

**Notice of Meeting:**

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

**Date:** Thursday 12 September 2024  
**Time:** 9:30 am  
**Meeting Room:** Council Chamber and Audio-Visual Link  
**Venue:** Municipal Building, Garden Place, Hamilton

Lance Vervoort  
Chief Executive

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## **Council Kaunihera OPEN AGENDA**

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**Membership**

**Chairperson** Mayor Paula Southgate  
*Heamana*

**Deputy Chairperson** Deputy Mayor Angela O’Leary  
*Heamana Tuarua*

<b>Members</b>	Cr Maxine van Oosten	Cr Geoff Taylor
	Cr Moko Tauariki	Cr Sarah Thomson
	Cr Ewan Wilson	Cr Emma Pike
	Cr Mark Donovan	Cr Maria Huata
	Cr Louise Hutt	Cr Anna Casey-Cox
	Cr Andrew Bydder	Cr Kesh Naidoo-Rauf
	Cr Tim Macindoe	

**Quorum:** A majority of members (including vacancies)

**Meeting Frequency:** Monthly – or as required

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Amy Viggers  
Mana Whakahaere  
Governance Lead

**3 September 2024**

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## 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<sup>1</sup>:
  - 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.
  - 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 does 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 1991.
  - d) Adoption of governance level strategies plans and policies which advance Council's vision and strategic goals.

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<sup>1</sup> [Clause 32, Schedule 7, Local Government Act 2002](#)

- 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.
- i) Approval or otherwise of any proposal to establish, wind-up or dispose of any holding in, a CCO, CCTO or CO.
- j) Approval of city boundary changes, including in respect of Strategic Boundary Land Use Agreements.
- k) Approval of Activity Management Plans.
- l) Sister City relationships.

**Oversight of Strategies, Plans and Reports:**

- Long Term Plan
- Annual Plan
- Annual Report
- Shaping Hamilton Kirikiriroa Together
- Our Climate Future
- He Pou Manawa Ora

**Oversight of Policies and Bylaws:**

- *Corporate Hospitality and Entertainment Policy*
- *Delegations to officers specific to the Resource Management Act 1991*
- *Delegations to Positions Policy*
- *Elected Members Support Policy*
- *Significance and Engagement Policy*
- *Climate Change Policy*
- *Any Community Engagement Policies*

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**1 Apologies – *Tono aroha***

**2 Confirmation of Agenda – *Whakatau raarangi take***

The Council to confirm the agenda.

**3 Declaration of Interest – *Tauaakii whaipanga***

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 – *Aatea koorero***

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 five 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 Governance 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 Governance by telephoning 07 838 6699.

# Council Report

**Committee:** Council

**Date:** 12 September 2024

**Author:** Amy Viggers

**Authoriser:** Michelle Hawthorne

**Position:** Governance Lead

**Position:** Governance and Assurance  
Manager

**Report Name:** Confirmation of the Council Open Minutes 1 August 2024

<b>Report Status</b>	<i>Open</i>
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the Open Minutes of the Council Meeting held on 1 August 2024 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Council Open Unconfirmed Minutes 1 August 2024

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## Council *Kaunihera* OPEN MINUTES

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Minutes of a meeting of the Council held in Council Chamber and Audio-Visual Link, Municipal Building, Garden Place, Hamilton on Thursday 1 August 2024 at 9.30am.

**PRESENT**

<b>Chairperson</b>	Mayor Paula Southgate
<b><i>Heamana</i></b>	
<b>Deputy Chairperson</b>	Deputy Mayor Angela O’Leary
<b><i>Heamana Tuarua</i></b>	
<b>Members</b>	Cr Andrew Bydder Cr Anna Casey-Cox Cr Mark Donovan Cr Louise Hutt Cr Tim Macindoe (via audio-visual) Cr Maxine van Oosten Cr Emma Pike Cr Moko Tauariki Cr Geoff Taylor Cr Sarah Thomson Cr Kesh Naidoo-Rauf Cr Ewan Wilson
<b>External Presenters</b>	Peter Winder - Consultant

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*Kaumata Tame Pokaia opened the meeting with a Karakia .*

1.     **Apologies – *Tono aroha***  
      **Resolved:**                   (Cr van Oosten/Cr Donovan)  
      That the apologies for partial attendance from Cr Macindoe are accepted.
  
2.     **Confirmation of Agenda – *Whakatau raarangi take***  
      **Resolved:**                   (Mayor Southgate /Deputy Mayor O’Leary)  
      That the agenda is confirmed.
  
3.     **Declarations of Interest – *Tauaakii whaipaaanga***  
      No members of the Council declared a Conflict of Interest.
  
4.     **Public Forum – *AAtea koorero***  
      No members of the public wished to speak in the Public Forum.

5. Confirmation of the Council Open Minutes 4 July 2024

**Resolved:** (Mayor Southgate/Deputy Mayor O’Leary)  
That the Council confirm the Open Minutes of the Council Meeting held on 4 July 2024 as a true and correct record.

6. Chair's Report

Mayor Southgate provided an update on the Waikato Mayoral Forum, recent meeting with the Fire & Emergency Services New Zealand (FENZ) Board and the Emissions Reduction Plan submission. She responded to questions from Members concerning cost and logistics of sending members to the LGNZ Annual General Meeting and Conference, the FENZ Board meeting and speed humps on the city and possibility of water meters.

**Resolved:** (Mayor Southgate /Deputy Mayor O’Leary)  
That the Council:

- a) receives the report;
- b) delegates authority to the Climate Strategy Advisory Group, to work with key staff to develop the submission to the Ministry for the Environment;
- c) delegates authority to approve the submission to the Ministry for the Environment on the second emissions reduction plan to the Mayor and Deputy Mayor;
- d) notes that **Draft 1** of the Council’s submission to the second Emissions Reduction Plan will be circulated to all Elected Members and Maangai Maaori for feedback; and
- e) notes that recommendation c) is being sought as there are no suitable Committee or Council meeting dates available to be able to consider and approve, the draft Council submissions on this discussion document before the submission closing date.

**Councillor Bydder Dissenting.**

**Motion:** (Mayor Southgate /Deputy Mayor O’Leary)  
That the Council approves the costs for Mayor Paula Southgate, Cr Tim Macindoe, and Cr Moko Tauariki, to attend the LGNZ Annual General Meeting and Conference, to be covered by the 2025 ‘Conference by resolution budget’, covering registration costs, flights, and accommodation.

**Amendment:** (Cr Wilson/Cr Taylor)  
That the Council approves the costs for Cr Tim Macindoe to attend the LGNZ Annual General Meeting and Conference, to be covered by the 2025 ‘Conference by resolution budget’, covering registration costs, flights, and accommodation.

<b>Those for the Amendment:</b>	Councillors Bydder, Pike, Taylor, Naidoo-Rauf, Wilson and Macindoe
<b>Those against the Amendment:</b>	Mayor Southgate, Deputy Mayor O’Leary, Councillors Hutt, Casey-Cox, van Oosten, Thomson, Donovan and Tauariki

**The Amendment was declared LOST.**  
**The Motion was then put and declared CARRIED.**

**Resolved:** (Mayor Southgate /Deputy Mayor O’Leary)  
That the Council approves the costs for Mayor Paula Southgate, Cr Tim Macindoe, and Cr Moko Tauariki, to attend the LGNZ Annual General Meeting and Conference, to be covered by the 2025 ‘Conference by resolution budget’, covering registration costs, flights, and accommodation.

**Crs Bydder, Taylor and Wilson dissenting.**

## 7. Local Water Done Well Update

The General Manager Infrastructure and Assets took report as read.

**Resolved:** (Mayor Southgate/Deputy Mayor O’Leary)

That the Council:

- a) receives the report;
- b) notes the scope of work required to address the separation of waters related charges from general rates as part of Council’s response to Local Water Done Well and expected economic regulation and reporting requirements;
- c) notes the overlap between the Rates Review that Council resolved to undertake in November 2023 and February 2024, and the work required to separate waters related charges from general rates; and

approves the Waters Working Group be updated to be the Waters and Rates Working Group with Cr Casey-Cox and Cr Taylor be added to the membership and the expanded Terms of Reference (**attachment 1** of the staff report).

## 8. Citizens Initiated Referenda Policy Review

The Governance and Assurance Manager took the report as read. Staff responded to questions from Members concerning why other councils don’t have this policy, large metros that have the policy, process of a referenda, cost of a referenda, legislation relating to the policy regarding timeframes.

**Resolved:** (Cr Wilson/Cr Taylor)

That the Council:

- a) receives the report;
  - b) approves the Citizens Initiated Referenda Policy (Attachment 2) with minor amendments; and
- notes that at the next review of the Standing Orders the Council will consider including information on referenda, at which stage, the Citizens Initiated Referenda Policy could be revoked.

**The meeting was adjourned 10.56am to 11.24am.**

## 9. 2024 LGNZ Remits for Consideration

The Governance and Assurance Manager took report as read. Staff responded to questions from Members concerning the voting at the Annual General Conference (AGM), the remit process, and the role of LGNZ.

**Resolved:** (Mayor Southgate/Deputy Mayor O’Leary)

That the Council:

- a) receives the report; and

- b) notes that the Council has indicated to support the following remits, to be voted on by the presiding HCC Delegate at the 2024 Local Government NZ AGM:
  - i. Representation reviews;
  - ii. Community Services Card;
  - Appropriate funding models for central government initiatives; and
  - iv. Goods and services tax (GST).

**Resolved:** (Mayor Southgate /Cr Tauariki)  
That the Council indicates support for Local government constituencies & wards should not be subject to referendum remit to be voted on by the presiding HCC Delegate at the 2024 Local Government NZ AGM.

<b>Those for the Motion:</b>	Mayor Southgate, Deputy Mayor O’Leary, Councillors Hutt, Pike, Casey-Cox, Naidoo-Rauf, van Oosten, Thomson and Tauariki
<b>Those against the Motion:</b>	Councillors Bydder, Taylor, Donovan, Wilson and Macindoe

**The Motion was declared CARRIED.**

**Motion:** (Cr Tauariki/Cr Casey-Cox)  
That the Council indicates support for Entrenchment of Maaori ward seats for local government remit to be voted on by the presiding HCC Delegate at the 2024 Local Government NZ AGM.

<b>Those for the Motion:</b>	Councillors Hutt, Casey-Cox, van Oosten, Donovan and Tauariki.
<b>Those against the Motion:</b>	Mayor Southgate, Deputy Mayor O’Leary, Councillors Bydder, Pike, Taylor, Naidoo-Rauf, Thomson, Wilson and Macindoe

**The Motion was declared LOST.**

**Resolved:** (Mayor Southgate/Cr Thomson)  
That the Council indicates support for Proactive lever to mitigate the deterioration of unoccupied buildings remit to be voted on by the presiding HCC Delegate at the 2024 Local Government NZ AGM.

<b>Those for the Motion:</b>	Mayor Southgate, Deputy O’Leary, Councillors Hutt, Pike, Casey-Cox, van Oosten, Thomson and Tauariki.
<b>Those against the Motion:</b>	Councillors Bydder, Taylor, Naidoo-Rauf, Donovan, Wilson and Macindoe

**The Amendment was declared carried.**

**Resolved:** (Mayor Southgate/Deputy Mayor O’Leary)  
That the Council notes that it will not support the following remits to be voted on by the presiding HCC Delegate at the 2024 Local Government NZ AGM:

- i. Graduated driver licensing system remit

Entrenchment of Maaori ward seats for local government remit

10. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

**Resolved:** (Cr Wilson/Mayor Southgate)

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. Confirmation of the Council Public Excluded Minutes 30 May 2024	) Good reason to withhold ) information exists under ) Section 7 Local Government ) Official Information and ) Meetings Act 1987	Section 48(1)(a)

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)
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**The meeting moved in the Public Excluded session at 12.22pm.**

**The meeting was declared closed at 12.24pm.**

# Council Report

**Committee:** Council

**Date:** 12 September 2024

**Author:** Amy Viggers

**Authoriser:** Michelle Hawthorne

**Position:** Governance Lead

**Position:** Governance and Assurance  
Manager

**Report Name:** Confirmation of the Extraordinary Council Open Minutes 13 August 2024

<b>Report Status</b>	<i>Open</i>
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the open Minutes of the Extraordinary Council Meeting held on 13 August 2024 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Extraordinary Council Open Unconfirmed Minutes 13 August 2023



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## **Council Kaunihera OPEN MINUTES (Swearing in Ceremony)**

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Minutes of a meeting of the Council held in Council Chamber and audio visual link, Municipal Building, Garden Place, Hamilton on Tuesday 13 August 2024 at 8:38am.

### **PRESENT**

<b>Chairperson</b> <i>Heamana</i>	Mayor Paula Southgate
<b>Deputy Chairperson</b> <i>Heamana Tuarua</i>	Deputy Mayor Angela O’Leary
<b>Members</b>	Cr Maxine van Oosten Cr Moko Tauariki Cr Ewan Wilson Cr Mark Donovan Cr Louise Hutt Cr Geoff Taylor Cr Sarah Thomson Cr Emma Pike Cr Anna Casey-Cox Cr Andrew Bydder (via Audio Visual Link) Cr Maria Huata

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*Shane Te Ruki opened the meeting by giving the Karanga to the whanau and Cr Huata into the chambers to begin her Poowhiri and the swearing in ceremony.*

Kaumatua Tame Pokaia spoke for Hamilton City Council and Kaumatua Tom Roa gave the whaikoorero for Cr Huata.

Mayor Southgate open and welcomed Cr Huata with a mihi.

Cr Huata was then sworn in and signed her Statutory Declaration, required by the Local Government Act 2002, which was witnessed by Mayor Paula Southgate. Following the declaration, she addressed the chamber highlighting the support she had received from her whanau and community.

*The meeting was closed with a karakia.*

**The meeting was declared closed at 9.15am.**

# Council Report

**Committee:** Council

**Date:** 12 September 2024

**Author:** Amy Viggers

**Authoriser:** Michelle Hawthorne

**Position:** Governance Lead

**Position:** Governance and Assurance  
Manager

**Report Name:** Confirmation of the Extraordinary Council Open Minutes 29 August 2024

<b>Report Status</b>	<i>Open</i>
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the Open Minutes of the Extraordinary Council Meeting held on 29 August 2024 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Unconfirmed Extraordinary Council Minutes - 29 August 2024

## Council *Kaunihera* OPEN MINUTES

Minutes of a meeting of the Council held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 29 August 2024 at 12:30pm.

**PRESENT**

<b>Chairperson</b> <i>Heamana</i>	Mayor Paula Southgate
<b>Deputy Chairperson</b> <i>Heamana Tuarua</i>	Deputy Mayor Angela O’Leary
<b>Members</b>	Cr Maxine van Oosten Cr Moko Tauariki (via Audio visual Link) Cr Ewan Wilson Cr Mark Donovan Cr Louise Hutt Cr Andrew Bydder Cr Geoff Taylor Cr Sarah Thomson Cr Emma Pike Cr Maria Huata Cr Anna Casey-Cox (via Audio visual Link) Cr Kesh Naidoo-Rauf Cr Tim Macindoe

*Kaumātua Tame Pokaia opened the meeting with mihi and karakia.*

- 1. Apologies – *Tono aroha***  
There were no apologies
- 2. Confirmation of Agenda – *Whakatau raarangi take***  
**Resolved:** (Cr Oosten/Cr Naidoo-Rauf)  
That the agenda is confirmed.
- 3. Declarations of Interest – *Tauaakii whaipanga***  
No conflict of interest we declared.
- 4. Public Forum – *AAtea koorero***

**Danielle Marks** spoke to item 5 (Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill) in support of retaining the Māori Wards seats and a binding poll at the next election.

**Jahvaya Wheki , Tania Pointon, Annika van Driel and Maia Johnston** (Seed Waikato) spoke to item 5 (Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill) in support of retaining the Maaori Wards seats and going to a binding poll at the next election.. Nothing the importance for their organization having Maaori representation on the Council and in local government politics.

**Linda Te Aho** (on behalf of Waikato Tainui) spoke to item 5 (Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill) in support of retaining the Maaori Wards seats and going to a binding poll at the next election.. Nothing the Maaori Wards seats allows for direct representation for the Maaori community.

**Olly Te Ua** (on behalf of Te Runanga o Kirikiriroa and Maangai Maaori) spoke to item 5 (Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill) in support of retaining the Maaori Wards seats and going to a binding poll at the next election.

A written submission from Melissa Smith was circulated to Elected Members prior to the meeting and are attached to the minutes as **Appendix 1**.

*Cr Tauariki joined the meeting (12.41pm) during the discussion of the above item.*

#### **5. Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill**

The report was taken as read.

**Motion:** (Mayor Southgate/Deputy Mayor O'Leary)

That the Council:

- a) receives the report;
- b) affirms the retention of the Kirikiriroa Maaori Ward and directs the Electoral Officer to hold a binding poll as part of the 2025 Local Government Elections to determine whether the community supports the retention of Kirikiriroa Maaori Wards (**Option 1**) as required by the Local Government (Electoral Legislation and Maaori Wards and Maaori Constituencies) Amendment Act 2024; and
- c) requests staff prepare a proposal for consideration in the 2025 Annual Plan, that seeks to increase voter engagement via a campaign leading up to and including the 2025 election noting that the proposal would include a full communications plan with timeline, costs, options for a wider programme of 'walk up voting sites' around the city, the details of the poll and other direction provided by Elected Members at a future briefing on the proposal.

**Amendment:** (Cr Taylor/Cr Bydder)

That the Council:

- a) receives the report; and
- b) resolves to disestablish the Kirikiriroa Maaori Ward and revert to the 2019 representation arrangements of 6 East ward Elected Members, 6 West ward Elected Members and Mayor, noting that this representation arrangement meets the requirements for fair and effective representation under the Local Government Electoral Act 2001 (option 2a).

**The Amendment was put.**

**Those for the Amendment:**

**Those against the Amendment:**

Crs Bydder and Taylor.

Mayor Southgate, Deputy Mayor O'Leary,  
Crs Hutt, Donovan, Casey-Cox, Naidoo-  
Rauf, van Oosten, Huata, Tauariki,

Wilson, Pike, Macindoe and Thomson.

**The Amendment was declared LOST.**

**The Motion was then put and declared CARRIED.**

**Resolved:** (Mayor Southgate/Deputy Mayor O'Leary)

That the Council:

- a) receives the report;
- b) affirms the retention of the Kirikiriroa Maaori Ward and directs the Electoral Officer to hold a binding poll as part of the 2025 Local Government Elections to determine whether the community supports the retention of Kirikiriroa Maaori Wards (**Option 1**) as required by the Local Government (Electoral Legislation and Maaori Wards and Maaori Constituencies) Amendment Act 2024; and
- c) requests staff prepare a proposal for consideration in the 2025 Annual Plan, that seeks to increase voter engagement via a campaign leading up to and including the 2025 election noting that the proposal would include a full communications plan with timeline, costs, options for a wider programme of 'walk up voting sites' around the city, the details of the poll and other direction provided by Elected Members at a future briefing on the proposal.

*Kaumātua Tame Pokaia closed the meeting with a karakia*

**The meeting was declared closed at 1.51 pm**

Item 7

Attachment 1

Council 29 AUGUST 2024 - OPEN

**Appendix 1**

Kia Ora

I am writing to express my support for the retention of Māori wards in Kirikiriroa Hamilton.

Kind regards

Melissa Smith

# Council Report

Item 8

**Committee:** Council

**Date:** 12 September 2024

**Author:** Keryn Phillips

**Authoriser:** Michelle Hawthorne

**Position:** Governance Advisor

**Position:** Governance and Assurance  
Manager

**Report Name:** Confirmation of the Elected Member Open Briefing Notes 7 August 2024

<b>Report Status</b>	Open
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the Open Notes of the Elected Member Briefing held on 7 August 2024 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Elected Member Open Briefing Notes - 7 August 2024

## Elected Member Briefing Notes – 7 August 2024 – Open

### Attachment 1

**Venue:** Committee Room 1, Hamilton City Council

#### **Māori Wards**

Staff introduced the topic and explained that the purpose of the presentation was to provide an opportunity for Members to discuss the Local Government (Electoral Legislation and Māori Wards and Māori Constituencies) Amendment Bill proposing changes to Māori wards and constituencies. Members asked questions in relation to the following matters:

- Cost of the shortened representation review
- Process of the shortened representation review
- Status quo and timing of any changes based on the option selected
- Value of a Council referendum v legislation
- Cost of different options
- Ramifications of ignoring the legislation
- Maangai Māori as part of the representation review

#### **Transport Projects – Update on Assessments**

Staff introduced the topic and provided an overview of the style and content of the project reports that will be presented for all Transport projects that have been determined as Red or Orange via the Decision Making Framework. The project report for Sandwich Road shops was presented and Members noted additional information that they would like to see included. Members asked questions in relation to the following matters:

- NZTA funding implications
- Speed limit along proposed area of road
- Community/businesses that requested the changes
- Council's approach to local businesses
- When was the pedestrian refuge built
- Impact on businesses during and post construction
- Removal of the pedestrian refuge
- Difference between a zebra crossing and a signalised crossing
- Regulation of signalised traffic management
- Option to reduce the speed limit in the area

### Item 8

**Staff Action:** Staff undertook to make the following additions to the project reports:

- Provide a map of crashes showing location of crashes and types of road users involved eg cars vs pedestrians.*
- Provide specific details of any parties that have been consulted or provided feedback*
- Indication of whether the number of pedestrians crossing the road is high, medium or low for this type of location*
- As assessment of the impact the changes will make on businesses e.g. customer buying behaviour, during and after construction and how any negative impact can be minimised*
- Provide an indication of potential speed limit changes that could also be considered noting that these will be subject to the upcoming changes to the Speed Limits Rule*

**Staff Action:** Staff undertook to provide feedback from children/schools regarding the Sandwich Road project as part of the consultation process.



# Council Report

Item 9

**Committee:** Council

**Date:** 12 September 2024

**Author:** James Winston II

**Authoriser:** Michelle Hawthorne

**Position:** Governance Advisor

**Position:** Governance and Assurance  
Manager

**Report Name:** Confirmation of the Elected Member Open Briefing Notes 27 August 2024

<b>Report Status</b>	<i>Open</i>
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the Open Notes of the Elected Member Briefing held on 27 August 2024 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Elected Member Open Briefing Notes 27 August 2024

## Briefing Notes – 27 August 2024 – Open

Venue: Council Chambers, Hamilton City Council

### Waikato Water Done Well Regional Update

Staff explained that the purpose of the session was to provide Members with recommended approach to Waikato Water Done Well (WWDW) to all Waikato Councils for consideration. The proposal seeks endorsement for a staged approach to the reform of water services delivery across the Waikato region. Members asked questions in relation to the following matters:

- Growth
- Growth vs Compliance
- Potential for cost overspends
- Rationales and data used to from the recommendation
- Excepted efficiency origins
- Control the billing services
- Thought on stranded overhead
- Relationships with other Councils

### Waikato Water Done Well Legislative Update

The Department of Internal Affairs representative explained that the purpose of the session was to update Members on major policy decisions relating to the Local Water Done Well Reforms. This included funding and financing framework for Councils and Water Council Controlled Organizations (CCOs) through Local Government Funding Agency (LGFA), stormwater, environmental regulation, and other matters. Members asked questions in relation to the following matters:

- Funding
- Communication
- Options for Councils to consider

# Council Report

Item 10

**Committee:** Council

**Date:** 12 September 2024

**Author:** James Winston II

**Authoriser:** Michelle Hawthorne

**Position:** Governance Advisor

**Position:** Governance and Assurance  
Manager

**Report Name:** Confirmation of the Elected Member Open Briefing Notes 28 August 2024

<b>Report Status</b>	<i>Open</i>
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## Staff Recommendation - *Tuutohu-aa-kaimahi*

That the Council confirm the Open Notes of the Elected Member Briefing held on 28 August 2024 as a true and correct record.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Elected Member Open Briefing Notes 28 August 2024

## Briefing Notes – 28 August 2024 – Open

Venue: Committee Room 1, Hamilton City Council

### Waikato Regional Council (WRC) Collaboration on climate in future

Councillors Bruce Clarkson and Jennifer Nickel (Waikato Regional Council) explained that the purpose of the item was to present content of the WRC Climate Roadmap, gather feedback from Hamilton City Council Members regarding collaborating and sharing expertise. Members asked questions in relation to the following matters:

- Incorporation of the Long-Term Plan goals
- impacts of urban expansion on peat soils
- wider discussion regarding Wetlands
- collaboration between all councils on public transport.

# Council Report

Item 11

**Committee:** Council

**Date:** 12 September 2024

**Author:** Amy Viggers

**Authoriser:** Amy Viggers

**Position:** Governance Lead

**Position:** Governance Lead

**Report Name:** Chair's report

<b>Report Status</b>	<i>Open</i>
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## Recommendation - *Tuutohu*

That the Council:

- a) receives the report; and
- b) approves the updates to the 2022/25 Governance Structure and Terms of reference as outlined in the Chair's Report.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Chair's Report



## Chair's Report

12 September 2024

It was with great sadness that we heard of the passing of Kiingi Tuuheitia Pootatau Te Wherowhero VII on 30 August.

Kiingi Tuuheitia was a visionary leader who leaves behind a powerful legacy fostering kotahitanga and unity in our region and across nation. It was an honour to be able to pay our respects at Tuurangawaewae on behalf of Hamilton City Council earlier in the month.

In his honour, Council flew the flag at half mast, and a condolence book was made available for those who wished to pay their respects.

*Kua hinga te tōtara i Te Waonui-a-Tane' the totara tree has fallen in the great forest of Tane. May he rest in peace and may his legacy continue to inspire and guide us all.*

### Local Water Done Well

The most important topic today is our future direction on waters delivery and infrastructure, in response to the government's Local Water Done Well reform. Waters is one of the most significant costs for our city in the years ahead, and we need to get this right. For me, this means finding the best and most sustainable outcome for Hamiltonians, and the region.

Recent government policy announcements have said that we must provide zoned and serviced land to accommodate 30 years of future growth. This will add further pressure to infrastructure budgets. From my perspective, it is important that today's ratepayers do not bear the full burden of investment to support future growth, but that the costs of these assets with very long lives are borne by all those who will benefit in the future.

We must find cost efficiencies through scale. A pathway has been proposed, with stepping stones to get us there – while responding to the issue at hand as quickly as possible. We cannot just do the bare minimum. We must keep the door wide open to finding scale, which means working with other councils when we are in a position to do so. And we absolutely should work with them, for the benefit of our region. I look forward to hearing other Councillors views, and then engaging comprehensively with our communities.

### Report back from LGNZ conference

Earlier in August, Cr Macindoe, Cr Tauariki and I attended the Local Government New Zealand Conference. A huge amount happened at the Conference, from Prime Minister, Rt Hon Christopher

Luxon's, message to Council's around focusing on the basics, to Local Government Minister, Hon Simeon Brown, launching a framework to establish Regional Deals.

He and the public are absolutely right that every dollar must be spent wisely. However, the debate on what constitutes "core basics" is not black and white. Yes, we need to focus on the essentials, but we also have to ensure our cities remain liveable and vibrant for locals and visitors alike (who spend money in our city and fund our growth).

The Government has since announced the establishment of the National Infrastructure Agency. Infrastructure costs are eye-watering and completely unaffordable for councils alone, so this is good news. We need innovative funding tools and partnerships to support our growth as a modern, thriving New Zealand. I continue to progress discussions with Ministers on what opportunities exist for Hamilton.

The opening of Te Ara Pekapeka bridge was a great example of how a high trust funding model can open huge opportunities for our city. It demonstrates a high-growth city delivering on Government's 'going for housing growth' policy. It is this type of successful framework we're looking for as we explore city and regional deals with Government.

#### Portfolio allocation

With Cr Huata now on board, to full current vacancies, I propose the following updates to portfolios:

Cr Huata to be appointed to:

- Regulatory & Hearings Committee
- Dog Control Hearings Panel
- He Pou Manawa Ora Advisory Group (Lead)
- Creative Communities Scheme Assessment Committee
- Safest City Taskforce
- Access Hamilton Working Group

Cr Macindoe to be appointed to:

- City Honours Panel
- LGNZ Zone Two
- Public Arts Panel
- Climate Strategy Advisory Group

The Deputy Mayor will be removed from:

- Climate Strategy Advisory Group
- He Pou Manawa Ora Advisory Group

#### **Recommendation**

That the Council:

- a) receives the report; and
- b) approves the updates to the 2022/25 Governance Structure and Terms of reference as outlined in the Chair's Report.

Paula Southgate  
Mayor of Hamilton

# Council Report

**Committee:** Council

**Date:** 12 September 2024

**Author:** Greg Carstens

**Authoriser:** Blair Bowcott

**Position:** Unit Director Commercial & Analytics

**Position:** General Manager Strategy, Growth and Planning

**Report Name:** Development Contributions Policy 2024/25 - schedules update

<b>Report Status</b>	<i>Open</i>
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## Purpose - *Take*

1. To seek the Council's approval to update the 2024/25 Development Contributions (DC) Policy schedules, to account for a limited set of incorrect growth input data provided by a third party.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Council:
  - a) receives the report;
  - b) approves the revised development contributions schedules (**Attachment 1**) in the 2024/25 Development Contributions Policy effective from 13 September 2024 (Option a in the staff report); and
  - c) notes that:
    - i. the update results in minor corrections to development contribution charges resulting from a limited set of incorrect growth input data provided by a third party;
    - ii. staff have ensured that no incorrect development contribution invoices have been issued since the 2024/25 Development Contributions Policy was adopted on 4 July 2024;
    - iii. the schedules that are impacted from this error are schedule 1A (development contributions phased charges), schedule 1B (development contributions base charges), schedule 2 (growth-related capital expenditure) and schedule 6 (growth forecasts). The revised policy with corrected schedules (**Attachment 1**) will be updated on the website immediately if approved; and
    - iv. no further changes to the 2024/25 Development Contributions Policy are required as a consequence of this update.

## Executive Summary - *Whakaraapopototanga matua*

3. The Council's DC Policy underwent a full review alongside the 2024-34 Long-term Plan and was adopted by Council on 4 July 2024.



4. In late July 2024, staff became aware that non-residential growth projection inputs to the DC model that were provided by a third party (Market Economics) and used to calculate the 2024/25 DC charges, were incorrect and as a consequence the DC charge schedules require updating.
5. Market Economics has taken responsibility for the error and has since corrected the non-residential demand projections. Staff have re-run the DC model and produced correct schedules.
6. There is minimal impact on both residential and non-residential charges. The change in charges from the correction ranges from -1.2% to +1.2%. The overall financial impact of updating the charge schedules is zero, as the DC charges are essentially reallocated and the allocation of the capital programme to growth remains the same. The change to the charges is close to the margin of error, but the underlying data requires changing to ensure the inputs are robust.
7. No incorrect development contribution invoices have been issued under the 2024/25 DC Policy and therefore no refunds are required as a result of this error.
8. Not updating the DC schedules would result in some DC charges being charged at a marginally different level than they otherwise should have been. This could present a risk of challenge.
9. Staff recommend updating the affected 2024/25 DC policy schedules (Attachment 1) to reflect the correct growth projection inputs to the model and the adjusted charges.
10. Staff consider the decisions in this report have low significance and that the recommendations comply with the Council's legal requirements.

### **Background - *Koorero whaimaarama***

11. The DC Policy underwent a full review, including community consultation in March-April 2024. The Council adopted its operative DC Policy at the [4 July 2024 Council meeting](#), alongside the 2024-34 Long-Term Plan (LTP) and associated capital programme.
12. In late 2023, staff had requested an update of the Growth Allocation model to align with the latest update to the Housing and Business Capacity Assessment (HBA). This update was used in the DC model to calculate the charges in the 2024/25 DC Policy.
13. In late July 2024, after the 2024/25 DC policy was adopted, staff became aware that a limited set of non-residential growth projection inputs to the DC model provided by Market Economics were incorrect and required updating. The error impacted the DC charges and associated schedules.

### **Discussion - *Matapaki***

14. As standard practice for full DC Policy reviews, Council's DC model is re-run to generate updated DC charges and schedules. Various inputs that impact the schedules and charges include growth model demand projections, inflation, interest rates and the adopted capital programme. Council uses demand growth model projections from a third party consultant, Market Economics, to input into the DC Model. Market Economics provides certain capacity estimates and non-residential demand projections across Hamilton.
15. In late July, staff discovered that around two hectares of industrial activity had been allocated to Peacocke where industrial development would not be expected to occur. The allocation therefore needed to be re-distributed to other locations. The retail allocation was also updated. A small amount of industrial land allocated in Rotokauri Town Centre was also identified as incorrect and needed to be reallocated.

