53. **Option 3: Shared Waters Management Company**
54. This is a new option not previously considered by Cranleigh. It has been developed based on the learnings about how the councils can successfully work together from the *draft Record of Agreement* process, learnings from the transitional 'mixed model' proposal developed by Morrison Low for Waipa and from Wellington Water and its proposed new operating arrangements.
55. Councillors Gary, David and Martin with staff Blair and Chris visited Wellington Waters in February 2017. They meet with the Chair of the Wellington Water Committee, David Bassett, Deputy Mayor Hutt City Council and Colin Crampton, Chief Executive Wellington Waters Ltd.
56. Wellington Waters (previously Capacity) has been operating for 13 years. It now has five shareholding councils. In 2017, it is transitioning to a new funding option which will be more efficient than that operating at the time the Cranleigh report was written.
57. The HCC WGG members were particularly interested in the high level of transparency and accountability that Wellington Waters has with its shareholding councils and the community.
58. Staff have assessed the Shared Waters Management Company would achieve approximately 2/3 of the cost effectiveness of the Asset Owning Company. Most of the non-financial benefits should be able to be achieved which will result in cost increases being less than the status quo option. Debt optimisation, which Cranleigh assessed at 1/3 of the benefits for an Asset Owning Company, cannot be achieved by the Shared Waters Management Company as the debt remains with each council. Each council can independently implement debt optimisation principles.
59. Establishing the Shared Waters Management Company is considerably easier than establishing a multi-council asset-owning company. The Local Government Act provisions on setting up such a company (without the transfer of waters assets) do not require 10-year Plan and 30-Year Infrastructure Plan amendments. This avoids considerable expense and risk. Establishing the Shared Waters Management Company would be quicker and easier, enabling the benefits of collaboration to be achieved sooner.
60. Further financial analysis of this option could be appropriate and is best undertaken should this option be preferred by the three councils.
61. The HCC WGG considered these issues and have assessed that the risks for the Shared Waters Management Company are lower while a significant proportion of the benefits can be achieved. It is a more flexible option which could be more inclusive for other councils in the region.
62. ***The HCC WGG is recommending the Shared Waters Management Company option is Hamilton's preferred option for discussion with Waikato and Waipa.***
63. **Option 4: Status Quo**
64. Hamilton could choose to not proceed with any of the above options and continue with the status quo.
65. Under this scenario, Hamilton could continue with the existing low level shared service arrangements and choose to participate in one-off collaboration initiatives in the future.

66. Cranleigh said *"In summary, the Status Quo can be regarded as a workable solution, but one which will always offer only basic service delivery and performance and at a higher cost than other options."*
67. **The HCC WGG is not recommending this option.**
68. **One, Two or Three Councils**
69. The December 2016 resolution of Hamilton asked that options for one, two or three councils be considered. The Shared Waters Management Company model is scalable and could operate with two or more than three council shareholders.
70. The HCC WGG work to date has been focussed on forming a three-council waters collaboration.

71. Stakeholder Engagement

72. The Waters Project Group (WPG), with staff representatives from each council, has continued to meet fortnightly and has contributed to and stayed up to date with the advice being given to Hamilton Elected Members.
73. Staff have maintained an open dialogue with Waikato, Waipa and other stakeholders about the matters being considered by Hamilton. The 13 April briefing material has been circulated to Waikato and Waipa.
74. Waikato and Waipa have not been formally briefed on the Shared Waters Management Company. Should Hamilton confirm this proposal WPG members have been asked to brief their councils.
75. Waipa and Waikato have not expressed a view on the Shared Waters Management Company.
76. Allan Sanson - Mayor of Waikato issued a [press release](#) which confirms Waikato's preference for an Asset Owning CCO and a desire to talk with Waipa and Hamilton and "get on with it".
77. Jim Mylchreest - Mayor of Waipa issued a [press release](#) saying the Shared Waters Management Company is close to the Waipa preferred staged approach and that his council is also willing to talk further on this.
78. Both Mayors noted that it is for each council to do what it believes is in the best interest of their ratepayers and they are both committed to improving the way waters services are provided.
79. Consistent with its approach throughout this project, the WPG has kept Iwi representatives informed of Hamilton's progress toward establishing a preference and the next steps for the three councils.

80. Next Steps post 4 May 2017

81. Assuming Hamilton confirm a preference on 4 May 2017 staff at Waipa and Waikato will brief their elected members of the Hamilton preference.
82. A timetable for WGG meetings will be established.
83. All councils have expressed a desire to "get on with it". This is reflected in Hamilton's December resolution to receive a consultation document by 30 June 2017.
84. With Hamilton deciding on a preferred option on 4 May 2017, there is then a need to brief Waikato and Waipa Elected Members on Hamilton's preferred Shared Waters Management Company and then gather the WGG together for a series of meetings. It would be optimistic to

have a consultation document developed by 30 June 2017, especially given annual plan and other work streams at each council.

- 85. It is more realistic to plan for the WGG to be making recommendations on the preferred model and consultation plan to each council by August 2017.

86. Financial and Resourcing Implications

- 87. Hamilton has spent \$652,000 in the period 2014 - March 2017. There has been no budget provision for implementing a new sub-regional waters entity and funding has been allocated via risk and opportunities.
- 88. There is no budget provision for the next steps information that may be requested by the WGG. This information could include confirmation of the benefits, updating of financial modelling, quantification and allocation of establishment costs, tax and legal advice, preparation for and undertaking of a consultation process.
- 89. The establishment process for a Shared Waters Management Company could start in the last quarter of 2017/18 and into 2018/19. The amount paid by Hamilton would be dependent on how the transfer and capitalisation of a company is structured and would need to be considered for the 10-Year Plan 2018/28.

90. Risk

- 91. There is no significant risk associated with making the decisions recommended by this report as primarily the recommended resolutions simply create an opportunity for Hamilton, Waipa and Waikato to reconvene discussions on sub-regional waters collaboration.
- 92. However further delays in progressing this project will change risk including:
 - Increased funding risk should funding not be made available in the 10-Year Plan 2018/28.
 - Increased reputational risk both locally within Hamilton City, Waikato Region and nationally from those parties who are actively interested in this project.
 - Increased financial risk as technical reports and financial analysis become dated and consequently less relevant.

Signatory

Authoriser	Blair Bowcott, Executive Director Special Projects
------------	--

Council Resolution – December 2016

Resolved: (Crs Macpherson/Yeung)

That:

- a) the report be received;
- b) Council amend the draft Record of Agreement for the decision to implement water metering as follows:

Decision	Decision-maker			Type of Shareholder Decision
	CCO Board/ Management	Shareholders Jointly	Individual Shareholders	
Implementing water metering			✓	

- c) Council request further information and advice on the following options, whether for one, two or three Councils;
 - i) Enhanced Shared Services;
 - ii) Council Controlled Organisation(CCO), including:
 - 1. Asset-owning CCO
 - 2. Non Asset-owning CCO, transitioning to Asset-owning CCO (Waipa Model)
- d) the Chief Executive be delegated responsibility to convene the Waters Governance Group, to consider progressing the project, in conjunction with Waipa and Waikato District Councils and advisors, identifying practicable options for working together; and
- e) following c) above, the Chief Executive prepare a consultation document in conjunction with the HCC members of the Waters Governance Group, for approval by Council, by 30 June 2017.

Waters Study - Overview of Governance Structure Options (Draft for Discussion Purposes)

Governance Structure	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
<p>All options provide services for water, wastewater and storm water.</p>			
<p>Overview</p>	<p>The Enhanced Shared Services option is very similar to Shared Waters Management Company except in that it is operated within the governance structure of a local authority.</p> <p>At the governance level the joint committee would provide joined up leadership to the senior management. The councils would agree the terms of reference for the joint committee. Joint Committee meets quarterly.</p> <p>It operates as a stand-alone business unit and can be branded separately and could operate in a separate location to council. The customer relationships will be shared jointly between councils and the SABU.</p> <p>Only a CEO can be an employer; all employees will have their employment contract with that CEO (HCC in the example above). A Chief Operating Officer (COO) could be appointed and report to an Advisory Board.</p> <p>Enhanced Shared Services requires a high level of trust between councils with a higher level of risk.</p> <p>Each Council owns its own assets, debt and waters revenues.</p>	<p>The Shared Waters Management Company would be a company providing expert project and asset management services and maintenance and operations services for the assets owned by each council. Asset management services would be provided for water, wastewater and stormwater activities.</p> <p>A Shareholders Forum would represent all three shareholders and appoint directors. It would be the single point of shareholder direction to the board. A shareholders agreement would specify how the shareholders will work together. Shareholders forum meets 2 or 3 times per year.</p> <p>An independent Board of experts would operate the Shared Waters Management Company in the best interests of the shareholders. It would meet monthly. The company will be branded and operate independently of the councils. The customer relationships would be shared jointly between council and the Shared Waters Management Company.</p> <p>It is likely all existing council waters employees would transfer to the Shared Waters Management Company. The company would own City Delivery assets, some small plant, and office equipment.</p> <p>The Shared Waters Management Company would not own any waters assets and would earn its revenue from each Council who would collect water costs through rates or other charges.</p> <p>Council's would hold consents, water debt and depreciation and insurance costs. Other costs would be invoiced to each council by the company.</p>	<p>The Asset Owning Company would be a company, owning and operating the water and wastewater networks and providing asset management services for stormwater.</p> <p>A Shareholders Forum would represent all three shareholders and appoint directors. It would be the single point of shareholder direction to the Board. A shareholders agreement would specify how the shareholders would work together. Shareholders forum meets 2 or 3 times per year.</p> <p>An independent Board of experts would operate the company in the best interests of the shareholders. It would meet monthly. The company would be branded and operate independently of the councils. The customer relationships would be solely with the company.</p> <p>It is likely all existing council waters employees would transfer to the company.</p> <p>Councils transfer waters assets and debt to the company. The company would invoice customers for waters services. It is assumed the company would achieve full cost recovery from customers. But it would be a not for profit undertaking. It would not generate a return on investment, neither would it pay a dividend to shareholders. The company would invoice the councils for stormwater asset management and they would charge ratepayers for that activity, as they do now.</p>

Governance Structure	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Equity	<ul style="list-style-type: none"> No equity 	<ul style="list-style-type: none"> Depends on assets transferred. 	<ul style="list-style-type: none"> Depends on assets transferred and calculated by Cranleigh (2015) p39 63%/18%/19% (see chart above)
Voting	<ul style="list-style-type: none"> Equal voting rights at joint committee. 	<ul style="list-style-type: none"> Ordinary decisions by consensus or 1 vote each (A shares). Significant decisions by 75% (equity) majority (B Shares). 	<ul style="list-style-type: none"> Ordinary decisions by consensus or 1 vote each Significant decisions by 75% (equity) majority
Establish Transactions	<ul style="list-style-type: none"> One-off establishment costs (see below). 	<ul style="list-style-type: none"> One-off establishment costs (see below) Transfer City Delivery and current shared services assets (estimated \$3-\$4m) Establish equity and working capital Possibly small shareholder loans 	<ul style="list-style-type: none"> One-off establishment costs (see below) Establish equity Transfer assets and debt (estimated \$677m) Shareholder loans Stranded overhead payments
Establishment Costs	<ul style="list-style-type: none"> Slightly less than Shared Waters Management Company <ul style="list-style-type: none"> Less legal and director appointment cost. Other establishment costs \$10.3m similar to other options (possible some savings with integration with host council support services). 	<ul style="list-style-type: none"> Same as Asset Owning Company. Other establishment costs \$10.3m similar to Asset Owning Company (some savings as less-complex asset / debt / tax considerations but additional asset management costs due to keep three records and reconciling asset information with council finance systems) 	<ul style="list-style-type: none"> \$10.3m Cranleigh p49. Significant risk around Council Development Contributions Revenues during establishment phase under current legislation.
Governance Board	<ul style="list-style-type: none"> More operational less strategic. Distracted by sorting out tensions between councils. Joint Committee members appointed individually by each Council. Advisory Board can influence but not instruct. Likely that Advisory Board Members less skilled than other options and appointed by Joint Committee. Considered the weakest governance option and potentially less effective than status quo. 	<ul style="list-style-type: none"> Less operational more strategic. Needs to have close relationship with each shareholder. Board appointed by Shareholders Forum. Shareholders Forum members appointed individually by each Council. 	<ul style="list-style-type: none"> Minimal operational most strategic. Board appointed by Shareholders Forum. Shareholders Forum members appointed individually by each Council.

Ownership	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Waters Assets	<ul style="list-style-type: none"> Each council owns all waters assets. Potential complications over ownership of shared assets. 	<ul style="list-style-type: none"> Each council owns all of its water assets. Potential complications over ownership of shared assets. 	<ul style="list-style-type: none"> Asset Owning Company owns all water and wastewater assets. Council's own stormwater assets.
Other Assets	<ul style="list-style-type: none"> The host council (probably HCC as current shared services host) with operational control owns all corporate support assets: vehicles, IT, office equipment. 	<ul style="list-style-type: none"> The Shared Waters Management Company would own all necessary corporate assets and City Delivery assets and small plant. 	<ul style="list-style-type: none"> The Asset Owning Company would own all necessary corporate assets
Debt	<ul style="list-style-type: none"> Each council retains its own debt. 	<ul style="list-style-type: none"> Each council retains its own debt. Shared Waters Management Company may have a small amount of debt used to fund corporate and maintenance assets. Shared Waters Management Company debt limits/ratios recommended by Board and approved by Shareholders Forum in Statement of Intent. 	<ul style="list-style-type: none"> The Asset Owning Company would borrow against its income. Council debt reduced (opportunity for borrowing for other activities arising from this) Asset Owning Company can borrow more than the councils' current levels of debt for longer periods. (referred to in Cranleigh as <i>debt optimisation</i> discussed on pages 45 and 46)
Employment	<ul style="list-style-type: none"> All required employees transfer to the employment of the host council. Remaining employees at each council subject to that council's employment contracts, with each council paying all associated costs. 	<ul style="list-style-type: none"> All waters employees transfer to the employment of the Shared Waters Management Company. Rules would be established to share the cost of redundancies as an overhead cost of the company (if any). 	<ul style="list-style-type: none"> All waters employees transfer to Asset Owning Company. Company meets restructuring costs (if required) from revenues.
Risk			

Ownership	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
	<ul style="list-style-type: none"> Each council retains the following risks: <ul style="list-style-type: none"> Asset ownership (insurance, maintenance, renewal). Environmental compliance (consents). Public health. Revenue risk. Accountability by agreement. Health and safety at work. 	<ul style="list-style-type: none"> Each council retains the following risks: <ul style="list-style-type: none"> Asset ownership (insurance, maintenance, renewal). Environmental compliance (consents). Public health. Revenue risk. Health and Safety at work (as property owner). Each council has the following new risks: <ul style="list-style-type: none"> Investment risk in Shared Waters Management Company (minimal \$). 	<ul style="list-style-type: none"> Each council retains the following risks: <ul style="list-style-type: none"> Less risk in all categories, with some transferred entirely to company and some mitigated through directors and/or Company responsibilities. Each council has the following new risks: <ul style="list-style-type: none"> Investment risk in Asset Owning Company (large \$).
	<ul style="list-style-type: none"> Host council has additional risks: <ul style="list-style-type: none"> Public liability. Employment risks. Financial (contract payments and recovery). 		
		<ul style="list-style-type: none"> Shared Waters Management Company has the following risks: <ul style="list-style-type: none"> Public liability. Financial (contract payments). 	<ul style="list-style-type: none"> Asset Owning Company has the following risks: <ul style="list-style-type: none"> Asset ownership (insurance, maintenance, renewal). Environmental Compliance (consents). Public health. Public liability. Health and safety at work. Financial (contract payments). Revenue risk.

Transparency and Accountability	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Reporting (Legislative)			
Council Planning	<ul style="list-style-type: none"> Part of each council's waters activities in 10-year Plans. KPI include mandatory measures. Included in 30-year Infrastructure Strategy. 	<ul style="list-style-type: none"> Still have waters activities in 10-year Plans. Included in 30-year Infrastructure Strategy. Above prepared by Shared Waters Management Company recommended by Shareholders Forum and approved by each council. 	<ul style="list-style-type: none"> No waters activity. Not included in Council 30-year Infrastructure Strategy.
Company Planning		<ul style="list-style-type: none"> Letter of Expectation. Drafted by Shareholders Forum with input from each council. Statement of Intent (Annually covering next three years). Drafted by Board and recommended to Shareholders Forum. Shareholders Forum, with input from each Council, then responds to Board's proposal. Shareholders have right to impose. 	<ul style="list-style-type: none"> Letter of Expectation. Drafted by Shareholders Forum with input from each council. Statement of Intent (Annually covering next three years). Drafted by Board and recommended to Shareholders Forum. Shareholders Forum, with input from each Council, then responds to Board's proposal. Shareholders have right to impose.
Council Reporting	<ul style="list-style-type: none"> Part of each council's waters activities. KPI reporting against mandatory measures. 	<ul style="list-style-type: none"> Part of each council's waters activities. KPI reporting against mandatory measures. Information supplied by Shared Waters Management Company. 	<ul style="list-style-type: none"> No reporting.
Company Reporting		<ul style="list-style-type: none"> Half Yearly Report Annual Report 	<ul style="list-style-type: none"> Half Yearly Report Annual Report
LGOIMA / Ombudsman	<ul style="list-style-type: none"> As for councils, for information requests and meetings. 	<ul style="list-style-type: none"> As for councils except limited to Parts 1 to 6 of LGOIMA (excludes meeting provisions includes information requests). 	<ul style="list-style-type: none"> As for councils except limited to Parts 1 to 6 of LGOIMA (excludes meeting provisions includes information requests).
Reporting (By Agreement)			

Transparency and Accountability	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Planning	<ul style="list-style-type: none"> Prepare asset management plans and advise each council. Establish KPIs as set by joint committee include mandatory KPIs. 	<ul style="list-style-type: none"> Asset management information reporting for each council. KPIs include mandatory measures. Governance reporting required by Statement of Intent. Operational performance required by contract. 	<ul style="list-style-type: none"> Integrated sub-regional 30-year Infrastructure Plan. KPI included in Statement of Intent (note: Statement of Intent KPIs tend to be corporate not operational) Legislation isn't clear on mandatory KPI reporting (good practice suggests the Asset Owning Company should voluntarily report these in its external reports).
Policies & Bylaws	<ul style="list-style-type: none"> Existing Council policies & bylaws apply. Enhanced Shared Services would work to get alignment of policies & bylaws for efficiency of operation. 	<ul style="list-style-type: none"> Existing Council policies & bylaws apply. Shared Waters Management Company would work to replace individual policies with single regional policies or at least get alignment of policies for efficiency of operation. Bylaws would still be each council's responsibility. 	<ul style="list-style-type: none"> Existing Council by-laws would apply. Asset Owning Company would develop operational policies.
Reporting	<ul style="list-style-type: none"> Actual to Budget Reporting (monthly to Advisory Board, Quarterly to Joint Committee). Project reporting. 	<ul style="list-style-type: none"> Project reporting. Regular financial reporting, including actual to budget to each council. KPI reporting against mandatory measures. 	<ul style="list-style-type: none"> KPI reporting against mandatory measures.
Meetings	<ul style="list-style-type: none"> Advisory board sit outside statutory local government structures and meeting procedure would need to be defined in terms of reference. 	<ul style="list-style-type: none"> Council would develop specific rules around openness and transparency –similar to Wellington Waters. 	<ul style="list-style-type: none"> Council would develop specific rules around openness and transparency – similar to Wellington Waters.
Communication and Engagement			
	<ul style="list-style-type: none"> Governed by each councils approach and Significance and Engagement Policies. 	<ul style="list-style-type: none"> For operational matters covered by rules established by board (influenced by shareholders forum, Letters of Expectation and Statement of Intent). For asset investment and service levels covered by each councils approach and Significance and Engagement Policies. 	<ul style="list-style-type: none"> All matters Asset Owning Company board responsibility (influenced by shareholders forum).