16. Market Economics has taken responsibility for the error and has since corrected the non-residential demand projections. Staff have re-run the DC model and produced correct schedules.
17. The schedules that are impacted from this error in the 2024/25 DC Policy are schedule 1A (DC phased charges), schedule 1B (DC base charges), schedule 2 (growth-related capital expenditure) and schedule 6 (growth forecasts). The revised policy with corrected schedules (Attachment 1) will be updated on the website immediately if approved.
18. The approximate impact if the residential and non-residential charges were corrected is summarised in **Table 1** below. The impact is minimal in each catchment. The change in charges from the correction ranges from -1.2% to +1.2%.

**Table 1: Examples of impact of change on residential and non-residential charges**

Change to the base charges by catchment		% change in \$DC per HUE/100m2
Residential	Citywide	-0.1%
	Infill East	-0.1%
	Infill West	-0.1%
	Peacocke	0.3%
	Rotokauri (Stage 1)	0.4%
	Rototuna	0.0%
	Ruakura	-0.5%
Industrial	Citywide	0.0%
	Infill East	0.0%
	Infill West	0.0%
	Rotokauri (Stage 1)	0.9%
	Ruakura	-0.8%
Commercial	Citywide	-0.1%
	Infill East	-0.1%
	Infill West	0.0%
	Peacocke	0.4%
	Rotokauri (Stage 1)	1.1%
	Rototuna	-0.1%
	Ruakura	-1.0%
Retail	Citywide	-0.1%
	Infill East	-0.1%
	Infill West	-0.1%
	Peacocke	0.3%
	Rotokauri (Stage 1)	1.2%
	Rototuna	-0.1%
	Ruakura	-1.2%

19. No incorrect development contribution invoices have been issued under the 2024/25 DC Policy and therefore no refunds are required as a result of this error. Prior to the error being identified, staff had issued seven DC estimate letters on developments under the 2024/25 DC Policy charges.
20. Staff will reissue DC estimate letters where the corrected DC charge is lower than that advised in the letter. Staff will honour the original DC charge advised where the corrected DC charge is higher. The variance in both instances is deemed to be non-material (being less than 0.01% of the total charge).

## Options

21. Staff have assessed that there are two viable options for the Council to consider:

Options	Staff recommendation	Estimated financial impact
1. approve the revised development contributions schedules in the 2024/25 Development Contributions Policy (Attachment 1) effective from 13 September 2024.	Recommended	Non-material
2. do not update revised development contributions schedules in the 2024/25 Development Contributions Policy.	Not recommended	Non-material

22. It is important the DC policy schedule charges are corrected through this update (Option a) for the following reasons:
- to ensure the DC policy charges are accurate;
  - to ensure transparency and ensure the Council's credibility;
  - to maintain the trust of the community and developers;
  - to prevent the risk of challenge.
23. The correction required is technical in nature and the impact on the 2024/25 DC charges is minimal.

## Financial Considerations - *Whaiwhakaaro Puutea*

24. The financial impact of updating the charge schedules overall is non-material.

## Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

25. Staff have received legal guidance on the recommendation to make this technical correction to the 2024/25 DC policy charge schedules. That advice is that it is recommended, and lawful.
26. Not proceeding to update the 2024/25 DC policy charge schedules is that it could result in legal challenges.

## Climate Change Impact Statement

27. Staff have assessed this option against the Climate Change Policy for both emissions and climate change adaptation. Staff have determined no adaptation or emissions assessment is required as this report is providing a technical update only.

## Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

28. The purpose of Local Government changed on 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
29. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
30. The recommendations set out in this report are consistent with that purpose.

31. Both those undertaking developments and the general community benefit from growth in Hamilton. The cost of growth needs to be balanced fairly, given the limited sources of funding available to the Council. The overall impact of requiring development contributions on the current and future social, economic, environment and cultural wellbeing of the community needs to be considered.
32. If development contributions are not required from developments, the Council may not be able to provide the necessary infrastructure to meet the new demand in a community, or more revenue will need to come from general rates. The latter scenario means that existing ratepayers meet the cost for new development. Both outcomes negatively impact on all aspects of wellbeing for the communities involved.

### **Social**

33. Development contributions help to fund city infrastructure such as roads and reserves, which help to link whanau and communities and provide places for them to connect.

### **Economic**

34. Development contributions support investment in critical infrastructure for both residential and non-residential development activity. Once a growth cell, or existing areas in the city, are enabled through infrastructure, economic benefits can be realised. New development creates jobs and wealth both now and in the future, supporting our communities' economic wellbeing.

### **Environmental**

35. Development contributions help to fund reserves as well as certain environmentally friendly infrastructure, particularly stormwater and wastewater. These help to protect our waterways and ecosystems, while also providing spaces where people can enjoy their local environment.

### **Cultural**

36. Cultural wellbeing is enabled by projects that acknowledge and support their local communities' shared cultural attributes. Development contributions also help to fund projects such as those that enhance the wellbeing of the Waikato River and support Te Ture Whaimana o Te Awa o Waikato.

### **Risks - *Tuuraru***

37. The legal risk in relation to the update to the DC Policy 2024/25 charge schedules is considered low, and best managed by following legal advice as set out in the legal considerations section.

### **Significance & Engagement Policy - *Kaupapa here whakahira/anganui***

38. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.
39. As the update proposed is a technical correction of inputs to the growth model, with a minor impact on charges, public consultation is not required.
40. Community views and preferences are already known to the Council through previous consultation undertaken in March/April 2024 where the operative 2024/25 DC policy was consulted on alongside the 2024-34 Long Term Plan.

41. Given the low level of significance determined, the engagement level is low. No engagement is required.

**Attachments - *Ngaa taapirihanga***

Attachment 1 - DC Policy 2024-25 schedules updated

**Item 12**

## 23. SCHEDULE 1A – DEVELOPMENT CONTRIBUTION CHARGES 2024/25

Table 1 – 2024/25 Phased residential development contributions payable in each catchment (excl. GST)

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
Large residential			Charge per lot, dwelling or unit title						
Infill East	SW - Chartwell	WW - East	303	1,324	2,984	4,444	13,375	9,011	31,440
Infill East	SW - City Centre	WW - East	305	1,333	2,275	4,476	13,472	9,077	30,937
Infill East	SW - Hamilton East	WW - East	311	1,359	1,411	4,563	13,732	9,252	30,628
Infill East	SW - Kirikiriroa	WW - East	325	1,420	2,475	4,768	14,352	9,670	33,010
Infill East	SW - Mangaonua	WW - East	334	1,457	72	4,891	14,720	9,918	31,391
Infill East	SW - Waitawhiriwhiri	WW - East	301	1,316	3,694	4,420	13,304	8,963	31,999
Infill West	SW - City Centre	WW - West	315	1,190	2,345	4,578	16,368	10,955	35,751
Infill West	SW - Mangakotukutuku	WW - West	336	1,271	9,868	4,890	17,484	11,702	45,552
Infill West	SW - St Andrews	WW - West	300	1,135	4,369	4,367	15,615	10,451	36,237
Infill West	SW - Te Rapa Stream	WW - West	321	1,214	1,832	4,672	16,703	11,179	35,922
Infill West	SW - Waitawhiriwhiri	WW - West	311	1,175	3,810	4,523	16,171	10,823	36,813
Infill West	SW - Western Heights	WW - West	322	1,215	475	4,677	16,720	11,191	34,599
Infill West	SW - Lake Rotokauri	WW - West	420	1,587	37,536	6,105	21,828	14,609	82,084
Peacocke 1	SW - Mangakotukutuku	WW - West	312	7,447	9,166	14,686	34,242	8,602	74,456
Peacocke 2	SW - Peacocke	WW - East	325	3,907	1,764	25,483	32,368	10,142	73,988
Peacocke 2	SW - Mangakotukutuku	WW - East	326	3,922	9,564	25,587	32,500	10,184	82,084
Rotokauri	SW - Lake Rotokauri	WW - West	356	4,351	31,821	13,025	19,372	13,158	82,084
Rotokauri	SW - Mangaheka	WW - West	393	4,806	2,096	14,386	21,396	14,533	57,611
Rotokauri	SW - Ohote	WW - West	360	4,402	1,254	13,176	19,596	13,310	52,097
Rotokauri	SW - Rotokauri West	WW - West	360	4,396	12	13,159	19,572	13,294	50,793
Rototuna	SW - Kirikiriroa	WW - East	892	1,524	2,770	18,437	17,038	10,046	50,708
Rototuna	SW - River North	WW - East	885	1,510	167	18,277	16,891	9,959	47,690
Rototuna	SW - Te Awa o Katapaki	WW - East	979	1,672	6,009	20,233	18,698	11,025	58,616
Rototuna	SW - Otama-ngenge	WW - East	878	1,500	12	18,148	16,771	9,889	47,198
Ruakura	SW - Hamilton East	WW - East	368	1,313	1,669	9,379	16,607	10,367	39,702
Ruakura	SW - Kirikiriroa	WW - East	379	1,353	2,887	9,666	17,115	10,685	42,085
Ruakura	SW - Mangaonua	WW - East	391	1,394	85	9,957	17,632	11,007	40,465
Te Rapa North	SW - Mangaheka	WW - West	384	1,371	2,051	11,351	18,268	9,590	43,015
Te Rapa North	SW - Te Rapa Stream	WW - West	341	1,215	1,944	10,058	16,187	8,498	38,242
Te Rapa North	SW - St Andrews	WW - West	318	1,135	4,633	9,400	15,128	7,942	38,557
Temple View	SW - Temple View	WW - West	386	1,375	13	5,423	21,570	12,122	40,889
Temple View	SW - Waitawhiriwhiri	WW - West	362	1,291	4,434	5,088	20,239	11,374	42,787
Standard residential			Charge per lot, dwelling or unit title						
Infill East	SW - Chartwell	WW - East	232	1,012	2,945	3,399	10,231	6,893	24,712
Infill East	SW - City Centre	WW - East	234	1,023	2,251	3,434	10,335	6,963	24,240
Infill East	SW - Hamilton East	WW - East	240	1,046	1,402	3,513	10,574	7,124	23,899
Infill East	SW - Kirikiriroa	WW - East	249	1,089	2,447	3,655	11,000	7,412	25,852
Infill East	SW - Mangaonua	WW - East	259	1,129	72	3,790	11,407	7,685	24,342
Infill East	SW - Waitawhiriwhiri	WW - East	230	1,004	3,635	3,372	10,149	6,838	25,229
Infill West	SW - City Centre	WW - West	242	914	2,323	3,515	12,567	8,411	27,971
Infill West	SW - Mangakotukutuku	WW - West	252	954	9,551	3,669	13,119	8,780	36,325
Infill West	SW - St Andrews	WW - West	229	865	4,296	3,330	11,905	7,968	28,593
Infill West	SW - Te Rapa Stream	WW - West	247	934	1,819	3,594	12,850	8,600	28,043
Infill West	SW - Waitawhiriwhiri	WW - West	238	898	3,754	3,454	12,351	8,266	28,960
Infill West	SW - Western Heights	WW - West	249	940	474	3,618	12,935	8,657	26,872
Infill West	SW - Lake Rotokauri	WW - West	290	1,095	33,405	4,212	15,059	10,079	64,138
Peacocke 1	SW - Mangakotukutuku	WW - West	236	5,623	8,928	11,088	25,855	6,495	58,225
Peacocke 2	SW - Peacocke	WW - East	250	3,012	1,755	19,651	24,960	7,821	57,449
Peacocke 2	SW - Mangakotukutuku	WW - East	246	2,965	9,325	19,340	24,565	7,697	64,138
Rotokauri	SW - Lake Rotokauri	WW - West	250	3,056	28,833	9,149	13,607	9,242	64,138
Rotokauri	SW - Mangaheka	WW - West	303	3,702	2,083	11,081	16,481	11,194	44,844
Rotokauri	SW - Ohote	WW - West	278	3,399	1,249	10,173	15,131	10,277	40,506
Rotokauri	SW - Rotokauri West	WW - West	279	3,408	12	10,201	15,171	10,305	39,375
Rototuna	SW - Kirikiriroa	WW - East	686	1,170	2,745	14,163	13,089	7,718	39,572
Rototuna	SW - River North	WW - East	685	1,170	167	14,160	13,086	7,716	36,985
Rototuna	SW - Te Awa o Katapaki	WW - East	746	1,273	5,903	15,406	14,237	8,394	45,958
Rototuna	SW - Otama-ngenge	WW - East	681	1,163	12	14,067	13,000	7,665	36,588
Ruakura	SW - Hamilton East	WW - East	283	1,010	1,657	7,219	12,783	7,980	30,934
Ruakura	SW - Kirikiriroa	WW - East	291	1,036	2,854	7,406	13,114	8,187	32,887
Ruakura	SW - Mangaonua	WW - East	303	1,080	85	7,716	13,663	8,529	31,376
Te Rapa North	SW - Mangaheka	WW - West	296	1,054	2,034	8,727	14,045	7,373	33,529
Te Rapa North	SW - Te Rapa Stream	WW - West	262	934	1,928	7,735	12,448	6,535	29,842
Te Rapa North	SW - St Andrews	WW - West	243	865	4,552	7,160	11,523	6,049	30,392
Temple View	SW - Temple View	WW - West	299	1,066	13	4,204	16,720	9,396	31,698
Temple View	SW - Waitawhiriwhiri	WW - West	276	984	4,360	3,878	15,425	8,669	33,592

Table 1– Continued

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
Two-bedroom		Charge per lot, dwelling or unit title							
Infill East	SW - Chartwell	WW - East	156	681	2,872	2,286	6,880	4,635	17,509
Infill East	SW - City Centre	WW - East	158	691	2,207	2,321	6,985	4,707	17,069
Infill East	SW - Hamilton East	WW - East	163	712	1,383	2,391	7,197	4,849	16,695
Infill East	SW - Kirikiriroa	WW - East	168	735	2,395	2,466	7,423	5,001	18,189
Infill East	SW - Mangaonua	WW - East	178	778	72	2,611	7,859	5,295	16,794
Infill East	SW - Waitawhiriwhiri	WW - East	154	672	3,528	2,257	6,792	4,576	17,980
Infill West	SW - City Centre	WW - West	164	618	2,280	2,379	8,507	5,694	19,642
Infill West	SW - Mangakotukutuku	WW - West	164	621	9,018	2,389	8,540	5,716	26,447
Infill West	SW - St Andrews	WW - West	153	579	4,166	2,226	7,959	5,327	20,410
Infill West	SW - Te Rapa Stream	WW - West	168	635	1,792	2,442	8,730	5,843	19,608
Infill West	SW - Waitawhiriwhiri	WW - West	159	602	3,650	2,316	8,282	5,543	20,553
Infill West	SW - Western Heights	WW - West	171	646	472	2,484	8,882	5,945	18,599
Infill West	SW - Lake Rotokauri	WW - West	164	621	27,487	2,390	8,544	5,718	44,924
Peacocke 1	SW - Mangakotukutuku	WW - West	155	3,690	8,497	7,276	16,967	4,262	40,847
Peacocke 2	SW - Peacocke	WW - East	171	2,056	1,737	13,409	17,032	5,337	39,742
Peacocke 2	SW - Mangakotukutuku	WW - East	162	1,949	8,891	12,714	16,149	5,060	44,924
Rotokauri	SW - Lake Rotokauri	WW - West	146	1,780	24,359	5,329	7,926	5,384	44,924
Rotokauri	SW - Mangaheka	WW - West	206	2,521	2,057	7,546	11,223	7,623	31,175
Rotokauri	SW - Ohote	WW - West	190	2,325	1,239	6,960	10,351	7,031	28,096
Rotokauri	SW - Rotokauri West	WW - West	192	2,349	12	7,033	10,460	7,105	27,152
Rototuna	SW - Kirikiriroa	WW - East	465	793	2,698	9,596	8,868	5,229	27,648
Rototuna	SW - River North	WW - East	472	806	167	9,752	9,012	5,314	25,524
Rototuna	SW - Te Awa o Katapaki	WW - East	497	849	5,706	10,269	9,490	5,596	32,407
Rototuna	SW - Otama-ngenge	WW - East	469	801	12	9,699	8,963	5,285	25,230
Ruakura	SW - Hamilton East	WW - East	193	687	1,634	4,910	8,694	5,427	21,546
Ruakura	SW - Kirikiriroa	WW - East	196	699	2,790	4,993	8,842	5,519	23,039
Ruakura	SW - Mangaonua	WW - East	209	744	85	5,316	9,414	5,877	21,645
Te Rapa North	SW - Mangaheka	WW - West	201	715	2,002	5,922	9,531	5,003	23,373
Te Rapa North	SW - Te Rapa Stream	WW - West	178	634	1,899	5,251	8,451	4,436	20,849
Te Rapa North	SW - St Andrews	WW - West	162	577	4,406	4,778	7,690	4,037	21,650
Temple View	SW - Temple View	WW - West	206	735	13	2,898	11,527	6,478	21,858
Temple View	SW - Waitawhiriwhiri	WW - West	184	657	4,223	2,590	10,302	5,790	23,747
One-bedroom		Charge per lot, dwelling or unit title							
Infill East	SW - Chartwell	WW - East	110	482	1,468	1,618	4,869	3,281	11,828
Infill East	SW - City Centre	WW - East	112	487	1,123	1,635	4,921	3,316	11,594
Infill East	SW - Hamilton East	WW - East	114	499	700	1,674	5,039	3,395	11,421
Infill East	SW - Kirikiriroa	WW - East	119	518	1,221	1,740	5,237	3,529	12,364
Infill East	SW - Mangaonua	WW - East	123	539	36	1,809	5,443	3,667	11,617
Infill East	SW - Waitawhiriwhiri	WW - East	109	478	1,812	1,604	4,828	3,253	12,083
Infill West	SW - City Centre	WW - West	115	435	1,159	1,674	5,986	4,006	13,375
Infill West	SW - Mangakotukutuku	WW - West	120	452	4,744	1,740	6,220	4,163	17,438
Infill West	SW - St Andrews	WW - West	109	412	2,141	1,584	5,662	3,790	13,697
Infill West	SW - Te Rapa Stream	WW - West	118	445	908	1,712	6,122	4,098	13,403
Infill West	SW - Waitawhiriwhiri	WW - West	113	427	1,871	1,644	5,876	3,933	13,864
Infill West	SW - Western Heights	WW - West	119	449	237	1,726	6,170	4,130	12,829
Infill West	SW - Lake Rotokauri	WW - West	135	511	16,325	1,965	7,024	4,701	30,660
Peacocke 1	SW - Mangakotukutuku	WW - West	112	2,669	4,440	5,263	12,272	3,083	27,838
Peacocke 2	SW - Peacocke	WW - East	119	1,436	877	9,368	11,898	3,728	27,426
Peacocke 2	SW - Mangakotukutuku	WW - East	117	1,407	4,638	9,181	11,662	3,654	30,660
Rotokauri	SW - Lake Rotokauri	WW - West	117	1,430	14,138	4,282	6,368	4,325	30,660
Rotokauri	SW - Mangaheka	WW - West	144	1,764	1,040	5,281	7,855	5,335	21,420
Rotokauri	SW - Ohote	WW - West	133	1,621	624	4,851	7,215	4,900	19,343
Rotokauri	SW - Rotokauri West	WW - West	133	1,626	6	4,868	7,240	4,918	18,791
Rototuna	SW - Kirikiriroa	WW - East	327	558	1,370	6,747	6,235	3,676	18,912
Rototuna	SW - River North	WW - East	327	558	84	6,757	6,244	3,682	17,652
Rototuna	SW - Te Awa o Katapaki	WW - East	355	605	2,940	7,325	6,769	3,991	21,986
Rototuna	SW - Otama-ngenge	WW - East	325	555	6	6,713	6,204	3,658	17,461
Ruakura	SW - Hamilton East	WW - East	135	481	827	3,440	6,092	3,803	14,779
Ruakura	SW - Kirikiriroa	WW - East	138	493	1,423	3,526	6,243	3,897	15,721
Ruakura	SW - Mangaonua	WW - East	145	515	42	3,682	6,520	4,070	14,975
Te Rapa North	SW - Mangaheka	WW - West	141	502	1,015	4,158	6,691	3,513	16,020
Te Rapa North	SW - Te Rapa Stream	WW - West	125	445	963	3,685	5,931	3,113	14,262
Te Rapa North	SW - St Andrews	WW - West	115	411	2,268	3,405	5,479	2,877	14,555
Temple View	SW - Temple View	WW - West	143	509	7	2,006	7,979	4,484	15,128
Temple View	SW - Waitawhiriwhiri	WW - West	131	468	2,172	1,844	7,336	4,123	16,074



Table 2 – 2024/25 Phased non-residential development contributions payable in each catchment (excl. GST)

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
<b>Industrial</b>			Charge per 100m2 floor area (site area for Stormwater)						
Infill East	SW - Chartwell	WW - East			880	2,242	3,252	1,534	7,908
Infill East	SW - City Centre	WW - East			673	2,265	3,287	1,550	7,776
Infill East	SW - Hamilton East	WW - East			419	2,316	3,360	1,585	7,680
Infill East	SW - Kirikiriroa	WW - East			727	2,393	3,472	1,637	8,229
Infill East	SW - Mangaonua	WW - East			22	2,482	3,602	1,699	7,804
Infill East	SW - Waitawhiriwhiri	WW - East			1,086	2,222	3,224	1,521	8,054
Infill West	SW - City Centre	WW - West			691	2,306	3,975	1,862	8,834
Infill West	SW - Mangakotukutuku	WW - West			2,801	2,374	4,091	1,917	11,183
Infill West	SW - St Andrews	WW - West			1,281	2,189	3,772	1,767	9,009
Infill West	SW - Te Rapa Stream	WW - West			540	2,355	4,058	1,901	8,855
Infill West	SW - Waitawhiriwhiri	WW - West			1,116	2,265	3,903	1,829	9,112
Infill West	SW - Western Heights	WW - West			141	2,375	4,092	1,917	8,525
Infill West	SW - Lake Rotokauri	WW - West			11,589	3,223	5,554	2,602	22,968
Peacocke 1	SW - Mangakotukutuku	WW - West			2,861	7,838	8,809	1,549	21,057
Peacocke 2	SW - Peacocke	WW - East			525	12,964	7,937	1,741	23,167
Peacocke 2	SW - Mangakotukutuku	WW - East			2,814	12,869	7,880	1,728	25,291
Rotokauri	SW - Lake Rotokauri	WW - West			11,589	8,110	5,815	2,765	28,278
Rotokauri	SW - Mangaheka	WW - West			636	7,458	5,347	2,542	15,982
Rotokauri	SW - Ohote	WW - West			389	6,985	5,008	2,381	14,763
Rotokauri	SW - Rotokauri West	WW - West			4	7,018	5,031	2,392	14,445
Rototuna	SW - Kirikiriroa	WW - East			814	9,260	4,125	1,703	15,901
Rototuna	SW - River North	WW - East			50	9,282	4,135	1,707	15,174
Rototuna	SW - Te Awa o Katapaki	WW - East			1,705	9,815	4,372	1,805	17,696
Rototuna	SW - Otama-ngenge	WW - East			4	9,242	4,117	1,699	15,062
Ruakura	SW - Hamilton East	WW - East			515	4,950	4,225	1,846	11,537
Ruakura	SW - Kirikiriroa	WW - East			879	5,033	4,296	1,877	12,086
Ruakura	SW - Mangaonua	WW - East			26	5,226	4,460	1,949	11,661
Te Rapa North	SW - Mangaheka	WW - West			598	5,658	4,389	1,613	12,258
Te Rapa North	SW - Te Rapa Stream	WW - West			583	5,162	4,004	1,472	11,221
Te Rapa North	SW - St Andrews	WW - West			1,396	4,843	3,757	1,381	11,376
Temple View	SW - Temple View	WW - West			4	2,645	5,072	1,995	9,716
Temple View	SW - Waitawhiriwhiri	WW - West			1,249	2,451	4,699	1,849	10,249
<b>Commercial</b>			Charge per 100m2 floor area (site area for Stormwater)						
Infill East	SW - Chartwell	WW - East			1,258	6,568	5,760	3,018	16,603
Infill East	SW - City Centre	WW - East			959	6,618	5,804	3,041	16,422
Infill East	SW - Hamilton East	WW - East			592	6,719	5,892	3,088	16,291
Infill East	SW - Kirikiriroa	WW - East			1,015	6,859	6,015	3,152	17,042
Infill East	SW - Mangaonua	WW - East			30	7,032	6,167	3,232	16,461
Infill East	SW - Waitawhiriwhiri	WW - East			1,555	6,525	5,723	2,999	16,802
Infill West	SW - City Centre	WW - West			973	6,663	6,942	3,614	18,192
Infill West	SW - Mangakotukutuku	WW - West			3,898	6,775	7,058	3,674	21,405
Infill West	SW - St Andrews	WW - West			1,832	6,424	6,692	3,484	18,431
Infill West	SW - Te Rapa Stream	WW - West			756	6,758	7,041	3,665	18,220
Infill West	SW - Waitawhiriwhiri	WW - West			1,579	6,576	6,851	3,566	18,573
Infill West	SW - Western Heights	WW - West			197	6,800	7,084	3,688	17,769
Infill West	SW - Lake Rotokauri	WW - West			15,381	8,773	9,140	4,758	38,052
Peacocke 1	SW - Mangakotukutuku	WW - West			4,094	23,001	15,627	3,053	45,775
Peacocke 2	SW - Peacocke	WW - East			723	36,605	13,548	3,302	54,177
Peacocke 2	SW - Mangakotukutuku	WW - East			3,883	36,431	13,483	3,286	57,083
Rotokauri	SW - Lake Rotokauri	WW - West			15,856	22,761	9,864	5,211	53,692
Rotokauri	SW - Mangaheka	WW - West			888	21,364	9,259	4,891	36,401
Rotokauri	SW - Ohote	WW - West			558	20,559	8,910	4,707	34,733
Rotokauri	SW - Rotokauri West	WW - West			5	20,630	8,940	4,723	34,298
Rototuna	SW - Kirikiriroa	WW - East			1,134	26,476	7,129	3,269	38,009
Rototuna	SW - River North	WW - East			69	26,526	7,143	3,276	37,014
Rototuna	SW - Te Awa o Katapaki	WW - East			2,320	27,389	7,375	3,382	40,465
Rototuna	SW - Otama-ngenge	WW - East			5	26,463	7,126	3,268	36,862
Ruakura	SW - Hamilton East	WW - East			739	14,569	7,517	3,650	26,475
Ruakura	SW - Kirikiriroa	WW - East			1,252	14,704	7,587	3,684	27,226
Ruakura	SW - Mangaonua	WW - East			37	15,063	7,772	3,774	26,645
Te Rapa North	SW - Mangaheka	WW - West			818	15,876	7,445	3,040	27,178
Te Rapa North	SW - Te Rapa Stream	WW - West			827	15,016	7,041	2,875	25,760
Te Rapa North	SW - St Andrews	WW - West			2,026	14,421	6,762	2,761	25,971
Temple View	SW - Temple View	WW - West			5	7,405	8,582	3,751	19,744
Temple View	SW - Waitawhiriwhiri	WW - West			1,746	7,025	8,142	3,559	20,472



Table 2 – Continued

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
<b>Retail</b>			<b>Charge per 100m2 floor area (site area for Stormwater)</b>						
Infill East	SW - Chartwell	WW - East			1,309	9,824	4,922	2,580	18,635
Infill East	SW - City Centre	WW - East			998	9,897	4,959	2,599	18,453
Infill East	SW - Hamilton East	WW - East			616	10,039	5,031	2,636	18,322
Infill East	SW - Kirikiriroa	WW - East			1,053	10,218	5,120	2,683	19,073
Infill East	SW - Mangaonua	WW - East			31	10,468	5,245	2,749	18,492
Infill East	SW - Waitawhiriwhiri	WW - East			1,619	9,761	4,891	2,563	18,834
Infill West	SW - City Centre	WW - West			1,005	9,881	5,882	3,062	19,830
Infill West	SW - Mangakotukutuku	WW - West			4,002	9,994	5,949	3,097	23,043
Infill West	SW - St Andrews	WW - West			1,894	9,540	5,679	2,956	20,069
Infill West	SW - Te Rapa Stream	WW - West			780	10,014	5,961	3,103	19,857
Infill West	SW - Waitawhiriwhiri	WW - West			1,630	9,753	5,805	3,022	20,210
Infill West	SW - Western Heights	WW - West			203	10,080	6,000	3,123	19,407
Infill West	SW - Lake Rotokauri	WW - West			15,496	12,699	7,559	3,935	39,689
Peacocke 1	SW - Mangakotukutuku	WW - West			4,287	34,610	13,435	2,625	54,957
Peacocke 2	SW - Peacocke	WW - East			729	53,042	11,217	2,734	67,722
Peacocke 2	SW - Mangakotukutuku	WW - East			3,918	52,818	11,169	2,722	70,628
Rotokauri	SW - Lake Rotokauri	WW - West			15,856	32,703	8,098	4,278	60,935
Rotokauri	SW - Mangaheka	WW - West			923	31,917	7,903	4,175	44,919
Rotokauri	SW - Ohote	WW - West			584	30,953	7,664	4,049	43,250
Rotokauri	SW - Rotokauri West	WW - West			6	31,057	7,690	4,063	42,816
Rototuna	SW - Kirikiriroa	WW - East			1,156	38,766	5,964	2,735	48,621
Rototuna	SW - River North	WW - East			71	38,840	5,976	2,740	47,626
Rototuna	SW - Te Awa o Katapaki	WW - East			2,346	39,800	6,124	2,808	51,078
Rototuna	SW - Otama-ngenge	WW - East			5	38,769	5,965	2,735	47,474
Ruakura	SW - Hamilton East	WW - East			776	21,969	6,477	3,145	32,366
Ruakura	SW - Kirikiriroa	WW - East			1,311	22,119	6,521	3,166	33,117
Ruakura	SW - Mangaonua	WW - East			38	22,600	6,663	3,235	32,536
Te Rapa North	SW - Mangaheka	WW - West			839	23,388	6,266	2,559	33,052
Te Rapa North	SW - Te Rapa Stream	WW - West			857	22,345	5,987	2,445	31,633
Te Rapa North	SW - St Andrews	WW - West			2,111	21,588	5,784	2,362	31,845
Temple View	SW - Temple View	WW - West			5	10,685	7,075	3,093	20,858
Temple View	SW - Waitawhiriwhiri	WW - West			1,757	10,160	6,728	2,941	21,586

Please refer to the Schedule 1A and 1B notes under Schedule 1B below.