Decision Making	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
		As per Draft Record of Agreement presented at workshop 13 April	As per agreed Record of Agreement (June 2016) adjustment for water meters as per HCC resolution (Dec 2016)
New Shareholders			
		<ul style="list-style-type: none"> Shareholder vote. 	<ul style="list-style-type: none"> Shareholder vote.
Constitution			
	<ul style="list-style-type: none"> Terms of Reference for Joint Committee. Can be changed by a resolution of each council. 	<ul style="list-style-type: none"> Terms of Reference for Shareholders Forum. Can be changed by a resolution of each council as provided in Shareholders' Agreement. 	<ul style="list-style-type: none"> Terms of Reference for Shareholders Forum Can be changed by a resolution of each council as provided in Shareholders' Agreement.
		<ul style="list-style-type: none"> Shared Waters Management Company Constitution developed or changed by Shareholders Forum and approved by each council. 	<ul style="list-style-type: none"> Asset Owning Company Constitution developed or changed by Shareholders Forum and approved by each council.
Material Transactions			
	<ul style="list-style-type: none"> Decision of each council. 	<ul style="list-style-type: none"> Decision of each council. Recommended by Shareholders Forum. 	<ul style="list-style-type: none"> Decision of each council. Recommended by Shareholders Forum.
Revenue			
Rates	<ul style="list-style-type: none"> Decision of each council. 	<ul style="list-style-type: none"> Decision of each council. Could undertake water meter billing for existing connections as agent for the councils. 	
Fees and Charges	<ul style="list-style-type: none"> Decision of each council (limited to recovery of costs). 	<ul style="list-style-type: none"> Decision of each council (limited to recovery of costs). 	<ul style="list-style-type: none"> Decision of Asset Owning Company guided by Shareholders Forum principles.
Development Contributions	<ul style="list-style-type: none"> Decision of each council. 	<ul style="list-style-type: none"> Decision of each council. 	<ul style="list-style-type: none"> Replaced by Infrastructure Charge (as Watercare) guided by Shareholders Forum principles.
Metering			
	<ul style="list-style-type: none"> Decision of each Council 	<ul style="list-style-type: none"> Decision of each Council 	<ul style="list-style-type: none"> Decision of each Council

Decision Making	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Asset investment priorities	<ul style="list-style-type: none"> Developed by Enhanced Shared Services staff (informed by agreed growth priorities). Recommendation of Joint Committee. Decision of each council for their assets. Implemented by Enhanced Shared Services staff. 	<ul style="list-style-type: none"> Developed by Shared Waters Management Company staff (informed by agreed growth priorities). Recommendation of Shareholders Forum. Decision of each council for their assets. Implemented by Shared Waters Management Company. 	<ul style="list-style-type: none"> Developed by Asset Owning Company (informed by agreed growth priorities). Decision of Board. Implemented by Asset Owning Company.

Operational Matters	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Revenue			
Council	<ul style="list-style-type: none"> Each council rates according to own policies. Tension between each council's tolerance to rates increases and Enhanced Shared Services asset management requirements. 	<ul style="list-style-type: none"> Each council rates according to own policies. Tension between each council's tolerance to rates increases and Shared Waters Management Company asset management requirements. 	
Company		<ul style="list-style-type: none"> Shared Waters Management Company bulk funded for operating costs and capital costs. 3 year funding agreement. 	<ul style="list-style-type: none"> Earns own revenue from consumers. Restrictions on revenue could be put into Statement of Intent (e.g. not for profit).
Council Stranded Overhead Payment			
	<ul style="list-style-type: none"> Recovered from rates. Council's not hosting would have the same stranded overhead as other options. Hosting council overhead allocation subject to negotiation with other councils as Enhanced Shared Services would use hosting council support services and these support services may need additional resources. Host Council would still have stranded overheads which are not able to be recognised as direct costs of servicing waters activity. 	<ul style="list-style-type: none"> Recovered from rates. Same size all options. 	<ul style="list-style-type: none"> Recovered from Asset Owning Company. Same size all options.
New Overheads			
Council	<ul style="list-style-type: none"> Possible in host council, with increased of business. 	<ul style="list-style-type: none"> Company monitoring. Contract monitoring. Should be less than \$600k assessed by Cranleigh for Asset Owning Company. 	<ul style="list-style-type: none"> Company monitoring \$600k <i>Cranleigh p50</i>
Enhanced Shared Services	<ul style="list-style-type: none"> Ongoing governance cost \$200k <i>Cranleigh p50</i> 		
Company		<ul style="list-style-type: none"> Ongoing governance costs Duplicate admin / finance / IT / HR etc. 	<ul style="list-style-type: none"> Ongoing governance costs \$355k <i>Cranleigh p50</i> Duplicate admin / finance / IT / HR etc.
Asset Management			
Council	<ul style="list-style-type: none"> Contracted to Host Council. 	<ul style="list-style-type: none"> Contracted to Company. 	<ul style="list-style-type: none"> None.
Enhanced Shared Services	<ul style="list-style-type: none"> At Host Council. Single Asset Management database transitioning to same service levels. Regional Waters Asset Management Plan. Regional Waters Infrastructure Strategy. Needs to identify asset owner (1 owner per asset) 		
Company		<ul style="list-style-type: none"> Single Asset Management database transitioning to same service levels. Regional Waters Asset Management Plan. Regional Waters Infrastructure Strategy. Needs to identify asset owner (1 owner per asset). Challenge reconciling additions and disposals with financial transactions between Company and councils. 	<ul style="list-style-type: none"> Single Asset Management database transitioning to same service levels. Regional Waters Asset Management Plan. Regional Waters Infrastructure Strategy.

Operational Matters	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
Procurement			
	<ul style="list-style-type: none"> Less effective than other options as suppliers would invoice each Council. 	<ul style="list-style-type: none"> Arranged and paid by Shared Waters Management Company. Shared Waters Management Company must identify the location of where expenses are incurred to determine which council pays. Tenders awarded within financial delegations, above which Council awards. 	<ul style="list-style-type: none"> All done by Asset Owning Company.
Tax			
	<ul style="list-style-type: none"> Non taxable. 	<ul style="list-style-type: none"> Surpluses taxable, no significant depreciation. 	<ul style="list-style-type: none"> Surpluses taxable, significant depreciation therefore less likelihood of surplus.
Customer Contacts			
	<ul style="list-style-type: none"> Through either any Council or the Enhanced Shared Services direct. 	<ul style="list-style-type: none"> Through either any Council or the Shared Waters Management Company direct. 	<ul style="list-style-type: none"> Directly to Asset Owning Company calls to Council transferred.
	<ul style="list-style-type: none"> Recorded in Council and Enhanced Shared Services customer systems. 	<ul style="list-style-type: none"> Recorded in Council and Shared Waters Management Company customer systems. 	<ul style="list-style-type: none"> Recorded in Asset Owning Company customer system.
Branding			
	<ul style="list-style-type: none"> Branded as stand-alone water entity 	<ul style="list-style-type: none"> Branded as stand-alone water entity 	<ul style="list-style-type: none"> Branded as stand-alone water entity

Cost effectiveness	Enhanced Shared Services	Shared Waters Management Company	Asset Owning Company
	<ul style="list-style-type: none"> Less effective than both Company options due to weaker governance, decision making challenges and higher risk. Less cost effective than Asset Owning Company by 80%. \$27m over 10 years <i>Cranleigh p43</i>. Overall less effective than Status Quo <i>Cranleigh p35</i>. 	<ul style="list-style-type: none"> Less effective than Asset Owning Company due to decision making challenges around revenue and funding. Estimated 38% less cost effective than Asset Owning due to loss of debt optimisation and 5% less efficient due to extra council involvement (including statutory planning processes) in decision making. \$66m over 10 years <i>staff estimate</i>. Not assessed by Cranleigh. 	<ul style="list-style-type: none"> Less effective than Shared Waters Management Company . Most effective asset management. Most cost-effective \$107m over 10 years <i>Cranleigh p.43</i>. Overall most effective <i>Cranleigh p35</i>



Draft Shared Waters Management Company Record of Agreement

Overview:

This Agenda provides the outline of a possible Shared Waters Management Company (a non-asset-owning CCO) to manage and operate the water and wastewater systems and stormwater assets of Hamilton City, and Waipa and Waikato District Councils.

The key agenda paper is based on the Record of Agreement reached between the three councils in 2016 in relation to a possible asset owning CCO. Where there is not necessarily any need to consider a change to the approach adopted in the record of agreement that text is coloured black. Text that is no longer appropriate has been ~~struck through~~. New text describing the new option is coloured red.

The changes set out in the paper reflect the significant differences there are between an asset-owning CCO and a Shared Waters Management Company. There are seven key issues that warrant highlighting:

- The proposed inclusion of stormwater
- The proposal to use a Shareholders Forum as the basis for shareholder decision-making as proposed in the previous record of Agreement
- The proposal to have an independent chair of the Shareholders Forum as proposed in the previous record of Agreement
- The extent of delegations to the Waters Management Company with respect to entering into major contracts that commit Council funds
- The proposal that a new Growth Forum would not be required with this approach
- The nature of shareholding in the proposed Waters Management Company
- Establishment and the transfer of operational assets
- Other issues that require some additional work.

These key issues are discussed below.

Stormwater

The potential for a CCO to manage stormwater assets on behalf of councils was not progressed during the development of the Record of Agreement in 2016. As was noted in the Cranleigh report, this was left as a possible future development that would be considered at a later date.



The Cranleigh report did identify potential savings from a Waters CCO managing stormwater assets on behalf of the three councils. These potential savings amounted to \$68m over the 28-year evaluation period.

One of the establishment and transfer issues arising from the asset-owning CCO model that would face all councils, but Waipa and Waikato in particular, was the need to retain stormwater capability. This was problematic in relation to the combined roles that some staff have, the ability to continue to attract and retain stormwater staff, and how to cost-effectively provide the expertise necessary to support the council's role in considering infrastructure requirements through the development process.

Adopting a waters service company model (where all assets remain owned by the councils) provides the opportunity to include the provision of stormwater management within the scope of the CCO from the beginning. This would make the establishment of the CCO and the transfer of staff easier, result in less confusion over roles and responsibilities, and provide the ability to realise the potential stormwater savings far earlier than would otherwise have been the case.

A Shareholders Forum or a Joint Committee for shareholder decision-making

The previous Record of Agreement proposed the establishment of a Shareholders Forum as the way of making joint shareholder decisions. The prime reason for doing this was to provide for voting in proportion to shareholding – given that shareholding would be in proportion to the value of the assets contributed to the CCO. The other major reason for a shareholders forum was to provide a way for the shareholding council (at their sole discretion) to direct (to the extent they saw fit) the way in which their lead representative exercised their voting rights.

A Joint Committee only provides for voting on the basis of one vote per member of the committee. Joint committees also need to be re-established each triennium, and that process requires the membership and terms of reference for the committee to be reviewed by each council.

Given the previous strong preference for consensus-based decision-making, there would be limited circumstances where voting in proportion to shareholding would be necessary. However, using a joint committee may make it more complex to subsequently move to the transfer of assets to the CCO if that was desired at some point in the future. A shareholders forum is recommended.

Irrespective of the approach used it essential that the shareholders engage in a transparent and visible way that ensures that Councils have effective input, and public accountability is maintained. Effort will be required to establish from the beginning a culture of openness and effective reporting both from the CCO to the Shareholders Forum and from the Shareholders Forum to the shareholding Councils.

The need for / appropriateness of an independent chair of the Shareholders Forum

The previous Record of Agreement included an independent chair for the Shareholders Forum. This was a negotiated resolution to a stalemate over the emphasis on consensus decision-making and how a deadlock may be resolved. In practice a Waters Management Company provides more control in the hands of each individual council so the need for an independent chair may be reduced. However, the real benefits of scale will only be achieved if the Shared Waters Management Company is able to manage the combined network as one system. An independent chair could be a significant help in navigating and putting in



place agreed regional policies and service levels that bring about consistency and standardisation of business practices.

It is recommended that the independent chair be retained, but that this be a voting position.

The extent of delegations to the Waters Management Company with respect to entering into major contracts that commit Council funds

The proposed Waters Management Company would develop a programme of works that reflect the approved Asset Management Plan. This annual programme of works would need to be agreed by the relevant council and incorporated into its Long-term Plan / Annual Plan and the council would need to set rates and charges to fund that level of expenditure. The Shared Waters Services Company would then complete the design of the works and go to market seeking tenders for the work.

Once the CCO has a preferred tenderer it will need to enter into a contract. Some of these contracts may be material for Councils in terms of the financial obligations that they establish. The Councils will need to determine the extent to which they are comfortable with delegating this decision-making to the CCO. The suggested approach is to delegate to the CCO decision-making on contracts where the tendered price is equal to or less than the budget for the project agreed by the relevant council, and also for contracts that exceed the budget by no more than 2%, provided the CCO is able to identify offsetting savings elsewhere in the programme for that Council.

The need for a Growth Forum (as was proposed for the Asset-owning CCO)

The previous Record of Agreement proposed the establishment of a Growth Forum to provide one consistent and aligned set of growth priorities to an asset-owning CCO. Given the substantial capital works programme that an asset-owning CCO would be undertaking and the competition between growth areas for what would be limited investment pool, it was essential for the asset-owning CCO that the councils themselves sorted out and agreed the growth priorities. Establishing a new Growth Forum would require additional resource and would need to be carefully distinguished from Future Proof.

The Shared Waters Management Company must reflect the growth plans of each of the three councils, and the deliver the capital works of each council. This means that there is no competition between councils for the capital investment that may be required to support growth and economic development aspirations. For this reason it is recommended that instead of introducing a new Growth Forum the three councils continue to rely on Future Proof as the way in which they align their plans for growth. A new Growth Forum is not part of the proposal for a Shared Waters Management Company.

The nature of shareholding

The shareholding in the proposed asset-owning CCO was to be broadly in proportion to the value of the assets contributed. This supported shareholder voting in proportion to shareholding. However, for all other purposes the shares were largely irrelevant. The company would not pay a dividend and the shares could not be sold.

In contrast, the Shared Waters Management Company will be quite small, own very few assets and key decisions will still rest with the shareholding councils. This means voting in proportion to shareholding is less important.

There are reasons for establishing two classes of shares (as Wellington Water has done) to deal with different ways of voting, different values of assets being administered, and ways of allocating overheads in proportion to assets under management. This needs some further



work to establish a firm proposal that reflects the relative size of the networks, the decision-making model and the best way to allocate overheads.

Establishment and the Transfer of Operational Assets

All three Councils have a variety of operational assets. In Hamilton's case this includes over \$2m worth of vehicles, trucks and other equipment that is used in the maintenance of its waters systems. It is proposed that, provided the Shared Waters Management Company wished to take these assets, they would be transferred to the Company at current market value. The cost of the Company purchasing these assets would be part of the establishment costs. Any such assets that the Company did not wish to take would be left with the relevant council to dispose of as they saw fit. This means that each Council would be able to realise the current market value of its operational assets at the time of establishment.

Other issues

In addition to the issues noted above and those reflected in the attached paper there are other issues which need some further work and/or input from other professionals. These are:

Taxation advice – the Cranleigh work specifically notes the need to separate, specific taxation advice. This is important to ensure that any proposal avoids creating unnecessary tax liabilities. This work should include preliminary consideration of the tax and accounting issues with Waipa's revenue / self-funding transition stage.

Health and Safety Liability – the potential health and safety liabilities and how to ensure that they are appropriately managed and do not expose CEOs to more risk that they currently have is important.

Development Process and Development Engineers – more work needs to be done on the way in which the Shared Waters Services Company would contribute to the development process, how development engineers would work with council and how this service would be funded.

Assurance – more work needs to be done on the framework of assurance and controls to ensure that potential liabilities are managed effectively.



Shared Waters Management Company

Outline of Approach:

1. This paper provides the outline of a possible Shared Waters Management Company (a non-asset-owning CCO) to manage and operate the water and wastewater systems and stormwater assets of Hamilton City, and Waipa and Waikato District Councils.
2. The paper is based on the Record of Agreement reached between the three councils in 2016 in relation to a possible asset owning CCO. Where there is not necessarily any need to consider a change to the approach adopted in the record of agreement that text is coloured black. Text that is no longer appropriate has been struck-through. New text describing the new option is coloured red.

Key Elements of the Proposed CCO

3. The key elements of the proposed ~~Shared Water Management Company~~ **Shared Water Management Company** Waters CCO are agreed as per the ~~Cranleigh~~ report:
 - a. The purpose of the CCO will be to provide drinking water and treat and dispose of wastewater, **and provide stormwater services** (water services) **under contract** across the Hamilton, Waikato and Waipa local authority areas.
 - b. The CCO will aim to deliver water services and operations in an efficient, effective and sustainable manner, maintaining agreed service standards and prudent management.
 - c. The CCO **will** provide stormwater services under contract to Hamilton City, Waikato District and Waipa District Councils.
 - d. The CCO would be 100% owned by Hamilton City Council, Waikato District Council and Waipa District Council.
 - e. It will be possible for other councils to join the CCO on a fair and equitable basis.
 - f. The CCO will take the form of a shareholder-owned, limited liability entity subject to taxation advice.
 - g. The CCO will **earn enough revenue to maintain and develop the waters network**, but ~~will~~ not pay dividends to shareholders.
 - h. ~~It will effectively be a cooperative in favour of water customers and communities, although customers will not be members or shareholders.~~
 - i. The CCO will **manage purchase** the water, **and waste water and stormwater** assets **and liabilities** of the three councils **under contracts with each council**. This will involve a transfer of those assets and related liabilities from each Council to the CCO. ~~In consideration for the water and waste water assets the Councils will receive a mix of cash, shares in the CCO and shareholder loans.~~



The CCO will manage consent compliance and the process of securing consent on behalf of the councils, but all resource and building consents relating to the waters assets and the operation of the waters systems will remain with the councils.

- j. The CCO will manage its own balance sheet and debt within agreed parameters.
- k. The CCO will be overseen by an independent, professional board of directors who are appointed by shareholders through the Shareholders' Forum.
- l. The CCO will be managed by a CEO reporting to the Board of Directors.
- m. Operational decisions about water services will be the responsibility of the Board, based on an agreed Statement of Intent and Service Level Agreement with the Councils and on decision thresholds defined in the management contracts ~~constitution~~ on a 'no surprises' basis.
- n. The CCO will be 'customer-facing' for all leaks, repairs and maintenance and development issues. That is, it will be expected that any service requests or customer complaints will be managed by the CCO.

Councils will be 'customer-facing' for all normal billing and payment matters. It will be essential that customer channels for both the councils and the CCO are integrated to ensure that all customer issues are addressed and resolved promptly to agreed standards.

The CCO will adopt an open and transparent business model, conducting as much its business as possible in public.

- o. The CCO will report against financial and non-financial performance targets, and on any other matters reasonably requested.
- p. The CCO will bill the councils for the cost of operating, maintaining and developing the water assets including its own operating costs. Councils will charge water users through rates, development contributions, or other charges as they determine through their Annual Plan and Long-term Plan processes. ~~customers directly after a transition period.~~

The CCO will align its planning and funding to the councils' three-yearly cycle of Long-term plans and Annual Plans. It will base its planning on comprehensive asset management plans. It will develop inputs to Council Long-term Plans, Annual Plan and 30-year Infrastructure Strategy that reflect the Asset Management Plans.

Councils will enter into long-term funding arrangements with the CCO that reflect the three-year outlook of their Long-term Plans.

- q. Strategic planning, particularly for growth, will remain the exclusive prerogative of the Councils, and the CCO will be constitutionally bound to give effect to these plans and strategies.

Values and Principles

- 4. As joint owners of a Shared Waikato Waters Management Company CCO, Hamilton City and Waikato and Waipa District Councils would require the company CCO to adopt, and expect it to adhere to, the following values and principles:
 - **Transparent, Ethical and with Integrity** – operations, costs and business practices must be transparent to both shareholders and the public. The CCO must act with



integrity and adopt the highest ethical standards in all that it does. Its business practices must be beyond reproach.

- **Open and Customer Focused** – placing customers at the centre of all that it does, the CCO must be focused on delivering the services that they need. It must be responsive, open to criticism and feedback, and constantly seek to learn and improve.
- **Reliable** – with the customer at the centre of all that it does, the CCO must deliver reliable services, replacing aging infrastructure as is necessary to maintain supply, and securing additional water sources as may be necessary to ensure reliable, consistent delivery.
- **Affordable** – with the customer at the centre of all that it does, the CCO must deliver affordable services. To do this it must be very focused on finding the most cost-effective ways of delivering its services.
- **Safety** – develop and foster an embedded safety culture that is reflected in the quality, consistency, and safety of products and services. The safety culture will be reflected in all aspects of the CCO's operations and in the way in which it looks after its customers and its staff.
- **Innovation** – develop and foster a culture of innovation that constantly seeks to find new ways of delivering more cost effective services.
- **Kaitiakitanga** – recognising the guardianship and link between Iwi, water and natural resources.
- **Environmental Care** – the long-term success of both the CCO and the communities that it serves depends on the sustainable management of water resources. The CCO must embed sustainability principles in its business, caring for the water sources on which it depends, minimising water losses, minimising wastewater overflows, and ensuring that the quality of discharges meet required standards. The CCO must also play a positive role in managing demand for water and appropriate incentives for conservation.
- **Social Responsibility** – working for the benefit of the communities that it serves, the CCO must imbue its activity with a strong sense of social responsibility. A strong social conscience must be reflected in pricing policy and tariff structures.
- **Enabling Economic Development** – providing reticulated water and wastewater services is a key enabler of economic development and growth. The CCO must plan and develop water services to sustain existing communities and support the agreed growth priorities of the shareholding councils.