## 24. SCHEDULE 1B – DEVELOPMENT CONTRIBUTION BASE CHARGES

Table 3 – Residential base development contributions in each catchment (excl. GST)

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
<b>Large residential</b>			<b>Charge per lot, dwelling or unit title</b>						
Infill East	SW - Chartwell	WW - East	461	2,013	4,539	6,759	20,343	13,706	47,820
Infill East	SW - City Centre	WW - East	461	2,013	3,435	6,759	20,343	13,706	46,716
Infill East	SW - Hamilton East	WW - East	461	2,013	2,090	6,759	20,343	13,706	45,372
Infill East	SW - Kirikiriroa	WW - East	461	2,013	3,509	6,759	20,343	13,706	46,790
Infill East	SW - Mangaonua	WW - East	461	2,013	100	6,759	20,343	13,706	43,382
Infill East	SW - Waitawhiriwhiri	WW - East	461	2,013	5,648	6,759	20,343	13,706	48,930
Infill West	SW - City Centre	WW - West	461	1,743	3,435	6,705	23,974	16,045	52,363
Infill West	SW - Mangakotukutuku	WW - West	461	1,743	13,530	6,705	23,974	16,045	62,458
Infill West	SW - St Andrews	WW - West	461	1,743	6,707	6,705	23,974	16,045	55,635
Infill West	SW - Te Rapa Stream	WW - West	461	1,743	2,630	6,705	23,974	16,045	51,558
Infill West	SW - Waitawhiriwhiri	WW - West	461	1,743	5,648	6,705	23,974	16,045	54,576
Infill West	SW - Western Heights	WW - West	461	1,743	681	6,705	23,974	16,045	49,609
Infill West	SW - Lake Rotokauri	WW - West	461	1,743	41,226	6,705	23,974	16,045	90,153
Peacocke 1	SW - Mangakotukutuku	WW - West	461	10,993	13,530	21,677	50,545	12,698	109,903
Peacocke 2	SW - Peacocke	WW - East	461	5,549	2,506	36,198	45,977	14,407	105,097
Peacocke 2	SW - Mangakotukutuku	WW - East	461	5,549	13,530	36,198	45,977	14,407	116,121
Rotokauri	SW - Lake Rotokauri	WW - West	461	5,637	41,226	16,875	25,098	17,047	106,344
Rotokauri	SW - Mangaheka	WW - West	461	5,637	2,459	16,875	25,098	17,047	67,577
Rotokauri	SW - Ohote	WW - West	461	5,637	1,606	16,875	25,098	17,047	66,724
Rotokauri	SW - Rotokauri West	WW - West	461	5,637	16	16,875	25,098	17,047	65,134
Rototuna	SW - Kirikiriroa	WW - East	1,130	1,930	3,509	23,350	21,578	12,723	64,220
Rototuna	SW - River North	WW - East	1,130	1,930	214	23,350	21,578	12,723	60,925
Rototuna	SW - Te Awa o Katapaki	WW - East	1,130	1,930	6,935	23,350	21,578	12,723	67,646
Rototuna	SW - Otama-ngenge	WW - East	1,130	1,930	16	23,350	21,578	12,723	60,727
Ruakura	SW - Hamilton East	WW - East	461	1,644	2,090	11,747	20,800	12,985	49,727
Ruakura	SW - Kirikiriroa	WW - East	461	1,644	3,509	11,747	20,800	12,985	51,145
Ruakura	SW - Mangaonua	WW - East	461	1,644	100	11,747	20,800	12,985	47,737
Te Rapa North	SW - Mangaheka	WW - West	461	1,644	2,459	13,610	21,903	11,499	51,575
Te Rapa North	SW - Te Rapa Stream	WW - West	461	1,644	2,630	13,610	21,903	11,499	51,746
Te Rapa North	SW - St Andrews	WW - West	461	1,644	6,707	13,610	21,903	11,499	55,823
Temple View	SW - Temple View	WW - West	461	1,644	16	6,481	25,779	14,488	48,869
Temple View	SW - Waitawhiriwhiri	WW - West	461	1,644	5,648	6,481	25,779	14,488	54,501
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide		461	1,644	16	6,481	13,572	11,297	33,470
		WW - West					8,331		8,331
		WW - East					3,772		3,772
<b>Standard residential</b>			<b>Charge per lot, dwelling or unit title</b>						
Infill East	SW - Chartwell	WW - East	357	1,561	4,539	5,239	15,769	10,625	38,091
Infill East	SW - City Centre	WW - East	357	1,561	3,435	5,239	15,769	10,625	36,987
Infill East	SW - Hamilton East	WW - East	357	1,561	2,090	5,239	15,769	10,625	35,642
Infill East	SW - Kirikiriroa	WW - East	357	1,561	3,509	5,239	15,769	10,625	37,060
Infill East	SW - Mangaonua	WW - East	357	1,561	100	5,239	15,769	10,625	33,652
Infill East	SW - Waitawhiriwhiri	WW - East	357	1,561	5,648	5,239	15,769	10,625	39,200
Infill West	SW - City Centre	WW - West	357	1,351	3,435	5,198	18,584	12,438	41,364
Infill West	SW - Mangakotukutuku	WW - West	357	1,351	13,530	5,198	18,584	12,438	51,459
Infill West	SW - St Andrews	WW - West	357	1,351	6,707	5,198	18,584	12,438	44,636
Infill West	SW - Te Rapa Stream	WW - West	357	1,351	2,630	5,198	18,584	12,438	40,559
Infill West	SW - Waitawhiriwhiri	WW - West	357	1,351	5,648	5,198	18,584	12,438	43,577
Infill West	SW - Western Heights	WW - West	357	1,351	681	5,198	18,584	12,438	38,609
Infill West	SW - Lake Rotokauri	WW - West	357	1,351	41,226	5,198	18,584	12,438	79,154
Peacocke 1	SW - Mangakotukutuku	WW - West	357	8,521	13,530	16,804	39,182	9,843	88,238
Peacocke 2	SW - Peacocke	WW - East	357	4,302	2,506	28,060	35,641	11,168	82,034
Peacocke 2	SW - Mangakotukutuku	WW - East	357	4,302	13,530	28,060	35,641	11,168	93,058
Rotokauri	SW - Lake Rotokauri	WW - West	357	4,370	41,226	13,081	19,456	13,215	91,705
Rotokauri	SW - Mangaheka	WW - West	357	4,370	2,459	13,081	19,456	13,215	52,938
Rotokauri	SW - Ohote	WW - West	357	4,370	1,606	13,081	19,456	13,215	52,085
Rotokauri	SW - Rotokauri West	WW - West	357	4,370	16	13,081	19,456	13,215	50,495
Rototuna	SW - Kirikiriroa	WW - East	876	1,496	3,509	18,101	16,727	9,863	50,571
Rototuna	SW - River North	WW - East	876	1,496	214	18,101	16,727	9,863	47,277
Rototuna	SW - Te Awa o Katapaki	WW - East	876	1,496	6,935	18,101	16,727	9,863	53,998
Rototuna	SW - Otama-ngenge	WW - East	876	1,496	16	18,101	16,727	9,863	47,079
Ruakura	SW - Hamilton East	WW - East	357	1,274	2,090	9,106	16,124	10,066	39,018
Ruakura	SW - Kirikiriroa	WW - East	357	1,274	3,509	9,106	16,124	10,066	40,436
Ruakura	SW - Mangaonua	WW - East	357	1,274	100	9,106	16,124	10,066	37,028

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
Te Rapa North	SW - Mangaheka	WW - West	357	1,274	2,459	10,550	16,979	8,914	40,533
Te Rapa North	SW - Te Rapa Stream	WW - West	357	1,274	2,630	10,550	16,979	8,914	40,705
Te Rapa North	SW - St Andrews	WW - West	357	1,274	6,707	10,550	16,979	8,914	44,782
Temple View	SW - Temple View	WW - West	357	1,274	16	5,024	19,984	11,231	37,886
Temple View	SW - Waitawhiriwhiri	WW - West	357	1,274	5,648	5,024	19,984	11,231	43,519
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide		357	1,274	16	5,024	10,521	8,757	25,949
		WW - West					6,458		6,458
		WW - East					2,924		2,924
<b>Two-bedroom</b>		<b>Charge per lot, dwelling or unit title</b>							
Infill East	SW - Chartwell	WW - East	246	1,076	4,539	3,613	10,873	7,326	27,673
Infill East	SW - City Centre	WW - East	246	1,076	3,435	3,613	10,873	7,326	26,569
Infill East	SW - Hamilton East	WW - East	246	1,076	2,090	3,613	10,873	7,326	25,225
Infill East	SW - Kirikiriroa	WW - East	246	1,076	3,509	3,613	10,873	7,326	26,643
Infill East	SW - Mangaonua	WW - East	246	1,076	100	3,613	10,873	7,326	23,235
Infill East	SW - Waitawhiriwhiri	WW - East	246	1,076	5,648	3,613	10,873	7,326	28,783
Infill West	SW - City Centre	WW - West	246	931	3,435	3,584	12,814	8,576	29,587
Infill West	SW - Mangakotukutuku	WW - West	246	931	13,530	3,584	12,814	8,576	39,683
Infill West	SW - St Andrews	WW - West	246	931	6,707	3,584	12,814	8,576	32,859
Infill West	SW - Te Rapa Stream	WW - West	246	931	2,630	3,584	12,814	8,576	28,783
Infill West	SW - Waitawhiriwhiri	WW - West	246	931	5,648	3,584	12,814	8,576	31,801
Infill West	SW - Western Heights	WW - West	246	931	681	3,584	12,814	8,576	26,833
Infill West	SW - Lake Rotokauri	WW - West	246	931	41,226	3,584	12,814	8,576	67,378
Peacocke 1	SW - Mangakotukutuku	WW - West	246	5,876	13,530	11,587	27,017	6,787	65,043
Peacocke 2	SW - Peacocke	WW - East	246	2,966	2,506	19,348	24,575	7,700	57,342
Peacocke 2	SW - Mangakotukutuku	WW - East	246	2,966	13,530	19,348	24,575	7,700	68,366
Rotokauri	SW - Lake Rotokauri	WW - West	246	3,013	41,226	9,020	13,415	9,112	76,032
Rotokauri	SW - Mangaheka	WW - West	246	3,013	2,459	9,020	13,415	9,112	37,265
Rotokauri	SW - Ohote	WW - West	246	3,013	1,606	9,020	13,415	9,112	36,412
Rotokauri	SW - Rotokauri West	WW - West	246	3,013	16	9,020	13,415	9,112	34,822
Rototuna	SW - Kirikiriroa	WW - East	604	1,031	3,509	12,481	11,534	6,801	35,959
Rototuna	SW - River North	WW - East	604	1,031	214	12,481	11,534	6,801	32,665
Rototuna	SW - Te Awa o Katapaki	WW - East	604	1,031	6,935	12,481	11,534	6,801	39,386
Rototuna	SW - Otama-ngenge	WW - East	604	1,031	16	12,481	11,534	6,801	32,466
Ruakura	SW - Hamilton East	WW - East	246	879	2,090	6,279	11,118	6,940	27,552
Ruakura	SW - Kirikiriroa	WW - East	246	879	3,509	6,279	11,118	6,940	28,971
Ruakura	SW - Mangaonua	WW - East	246	879	100	6,279	11,118	6,940	25,562
Te Rapa North	SW - Mangaheka	WW - West	246	879	2,459	7,275	11,707	6,146	28,712
Te Rapa North	SW - Te Rapa Stream	WW - West	246	879	2,630	7,275	11,707	6,146	28,883
Te Rapa North	SW - St Andrews	WW - West	246	879	6,707	7,275	11,707	6,146	32,960
Temple View	SW - Temple View	WW - West	246	879	16	3,464	13,779	7,744	26,128
Temple View	SW - Waitawhiriwhiri	WW - West	246	879	5,648	3,464	13,779	7,744	31,761
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide		246	879	16	3,464	7,254	6,038	17,897
		WW - West					4,453		4,453
		WW - East					2,016		2,016
<b>One-bedroom</b>		<b>Charge per lot, dwelling or unit title</b>							
Infill East	SW - Chartwell	WW - East	171	745	2,269	2,500	7,526	5,071	18,281
Infill East	SW - City Centre	WW - East	171	745	1,717	2,500	7,526	5,071	17,729
Infill East	SW - Hamilton East	WW - East	171	745	1,045	2,500	7,526	5,071	17,057
Infill East	SW - Kirikiriroa	WW - East	171	745	1,754	2,500	7,526	5,071	17,766
Infill East	SW - Mangaonua	WW - East	171	745	50	2,500	7,526	5,071	16,062
Infill East	SW - Waitawhiriwhiri	WW - East	171	745	2,824	2,500	7,526	5,071	18,836
Infill West	SW - City Centre	WW - West	171	645	1,717	2,481	8,869	5,936	19,818
Infill West	SW - Mangakotukutuku	WW - West	171	645	6,765	2,481	8,869	5,936	24,866
Infill West	SW - St Andrews	WW - West	171	645	3,354	2,481	8,869	5,936	21,454
Infill West	SW - Te Rapa Stream	WW - West	171	645	1,315	2,481	8,869	5,936	19,416
Infill West	SW - Waitawhiriwhiri	WW - West	171	645	2,824	2,481	8,869	5,936	20,925
Infill West	SW - Western Heights	WW - West	171	645	340	2,481	8,869	5,936	18,441
Infill West	SW - Lake Rotokauri	WW - West	171	645	20,613	2,481	8,869	5,936	38,714
Peacocke 1	SW - Mangakotukutuku	WW - West	171	4,067	6,765	8,019	18,699	4,697	42,418
Peacocke 2	SW - Peacocke	WW - East	171	2,053	1,253	13,391	17,009	5,330	39,207
Peacocke 2	SW - Mangakotukutuku	WW - East	171	2,053	6,765	13,391	17,009	5,330	44,719
Rotokauri	SW - Lake Rotokauri	WW - West	171	2,086	20,613	6,243	9,285	6,307	44,703
Rotokauri	SW - Mangaheka	WW - West	171	2,086	1,229	6,243	9,285	6,307	25,320
Rotokauri	SW - Ohote	WW - West	171	2,086	803	6,243	9,285	6,307	24,893
Rotokauri	SW - Rotokauri West	WW - West	171	2,086	8	6,243	9,285	6,307	24,098
Rototuna	SW - Kirikiriroa	WW - East	418	714	1,754	8,638	7,983	4,707	24,214
Rototuna	SW - River North	WW - East	418	714	107	8,638	7,983	4,707	22,567

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
Rototuna	SW - Te Awa o Katapaki	WW - East	418	714	3,468	8,638	7,983	4,707	25,928
Rototuna	SW - Otama-ngenge	WW - East	418	714	8	8,638	7,983	4,707	22,468
Ruakura	SW - Hamilton East	WW - East	171	608	1,045	4,346	7,695	4,804	18,668
Ruakura	SW - Kirikiriroa	WW - East	171	608	1,754	4,346	7,695	4,804	19,377
Ruakura	SW - Mangaonua	WW - East	171	608	50	4,346	7,695	4,804	17,673
Te Rapa North	SW - Mangaheka	WW - West	171	608	1,229	5,035	8,103	4,254	19,400
Te Rapa North	SW - Te Rapa Stream	WW - West	171	608	1,315	5,035	8,103	4,254	19,486
Te Rapa North	SW - St Andrews	WW - West	171	608	3,354	5,035	8,103	4,254	21,524
Temple View	SW - Temple View	WW - West	171	608	8	2,398	9,537	5,360	18,081
Temple View	SW - Waitawhiriwhiri	WW - West	171	608	2,824	2,398	9,537	5,360	20,897
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide		171	608	8	2,398	5,021	4,179	12,384
		WW - West					3,082		3,082
		WW - East					1,395		1,395

Table 4 – Non-residential base development contributions in each catchment (excl. GST)

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
<b>Industrial</b>			Charge per 100m2 floor area (site area for Stormwater)						
Infill East	SW - Chartwell	WW - East			1,276	3,248	4,713	2,223	11,460
Infill East	SW - City Centre	WW - East			966	3,248	4,713	2,223	11,150
Infill East	SW - Hamilton East	WW - East			588	3,248	4,713	2,223	10,772
Infill East	SW - Kirikiriroa	WW - East			986	3,248	4,713	2,223	11,170
Infill East	SW - Mangaonua	WW - East			28	3,248	4,713	2,223	10,212
Infill East	SW - Waitawhiriwhiri	WW - East			1,588	3,248	4,713	2,223	11,772
Infill West	SW - City Centre	WW - West			966	3,223	5,554	2,602	12,345
Infill West	SW - Mangakotukutuku	WW - West			3,803	3,223	5,554	2,602	15,182
Infill West	SW - St Andrews	WW - West			1,885	3,223	5,554	2,602	13,264
Infill West	SW - Te Rapa Stream	WW - West			739	3,223	5,554	2,602	12,118
Infill West	SW - Waitawhiriwhiri	WW - West			1,588	3,223	5,554	2,602	12,967
Infill West	SW - Western Heights	WW - West			191	3,223	5,554	2,602	11,570
Infill West	SW - Lake Rotokauri	WW - West			11,589	3,223	5,554	2,602	22,968
Peacocke 1	SW - Mangakotukutuku	WW - West			3,803	10,418	11,710	2,059	27,991
Peacocke 2	SW - Peacocke	WW - East			704	17,397	10,652	2,336	31,090
Peacocke 2	SW - Mangakotukutuku	WW - East			3,803	17,397	10,652	2,336	34,189
Rotokauri	SW - Lake Rotokauri	WW - West			11,589	8,110	5,815	2,765	28,278
Rotokauri	SW - Mangaheka	WW - West			691	8,110	5,815	2,765	17,381
Rotokauri	SW - Ohote	WW - West			451	8,110	5,815	2,765	17,141
Rotokauri	SW - Rotokauri West	WW - West			4	8,110	5,815	2,765	16,694
Rototuna	SW - Kirikiriroa	WW - East			986	11,222	4,999	2,063	19,271
Rototuna	SW - River North	WW - East			60	11,222	4,999	2,063	18,345
Rototuna	SW - Te Awa o Katapaki	WW - East			1,950	11,222	4,999	2,063	20,235
Rototuna	SW - Otama-ngenge	WW - East			4	11,222	4,999	2,063	18,289
Ruakura	SW - Hamilton East	WW - East			588	5,646	4,819	2,106	13,158
Ruakura	SW - Kirikiriroa	WW - East			986	5,646	4,819	2,106	13,557
Ruakura	SW - Mangaonua	WW - East			28	5,646	4,819	2,106	12,599
Te Rapa North	SW - Mangaheka	WW - West			691	6,541	5,074	1,865	14,172
Te Rapa North	SW - Te Rapa Stream	WW - West			739	6,541	5,074	1,865	14,220
Te Rapa North	SW - St Andrews	WW - West			1,885	6,541	5,074	1,865	15,366
Temple View	SW - Temple View	WW - West			4	3,115	5,973	2,350	11,441
Temple View	SW - Waitawhiriwhiri	WW - West			1,588	3,115	5,973	2,350	13,025
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide				4	3,115	3,144	1,832	8,096
		WW - West					1,930		1,930
		WW - East					874		874
<b>Commercial</b>			Charge per 100m2 floor area (site area for Stormwater)						
Infill East	SW - Chartwell	WW - East			1,746	9,117	7,995	4,190	23,047
Infill East	SW - City Centre	WW - East			1,321	9,117	7,995	4,190	22,623
Infill East	SW - Hamilton East	WW - East			804	9,117	7,995	4,190	22,105
Infill East	SW - Kirikiriroa	WW - East			1,349	9,117	7,995	4,190	22,651
Infill East	SW - Mangaonua	WW - East			39	9,117	7,995	4,190	21,340
Infill East	SW - Waitawhiriwhiri	WW - East			2,172	9,117	7,995	4,190	23,474
Infill West	SW - City Centre	WW - West			1,321	9,044	9,422	4,905	24,692
Infill West	SW - Mangakotukutuku	WW - West			5,204	9,044	9,422	4,905	28,575
Infill West	SW - St Andrews	WW - West			2,580	9,044	9,422	4,905	25,951
Infill West	SW - Te Rapa Stream	WW - West			1,012	9,044	9,422	4,905	24,383

Catchment	SW Catchment	WW Catchment	CI	Reserves	Storm-water	Transport	Waste-water	Water	Total
Infill West	SW - Waitawhiriwhiri	WW - West			2,172	9,044	9,422	4,905	25,544
Infill West	SW - Western Heights	WW - West			262	9,044	9,422	4,905	23,633
Infill West	SW - Lake Rotokauri	WW - West			15,856	9,044	9,422	4,905	39,227
Peacocke 1	SW - Mangakotukutuku	WW - West			5,204	29,239	19,865	3,881	58,189
Peacocke 2	SW - Peacocke	WW - East			964	48,825	18,070	4,404	72,262
Peacocke 2	SW - Mangakotukutuku	WW - East			5,204	48,825	18,070	4,404	76,502
Rotokauri	SW - Lake Rotokauri	WW - West			15,856	22,761	9,864	5,211	53,692
Rotokauri	SW - Mangaheka	WW - West			946	22,761	9,864	5,211	38,782
Rotokauri	SW - Ohote	WW - West			618	22,761	9,864	5,211	38,454
Rotokauri	SW - Rotokauri West	WW - West			6	22,761	9,864	5,211	37,842
Rototuna	SW - Kirikiriroa	WW - East			1,349	31,495	8,481	3,889	45,215
Rototuna	SW - River North	WW - East			82	31,495	8,481	3,889	43,947
Rototuna	SW - Te Awa o Katapaki	WW - East			2,667	31,495	8,481	3,889	46,532
Rototuna	SW - Otama-ngenge	WW - East			6	31,495	8,481	3,889	43,871
Ruakura	SW - Hamilton East	WW - East			804	15,844	8,175	3,969	28,792
Ruakura	SW - Kirikiriroa	WW - East			1,349	15,844	8,175	3,969	29,338
Ruakura	SW - Mangaonua	WW - East			39	15,844	8,175	3,969	28,027
Te Rapa North	SW - Mangaheka	WW - West			946	18,358	8,608	3,515	31,426
Te Rapa North	SW - Te Rapa Stream	WW - West			1,012	18,358	8,608	3,515	31,492
Te Rapa North	SW - St Andrews	WW - West			2,580	18,358	8,608	3,515	33,060
Temple View	SW - Temple View	WW - West			6	8,742	10,132	4,429	23,309
Temple View	SW - Waitawhiriwhiri	WW - West			2,172	8,742	10,132	4,429	25,475
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide				6	8,742	5,334	3,453	17,535
		WW - West					3,274		3,274
		WW - East					1,482		1,482
<b>Retail</b>		<b>Charge per 100m2 floor area (site area for Stormwater)</b>							
Infill East	SW - Chartwell	WW - East			1,746	13,099	6,564	3,440	24,847
Infill East	SW - City Centre	WW - East			1,321	13,099	6,564	3,440	24,423
Infill East	SW - Hamilton East	WW - East			804	13,099	6,564	3,440	23,906
Infill East	SW - Kirikiriroa	WW - East			1,349	13,099	6,564	3,440	24,451
Infill East	SW - Mangaonua	WW - East			39	13,099	6,564	3,440	23,140
Infill East	SW - Waitawhiriwhiri	WW - East			2,172	13,099	6,564	3,440	25,274
Infill West	SW - City Centre	WW - West			1,321	12,995	7,735	4,027	26,077
Infill West	SW - Mangakotukutuku	WW - West			5,204	12,995	7,735	4,027	29,960
Infill West	SW - St Andrews	WW - West			2,580	12,995	7,735	4,027	27,336
Infill West	SW - Te Rapa Stream	WW - West			1,012	12,995	7,735	4,027	25,768
Infill West	SW - Waitawhiriwhiri	WW - West			2,172	12,995	7,735	4,027	26,929
Infill West	SW - Western Heights	WW - West			262	12,995	7,735	4,027	25,018
Infill West	SW - Lake Rotokauri	WW - West			15,856	12,995	7,735	4,027	40,612
Peacocke 1	SW - Mangakotukutuku	WW - West			5,204	42,010	16,308	3,186	66,709
Peacocke 2	SW - Peacocke	WW - East			964	70,150	14,834	3,615	89,564
Peacocke 2	SW - Mangakotukutuku	WW - East			5,204	70,150	14,834	3,615	93,804
Rotokauri	SW - Lake Rotokauri	WW - West			15,856	32,703	8,098	4,278	60,935
Rotokauri	SW - Mangaheka	WW - West			946	32,703	8,098	4,278	46,024
Rotokauri	SW - Ohote	WW - West			618	32,703	8,098	4,278	45,696
Rotokauri	SW - Rotokauri West	WW - West			6	32,703	8,098	4,278	45,085
Rototuna	SW - Kirikiriroa	WW - East			1,349	45,251	6,962	3,193	56,756
Rototuna	SW - River North	WW - East			82	45,251	6,962	3,193	55,489
Rototuna	SW - Te Awa o Katapaki	WW - East			2,667	45,251	6,962	3,193	58,074
Rototuna	SW - Otama-ngenge	WW - East			6	45,251	6,962	3,193	55,413
Ruakura	SW - Hamilton East	WW - East			804	22,765	6,711	3,259	33,538
Ruakura	SW - Kirikiriroa	WW - East			1,349	22,765	6,711	3,259	34,084
Ruakura	SW - Mangaonua	WW - East			39	22,765	6,711	3,259	32,773
Te Rapa North	SW - Mangaheka	WW - West			946	26,376	7,067	2,886	37,274
Te Rapa North	SW - Te Rapa Stream	WW - West			1,012	26,376	7,067	2,886	37,340
Te Rapa North	SW - St Andrews	WW - West			2,580	26,376	7,067	2,886	38,908
Temple View	SW - Temple View	WW - West			6	12,560	8,318	3,636	24,520
Temple View	SW - Waitawhiriwhiri	WW - West			2,172	12,560	8,318	3,636	26,686
Charge per lot, dwelling or unit title are inclusive of below Citywide and WW Catchment components									
Citywide	SW - Citywide				6	12,560	4,379	2,835	19,780
		WW - West					2,688		2,688
		WW - East					1,217		1,217



## 25. SCHEDULE 2 – GROWTH-RELATED CAPITAL EXPENDITURE

Table 5 – Growth related capital expenditure by Council activity group (\$'000s)

Growth Related Capital Expenditure (\$'000s) (All Inflated except Subsidies)	Total Capex Including Subsidies	Total Subsidies & Operating Revenue (Uninflated)	Total Capex Net Subsidies	DC Capex	DC Interest	Total Cost DC Funded Capex	% DC Funded	% Rates Funded	% Other Sources
<b>Total CI</b>	<b>87,771</b>		<b>87,771</b>	<b>19,901</b>	<b>3,916</b>	<b>23,817</b>	<b>23%</b>	<b>77%</b>	<b>0%</b>
<b>Citywide</b>	<b>64,585</b>		<b>64,585</b>	<b>11,544</b>	<b>5,491</b>	<b>17,035</b>	<b>18%</b>	<b>82%</b>	<b>0%</b>
Historical	47,552		47,552	6,648	769	7,416	14%	86%	0%
10-Year Plan	17,032		17,032	4,896	1,750	6,646	29%	71%	0%
30-Year Strategy					2,973	2,973	0%	0%	0%
<b>Infill East</b>	<b>6,569</b>		<b>6,569</b>	<b>2,874</b>	<b>(272)</b>	<b>2,602</b>	<b>44%</b>	<b>56%</b>	<b>0%</b>
Historical					(596)	(596)	0%	0%	0%
10-Year Plan	6,569		6,569	2,874	(420)	2,454	44%	56%	0%
30-Year Strategy					744	744	0%	0%	0%
<b>Rototuna</b>	<b>16,618</b>		<b>16,618</b>	<b>5,484</b>	<b>(1,304)</b>	<b>4,180</b>	<b>33%</b>	<b>67%</b>	<b>0%</b>
Historical	16,618		16,618	5,484	(1,845)	3,639	33%	67%	0%
10-Year Plan					263	263	0%	0%	0%
30-Year Strategy					278	278	0%	0%	0%
<b>Total Reserves</b>	<b>133,595</b>	<b>951</b>	<b>132,644</b>	<b>80,561</b>	<b>34,478</b>	<b>115,039</b>	<b>60%</b>	<b>39%</b>	<b>1%</b>
<b>Citywide</b>	<b>84,366</b>	<b>220</b>	<b>84,146</b>	<b>42,146</b>	<b>16,127</b>	<b>58,273</b>	<b>50%</b>	<b>50%</b>	<b>0%</b>
Historical	59,219	220	58,999	33,508	2,667	36,176	57%	43%	0%
10-Year Plan	25,146		25,146	8,638	7,461	16,099	34%	66%	0%
30-Year Strategy					5,998	5,998	0%	0%	0%
<b>Infill</b>	<b>5,086</b>	<b>731</b>	<b>4,355</b>	<b>1,493</b>	<b>171</b>	<b>1,664</b>	<b>29%</b>	<b>56%</b>	<b>14%</b>
Historical	5,086	731	4,355	1,493	(68)	1,425	29%	56%	14%
10-Year Plan					185		0%	0%	0%
30-Year Strategy					54	54	0%	0%	0%
<b>Peacocke</b>	<b>709</b>		<b>709</b>	<b>571</b>	<b>751</b>	<b>1,321</b>	<b>80%</b>	<b>20%</b>	<b>0%</b>
Historical	709		709	571	484	1,055	80%	20%	0%
10-Year Plan					206	206	0%	0%	0%
30-Year Strategy					60	60	0%	0%	0%
<b>Peacocke 1</b>	<b>4,211</b>		<b>4,211</b>	<b>3,423</b>	<b>(15)</b>	<b>3,408</b>	<b>81%</b>	<b>19%</b>	<b>0%</b>
Historical	4,211		4,211	3,423	(128)	3,295	81%	19%	0%
10-Year Plan					112	112	0%	0%	0%
<b>Peacocke 2</b>	<b>10,734</b>		<b>10,734</b>	<b>9,223</b>	<b>8,644</b>	<b>17,867</b>	<b>86%</b>	<b>14%</b>	<b>0%</b>
Historical	10,734		10,734	9,223	995	10,218	86%	14%	0%
10-Year Plan					4,268	4,268	0%	0%	0%
30-Year Strategy					3,381	3,381	0%	0%	0%
<b>Rotokauri</b>	<b>9,219</b>		<b>9,219</b>	<b>7,501</b>	<b>7,871</b>	<b>15,371</b>	<b>81%</b>	<b>19%</b>	<b>0%</b>
Historical	6,877		6,877	5,773	1,293	7,066	84%	16%	0%
10-Year Plan	2,342		2,342	1,727	3,901	5,628	74%	26%	0%
30-Year Strategy					2,678	2,678	0%	0%	0%
<b>Rototuna</b>	<b>19,272</b>		<b>19,272</b>	<b>16,204</b>	<b>930</b>	<b>17,134</b>	<b>84%</b>	<b>16%</b>	<b>0%</b>
Historical	19,272		19,272	16,204	825	17,029	84%	16%	0%
10-Year Plan					69	69	0%	0%	0%
30-Year Strategy					36	36	0%	0%	0%
<b>Total Stormwater</b>	<b>340,630</b>	<b>5,585</b>	<b>335,044</b>	<b>234,090</b>	<b>126,168</b>	<b>360,257</b>	<b>69%</b>	<b>30%</b>	<b>2%</b>
<b>SW - Chartwell</b>	<b>9,103</b>	<b>3</b>	<b>9,100</b>	<b>4,702</b>	<b>2,802</b>	<b>7,504</b>	<b>52%</b>	<b>48%</b>	<b>0%</b>
Historical	188	3	185	154	(98)	56	82%	17%	2%
10-Year Plan	8,915		8,915	4,548	510	5,058	51%	49%	0%
30-Year Strategy					2,391	2,391	0%	0%	0%
<b>SW - City Centre</b>	<b>23,061</b>	<b>16</b>	<b>23,045</b>	<b>13,197</b>	<b>5,027</b>	<b>18,224</b>	<b>57%</b>	<b>43%</b>	<b>0%</b>
Historical	1,298	16	1,282	1,085	370	1,455	84%	15%	1%
10-Year Plan	21,763		21,763	12,112	987	13,099	56%	44%	0%
30-Year Strategy					3,670	3,670	0%	0%	0%
<b>SW - Citywide</b>	<b>696</b>		<b>696</b>	<b>543</b>	<b>349</b>	<b>892</b>	<b>78%</b>	<b>22%</b>	<b>0%</b>
Historical	696		696	543	164	707	78%	22%	0%
10-Year Plan					137	137	0%	0%	0%
30-Year Strategy					48	48	0%	0%	0%
<b>SW - Hamilton East</b>	<b>10,501</b>	<b>9</b>	<b>10,492</b>	<b>6,062</b>	<b>1,636</b>	<b>7,698</b>	<b>58%</b>	<b>42%</b>	<b>0%</b>
Historical	627	9	618	458	(206)	252	73%	26%	1%
10-Year Plan	9,874		9,874	5,604	568	6,172	57%	43%	0%
30-Year Strategy					1,275	1,275	0%	0%	0%
<b>SW - Kirikiriroa</b>	<b>28,564</b>	<b>203</b>	<b>28,361</b>	<b>16,679</b>	<b>2,959</b>	<b>19,639</b>	<b>58%</b>	<b>41%</b>	<b>1%</b>
Historical	4,051	203	3,848	2,863	1,442	4,304	71%	24%	5%
10-Year Plan	24,513		24,513	13,817	550	14,366	56%	44%	0%
30-Year Strategy					968	968	0%	0%	0%
<b>SW - Lake Rotokauri</b>	<b>95,416</b>	<b>1,682</b>	<b>93,734</b>	<b>82,745</b>	<b>62,001</b>	<b>144,745</b>	<b>87%</b>	<b>12%</b>	<b>2%</b>
Historical	16,132	1,682	14,450	12,741	2,457	15,199	79%	11%	10%
10-Year Plan	79,284		79,284	70,003	24,710	94,713	88%	12%	0%
30-Year Strategy					34,833	34,833	0%	0%	0%
<b>SW - Mangaheka</b>	<b>4,321</b>	<b>2</b>	<b>4,319</b>	<b>2,748</b>	<b>1,419</b>	<b>4,168</b>	<b>64%</b>	<b>36%</b>	<b>0%</b>
Historical	789	2	787	671	172	844	85%	15%	0%
10-Year Plan	3,531		3,531	2,077	447	2,524	59%	41%	0%

Growth Related Capital Expenditure (\$000s) (All Inflated except Subsidies)	Total Capex Including Subsidies	Total Subsidies & Operating Revenue (Uninflated)	Total Capex Net Subsidies	DC Capex	DC Interest	Total Cost DC Funded Capex	% DC Funded	% Rates Funded	% Other Sources
30-Year Strategy					799	799	0%	0%	0%
<b>SW - Mangakotukutuku</b>	<b>37,999</b>	<b>990</b>	<b>37,009</b>	<b>30,283</b>	<b>23,980</b>	<b>54,263</b>	<b>80%</b>	<b>18%</b>	<b>3%</b>
Historical	22,748	990	21,759	18,799	1,252	20,050	83%	13%	4%
10-Year Plan	15,251		15,251	11,484	10,236	21,720	75%	25%	0%
30-Year Strategy					12,492	12,492	0%	0%	0%
<b>SW - Mangaonua</b>	<b>4,379</b>	<b>2,531</b>	<b>1,848</b>	<b>915</b>	<b>(12)</b>	<b>902</b>	<b>21%</b>	<b>21%</b>	<b>58%</b>
Historical	4,198	2,531	1,668	780	2	782	19%	21%	60%
10-Year Plan	181		181	135	(16)	119	75%	25%	0%
30-Year Strategy					2	2	0%	0%	0%
<b>SW - Ohote</b>	<b>1,559</b>	<b>5</b>	<b>1,554</b>	<b>1,363</b>	<b>1,176</b>	<b>2,539</b>	<b>87%</b>	<b>12%</b>	<b>0%</b>
Historical	278	5	273	226	37	263	81%	17%	2%
10-Year Plan	1,281		1,281	1,137	441	1,577	89%	11%	0%
30-Year Strategy					698	698	0%	0%	0%
<b>SW - Otama-ngenge</b>	<b>147</b>		<b>147</b>	<b>127</b>	<b>8</b>	<b>135</b>	<b>86%</b>	<b>14%</b>	<b>0%</b>
Historical	147		147	127	8	135	86%	14%	0%
10-Year Plan							0%	0%	0%
30-Year Strategy							0%	0%	0%
<b>SW - Peacocke</b>	<b>4,828</b>	<b>7</b>	<b>4,821</b>	<b>4,013</b>	<b>1,801</b>	<b>5,814</b>	<b>83%</b>	<b>17%</b>	<b>0%</b>
Historical	3,040	7	3,033	2,676	405	3,082	88%	12%	0%
10-Year Plan	1,788		1,788	1,336	1,030	2,366	75%	25%	0%
30-Year Strategy					366	366	0%	0%	0%
<b>SW - River North</b>	<b>119</b>		<b>119</b>	<b>104</b>	<b>23</b>	<b>128</b>	<b>87%</b>	<b>13%</b>	<b>0%</b>
Historical	119		119	104	20	124	87%	13%	0%
10-Year Plan					2	2	0%	0%	0%
30-Year Strategy					2	2	0%	0%	0%
<b>SW - St Andrews</b>	<b>23,384</b>	<b>5</b>	<b>23,379</b>	<b>11,868</b>	<b>2,142</b>	<b>14,009</b>	<b>51%</b>	<b>49%</b>	<b>0%</b>
Historical	410	5	405	273	(625)	(352)	67%	32%	1%
10-Year Plan	22,974		22,974	11,594	(361)	11,234	50%	50%	0%
30-Year Strategy					3,127	3,127	0%	0%	0%
<b>SW - Te Awa o Katapaki</b>	<b>35,984</b>	<b>99</b>	<b>35,884</b>	<b>26,601</b>	<b>3,982</b>	<b>30,583</b>	<b>74%</b>	<b>26%</b>	<b>0%</b>
Historical	13,114	99	13,015	11,380	2,292	13,672	87%	12%	1%
10-Year Plan	22,870		22,870	15,221	(15)	15,207	67%	33%	0%
30-Year Strategy					1,705	1,705	0%	0%	0%
<b>SW - Te Rapa Stream</b>	<b>2,218</b>	<b>4</b>	<b>2,215</b>	<b>1,950</b>	<b>2,262</b>	<b>4,212</b>	<b>88%</b>	<b>12%</b>	<b>0%</b>
Historical	1,164	4	1,160	1,014	737	1,751	87%	13%	0%
10-Year Plan	1,055		1,055	936	1,008	1,945	89%	11%	0%
30-Year Strategy					517	517	0%	0%	0%
<b>SW - Temple View</b>	<b>51</b>		<b>51</b>	<b>44</b>	<b>(2)</b>	<b>42</b>	<b>86%</b>	<b>14%</b>	<b>0%</b>
Historical	51		51	44	(2)	42	86%	14%	0%
10-Year Plan							0%	0%	0%
30-Year Strategy							0%	0%	0%
<b>SW - Waitawhiriwhiri</b>	<b>58,120</b>	<b>31</b>	<b>58,089</b>	<b>30,029</b>	<b>14,593</b>	<b>44,623</b>	<b>52%</b>	<b>48%</b>	<b>0%</b>
Historical	5,239	31	5,208	2,902	(67)	2,835	55%	44%	1%
10-Year Plan	52,881		52,881	27,127	4,264	31,391	51%	49%	0%
30-Year Strategy					10,397	10,397	0%	0%	0%
<b>SW - Western Heights</b>	<b>179</b>	<b>1</b>	<b>179</b>	<b>117</b>	<b>22</b>	<b>138</b>	<b>65%</b>	<b>35%</b>	<b>0%</b>
Historical	27	1	26	22	(3)	19	80%	18%	2%
10-Year Plan	152		152	95	14	109	62%	38%	0%
30-Year Strategy					10	10	0%	0%	0%
<b>Total Transport</b>	<b>1,340,105</b>	<b>452,236</b>	<b>887,869</b>	<b>539,659</b>	<b>255,961</b>	<b>795,620</b>	<b>40%</b>	<b>26%</b>	<b>34%</b>
<b>Citywide</b>	<b>822,189</b>	<b>321,585</b>	<b>500,603</b>	<b>251,562</b>	<b>110,267</b>	<b>361,829</b>	<b>31%</b>	<b>30%</b>	<b>39%</b>
Historical	447,549	189,265	258,284	122,133	14,862	136,995	27%	30%	42%
10-Year Plan	374,640	132,321	242,320	129,429	38,230	167,659	35%	30%	35%
30-Year Strategy					57,175	57,175	0%	0%	0%
<b>Infill</b>	<b>9,898</b>	<b>2,172</b>	<b>7,725</b>	<b>3,331</b>	<b>2,181</b>	<b>5,512</b>	<b>34%</b>	<b>44%</b>	<b>22%</b>
Historical	9,898	2,172	7,725	3,331	1,672	5,003	34%	44%	22%
10-Year Plan					476	476	0%	0%	0%
30-Year Strategy					33	33	0%	0%	0%
<b>Infill East</b>	<b>11,204</b>	<b>5,458</b>	<b>5,746</b>	<b>679</b>	<b>102</b>	<b>782</b>	<b>6%</b>	<b>45%</b>	<b>49%</b>
Historical	4,089	1,964	2,125	281	(113)	168	7%	45%	48%
10-Year Plan	7,114	3,494	3,621	398	129	527	6%	45%	49%
30-Year Strategy					86	86	0%	0%	0%
<b>Infill West</b>	<b>947</b>	<b>143</b>	<b>804</b>	<b>283</b>	<b>(5)</b>	<b>278</b>	<b>30%</b>	<b>55%</b>	<b>15%</b>
Historical	947	143	804	283	(77)	207	30%	55%	15%
10-Year Plan					40	40	0%	0%	0%
30-Year Strategy					32	32	0%	0%	0%
<b>Peacocke</b>	<b>5,967</b>	<b>905</b>	<b>5,062</b>	<b>3,235</b>	<b>1,787</b>	<b>5,022</b>	<b>54%</b>	<b>31%</b>	<b>15%</b>
Historical	3,745	905	2,839	1,601	321	1,923	43%	33%	24%
10-Year Plan	2,222		2,222	1,633	683	2,316	74%	27%	0%
30-Year Strategy					783	783	0%	0%	0%
<b>Peacocke 1</b>	<b>10,957</b>	<b>3,275</b>	<b>7,682</b>	<b>6,215</b>	<b>(520)</b>	<b>5,695</b>	<b>57%</b>	<b>13%</b>	<b>30%</b>
Historical	8,075	3,275	4,800	3,878	(18)	3,860	48%	11%	41%
10-Year Plan	2,882		2,882	2,338	(502)	1,835	81%	19%	0%
<b>Peacocke 2</b>	<b>206,333</b>	<b>53,952</b>	<b>152,381</b>	<b>123,278</b>	<b>79,484</b>	<b>202,761</b>	<b>60%</b>	<b>14%</b>	<b>26%</b>

Growth Related Capital Expenditure (\$'000s) (All Inflated except Subsidies)	Total Capex Including Subsidies	Total Subsidies & Operating Revenue (Uninflated)	Total Capex Net Subsidies	DC Capex	DC Interest	Total Cost DC Funded Capex	% DC Funded	% Rates Funded	% Other Sources
Historical	104,255	45,672	58,583	48,229	590	48,819	46%	10%	44%
10-Year Plan	102,078	8,280	93,798	75,049	26,703	101,752	74%	18%	8%
30-Year Strategy					52,190	52,190	0%	0%	0%
<b>Rotokauri</b>	<b>87,935</b>	<b>9,376</b>	<b>78,559</b>	<b>56,740</b>	<b>25,352</b>	<b>82,092</b>	<b>65%</b>	<b>25%</b>	<b>11%</b>
Historical	39,716	7,791	31,925	21,895	5,768	27,663	55%	25%	20%
10-Year Plan	48,220	1,585	46,635	34,845	6,683	41,528	72%	24%	3%
30-Year Strategy					12,901	12,901	0%	0%	0%
<b>Rototuna</b>	<b>94,800</b>	<b>12,409</b>	<b>82,392</b>	<b>58,057</b>	<b>18,877</b>	<b>76,933</b>	<b>61%</b>	<b>26%</b>	<b>13%</b>
Historical	58,938	12,409	46,529	33,231	9,023	42,255	56%	23%	21%
10-Year Plan	35,863		35,863	24,825	2,207	27,032	69%	31%	0%
30-Year Strategy					7,647	7,647	0%	0%	0%
<b>Ruakura</b>	<b>72,382</b>	<b>42,961</b>	<b>29,421</b>	<b>22,461</b>	<b>5,723</b>	<b>28,183</b>	<b>31%</b>	<b>10%</b>	<b>59%</b>
Historical	26,326	22,893	3,433	1,930	60	1,990	7%	6%	87%
10-Year Plan	46,056	20,068	25,988	20,531	1,627	22,158	45%	12%	44%
30-Year Strategy					4,035	4,035	0%	0%	0%
<b>Te Rapa North</b>	<b>17,493</b>		<b>17,493</b>	<b>13,819</b>	<b>12,713</b>	<b>26,532</b>	<b>79%</b>	<b>21%</b>	<b>0%</b>
Historical	486		486	308	(30)	278	64%	37%	0%
10-Year Plan	17,007		17,007	13,511	5,551	19,062	79%	21%	0%
30-Year Strategy					7,192	7,192	0%	0%	0%
<b>Total Wastewater</b>	<b>1,184,167</b>	<b>1,370</b>	<b>1,182,797</b>	<b>690,020</b>	<b>289,837</b>	<b>979,857</b>	<b>58%</b>	<b>42%</b>	<b>0%</b>
<b>Citywide</b>	<b>668,321</b>		<b>668,321</b>	<b>390,129</b>	<b>118,258</b>	<b>508,387</b>	<b>58%</b>	<b>42%</b>	<b>0%</b>
Historical	105,669		105,669	66,401	15,298	81,699	63%	37%	0%
10-Year Plan	562,652		562,652	323,728	29,108	352,836	58%	42%	0%
30-Year Strategy					73,852	73,852	0%	0%	0%
<b>Infill</b>	<b>827</b>		<b>827</b>	<b>714</b>	<b>813</b>	<b>1,527</b>	<b>86%</b>	<b>14%</b>	<b>0%</b>
Historical	827		827	714	453	1,167	86%	14%	0%
10-Year Plan					295	295	0%	0%	0%
30-Year Strategy					65	65	0%	0%	0%
<b>Infill East</b>	<b>16,632</b>	<b>661</b>	<b>15,971</b>	<b>12,670</b>	<b>5,034</b>	<b>17,705</b>	<b>76%</b>	<b>20%</b>	<b>4%</b>
Historical	8,376	116	8,260	7,351	(293)	7,058	88%	11%	1%
10-Year Plan	8,256	545	7,711	5,319	2,941	8,260	64%	29%	7%
30-Year Strategy					2,386	2,386	0%	0%	0%
<b>Infill West</b>	<b>20,695</b>	<b>661</b>	<b>20,034</b>	<b>12,336</b>	<b>4,544</b>	<b>16,880</b>	<b>60%</b>	<b>37%</b>	<b>3%</b>
Historical	14,822	116	14,706	8,166	365	8,531	55%	44%	1%
10-Year Plan	5,873	545	5,328	4,170	2,154	6,324	71%	20%	9%
30-Year Strategy					2,025	2,025	0%	0%	0%
<b>Peacocke</b>	<b>53,249</b>		<b>53,249</b>	<b>47,270</b>	<b>36,933</b>	<b>84,203</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	41,580		41,580	36,919	3,101	40,019	89%	11%	0%
10-Year Plan	11,669		11,669	10,351	17,648	28,000	89%	11%	0%
30-Year Strategy					16,184	16,184	0%	0%	0%
<b>Peacocke 1</b>	<b>5,983</b>		<b>5,983</b>	<b>5,289</b>	<b>(365)</b>	<b>4,924</b>	<b>88%</b>	<b>12%</b>	<b>0%</b>
Historical	1,883		1,883	1,659	8	1,668	88%	12%	0%
10-Year Plan	4,100		4,100	3,630	(373)	3,257	89%	11%	0%
<b>Peacocke 2</b>	<b>61,043</b>		<b>61,043</b>	<b>54,215</b>	<b>31,094</b>	<b>85,310</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	31,158		31,158	27,715	691	28,406	89%	11%	0%
10-Year Plan	29,885		29,885	26,501	10,963	37,464	89%	11%	0%
30-Year Strategy					19,440	19,440	0%	0%	0%
<b>Rotokauri</b>	<b>13,890</b>		<b>13,890</b>	<b>12,314</b>	<b>7,913</b>	<b>20,227</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	2,348		2,348	2,071	409	2,480	88%	12%	0%
10-Year Plan	11,542		11,542	10,243	2,669	12,913	89%	11%	0%
30-Year Strategy					4,835	4,835	0%	0%	0%
<b>Rototuna</b>	<b>11,758</b>	<b>47</b>	<b>11,710</b>	<b>8,386</b>	<b>5,770</b>	<b>14,156</b>	<b>71%</b>	<b>28%</b>	<b>0%</b>
Historical	8,183	47	8,136	6,852	4,579	11,432	84%	16%	1%
10-Year Plan	3,574		3,574	1,533	704	2,237	43%	57%	0%
30-Year Strategy					487	487	0%	0%	0%
<b>Ruakura</b>	<b>7,731</b>		<b>7,731</b>	<b>6,881</b>	<b>3,742</b>	<b>10,622</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	7,731		7,731	6,881	724	7,605	89%	11%	0%
10-Year Plan					2,355	2,355	0%	0%	0%
30-Year Strategy					662	662	0%	0%	0%
<b>Temple View</b>	<b>2,134</b>		<b>2,134</b>	<b>874</b>	<b>8,624</b>	<b>9,498</b>	<b>41%</b>	<b>59%</b>	<b>0%</b>
Historical	2,134		2,134	874	1,024	1,897	41%	59%	0%
10-Year Plan					1,186	1,186	0%	0%	0%
30-Year Strategy					6,415	6,415	0%	0%	0%
<b>WW - East</b>	<b>150,015</b>		<b>150,015</b>	<b>52,500</b>	<b>21,943</b>	<b>74,443</b>	<b>35%</b>	<b>65%</b>	<b>0%</b>
Historical	7,640		7,640	6,633	2,203	8,836	87%	13%	0%
10-Year Plan	142,375		142,375	45,867	7,115	52,982	32%	68%	0%
30-Year Strategy					12,626	12,626	0%	0%	0%
<b>WW - West</b>	<b>171,888</b>		<b>171,888</b>	<b>86,443</b>	<b>45,533</b>	<b>131,976</b>	<b>50%</b>	<b>50%</b>	<b>0%</b>
Historical	39,049		39,049	28,734	8,554	37,288	74%	26%	0%
10-Year Plan	132,839		132,839	57,709	14,631	72,339	43%	57%	0%
30-Year Strategy					22,349	22,349	0%	0%	0%
<b>Total Water Supply</b>	<b>561,012</b>	<b>334</b>	<b>560,678</b>	<b>380,313</b>	<b>186,056</b>	<b>566,369</b>	<b>68%</b>	<b>32%</b>	<b>0%</b>
<b>Citywide</b>	<b>440,940</b>		<b>440,940</b>	<b>289,600</b>	<b>145,012</b>	<b>434,612</b>	<b>66%</b>	<b>34%</b>	<b>0%</b>
Historical	136,413		136,413	88,506	28,127	116,633	65%	35%	0%



Growth Related Capital Expenditure (\$000s) (All Inflated except Subsidies)	Total Capex Including Subsidies	Total Subsidies & Operating Revenue (Uninflated)	Total Capex Net Subsidies	DC Capex	DC Interest	Total Cost DC Funded Capex	% DC Funded	% Rates Funded	% Other Sources
10-Year Plan	304,528		304,528	201,094	37,311	238,405	66%	34%	0%
30-Year Strategy					79,574	79,574	0%	0%	0%
<b>Infill</b>	<b>34,509</b>	<b>299</b>	<b>34,209</b>	<b>18,592</b>	<b>8,473</b>	<b>27,065</b>	<b>54%</b>	<b>45%</b>	<b>1%</b>
Historical	25,224	299	24,925	11,373	1,236	12,609	45%	54%	1%
10-Year Plan	9,285		9,285	7,219	3,836	11,055	78%	22%	0%
30-Year Strategy					3,401	3,401	0%	0%	0%
<b>Infill East</b>	<b>3,720</b>		<b>3,720</b>	<b>2,883</b>	<b>1,138</b>	<b>4,021</b>	<b>78%</b>	<b>23%</b>	<b>0%</b>
Historical					(265)	(265)	0%	0%	0%
10-Year Plan	3,720		3,720	2,883	598	3,481	78%	23%	0%
30-Year Strategy					806	806	0%	0%	0%
<b>Infill West</b>	<b>35,936</b>		<b>35,936</b>	<b>29,460</b>	<b>2,528</b>	<b>31,988</b>	<b>82%</b>	<b>18%</b>	<b>0%</b>
Historical					(1,736)	(1,736)	0%	0%	0%
10-Year Plan	35,936		35,936	29,460	(2,553)	26,908	82%	18%	0%
30-Year Strategy					6,816	6,816	0%	0%	0%
<b>Peacocke</b>	<b>5,965</b>		<b>5,965</b>	<b>5,295</b>	<b>1,604</b>	<b>6,898</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	4,831		4,831	4,294	(176)	4,119	89%	11%	0%
10-Year Plan	1,133		1,133	1,000	707	1,707	88%	12%	0%
30-Year Strategy					1,072	1,072	0%	0%	0%
<b>Peacocke 2</b>	<b>8,371</b>		<b>8,371</b>	<b>7,429</b>	<b>3,725</b>	<b>11,154</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	1,769		1,769	1,570	(19)	1,550	89%	11%	0%
10-Year Plan	6,603		6,603	5,860	796	6,656	89%	11%	0%
30-Year Strategy					2,948	2,948	0%	0%	0%
<b>Rotokauri</b>	<b>19,647</b>	<b>13</b>	<b>19,634</b>	<b>17,306</b>	<b>12,669</b>	<b>29,976</b>	<b>88%</b>	<b>12%</b>	<b>0%</b>
Historical	8,027	13	8,014	6,994	2,194	9,188	87%	13%	0%
10-Year Plan	11,620		11,620	10,312	4,621	14,934	89%	11%	0%
30-Year Strategy					5,854	5,854	0%	0%	0%
<b>Rototuna</b>	<b>6,863</b>	<b>21</b>	<b>6,842</b>	<b>5,255</b>	<b>1,443</b>	<b>6,698</b>	<b>77%</b>	<b>23%</b>	<b>0%</b>
Historical	6,863	21	6,842	5,255	1,009	6,264	77%	23%	0%
10-Year Plan					350	350	0%	0%	0%
30-Year Strategy					84	84	0%	0%	0%
<b>Ruakura</b>	<b>3,810</b>		<b>3,810</b>	<b>3,381</b>	<b>1,506</b>	<b>4,887</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	3,810		3,810	3,381	214	3,595	89%	11%	0%
10-Year Plan					985	985	0%	0%	0%
30-Year Strategy					307	307	0%	0%	0%
<b>Te Rapa North</b>	<b>265</b>		<b>265</b>	<b>235</b>	<b>211</b>	<b>446</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical					(1)	(1)	0%	0%	0%
10-Year Plan	265		265	235	114	349	89%	11%	0%
30-Year Strategy					98	98	0%	0%	0%
<b>Temple View</b>	<b>987</b>		<b>987</b>	<b>876</b>	<b>7,747</b>	<b>8,623</b>	<b>89%</b>	<b>11%</b>	<b>0%</b>
Historical	987		987	876	892	1,768	89%	11%	0%
10-Year Plan					1,053	1,053	0%	0%	0%
30-Year Strategy					5,802	5,802	0%	0%	0%
<b>Grand Total</b>	<b>3,647,279</b>	<b>460,476</b>	<b>3,186,803</b>	<b>1,944,544</b>	<b>896,415</b>	<b>2,840,959</b>	<b>53%</b>	<b>34%</b>	<b>13%</b>

**Note 1 – Capital expenditure groupings**

In the above table, **Historical** means any capex or subsidies spent or received before 5 July 2024; **Long-Term Plan** means any capex or subsidies spent or received between 5 July 2024 and 30 June 2034; and **30-Year Strategy** means any capex or subsidies spent or received after 1 July 2034. Note that these dates may vary slightly due to factors beyond Council's control.

## 29. SCHEDULE 6 – GROWTH FORECASTS

Table 10 – Forecast annual supply growth (household unit equivalents or “HUE’s”)

Growth Rates (HUEs)	Activity	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Citywide	CI	1,247	1,246	1,224	1,312	1,303	1,289	1,336	1,300	1,360	1,343
	Reserves	1,247	1,246	1,224	1,312	1,303	1,289	1,336	1,300	1,360	1,343
	Transport	2,361	2,390	2,355	2,506	2,407	2,243	2,313	2,201	2,313	2,235
	Wastewater	1,626	1,639	1,607	1,725	1,677	1,620	1,664	1,605	1,678	1,644
	Water	1,526	1,535	1,506	1,615	1,578	1,532	1,578	1,525	1,595	1,566
Infill	CI	530	529	522	555	554	557	569	550	573	567
	Reserves	530	529	522	555	554	557	569	550	573	567
	Transport	1,217	1,154	1,190	1,251	1,129	981	1,058	1,003	1,048	1,032
	Wastewater	736	707	715	764	706	674	703	678	705	699
	Water	685	664	669	712	672	647	672	648	674	668
Infill East	CI	159	186	129	60	94	134	145	227	329	358
	Reserves	159	186	129	60	94	134	145	227	329	358
	Transport	455	432	419	313	382	313	382	441	545	591
	Wastewater	244	252	205	126	167	183	208	286	388	423
	Water	224	237	188	112	151	172	194	273	375	408
Infill West	CI	371	342	393	495	460	423	424	324	244	209
	Reserves	371	342	393	495	460	423	424	324	244	209
	Transport	762	722	771	938	747	667	675	562	503	441
	Wastewater	492	455	510	637	539	491	495	392	316	276
	Water	462	427	481	601	520	475	478	376	299	260
Peacocke	CI	245	267	319	310	359	324	334	249	239	199
	Reserves	245	267	319	310	359	324	334	249	239	199
	Transport	276	301	350	339	382	347	361	272	268	223
	Wastewater	251	273	325	316	363	328	339	253	244	203
	Water	249	272	323	315	362	327	337	252	243	202
Peacocke 1	CI	58	69	74	35	4					
	Reserves	58	69	74	35	4					
	Transport	58	69	74	35	4					
	Wastewater	58	69	74	35	4					
	Water	58	69	74	35	4					
Peacocke 2	CI	187	198	245	275	355	324	334	249	239	199
	Reserves	187	198	245	275	355	324	334	249	239	199
	Transport	218	232	276	304	378	347	361	272	268	223
	Wastewater	193	204	251	281	360	328	339	253	244	203
	Water	191	203	249	279	359	327	337	252	243	202
Rotokauri	CI	18	13	22	119	75	68	78	166	255	292
	Reserves	18	13	22	119	75	68	78	166	255	292
	Transport	324	362	272	419	191	169	162	245	340	355
	Wastewater	155	170	133	251	119	97	102	189	280	310
	Water	115	124	100	213	107	91	97	184	274	306
Rototuna	CI	358	383	266	195	129	145	86	106	51	45
	Reserves	358	383	266	195	129	145	86	106	51	45
	Transport	420	449	322	250	264	187	130	148	96	89
	Wastewater	376	402	280	210	182	154	95	115	61	55
	Water	371	397	277	206	167	152	93	113	59	52
Ruakura	CI	96	55	96	132	186	195	270	181	169	80
	Reserves	96	55	96	132	186	195	270	181	169	80
	Transport	124	124	221	246	441	560	602	484	488	375
	Wastewater	108	87	154	185	306	367	424	321	316	217
	Water	105	77	137	169	270	315	378	279	272	176
Te Rapa North	CI	0	0	0	0	0	0	0	49	73	160
	Reserves	0	0	0	0	0	0	0	49	73	160
	Transport	0	0	0	0	0	0	0	49	73	160
	Wastewater	0	0	0	0	0	0	0	49	73	160
	Water	0	0	0	0	0	0	0	49	73	160
Temple View	CI	0	0	0	0	0	0	0	0	0	0
	Reserves	0	0	0	0	0	0	0	0	0	0
	Transport	0	0	0	0	0	0	0	0	0	0
	Wastewater	0	0	0	0	0	0	0	0	0	0
	Water	0	0	0	0	0	0	0	0	0	0

Growth Rates (HUEs)	Activity	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
SW - Chartwell	Stormwater	10	36	22	9	28	27	10	81	10	148
SW - City Centre	Stormwater	169	212	188	145	90	165	263	253	235	93
SW - Citywide	Stormwater	1,888	1,933	1,870	2,034	1,914	1,843	1,849	1,781	1,865	1,730
SW - Hamilton East	Stormwater	37	179	56	107	20	12	54	210	319	229
SW - Kirikiriroa	Stormwater	106	81	455	293	476	566	568	454	434	359
SW - Lake Rotokauri	Stormwater	18	14	21	55	45	27	26	91	150	178
SW - Mangaheka	Stormwater	56	56	56	56	56	56	56	57	69	50
SW - Mangakotukutuku	Stormwater	150	109	142	116	111	67	57	74	71	72
SW - Mangaonua	Stormwater	432	321	79	282	139	22	19	13	15	12
SW - Ohote	Stormwater	0	0	0	46	20	32	41	48	50	49
SW - Otama-ngenge	Stormwater	5	1	1	7	0	6	0	5	0	0
SW - Peacocke	Stormwater	109	118	132	160	196	208	225	143	133	103
SW - River North	Stormwater	0	0	0	0	0	3	0	0	0	3
SW - Rotokauri West	Stormwater	0	0	0	0	0	0	0	0	0	0
SW - St Andrews	Stormwater	37	98	99	100	108	122	121	12	16	6
SW - Te Awa o Katapaki	Stormwater	392	440	332	262	208	192	172	152	142	97
SW - Te Rapa Stream	Stormwater	5	5	5	5	5	5	5	45	65	134
SW - Temple View	Stormwater	2	10	0	0	0	0	0	0	0	0
SW - Waitawhiriwhiri	Stormwater	358	251	255	386	400	327	223	114	151	177
SW - Western Heights	Stormwater	0	3	28	6	12	6	8	30	5	20
WW - East	Wastewater	918	942	888	800	1,014	1,030	1,064	974	1,008	896
WW - West	Wastewater	708	697	719	926	663	590	599	631	670	748

**Note 1** - The above forecasts form part of a more complex growth model used in the calculation of charges, and which is available for inspection by request to Council.

# Council Report

**Committee:** Council

**Date:** 12 September 2024

**Author:** Andrew Parsons

**Authoriser:** Lance Vervoort

**Position:** General Manager  
Infrastructure and Assets

**Position:** Chief Executive

**Report Name:** Local Water Done Well - Direction Setting

<b>Report Status</b>	<i>Open</i>
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## Purpose - *Take*

1. To inform Council of the impact of the Government's Local Water Done Well programme and the options that it has to respond.
2. To seek the Council approval of direction-setting decisions in relation to the delivery of Water Services and Infrastructure.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

3. That the Council:
  - a. receives the report and the accompanying 'Background, Issues and Options' report;
  - b. notes that the Government is yet to introduce to Parliament a third water reform Bill;
  - c. approves the success statements set out in paragraphs 39 and 40 of the staff report;
  - d. supports options which rapidly improve Hamilton City Council's ability to fund and deliver the investment and infrastructure needed to support the growth and development of the city;
  - e. approves Hamilton City Council's long-term preferred water services delivery option to be a regional, or Future Proof sub-regional two waters asset owning Council Controlled Organisation (CCO) that provides stormwater services to HCC and other shareholders;
  - f. notes that Stage 1 of the transition pathway proposed by Waikato Water Done Well will not meet HCC's needs because it will not rapidly improve HCC's ability to fund and deliver the investment and infrastructure needed respond to growth and development of the city;
  - g. declines to participate in Stage 1 of the Waikato Water Done Well proposal;
  - h. notes that Council is willing to engage with any Council that has a formal mandate and a shared vision, on the design and adoption of a joint asset owning CCO that delivers the benefits and outcomes sought by all parties;
  - i. approves staff to work with Waikato District Council on a jointly owned waters CCO;
  - j. approves, in principle, an offer to Waikato District to ensure continuity of service following Watercare's decision to withdraw services while a joint asset owning CCO is established and on mutually acceptable terms;
  - k. notes that there are risks, costs, and potentially significant elapsed time involved in establishing its preferred water services delivery option, and a real risk that agreements between possible shareholding councils cannot be reached;
  - i.
  - l. approves, in the light of k. above:

- I. the establishment of an internal business unit by 30 June 2025 – including full required transparency of waters costs and revenue;
  - II. the incorporation through a Long-Term Plan (LTP) amendment a proposal to separate waters related charges from the General Rate and Uniform Annual General Charge and change the Development Contributions policy to ensure complete transparency of waters related activity;
  - III. the design work for the establishment of an Hamilton City Council only CCO intended to commence trading from 1 July 2026, including any statement of proposal that would be the basis of consultation relating to the transfer of significant assets;
  - IV. that the design of an Hamilton City Council only CCO must enable an entity with a regional outlook which other shareholders could join, or which could be joined with other CCOs over time;
- m. notes that:
- I. the Council may reconsider this course of action as may be necessary in the light of any response from Waikato District in relation to i. and j above;
  - II. the preferred approach will have an impact on HCC's existing JMA relationship with Waikato-Tainui and on the ability of Maaori to participate in decision-making and resolves to engage with Waikato-Tainui to address these issues before it considers final proposals for consultation;
  - III. the initial estimates of the cost of establishing an HCC only waters CCO are in the order of \$5m to \$6m (unbudgeted) and that these are in addition to the \$1.6m provided for the current year;
  - IV. the pace of Local Water Done Well, the critical need to ensure delivery within tight timeframes, and that the required skill sets are not available in the existing Professional Services Panel, nor is there time available to competitively procure the necessary resources;
  - V. full public engagement and consultation will be required on the preferred approach and relevant options through the Annual Plan and/or Long Term Plan Amendment in 2025;
- n. delegates the Chief Executive, in consultation with the Water and Rates Working Group, to directly appoint contracts within the total budget for Local Water Done Well, noting the approved budget is \$1.6m; and
- o. requests the Chief Executive:
- I. prepare, no later than December 2024, a draft budget for the implementation of the preferred direction, including possible amendments to the LTP that can be further considered by Council through the Annual Plan/Long Term Plan amendment process;
  - II. prepare draft LTP amendments and any further advice (including relevant options) that will be required for the Council to give effect to these resolutions;
  - III. ensure that consultation with affected staff, as may be required, is undertaken in a way and at a time that supports staff and enables effective decisions to be made;
  - IV. in consultation with the Waters and Rates Working Group, develop and implement a comprehensive public engagement plan to raise public awareness and understanding of waters issues and the Council's response.
4. Local Water Done Well presents HCC with significant issues and opportunities. This report is intended to assist the Council to develop its response to Local Water Done Well. It recommends a pathway forward and a set of direction setting decisions.