Commitments to Iwi

5. Establishing a CCO would change the way in which water services are delivered and managed but it would not change in any way commitments to Iwi through Memoranda of Understanding, Joint Management Agreements, and a number of co-governance and co-management arrangements. Neither would it change processes for water allocation, consents, or regulatory responsibilities.



Control of Water Assets and Consents

6. The Local Government Act prohibits the privatisation of water assets. The councils support the current legislation and keeping water assets in public ownership. **Under this option all water assets and all water consents remain in Council ownership.**

Joint Shareholder Decisions

7. Joint shareholder decisions will be made by a Shareholders' Forum established under the constitution of the CCO and a related shareholders agreement. This forum would allow voting in proportion to shareholding.
8. How each council deals with its responsibilities and decision-making will be determined by each council. It is expected that each council will have a framework for considering the performance of the CCO and any issues that need to be decided by the Shareholders' Forum.

Membership of the Shareholders' Forum

9. The Shareholders' Forum will comprise a lead representative and two others appointed by each council.
10. The lead representative will be authorised to exercise any voting on behalf of the shareholding council. In the absence of the lead representative, one of the other representatives will be authorised to exercise the shareholder's votes.
11. It will up to each council to determine how it considers the matters considered by the forum and how their representatives reflect their interests.
12. For the first 18 months of operation, the Shareholders' Forum will be chaired by a non-voting independent chair. At the end of the 18 month period the Shareholders' Forum will recommend to councils whether or not to continue with an independent chair, or whether the position of chair will rotate between shareholders.
13. The Independent Chair will be appointed by resolution of each of the three shareholding councils.

Decision-making Thresholds

14. Shareholders will use best endeavours to make all joint shareholder decisions by consensus.
15. The role of the ~~non-voting~~ Independent Chair will be to facilitate consensus decisions. The Independent Chair must ensure that adequate time is devoted to reaching a consensus. However, where, after the best efforts of the Independent Chair and the members of the Shareholders' Forum a consensus cannot be reached, a decision will be made by voting.
16. Where consensus cannot be reached, 'ordinary' decisions made by the Shareholders' Forum will be by simple majority of votes on a one (equal) vote per shareholder basis.
17. Where consensus cannot be reached, 'significant' decisions made by the Shareholders' Forum will be by way of super-majority with voting proportionate to the shareholding of each council and require a majority of 75% of shareholder votes.



18. Table 1 shows who would make which decisions which of the decisions reserved for the Shareholders' Forum are ordinary and which are significant and require a super-majority. It also shows where the role of either the Board or the Shareholders' Forum is to make recommendations or establish principles.

Decision-making Framework

19. Table 1 records the broad allocation of decision-making between the Board of the CCO, the shareholders collectively (through the Shareholders Forum), and the shareholders individually.

20. In the table the ✓ indicates the decision-maker. The table also shows those responsible for making a recommendation.

Table 1: Decision-making Framework

Decision	Decision-maker			Type of Shareholder Decision
	CCO Board / Management	Shareholders Jointly	Individual Shareholders	
Establishing / changing the CCO's constitution		Recommend	✓	Unanimous
Establishing debt caps and/or debt ratio limits (SOI/Letter of Expectation) <i>(Borrowing by the CCO would be minimal and relate to office fit out, business systems, establishment, and the possible purchase of machinery etc. used in operations and maintenance activity.)</i>		✓		Significant Ordinary
Increases in debt over a certain cap or ratio <i>(Given the low levels of debt this can be an ordinary decision)</i>	Recommend	✓		Significant Ordinary
Establishing debt levels, security and sources of borrowing	✓		(See Note 1)	NA
Entering into a loan within debt cap and ratio limits	✓			NA
Repayment of shareholder loans <i>Borrowing in relation to establishment costs etc., may be as a shareholder loan – but would be minor.</i>	Recommend	✓		Significant Ordinary
Approving a material transaction – including any additional related revenue	Recommend	✓		Ordinary
Acceptance of another Council as a new shareholder and issue of shares, or change in shareholding	Recommend	Recommend	✓	Unanimous
Appointment of Chairperson		✓		Ordinary
Appointment of Directors		✓		Ordinary
Appointing the CCO CEO	✓			NA



Decision	Decision-maker			Type of Shareholder Decision
	CCO Board / Management	Shareholders Jointly	Individual Shareholders	
Letter of Expectation		✓		Ordinary
Statement of Intent (See Note 2)	✓	✓		Ordinary
Developing sub-regional waters services policy, levels of service and standards	Recommend	✓		Ordinary
Development (and measurement) of KPIs	Contribute / Recommend	✓		Ordinary
Reporting CCO performance	✓			Ordinary
Monitoring the performance of the CCO		✓	Receives reports	Ordinary
Ensuring statutory compliance – including consent compliance and securing any new consents and consent renewals	✓			NA
Ensuring that assets are maintained to agreed standards over the long-term	✓			NA
Delivering water and wastewater services to agreed standards	✓			NA
Establishing growth priorities	CCO provides advice, forecasts and cost estimates as required	✓ confirm for CCO	✓ (Consistent with Future Proof) through joint process – see below	
Alignment to shareholder strategic plans	✓			NA
Development and approval of Asset Management Plan	✓ Develops	✓ Recommends	✓ Approves	Ordinary
Developing Long-term Plans, Annual Plans, 30 Year Infrastructure Strategy	CCO provides advice, forecasts and cost estimates consistent with AMP	✓ Recommends	✓ Approves	Ordinary
Development and approval of capital works, renewals and maintenance programme consistent with AMP	✓ Develops	✓ Recommends	✓ Approves	NA Ordinary
Developing and approving CCO contract for service	✓ Develops	✓ Recommends	✓ Approves	Ordinary
Establishing procurement processes and approaches to tendering	✓			NA



Decision	Decision-maker			Type of Shareholder Decision
	CCO Board / Management	Shareholders Jointly	Individual Shareholders	
Awarding tenders	✓		Where contract price exceeds budget by 2% and no offsetting savings can be found	NA
Establishing / harmonising tariff structures Not required – the Councils retain responsibility for billing and charges	✓	Establish principles		Ordinary
Changes in tariffs / charges or tariff structure CCO consulted to ensure possible impact on demand, system performance, ability to service and costs understood and dealt with	✓ Provides advice	Establish limits	✓	Ordinary
Negotiating tariffs with major water users CCO consulted to ensure possible impact on demand, system performance, ability to service and costs understood and dealt with	✓ Provides advice		✓	NA
Customer relations – complaints, resolution and feedback process Need to sort out interface with Council complaints systems	✓ Deals with asset issues, repairs, leaks, etc.		✓ Deals with billing and payment issues	NA
Billing and collection of payments CCO could do all meter reading and provide councils with the information to complete billing for water use.	✓ Any charge relating to repairs on customer side of network, and charges for development engineers		✓ Invoices and collects all normal rates and user charges	
Water Conservation and Demand Management	✓	Establish principles		Ordinary
Implementing water metering This would be a decision of each council	✓ Provides advice	Establish principles	✓	NA
By-law making (trade waste, etc.)	Develop	Recommend	✓	NA

Note 1:

If a council chooses to borrow money secured against rates and on-lend to the company that would require the relevant council decisions.

Note 2:



The Shared Waters Management Company Board prepares a draft SOI and adopts it following consideration of Shareholder Forum comments. By practice Shareholders 'accept' by resolution the final SOI. The Shareholders' Forum may (by resolution) require the Board to change the SOI (see Local Government Act 2002, Schedule 8).

Establishing Growth Priorities

21. ~~Establishing growth priorities will be the responsibility of each council. Each council will need to pay for the infrastructure and services required to support that growth. The CCO will provide information, analysis, forecasts and relevant costs to assist councils to make growth decisions. Future Proof will continue to provide co-ordination and joint growth strategy between the three councils. Decisions relating to implementing growth priorities will be determined by the shareholding councils through a new joint committee. For the purposes of this agreement this decision-making body is referred to below as a 'Growth Forum'. The details of the way in which the Growth Forum will be constituted and operate will be finalised later.~~
22. ~~Each council will take the agreed location and sequencing of growth cells from Future Proof and translate that into more detailed planning for growth within its district. That planning will integrate and align the public infrastructure required to support growth.~~
23. ~~The Growth Forum will provide the mechanism by which the more detailed growth planning from each council is then integrated. This will resolve any cross boundary issues, and ensure that the sequencing, timing and scope of the planned infrastructure best provides for the growth of the sub-region.~~
24. ~~The Growth Forum will recommend to councils the agreed priorities for infrastructure. Councils will make final decisions relating to their infrastructure through their Long Term Plan processes (including consultation with their community).~~
25. ~~The Growth Forum will convey the agreed priorities for infrastructure to the Shareholders' Forum. The Shareholders' Forum will then ensure that these priorities are reflected in the CCO's Letter of Expectation, Statement of Intent, etc.~~
26. ~~Only shareholder council representatives will be members of the Growth Forum. Only shareholder council representatives will be able to vote and make decisions at the Growth Forum. Other organisations, including the CCO, may be invited to attend and provide advice.~~
27. ~~Ideally decisions at the Growth Forum will be by consensus. At the Forum all councils will be represented on an equal basis.~~

Alignment to Council Objectives

28. The CCO will be required to **be transparent, open to the public and** act in the interests of its shareholders and give effect to Council policy as conveyed to the CCO through the Shareholders' Forum, the annual letter of expectations from shareholders and the Statement of Intent process. **It will be required to meet any agreed sub-regional standards or water services policies established by the Shareholders Forum. It will also be required to meet the service level expectations of each Council as set out in the management contract. Standardisation of service levels and policies between the shareholding councils will reduce transaction costs and provide greater transparency and consistency for developers.**
29. The constitution of the CCO will use Section 131 of the Companies Act (or equivalent) to support the requirement to act in the interests of shareholders. This requirement will also be reflected in letters of appointment to directors.



30. The councils will use the process described above to establish agreed approaches to growth and development and priorities across the sub-region. These development priorities will be conveyed to the CCO through the Shareholders' Forum.
31. Through the Shareholders' Forum, councils may set other objectives and expectations for the CCO. When developing objectives for the CCO the Shareholders' Forum will provide for input from the Board of the CCO on their ability to meet any proposed objectives and any cost or revenue implications.

Asset Valuation

32. The three councils will jointly appoint one valuer to independently value **any operational assets that are proposed to be transferred to the CCO on establishment (vehicles, systems, office assets, etc.)**, or confirm the valuation of all the councils' water services assets as at the formation date of the CCO (expected to be 1 July 2019) using the ODRC methodology.
33. As agreed through LASS the councils will this year appoint one valuer and agree one set of asset life assumptions, one set of unit rates, and optimisation methodologies.
34. The agreed valuer will complete the **market** valuation of the **operational** assets, which will become the agreed value of the assets for transfer to the CCO.

Only operational assets that the CCO agrees to take will be transferred. All other operational assets will be left with the relevant council to use or dispose as they see fit.

[Note: it is not necessary to value all of the waters assets to establish the Shared Water Management Company. However, if the assets were all valued in a consistent way it would make reporting on the performance, condition and financial state of the whole sub-regional network considerably easier and more meaningful. Full, common valuation would be required to progress any future move to an asset owning CCO]

Treatment of Existing Council Debt, Development Contributions and Reserves

35. ~~On formation, the CCO would raise debt at least sufficient to settle the agreed consideration.~~
36. ~~On formation, the CCO would assume all future water infrastructure expansion obligations that each of the councils has relating to development contributions that they have previously received and the councils will pay to the CCO any unspent cash they have received as development contributions for this purpose.~~
37. ~~On formation, the CCO would pay the councils a cash amount equal to their deficit reserve (if any) and any council with a surplus reserve would pay a cash amount equal to the reserve to the CCO.~~

[Note: this is not required for a Shared Water Management Company – however on establishment the CCO would need sufficient funds and working capital to commence operation, establish business systems, etc. It may also need to borrow funds to pay for the costs of establishment. Full consideration of existing debt, development contributions and reserves would be required to progress any future move to an asset owning CCO]



Treatment of Future Vested Assets

38. Future vested assets are assets that are transferred to a Council at nominal or zero cost by a developer ~~will remain the property of the Council and will be included in the scope of the management contract that the CCO has for that Council's assets. The CCO will need to be involved in the development process to ensure that the assets are built to the requisite standards and are suitable before they are accepted by the Council. They will be sold to the CCO with the consideration being an increase in the shareholder loan of that Council.~~
39. ~~As part of their submissions to Government on new legislation, the councils will suggest reforms so that developers can be required to vest relevant assets directly with a CCO rather than in the council. Under this approach other exemptions will need to apply to avoid large, taxable, paper profits arising in the CCO.~~

~~[Note: this is not required for a Shared Water Services Company but this would be required to progress any future move to an asset owning CCO]~~

Development Process and Engineering Advice / Assessments

~~The Shared Waters Services Company will provide all waters related advice and assessments that are required as part of the development process. The CCO will also ensure that all waters related assets that are to be vested in each of the councils is of the required standard and quality. Current development engineers that provide this function (in relation to waters) will transfer to the CCO.~~

~~The Shared Waters Services Company will either charge applicants for the advice and efforts that is devoted to a development proposal, or it will charge councils for this. To ensure consistency the same approach to charging will be adopted by each of the councils.~~

Consideration

~~As part of the establishment process consideration will be paid for the agreed value of any assets to be transferred to the Shared Waters Management Company. This may include vehicles, office and IT systems and equipment, and other similar assets.~~

~~[Note: Consideration of the sort previously contemplated would not be required for a Shared Water Services Company but something of this nature would be required to progress any future move to an asset owning CCO. All that would be required to start a Shared Waters Services Company would be a shared initial injection of shareholder funds as working capital.]~~

40. ~~The principles that apply to consideration are:~~
- ~~• the councils should be treated in a fair, equitable and even manner~~
 - ~~• the approach to consideration must be transparent and able to be simply explained to the public~~
 - ~~• total consideration for each council will be equal to the value of assets contributed~~
 - ~~• the value of the councils' assets will be determined by independent valuations prior to the establishment of the CCO~~



- given the intention to minimise costs to water customers and the need to leave headroom for future capital expenditure, the amount of consideration that is paid as cash needs to be prudent and should not result in the CCO exceeding the maximum prudent level of debt that the CCO could take on at establishment
- no council should be left with residual water-related debts upon establishment of the CCO
- the councils' level of existing water debt will be confirmed by an independent reviewer.

41. The final calculation of consideration will be done as part of the establishment process. It must reflect the value of the assets held by each council at that time. The value of the assets at that time will depend upon the level of investment that the councils make between now and then. This means that at this time the councils cannot agree the final dollar value of consideration, they can only agree the basis on which consideration will be calculated at establishment.

42. The agreed approach to consideration is that:

a. Total consideration paid by the CCO to the councils will be equal to the sum of the water related assets, net water related working capital and any surplus net reserves that are transferred into the CCO (i.e. total assets contributed).

b. Consideration will be a mix of cash, shareholder loans and ordinary shares.

c. The cash consideration paid to each council will be the greater of:

- an amount proportional to the total assets contributed by each council multiplied by the total debt contributed by councils to the CCO as calculated below:

$$\left(\frac{\text{Total Assets Contributed by Council}}{\text{Total Assets in CCO}} \right) \times \text{Total Debt Contributed by all Councils}$$

or

- the total water related debt contributed by each council to the CCO.

d. The total consideration paid as ordinary shares will be equal to 75% of the total assets in the CCO less the total debt contributed by councils. The ordinary shares received by each council will be equal to their net equity percentage pre-merger.

The definition of net equity is as below:

$$\text{Net Equity} = \text{Total Assets Contributed} - (\text{Debt} + \text{Deficit Reserves})$$

e. Shareholder loan amounts will make up the balance of consideration, with the shareholder loan amounts to be apportioned to each council calculated as follows:

$$\text{Council Shareholder Loan} = \text{Total Assets Contributed by Council} - \text{Cash Consideration} - \text{Ordinary shares}$$

43. On commencement, the CCO will raise debt at least sufficient to pay the cash consideration to each council.

44. Based on the current forecast model (as at 30 June 2019), the agreed approach to consideration would result in the following:



Consideration				
-	Waikato	Hamilton	Waipa	Total
As at 30/06/2019	\$m	\$m	\$m	\$m
<i>Council Water Assets (2 Waters)</i>	-	-	-	-
Fixed Assets	248.9	787.6	232.3	1,268.8
Net Working Capital	4.4	12.5	3.7	20.3
Surplus Net Reserves	0.0	0.0	0.0	0.0
Total Assets Contributed	253.0	800.1	236.0	1,289.1
% of Total Assets	19.6%	62.1%	18.3%	100.0%
<i>Council Water Debt</i>	-	-	-	-
External Debt	38.9	130.9	22.6	192.4
Deficit Net Reserves	22.5	0.0	8.9	31.4
Total Debt	61.5	130.9	31.5	223.8
Net Pre-merger Equity	191.6	669.1	204.5	1,065.3
% Equity Pre-merger	18.0%	62.8%	19.2%	100.0%
<i>Purchase Consideration Paid</i>	-	-	-	-
Cash	61.5	138.9	41.0	241.3
Ordinary Shares	133.6	466.7	142.7	743.0
Shareholder Loans	58.0	194.4	52.4	304.8
Total Consideration	253.0	800.1	236.0	1,289.1
% Shareholding	18.0%	62.8%	19.2%	100.0%

Debt/Equity Position of the CCO

45. It is noted that based on work to date, the ratio of debt to equity of the CCO has been forecast to peak at just over 31%. Many international water companies have ratios much higher than this.

[Note: this is not significant for a Shared Water Management Company the it would only borrow for establishment costs and business systems and processes]

Shareholder Exit Provisions

46. It will be possible for a shareholding council to exit from the CCO and resume the management and operation of the water and wastewater activities in its area.

47. If a council were to decide to exit from the CCO the following principles would apply:

- a. **Fairness.** The arrangements should be fair to both exiting and remaining shareholders.
- b. **Trigger points.** An exit would need to be triggered by a council asking to leave. The key would be appropriate time lines. This might be:
 - i. departing council notifies other shareholders it wishes to leave
 - ii. other shareholders working with the CCO board and management to develop a detailed exit plan within one year



- iii. departing shareholder has up to one year to accept the plan or agree another
- iv. once a plan is agreed it should be implemented within 18 months.
- c. **Treatment of assets.** ~~Assets that serve more than one local authority will need to be subject to long term access / supply agreements from the time that they are constructed. A council that wishes to withdraw from CCO and take back the management of its assets would still be bound by the long-term access and supply arrangements relating to shared assets.~~ The departing shareholder will need to buy from the CCO all the water and wastewater assets in its territory at the value they are held in the CCO's accounts together with an appropriate amount of working capital. At the boundaries there may be some assets that serve customers outside the exiting council's territory, or customers within the exiting council's territory may be serviced by assets that remain within the CCO. The remaining and departing councils will need to agree appropriate arrangements for these assets as part of the exit plan.
- d. **Consideration.** ~~As payment for the CCO's assets the exiting council would agree to the cancellation of its CCO shares and shareholder loans and would pay the balance in cash.~~
- e. **Other liabilities.** It would be unfair for the remaining shareholders to be left with stranded assets or other liabilities. These might include a now oversized head office or operating systems or redundancy costs for staff not now required who do not wish to accept positions with the exiting council. These costs should be borne by the exiting council.
- f. **Transaction costs.** Fair transaction costs such as legal costs and increased costs of working should be borne by the exiting council.

Option to Allow New Shareholders

- 48. It will be possible for another council to become a shareholder and transfer its water assets into the CCO.
- 49. A proposal for a new shareholding council would be considered by the Board of the CCO and a recommendation to accept or reject the proposal would be made by the Board to the Shareholders Forum. The final decision on the proposal would be made by the shareholders themselves in accordance with this agreement.
- 50. The following principles apply to a possible new shareholding:
 - a. The shareholders are open to considering the admission of new shareholders.
 - b. The admission of a new shareholder must be approved by the existing shareholders.
 - c. The admission of a new shareholder should not be detrimental to the existing shareholders.
 - d. A new shareholder will pay all the transaction costs of joining the CCO.