5. The government has made key policy announcements relating to Local Water Done Well, but is yet to introduce the third piece of legislation in the reform programme. Until that legislation is enacted there will be uncertainty over the specific provisions that apply to the delivery of water services.
6. The report is accompanied by a comprehensive Background, Issues and Options report that provides more detail on the Local Water Done Well reforms, the issues that HCC faces, the options that HCC has, and the relative merits of the options.
7. HCC faces a fundamental challenge in being able to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city. This challenge has been amplified by the government's recent policy announcement that it will require Councils to provide zoned and serviced land able to accommodate 30 years of future growth. Meeting the pressures of growth will require levels of investment that are greater than currently provided for in Council's Long Term Plan.
8. Options that do not rapidly improve HCC's ability to fund and deliver the infrastructure needed to support the growth and development of the city will not meet Hamilton's needs.
9. Meaningful options that HCC has in responding to Local Water Done Well are:
  - i. **Council Business Unit** (ring-fenced business unit inside Council with its own balance sheet and full cost and charging transparency).
  - ii. **HCC only Waters CCO** that owns water and wastewater assets and provides stormwater services to HCC.
  - iii. **A Waters CCO** with joint ownership by one or more councils that owns water and wastewater assets and provides stormwater services to shareholding councils.
  - iv. **Providing Waters Services to Waikato District** – providing services to Waikato District could be a part of both Options (a) and (b). Providing such services could be a stepping stone to creating a jointly owned CCO (Option (c)).
10. The option that offers the greatest potential benefits is a Waters CCO with more than one other partner council.
11. Moving to establish an HCC only Water CCO would provide greater benefits than a HCC Internal Business Unit.
12. Establishing an Internal Business Unit is the minimum response to Local Water Done Well that HCC can undertake.
13. The Cranleigh business case (2015) clearly demonstrates the potential benefits of a jointly owned Future Proof Waters CCO. Recent due diligence work in relation to Waikato District has confirmed the potential to realise benefits of that nature today. The potential benefits from scale are also reflected in the work that the Water Infrastructure Commission for Scotland undertook for the Department of Internal Affairs as part of the previous reforms.
14. The actual costs and benefits of any particular partnership with another Council will depend on who they are, the extent to which their network can be physically joined and managed as one network, the nature of the business systems and processes that they use and how different they are, the scale of the systems integration and data migration necessary, and the extent to which between the partners they have the skills, expertise and personnel necessary to operate effectively.<sup>a</sup>
15. These factors mean that it is not possible to estimate the actual benefits or costs of transition without engaging with a specific potential partner and undertaking considerable scoping work.
16. The Waikato Water Done Well (WWDW) initiative has recommended a two-stage approach to respond to Local Water Done Well. Stage one is the collaborative delivery of water services across the region.

17. The second stage of the WWDW proposal is in the future, to migrate to a fully aligned asset owning regional waters CCO. This outcome would have the potential to deliver the largest benefits.
18. However, the first stage of the WWDW proposal fails to address the most pressing needs that HCC has. The proposed CCO delivering functional services will not rapidly improve HCC's ability to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city. It will also divert limited resources away from initiatives that do directly address Hamilton's needs.
19. Having balanced the potential benefits, risks and costs of the WWDW proposal, it is not recommended that HCC does participate in Stage 1.
20. Hamilton and Waikato District entered into an MOU to support the exploration of options to replace the services currently provided by Watercare, including the potential for a jointly owned CCO. A limited and high-level due diligence process intended to enable HCC to determine the feasibility of partnering with Waikato District has now been completed. That work has concluded that HCC could provide the services currently provided by Watercare, but that an HCC offer of service probably only makes sense in the context of developing and implementing a jointly owned asset owning CCO.
21. It is recommended that HCC agrees to offer to work with Waikato District on a possible jointly owned asset owning water CCO and that HCC is willing to offer to provide water services to Waikato District in order to ensure continuity of service following Watercare's decision to withdraw services while a joint asset owning CCO is established.
22. Considering the issues, options, pros and cons, the recommended approach is that Council adopts a 'least regrets' approach, focusing on:
  - i. doing what it must to ensure that it complies with the new requirements of Local Water Done Well,
  - ii. securing the maximum benefits for Hamilton as quickly as possible,
  - iii. actively seeking joint solutions that would offer greater benefits than Hamilton only responses,
  - iv. ensuring that it can deliver benefits to Hamilton quickly in the event that possible partnerships with others do not eventuate, or will take a long time to develop, agree, and implement, and
  - v. ensuring that anything that Hamilton does by itself can be a stepping stone to a larger regional or sub-regional approach that delivers greater benefits for both Hamilton and others.
23. This approach is reflected in the recommendations of this report.
24. The recommendations in this report are intended to set direction. Once Council provides direction on its preferences substantial work will need to be done to progress the preferred options. That work will be presented to Council as part of the considerations for the Annual Plan and/or LTP Amendment process. Any response from other Councils seeking to engage with Hamilton will also be reported to Council.
25. Any final decision to establish a CCO can only take place after Council has completed engagement and consultation as may be required, fully considered the views of the public, and met any other legislative decision-making requirements.
26. Staff consider the matters in this report have high significance and that the recommendations comply with the Council's legal requirements.

### Background - *Koorero whaimaarama*

27. The Government's Local Water Done Well initiative marks a profound shift in the way in which water services will be delivered in New Zealand. The reforms introduce far reaching economic regulation, require financially sustainable delivery for each of the three waters and provide scope for alternative delivery structures. The reforms mean that HCC needs to make very significant decisions over the future delivery of waters. Those decisions could be the most significant changes to the local government sector for many decades.
28. Local Water Done Well has been before Council in reports, 04 April 2024 and 30 May 2024, and Information Sessions, 3 April, 1 May, and 27/28 August 2024. These meetings involved Public Excluded discussion, however the Discussion Topic Summaries do not include Public Excluded content and may be found in **Attachment 1**.
29. Issues and options relating to Local Water Done Well have been considered and feed-back given by the Waters Working Group at meetings on 17 April, 30 April, 14 May, 28 May, 27 June, 17 July and 13 August 2024.
30. A summary of the Local Water Done Well reforms, the issues that HCC faces with respect to Local Water Done Well and the delivery of waters services and infrastructure, along with the options that HCC has to respond are all set out in the **Background, Issues and Options Paper** attached to this report (**Attachment 2**).
31. The government has made key policy announcements relating to Local Water Done Well, but is yet to introduce the third piece of legislation in the reform programme. Until that legislation is enacted there will be uncertainty over the specific provisions that apply to the delivery of water services.

### Discussion - *Matapaki*

32. At the very minimum the Local Water Done Well reforms will require a response from the Council that:
  - i. meets the new reporting and transparency requirements;
  - ii. separates waters related activity revenue and expenditure from the rest of the Council's activity;
  - iii. demonstrates financially sustainable delivery of waters services by 30 June 2028 – including ring-fencing water services, revenue self-sufficiency, and accommodating for maintenance, renewals and growth;
  - iv. Meets the new economic regulatory requirements; and
  - v. Is either delivered through an internal business unit or through a CCO.
33. Council also needs to ensure that its response to Local Water Done Well addresses the fundamental challenge that HCC faces in being able to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city. This challenge has been amplified by the government's recent policy announcement that it will require Councils to provide zoned and serviced land able to accommodate 30 years' of future growth. Meeting the pressures of growth and this new requirement will require levels of investment that are greater than currently provided for in Council's Long-Term Plan.
34. It is important that today's ratepayers do not bear the full burden of investment to support growth as well as the costs of operating, maintaining and renewing existing infrastructure. The cost of assets with very long lives should be borne by all those who will benefit from them over the full life of the asset. Moving to the position where depreciation over the life of an asset is used to repay the cost of building it is critical in ensuring both intergenerational equity and the ability to fund the necessary investment.



35. In order to fund and deliver the levels of investment needed to support Hamilton's growth and ensure intergenerational equity, HCC will need to borrow more than is currently provided for in its Long-Term Plan and optimise its debt profile and repayments to reflect the life of the assets being funded. Options for water services delivery that do not address this critical issue will not meet Hamilton's needs.
36. Given the new legislative requirement for all waters delivery to be financially sustainable by 30 June 2028 HCC must adopt an approach that will ensure that outcome. Options that do not deliver a rapid solution to HCC's core challenge will not meet the city's needs.
37. The resolution of waters related problems is critical for the rest of Council's activities. If needed investment in water infrastructure crowds out investment in transport and other infrastructure, then the city will not be able to appropriately respond to growth.
38. To guide HCC's response to Local Water Done Well staff have worked with the Water and Rates Working Group to develop the following success statements. Once formally adopted by Council they will guide further consideration of options and approaches.

### **Success for Hamilton**

39. HCC is seeking a response to Local Water Done Well that:
  - i. Provides the best (financial and non-financial) sustainable outcomes for the communities of Hamilton now and for the future.  
  
This reflects the core Local Government Act (LGA) requirement for HCC to promote the well-being of the communities of Hamilton. Well-being is broadly defined in the LGA. "Best" in this sense is a broad weighing of financial and non-financial outcomes, recognising that some options for the delivery of water services will provide better outcomes over the long-term than others. Best in this context also links back to the extent to which the problems identified in the Intervention Logic Map are solved. In order for any option to provide the best outcomes, that option must be implementable and the benefits realisable.
  - ii. Supports the health of the awa and Hamilton's role in implementing Te Ture Whaimana.  
  
The health of the awa and the importance of Te Ture Whaimana needs to be secure in any change to the way in which water services are delivered. The health of the awa is fundamental to the health and well-being of the people who live, work and are connected to the awa and its whenua. The health of the awa may be better served through regional or sub-regional solutions that enable more whole of river approaches to consents to take water and discharge into the awa.
  - iii. Responds to and caters for Hamilton's growth needs as identified in Hamilton's growth strategy.  
  
Responsibly dealing with growth is critical to the long-term wellbeing of Hamilton communities. Being able to make the necessary investments in new, growth-related infrastructure at the right time is critical to the future of Hamilton. HCC needs to be confident that any changes to water service delivery, improve the ability to respond to growth and can support the delivery of Hamilton's growth strategy. This includes confidence that sufficient additional debt headroom will be available to address growth needs and responding to growth will be given appropriate priority.

- iv. Realises the benefits of a boundaryless approach across the wider metro area / Future Proof sub-region, supporting the best land use, transport, development and sustainability outcomes.

HCC has long recognised that the city is only a part of the wider metro area that extends into Waipa, Waikato and Matamata-Piako Districts. The 2015 Cranleigh business case, and the subsequent metro wastewater detailed business cases identified significant benefits from being able to integrate and manage as one, the waters networks that support the wider metro area. Equally, it is essential that the management, operation and development of waters infrastructure supports an integrated approach to land use, transport, and other investments. Without such an integrated approach, benefits in waters delivery could be lost through poorer land use or transport outcomes.

- v. Provides a stable and secure long term decision-making environment that can make sound investment decisions for very long-life infrastructure.

Waters infrastructure has a very long life and profoundly influences the shape and nature of cities and the health and well-being of people and the environment. Waters delivery has been the subject of intense debate for almost a decade. It is essential that any change in waters delivery provides a stable and secure operating environment that supports long term decisions. It needs to be able to withstand the vagaries of multiple central and local government political cycles. It also needs to be able to withstand any changes in the ability or willingness of partner councils to work together.

- vi. Ensures that all environmental, public health, and economic regulatory compliance requirements are met. This is simply non-negotiable, and compliance will be a national requirement.
- vii. Ensures commitments and obligations to iwi and hapuu are met.

HCC has made significant commitments to iwi and hapuu and has significant obligations under various Acts of Parliament and Treaty Settlements. Any change to water services delivery needs to ensure that these commitments are honoured and obligations are met.

- viii. Creates the conditions necessary to build, attract, develop, and sustain the highly skilled workforce needed to deliver water services.

The delivery of waters services depends on a highly skilled workforce with high levels of specialisation, knowledge and expertise. Being able to build, attract, develop, and sustain that workforce is critical to being able to meet the long-term needs of our communities. The scale of the opportunities available, the stability of operations, and the ability to see clear career paths will be key factors in achieving this outcome.

- ix. Ensures that Hamiltonians have influence in ownership and governance decisions proportionate to the size and nature of the city's population, assets, and needs.

Changes to water services delivery are likely to require a significant change in the nature of decision making by local authorities. In considering the role that local authorities will play in any ownership, direction or expectation setting, or governance oversight of a new waters entity, HCC seeks to safeguard the influence that Hamiltonians have, ensuring that it is proportionate to the size and nature of the city's population, assets, and needs.

- x. Recognises Hamilton's role and contribution to the region and the benefits of regional action.

HCC has long recognised that there are significant benefits that can only be realised through appropriate regional action. HCC recognises that it has a role to play within the Waikato and a contribution to make in order to secure regional benefits.

40. HCC also seeks to ensure that:

- i. Change follows the most logical, efficient, cost effective, and lowest risk pathway to realise the benefits.

HCC recognises that the transition pathway for any change in service delivery or institutional structure can be as critical as identifying the end goal. The public sector is littered with complex change processes that have not realised the benefits intended, or have cost far more and taken far longer than intended. The stakes with water service delivery are too high to adopt a high risk transition pathway. The costs of change must be manageable, and must not get in the way of realising the benefits.

- ii. The community clearly understands any change.

Unless the community broadly understands the reasons for change and what it will mean for them, any change process risks failure. Indeed, unless the case for change can be easily explained to the public it will be difficult to progress. Where multiple separate communities are affected by a change proposal each community will need to understand it.

#### **Previous Work – Confirmation of Possible Benefits**

- 41. The Background, Issues and Options report (refer **Attachment 2**) provides a high level overview of the considerable amount of previous work that has considered the potential benefits of a range of alternative water delivery options. This includes the Cranleigh business case prepared for Hamilton City, Waikato and Waipa Districts in 2015, the substantive work undertaken by the Department of Internal Affairs to support the previous government's reforms, and more recent analysis undertaken by Waikato Water Done Well.
- 42. The Background, Issues and Options report concludes that a significant number of previous studies, business cases and analyses have all identified the potential benefits of establishing a range of possible approaches to the delivery of waters services. That body of work confirms that there are substantial benefits associated with achieving scale in the delivery and operation of waters services. Local Water Done Well has changed the context within which HCC must consider water services delivery, but the benefits of scale identified by repeated studies are still available.
- 43. The Background, Issues and Options report also concludes that in addition to the benefits of scale partnerships with Waikato and Waipa Districts have added benefits relating to the ability to join and manage adjoining networks. Partnerships with these two Councils also unlock the ability to fund infrastructure that will serve communities in the growth areas immediately adjacent to Hamilton city. Being able to fund and deliver the works proposed as part of the Northern and Southern Metro Wastewater Businesses cases is a significant benefit.
- 44. Given the body of work previously undertaken it is not considered a good use of public funds to HCC to complete another, expensive and time consuming business case. It is considered safe for HCC to rely on the body of prior work to make direction setting decisions. Depending on the direction that the Council chooses to pursue further options specific evaluations may be necessary.

#### **Waikato Water Done Well (WWDW)**

- 45. The Background, Issues and Options Report discusses the Waikato Water Done Well initiative and the proposal for joint work that the Waikato councils have been asked to consider. It also provides links to the WWDW technical report and other relevant background.

46. The WWDW technical report proposes a two-stage transition pathway to a regionally aggregated waters CCO. The first stage of this pathway is the creation of a Jointly Owned Functional Services CCO – providing asset management, capital works delivery, consenting, project planning and design, and procurement services councils. This first step involves asset ownership, tariff setting, revenue collection, and all delivery responsibility remaining with Councils. With this approach, Councils remain subject to economic regulation during Stage 1.
47. The second stage of the WWDW proposal is to migrate to a future state fully aligned asset owning regional waters CCO. The timing for this stage is dependent on future agreement between Councils, and could be some years away.
48. The second stage of the WWDW proposal is consistent with the regional options for water delivery considered by HCC. The potential financial benefits and possible establishment costs are broadly consistent with estimates made by other business cases.
49. The first stage of the WWDW proposal fails to address the most pressing needs that HCC has. The proposed CCO delivering functional services will not rapidly improve HCC's ability to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city.
50. The process proposed by WWDW would require HCC to engage in the design of Stage 1 to design Stage 2, even if HCC sees little value in Stage 1.
51. Establishing a jointly owned CCO providing some functional services presents risks to HCC:
  - i. Choosing to participate in the first stage is likely to be a distraction from the significant body of work required to address HCC's most pressing challenges.
  - ii. Participating in the first stage of WWDW may involve considerable change to the staff currently responsible for delivering HCC's capital works programme. There is a risk that in moving those staff to a functional services CCO the delivery of HCC's capital works is disrupted.
  - iii. There is also a risk that the second stage does not eventuate, or is very slow in emerging, making the realisation of the full benefits of scale difficult to realise.
52. For HCC to derive benefits from Stage 1 of the WWDW proposal, it would need to be confident that the functional services that it could use through the CCO would be at a similar cost and at minimum, similar quality to those it already has, or could procure through the open market. It will be challenging to design a CCO that could achieve that quickly.
53. Alternatively, HCC may consider that the benefits from participating in the design of Stage 2 are sufficient to stay engaged in the process until at least the point that design work is completed and the form of a fully integrated water CCO is complete and agreed.

#### **Waikato District**

54. Following the previous failed attempt to establish a jointly owned Future Proof (Hamilton, Waikato and Waipa) waters CCO, Waikato District entered into a 30 year contract with Watercare for the delivery of waters services. Watercare has notified Waikato District that it will withdraw from providing services to Waikato District on 30 June 2026. This means Waikato has an urgent need to secure alternative delivery arrangements.
55. Hamilton and Waikato District entered into an MOU to support the exploration of options. Under that MOU HCC has undertaken a limited and high-level due diligence process intended to enable HCC to determine the feasibility of partnering with Waikato District.

56. The conclusions from the Due Diligence work are that HCC could deliver the services that Watercare currently provides to Waikato District if:
- i. it was able to secure the current Watercare Waikato team in its entirety; and
  - ii. it was able to complete the successful migration of relevant data and operations into HCC business systems; and
  - iii. it was able to secure a commercial risk framework that ensured there was no shifting of risk to HCC; and
  - iv. the Chief Executive (as PCBU) is comfortable that the health and safety risks associated with this activity were able to be managed effectively from day one of operation and the health and safety environment was sound. Note that given the statutory position of Councillors in relation to workplace safety, this is not a Council issue – this is a Chief Executive issue.
57. There are a number of significant transition risks that would need to be addressed including:
- i. key person risk, talent retention and change management for affected staff
  - ii. bridging differences in organisational culture
  - iii. ensuring business continuity and the continued provision of safe drinking water
  - iv. ensuring the health and safety of staff
  - v. the transfer and continued operation of network operation and control systems (this will be complex and will have a long lead-time to ensure safe business continuity)
  - vi. the transfer of data and the migration of activities from Watercare business systems to HCC business systems – this will be complex and have a long lead-time
  - vii. the potential distraction of HCC managers from critical HCC delivery activity in order to support the change process
  - viii. the diversion of HCC digital and support staff into transition processes and away from critical HCC delivery.
58. Given the conclusions from work to date the key question for HCC is not whether it could provide services to Waikato District (it could), but whether and on what conditions it would be prepared to do so.
59. It is unlikely an HCC service offering to Waikato District would be attractive for either party unless it was a service continuity backstop to the establishment of a joint asset owning CCO for the delivery of waters services. If HCC were to decide in principle to make an offer of service there is considerably more work that would be required to ensure that all possible issues and risks were identified and addressed, and to negotiate a suitable relationship and supply agreement.
60. In order to provide Waikato District with the confidence that it will need to be sure that it can maintain continuity of service delivery, resolving a potential partnership with Waikato District is an urgent issue. To provide the platform for the work that would be required, HCC would need to formally convey its willingness to provide services and also its willingness to work with Waikato District to develop a joint CCO proposal.

## Options

### Meaningful Options

61. The Background Issues and Options Report considers a range of options defined by:
- i. organisational form, ownership and the scope of operations;
  - ii. the number of local authorities that combine or partner with each other
  - iii. whether or not stormwater is dealt with in the same way as water and wastewater; and
  - iv. the speed at which HCC moves or needs to move to ensure its response meets Hamilton's needs and the associated opportunity costs.

62. After considering the form, ownership, scope and stormwater options and eliminating options that were clearly infeasible, or very unattractive few meaningful options remain. The meaningful options that address the problems and challenges facing HCC are set out below.
- i. **Council Business Unit** (ring-fenced business unit inside Council with its own balance sheet and full cost and charging transparency). In this option:
    - I. Council owns all assets relating to water, wastewater, and stormwater;
    - II. Council delivers all waters services;
    - III. Council funds all expenditure relating to all waters services using separate targeted rates and waters specific charges and development contributions;
    - IV. Council must borrow as necessary to support the required capital works and investment programme for all three waters, and service and repay that debt;
    - V. Council debt will be limited to a debt to revenue ratio of 350%;
    - VI. Council holds all relevant resource consents for water, wastewater and stormwater and is responsible for both environmental and public health requirements;
    - VII. Council is subject to the full impact of economic regulation; and
    - VIII. As a result of economic regulation, the Council could be required to charge more (or less) for waters services in order to meet requirements.
  - ii. **HCC only Waters CCO** that owns water and wastewater assets and provides stormwater services to HCC. In this option
    - I. Council owns all assets relating to stormwater;
    - II. Council is responsible for stormwater service but purchases them from the CCO;
    - III. Council funds all expenditure relating to stormwater services from separate targeted rates and stormwater specific charges and development contributions;
    - IV. Council must borrow as necessary to support the required capital works and investment programme for stormwater and service and repay that debt;
    - V. Council debt will be limited to a debt to revenue ratio of 350%;
    - VI. Council holds all relevant resource consents for stormwater and is responsible for both environmental performance requirements;
    - VII. Council is subject to the full impact of economic regulation for stormwater;
    - VIII. As a result of economic regulation, the Council could be required to charge more (or less) for stormwater services in order to meet requirements;
    - IX. The CCO owns all assets relating to water and wastewater;
    - X. The CCO delivers all waters services;
    - XI. The CCO funds all expenditure relating to all water and wastewater from customer charges, including connection charges and capital contributions (like development contributions);
    - XII. The CCO must borrow as necessary to support the required capital works and investment programme for water and wastewater and service and repay that debt;
    - XIII. The CCO will (in time) be able to borrow to a debt to revenue ratio of 500% - provided the council underwrites that debt;
    - XIV. The CCO holds all relevant resource consents for water and wastewater and is responsible for both environmental and public health requirements;
    - XV. The CCO is subject to the full impact of economic regulation for water and wastewater; and
    - XVI. As a result of economic regulation, the CCO could be required to charge more (or less) for waters services in order to meet requirements.

- iii. **A Waters CCO** with joint ownership by one or more Councils that owns water and wastewater assets and provides stormwater services to shareholding Councils. Under this option the balance of responsibilities between HCC and the CCO is the same as for Option B, with the exceptions that:
  - I. The CCO will own assets and be responsible for water and wastewater across the jurisdiction of each share-holding council;
  - II. HCC will only be responsible for stormwater within Hamilton city; and
  - III. HCC's underwrite of CCO debt will be proportionate to its shareholding.
- iv. **Providing Waters Services to Waikato District** – providing services to Waikato District could be a part of both Options (a) and (b). Providing such services could be a stepping stone to creating a jointly owned CCO (Option (c)). Where HCC or a CCO provides waters services to Waikato District Waikato would continue to own the waters assets in their district, would remain responsible for the outcomes, for funding, for resource consent and public health performance and for compliance with economic regulation.

### Considering the Meaningful Options

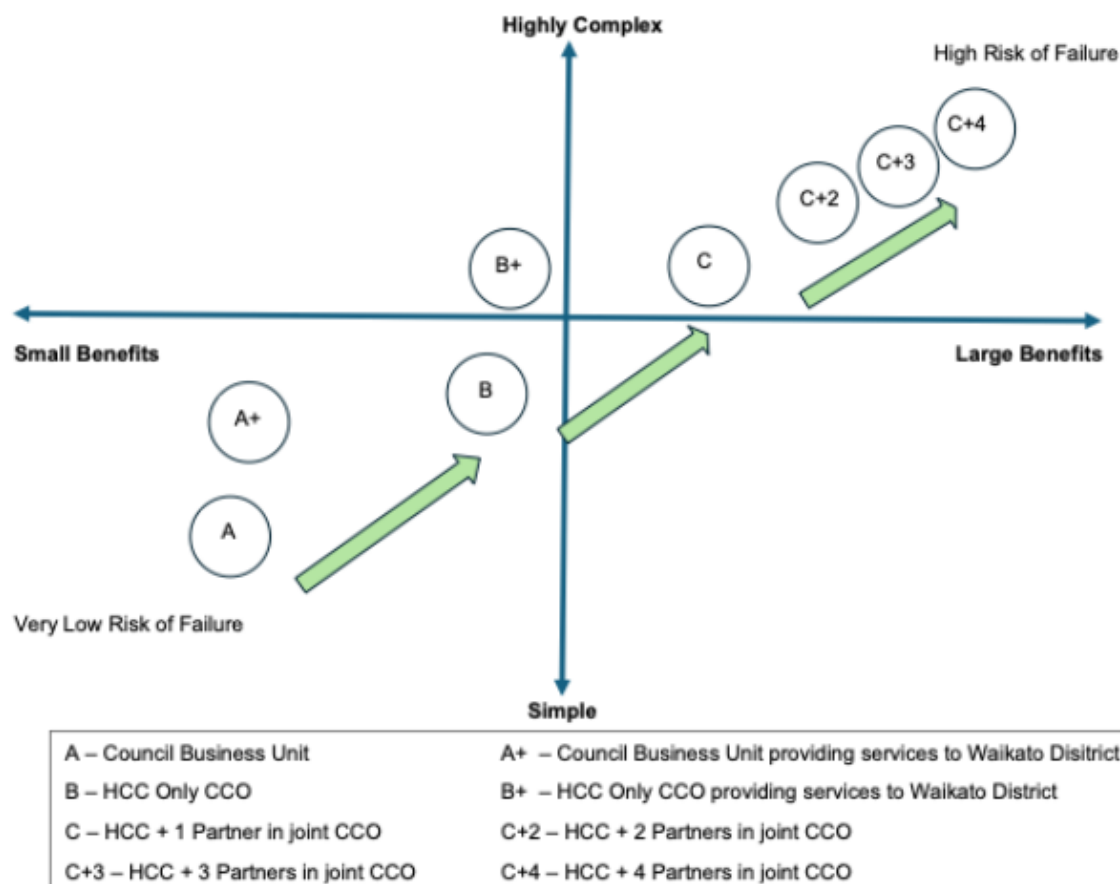
- 63. The Background, Issues and Options Report sets out the consideration of the options, and their relative pros and cons. That includes initial financial modelling of a minimum viable product version of an HCC only CCO, utilising a full shared service approach with HCC to minimise establishment costs and stranded overheads within the council. For the purposes of the current modelling, establishment costs for the minimum viable product version of an asset owning HCC only waters CCO of around \$5m to \$6m have been assumed. This is a very high-level initial estimate that will need further refinement.
- 64. In order to approximate the level of activity and investment that will be required to demonstrate financial sustainability in response to growth, a revised waters capital works programme (with consequential changes to operating expenditure, renewals and maintenance) was developed and used for the initial financial modelling. This programme includes a number of projects that have been identified as works that Council will likely need to do (as opposed to must do) and it includes the current estimate of costs of installing city-wide water meters.
- 65. The revised waters capital works programme needs to be seen as indicative and not a final considered investment programme. The revised waters capital works programme has not been optimised over time. The revised programme added \$527m of capital expenditure and \$48m of additional operating expenditure, interest costs and depreciation to the expenditure projected in the Long-Term Plan. The initial modelling does not include adjustments to interest costs and depreciation that will be required.
- 66. Using the LTP as a base and adding in CCO establishment and operating cost, as well as the revised capital works programme and the maximum additional debt headroom for both the Council (350%) and the waters CCO (500%), the financial model was used to derive the amount of revenue needed to balance the books and ensure that both Council and the CCO are within the debt limits. As required by the Local Government (Water Services Preliminary Arrangements) Bill, the modelling work ensures that the books for waters are balanced by 30 June 2028 and in each subsequent year.
- 67. Neither the expenditure profiles, or the resulting revenue requirements have been smoothed or optimised over the period of the LTP. Further work is required to develop a realistic, optimised financial picture of both the Council and the CCO.

68. Indicative financial modelling suggests that Option A is a viable short-term transition option and may be able to deliver long-term financial sustainability delivering a considerably enhanced capital works programme. Indicative modelling of Option B suggests that with that structure (and associated debt head room), Council could deliver a considerably enhanced waters capital programme within the total revenue (including the planned rates increased) provided for in the LTP and the new (increased) debt to revenue limits.
69. The indicative modelling analysis suggests that both Options A and B may enable HCC to pass the expected financial sustainability test by the 30 June 2028 deadline, but that without further attention to smooth the capital works programme and the waters revenue growth additional waters debt headroom could be exhausted before the end of the 10-year period.
70. More detailed modelling will be required, including optimising the revised (larger) capital works programme, smoothing both waters and council revenue over time, and further review of the residual council financial position and ability to fund and deliver non-waters activities. Further modelling will also need to consider other risks in the LTP. The most obvious of these is the potential impact of HCC not receiving the levels of NZTA financial assistance that are assumed in the LTP and the variation to the Central City IAF agreement being confirmed by the Government.
71. Multi-council models have not been modelled, but the range of possible benefits has been confirmed by the analysis undertaken by the Department of Internal Affairs, Waikato Water Done Well, and the earlier work by Cranleigh. Further modelling on multi-Council models will be required. This effort will only be justified in the context of a specific proposal with committed partners.
72. Neither the current year budget or the initial estimates for establishing an HCC only CCO include the costs for working with potential partners on the design of a multiply owned CCO (either through direct engagement or through Waikato Water Done Well).

### **Overall Evaluation**

73. In evaluating the meaningful options is it important to consider the overall benefits that can be achieved, the cost of transition and the risks that go with that. The following figure shows the meaningful options in relation to those factors.





74. The figure is not to scale, but is intended to reflect the relative benefits and complexity of the meaningful options. The added complexity and additional benefits associated with additional partners is shown as options C (one additional partner, C+2 (2 additional partners), C+3 and C+4 (3 and 4 additional partners respectively). Clearly the marginal benefits in relation to the marginal costs of adding an additional partner would depend on the alignment of the shareholders and the operation, as well as the scope of potential scale benefits that the additional partner brought.
75. The option of providing services to Waikato District is shown as option A+ and option B+. The figure is intended to reflect the considerable complexity in HCC taking over responsibility for Waikato waters from Watercare without a great deal of benefit to HCC. As is noted above the benefits would come from moving to a jointly owned CCO.
76. **The option that offers the greatest potential benefits is a Waters CCO with more than one other partner council.**
77. **Moving to establish an HCC only Water CCO would provide greater benefits than an HCC Internal Business Unit.**
78. Establishing an Internal Business Unit is the minimum response to Local Water Done Well that HCC can undertake.
79. The Cranleigh Business case clearly demonstrates the potential benefits of a jointly owned Future Proof Waters CCO. The potential benefits from scale are also reflected in the work that the Water Infrastructure Commission for Scotland undertook for the Department of Internal Affairs as part of the previous reforms.
80. The actual costs and benefits of any particular partnership with another Council will depend on many things, including:

- i. who they are and the extent to which they have a very different organisational culture and way of operating;
  - ii. the extent to which their network can be physically joined and managed as one network;
  - iii. the nature of the business systems and processes that they use and how different they are;
  - iv. the scale of the systems integration and data migration necessary to operate; and
  - v. the extent to which between the partners they have the skills, expertise and personnel necessary to operate effectively.
81. These factors mean that it is not possible to estimate the actual benefits or costs of transition without engaging with a specific potential partner and undertaking considerable scoping work.