Approach to Tariff structures and Charges to Councils

Councils will remain responsible for establishing the tariff levels, structures and billing systems that they apply. They will determine how to charge users / ratepayers for waters services within their district. Whilst water and wastewater services may be charged directly to users it is likely that stormwater services will continue to be charged for through Council rates.

51. ~~It is essential to establish a clear process for determining water service tariffs. The CCO needs to be able to raise from the Councils it services the necessary revenue to cover its operating costs, by direct billing. Direct billing is also important to establish a relationship between the customer and service provider. It is intended to move to a unified tariff structure across the sub-region as soon as possible.~~
52. The following principles apply to water and wastewater revenues and will be reflected in the Letter of Expectation, the Statement of Intent, the CCO monitoring framework and a no surprises policy:
 - CCO charges to Councils revenues will be based on sustainable whole of life costs and long-term cost reduction.
 - Charges for the CCO's overhead and operation will be on the basis of an agreed cost sharing framework.
 - All charges that relate to the operation, maintenance and development of the water systems and assets of each council will be made to the Council that owns the assets.
 - All charges that relate to the provision of advice and support in relation to development will be made either to the applicant, or to the relevant council.
 - ~~Objective to move to price harmonisation as soon as possible so that customers of the same type, that receive the same level of service, pay the same tariffs.~~
 - ~~Water and wastewater charges will not be higher than expected under council Long Term Plans for at least one year after the establishment of the CCO is completed.~~
 - ~~CCO to bill customers directly as soon as possible.~~
 - ~~The CCO must allow for both volume and fixed rate charging.~~
 - ~~A hardship mechanism shall be included. The preferred mechanism will need to be developed and recommended by the CCO.~~

Role and Competencies of the Board

53. The board of directors is appointed to act on behalf of the shareholders to run the day to day affairs of the business. A critical board task is the selection, mentoring and monitoring of the CEO.

The Board will comprise no fewer than 5 and no more than 7 directors, including the Chair.
54. Board members must collectively have skills relevant to a substantial water related infrastructure business. These skills will include civil engineering, accounting, law, customer service, financing, staff selection and monitoring, planning, information technology, health



and safety, commercial contracts, procurement, an understanding of and empathy for iwi Māori perspectives, experience of dealing constructively with community matters and concerns and an understanding of local government.

55. This does not mean that the board must include an accountant, an HR expert or a lawyer. Rather the board should include people whose skill set includes a good understanding of the application and relevance of these to the running of a water company. Having said that, it is expected that at least one or two qualified engineers will be on the board given the core function of the business.
56. The board is appointed by the shareholding councils via their Shareholders' Forum and will be accountable to it via the letter of expectation, the statement of intent and reporting processes. If performance is inadequate, the Shareholders' Forum will have the ultimate sanction of removing and replacing some or all of the directors. The Shareholders' Forum will have the right to remove directors at any time.

The Potential for Elected Representatives to Serve as Board Directors

57. Elected representatives including community board members are not permitted to serve as board directors.

Iwi Relationships

58. Councils will require that one of the competencies that is required on the Board of the CCO is an understanding of and empathy with iwi Māori perspectives. Councils will consult iwi to explain the proposed structure and governance arrangements of the water company and to hear which matters are likely to be of most interest to iwi. This will assist in determining the best avenue for those interests to be heard and will include ensuring that existing consultative arrangements are linked to the water business.

How the Voice and Interests of Customers Are Heard

The Councils remain ultimately responsible for the assets and the services that are provided. Customers, residents and ratepayers will continue to have access to elected representatives to express their interests and concerns. This includes participating in Long-term Plan and Annual Plan processes.

59. The agreed Board competencies include experience of dealing constructively with community matters and concerns.
60. Representing the interests of customers will be a critical role for councils via the Shareholders' Forum, statement of intent and monitoring process.
61. Councils will ensure that the statement of intent includes clear targets and key performance indicators on service performance and customer satisfaction.

The Management of Stormwater Assets

Councils will ~~include stormwater assets in the~~ negotiate appropriate management service agreements for their ~~waters assets~~ stormwater activities during the implementation phase. The councils will also adopt the principle that no council should be offered lower pricing for like for like stormwater services than any other council. [Note: Stormwater asset management will be the responsibility of the CCO from the start. This clause was necessary for the asset only situation]



62.

Central Government Insurance Cover for Natural Disasters

63. Under current legislation, Central Government insurance cover for natural disasters will not be available to the CCO. However, there may be changes to this legislation and so this position may change by the time that the CCO is formed.

64. Should there be no change to legislation, the CCO can simply buy the necessary cover in the market.

[Note: The assets would remain owned by the councils and would continue to be covered by the current disaster recovery framework]

Government Rate Rebates Programme

65. Current legislation provides for rates rebates for certain customers who have difficulty paying. This would not be available to the CCO. As with insurance cover, this legislation is under review.

66. Should there be no change to legislation, the CCO could provide a comparable tariff rebate scheme for such customers at little cost.

[Note: Councils will continue to charge ratepayers and the existing rates rebate scheme will continue to apply]

Transition & Establishment Processes Options

67. The current negotiation between the councils is intended to produce an agreed CCO proposal that (once agreed by all Councils) will become the basis of a single public description of a possible Shared Waters Management Company Waters CCO that will inform the public. It is intended that this single description of the Shared Water Management Company CCO would be available before the end of June 2017 2016.

68. Assuming that the three councils reach agreement on a proposed Shared Water Management Company CCO, it is intended that they would each consult the public on the proposal in 2017. Following public consultation, if the three councils agree to proceed then the establishment and transition process would begin.

69. This sequence of steps is shown in Figure 1 below. It provides a staged transition process and does not transfer assets, liabilities, staff and operational responsibility to the Shared Water Management Company CCO until it is fit for purpose and ready to go.

70. The process provides key decision / control points to shareholders through the process. Under this approach, once a decision to establish a Shared Water Management Company CCO is made, shareholders would work to:

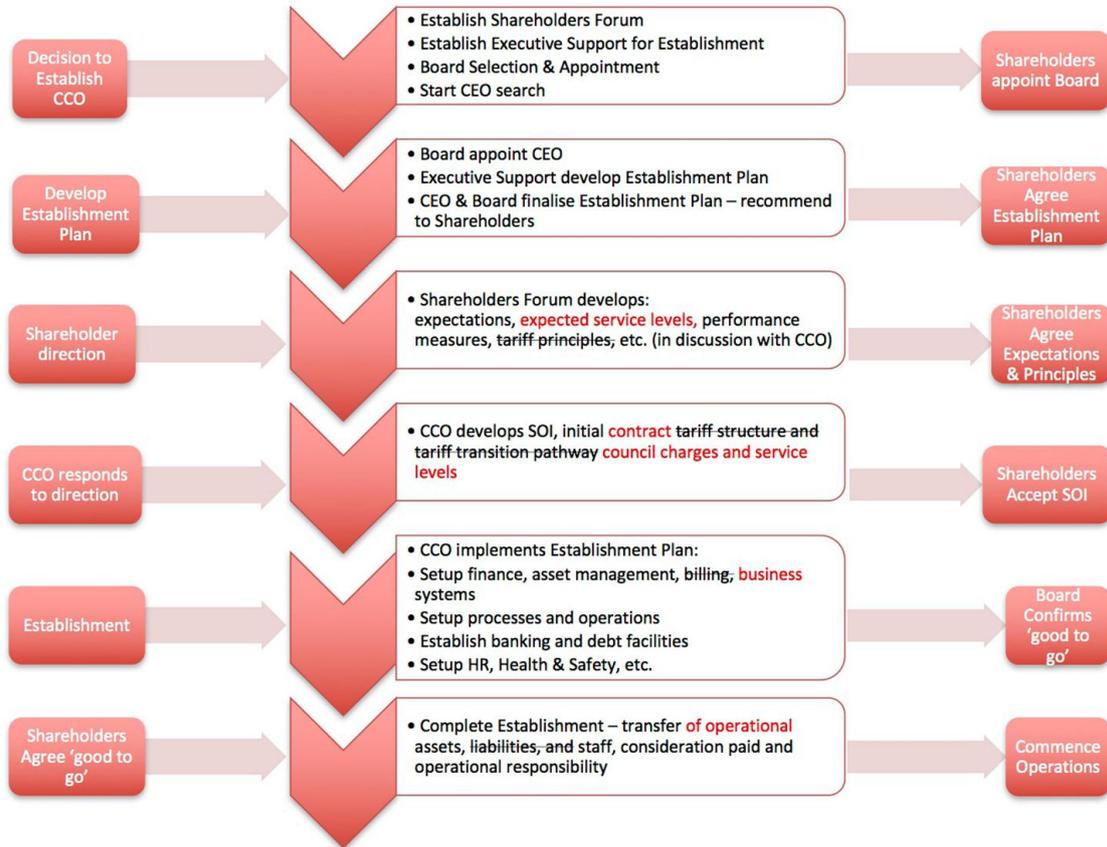
- a) appoint the Board
- b) agree an establishment plan
- c) develop and agree the expectations that they will set for the Shared Water Management Company CCO, the principles that the CCO must use to develop its tariff structure, and their expectations with respect to growth and economic development



- d) develop the form of contract for service and service levels that they expect for engagement with the Shared Water Management Company.
 - e) consider and adopt the SOI.
71. The Shared Water Management Company CCO will work systematically through the establishment process according to an agreed establishment plan. The CCO Board will oversee the establishment, including recruiting a CEO, SOI, initial contract for service, establishing charges to each council, tariff structure and tariff transition pathway. The Shared Water Management Company CCO will also setup its business systems and processes before it takes over ownership and operation of the water, and wastewater and stormwater systems. Having these systems in place and operational before the company CCO commences full operations significantly reduces risks associated with the transition. Importantly, staffing arrangements, management and operational systems will all be in place before it takes over assets.
72. The establishment plan will include the criteria that the CCO Board must meet before the final stage of the establishment process is completed. The CCO Board must satisfy itself that the organisation meets the criteria and is fit for purpose before they agree to the final stage of the transition – the transfer of assets, liabilities, staff and operational responsibility.
73. Prior to the good to go decision, the shareholders will have ample scope to exercise their decision-making role as they establish expectations, principles and the framework of performance measures within which the Shared Water Management Company CCO will operate. All of this must be established and agreed before the transfer of assets staff and operational responsibility.
74. In order to complete the establishment / transition process in a timely manner many of the processes shown in Figure 1 would be undertaken in parallel, rather than sequentially. The selection and implementation of business systems will need to be run in parallel with the process of setting shareholder expectations. The start of the CEO selection process (selecting a recruitment consultant, developing a draft position description and person spec, etc.) can happen in parallel with the selection and appointment of the Board.
75. The establishment process would also be supported by an executive team comprising key staff from each council. Their role will be to assist both the shareholder representatives and the Board and CEO through the process.
76. Assuming that the three councils consult on the proposal to establish a Shared Water Management Company CCO at the beginning of during 2017, it is expected it would be possible to complete the establishment process and transfer the assets – staff and responsibilities to the company CCO by the end of the 2018. 2018-19 financial year.



Figure 1: Establishment / Transition Process



Water, Wastewater, Stormwater Sub Regional Collaboration

↘ Elected Member Briefing

13 April 2017



D-2352506



Agenda

To inform Elected Members of the progress of the HCC Waters Governance Group on its analysis of options arising from the December 2016 resolution seeking more information.

8:30 – 8:40	Introduction	Blair Bowcott
8:40 – 9:45	Wellington Waters	Colin Crampton
9:45 – 11:00	Introducing new option "Shared Waters Management Company"	Peter Winder
11:00 – 11:30	Where are we going?	Peter Winder



13 April 2017



Where have we come from? Council Decisions

July 2015	HCC and Waikato DC agreed, in principle, to form a CCO, subject to full public consultation.
Late 2015	Three Councils agreed to form a 9-person Governance Group to establish essential elements of how a CCO would function, if formed. Report back by 30 June 2016.
March 2016	Waipa DC agreed, in principle, to form a CCO, subject to consultation.
July 2016	Three councils agree Draft Record of Agreement.
Post Election 2016	Waikato, Waipa and Hamilton reconsider Record of Agreement.



13 April 2017



4 May Council Meeting

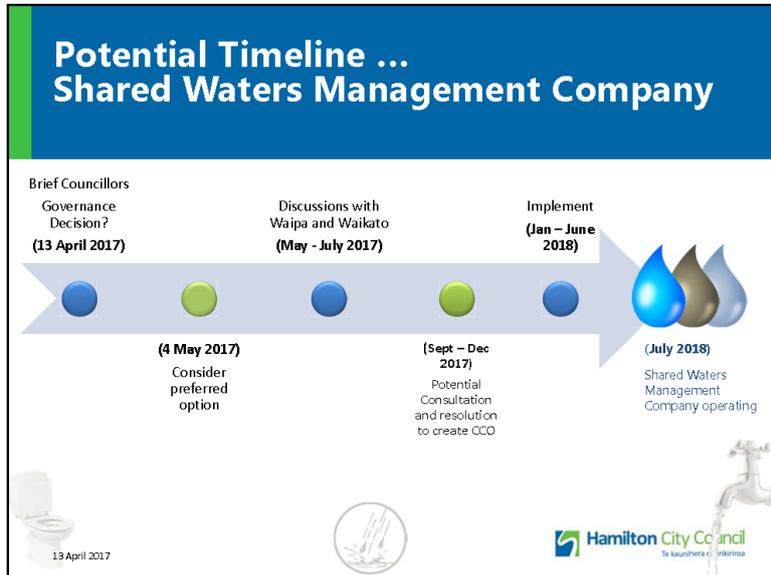


What is Hamilton's Preference?



13 April 2017







How we work with our councils

Wellington Water

Wellington Water is a Council Controlled Organisation owned by the GWRC, M HCC, UHCC, WCC and PCC.

Our owner councils:

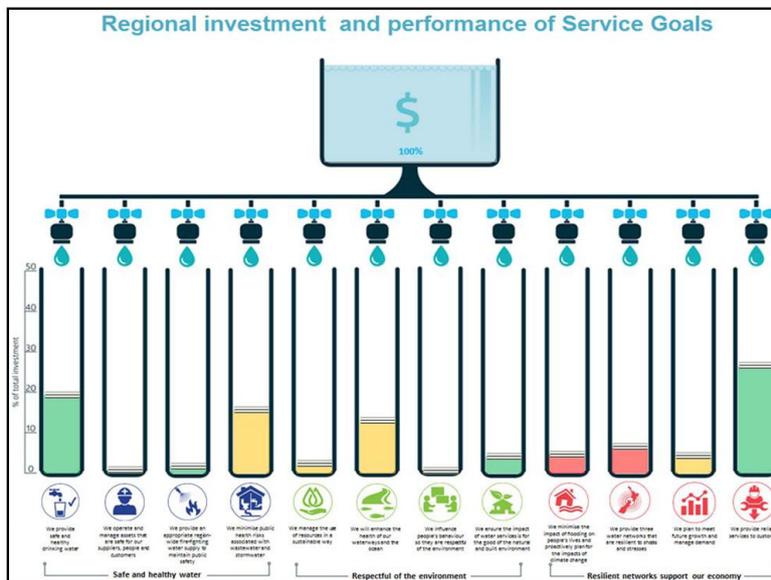
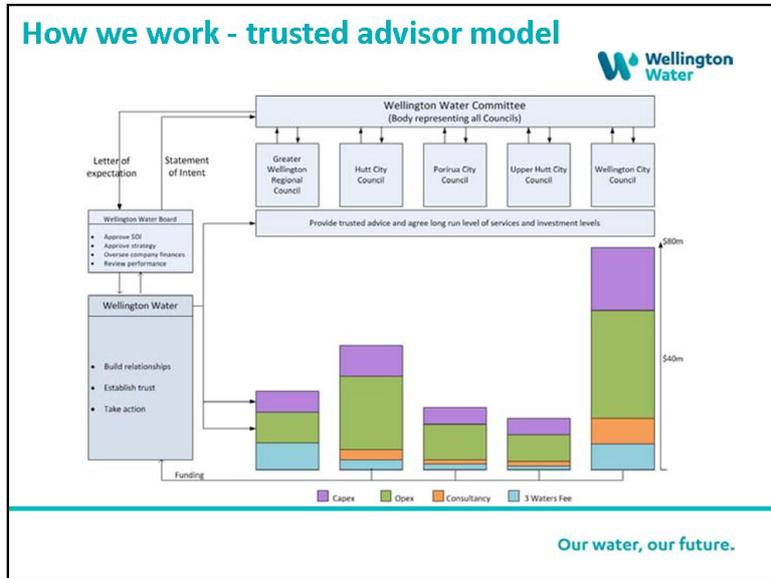
- Own their own assets and all expenditure is accounted back to individual assets
- Set worker rates, 10 year financial forecasts and annual budgets
- Set levels of service for water assets

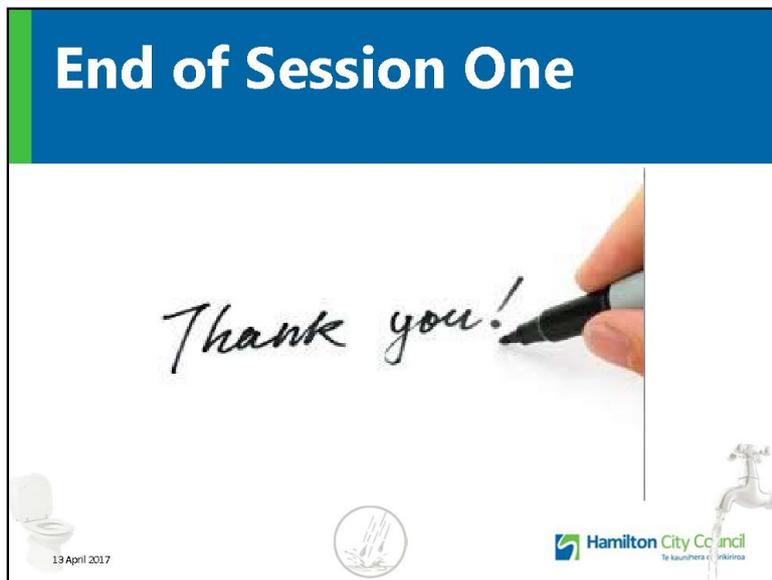
Wellington Water:

- Acts regionally on behalf of all councils to promote long-term service goal performance
- Compiles 10 Year Service Plans and 30 year infrastructure plans for individual councils
- Operates, maintains and improves the networks
- Works with councils to deliver an excellent customer experience



Our water, our future.