### Implications for Iwi Partnerships and HCC's JMA

82. HCC has entered into a Joint Management Agreement (JMA) with Waikato-Tainui. The purpose of the agreement is to provide for an enduring relationship between the parties through the shared exercise of functions, duties and powers and to give effect to the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010. The JMA sets out the principles of relationship and the way that HCC and Waikato-Tainui will work together.
83. Changes in the way in which water services are delivered have implications for the way in which HCC and Waikato-Tainui work together and for the avenues in which Waikato-Tainui are able to give effect to the River Settlement.
84. It is critical that as HCC considers options for the future delivery of water services that it engages with Waikato-Tainui, understands their needs and expectations, and explores options in good faith and in the spirit of co-operation that both parties have committed to.
85. The next step in that process of engagement is to bring the matters raised in this report to the next meeting of the JMA parties and to commence engagement on what the options may mean for Waikato-Tainui and how the intent of the JMA could be reflected in any alternative delivery arrangements.

### The Recommended Approach

86. **Option A** is the critical first step in response to Local Water Done Well. Establishing an Internal Business Unit and separating water charges from the general rate / UAGC are key minimum compliance requirements. This also provides a stepping stone towards any of the other meaningful options.
87. Some options could provide a pathway towards others over time. Given the time that it takes to execute some changes, a stepwise pathway could provide faster benefits than a larger single step.
88. Similarly, **Option B** (an asset owning HCC only CCO) could provide a stepping stone toward any of the combinations of partners in Option C. For instance, because this solution involves only HCC it could be faster to implement than Option C. It would not require complex multi-party negotiation and decision-making. The benefits that Option B provides will be both faster to realise and more certain than more complex multi-party options – but will deliver substantially lesser total benefits over the long-term because of its limited scale.
89. A pathway that begins with HCC and progressively adds other local authorities over time could deliver more certain benefits and reduce the risk of the sort of failure experienced in the previous CCO negotiations.
90. A series of steps will also preserve options while the legislative and regulatory framework is uncertain. **Option A**, followed quickly with **Option B** or a two Council version of **Option C** would be consistent with a least regrets approach in an environment of uncertainty.

91. Considering the issues, options, pros and cons set out above the recommended approach is that Council adopts a least regrets approach, focusing on:
- i. doing what it must to ensure that it complies with the new requirements of Local Water Done Well,
  - ii. securing the maximum benefits for Hamilton as quickly as possible,
  - iii. actively seeking joint solutions that would offer greater benefits than Hamilton only responses,
  - iv. ensuring that it can deliver benefits to Hamilton quickly in the event that possible partnerships with others do not eventuate, or will take a long time to develop, agree and implement, and
  - v. ensuring that anything that Hamilton does by itself can be a stepping stone to a larger regional or sub-regional approach that delivers greater benefits for both Hamilton and others.
92. This approach is reflected in the recommendations to Council contained in this report.

### **Next Steps**

93. The recommendations in this report are intended to set direction. Once Council provides direction on its preferences substantial work will need to be done to progress the preferred options. That work will be presented to Council as part of the considerations for the Annual Plan and/or LTP Amendment process. Any response from other Councils seeking to engage with Hamilton will also be reported to Council.
94. Any final decisions relating to the establishment of a CCO and changes to the Long Term Plan can only take place after Council has completed engagement and consultation as may be required, fully considered the views of the public, and met any other legislative decision-making requirements.

### **Financial Considerations - *Whaiwhakaaro Puutea***

95. The only budget currently available to support Council's response to Local Water Done Well is the \$1.6m Better Off Funding that Council has agreed to re-prioritise for this purpose.
96. The recommendations in this paper are direction setting in nature. The recommended direction will require significant more work, engagement with iwi partners, and consultation with the people of Hamilton. The recommendations include a request to the Chief Executive to prepare budgets and other material to support future Council decisions on the exact proposals it will consult on through the process of the Annual Plan and/or an amendment to the Long-Term Plan in the first half of 2026.

### **Legal and Policy Considerations - *Whaiwhakaaro-aa-ture***

97. Staff confirm that the staff recommendations comply with the Council's legal and policy requirements. However, the analysis of options and the consideration of the impacts of Local Water Done Well relies upon current policy announcements. Further legislation is yet to be drafted and introduced to Parliament. There is a risk that further changes in policy or legislation impact on the approach recommended in this report.
98. The decisions recommended in this paper are direction-setting decisions that enable staff to prepare specific proposals for subsequent Council consideration and consultation as required.

## Climate Change Impact Statement

99. Staff have assessed the recommendation against the Climate Change Policy for both emissions and climate change adaptation. The recommendations do not change our climate change risk or greenhouse gas emissions because they relate to the way in which water services are delivered and not the nature and effectiveness of three waters services.

## Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga*

100. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
101. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
102. The recommendations set out in this report are consistent with that purpose.

### Social

103. Water services are fundamental to social well-being. The recommendations in this report relate to the way in which water services are delivered and the long-term ability to meet the needs of Hamilton. Over time the recommended approach will deliver benefits to Hamilton, including by being better equipped to deliver the investment that is required to support growth. That will contribute to improved social well-being over time.

### Economic

104. Water services are fundamental to economic well-being. The recommendations in this report relate to the way in which water services are delivered and the long-term ability to meet the needs of Hamilton. Over time the recommended approach will deliver benefits to Hamilton, including by being better equipped to deliver the investment that is required to support growth. That will contribute to improved economic well-being over time.

### Environmental

105. Water services are subject to significant environmental regulation. The Government's Local Water Done Well programme will introduce further regulation relating to stormwater management and will also introduce national standards for wastewater discharges. The recommendations in this report relate to the way in which water services are delivered and the long-term ability to meet the needs of Hamilton. Over time the recommended approach will deliver benefits to Hamilton, including by being better equipped to deliver the investment that is required to support growth. That will contribute to improved environmental well-being over time.

### Cultural

107. The recommendations in this report relate to the way in which water services are delivered and the long-term ability to meet the needs of Hamilton. The recommendations start HCC on a path to the possible establishment of a CCO that owns and manages the delivery of drinking water and the collection, treatment and discharge of wastewater and manages stormwater on behalf of the Council.
108. Using an arms-length entity to manage waters will have an impact on the ability of Maaori to contribute to waters-related decisions. As is provided for in the recommendations this will need to be addressed through engagement with Waikato-Tainui as the details of options for consultation are developed.

## Risks - *Tuuraru*

109. The most substantial risk facing the Council in relation to the matters addressed by this report would be failing to address the very real issues, challenges and concerns facing the Council as it responds to the Local Water Done Well programme and the known financial, borrowing, and major investment challenges it has in relation to water services and infrastructure. Those risks include being unable to respond to the growth pressures facing Hamilton and the subsequent impact upon resilience, and being unable to provide needed waters infrastructure in time to respond to development.
110. There are also risks associated with each of the options discussed in this report. They include: transition risks, risks around the cost of establishing new entities and the ability to realise potential benefits, risks relating to the ability to retain staff during significant change, risks to the disruption of the delivery of waters infrastructure and services and major capital works, and risks to the relationship that Council has with iwi.
111. The independent Chair of Council's Risk and Assurance Committee attended the Council briefing of 27/28 August 2024. As Council progresses its response to Local Water Done Well it will need to ensure that it has an appropriate risk framework in place and that the Risk and Assurance Committee is fully engaged in ensuring that risks are identified, managed and mitigation strategies are in place.

## Significance & Engagement Policy - *Kaupapa here whakahira/anganui*

112. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a high level of significance.
113. The recommendations in this report relate to the possible transfer of ownership / control of Council's waters assets. Waters assets are defined in Council's Significance and Engagement Policy as Strategic Assets. There is high level of public interest in the provision of waters services and waters services affect all Hamilton residents and businesses. The recommendations in this report are intended to set direction and enable the Council to prepare relevant material for consultation along-side an amendment to the Long Term Plan 2024-34 during 2025.
114. There are a wide range of community views and preferences in relation to the delivery of waters services. However, the context for considering the delivery of water services has been significantly changed by the Government's Local Water Done Well reform. The options and choices for the delivery of Hamilton's water services have changed significantly and the status quo will no longer meet new legislative and regulatory requirements.
115. Given the high level of significance determined, the engagement level is high. Engagement is required.

## Attachments - *Ngaa taapirihanga*

Attachment 1 - Discussion Topic Summaries

Attachment 2 - Issues and Options Report



# DISCUSSION TOPIC SUMMARY

Information Session 3 April 2024

**Topic:** Water Reform  
**Key Staff Contact/s:** Andrew Parsons  
**Direction Discussion Session recommended**

## PURPOSE OF TOPIC/INFORMATION

The purpose of this session is to provide information on water reform and work to develop an HCC position to members before they consider an item of the next Council Agenda.

Water reform is complex and how it changes the delivery and funding of waters services and infrastructure is critical for the Council and its community. Decisions made by HCC will materially affect the ability of other councils to realise the potential benefits of change in the delivery and funding water services and infrastructure.

Given the change in approach by the new Government it is important that members understand Local Waters Done Well and the options and choices that HCC has.

This session is the first of a series of briefings that will support the development of a HCC response to Local Water Done Well. There will be a related series of items on successive Council Agendas to formally consider options and formally adopt a position and approach.

Staff need guidance to ensure that the options that are evaluated reflect those that members would like to understand and that the evaluation of options reflects factors considered important by members.

## WHAT KEY THINGS SHOULD MEMBERS THINK ABOUT/ CONSIDER IN UNDERSTANDING THIS INFORMATION?

In preparing for this session Members should:

- read and consider the background briefing paper
- prepare any questions that they may have in relation to Local Waters Done Well or the work being undertaken through the Waikato Mayors and Chairs Forum
- reflect on the lessons learned from past reforms and major change processes and be prepared to share any other key lessons they consider relevant
- reflect on the way in which the waters “problem” has been restated and prepare any questions, additions, or suggestions that they consider important
- reflect on the options that are identified and identify any other options that they consider need to be explored and be ready to indicate any options that they consider are not worth exploring further
- reflect on the evaluation framework that is outlined and prepare any questions, additions, or suggestions that they consider important.
- reflect on the overall approach and identify any further work that would be essential or desirable in order to support future decisions by Council.

## KEY SUMMARY POINTS

- Government has announced key changes to water reform through its Local Water Done Well Programme.

- The previous government's legislation establishing new water services entities has been repealed.
- The Waikato Mayors and Chairs Forum has initiated work through CoLab to develop a roadmap towards a Waikato wide waters response.
- HCC now needs to start considering its options and approach to the opportunities and challenges of Local Water Done Well.
- HCC needs to respect and engage with JMA partners as it considers options.
- Waters options will need to address Te Ture Whaimana.
- HCC has time to get it right and will be able to contribute to government thinking through two Bills – one in 2024 and one in 2025.
- At this stage of Local Water Done Well there is a great deal that is simply not known. In the face of such uncertainty, it is prudent to take careful steps and avoid rash action that may be based on incorrect assumptions and lead to subsequent regrets.
- HCC has a number of options. How it exercises leadership is material to the ability of other councils in the Waikato to realise the benefits of scale.
- HCC will not be thanked if its actions or choices preclude a sensible future that delivers better options across the Waikato.
- Options include:
  - Structural - delivery in Council, in a Council Business Unit, or in a CCO
  - Scope - whether or not stormwater is managed, owned and delivered in the same way as water and wastewater (2 waters of 3 waters solutions)
  - Number of Partners – ranging from go alone strategies, to options that would start with HCC alone, or HCC and one or two, and then add other partners over time.
  - A range of pathway and phasing options which are real and offer the ability to manage risk, uncertainty, cost, and certainty of delivering benefits.
- Options that are stackable, affordable and provide early benefits without foreclosing on larger, longer-term change are real and will be attractive.
- Considering options needs to address cost of change, size of benefits as well as speed to benefits realization, speed to certainty, ability to fund change, and ability to communicate the solution.
- A project team has been formed to assist council to consider its options and choices.
- The next steps are for the project team to consider feedback, conduct an initial screening of options and come back to Council in May. This work will consider both options and pathways.
- Officer level engagement with Tauranga, Waikato District (on the future of its waters services following the decision of Watercare to withdraw from providing services) and the Waikato Mayors and Chairs Forum work will continue.



## WHERE CAN MEMBERS FIND MORE INFORMATION?

- The key information for this session is the **HCC Briefing Paper** attached to this summary.
- The below links summarise key public documents and commentary on policy direction and decisions by the National-led Government in relation to the future of water service delivery.
  - [Pre-election National policy – ‘Local Water Done Well’ – full policy document](#)
  - [14 December 2023 – Ministerial Media release \(Hon Simeon Brown\) confirming plans to repeal Three Waters legislation.](#)
  - [12 February 2024 – Ministerial media statement \(Hon Simeon Brown\) on appointment of Technical Advisory Panel and progression of legislation to implement policy](#)
  - [Terms of Reference for Local Water Done Well Technical Advisory Group](#)
  - [Taituara analysis of 12 February announcement and implications for local government](#)
  - [Castalia Advisors’ commentary on implementation of Local Water Done Well \(noting Castalia chair Andreas Hauser has been appointed Chair of the Government’s Technical Advisory Group\)](#)
  - [14 February 2024 – Ministerial media statement \(Hon Simeon Brown\) on repeal of previous Three Waters legislation.](#)
  - [22 February 2024 – media column by Hon Simeon Brown summarising next steps for Government – noting councils will be required to supply water services delivery plans for Government oversight.](#)
  - [Water Services Policy and Legislation main page on DIA website](#)
- Hamilton City Council’s two most recent Select Committee submissions to Government on Three Waters Legislation provided Council’s view on its preferred reform structures and outcomes, and its view on a potential economic regulator. These views are relevant as Council considers potential local-led reform of water services, and as Government direction indicates economic regulation is a consideration.
  - [Council’s latest submission on the \(now repealed\) Three Waters legislation, July 2023](#)
  - [Council’s submission on the Water Services Economic Efficiency and Consumer Protection Bill \(February 2023\)](#)
  - [February 7 2024 - Briefing to Elected Members on impacts of Government waters decisions on LTP considerations](#)
- In November 2014 a study was commissioned by Hamilton City Council, Waikato District Council and Waipa District Council to determine potential future water services delivery. Three options were to be investigated: retaining the status quo, boosting shared services, and forming a council-owned CCO.
 

The study, referred to as the ‘Cranleigh Report’ identified the waters activity offered substantial economies of scale, with a CCO model as the only option which provided scale across all key areas, and also offered a full sub-regional view across the Waikato with a robust and responsive governance structure. Significant cost savings for customers and councils were evidenced in the report. Progressing a CCO model for the region failed after Waikato withdrew, and Waipa elected not to continue to seek a joint model with Hamilton.

The Cranleigh report and associated material was presented to the July 30 2015 meeting of Council as an attachment to the agenda.

  - [The attachments are available here.](#)
  - [The agenda for the meeting is available here.](#)
  - [The minutes of the meeting are available here.](#)

## WHAT DIRECTION/FEEDBACK/INPUT DO YOU NEED FROM ELECTED MEMBERS

Staff need direction on:

- Any other lessons learned from past reforms and major change processes considered relevant
- Any additions or suggestions on the way in which the waters “problem” has been restated
- Any other options that need to be explored and any options that are not worth exploring further
- The evaluation framework
- Any further work needed to support future decisions by Council.

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## DISCUSSION TOPIC SUMMARY

**Topic:** Water Reform  
**Related Committee:**  
**Business Unit/Group:**  
**Key Staff Contact/s:** Andrew Parsons  
**Direction Discussion Session recommended**  
**Status:** Closed

### PURPOSE OF TOPIC/INFORMATION

The purpose of this session is to provide information on water reform and work to develop an HCC position to members before they consider an item of the next Council Agenda.

Water reform is complex and how it changes the delivery and funding of waters services and infrastructure is critical for the Council and its community. Decisions made by HCC will materially affect the ability of other councils to realise the potential benefits of change in the delivery and funding water services and infrastructure.

This briefing will update elected members on developments since the last briefing, including: Ministerial announcements, engagement with other Councils, and the matters considered by the Waters Working Group at its meeting of 17 April 2023.

This session is the once of a series of briefings that will support the development of a HCC response to Local Water Done Well. There will a related series of items on successive Council Agendas to formally consider options and formally adopt a position and approach.

Staff need on-going guidance to ensure that the consideration of options and approach equips elected members to make sound decisions and engage effectively in quite complex issues.

### WHAT KEY THINGS SHOULD MEMBERS THINK ABOUT/ CONSIDER IN UNDERSTANDING THIS INFORMATION?

In preparing for this session Members should:

- read and consider the **Waters Working Group Agenda that is attached**
- prepare any questions that they may have in relation to Local Waters Done Well or the work being undertaken through the Waikato Mayors and Chairs Forum
- consider the matters addressed in the Waters Working Group papers and be ready to raise any questions, issues or concerns in relation to the direction being followed.

### KEY SUMMARY POINTS

- Government has made further announcements on the content and timing of water reform through its Local Water Done Well Programme.
- Despite the announcements a lot is still unknown about the nature and detail of the reforms, including what a new form of water CCO may look like, and the legislative provisions for establishing and operating one.
- The second water reform Bill is expected to be introduced to Parliament very soon. This is unlikely to address the key aspects of water a new form of water CCO may look like – it will be focused on the immediate requirements to produce a Water Services Delivery Plan by mid 2025 and establishing the basis of economic regulation.

- HCC will need to consider a submission on the second Bill.
- Further work has been done to explore options for HCC and a pathway for ensuring that HCC can secure benefits from the reform.
- More formal work is required to evaluate options but the emerging pathway that looks most likely to secure benefits, whilst dealing with uncertainty is:
  - i. Move to establish a Waters Business Unit inside Council – getting our house in order, establishing transparency, identifying what would need to move into a CCO if and when that happens.
  - ii. Consider targeted rates for water as part of an LTP amendment in 2025 – transparency and ring-fencing of waters operation, funding and financing.
  - iii. Develop the Water Services Delivery Plan based on LTP, existing AMPs and Future Proof commitments – showing willingness to move to joined up service delivery / new structures – meeting new statutory requirements.
  - iv. Continue HCC thinking about what a CCO would need to look like in order to be acceptable and deliver benefits to Hamilton - establishing bottom lines for engagement.
  - v. Progress discussions with Waikato District on service delivery in order to provide solutions fast enough to meet Waikato's needs.
  - vi. Progress discussions with Tauranga – which could result in a HCC – Tauranga CCO.
  - vii. Continue to engage in and progress possible Waikato region wide solutions.
  - viii. Review approach as any one of the partnership discussions reaches a decision point and as the Government provides the necessary clarity on what a new Waters CCO could be.
  - ix. Consider and implement the establishment of a CCO when it is demonstrated to be beneficial with a preference to starting either HCC alone, or HCC plus one or two others with the ability to add others over time.
- The previous negotiation with Waikato and Waipa Districts over the possible asset owning CCO is a helpful start in establishing HCC's view of what a CCO would need to look like and the decision-making framework that sits around it.
- The Record of Agreement is attached to the Waters Working Group Agenda.
- There are parts of the Record of Agreement that need to be reconsidered:
  - i. It does not adequately address Te Ture Whaimana or the Council's commitments to and partnership arrangements with iwi and hapū.
  - ii. It does not address economic regulation.
  - iii. The working of a Shareholders' Forum and decision-making thresholds for shareholder decisions need to be reconsidered in the context of different numbers of shareholders.
  - iv. The joint committee mechanism for establishing growth priorities needs to be reconsidered in relation to both Future Proof and different numbers and location of shareholding Councils.
  - v. The mechanism for the transfer of assets and the transaction and consideration for assets will need to be reviewed and a number of different scenarios considered for the impact of different shareholding.
  - vi. The mechanism for allowing new shareholders will need to be reconsidered.
  - vii. The approach to tariff structures and harmonization needs to be further considered, in particular in relation to the inclusion of shareholders whose waters networks are remote from Hamilton's.

## WHERE CAN MEMBERS FIND MORE INFORMATION?

- The key information for this session is the **Waters Working Group Agenda** attached to this summary.

## WHAT DIRECTION/FEEDBACK/INPUT DO YOU NEED FROM ELECTED MEMBERS



Staff need direction on:

- The emerging pathway
- The emerging framework for a CCO and the identification of any issues or risks from the previous Record of Agreement for an asset owning COO that need to be explored or reconsidered.

Waters Working Group

Meeting: 3:00pm, 17 April 2024

Venue: Elected Members Meeting Room

Agenda

Item	Purpose
1. Minister’s Announcement	Information / Update
2. Waikato Water Done Well - update	Information / Update
3. Engaging with Waikato District and Tauranga City	Information / Update
4. Progressing HCC Position	Discussion / Feedback
5. Key Messages	Information / Discussion
6. Next Working Group Meetings	Feedback
7. Any Other Business	Discussion

Attachments:

- 1. Letter from the Minister of Local Government
- 2. Local Water Done Well - Information for Councils
- 3. Draft Intervention Logic Map
- 4. 2016 Record of Agreement

Subsequent pages have been redacted

# DISCUSSION TOPIC SUMMARY

**Topic:** Local Waters Done Well

**Related Committee:** Council

**Business Unit/Group:** Infrastructure and Assets

**Key Staff Contact/s:** Lance Vervoort, Peter Winder

**Direction Discussion**

**Status:** Closed

## PURPOSE OF TOPIC/INFORMATION

The purpose of this briefing is to provide the opportunity for Members to ask questions, explore options, and seek any further information that would help them to make direction setting decisions regarding Council's response to Local Water Done Well on 12 September.

Water reform and the response to Local Water Done Well is one of the most significant issues facing Council. It is important that Council considers a wide range of opportunities as it determines its preferred approach.

Whilst Council will be asked to make direction-setting decisions on 12 September, it is likely that any substantive decision would be the subject of public consultation through an LTP Amendment in early 2025.

This briefing builds on the briefings from Waikato Water Done Well and the Department of Internal Affairs. It also includes the work that has been done through the Waters and Rates Working Group.

- Members need to be informed ahead of Council decisions on 12 September 2024
- Staff seek feedback on whether additional information will be required to inform those decisions.

## WHAT KEY THINGS SHOULD MEMBERS THINK ABOUT/ CONSIDER IN UNDERSTANDING THIS INFORMATION?

Key considerations in determining HCC's response to Local Water Done Well include:

- The extent to which the response addresses the waters challenges that HCC faces
- The balance of costs, benefits, risks, opportunities and effort involved in the response
- The financial impacts of the response and the ability to secure additional debt headroom to respond to growth and to the financial pressures facing Hamilton
- The unbudgeted expenditure that will be required to respond to Local Waters Done Well
- The importance of HCC's place and role within the region
- The likelihood of the proposal being successful and able to be implemented
- The views of the public
- Whether there is additional information that Council would seek before making a decision
- Whether the assumptions provided to inform the options are sufficient to set direction for the programme.

## KEY SUMMARY POINTS

### Recent Announcements

Since Council was briefed in May on the emerging pathway for HCC, announcements have resolved many uncertainties, in particular:

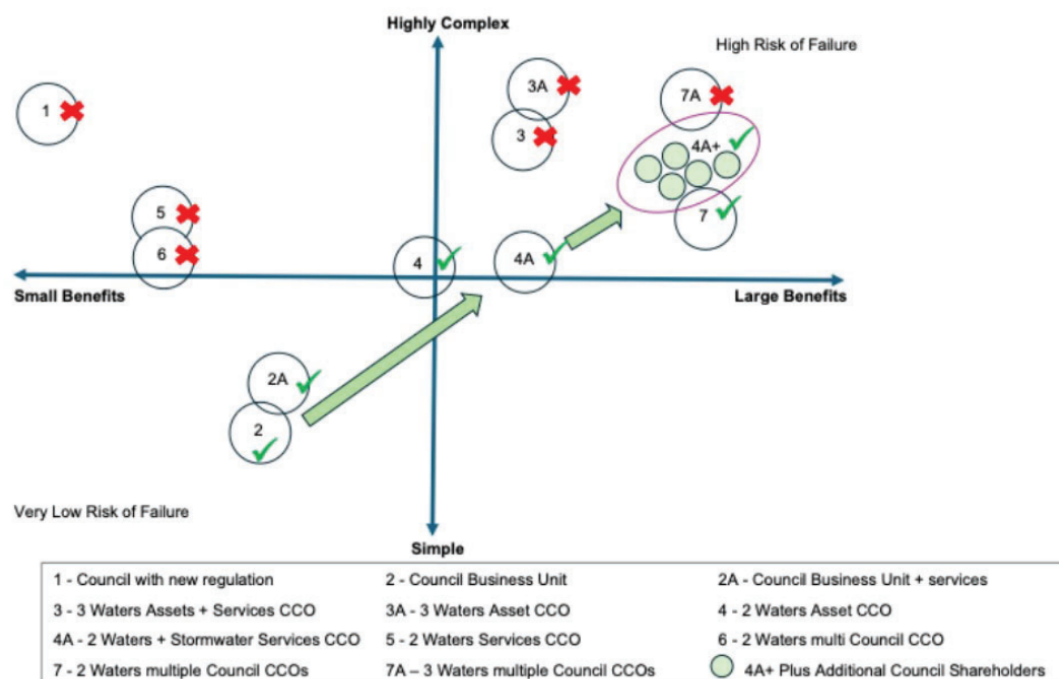
- ability to borrow through LGFA at higher multiples for both Council and a CCO
- confirmation of CCO tax-exempt status

- clarity of the ability to control connections, charge for connections, and manage networks
- clarity that stormwater will remain a Council responsibility.

Other announcements have compounded the challenges Hamilton is facing. The Minister for Housing, Infrastructure and RMA Reform's announcement that infrastructure to service planned growth is expected to be fully funded, marks a significant increase in the levels of investment required over and above what is provided in the LTP. The introduction of price – quality regulation by the Commerce Commission will further increase pressure on capital investment – although this will take some time (years) to fully implement,

### Options

The May briefing to Council focused on the diagram (below) that showed the range of options that have been identified, the options which were considered to be poor, and those that formed the emerging pathway for the future delivery of waters.



The Government's 8 August announcements confirm much of the analysis.

- Option 1 is still not a feasible future.
- Options 3, 3A and 7A are still unattractive. The government announcement on 8 August confirmed that responsibility for stormwater will remain with Councils. Whilst Council could transfer some stormwater assets it will remain responsible for delivery and for ensuring financial sustainability. This suggests that the three waters asset owning option is no longer beneficial.
- Options 5 and 6 are for non-asset-owning service delivery Council Controlled Organisations (CCOs). They remain unattractive options (significant complexity but smaller benefits than options 2 or 2A, or options 4, 4A, 4A+ and 7).
- Options 2 or 2A are the necessary first steps toward any of the other options and along with separating water charges from the general rate / Uniform Annual General Charge (UAGC) are the minimum required response by HCC. These options are feasible transition steps (with borrowing to 350%) but are less attractive than 4, 4A, or 7.
- Options 4 or 4A provide greater debt headroom than Option 2 or 2A and greater benefits but cost more to establish and the earliest credible delivery is to start trading 1 July 2026.



- Option 4A+ may not be required to segment guarantee related risk – but this is subject to further discussions with the Local Government Funding Agency (LGFA).
- **Option 7 remains the most attractive long-term option – provided that agreement with other partners can be achieved.** This option has the greatest potential benefits, the greatest potential risks, and the greatest cost of establishment.

Providing services to Waikato District is worthwhile, but probably only makes sense for both HCC and Waikato District if it is a stepping-stone to a jointly owned asset owning CCO or a transition backstop to ensure business continuity while such a CCO is established.

The potential for benefits from scale is not limited to the Waikato. As previously considered, establishing a joint CCO with Tauranga may be a very attractive proposition. Now that Tauranga has returned to a democratically elected Council it will be worthwhile re-visiting the potential for partnership with them.

Indicative financial modelling suggests that Option 2 is a viable short-term transition option and **may** be able to deliver long-term financial sustainability, delivering a considerably enhanced capital works programme.

Indicative modelling of Option 4 suggests that with that structure (and associated debt head room) Council could deliver a considerably enhanced waters capital programme within the total revenue provided for in the LTP and the new (increased) debt to revenue limits.

The modelling has been designed to test direction. It reflects significant simplifying assumptions and an enhanced capital programme that better responds to growth but has not been optimised for delivery. It does not reflect any other changes to the LTP. Overall rates increases and other activity remain unchanged from the LTP.

The indicative modelling analysis suggests that both Options 2 and 4 may enable HCC to pass the expected financial sustainability test by the 30 June 2028 deadline, but that without further attention to smooth both the capital works programme and waters revenue, additional waters debt headroom could be exhausted before the end of the 10-year period.

More detailed modelling will be required, including optimising the revised (larger) capital works programme, smoothing both waters and council revenue over time, and further review of both the residual council financial position and ability to fund and deliver non-waters activities. Further modelling will also need to consider other risks in the LTP. The most obvious of these is the potential impact of HCC not receiving the levels of NZTA financial assistance that are assumed in the LTP.

Multi-council CCO options have not been modelled, but the range of possible benefits has been confirmed by the analysis undertaken by DIA, Waikato Water Done Well, and the earlier work by Cranleigh. Further modelling on multi-Council models will be required. This effort will only be justified in the context of a specific proposal with committed partners.

All modelling has assumed a minimum viable product HCC only water CCO with complete shared systems and services with Council. Initial estimates of establishment costs are in the order of \$4.7m and \$5.7M. This cost could be debt funded and passed to the CCO. This cost is in addition to the \$1.66m of government funding that was reallocated for the current year to progress the response to Local Water Done Well.

Neither the current year budget or the initial estimates for establishing an HCC only CCO include the costs for working with potential partners on the design of a multiply owned CCO (either through direct engagement or through Waikato Water Done Well).

The modelling suggests that by optimising the works programme it **may** be possible to deliver lower rates increases than are currently shown in some years of the LTP. However, more work is required to refine the financial modelling, optimise the revised capital works programme and investigate further the impact of separating waters on the remaining council activities. Elected Members are cautioned against using this analysis to infer potential rates increases that are lower than those in the LTP until that work is done.

## Waikato District

Due diligence work with Waikato District has confirmed that:

- HCC could provide the services currently provided by Watercare – provided it was able to secure the existing Watercare Waikato team, and the HCC CE (as PCBU) can be satisfied that the health and safety at work risks are / can be effectively managed
- HCC would need different contractual terms and risk allocation to ensure that there was no cost to Hamilton ratepayers – likely to be an at cost delivery with no risk allocation to HCC
- There would be transition costs that Waikato District would need to meet
- Most transition risks can be mitigated
- There are still significant benefits available through a joint Waikato and HCC waters CCO – a joint CCO would deliver better benefits than a shared service and it is understood that a joint asset owning CCO remains Waikato District's preference.
- Whilst HCC could provide the services that Watercare does, the prime reason for doing so would be as a step toward a joint CCO, or as a backstop undertaking to ensure that Waikato can be confident of service continuity while a CCO is established.

## Rates Review

At its 13 August meeting, the Water and Rates Working Group considered the scope of work required to progress the separation of waters related charges from the general rate and UAGC and the intended elements of the rates review. The feedback received from the Working Group was that the four matters shown in the table below which are required to address waters separation need to be advanced. Whilst they are still important, given the scale, significance and consequences of waters separation, the other matters may be better addressed beyond the 2025 LTP Amendment.

	Required for waters?	Effort	Benefit	Recommend?
General Rate & Differential	Yes	Very High	Required	Yes
UAGC	Yes	Very High	Required	Yes
Separately Used Inhabited Parts	Yes	Very High	Required	Yes
All other water related charges	Yes	Medium	Required	Yes
Undeveloped land	Part	High	\$ unknown	Part Non-essential part - Plan for future LTP
Short term accommodation with DP alignment	No	High	\$ low	Plan for future LTP
Exceptional Land Use	No	High	\$ low	Plan for future LTP

## Critical Pathway Issues

The Local Government (Waters Preliminary Arrangements) Bill establishes the requirement for Councils to demonstrate financial sustainability for the delivery of each of the waters by 30 June 2028. It also creates the requirement for a Water Services Delivery Plan (by August 2025) and financial transparency for each of the three waters. Transparency will need to be achieved in advance of the completion of the Water Services Delivery Plan in order to meet the new information disclosure requirements.

To achieve full transparency of waters related activity, HCC will need to separate water charges from the General Rate / UAGC for the 2025/26 financial year. Changes to the Development Contributions Policy will also be required. HCC will need to consult on these changes through an amendment to the LTP.

In order to achieve financial sustainability HCC will need to demonstrate in its Water Services Delivery Plan that the capital works programme that it is proposing is adequate and meets the needs of Hamilton, including responding to growth and new regulatory requirements. The programme required will be larger than the programme currently provided for in the LTP. HCC will also need to demonstrate in its Water Services Delivery Plan that the amount of revenue it plans to collect for waters (over the ten-year period) is sufficient to meet all costs related to waters.