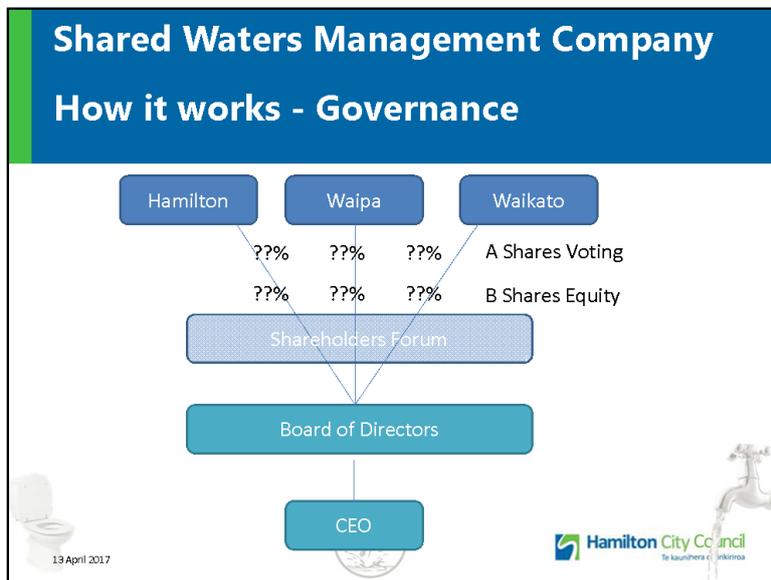
New Option

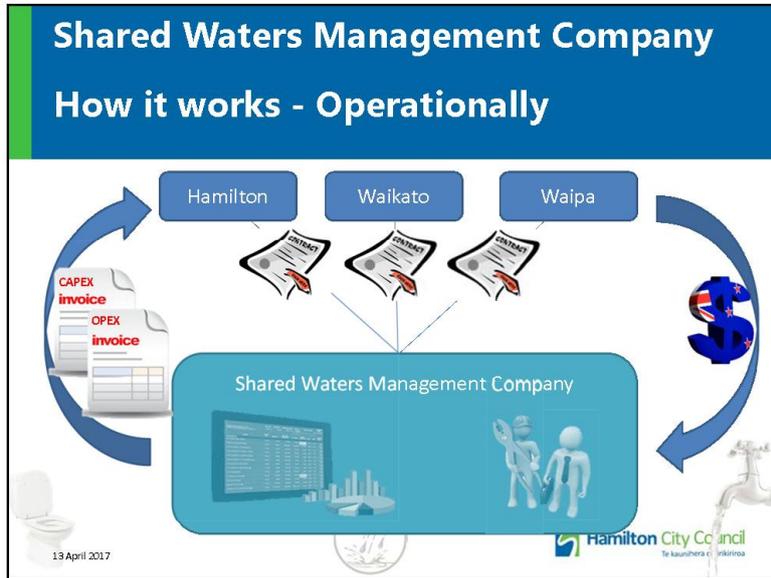
Shared Waters Management Company

- Does not own water assets
- Not for profit
- Center of Excellence for Water, Waste Water and Stormwater
- Providing the following services:
 - Asset Management
 - Project Management
 - Network Maintenance
 - Network Operation
 - Customer Service



13 April 2017





Shared Waters Management Company How it works - Council

**HAMILTON'S
10-YEAR PLAN**

2015-2025
LONG-TERM
INFRASTRUCTURE STRATEGY

2015-2045

WATER

WASTEWATER

STORMWATER

13 April 2017

RATES INVOICE / ASSESSMENT

Hamilton City Council
COUNCIL OF DISTRICTS
100 RIVERVIEW TERRACE, HAMILTON
PHONE: 07 552 2200 FAX: 07 552 2201
WWW.HAMILTONCITYCOUNCIL.CO.NZ

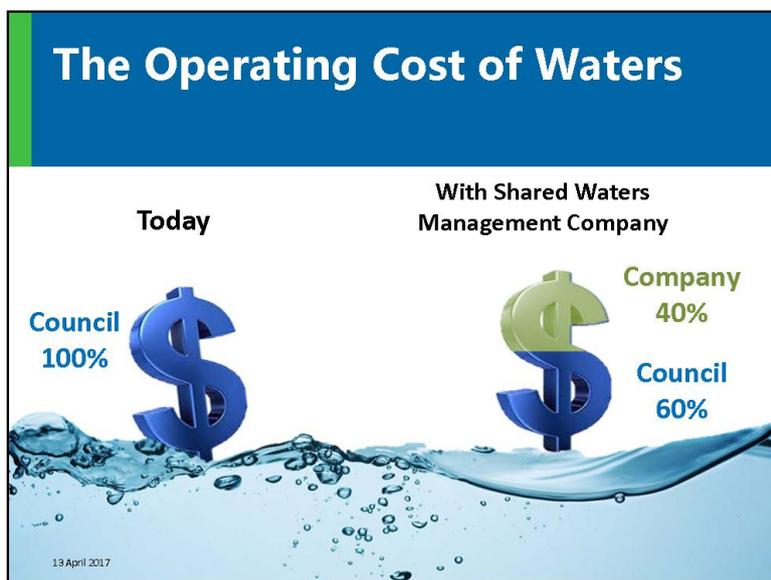
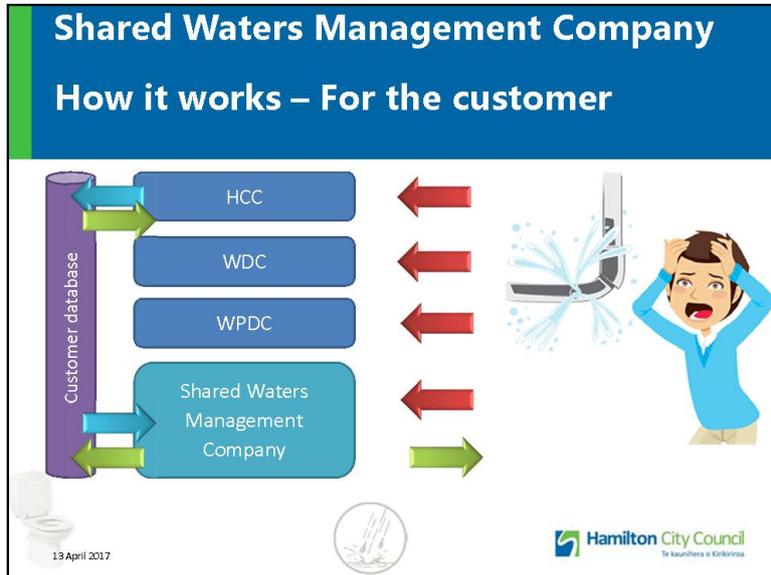
Invoice Date: 01 February 2017 **Rate Date: 01 February 2017**

Invoice Item	1	2	3	4
Water supply (1000 litres)	1000	1000	1000	1000
Wastewater (1000 litres)	1000	1000	1000	1000
Stormwater (1000 litres)	1000	1000	1000	1000
Water supply (1000 litres)	1000	1000	1000	1000
Wastewater (1000 litres)	1000	1000	1000	1000
Stormwater (1000 litres)	1000	1000	1000	1000
Total	3000	3000	3000	3000

Payment options:

SW
Paid by Fortnightly direct debit. No interest payment required.

13 April 2017



The Capital Cost of Waters

	Today	With Shared Waters Management Company
Council 100%		
	Company Most	Council Minimal if any



13 April 2017 Hamilton City Council
Te Kaunohere o Ōhātao

Shared Waters Management Company

How it works – Councils Trusted Advisors

- All waters / infrastructure staff employed by the company.
- Very close working relationship with Council staff.
- Shared Waters Management Company staff are advisors to Council.




13 April 2017 Hamilton City Council
Te Kaunohere o Ōhātao

Shared Waters Management Company

How it works – Governance and Control

HCC Finance Committee or Council	Shareholders Forum
<ul style="list-style-type: none"> Receive company performance reporting. Instruct HCC representatives of Shareholders Forum on: <ul style="list-style-type: none"> Letters of Expectation Statements of Intent Annual Reports Feedback on performance For HCC approve: <ul style="list-style-type: none"> Set Rates / Revenue Waters budgets Service levels Capital projects 	<ul style="list-style-type: none"> Monitor CCO performance Decide on: <ul style="list-style-type: none"> Letters of Expectation Statements of Intent Appoint Board Regional Policies Other items in ROA Recommend to HCC: <ul style="list-style-type: none"> Budgets Service levels Capital projects

13 April 2017

Shared Waters Management Company

Draft Possible Record of Agreement (by HCC)

- Stormwater - in
- Growth Forum replaced by Future Proof
- Shareholding A and B shares?
- Contracts for Service
- Assurance
- Decision making framework
- Alignment to Council objectives
- Development Engineering
- Elected Reps on Board (not changed)
- Water meters decision for each Council

Shared Waters Management Company

Outline of Approach:

1. This paper provides the outline of a possible Shared Waters Management Company (a non-asset-holding CCO) to manage and operate the water and wastewater systems and stormwater assets of Hamilton City, and Waikato District Councils.
2. This paper is based on the Record of Agreement reached between the three councils in 2016 in relation to a possible asset-holding CCO. Where there is not necessarily any need to continue a change to the approach outlined in the record of agreement that has occurred. It is noted that it is no longer appropriate to have that decision, however the decision is supported.

Key Elements of the Proposed CCO

1. The key elements of the proposed Shared Waters Management Company (SWM-CCO) are agreed upon by the Councils.
2. The purpose of the CCO will be to provide drinking water and treat and dispose of wastewater, and provide stormwater services under contract across the Hamilton, Waikato and Waikato District Councils.
3. The CCO will aim to deliver water services and operations in an efficient, effective and sustainable manner, maintaining agreed service standards and prudent management.
4. The CCO will provide stormwater services under contract to Hamilton City, Waikato District Council and Waikato District Council.
5. The CCO would be 100% owned by Hamilton City Council, Waikato District Council and Waikato District Council.
6. It will be possible for other councils to join the CCO on a for and equitable basis.
7. The CCO will take the form of a shareholder-owned, limited liability entity subject to local laws.
8. The CCO will own and operate the water and wastewater assets that will not pay dividends to shareholders.

13 April 2017

Next Steps in the Journey

4 May Council Meeting

Consider 3 options

- Enhanced Shared Services
- Shared Waters Management Company
- Asset Owning CCO

13 April 2017



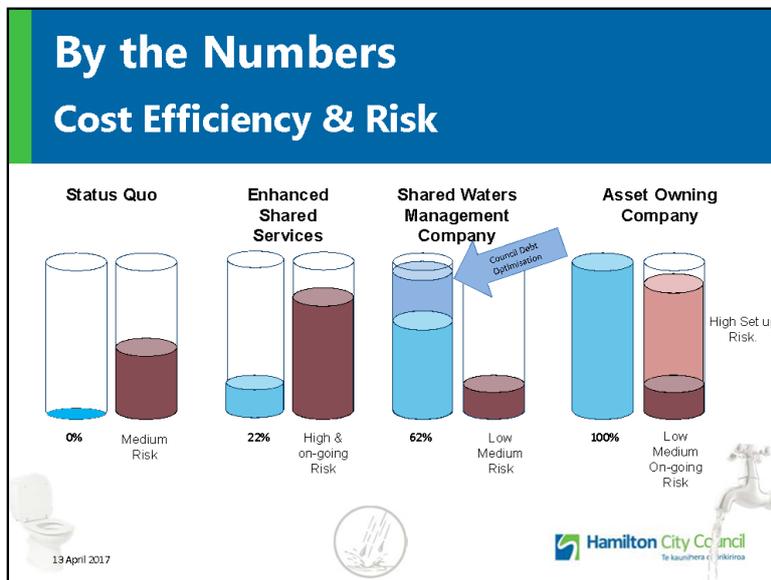
Recap

Enhanced Shared Service

```
graph TD; Hamilton[Hamilton] -- 33% --> VC[Voting]; Waikato[Waikato] -- 33% --> VC; Waipa[Waipa] -- 33% --> VC; VC --> JC[Joint Committee]; JC -.-> AB[Advisory Board]; AB -.-> COO[COO]; Hamilton -.-> COO;
```

13 April 2017





HCC WGG - Conclusions






13 April 2017

4 May – Options and Recommendations

Option	Recommendation
Status Quo	Not recommended – we can do better
Enhanced Shared Services	Not recommended – too risky
Asset Owning Company	Not recommended at this time – best benefits but too risky to set-up
Shared Waters Management Company	Recommended - acceptable risk, good benefits.





13 April 2017

Committee: Council

Date: 04 May 2017

Report Name: Regulatory Effectiveness and Efficiency Programme

Author: Debra Stan-Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Partly Operative District Plan Hamilton Urban Growth Strategy Growth Funding Policy 30-Year Infrastructure Strategy</i>
Financial status	<i>There is no budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval for the Terms of Reference for the Regulatory Effectiveness and Efficiency Programme as recommended by the Regulatory Efficiency and Effectiveness Taskforce.

3. Executive Summary

- The Regulatory Effectiveness and Efficiency Programme (REEP) is in response to the Mayor's call to "streamline the regulatory functions of Hamilton City Council" as noted in the Chair's reports at the Council meetings of 30 November 2016 and 13 December 2016.
- Stage 1 of the REEP focuses on the rules and methods framework in the Partly Operative District Plan (PODP) and related customer processes.
- Due to the comprehensive nature of the recently completed District Plan review, a review in total of the objectives and policies contained within the plan are not within scope of the REEP Stage 1 Part A. Part B of Stage 1 will consider whether objectives and policies may need to be reviewed in light of Part A recommendations.
- The Taskforce was convened as per previous resolution and met in April to draft and agree the Terms of Reference as attached and recommend them to Council.
- On approval of the REEP terms of reference, detailed project management plans for Stage 1 will be developed, including budgets and timeframes.
- The taskforce will report to Council in August on progress as per the terms of reference.

Recommendation from Management

That Council approves the Terms of Reference for the Regulatory Effectiveness and Efficiency Programme as recommended by the REEP Taskforce.

10. Attachments

11. Attachment 1 - Terms of Reference - Regulatory Effectiveness and Efficiency Programme (REEP)

12. Key Issues

Background

13. The proposed Regulatory Effectiveness and Efficiency Programme (REEP) is in response to the Mayor's call to "streamline the regulatory functions of Hamilton City Council" in his [30 November 2016 Council report](#).
14. At a meeting of Council on 30 November 2016, it was resolved that:
 - a) the report be received; and
 - b) in respect of the Regulatory Effectiveness and Efficiency Project, Council authorises staff to develop a project plan with external expert input for approval by Council by February 2017.
15. At a subsequent [Council meeting on 13 December 2016](#), a resolution was passed that:
 - a) The report be received;
 - b) A Regulatory Efficiency and Effectiveness Taskforce is established and that the membership of this taskforce is:
 - The Mayor
 - Chief Executive
 - General Manager, Infrastructure;
 - General Manager, City Growth; and
 - Three external members (to be selected by the members of the Taskforce)
16. The objective of the REEP is to ensure that Council's regulatory functions are delivered in an effective, efficient and customer-focused manner.
17. The proposed terms of reference (attached) ensure that the Taskforce will provide direction to the project team, resolve issues, and make recommendations to Council. It will include up to three external members to ensure the project is externally focused.
18. The first Taskforce meeting was held 18 April 2017 where the final Terms of Reference was drafted for recommendation to Council.
19. A further report to Council on progress will be to Council in August as per the terms of reference.

20. Stage 1 of the REEP focuses on rules and methods in the Partly Operative District Plan (PODP) and PODP-related customer processes and their ability to meet the objectives and policies within the PODP.
21. A district plan outlines what people can do with their land in the city and whether or not they require Council approval. It includes:
 - objectives for the district
 - policies to implement the objectives
 - rules and methods (if any) to implement the policies.
22. The Hamilton City Council District Plan has undergone a comprehensive review, following the process set out in Schedule 1 of the RMA. The review started in 2009 and ended when Council passed a resolution on 29 September 2016 to make the plan partly operative. (The Ruakura Variation, now Plan Change 1, is still outstanding.)
23. A review of the entire plan is not within the scope of the REEP, due to the rigorous nature of the District Plan review, which included consultation with stakeholders and the community, submissions, hearings before independent commissioners, and an Environment Court appeals process. Rather, Stage 1 Part A will focus on ensuring the tools Council uses to deliver existing policies and objectives are effective, as simple as possible, and achieve the impact that council and the community expect.
24. Part B of Stage 1 may consider the possibility of changes to objectives and policies if this is necessary to give effect to Part A recommendations.
25. **Treaty requirements/implications**
Iwi have been identified as a stakeholder.
26. **Implementation issues**
Detailed project management plans will be developed for Stage 1 on approval of the terms of reference.
27. **Financial and Resourcing Implications**
28. Cost projections for undertaking Stage 1 of the REEP are estimates until detailed project plans are developed. Current estimates are circa \$770,000 for project costs (for stages 1A and B) over a two year period)
29. Indicative budgets are included within the attached terms of reference.
30. **Risk**
31. There may be reputational risk to the Council if this project is not undertaken, as there is a community expectation that it will take place.
32. Expectations of the community will need to be managed such that they clearly understand the REEP scope (that is, for rules and methods only and not a full review of the entire PODP).
33. That without careful oversight by the Taskforce, the costs and project time and tasks may expand outside of approved scope.

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
------------	--

Terms of Reference

Regulatory Effectiveness and Efficiency Programme

D-2333125

1 Purpose

To streamline Council’s regulatory functions so they are effective, efficient, transparent and customer-focused, resulting in increased confidence in the quality of Council’s regulatory performance and providing certainty and clarity of process to business and community.

2 Scope

Stage 1 of the programme will consist of:

Part A: Assessing the rules and methods framework (including associated standards etc) of the Partly Operative District Plan (PODP) in terms of their efficiency and effectiveness in meeting the objectives and policies in the PODP, and

recommending any potential changes to those rules and methods necessary to serve the Purpose set out in section 1 above.

Part B: Identifying whether there are;

a) opportunities for improving the delivery of PODP-related customer processes; and recommending potential changes where appropriate.

b) Objectives and policies which could be reviewed in order to better serve the Purpose set out in section 1 above; and

Following completion of Stage 1, other regulatory functions will be selected for assessment, dependent on identified needs or legislative requirements.

3 Stage 1 Objectives

- To ensure greater efficiency, effectiveness and ease of use of the PODP by jettisoning redundant or unnecessary provisions and clarifying other provisions where necessary to achieve the objectives and policies of the plan.
- To improve the delivery of PODP-related customer processes through customer efficiency assessments.

4 Methodology

4.1 Part A: Assessing the efficiency and effectiveness of the rules and methods framework

The methodology for implementing Part A of Stage 1 consists of three workstreams, outlined below, followed by recommendations which will be reported to Council for approval.

Three work streams - Identifying rules and methods that can be eliminated or improved to ensure the planning framework in the PODP is user-friendly and encourages development and innovation, without compromising the PODP’s objectives and policies.

A Formal Monitoring and Evaluation of the PODP (Note 1)	B Already identified issues and inefficiencies	C External Review
Monitor and determine the extent to which the rules and methods efficiently and effectively achieve the objectives and policies of the PODP.	Review the “live” compilation of inefficient or unclear rules and methods identified by staff during the implementation of the PODP in conjunction with external stakeholders.	A group of external customers/ stakeholders will work in conjunction with staff to determine areas of the plan where an efficiency review will result in the best return for effort.

<p>Identify rules and methods that are creating inefficiencies, resource consent processing delays, and additional processing costs without adding to the achievement of the objectives and policies.</p> <p>The assessment is to be informed by monitoring and analysis of data collected by Council's consenting team, supplemented by consultation with relevant stakeholders in the development and planning community.</p>	<p>Identify superior alternatives or deletion of identified issues through implementation of PODP.</p> <p>Investigate matters and options through discussion and analysis with input from external experts.</p>	<p>Rather than undertake an analysis of the entire plan, sections with the greatest scope for improvement will be identified via a stocktake of a selection of resource consents identified via discussions with external stakeholders.</p> <p>Investigate issues and options through discussion and analysis with input from external experts.</p>
<p>D Recommendations</p> <ul style="list-style-type: none"> • Staff will make recommendations to the Task Force (see 6. Project Governance) that the PODP should be amended when evidence demonstrates that existing rules and methods add costs and delay to the planning process without delivering actual resource management or urban planning benefits • The Task Force will endorse the recommendations on which rules and methods can be amended, replaced or removed from the PODP to improve the efficiency and effectiveness of the PODP in achieving its objectives and policies 		
<p>E Reporting on Findings</p> <p>The Task Force will report to Council on the outcomes of the assessment, including any recommended changes to rules and methods in the PODP within twice yearly. This would include discussion of the legislative process required to make any changes to the PODP and related processes. After receiving the report, Council will determine whether to initiate a plan change to address any recommended changes to the rules and methods in the PODP and related processes.</p>		

Note 1 - The Monitoring and Evaluation Assessment of the rules and methods in achieving the objectives of a district plan is based on data and evidence-based methodology over a twelve-month period commencing June 2017.

A detailed project plan and timelines will be developed for Part A.

4.2 Part B: Efficiency assessments from a customer perspective

An independent consultant specialising in customer efficiency processes will be appointed to undertake customer process assessments. The methodology for undertaking these assessments will be developed by and approved by the Task Force.

5 Budget – Stage 1

Part A - Project Cost

Project management **\$150,000**

Direct project costs

• Legal support	\$100,000	
• External resources	\$150,000	
• Research and evidence	\$100,000	
• Engagement	\$50,000	
• Internal Costs	\$100,000	
		\$500,000

Part B

• Customer efficiency assessments	\$120,000	
		\$120,000

TOTAL (Est) **\$770,000**

2017/18		2018/19	
Stage 1 – Part A	\$325,000	Stage 1 Part A	\$325,000
		Stage 1 Part B	\$120,000

Note:

- The project costs for Stage 1 will be spread over two financial years as above.
- The internal costs are associated with
 - The secondment of staff to the role of Project Manager
 - Back filling internal secondment
 - Administrative and project management support
- These figures do not include the cost of any plan change processes required to effect changes to the PODP. These figures will form part of the LTP submissions as the scope of the required changes will be known at that stage.