The speed with which HCC can secure additional debt headroom is key to achieving financial sustainability for waters and preserving the ability to deliver the needed activity across the rest of the Council and responding to growth. Increased debt headroom is also key to easing rates pressure.

As the indicative financial modelling suggests, increasing Council debt headroom to 350% of revenue is a big step forward and this may be sufficient in the short to medium term. Achieving longer-term financial sustainability for waters is likely to require a debt to revenue ratio of more like 500% for water and wastewater.

Securing a waters debt to revenue ratio of 500% would require a CCO that:

- Owns waters assets
- Has a professional board of directors
- Has revenue independence – the ability to set, and a demonstrated track record of being able to collect, its own water charges (this is because it is the revenue stream that is security for the debt – waters assets cannot be used as security).
- Has Council support in the form of an underwrite or uncalled capital.

It is expected that it will take at least one year of billing and collection to demonstrate the ability to collect waters revenue. This means that the likely earliest date that a waters debt to revenue ratio of 500% could be achieved is a year after a CCO commences billing for water services in its own right.

The earliest possible date that an HCC only waters CCO could start trading is 1 July 2026. To achieve this the following would be required:

- Separation of water charges from the General Rate / UAGC in 2025 through an LTP Amendment
- Changes to the Development Contributions Policy to separate waters in 2025 through an LTP Amendment
- Consultation in 2025 on the transfer of waters assets to a CCO through an LTP Amendment / Statement of Proposal. Waters assets are defined as strategic assets in HCC significance policy.
- Creating a CCO and appointing its Board of Directors during 2025/26 so that it can oversee establishment and develop a Waters Services Strategy (the LTP equivalent for a waters CCO)
- Consultation and work with staff to manage the transfer or secondment of staff during 2025/26
- Completing changes to systems etc. during 2025/26 to enable the CCO to function
- Adequate resourcing for the establishment activity for which there is currently no budget.

Targeting a later date for the possible establishment of a CCO would:

- Delay the potential for increased debt to revenue ratios for water services
- Delay the potential for easing the pressure on rates associated with increased waters debt headroom
- Run the risk that HCC's Water Services Delivery Plan does not demonstrate financial sustainability by 30 June 2028.

Unless HCC can deliver a credible Water Services Delivery Plan it opens the door to Ministerial intervention.

#### **Towards a Recommended Waters Pathway**

The resolutions that will be sought in September will be in-principle direction setting decisions that will be subject to future public consultation through changes to the LTP.

Having reflected on feedback from the Water and rates Working Group the approach that staff are currently considering for recommendation is that Council:

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#### WHERE CAN MEMBERS FIND MORE INFORMATION?

- Refer to the 13 August 2024 Water and Rates Working Group Agenda.

#### WHAT DIRECTION/FEEDBACK/INPUT DO YOU NEED FROM ELECTED MEMBERS

- Staff need direction on preferred option/s?
- Staff would like to know if there is anything further that Members would like covered in the staff report?
- Are there any other options Members would like to see covered in the report?
- Are there any known views of the community or do Members have any concerns around community reactions?
- Do Members have preference/views around how community engagement is managed?



# Local Water Done Well

**Background, Issues and Options**

**August 2024**



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa

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Issue	Reason for Issue	Author	Reviewer	Date
1	Final	PW	NH, AP	30/08/24



## PART 1 - PURPOSE

- 1.1.1 The purpose of this Issues and Option Paper is to support Hamilton City Council (HCC) to make direction-setting decisions in its response to Local Water Done Well. This paper provides background information, analysis and consideration of options.
- 1.1.2 This paper addresses the background, context and substance of the Local Water Done Well reforms. It also provides a summary of earlier reforms, business cases and other previous work that is relevant to Council's consideration of the options to respond to Local Water Done Well.
- 1.1.3 This paper provides a high level evaluation of the options and recommends a pathway forward.
- 1.1.4 It is important to note that the many of the options require engagement with HCC's iwi partners and before consultation with the people of Hamilton before final decision could be made and implemented.

## PART 2 - BACKGROUND AND CONTEXT

- 2.1.1 Water reform has arisen from many different, but related things:
  - (a) The Parliamentary Commissioner for the Environment's major work on waters: Aging Pipes and Murky Waters (2000) and Beyond Aging Pipes (2001). Amongst other things this highlighted NZ's water infrastructure is aging and the challenges of maintaining and replacing aging pipes and inadequate treatment plants.
  - (b) Prolonged advocacy from Waters NZ in relation to waters, the state of the waters industry, and the need for structural reform.
  - (c) The 2017 report of the Havelock North Inquiry and the clear message that it sent about drinking water quality, and public health.
  - (d) Sustained advocacy from local authorities in relation to local government funding and responding to growth.
  - (e) Repeated discharge consent failures in relation to wastewater plants across the country.
  - (f) Repeated water system failures due to aging infrastructure, natural disasters, and a lack of system resilience across a number of communities in different local authorities.
  - (g) Inadequate water supplies in multiple communities and the lack of local investment in new drinking water capacity (e.g. Kaitia and other Far North District communities).
  - (h) The need to respond to climate change – including more frequent droughts and more frequent and more significant flooding from short period high intensity rainfall events.



- (i) The wider national debate about the state and health on New Zealand rivers, including the impact of farming practices and wastewater discharges.
  - (j) Treaty Settlements that have focused on the mana, wairua, and health of awa and delivered new management frameworks like the Waikato River Authority and Te Ture Whaimana.
  - (k) The clear failure of locally led voluntary efforts to deliver meaningful reform, for example HCC, Waikato and Waipa CCO negotiations and Wellington Water.
- 2.1.2 This means that there are multiple different drivers of change and the problem definition is complex and can be confusing. However, one thing that most do agree on is that the historic approach by local authorities to managing waters will not be adequate for the future.

## PART 3 - LOCAL WATER DONE WELL

### 3.1 The reforms

- 3.1.1 The Government's 100-day plan included a commitment to repeal the previous Labour government's water reform legislation and implement a new approach that would restore council ownership and control of water assets. The Government's new approach "Local Water Done Well" programme uses a considerable amount of the policy framework developed to support Labour's reforms.
- 3.1.2 As part of its Local Water Done Well programme the government has now completed the repeal process and has enacted the second piece of legislation the Local Government (Water Services Preliminary Arrangements) Act 2024. It is committed to introducing a third waters Bill to Parliament before the House rises at the end of year, with the legislation to be enacted by the middle of 2025.
- 3.1.3 The Local Government (Water Services Preliminary Arrangements) Act 2024 sets out the following key provisions:
- (a) A requirement for Councils, individually or jointly, to prepare a Water Services Delivery Plan, by August 2025. This is a one-off document setting out how the Council will transition towards meeting the requirements of Local Water Done Well and setting out how councils will deliver, charge for, fund and manage water services and infrastructure.
  - (b) A requirement to ensure financially sustainable delivery of each of the three waters services (water, wastewater, and stormwater) by 30 June 2028.
  - (c) The requirement that each Water Services Delivery Plan must be approved by the Secretary for Local Government, including the ability to send a plan back for changes.
  - (d) A requirement for Councils to give effect to Water Services Delivery Plans.
  - (e) Authority for the Secretary for Local Government to make rules in relation to Water Services Delivery Plans.

- (f) A new information disclosure regime, including the ability for the Secretary for Local Government to set initial requirements and for the Commerce Commission to determine on-going disclosure requirements.
- (g) The beginnings of the legislative framework for the Commerce Commission to act as the economic regulator for waters services.
- (h) Definitions relating to waters services and assets.
- (i) New provisions relating only to Watercare – but which start the oversight regime which is likely to be the basis for economic regulation of the rest of the sector.
- (j) A Ministerial intervention framework involving the potential appointment of a Crown Facilitator or a Crown Waters Specialist if councils (individually, or jointly where they have agreed to prepare a joint plan) fail to deliver an acceptable Water Services Delivery Plan.

3.1.4 A third Bill will be introduced before the end of 2024. In anticipation of the Bill the Minister made key policy announcements on 8 August 2024. These announcements address the substance of the proposed framework for water organisations, the responsibilities of Councils, new approaches to borrowing through the Local Government Funding Agency (LGFA), and a range of other matters. Key elements of the announcements include:

- (a) A range of structural options for the delivery of water services including an in-house business unit, a Water Council Controlled Organisation (CCO) owned by one or more local authority(s), or a Water Organisation owned by either one of more local authority(s) and a Consumer Trust, or solely owned by a Consumer Trust.
- (b) The requirement that a Water Organisation / Water CCO must be a company.
- (c) The requirement for stand-alone financial statements for water services.
- (d) A legislative prohibition of privatisation of waters services and assets and a prohibition on using waters assets as security.
- (e) Competency based appointments to Boards and a prohibition on appointing elected members or Council staff.
- (f) A framework for Consumer Trusts.
- (g) Changes to restrictions on long-term contracting (increased to a maximum of 50 years) to make it easier to introduce design, build, and operate; and design, build, operate and transfer contracts.
- (h) A framework for establishing the water organisation's constitution, shareholder arrangements, statement of intent, shareholder expectations, reporting, and accountability.

- (i) Water service providers (including Councils that provide water services) must produce a Water Services Strategy (WSS) and associated Annual Report. For Councils, the WSS replaces the waters sections of the Long Term Plan (LTP). The latter reports on annual performance against the strategy. It includes financial forecasting information for 10 years and infrastructure and investment information over 30+ years, including priorities, outcomes, levels of service, risks, customer engagement, planned water charges and financial strategy, funding impact statements and significant infrastructure issues and investment over 30 years.
- (j) Powers to charge customers and debt collection – confirming that water organisation charges will be a normal commercial debt not a charge against the land and that debt collection will be the same as any commercial debt process.
- (k) Confirmation that water organisations will be tax exempt.
- (l) Limitations on the scope of activities that a water organisation can undertake (limited in scope to the provision of water services).
- (m) The ability of a water organisation to pay dividends (return on capital) to its shareholders, to be determined in the company constitution.
- (n) Confirmation that like all utilities, the assets and interest in land of a waters organisation will be ratable and councils will be able to determine whether or not they remit those rates.
- (o) Confirmation of the ability of a waters CCO that has Council support, to borrow through the LGFA at a multiple of up to 500% of revenue.
- (p) Confirmation that the LGFA is considering allowing growth Councils to borrow at up to 350% of revenue.
- (q) Confirmation that waters organisation will have the necessary powers to effectively manage networks, including the power to manage connections, enter property, and a replacement for waters related by-laws (like the current HCC trade waste bylaw).
- (r) Confirmation that responsibility for stormwater will remain with councils, but that councils will be able to determine how best to deliver stormwater services – including contracting out to a waters organisation, or to others.
- (s) Changes to improve the management of overland flow paths, including new stormwater network risk management plans and stormwater rules.
- (t) Retention of existing funding tools (rates) for stormwater.
- (u) A commitment to new national environmental standards for wastewater which will establish the maximum requirements that can be imposed by a consent authority.
- (v) A commitment to new national engineering standards for the design of waters infrastructure.

- (w) Additional economic regulation and consumer protection framework details for water and wastewater (with stormwater to come late if required) including:
  - (i) the power to set revenue thresholds (minimum and maximums) from early 2026.
  - (ii) monitoring and enforcement to ensure waters revenue is spent on waters services (financial ring-fence).
  - (iii) the power to set quality standards and performance requirements (from 2026).
  - (iv) the power to impose price – quality regulation, if required, from mid 2026.
  - (v) complaints and disputes resolution requirements.
  - (vi) the power to establish and enforce a mandatory service quality code.
  - (vii) the fines and penalties framework that applies under the Commerce Act.
- 3.1.5 Whilst these policy announcements are very helpful and will support Councils to make some key decisions, the final details of the provisions will not be known until the legislation is enacted in mid-2025. There are risks in making some decisions that anticipate the legislation.
- 3.1.6 The package of reforms is profound and require councils to fundamentally review water services delivery operations, consider whether water services are retained in-house or transitioned into a waters organisation. Each council's Water Services Delivery Plan will need to demonstrate how they will respond to the reforms and ensure compliance with the new requirements.
- 3.1.7 The substance of the Minister's announcements can be found at:
  - (a) Water Service Delivery Models: Guidance for Local Authorities  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/Water-services-delivery-models-Guidance-for-local-authorities-\(August-2024\).pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/Water-services-delivery-models-Guidance-for-local-authorities-(August-2024).pdf)
  - (b) Local Water Done Well Overview:  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/01.Factsheet-Local-Government-Water-Services-Bill-overview.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/01.Factsheet-Local-Government-Water-Services-Bill-overview.pdf)
  - (c) Financing for Councils and water organisations  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/02.Factsheet-Financing-for-councils-and-water-organisations.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/02.Factsheet-Financing-for-councils-and-water-organisations.pdf)
  - (d) Planning and Accountability for local government water services  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/03.Factsheet-Planning-and-accountability-for-local-government-water-services.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/03.Factsheet-Planning-and-accountability-for-local-government-water-services.pdf)

- (e) Future Arrangements for Stormwater  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/04.Factsheet-Future-arrangements-for-stormwater.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/04.Factsheet-Future-arrangements-for-stormwater.pdf)
- (f) Economic Regulation and Consumer Protection  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/05.Factsheet-regulation-and-consumer-protection.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/05.Factsheet-regulation-and-consumer-protection.pdf)
- (g) Drinking Water Quality Regulation  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/06.Factsheet-Drinking-water-quality-regulation.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/06.Factsheet-Drinking-water-quality-regulation.pdf)
- (h) Standards to help reduce water infrastructure costs  
[https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/\\$file/07.Factsheet-Standards-to-help-reduce-water-infrastructure-costs.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/07.Factsheet-Standards-to-help-reduce-water-infrastructure-costs.pdf)

### 3.2 Key Consequences of the Policy Framework

- 3.2.1 Economic regulation is a key feature of the Local Water Done Well approach. This means that in addition to existing environmental regulation for the taking and discharge of water, regulation of drinking water, and oversight of wastewater and stormwater by Taumata Arowai, there are likely to be new economic rules relating to investment (including under or over investment), costs and cost-recovery (pricing and charges), and transparency and disclosure of costs and revenue.
- 3.2.2 The introduction of economic regulation will be progressive, starting with an information disclosure regime. However, there are some direct consequences of moving waters services into the framework of Part 4 of the Commerce Act.
- 3.2.3 It is expected that the Commerce Commission will introduce price-quality regulation in relation to waters services. This provides for the Commission to determine the methodology for determining price and quality, set maximum prices, set maximum revenue, and set quality standards that apply for periods of 5 years. The Act provides for penalties for non-compliance.
- 3.2.4 The information disclosure and transparency regime is expected to require Councils and any waters CCO to be completely transparent in relation to the revenue collected and costs incurred for each of the three waters individually and to ensure that funds collected are ring fenced to the water service for which they were collected.
- 3.2.5 HCC also need to be able to present the accounts and balance sheet for each of the three waters separately to meet the expected requirements. This means that HCC will need to separate waters related revenue from the general rate and/or Uniform Annual General Charge (UAGC) and implement separate targeted rates and development contributions for each of the three waters while it rate funds waters services.



- 3.2.6 Rates will still be available to councils as a funding tool for waters services. Waters CCOs will not have rating powers. A waters CCO with revenue independence will have access to higher debt to revenue ratios than will be available to Councils. The ability of a Waters CCO to charge will be limited to fixed charges, volumetric charges (based on actual use), variable charges (for instance based on location), a connection charge, a capital works contribution charge (like a development contribution). The limited range of charges available to a waters CCO impacts the choices that HCC has in separating waters charges from the general rate / UAGC.
- 3.2.7 To produce a Water Services Delivery Plan (described in paragraph 3.1.3) by the deadline (August 2025), HCC must have determined its approach to waters early enough to consult and make informed decisions.
- 3.2.8 Any new Water CCO will have to prepare a Water Services Strategy in which it sets out its intended activity, capital works, operating costs, tariffs and charges, etc. This means that a new CCO would need to be established early enough to prepare a Water Services Strategy before the year in which it starts billing customers. That is, it will need time to set prices before it can send out invoices.

## **PART 4 - PROBLEMS AND SOLUTIONS – AN INTERVENTION LOGIC MAP FOR HAMILTON**

- 4.1.1 Local Water Done Well is a initiative designed to provide national frameworks and tools that enable councils and communities to make choices over the way in which water services are delivered. It is essential that, as HCC considers the options and choices, it has it does so with a clear understanding of both the national context, but also the very specific local issues and challenges that it faces.
- 4.1.2 The attached Intervention Logic Map (ILM) sets out the range of problems, capability and delivery issues, and risks that HCC has in relation to the three waters. The ILM then sets out the range of interventions, benefits and outcomes that can be derived from addressing the problems.
- 4.1.3 The ILM reflects the fundamental challenge that HCC faces in being able to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city. This challenge has been amplified by the government's recent policy announcement that it will require Councils to provide zoned and serviced land able to accommodate 30 years of future growth. Meeting the pressures of growth and this new requirement will require levels of investment that are greater than currently provided for in Council's Long Term Plan.
- 4.1.4 It is critical that current ratepayers do not bear the full burden of investment to support growth as well as the costs of operating, maintaining and renewing existing infrastructure. The cost of assets with very long lives should be borne by all those who will benefit from them over the full life of the asset. Moving to the position where depreciation over the life of an asset is used to repay the cost of building it is critical in ensuring both intergenerational equity and the ability to fund the necessary investment.

- 4.1.5 In order to fund and deliver the levels of investment needed to support Hamilton's growth and ensure intergenerational equity, HCC will need to borrow more than is currently provided for in its Long Term Plan and optimise its debt profile and repayments to reflect the life of the assets being funded. Options for water services delivery that do not address this critical issue will not meet Hamilton's needs.
- 4.1.6 The resolution of waters related problems is critical for the rest of Council's activities. If needed investment in water infrastructure crowds out investment in transport and other infrastructure, then the city will not be able to appropriately respond to growth.

## PART 5 - WHAT SUCCESS LOOKS LIKE FOR HAMILTON.

- 5.1.1 The city of Hamilton will grow and succeed faster if the rest of the region is similarly successful.
- 5.1.2 As HCC considers its response to Local Water Done Well it is important that the Council is clear on what success looks like for Hamilton. The Council must address the needs of Hamilton, but in doing so it also needs to exercise a regional conscience.
- 5.1.3 HCC has significant water, wastewater and urban stormwater operations. The scale of this operation and the expertise that HCC has can offer significant benefits to other Waikato local authorities. Hamilton can benefit from scale and through partnership it can also help other communities to realise scale benefits.
- 5.1.4 HCC has options and choices to make. As HCC considers those options and choices it will need to do so in the light of Te Ture Whaimana and what is best for the awa. Options that are not in the best interests of the awa will be inconsistent with Te Ture Whaimana. HCC will also need to honour the commitments to decision-making process that are reflected in the JMA that it is a party to.
- 5.1.5 If HCC's actions preclude a sensible future that delivers better outcomes across the Waikato it will not be thanked for its choices. Equally, the single-minded pursuit of a complex multi-party solution that fails to be agreed in a timely manner would be a poor outcome for Hamilton.
- 5.1.6 In order to identify the best response to Local Water Done Well, HCC needs to know what 'success' would look like for Hamilton.
- 5.1.7 The following success statements build from the ILM discussed above. They reflect the particular issues that HCC is facing, and have been developed by staff and refined by the Waters Working Group. They provide a framework for considering the options that HCC has. They also provide a way of being clear with prospective partners what HCC needs to achieve for success.

5.1.8 HCC is seeking a response to Local Waters Done Well that:

- (a) Provides the best (financial and non-financial) sustainable outcomes for the communities of Hamilton now and for the future.

This reflects the core LGA requirement for HCC to promote the well-being of the communities of Hamilton. Well-being is broadly defined in the LGA. "Best" in this sense is a broad weighing of financial and non-financial outcomes, recognising that some options for the delivery of water services will provide better outcomes over the long-term than others. Best in this context also links back to the extent to which the problems identified in the Intervention Logic Map (ILM) are solved. In order for any option to provide the best outcomes, that option must be implementable and the benefits realisable.

- (b) Supports the health of the awa and Hamilton's role in implementing Te Ture Whaimana.

The health of the awa and the importance of Te Ture Whaimana needs to be secure in any change to the way in which water services are delivered. The health of the awa is fundamental to the health and well-being of the people who live, work and are connected to the awa and its whenua. The health of the awa may be better served through regional or sub-regional solutions that enable more whole of river approaches to consents to take water and discharge into the awa.

- (c) Responds to and caters for Hamilton's growth needs as identified in Hamilton's growth strategy.

Responsibly dealing with growth is critical to the long-term wellbeing of Hamilton communities. Being able to make the necessary investments in new, growth related infrastructure at the right time is critical to the future of Hamilton. HCC needs to be confident that any changes to water service delivery, improve the ability to respond to growth and can support the delivery of Hamilton's growth strategy. This includes confidence that sufficient additional debt headroom will be available to address growth needs and responding to growth will be given appropriate priority.

- (d) Realises the benefits of a boundaryless approach across the wider metro area / Future Proof sub-region, supporting the best land use, transport, development and sustainability outcomes.

HCC has long recognised that the city is only a part of the wider metro area that extends into Waipa, Waikato and Matamata-Piako Districts. The 2015 Cranleigh business case, and the subsequent metro wastewater detailed business cases identified significant benefits from being able to integrate and manage as one, the waters networks that support the wider metro area. Equally, it is essential that the management, operation and development of waters infrastructure supports an integrated approach to land use, transport, and other investments. Without such an integrated approach, benefits in waters delivery could be lost through poorer land use or transport outcomes.



- (e) Provides a stable and secure long term decision-making environment that can make sound investment decisions for very long-life infrastructure.

Waters infrastructure has a very long life and profoundly influences the shape and nature of cities and the health and well-being of people and the environment. Waters delivery has been the subject of intense debate for almost a decade. It is essential that any change in waters delivery provides a stable and secure operating environment that supports long term decisions. It needs to be able to withstand the vagaries of multiple central and local government political cycles. It also needs to be able to withstand any changes in the ability or willingness of partner councils to work together.

- (f) Ensures that all environmental, public health, and economic regulatory compliance requirements are met.

The is simply non-negotiable, and compliance will be a national requirement.

- (g) Ensures commitments and obligations to iwi and hapuu are met.

HCC has made significant commitments to iwi and hapuu and has significant obligations under various Acts of Parliament and Treaty Settlements. Any change to water services delivery needs to ensure that these commitments are honoured and obligations are met.

- (h) Creates the conditions necessary to build, attract, develop, and sustain the highly skilled workforce needed to deliver water services.

The delivery of waters services depends on a highly skilled workforce with high levels of specialisation, knowledge and expertise. Being able to build, attract, develop, and sustain that workforce is critical to being able to meet the long-term needs of our communities. The scale of the opportunities available, the stability of operations, and the ability to see clear career paths will be key factors in achieving this outcome.

- (i) Ensures that Hamiltonians have influence in ownership and governance decisions proportionate to the size and nature of the city's population, assets, and needs.

Changes to water services delivery are likely to require a significant change in the nature of decision making by local authorities. In considering the role that local authorities will play in any ownership, direction or expectation setting, or governance oversight of a new waters entity, HCC seeks to safeguard the influence that Hamiltonians have, ensuring that it is proportionate to the size and nature of the city's population, assets, and needs.

- (j) Recognises Hamilton's role and contribution to the region and the benefits of regional action.

HCC has long recognised that there are significant benefits that can only be realised through appropriate regional action. HCC recognises that it has a role to play within the Waikato and a contribution to make in order to secure regional benefits.

5.1.9 HCC also seeks to ensure that:

- (a) Change follows the most logical, efficient, cost effective, and lowest risk pathway to realise the benefits.

HCC recognises that the transition pathway for any change in service delivery or institutional structure can be as critical as identifying the end goal. The public sector is littered with complex change processes that have not realised the benefits intended, or have cost far more and taken far longer than intended. The stakes with water service delivery are too high to adopt a high risk transition pathway. The costs of change must be manageable, and must not get in the way of realising the benefits.

- (b) The community clearly understands any change.

Unless the community broadly understands the reasons for change and what it will mean for them, any change process risks failure. Indeed, unless the case for change can be easily explained to the public it will be difficult to progress. Where multiple separate communities are affected by a change proposal each community will need to understand it.

## PART 6 - POTENTIAL BENEFITS - RELEVANT REPORTS AND ANALYSIS

### 6.1 Cranleigh Business Case

6.1.1 Between 2014 and 2016 HCC worked with Waikato and Waipa Districts to explore the potential for a joint waters CCO. As part of that work the three Councils commissioned Cranleigh (supported by Martin Jenkins and Mott MacDonald) to prepare a comprehensive business case for water delivery options.

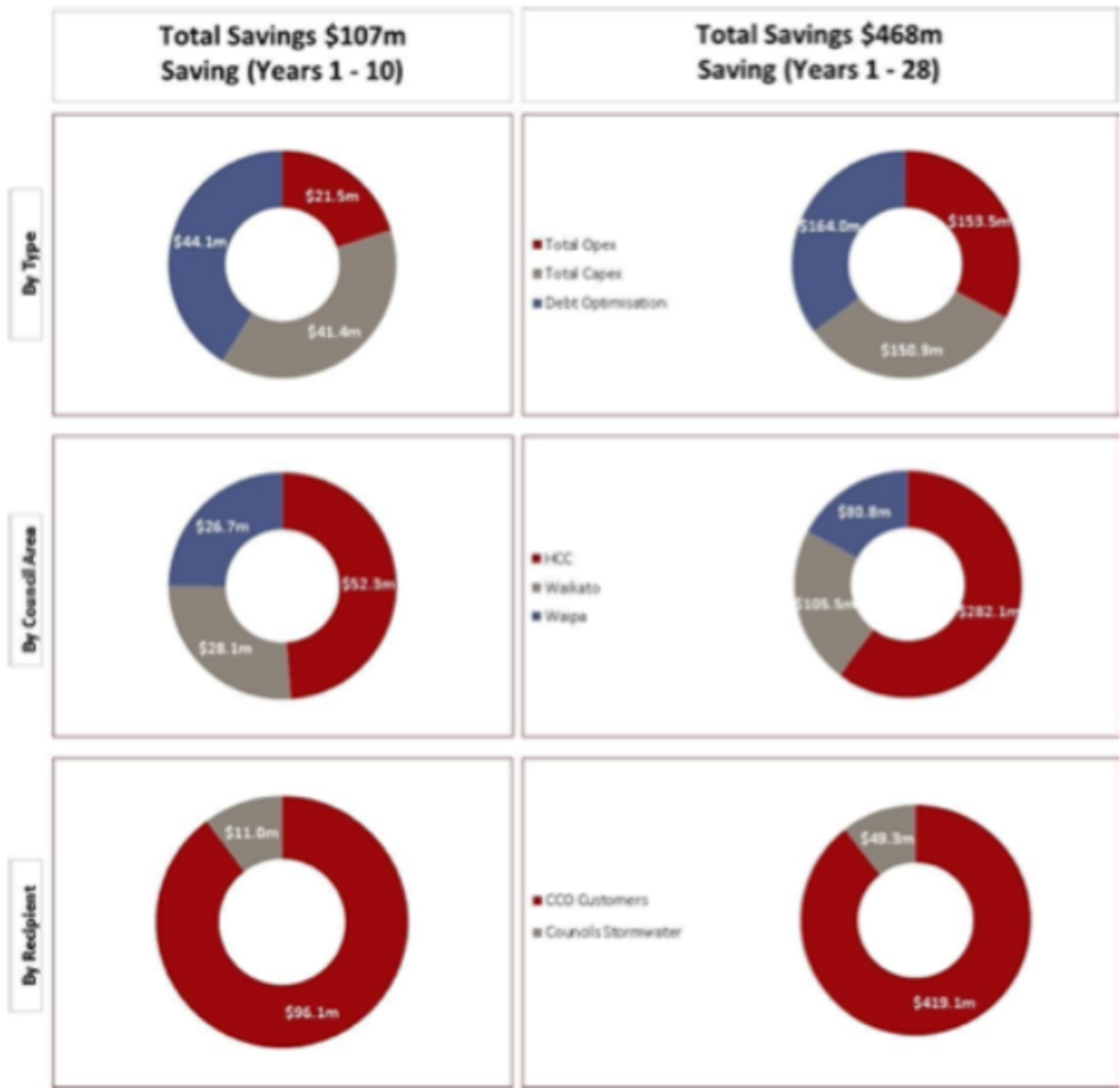
6.1.2 The business case considered the (then) Status Quo, an Enhanced Shared Services model (ESS), and CCO models, including a services CCO and an asset owning CCO that either owned water and wastewater assets and provided stormwater services, or owned assets relating to all three waters.

6.1.3 The business case recommended that:

- (a) Councils should transfer their water and wastewater assets to a jointly owned non-for-profit CCO; and
- (b) Councils should retain ownership of urban stormwater assets but outsource management of those assets to the CCO on a cost recovery basis.

6.1.4 The key benefits that were identified comparing the recommended CCO with other options were:

- (a) Lower 3 Waters charges produce savings for Councils and water customers  
As set out in the charts [below]. The charts show the potential savings that a CCO offers over the status quo. This is made up of operational and capital expenditure savings for three waters and the use of debt optimisation within the CCO to further reduce charges to customers. Stormwater savings are passed on to the respective Councils through lower operating and capital expenditure costs.



- (b) A stronger network across the sub-region

Improved resilience is one of the single most important benefits offered by the CCO model over the other two options. It enables key strategic decisions to be made to develop a more stable water supply and more robust network by exploiting sub-regional network synergies using a single co-ordinated Asset Management Plan.

- (c) Cleaner water and wastewater benefits customers, ratepayers and the environment

A CCO would address the below standard drinking water and non-consented sewage discharge across the sub-region as a priority. This is an advantage for communities over the Status Quo where water expenditure priorities have to be balanced across other council funding requirements. An Enhanced Shared Services model will not automatically re-balance those priorities as funding decisions will remain with councils.

- (d) Attract and retain talented staff

The CCO will provide better career opportunities and create greater concentration of more specialised skills. This will overcome a current problem of the Status Quo. The ESS model would address this issue to a lesser extent.

- (e) Economic development

A single-focus organisation is better placed to support economic growth in the sub-region by offering an improved 3 Waters network and integrated planning, but only if the governance model ensures that the CCO is fully 'mapped' into each council's economic priorities.

- (f) Centre of excellence available to share expertise with the region

A CCO will create a centre of excellence, and when acting in a line with the three Council's policies, will be able to share its expertise with water authorities in the region on a cost recovery basis.

6.1.5 The full business case can be found in Attachment B.

6.1.6 A high level assessment of the benefits identified by Cranleigh in 2015 has been undertaken to determine the extent to which the benefits are still available, relevant and could be achieved. That work concluded that:

- (a) The non-financial benefits identified by Cranleigh are still relevant and achievable.
- (b) The change in circumstance between 2015 and today would not change the relativity of the options considered by Cranleigh with respect to the non-financial benefits.
- (c) The non-financial benefits were and remain very significant and were argued at that time to be at least as significant as the financial benefits.

- (d) The debt position of the three councils has changed significantly since the 2015 report. Councils are more indebted now than they were then. This means that there is less opportunity to achieve the debt optimisation benefits than identified in 2015.
  - (e) Debt optimisation benefits accounted for 35% of the total financial benefits identified by Cranleigh. The opportunities for future debt optimisation have not been reviewed. However, even if there were no debt future debt optimisation benefits (and there will be), provided the other opportunities for future savings in operational and capital expenditure exist, the recommendations from the Cranleigh report would be unchanged.
  - (f) Waikato District and Hamilton City have invested significantly in waters infrastructure since 2015. Despite this, the forward capital works programmes remain substantial and the key investments in joint infrastructure that will support both Councils are yet to be made. This means that efficiencies in the capital works programme of the sort contemplated by Cranleigh are still available. At this stage those benefits have not been quantified further.
  - (g) The sorts of benefits in operational expenditure identified by Cranleigh are still available. However, as capital investment continues with a lack of standardisation in plant and equipment, the potential benefits are reduced.
- 6.1.7 In addition to the benefits discussed above a partnership with Waikato and Waipa districts would also unlock the ability to fund infrastructure that will serve communities in the growth areas immediately adjacent to Hamilton city. Being able to fund and deliver the works proposed as part of the Northern and Southern Metro Wastewater Businesses cases is a significant benefit.
- 6.1.8 Overall, this means that whilst the overall level of benefits will be different, with possibly lower financial benefits, the option recommended by Cranleigh in 2015 will still deliver substantial benefits to both HCC, and the relativity of the options considered would remain unchanged.
- 6.1.9 Cranleigh considered the impact of establishing a Water CCO on the remaining Council operations. It is important to note, not only is there an establishment cost associated with setting up a new entity, but also potential for significant stranded overheads. The benefits noted take into consideration the establishment and stranded overhead impacts.