6 Project Governance

Project Task Force

A Task Force will be established to:

- provide guidance and direction to the project team
- resolve strategic and directional issues
- manage high and critical risks for the programme
- make recommendations to Council
- champion the programme and related projects.

The Task Force will have up to 7 members, being:

- The Mayor
- Chief Executive
- GM Infrastructure
- GM City Growth
- Up to three external members.

The Task Force will meet on a monthly basis and report back to Council on a 6-monthly basis.

7 Programme Implementation

7.1 Project Manager (internal to Council)

The Project Manager will:

- act as the internal Council co-ordinator across the various units involved within the planning-related regulatory functions of Council
- be the Council link with the Project Advisor and the Task Force
- provide access to Council information and in tandem with the Project Advisor, manage each of the three stages of the assessment and provide technical expertise
- provide access to information to external stakeholders and lead stakeholder sessions with the Project advisor
- gather feedback from the external stakeholders for analysis in tandem with the Project Advisor
- prepare internal reports to the Task Force for meetings
- prepare reports to Council on recommendations of the Task Force.

7.2 Project Advisor (external to Council)

A project advisor will be appointed to ensure the project takes a “customer point of view”. The project advisor will work alongside an internal project manager, external experts and stakeholders to assist in developing:

- identification of required external skills sets as required to fulfil evidential requirements
- technical analysis as per Stages A, B and C (refer Section 2) in tandem with Council , and
- analysis and review of assessment findings with supporting recommendations to the Task Force for reporting to Council.

7.3 Stakeholders

- Iwi
- Property Council and members
- Chamber of Commerce and members
- Master Builders and members
- NZTA and other government agencies eg Housing NZ
- Waikato Regional Council.
- Council Staff
- Other individuals and groups as required

8 Timeframe

It is estimated that the delivery period for Stage 1 will be approximately 18 months. Key milestones and a work schedule will be identified in the project plan.

Recommendations to Council by the Task Force will ultimately need agreement by Council for adoption to the PODP via a formal process.

9 Terms of Reference Review

The terms of reference will be reviewed as required and, at a minimum, every 12 months.

Committee: Council

Date: 04 May 2017

Report Name: The Government's
consultation document "Clean
Water"

Author: Paul Ryan

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Sustainability Principles District Plan Corporate Strategy The Hamilton Plan The Hamilton City River Plan Long-Term Infrastructure Strategy (2015-2045)</i>
Financial status	<i>There is no budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of the Council's submission to the Ministry for the Environment's (MfE's) consultation document, *Clean Water*.

3. Executive Summary

- At a briefing on 13 April 2017, Council directed staff to prepare a Council submission to *Clean Water*. A draft submission was circulated to Council members on 18 April 2017 for comment.
- The *Clean Water* proposals include:
 - Changes to the *National Policy Statement – Freshwater Management (NPS-FM)*.
 - A new goal – 90% of rivers and lakes swimmable by 2040 – which might require changes to be made to *Proposed Waikato Regional Plan Change 1 – Waikato and Waipa River Catchments (PPC1)*.
 - New requirements for regional councils to monitor, and publicly notify data about, water quality at freshwater swimming spots.
 - Changes to policy on managing the water quality effects of significant infrastructure. These changes are partly in line with Council's 2016 submission on the Government's consultation document *Next Steps for Freshwater*.
 - Controversial changes to the water quality standards used to determine whether freshwater is swimmable. These don't have any particular implications for Council.
- It is important that Council submits on the latest consultation document in order to help ensure that Council's interests as a provider of municipal three waters services are protected. Some minor wording changes to the NPS-FM could help achieve this outcome.

7. Submissions closed on 28 April 2017, but the MfE granted Council an extension to 5 May 2017, provided a copy of a draft submission was submitted by 28 April 2017. The MfE advised it will adjust its report, if necessary, after receipt of the final submission.

8. Recommendations from Management

That Council:

- a) Receives the report; and
- b) Approves Council's 4 May 2017 submission to the Ministry for the Environment's consultation document, *Clean Water*.

9. Attachments

10. Attachment 1 - HCCs Draft 1 Submission to the MfEs February 2017 Consultation Document on Clean Water (4 May 2017)

11. Key Issues

12. Background

13. *Clean Water* is a [consultation document](#) setting out the latest proposals in the Government's on-going programme to improve freshwater management. Since 2013, Council has made five submissions on the Government's previous proposals on this subject.

14. This consultation document covers five components:

- A proposed target of 90% of rivers and lakes swimmable by 2040.
- New maps and information on current water quality for swimming.
- Proposed wording amendments to the NPS-FM.
- An invitation to apply for the Freshwater Improvement Fund. This is a new fund to which the Government has committed \$100 million over 10 years to improve the management of New Zealand's lakes, rivers, streams, groundwater and wetlands. The fund supports projects with a total value of \$400,000 or more that help communities manage fresh water within environmental limits.
- Policy proposals for excluding stock from waterways.

15. Legislative requirements or legal issues

- The Resource Management Act requires regional policy statements (s.62(3)), regional plans (s.67(3)) and district plans (s.75(3)) to give effect to any National Policy Statement.
- Changes may be necessary to the *Waikato Regional Plan* or PPC1 if proposed changes to the NPS-FM were confirmed, but no changes will be needed to *the Hamilton City Partly Operative District Plan*.

16. Implications of *Clean Water* for Council and the City

- Submissions on PPC1 closed on 8 March 2017 following over 2.5 years of deliberations by the Collaborative Stakeholder Group. Targets, and timeframes to achieve them, proposed in *Clean Water* differ from, and may conflict with, those in PPC1. If the proposed amendments to the NPS-FM were confirmed, PPC1 may need to be amended to give effect to them.

- Two issues Council addressed in its submission on PPC1 are also relevant to *Clean Water*:
 1. Exempting zoo animals from requirements to exclude animals from freshwater bodies; and
 2. Recognising the “drainage” value of freshwater.
- A proposed new Appendix 5 to the NPS-FM sets out requirements for regional councils to monitor E.coli at freshwater swimming spots.
- Proposed changes to Policy CA3 in the NPS-FM are partly in line with changes Council sought in its 2016 submission on *Next steps for freshwater*.
- *Clean Water* proposes to delete reference to “municipal water supply” from the NPS-FM. It is in Council’s strategic interest that this reference is retained.
- *Clean Water* proposes lowering the standards for determining whether the quality of a freshwater body is swimmable – see Appendix 2 (p.39). This proposal generated a lot of controversy in the media when the package was announced. However, this change does not have any particular implications for Council.

17. Financial and Resourcing Implications

18. There are no known financial or resourcing implications for Council. The proposed swimmable targets may require earlier upgrades of HCC’s stormwater and wastewater infrastructure than will be required by PPC1. The upgrades PPC1 will require are not yet known.

19. Risk

20. National requirements for management of freshwater may end up less favourable to Council’s interests if Council were not to make a submission.

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
------------	--

Draft 1

Submission by

Hamilton City Council**Ministry for the Environment's 'Clean Water' Consultation Document****4 May 2017**

1.0 EXECUTIVE SUMMARY

This submission:

- (1) Supports including swimmable water targets in the National Policy Statement for Freshwater Management (NPS-FM), provided the targets and timeframes are achievable and sustainable; and questions whether achievement of these targets would be assessed at the national, regional, freshwater management unit or other level;
- (2) Identifies that the monitoring of water quality at freshwater swimming sites and the way the water quality data is managed will need to change significantly in order to ensure that people have timely access to this information and know whether or not the water quality at these sites is safe for swimming on any particular day;
- (3) Supports in general the proposed amendments to the NPS-FM, except where indicated otherwise, and supports in particular retention of:
 - (a) Proposed amendments to Policy CA3;
 - (b) Objective A3; and
 - (c) Policies A5, CB1 and CB2;
- (d) Seeks retention of the term "municipal water supply" in Appendix 1: National values and uses for fresh water: Extractive uses: Water supply;
- (e) Seeks addition of the "drainage" value of fresh water bodies to Appendix 1;
- (f) Seeks minor amendments to several provisions within the NPS-FM to clarify their meaning, including:
 - (a) Interpretation of the term "suitable for immersion more often";
 - (b) Objective B1;
 - (c) Policy E1(b);

- (d) Appendix 1: Human health for recreation;
- (e) Extractive uses: Water supply; and
- (g) Seeks provision for zoo animals to be exempt from requirements to exclude animals from freshwater.

2.0 INTRODUCTION

2.1 Hamilton City Council (HCC) welcomes the opportunity to make a submission to the Ministry for the Environment's February 2017 Consultation Document *Clean Water*.

2.2 HCC takes great interest in the Government's proposed changes to freshwater management and has made comprehensive submissions on the following Ministry for the Environment Documents:

- *Freshwater Reform 2013 and Beyond* (March 2013)¹;
- *Proposed Amendments to the National Policy Statement for Freshwater Management 2011* (November 2013)²;
- *Further Amendments to the National Policy Statement for Freshwater Management 2014*³;
- *Draft Implementation Guide for the National Policy Statement for Freshwater Management 2014*⁴; and
- *Next Steps for Freshwater* (February 2016)⁵.

3.0 ABBREVIATIONS

3.1. Abbreviations used in this submission are listed in Appendix 1.

4.0 GENERAL COMMENTS

4.1. Hamilton is New Zealand's fourth largest city and is bisected by the Waikato River.

4.2. The Waikato River and its contribution to New Zealand's cultural, social, environmental, and economic well-being are of national importance⁶.

4.3. The Waikato River is the primary source of Hamilton's potable water⁷ and provides a drainage outlet for the city's stormwater and treated wastewater. It is an outstanding natural feature in Hamilton City and the Waikato Region. The river and its margins contain significant habitats of indigenous fauna and vegetation, and it is recognised as an area of high amenity value, with natural, cultural and heritage significance. Restoring, protecting and enhancing the health and

¹ HCC submission dated 8 April 2013

² HCC submission dated 4 February 2014

³ HCC submission dated 11 September 2014

⁴ HCC submission dated 3 December 2014

⁵ HCC submission dated 29 April 2016

⁶ Section 9(1) of the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010

⁷ Some properties rely on roof-water tanks and/or groundwater bores.

well-being of the river and its margins are essential to ensure the quality of this resource is available for future generations⁸.

- 4.4. The Waikato River through Hamilton is already at, or approaching, full allocation of water.
- 4.5. Hamilton City has within its boundaries over 3,000 hectares of rural land which will be urbanised progressively in the future – see Table 1 and Figure 1.

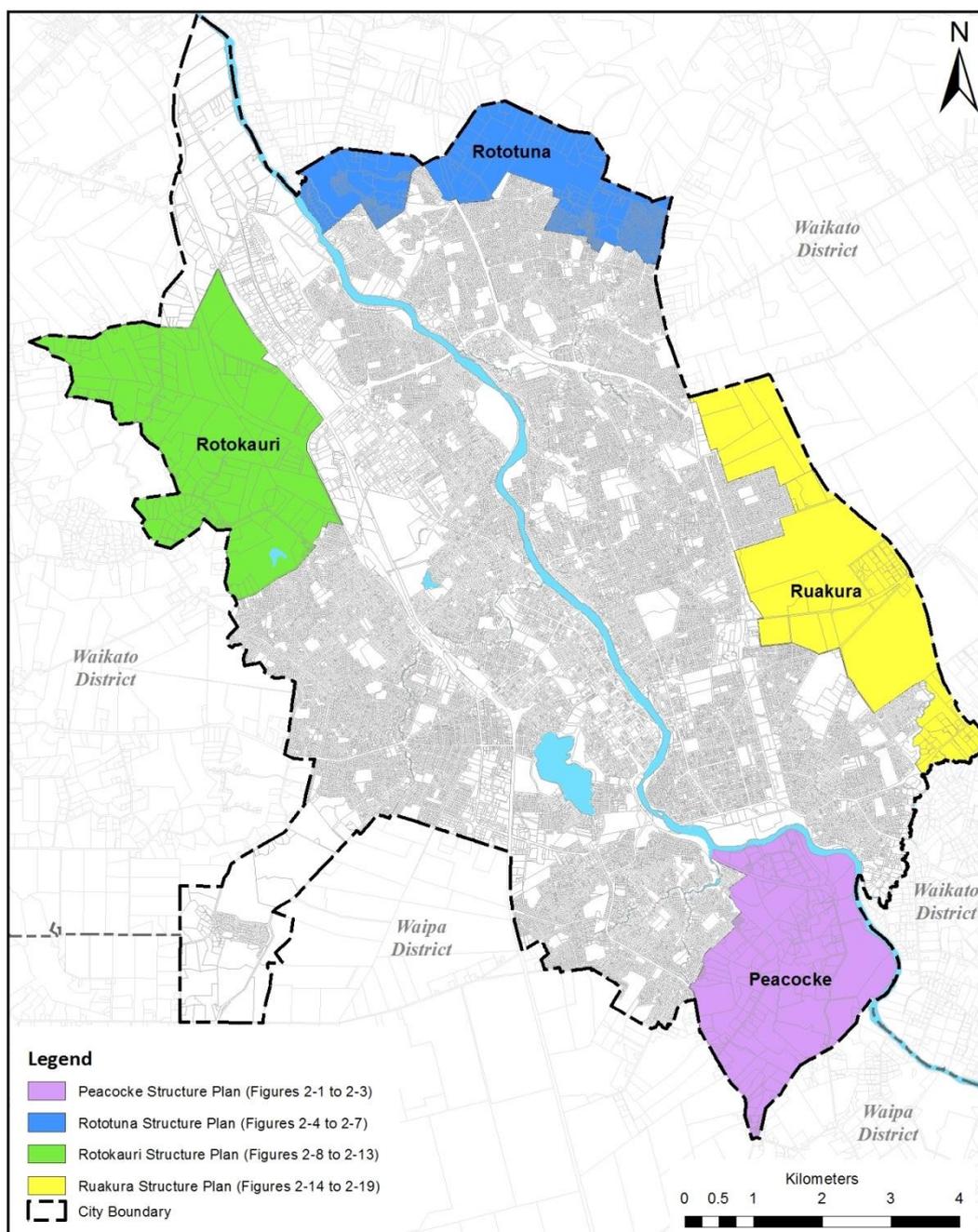
Table 1: Rural Land in Hamilton as at July 2016

Development Area	Area (hectares)
Rototuna	514.17
Rotokauri	955.23
Ruakura	800.81
Peacocke	746.74
Total	3,016.95

Figure 1: Development Areas within Hamilton City⁹

⁸ See the Explanation regarding Objective 2.2.7 in the Hamilton City Proposed District Plan.

⁹ Figure 1 reproduces Figure 3.1a of the Hamilton City Partly Operative District Plan.



- 4.6. In addition, some tributaries of the Waikato River flow through the city from rural areas outside the City boundary, for example, Kirikiriroa, Waitawhiriwhiri, Mangakotukutuku, and Mangaonua Streams – see Figure 2. On the other hand, some tributaries have their source within urban areas and flow through rural areas before discharging to the Waikato or Waipa Rivers, for example, Otamangenge Stream and Mangaheka Stream respectively.
- 4.7. As the City is reliant for most of its water on the Waikato River, which drains from mainly rural areas upstream, and because the city contains rural areas and rural areas discharge through the City, HCC has an interest in the provisions of the NPS-FM that relate to rural properties as well as those that relate to urban areas.
- 4.8. Hamilton is a growing City. The National Policy Statement on Urban Development Capacity (2016) (the NPS-UDC) requires all local authorities to ensure that at any one time there is

sufficient development capacity available within the next thirty years to meet demand for work and business places and dwellings¹⁰.

- 4.9. Hamilton City falls within the definition of a “high-growth urban area” in the NPS-UDC¹¹. For these areas the NPS-UDC requires the local authorities to provide an additional margin of feasible development capacity over and above projected demand of at least 20% in the short and medium term, and 15% in the long term.¹² Furthermore, these local authorities are required to consider all practicable options for providing sufficient, feasible development capacity and enabling development to meet demand.¹³

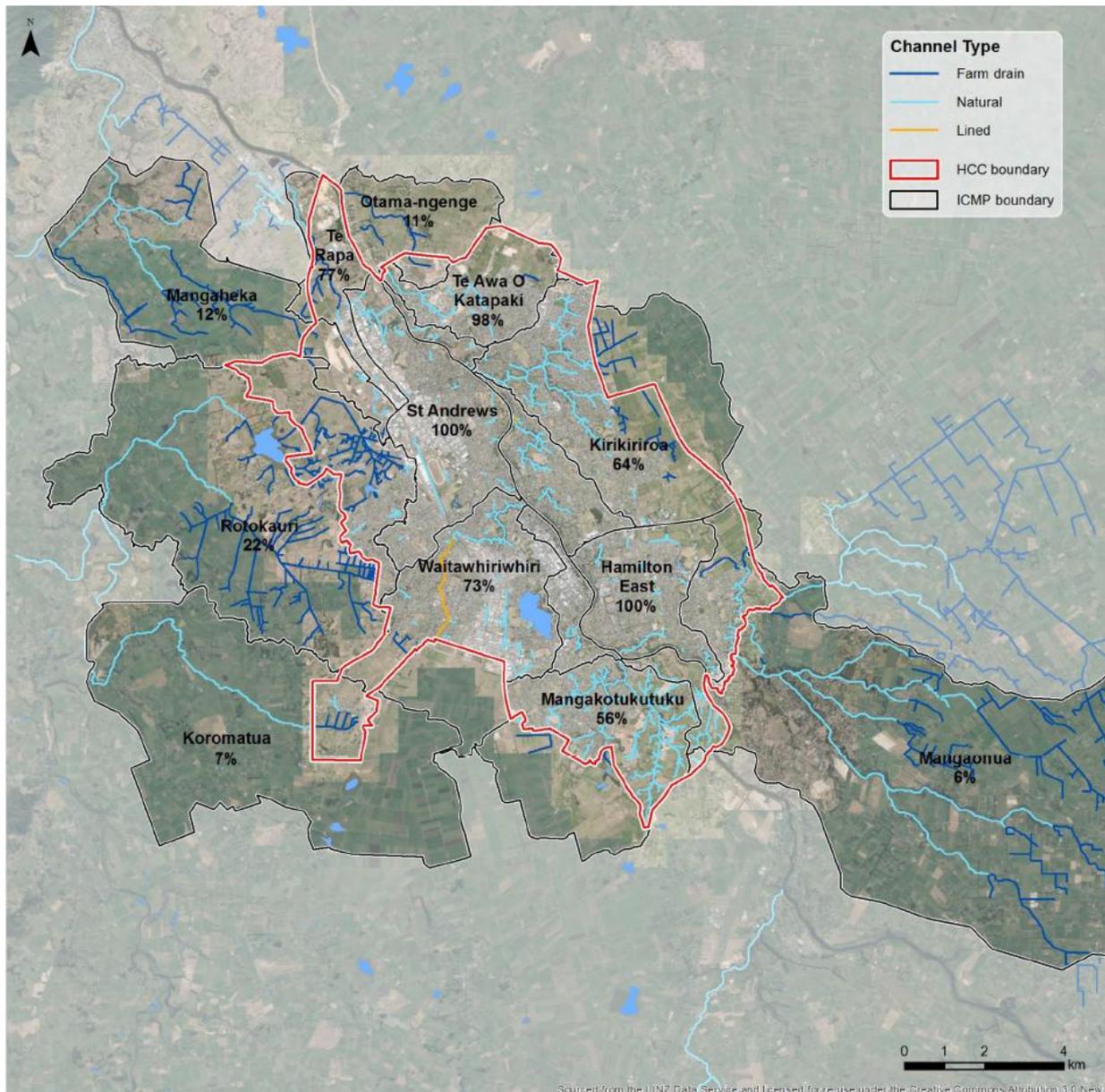
¹⁰ See Objective OA2 and Policy PA1 on p10 and p11 of NPS-UDC.

¹¹ See p.7 of the NPS-UDC and *Summary of the National Policy Statement on Urban Development Capacity* (2016, p.2).

¹² Policy PC1 of NPS-UDC (2016, p.13)

¹³ Policy PC4 of NPS-UDC (2016, p.14)

Figure 2: Percentage of Catchments within Hamilton City¹⁴



¹⁴ Source: Figure 20 of *Stormwater Master Plan Version 1* (Morphum Environmental Limited, 2016, p.14) (D-2274157)

5.0 THE VISION AND STRATEGY FOR THE WAIKATO RIVER

- 5.1. The Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010 and the Resource Management Act 1991 (the RMA)¹⁵, in combination, require HCC to give effect to the Vision and Strategy for the Waikato River.
- 5.2. The Vision and Strategy prevails over any inconsistent provision in a national policy statement.¹⁶
- 5.3. The Vision and Strategy for the Waikato River includes the following objective, which applies to all surface water bodies in the Waikato¹⁷ and Waipa River catchments:

*the restoration of water quality within the Waikato River so that it is safe for people to swim in and take food from over its entire length.*¹⁸

- 5.4. Since the enactment of the Vision and Strategy for the Waikato River, HCC has integrated its requirements into the following key statutory and strategic documents:

- (1) *Hamilton City Partly Operative District Plan;*
- (2) *HCC's Corporate Strategy;*
- (3) *The Hamilton Plan;*
- (4) *The Hamilton City River Plan;* and
- (5) *HCC's Long-Term Infrastructure Strategy (2015-2045).*

- 5.5. HCC anticipates the following benefits from realisation of the objective to make the Waikato River and its tributaries swimmable:

- (1) The waterways will become more aesthetically attractive natural features within the City;
- (2) The waterways will provide more recreational opportunities for Hamilton residents and visitors to Hamilton;
- (3) Water quality improvements will enable humans to have physical contact with the city's natural waterways with minimal risk of experiencing any adverse health effects as a consequence of that contact, almost all the time;
- (4) These improvements will help make Hamilton a more attractive city for families, support efforts to improve connections to the Waikato River and support tourism; and
- (5) Maori cultural aspirations will be realised.

- 5.6. The Waikato Regional Council notified *Proposed Waikato Regional Plan Change 1 – Waikato and Waipa River Catchments (PPC1)* in October 2016. PPC1 aims to give effect to the Vision and Strategy for the Waikato River and the NPS-FM. Submissions on PPC1 closed on 8 March 2017, and HCC made a submission¹⁹.

¹⁵ See sections 73(4), 75(3)(a) and 75(3)(c) of the RMA.

¹⁶ See section 12(1)(a) of the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010.

¹⁷ Below Huka Falls – See the definition of Waikato River in section 2 of the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010.

¹⁸ Clause (3)(k) of Schedule 2 of the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010

¹⁹ See Appendix 2 References.

6.0 WATER QUALITY TARGETS

- 6.1. HCC supports including appropriate water quality targets in the NPS-FM for achieving swimmable water for the following reasons:
- (1) Targets for making water bodies swimmable are necessary. Without the compulsion of a target in a national policy statement, or some other statutory requirement, it would be very difficult for regional councils to make the policy and plan changes necessary to achieve this outcome. This is because of the political challenges involved in getting agreement to new requirements necessary for managing the discharge of pathogens and other contaminants in the environment; these new requirements would come at a cost.
 - (2) Having national targets avoids the need for, and cost of, each regional council having to repeat the science and argue or litigate the targets through council hearings and the Environment Court.
 - (3) There is a clear desire by communities for freshwater to be swimmable²⁰.
 - (4) Making freshwater bodies within Hamilton City swimmable falls within the scope of the objectives of the Vision and Strategy for the Waikato River, has been integrated into the above listed documents²¹, and is expected to yield the benefits listed in Paragraph 5.5 above.
 - (5) If the proposal in *Clean Water* to remove the national bottom line value for human health for recreation were confirmed, inclusion of the water quality targets would help fill the resulting gap and achieve swimmable water quality more often over more waterways.
- 6.2. PPC1²² proposes different targets and timeframes from those proposed in *Clean Water*. It is not clear what actions HCC would have to take, and at what cost, in order to meet the targets and timeframes proposed in PPC1 or *Clean Water*.
- 6.3. HCC's submission on PPC1 seeks retention of provisions that:
- (1) Require any person undertaking a point source discharge to water or onto land to adopt the best practicable option to avoid or mitigate the adverse effects of the discharge²³.
 - (2) Allow offset measures to be implemented at locations other than at the point of discharge (subject to meeting specified conditions) where it is not practicable to avoid all the discharge's adverse effects²⁴.
 - (3) Allow point source discharges to continue under the terms of their existing discharge consents, and for any requirements arising from new water quality targets to apply when the consent is renewed.

²⁰ For example, see Objective 3(k) in the Vision and Strategy for the Waikato River and under the heading "Improving Swimmability" in *Next Steps for fresh water: Summary of Submissions* (p.54).

²¹ See paragraph 0 above.

²² See paragraph 0 above.

²³ See HCC's submission point on 3.11.3 Policy 11 Application of best practicable option and mitigation or offset of effects to point source discharges on pages 19 to 23 of HCC's submission on PPC1.

²⁴ Ibid

- 6.4. HCC seeks for similar provisions to be included in, or allowed by, the NPS-FM for the following reasons:
- (1) The best practicable option recognises and provides for situations where it is not practicable for a specific discharge to meet a particular water quality target; and
 - (2) Requiring application of the best practicable option is a reasonable requirement and is consistent with sections 2, 108(2)(e) and 128(1)(a)(ii) of the RMA.
 - (3) Allowing offset measures can be an efficient and effective way of achieving improved water quality in rivers and lakes, and this efficiency and effectiveness is consistent with the purpose of the Local Government Act 2002²⁵.
 - (4) Any upgrading of a municipal authority's stormwater and wastewater infrastructure networks, which may be required in order to meet new water quality targets, needs to be planned. The Local Government Act 2002 requires the municipal authority to make financial provision for the upgrading in the authority's Long-term Infrastructure Strategy and Ten Year Plan. For example, HCC's current strategy and plan provide for upgrades to HCC's wastewater treatment plant. These are necessary to comply with HCC's current discharge consent while also accommodating predicted urban growth and are budgeted to cost tens of millions of dollars each. Applying new water quality standards when discharge consents are renewed provides for a planned, orderly, financially manageable approach to improving water quality.
- 6.5. The actual targets and timeframes chosen for inclusion in the NPS-FM need to be achievable and sustainable. Decisions on these should be made in the knowledge of the costs and effects of achieving these goals.
- 6.6. It is not clear how the national targets would relate to regional and local targets. For instance would 90% of rivers and lakes in each region be required to be swimmable by 2040, or would lower percentages of rivers and lakes be required to be swimmable within some regions, and higher percentages in other regions? Alternatively, would these targets apply to Freshwater Management Units or to some other geographical areas?

7.0 BETTER INFORMATION ON WATER QUALITY FOR SWIMMING

- 7.1. The *Clean Water* package relies on the Land, Air, Water Aotearoa (LAWA) website to provide current water quality information from freshwater monitoring sites across the country, so people will know where and when freshwater quality is safe for swimming.
- 7.2. HCC made the following observations of the LAWA website on 17 March 2017:
- (1) There was data regarding whether the Waikato River was swimmable for only two locations within Hamilton City – at Wellington Street Beach and the Pukete Footbridge.
 - (2) The website noted that water quality monitoring for recreation is undertaken at both sites only every second year.

²⁵ The purpose of local government set out in the Local Government Act 2002 includes: “to meet the current and future needs of communities for good-quality local infrastructure ... in a way that is most cost-effective for households and businesses” (section 10(1)(a)). Furthermore, a local authority is required to act “in an efficient and effective manner” when “performing its role” and “giving effect to its identified priorities and desired outcomes” (section 14(1)(a)(ii)).

- (3) No data was recorded for the 15 day period between 21 December 2016 and 4 January 2017 inclusive.
- (4) The water quality data was out-of-date. On 17 March 2017 the latest monitoring results available for the two sites in Hamilton City were for sampling undertaken on 21 February 2017 – 25 days previously.

7.3. HCC makes the following comments in relation to each of these observations, respectively:

- (1) Several Waikato River beaches within Hamilton City are popular for swimming. The water quality at the two sampled sites does not necessarily reflect the water quality at the other beaches.
- (2) In order to comply with proposed Appendix 5 of the NPS-FM, the total amount of sampling at the monitoring sites will need to significantly increase. It would need to continue throughout the year on a monthly basis outside of the bathing season, and would need to be undertaken every year.
- (3) The people who normally undertake the monitoring and sample testing may have been on leave over the Christmas/New Year period. Ironically, this is a period when there is potential for a higher demand for bathing and up-to-date information about the water quality.
- (4) There appears to be a significant delay between water quality samples being taken and the test results appearing on the LAWA website. Consequently, the LAWA website does not provide people with access to current information about river water quality.

7.4. The monitoring of water quality at freshwater swimming sites and the way the water quality data is managed will need to change significantly in order to avoid the above-noted deficiencies and limitations of the LAWA website and to meet the intent of the NPS-FM.

8.0 AMENDING THE NATIONAL POLICY STATEMENT FOR FRESHWATER MANAGEMENT 2014

9.0 Introduction

9.1. Where this submission suggests changes to the wording of the NPS-FM, these changes are presented in red as follows:

- Additions: underlined; and
- Deletions: ~~strikethrough~~.

9.2. HCC supports, in general, the amendments to the NPS-FM as set out in *Clean Water*, except where indicated otherwise below.

9.3. In particular, HCC supports the requirements for regional councils to improve the quality of freshwater towards a swimmable standard over time and to monitor and report progress. These requirements are set out in the following provisions:

- Objective A3;
- Policies A5, CB1 and CB2; and

- Appendix 5.

10.0 Interpretation – “Suitable for immersion more often”

10.1. The proposed definition of “suitable for immersion more often” has a number of deficiencies, which are discussed as follows:

- (1) The monitoring requirements set out in Appendix 5 do not state a method of “reducing the frequency and magnitude of *E. coli* exceedances over time”; they merely set out requirements for notifying the public and medical officer of health and the frequency of monitoring.
- (2) The term “*E. coli* exceedance” is not defined.
- (3) Reducing the magnitude of an exceedance of the *E. coli* threshold (540 *E. coli*/100ml) would not, alone, make the water more swimmable. This is because the threshold would still be exceeded, and therefore the water would still be considered to be in an unacceptable state for swimming. In the first instance, it is the **frequency** of exceedances of the *E. coli* threshold (540 *E. coli*/100ml) that needs to be reduced in order to make the water body suitable for immersion more often.
- (4) In addition to this, recognising the complexity of the four tests involved in determining the attribute states for rivers, there needs also to be an overall reduction in the magnitude of *E. coli* concentrations. This includes reductions in the magnitude of *E. coli* concentrations both below and above the threshold concentration of 540 *E. coli*/100ml.

10.2. In order to remedy these deficiencies and improve clarity and understanding, the definition should be amended as follow:

“Suitable for immersion more often” means reducing the magnitude of E. coli concentrations and the frequency and magnitude of E. coli-exceedances of the E. coli threshold (540 E. coli/100ml) over time, ~~according to~~ as evidenced by the monitoring methodology included specified in Appendix 5.

11.0 Policy CA3

11.1. HCC supports the proposed amendments to Policy CA3 because it considers it is reasonable and practical to allow freshwater objectives to be set below the national bottom line for one or more attributes when the conditions set out in Policy CA3 are met.

11.2. Such a provision would recognise that:

- (1) Infrastructure is vital; it enables people and communities to provide for their social, economic and cultural well-being and for their health and safety; and
- (2) Sometimes there is no practicable alternative to existing infrastructure that has unavoidable adverse environmental, social, cultural or economic effects on the environment.
- (3) Some faecal pathogens, such as those from birds, are difficult to contain and treat.

12.0 Objective B1

- 12.1. In order to be consistent with the proposed amended wording of Objective A2, and to ensure that providing for economic well-being and productive economic opportunities do not result in freshwater attributes falling below minimum acceptable values, Objective B1 should be amended as follows:

To safeguard within environmental limits the life-supporting capacity, ecosystem processes and indigenous species including their associated ecosystems of fresh water, in sustainably managing the taking, using, damming, or diverting of fresh water, while providing for economic well-being, including productive economic opportunities.

13.0 Policy E1(b)

- 13.1. This policy requires regional councils to complete implementation of the NPS-FM's objectives and policies by 31 December 2025.
- 13.2. HCC understands that implementation of the NPS-FM's objectives and policies will be ongoing and will continue to apply until such time as they are amended or deleted. Accordingly, it is suggested Policy E1(b) is amended as follows:

Every regional council is to ~~implement~~ give effect to the objectives and policies as promptly as is reasonable in the circumstances, and ~~so it is fully completed by~~ no later than 31 December 2025.

14.0 Appendix 1: National values and uses for fresh water

- 14.1. HCC supports the proposed amendments to Appendix 1, except as set out below.

Human health for recreation

- 14.2. HCC suggests the proposed wording (p.25) should be amended as follows.

In a healthy water body, people are able to connect with the water through a range of activities such as swimming, waka, boating, fishing, mahinga kai and water-skiing, in a range of different flows with no more than a moderate risk of infection, that is, less than a 5% risk of infection.

Matters to take into account for a healthy water body for human recreational use include pathogens, clarity, deposited sediment, plant growth (from macrophytes to periphyton to phytoplankton), cyanobacteria, and other toxicants.

Drainage

- 14.3. The "drainage" value of freshwater bodies is missing.
- 14.4. Even in natural, undeveloped areas, waterways drain stormwater and naturally occurring waste (vegetation litter and animal faeces, for example) and sediments from the land. The rivers provide assimilative capacity for wastewater disposal, stormwater and flood water. This value is distinct from a waterway's natural character and aesthetic values.

- 14.5. The drainage function and value of freshwater and waterways warrants separate identification under the heading “Te Hauora o te Tangata”. It enables people and communities to provide for their social, economic and cultural well-being and for their health and safety.

Extractive uses: Water supply

- 14.6. HCC wishes to see reference to “municipal water supply” retained in the NPS-FM. This reference is needed in order to recognise the unique position of municipal water suppliers who are required under the Local Government Act 2002 and the Health Act 1956 to provide this core infrastructure²⁶.
- 14.7. The proposed wording under the heading “Water Supply” (p.30) refers to “domestic water supply” only. The latter term is not defined in the NPS-FM, but “domestic” is defined in the Collins English Dictionary (on-line) as something relating to a family and a home rather than to factories or offices.
- 14.8. Municipal water supply includes the supply of water to industry and commerce as well as to people’s homes. The water supplied is used for many purposes, including, but not exclusively, for drinking water, food preparation, hygiene, cleaning, irrigation, heating, cooling, commercial and industrial processes, construction, sports, recreation, therapy, amenity and fire-fighting. This water supply is essential for life and enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety.
- 14.9. HCC suggests the values statement for water supply is amended as follows:

The freshwater management unit can meet people’s potable water needs.

Water quality and quantity would enable domestic and municipal water supply to be safe for drinking with, or in some areas without, treatment.

15.0 Appendix 5: Monitoring methodologies for Policy cb1

- 15.1. The proposed requirements specify that a regional council must notify the public if a single sample collected during the bathing season is greater than 260 E. coli per 100mL.
- 15.2. This information, alone, would be meaningless to most people. If this requirement were retained, the public notice should include a plain English statement of the implications of the sample for people, for example, the risk of infection from swimming in the water.
- 15.3. Noting that the minimal acceptable state for swimming is 540 E. coli per 100ml, HCC suggests the public notification should not be necessary if a sample is less than 540 E.coli per 100mL.

16.0 KEEPING STOCK OUT OF OUR WATERWAYS

- 16.1. HCC opposes in part the *Clean Water* proposals to exclude stock from waterways.
- 16.2. HCC is concerned that requirements for keeping stock out of waterways could apply to animals at Hamilton Zoo. Such a requirement would be contrary to purposes and functions of the Zoo, which include providing an opportunity for the public to view exotic animals in an

²⁶ See sections 10 and 11A of the Local Government Act 2002 and sections 25, 69S and 69T of the Health Act 1956.

approximation of their natural environment where the animals are able to demonstrate natural behaviours.

16.3. The following animals at Hamilton Zoo currently have access to surface water:

- sitatunga antelope,
- Fishing cats,
- Brazilian tapir and waterfowl,
- siamang gibbons,
- zebra,
- antelope, and
- giraffe.

16.4. Although these animals are not “pigs”, “dairy cows”, “dairy support”, “deer” or “beef cattle”, they could fall within the definition of “stock”.

16.5. Some zoo species, such as the Brazilian tapir, fishing cats and sitatunga antelope, require access to water in which to swim or submerge on welfare grounds as it forms part of their natural behaviour.

16.6. HCC seeks for the NPS-FM to exempt zoo animals from requirements to exclude animals from waterways.

16.7. HCC accepts that such exemption should not exempt it from the requirement to remedy or mitigate the effects of the zoo animal’s access.

17.0 FURTHER INFORMATION

17.1. Should the Ministry for the Environment wish to discuss the points raised by HCC, or require additional information, please contact Paul Ryan (Principal Planner, Economic Growth and City Planning) on 07 838 6478, email Paul.Ryan@hcc.govt.nz in the first instance.

Yours faithfully

Richard Briggs
CHIEF EXECUTIVE

Attachments: Appendix 1: Abbreviations
Appendix 2: References

APPENDIX 1 ABBREVIATIONS

E. coli	Escherichia coli
HCC	Hamilton City Council
Ibid	Short for the Latin word “ibidem”, which means “in the same place”. It means the footnote citation or reference for a source is the same as that cited in the preceding footnote.
ICMP	Integrated Catchment Management Plan
LAWA	Land, Air, Water Aotearoa
NPS-FM	National Policy Statement Freshwater Management
NPS-UDC	National Policy Statement on Urban Development Capacity (2016)
PPC1	<i>Proposed Waikato Regional Plan Change 1 – Waikato and Waipa River Catchments</i>
RMA	Resource Management Act 1991

APPENDIX 2 REFERENCES

Statutes

Health Act 1956
Local Government Act 2002
Resource Management Act 1991
Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010.

Other References

Hamilton City Council. (2015). *Long-Term Infrastructure Strategy (2015-2045)*. Available at:
http://www.hamilton.govt.nz/our-council/consultation-and-public-notices/haveyoursay/201525%2010Year%20Plan/HCC_InfrastructureStrategy_web.pdf

Hamilton City Council. (2016). *Hamilton City Partly Operative District Plan*. Available at:
<http://www.hamilton.govt.nz/our-council/council-publications/districtplans/PODP/Pages/default.aspx>

Hamilton City Council. (2016). *The Hamilton City River Plan*. Available at:
<http://www.hamiltoncityriverplan.co.nz/>

Hamilton City Council. (2016). *The Hamilton Plan*. Available at:
<http://www.hamilton.govt.nz/Documents/View%20or%20download%20The%20Hamilton%20Plan.pdf>

Hamilton City Council. (2017). Submission on *Waikato Regional Plan Change 1 – Waikato and Waipa River Catchments*. Available at: <http://www.hamilton.govt.nz/our-council/consultation-and-public-notices/councilsubmissions/Documents/Healthy%20Rivers-Proposed%20Waikato%20Regional%20Plan%20Change%201-Waikato%20and%20Waipa.pdf>

Ministry for the Environment. (2016). *Next Steps for fresh water: Summary of Submissions*. Accessed at: <http://www.mfe.govt.nz/publications/fresh-water/next-steps-fresh-water-summary-submissions>.

Ministry for the Environment. (2017). *Clean water: 90% of rivers and lakes swimmable by 2040*. Accessed at: <http://www.mfe.govt.nz/publications/fresh-water/clean-water-90-of-rivers-and-lakes-swimmable-2040>

Morphum Environmental Limited. (2016). *Stormwater Master Plan Version 1*. (D-2274157).

New Zealand Government. (2016). *National Policy Statement on Urban Development Capacity 2016*. Accessed at: <http://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-2016>

New Zealand Government. (2016). *Summary of the National Policy Statement on Urban Development Capacity 2016*. Accessed at: <http://www.mfe.govt.nz/publications/towns-and-cities/summary-national-policy-statement-urban-development-capacity-2016>

Waikato Regional Council. (2016). *Waikato Regional Plan Change 1 – Waikato and Waipa River Catchments*. Accessed at: <https://www.waikatoregion.govt.nz/council/policy-and-plans/plans-under-development/healthy-rivers-plan-for-change/read-the-proposed-plan-change/>

Committee: Council

Date: 04 May 2017

Report Name: Beale Cottage Historic Reserve
Management Plan
implementation

Author: Nick Johnston

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan, Hamilton Heritage Plan, Hamilton East Neighbourhood Plan.</i>
Financial status	<i>Revenue from tenancy 2017/18 - \$3,640 Expenditure 2017/18 - \$4,500 (grounds maintenance) Any additional funding will be considered through the 10-Year Plan process.</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance.</i>

1. Purpose of the Report

- To inform elected members on the implementation of the Beale Cottage Historic Reserve Management Plan.

Recommendations from Management

That the Council:

- receives the report; and
- notes that any proposals requiring additional funding will be considered through the 2018-28 10 Year Plan process.

3. Attachments

- Attachment 1 - Beale Cottage Historic Reserve Management Plan - Action List & Timeframes
- Attachment 2 - Beale Cottage Historic Reserve - 2005 preliminary concept plan for garden

6. Background

- The Council approved an updated Beale Cottage Historic Reserve Management Plan at the 30 November 2016 Council meeting ([Agenda](#) pg. 57/ [Minutes](#) pg. 9).
- The objectives of the Management Plan are:

- To conserve and maintain Beale Cottage, garden and site,
 - To make the place and its history accessible to the community,
 - To establish a programme of works and to allocate funds for special projects and capital works, and long-term maintenance,
 - To ensure conservation of artefacts and documents associated with the place,
 - To include community consultation, participation and support.
9. The Council also resolved that “staff develop a Beale Cottage Implementation Action List that includes an implementation timeline and funding, and report back to the April 2017 Community and Services Committee for approval”.
10. The Community and Services Committee deferred the report at the 4 April 2017 meeting and requested that the item is brought to the 4 May 2017 Council meeting with additional information on delivery timeframes.

11. Implementation

12. Staff have identified objectives within current work programmes that can be delivered within existing budgets, as well as items that will need to be considered through the 2018-2028 10-Year Plan process.
13. The actions identified in Attachment 1 are recommended to achieve the objectives of the Beale Cottage Historic Reserve Management.

14. Financial and Resourcing Implications

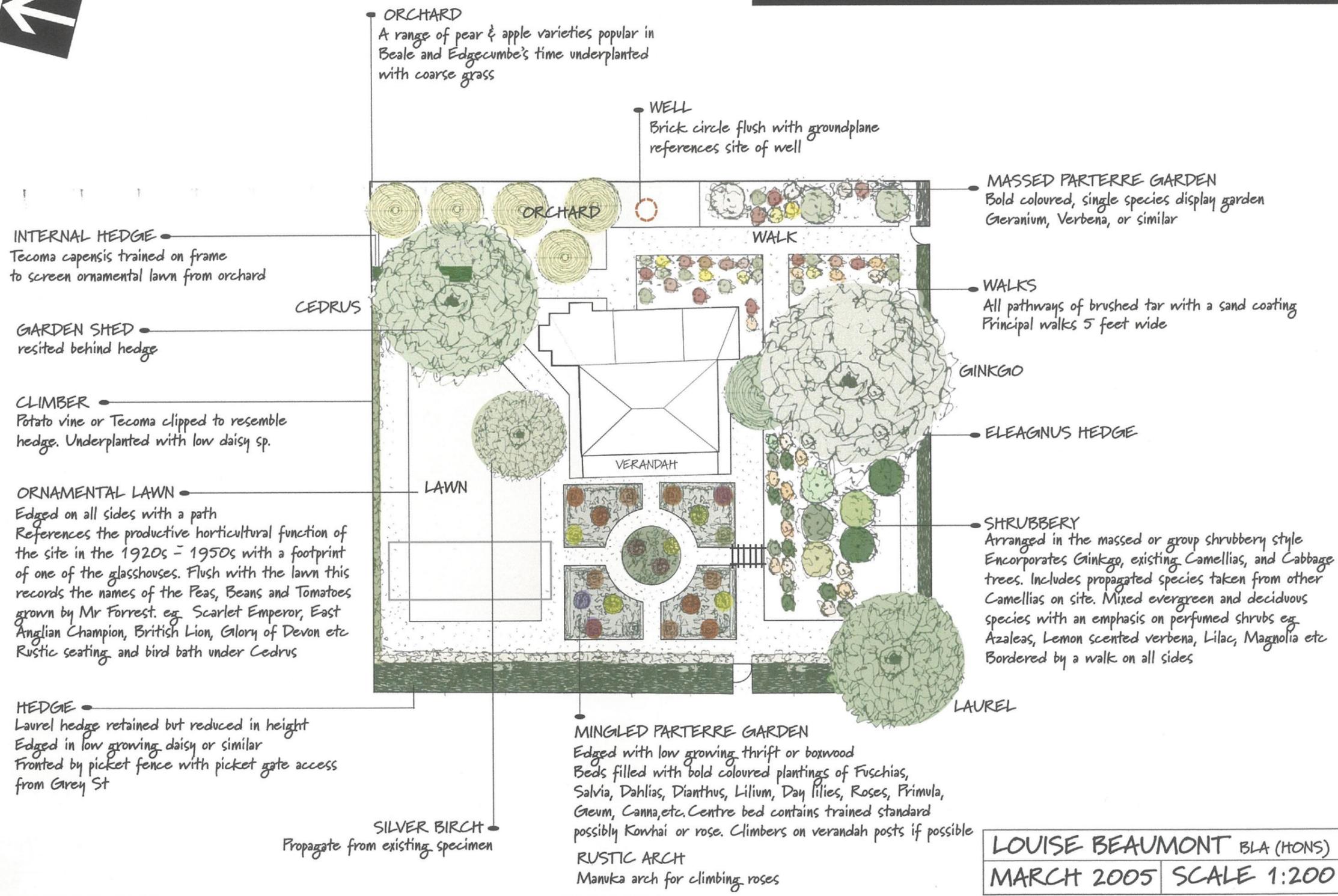
15. Information about the current maintenance and renewal schedule for Beale Cottage Historic Reserve is outlined in the 4 April 2017 Community and Services Committee report ([Agenda](#) pg. 151)
16. All additional investment in new capital works and operation budgets for the Historic Reserve will need to be considered through the 2018-2028 10 Year Plan process.

Signatory

Authoriser	Lance Vervoort, General Manager Community
------------	---



BEALE COTTAGE PRELIMINARY CONCEPT



LOUISE BEAUMONT BLA (HONS)
MARCH 2005 SCALE 1:200

Committee: Council

Date: 04 May 2017

Report Name: Animal Education and Control
Dog Control Act 1996 - Section
10A report

Author: Susan Stanford

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Dog Control Act 1996</i>
Financial status	<i>There is not budget allocated N/A</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of the Territorial Authority report on dog control policies and practices, prior to being submitted to the Secretary for Local Government and being made publicly available.

3. Executive Summary

- The Dog Control Act 1996 Section 10A, subsection 1 requires territorial authorities to report on their dog control policy and activities annually. The report must be approved by Council and made publicly available.
- Subsection 3 requires that notice of approval of the report must be published in a daily paper or other newspaper that has an equivalent circulation within the district or by any other means the Territorial Authority thinks is desirable.
- Subsection 4 requires that within one month of adoption a copy of the report must also be submitted to the Secretary for Local Government.

7. Recommendations from Management

That Council;

- receives the report,
- approves the report for submission to the Secretary for Local Government and publication in accordance with the Dog Control Act 1996, and
- delegates to the Chief Executive power to receive future reports pursuant to section 10A of the Dog Control Act 1996 and submit the reports to the Secretary for Local Government and publish the report as required under the Act.

8. Attachments

- 9. Attachment 1 - Dog Control Policy
- 10. Attachment 2 - AEC summary of activity 2015-2016

11. Key Issues

- 12. Dog control policy
 - Hamilton City Council’s Dog Control Policy was reviewed and updated through a public consultation process in 2015.
 - The updated Dog Control Policy was approved by Council on 28 May 2015 and is due for review again in 2020.
 - The policy is publicly available through the Hamilton City Council website (Dog Control Policy - Attachment 1).

- 13. Summary of activity 1/7/2015 – 30/6/2016
 - Total number of registered dogs at 30 June 2015 = 10,956
 - Hamilton City Council has 445 dogs registered as menacing or dangerous
 - Animal Education and Control completed 6710 requests for service
 - 267 infringements were issued
 - No prosecutions were undertaken
(full summary – Attachment 2)

- 14. Legislative requirements or legal issues
 - [Section 10A](#) of the Dog Control Act requires territorial Authorities to report on dog related activity and policy annually.

15. Risk

- 16. Hamilton City Council would be in breach of the Dog Control Act 1996 if the report is not approved, submitted to the Secretary for Local government and made publicly available.

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
------------	--

DOG CONTROL POLICY

The purpose of this policy is to state how Council will fulfil its legislative responsibilities pursuant to the Dog Control Act 1996 and the Dog Control Bylaw 2015.

Purpose and Scope

This Policy has been adopted pursuant to the functions, duties and powers conferred on Hamilton City Council ('Council') by the Dog Control Act 1996 (www.legislation.govt.nz) and takes into account:

1. The need to minimise danger, distress, and nuisance to the community generally; and
2. The need to avoid the inherent danger in allowing dogs to have uncontrolled access to public places that are frequented by children, whether or not the children are accompanied by adults; and
3. The importance of enabling, to the extent that is practicable, the public (including families) to use streets and public amenities without fear of attack or intimidation by dogs; and
4. The exercise and recreational needs of dogs and their owners.
5. To enable people to enjoy the benefits of dog ownership and provide for the exercise and recreational needs of dogs and their owners.
6. This policy applies to the whole of the district administered by Hamilton City Council, and other locations that are controlled by Hamilton City Council, now and in the future.

Policy

Education

1. Council considers that involvement in education, and liaison with dog clubs and other service providers, is an appropriate and valuable role. Dogs need to be trained and socialised so that they learn how to behave in a public environment. Council staff will undertake education initiatives with dog owners to enhance the knowledge and skill of dog owners on the care and control of dogs, with a particular focus on the owners of dogs with behavioural issues.
2. Council will also seek to enhance the knowledge of the public generally, particularly children, on safety around dogs and other dog-related issues. Liaison with dog obedience clubs and other dog-related service providers in the city is considered an important role for Council. Council will seek to develop a partnership with the clubs and service providers to achieve the objective of this policy.

Regulation and Enforcement

3. Council has developed a Dog Control Bylaw that is the primary enforcement mechanism of this policy. The prohibited areas and exercise areas, including maps, are set out in the

Dog Control Off Lead Exercise and Prohibited Areas Register referred to in the Dog Control Bylaw 2015.

4. Whilst Council will pursue education of dog owners and the public generally to avoid and minimise dog related issues in the city, enforcement of the provisions of the Dog Control Bylaw is critical to maintain public safety and to minimise danger, distress, and nuisance to the community from dogs.

Exercise Areas, Restricted Areas and Prohibited Areas

5. Council aims to provide appropriately for the exercise and recreational needs of dogs. Council has designated a number of areas within the city where dogs may exercise without being on a lead or similar device (see clause 6), and areas where dogs are prohibited (see clause 7).
6. Off Lead Dog Exercise Areas

Below is a list of parks within Hamilton City designated as Off Lead Dog Exercise Areas:

Aberfoyle Park
 Beetham Park
 Braithwaite Park*
 Bristol Park
 Chelmsford
 Claudelands Park*
 Crawshaw Park
 Days' Park
 Hamilton Gardens*
 Innes Common*
 Lake Domain Reserve *
 Melville Park
 Minogue Park*
 Porritt Stadium*
 Pukete Farm Park
 Resthills Park*
 Tauhara Park*
 Te Kooti*
 Te Manatu*
 Temple View Reserve*
 Till's Lookout
 Waiherowhero Park*

Maps of the of the Off Lead Dog Exercise Areas for each park can be found in the Dog Control Off Lead Exercise and Prohibited Areas Register.

* The specific commencement dates and any details on rules for each of these off lead dog exercise areas can be found in the Dog Control Off Lead Exercise and Prohibited Areas Register.

7. Below are a list of areas in Hamilton where dogs are prohibited:
 - Within 10 metres of all areas of children's playgrounds,
 - Hamilton West Cemetery,
 - Hamilton Gardens Cemetery,
 - Hamilton Gardens, Themed Gardens,
 - Waiwhakareke Natural Heritage Park,
 - Identified areas in:
 - Hamilton Lake Domain, and
 - Porritt Stadium.

8. Council's intention is to progressively upgrade the designated dog exercise areas within the city, to enhance provision for the exercise and recreational needs of dogs and their owners.

Neutering

9. Council will encourage neutering of dogs to support the overall aims of responsible dog ownership by reducing the number of roaming dogs, unwanted litters of puppies and the number of impounded dogs.
10. Council will require mandatory neutering of dogs classified as menacing in accordance with the provisions of the Dog Control Act 1996. Mandatory neutering also includes dogs classified as menacing by other territorial authorities where that dog is in the jurisdiction of Hamilton City Council.
11. Council may require the owner of a dog to cause that dog to be neutered if the dog has, on more than one occasion in a 12-month period, not been kept under control.

Probationary Owners

12. Council may require a person that is classified as a probationary owner in accordance with the provisions of the Dog Control Act 1996 to undertake, at his or her own expense, a dog owner education programme and/or a dog obedience course approved by Council.

Fees and Charges

13. The Dog Control Act 1996 empowers Council to impose reasonable fees and charges for the registration and control of dogs. The fees and charges aim to incentivise through the use of fee categories and discounts, responsible dog ownership, and the prompt payment of registration fees. The fees and charges will be prescribed each year on the Schedule of Fees and Charges through the Annual Plan.

Implementation processes

The policy will be implemented using a combination of public education, liaison with other service providers, and where necessary enforcement action.

The Policy is enforced through the Hamilton City Dog Control Bylaw 2015.

Hamilton City Council

Animal Education and Control

Summary of activity from 1/7/2015 to 30/6/2016

Number of Dogs Registered in the Hamilton District: 10956

Disqualified and Probationary Owners	
Disqualified	64
Probationary	8
Total	72

Dangerous and Menacing Dogs with Classification under the Act		
Dangerous	31(1)(b) Sworn Evidence	19
Menacing	33A(1)(b)(i) Observed Behavior	183
Menacing	33C(1) Schedule 4	243
	Total	445

Number of Infringements Issued for the Period: 267

Number of Prosecutions Taken for the Period: 0

Category Description	Sub Category Description	Total
GENERAL		1
	Advice Given	121
	Behavioural Assessments	253
	Dog to Sign Over	11
	Dog Trap Required	22
	Education Presentations	110
	Fencing Inspection Requested	33
	Found Dog	2
	Lost Dog	122
	Microchipping	7

	Multiple Dog Permit		154	
	SPCA Welfare Call Out		12	
OFFENCES (Under the Dog Control Act 1996)	Attack	Historic Attack Dog v Animal	60	
		Historic Attack Dog v Person	46	
		Urgent Attack Dog v Animal	73	
		Urgent Attack Dog v Person	40	
	Barking		667	
	Defecate		5	
	Failure to Keep Control of Dog		104	
	Insufficient Food/Water/Shelter		4	
	Offences Detected by Officer			1
		Cold Calling		3
		Dangerous Compliance		8
		Disqualified Compliance		8
		Free to Leave		8
		In a Public Place		115
		Menacing Compliance		53
		Microchipping Compliance		323
		Other		85
		Pro-active Park Check		259
		Probationary Compliance		3
		Unregistered Dog (found – new dog)		248
Unregistered Dog Compliance follow-up			912	
Urban Patrols			154	

	Roaming		13
		Free to Leave	170
		Public Place	2240
	Rushing	Rushing Animal	8
		Rushing Animal (not urgent)	5
		Rushing Person	52
		Rushing Person (not urgent)	28
	Unregistered Dog		164
Other	Animals other than dogs (roaming/nuisance)		122
		Total	6710

Committee: Council

Date: 04 May 2017

Report Name: Amendment to Finance
Committee Delegations -
Governance Structure 2016-19

Author: Lee-Ann Jordan

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Governance Structure 2016-19</i>
Financial status	<i>There is no budget allocated - administrative</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval to amend the Finance Committee's delegations recorded in the Governance Structure 2016-19.

3. Recommendation from Management

That the Council approves the changes to the Finance Committee's delegations as attached to this report.

4. Attachments

- Attachment 1 - Finance Committee Terms of Reference (Amended)

6. Discussion

- The Council approved the Governance Structure 2016-19 at its meeting on [9 November 2016](#). This document details the terms of reference and delegations to Council Committees.
- Staff recommend that the Finance Committee's delegations are changed to empower that Committee to approve:
 - unbudgeted expenditure, subject to specified restrictions; and
 - contractual matters falling within its remit.

The proposed changes are marked-up in Attachment 1. Tompkins Wake has confirmed that the changes are legally compliant.

- These changes address an omission in the Finance Committee's delegations in regard to the above points. The proposed changes ensure that the Finance Committee is operating within delegations substantially similar to those in place in previous triennia. This approach is also

Item 15

consistent with the principle in the Governance Structure that, where possible, decisions are made once, not twice.

- 10. The Council will continue to consider those matters reserved for its decision, by the Governance Structure or where legally required.

Signatory

Authoriser	David Bryant, General Manager Corporate
------------	---

Finance Committee

Reports to:	The Council
Chairperson:	Cr Garry Mallett
Deputy Chairperson:	Cr Rob Pascoe
Membership:	The Mayor and all Councillors
Meeting frequency:	Six weekly
Quorum:	A majority of members (including vacancies)

Purpose:

The Finance Committee is responsible for:

1. Monitoring Council's financial strategy, and financial performance against the Long Term Plan and Annual Plan.
2. Determining financial matters within its delegations and Terms of Reference and making recommendations to Council on financial matters outside its authority.
3. Guiding and monitoring Council's interests in its Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.

In addition to the common delegations on page 9, the Finance Committee is delegated the following Terms of Reference and powers:

Terms of Reference:

1. To monitor Council's financial strategy, and performance against that strategy.
2. To approve deferred capital expenditure.
3. To develop and monitor policy related to the following matters:
 - a) financial management;
 - b) revenue generation;
 - c) procurement and tendering; and
 - d) the appointment and remuneration of directors of CCOs and COs.
4. To monitor the probity of processes relating to policies developed by the Finance Committee.
5. To provide clear direction to Council's CCOs and COs on Council's expectations, including feedback on draft statements of intent.
6. To receive six-monthly reports of Council's CCOs and COs, including on board performance.

7. To undertake any reviews of CCOs and agree CCO-proposed changes to their governance arrangements, except where reserved for Council's approval by Council.
8. To monitor Council's investments in the Municipal Endowment Fund and the Domain Endowment Fund.

The Committee is delegated the following powers to act:

- Approval of:
 - Appointments to, and removals from, CCO and CO boards; and
 - A mandate on Council's position in respect of remuneration proposals for CCO and CO board members to be presented at Annual General Meetings.
- Approval of letters of expectation for each CCO and CO.
- Approval of statements of intent for each CCO and CO.
- Approval of proposed major transactions of CCOs and COs.
- Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO or CO.
- Approval of operating and/or capital expenditure within the Long Term Plan or Annual Plan that exceeds the Chief Executive's delegation, excluding expenditure which:
 - contravenes the Council's Financial Strategy and/or annual budgeted surplus; or
 - significantly alters any level of service outlined in the applicable Long Term Plan or Annual Plan; or
 - impacts Council policy or practice,

in which case the delegation is recommendatory only and the Committee may make a recommendation to the Council for approval.
- Approval of contractual and other arrangements for supply and services, and revenue generating contracts, excluding contracts or arrangements that are reserved for the Council or another Committee's approval.
- Approval of Private Development Agreements recommended by the Growth and Infrastructure Committee.
- Approval of acquisition or sale or lease of properties owned by the Council, or owned by the Municipal Endowment Fund or the Domain Endowment Fund consistent with the Municipal Endowment Fund Investment Policy, for any endowment properties.
- Approval to write-off outstanding accounts greater than \$10,000 (in accordance with the Debtor Management Policy).

The Committee is delegated the following recommendatory powers:

- The Committee may make recommendations to Council.
- The Committee may make recommendations to other Committees.

Oversight of Policies:

- *Appointment and Remuneration of Board Members of COs, CCOs and CCTOs Policy*
- *Freeholding of Council Endowment Land Policy*
- *Funding Needs Analysis Policy*
- *Investment and Liability Management Policy*
- *Municipal Endowment Fund Investment Policy*
- *Rates Remissions and Postponements Policy*
- *Rating Policy*
- *Revenue and Financing Policy*

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Elected Member Briefing Notes - Public Excluded - 7 April 2017) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Elected Member Briefing Notes - Public Excluded - 13 April 2017) Official Information and Meetings Act 1987	
C3. Recommendation to Council from the Finance Committee - 11 April 2017		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to protect the privacy of natural persons to maintain legal professional privilege	Section 7 (2) (a) Section 7 (2) (g)