## 6.2 DIA National Evidence Base - Modelling and Reports

- 6.2.1 As part of the background to the reforms initiated by the previous government, the Department of Internal Affairs (DIA) commissioned a number of reports that explored the potential for benefits through aggregation of water service providers and scale. The reports include substantial work by the Water Industry Commission for Scotland (in 2021 and updated in 2023), a review by Farrierswier (2021), a review by Beca (2021), a review by Deloitte (2021) and other work by AON (relating to insurance) and by Standard & Poors (relating to ratings evaluation and credit).



- 6.2.2 This body of material analysed and repeatedly confirmed the potential for significant benefits associated with scale from the reform of the delivery of water services. In addition to addressing the potential for benefits nationally, this analysis also addresses the potential for benefits arising from the Waikato and Bay of Plenty.
- 6.2.3 This work reinforces the conclusion that there are significant efficiencies able to be achieved through scale. They also reinforce the view that structure and funding by themselves are not sufficient to address the issues faced by the waters sector and councils. The full package of reforms through Local Water Done Well picks up much of the previous work relating to economic regulation and delivery that also forms a key part of the solution to those problems.
- 6.2.4 The full range of reports can be found in the archived section of the DIA website: <https://www.dia.govt.nz/Water-services-reform-national-evidence-base>

### 6.3 Waikato Water Done Well - The Waikato Regional Response

- 6.3.1 In response to the change in direction signalled in Local Water Done Well, the Waikato Mayors and Chairs Joint Forum agreed to work to support individual councils to make informed decisions on whether the aggregation of Waikato water services can deliver on the needs of Waikato communities, either regionally or sub-regionally.
- 6.3.2 The work for the Forum is supported by a working party comprising Chief Executives from Councils and Iwi Organisations, together with Vaughan Payne. The purpose of the working party is to provide the Forum with the technical support required to generate the requested deliverables and support informed decision making at a governance level.
- 6.3.3 The Mayors and Chairs Forum considered a report and proposals at its meeting of 22 July 2024.
- 6.3.4 After considering the report on Waikato Water Done Well (WWDW) the Waikato Mayors and Chairs Joint Forum resolved:

***That the Joint Forum approved the following recommendations which will be presented to elected members at each council:***

- (a) **Recommendation #1:** That the vision, outcomes and success measures be adopted in principle.
- (b) **Recommendation #2:** That participating councils co-design an aggregated model that is staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils. The end point (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity.

- (c) **Recommendation #3:** That each member organisation formally advise the Forum chairs of their decision in relation to the recommendations by the mid-September 2024. Non-participating councils will exit this workstream but will be kept informed of the work underway.
- (d) **Recommendation #4:** That participating councils instruct their Chief Executive to negotiate a Heads of Agreement (HoA) to bring back for their approval by the end of October 2024 (with the intention of the HoA being signed in November 2024). The HoA will be a non-binding agreement between participating councils entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.

**Moved:** Mayor Adrienne Wilcock

**Seconded:** Mayor Gary Petley

- 6.3.5 Representatives of the WWDW initiative briefed the Council on 27 August 2024. The briefing material can be found on Diligent.
- 6.3.6 The analysis underpinning the recommendations is set out in the WWDW technical report of August 2024. That report can be found on Diligent.
- 6.3.7 WWDW has also provided a cover report setting out their recommendations to HCC. That report can be found in Attachment C.
- 6.3.8 WWDW has considered a range of possible options, including aggregated asset owning waters entities covering the whole of the Waikato Region, the Waikato River Catchment, Hauraki and Coromandel, and the whole of the region excluding Hamilton. The report also considers a staged approach to the development of an aggregated waters entity, starting with a range of functional services and progressing toward the end-state aggregated asset owning CCO over time.
- 6.3.9 The WWDW Technical Report identifies that after *“approximately \$100m additional spending ... spread over 10 years to help drive efficiencies (spend to save)”* the savings anticipated for the fully aggregated Waikato waters entity totalled \$338 over the decade. This is based on *“a very conservative assumption of about 1% per annum efficiency target across all expenditure.”*
- 6.3.10 The financial benefits identified in the WWDW technical report for a fully integrated water CCO reflect conservative assumptions compared with the potential savings identified in reports prepared by DIA for the previous government’s water reforms and the Cranleigh report.
- 6.3.11 The WWDW technical report identifies a range of other potential benefits arising from partnerships. These include benefits with respect to workforce, the delivery of capital works, improved compliance, smarter consenting, making better decisions, focused governance, preparing for economic regulation, and removing water debt from Council balance sheets. Some of these benefits align with the Intervention Logic Map for Hamilton.

- 6.3.12 The WWDW technical report proposes a two stage transition pathway. The first stage of this pathway is the creation of a Jointly Owned Functional Services CCO – providing asset management, capital works delivery, consenting, project planning and design, and procurement services councils. This first step involves asset ownership, tariff setting, revenue collection, and all delivery responsibility remaining with Councils. With this approach, Councils remain subject to economic regulation.
- 6.3.13 The proposed timetable for Stage 1 is for establishment after the middle of 2025.
- 6.3.14 The second stage of the WWDW proposal is to migrate to a future state fully aligned asset owning regional waters CCO. The timing for this stage is dependent on future agreement between Councils, and could be some years away.
- 6.3.15 The second stage of the WWDW proposal is consistent with the regional options for water delivery considered by HCC. The potential financial benefits and possible establishment costs are broadly consistent with estimates made by other business cases.
- 6.3.16 The first stage of the WWDW proposal fails to address the most pressing needs that HCC has. The proposed CCO delivering functional services will not rapidly improve HCC's ability to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city.
- 6.3.17 The process proposed by WWDW would require HCC to engage in the design of Stage 1 to design Stage 2, even if HCC sees little value in Stage 1.
- 6.3.18 Establishing a jointly owned CCO providing some functional services presents risks to HCC:
- (a) Choosing to participate in the first stage is likely to be a significant distraction from the significant body of work that would be required to address HCC's most pressing challenges.
  - (b) Participating in the first stage of WWDW may involve considerable change to the staff currently responsible for delivering HCC's capital works programme. There is a risk that in moving those staff to a functional services CCO the delivery of HCC's capital works is disrupted.
  - (c) There is also a risk that the second stage does not eventuate, or is very slow in emerging, making the realisation of the full benefits of scale difficult to realise.
- 6.3.19 For HCC to derive benefits from Stage 1 of the WWDW proposal, it would need to be confident that the functional services that it could use through the CCO would be at a similar cost and at minimum, similar quality to those it already has, or could procure through the open market. It will be challenging to design a CCO that could achieve that quickly.
- 6.3.20 Alternatively, Council may consider that the benefits from participating in the design of Stage 2 are sufficient to stay engaged in the process until at least the point that design work is completed and the form of a fully integrated water CCO is complete and agreed.



- 6.3.21 Having balanced the potential benefits, risks and costs it is recommended that HCC does not participate in Stage 1 of the WWDW proposal.

## 6.4 Conclusions

- 6.4.1 A significant number of previous studies, business cases and analyses have identified the potential benefits of establishing a range of possible approaches to the delivery of waters services. This body of work confirms that there are substantial benefits associated with achieving scale in the delivery and operation of waters services. Local Water Done Well has changed the context within which HCC must consider water services delivery, but the benefits of scale identified by repeated studies are still available.
- 6.4.2 Given the body of work previously undertaken it is not considered necessary for HCC to complete another, expensive and time consuming business case at this time. It is considered safe for HCC to rely on the body of prior work to make direction setting decisions. Depending on the direction that the Council chooses to pursue further options specific evaluations may be necessary.

## PART 7 - WAIKATO DISTRICT – POSSIBLE PARTNERSHIP AND SERVICE DELIVERY

- 7.1.1 Following the previous failed attempt to establish a jointly owned Future Proof Waters CCO, Waikato District entered into a 30 year contract with Watercare for the delivery of waters services. Watercare has notified Waikato District that it will withdraw from providing services to Waikato District on 30 June 2026. This means Waikato has an urgent need to secure alternative delivery arrangements.
- 7.1.2 The broad options that Waikato District has include:
- (a) taking everything back in-house
  - (b) taking some activity back in-house and contracted out the rest through an open tender process
  - (c) establishing a Waikato District Waters CCO
  - (d) establishing / becoming part of a jointly owned waters CCO
  - (e) contracting with another local authority to provide the services in a similar way to that which is done by Watercare.
- 7.1.3 Hamilton and Waikato District entered into an MOU to support the exploration of options including (d) and (e) above. Under that MOU HCC has undertaken a limited and high-level due diligence process intended to enable HCC to determine the feasibility of partnering with Waikato District

7.1.4 Under the current contract for service with Watercare, Waikato District Council retains responsibility for:

- (a) customer engagement – initial customer contact regarding complaints, new connections, disconnections, change in ownership, etc.
- (b) billing and the collection of revenue – noting that all charges (including volumetric water charges are charged as rates (a charge against the property)
- (c) capital expenditure decisions. Currently Watercare recommends capital expenditure through Activity Management Plans which are considered by the Waters Governance Board, who in turn recommend it to Council
- (d) funding for all activities
- (e) securing consents, consent compliance, and any liability associated with non-compliance.

7.1.5 Under the current contract Watercare has responsibility for:

- (a) the operation of all plants and piped networks, including the purchase and supply of all necessary inputs (power, chemicals, staff, contractors, etc.)
- (b) operating the networks within agreed operating parameters / performance levels and within agreed budgets
- (c) operating all plants and networks as a lifeline utility operator in the case of a civil defence emergency
- (d) maintaining all asset and network related data and records
- (e) responding to complaints and processing customer service requests that are conveyed to Watercare by Council
- (f) reading all water meters and providing the data necessary to support Council billing
- (g) the design, contracting, delivery and commissioning of all capital works
- (h) assisting the Council to secure new resource consents as necessary
- (i) regular reporting to the Waikato District Council Waters Governance Board
- (j) preparing the AMP
- (k) providing strategic planning advice and waters related input to all consent applications, District Plan processes, and development approvals.

7.1.6 The conclusions from the Due Diligence work are:

- (a) HCC could provide the services that Watercare currently provides to Waikato District if:
  - (i) it was able to secure the current Watercare Waikato team in its entirety; and
  - (ii) it was able to complete the successful migration of relevant data and operations into HCC business systems; and
  - (iii) it was able to secure a commercial risk framework that ensured there was no shifting of risk to HCC; and
  - (iv) the Chief Executive (as PCBU) is comfortable that the health and safety risks associated with this activity were able to be managed effectively from day one of operation and the health and safety environment was sound. Note that given the statutory position of Councillors in relation to workplace safety, this is not a Council issue – this is a Chief Executive issue.
- (b) The current commercial contractual allocation of risk between Waikato District and Watercare is unlikely to be acceptable – given the overarching principle that there should be no cost to Hamilton ratepayers through providing services to Waikato. However, there are other ways to structure a relationship to provide services.
- (c) There will be significant costs associated with migrating data and business systems and these costs would need to be met by Waikato District and, to be worth the expenditure, the relationship would need to support the long-term objectives of both Councils.
- (d) While HCC could provide the services, there are areas where Watercare benefits from the scale of its Auckland operations. HCC is unlikely to be able to deliver all of the services at the same cost to Waikato District. However, it is likely other possible providers will have the same issue.
- (e) There are a number of significant transition risks which would need to be addressed including:
  - (i) key person risk, talent retention and change management for affected staff
  - (ii) bridging differences in organisational culture
  - (iii) ensuring business continuity and the continued provision of safe drinking water
  - (iv) ensuring the health and safety of staff
  - (v) the transfer and continued operation of network operation and control systems (this will be complex and will have a long lead-time to ensure safe business continuity)

- (vi) the transfer of data and the migration of activities from Watercare business systems to HCC business systems – this will be complex and have a long lead-time
    - (vii) the potential distraction of HCC managers from critical HCC delivery activity in order to support the change process
    - (viii) the diversion of HCC digital and support staff into transition processes and away from critical HCC delivery.
  - (f) With the right resourcing and approach, much of the transition risk should be able to be mitigated, but there will still be residual risk that will be hard to mitigate.
- 7.1.7 Given the conclusions from work to date the key question for HCC is not whether it could provide services to Waikato (it could), but whether and on what conditions it would be prepared to do so.
- 7.1.8 If HCC was to decide in principle to make an offer of service there is considerably more work that would be required to ensure that all possible issues and risks were identified and addressed, and to negotiate a suitable relationship and supply agreement.
- 7.1.9 A secondary focus of HCC's due diligence was to explore the extent to which the benefits identified through the Cranleigh business case in 2015 are still available and able to be realised. This is discussed in Section 6.1.
- 7.1.10 It is understood that Waikato's preferred option is to move to an asset owning CCO that delivers scale benefits. This means that they are unlikely to want to enter into a service provision relationship with HCC unless it is the first stage of a move to establish a joint asset owning CCO. Equally, the real potential value to HCC of providing services to Waikato District would be if it was a staged move to establish a joint asset owning CCO.
- 7.1.11 In order to provide Waikato with the confidence that it will need to be sure that it can maintain continuity of service delivery, resolving a potential partnership with Waikato is an urgent issue. To provide the platform for the work that would be required HCC would need to formally convey its willingness to provide services (with relevant conditions) and also its willingness to work with Waikato District to develop a joint CCO proposal.

## PART 8 - WATERS WORKING GROUP / WATER AND RATES WORKING GROUP

- 8.1.1 On 4 April 2024 Council established a Waters Working Group to:
- (a) act as a political reference group and sounding board for staff in relation to the development of HCC's response to Local Waters Done Well.
  - (b) act as a political reference group and sounding board for staff and Council's nominated representative in relation to the Waikato Waters Done Well initiative by the Waikato Mayors and Chairs Forum.
  - (c) provide insights necessary to ensure that the consideration of options for the future delivery of waters services and infrastructure developed by staff address the issues and concerns of elected representatives.
- 8.1.2 The Waters Working Group was expanded by Council resolutions of 1 August to combine the review of rates with the Council's response to Local Water Done Well.
- 8.1.3 The Working Group has met and provided feedback on a number of reports as staff have worked to understand the impact of Local Water Done Well and have explored potential options for the future.
- 8.1.4 The early work considered by the Working Group included a range of options that were developed before the government clarified its policy approach on 8 August 2024. A number of the options considered in that early work are either infeasible, or unattractive as a result of the policy announcements on 8 August 2024. The infeasible or very unattractive options from the early work have been discarded from the options considered in this paper.

## PART 9 - DEVELOPING THE OPTIONS

### 9.1 What frames Hamilton's options

- 9.1.1 The options available to HCC in response to Local Water Done Well have a number of variables to consider including:
- (a) organisational form, ownership and the scope of operations;
  - (b) the number of local authorities that combine or partner with each other
  - (c) whether or not stormwater is dealt with in the same way as water and wastewater;
  - (d) the speed at which HCC moves or needs to move to ensure its response meets Hamilton's needs and the associated opportunity costs.
- 9.1.2 There are also options for joint procurement, or shared services which apply across all of the options discussed below.



## 9.2 Some Givens / Key Assumptions

- 9.2.1 No matter which options are considered, the need to continue to operate and invest in waters infrastructure and services remains. Indeed the move to economic regulation will underpin the need to be able to transparently show how the planned level of investment meets Hamilton's needs and that the levels of funding and investment are adequate and appropriate
- 9.2.2 There are a number of other givens and key assumptions that frame the options:
- (a) Water will continue to be managed as a publicly owned good which cannot be privatised.
  - (b) Waters operations will need to generate sufficient long-run operating surpluses to sustainably operate services, respond to rising environmental and public health standards, build new assets to support growth and maintain and replace existing assets.
  - (c) Water charges will need to be set to provide sufficient revenue over the long term and avoid significant short-term fluctuations. This will require considerable effort to optimise the timing of capital expenditure and borrowing and smooth price impacts.
  - (d) All delivery options will be subject to the same environmental, public health and economic regulatory framework. Those frameworks will include quality, capacity, resilience, environmental, and economic dimensions as well as reporting and transparency requirements.
  - (e) There are a limited number of charging tools available to raise waters revenue. Ultimately all waters charges will fall to the same people and communities as currently pay rates. There is no new source of revenue.
  - (f) Volumetric charging is only possible where there are water meters to measure use. If water meters are not in place, then it will take some time (years), and cost to establish them.
  - (g) Charges will be subject to new economic regulation and will be monitored by the Commerce Commission. Consideration will be given to the cost of capital, the level of surplus required to support reinvestment in infrastructure, the age of the assets, transparency, cost allocation requirements, etc. within a price – quality framework.
  - (h) There will be limits to borrowing in all options – but the limits may be different between.
  - (i) Any increase in borrowing limits due to changes in delivery structure will be a one-off change and once any increased debt headroom is used any future increase in borrowing will be limited to the ability pay back existing debt, increase revenue, or control expenditure.
  - (j) Water services assets cannot be used as security for debt – any borrowing must be secured against future revenue.

- (k) Water charges made by a water CCO will not be charge against land as rates are. Water charges will be an ordinary commercial debt and debt recovery will be the same as any other commercial debt recovery process. User charges will be considered as less secure than council rates until there is a proven track record of collection and a known and acceptable bad debt profile. This could result in a slightly higher cost of borrowing than Councils currently enjoy.
- (l) Water CCOs will be able to borrow through LGFA, but to do so they must:
  - (i) Own waters assets
  - (ii) Have a professional board of directors
  - (iii) Have revenue independence – the ability to set and a demonstrated track record of being able to collect its own water charges
  - (iv) Have support from council in terms of an underwrite or uncalled capital.

### 9.3 Form, Ownership, and Scope Options

#### Institutional Form Options

- 9.3.1 There are two basic institutional forms that are available for delivering waters – either within Council, or through a Waters CCO.
- 9.3.2 Delivery through a Council must be through an Internal Business Unit that meets the information disclosure requirements of the new economic regulatory regime. This includes complete transparency over:
  - (a) the revenue that is collected for each of the three waters
  - (b) the operating expenditure that is related to each of the three waters
  - (c) the capital expenditure and assets that are related to each of the three waters
  - (d) the debt and liabilities that are associated with each of the three waters
  - (e) demonstrated financial sustainability for delivery of each of the three waters.
- 9.3.3 These requirements mean that for HCC the status quo is not a viable option for future delivery of waters. The absolute minimum response to Local Water Done Well is to create a Waters Internal Business Unit and meet all of the transparency and reporting requirements of the new economic regulation.
- 9.3.4 The alternative to Council delivery through an Internal Business Unit is a Waters organisation, which must be a company. Waters companies will be tax exempt, but the scope of their activities is limited to the provision of waters services. Establishing a Waters Company will involve the transfer of assets and liabilities from the Council to a Waters Company.

### **Ownership Options – A Consumer Trust**

- 9.3.5 A Waters company can be owned by a Council, by more than one Council, or by a Consumer Trust, or a combination of Council(s) and A Community Trust, or wholly by a Consumer Trust. If the majority of shares in a Waters Company are owned by one or more local authorities it will be a Waters CCO.
- 9.3.6 From the announcements to date it is not clear what advantage (if any) would arise from the creation of a consumer trust to be a shareholder in a Waters company. A new consumer trust would not have the assets or revenue stream necessary to provide the sort of underwrite for borrowing that would be required to support a new Waters company. A new consumer trust would not have the capital required to support the transfer of waters assets from a council to a Waters company.
- 9.3.7 The most obvious examples of existing consumer trusts are the energy consumer trusts (like WEL Energy Trust). There are also the exiting community trusts established through the sale of trustee savings banks (like Trust Waikato), and also Momentum Waikato.
- 9.3.8 The trusts created by the sale of Trustee Savings Banks have particular charitable purposes and it is unlikely that owning a waters company would fit within the exiting purpose of the trust. The other critical limitation is that they are community trusts, not consumer trusts, and the appointment of trustees does not reflect the voice of water consumers.
- 9.3.9 There is a better alignment of the objectives of Momentum Waikato with the objective of having an ownership interest in a waters company. However, to be consistent with the purpose of the trust the waters company would need to return a dividend to its owners. Momentum Waikato does not have the financial resources to purchase shares in a waters company, or the resources to provide an underwrite for borrowing by the CCO. Lastly, and most importantly, Momentum Waikato is not a consumer trust and the appointment of trustees does not reflect water customers.
- 9.3.10 Energy consumer trusts may be considered to meet the requirements of representing customers, but there is unlikely to be an alignment between the areas of service provided to waters customers and the historic areas of service covered by energy consumer trusts. Energy trusts have a finite life and upon dissolution their assets will return to local authorities. This means that they are of limited value in providing a permanent ownership structure.
- 9.3.11 The factors outlined above mean that it is unlikely to be possible or attractive to seek to use an existing consumer trust as a vehicle for partnership in owning a CCO. It is even more difficult to see how creating a new consumer trust would provide a better structure than council shareholding in a CCO – in particular in securing the levels of borrowing that will be required in a Hamilton waters company. For these reasons the option of utilising a consumer trust to become a shareholder in a waters company has not been considered further.



- 9.3.12 The other ownership and scope option relates to the potential to establish a Waters CCO that combines the waters assets and liabilities for more than just HCC and therefore has more than one shareholder and operates across the jurisdiction of HCC and other shareholding Councils.

#### **Ownership Options – HCC alone or in Partnership**

- 9.3.13 The previous business case developed by Cranleigh demonstrated the potential benefits of establishing scale across the then Future Proof Councils (Hamilton City, and Waikato and Waipa Districts). The other background work and the national evidence base developed for the previous government reforms also demonstrate the benefits of scale.
- 9.3.14 Realising the benefits of scale requires partners. Each additional partner brings with it additional scope for scale benefits. Each additional partner also increases the complexity, costs, and risks associated with establishing a Waters CCO.
- 9.3.15 One of the key lessons from major reforms is that the greater the number of parties to a decision or merger, the more complex it is, the longer it takes to negotiate, and the greater the risk of one or more parties opting out at the 11th hour. There are options with respect to the number of partners that might come together – certainly in the first instance – to establish a new waters entity. Decisions over how many and which potential partners to work with will be a balance of the willing and able, alignment of interests and values, the art of the possible, and the extent to which additional partners makes scale benefits more attractive, with the complexity of both the deal and of the on-going operation and oversight of the entity.
- 9.3.16 CCO options could be done by HCC acting alone, or with any number of partners, or they could start small and progressively add partners. Having additional partners is the key to maximising the potential benefits of scale.
- 9.3.17 Clearly, a HCC business unit or a HCC only waters CCO would be go-alone strategies. A HCC business unit is the minimum response to Local Water Done Well that is required. Whilst a HCC only CCO will provide clear benefits, it is not capable of delivering the scale benefits that have been identified through the array of reports discussed above.
- 9.3.18 Both the establishment of a Business Unit and / or a HCC only CCO could be part of a no-regrets strategy that pursues early go-alone work in parallel with genuine exploration of multi-party solutions, or staged multi-party solutions, to ensure that HCC is not left with nothing. A HCC only CCO could readily be merged with others at some point in the future.

- 9.3.19 Whilst a waters CCO with others is key to realising the greatest benefits it would also cost more to establish. One of the initial advantages of a Hamilton only CCO is the ability to use a complete shared services model based on existing HCC capabilities, business systems and processes to support it. This approach has the potential to avoid significant early expenditure in systems integration or replacement as waters activities based on different business systems and processes are brought together out of different councils. The merger to combine the waters parts of more than one Council will be considerably more complex than a merger of entire businesses.
- 9.3.20 Potential partners do not need to be physically connected or adjacent to Hamilton in order to provide scale. A good example of this would be a potential partnership with Tauranga (probably along with Western Bay).
- 9.3.21 In considering potential partner Councils the key issues for HCC become:
- (a) the extent to which the potential partner has the same challenges as HCC and the partnership would be able to address HCC's problems (such as increasing debt headroom and being able to invest to support the growth of Hamilton)
  - (b) the extent to which there is potential to achieve realisable scale and delivery benefits
  - (c) the extent to which the objectives and vision of the potential partner has a shared vision as to what success would look like
  - (d) the extent to which HCC is confident that it would be possible to manage and maintain a long-term positive relationship with the potential partner to navigate setting expectations for the CCO and appointing the Board of Directors.

### Scope Options

- 9.3.22 In terms of scope, a CCO could either own waters assets and provide waters services, **or** manage waters assets and provide waters services) **or** both (i.e. own water and wastewater and manage stormwater, or own waters and manage assets in one local authority and manage assets and provide services in another.
- 9.3.23 The geographic scope of a waters CCO need not be limited to the area of its shareholding local authorities. It would for instance be possible for a CCO to provide services to a non-shareholding council, managing its assets and providing services under contract.

- 9.3.24 The early evaluation of options for waters CCOs (before government policy was clarified) considered the potential for a waters CCO that did not own assets and simply provided waters services to HCC. These options simply fail to address the most significant issue that HCC has – the need to increase debt headroom in order to deliver the scale of investment necessary to support Hamilton’s growth. These options would also leave HCC responsible for all waters matters under the new economic regulatory framework, but would not enable to Council to manage its own cost structure – because it would be dependent on the cost structure of the CCO to deliver waters services.
- 9.3.25 In addition to the issues noted above, the Cranleigh business case fully explored the relative benefits of an asset owning CCO and a non-asset owning CCO as well as an enhanced shared services model. That analysis clearly demonstrated that the greatest benefits would come from an asset owning CCO.
- 9.3.26 For these reasons discussed above the evaluation has removed from consideration options that include a non-asset owning CCO.

#### 9.4 Stormwater Options

- 9.4.1 One of the key options is whether stormwater is dealt with in the same way as water and wastewater. Water and wastewater networks and assets are well-defined, and operate as closed networks that take water, treat it, reticulate it for use through a pipe network, collect wastewater, treat it, and discharge treated effluent from the network.
- 9.4.2 Water and wastewater networks lend themselves to charges based on a balance between cost of having the network (the availability of the service) and the volume of water used and wastewater generated for treatment and disposal.
- 9.4.3 In marked contrast, the stormwater system is an open network that includes natural streams, heavily modified streams, overland flow paths, roads, parks and reserves, and green space, water retention devices, and both natural and artificial wetlands, as well as a piped network that collects stormwater and discharges it into waterways.
- 9.4.4 There is a cross-over between the major river flood control schemes that regional councils operate and the stormwater schemes operated by local authorities and (in some cases) private individuals or groups.
- 9.4.5 Stormwater schemes lend themselves to being funded on the basis of the value of the assets protected (property value) or in a way that recognises the extent to which the activity on some land causes or exacerbates the generation of stormwater and activity on other land drives the need for stormwater protection and management. These are factors that a local authority can use in setting rates. They are not necessarily the charging powers that can be expected of a Waters CCO.
- 9.4.6 For Hamilton, the ability to provide adequate stormwater solutions is critical to the planning process and the ability to zone land for more intense (urban) activities. This means that stormwater decision-making is critical to the planning process.

- 9.4.7 In recognising the difficulty of clearly identifying stormwater assets and the extent of stormwater systems and networks, the Government has decided that stormwater will remain a Council responsibility and that Councils will be able to continue to rate for stormwater. The regulatory framework for stormwater will be developed over a longer timeframe (undetermined) than the economic regulatory framework for water and wastewater. Councils will be able to transfer stormwater assets to waters CCOs and fund the CCO to maintain those assets and/or deliver stormwater services.
- 9.4.8 Even where a Council has transferred stormwater assets to a CCO it will remain responsible for stormwater. This, and the limited charging tools available to a waters CCO mean that it makes little sense to transfer any stormwater assets to a CCO. However, it make strong sense for the Council to transfer all waters related delivery and related staff to a CCO and to purchase stormwater services from the CCO. This approach would provide the greatest scale in the CCO, would provide for the greatest synergies and efficiencies in developing waters expertise, and would provide a key mechanism for maintaining a close working relationship between the CCO and the Council.
- 9.4.9 The early evaluation of options for three waters asset owing CCOs (before government policy was clarified) suggested that they were largely infeasible because of the difficulty of determining which assets should be transferred to the CCO and the misalignment of CCO charging tools with the causes of or benefits from stormwater activities. The clarification of government policy further confirms this. For these reasons no options for waters CCOs owning 3 waters assets have been considered further than the initial evaluation that was worked through with the Waters Working Group. The evaluation has focused on options with water and wastewater assets and responsibilities that also provide stormwater services (which are funded by Council).

## PART 10 - MEANINGFUL OPTIONS

- 10.1.1 After considering the form, ownership, scope and stormwater options and eliminating options that were clearly infeasible, or very unattractive, the meaningful options remain that address the problems and challenges facing HCC are:
- (a) **Council Business Unit** (ring-fenced business unit inside Council with its own balance sheet and full cost and charging transparency). In this option
- Council owns all assets relating to water, wastewater, and stormwater
  - Council delivers all waters services
  - Council funds all expenditure relating to all waters services from separate targeted rates and waters specific charges and development contributions
  - Council must borrow as necessary to support the required capital works and investment programme for all three waters, and service and repay that debt
  - Council debt will be limited to a debt to revenue ratio of 350%



- Council holds all relevant resource consents for water, wastewater and stormwater and is responsible for both environmental and public health requirements
  - Council is subject to the full impact of economic regulation
  - As a result of economic regulation the Council could be required to charge more (or less) for waters services in order to meet requirements.
- (b) **HCC only Waters CCO** that owns water and wastewater assets and provides stormwater services to HCC. In this option
- Council owns all assets relating to stormwater
  - Council is responsible for stormwater service but purchases them from the CCO
  - Council funds all expenditure relating to stormwater services from separate targeted rates and stormwater specific charges and development contributions
  - Council must borrow as necessary to support the required capital works and investment programme for stormwater and service and repay that debt
  - Council debt will be limited to a debt to revenue ratio of 350%
  - Council holds all relevant resource consents for stormwater and is responsible for both environmental performance requirements
  - Council is subject to the full impact of economic regulation for stormwater
  - As a result of economic regulation the Council could be required to charge more (or less) for waters services in order to meet requirements.
  - The CCO owns all assets relating to water and wastewater
  - The CCO delivers all waters services
  - The CCO funds all expenditure relating to all water and wastewater from customer charges, including connection charges and capital contributions (like development contributions)
  - The CCO must borrow as necessary to support the required capital works and investment programme for water and wastewater and service and repay that debt
  - The CCO will (in time) be able to borrow to a debt to revenue ratio of 500% - provided the council underwrites that debt
  - Council holds all relevant resource consents for water and wastewater and is responsible for both environmental and public health requirements
  - The CCO is subject to the full impact of economic regulation for water and wastewater

- As a result of economic regulation the CCO could be required to charge more (or less) for waters services in order to meet requirements.
- (c) **A Waters CCO with joint ownership** by one or more Councils that owns water and wastewater assets and provides stormwater services to shareholding Councils. Under this option the balance of responsibilities between HCC and the CCO is the same as for Option B, with the exceptions that:
- The CCO will own assets and be responsible for water and wastewater across the jurisdiction of each share-holding council
  - HCC will only be responsible for stormwater within Hamilton city
  - HCC's underwrite of CCO debt will be proportionate to its shareholding.
- (d) **Providing Waters Services to Waikato District** – providing services to Waikato District could be a part of both Options (a) and (b). Providing such services could be a stepping stone to creating a jointly owned CCO (Option (c)). Where HCC or a CCO provides waters services to Waikato District Waikato would continue to own the waters assets in their district, would remain responsible for the outcomes, for funding, for resource consent and public health performance and for compliance with economic regulation.

## PART 11 - CONSIDERING THE MEANINGFUL OPTIONS

### 11.1 Initial Financial Modelling

- 11.1.1 To support the consideration of meaningful options staff have undertaken limited initial financial modelling. The modelling is deliberately indicative and useful for testing direction. It is based on a number of simplifying assumptions. It should not be used to infer specific potential shifts in revenue, or rates. Considerable further work is required to firm up costs estimates and refine and optimise expenditure across the life of the LTP.

#### Approach

- 11.1.2 The modelling which has been undertaken is focused on HCC alone options. Modelling is based on the LTP and the underlying assumptions in the LTP relating to growth, inflation, etc.
- 11.1.3 Modelling is based on the definition of groups of activities that is used in the LTP. The modelling does not reflect the reallocation of overheads that will be necessary to correctly separate waters related activity from all other Council activity. The reallocation of overheads is being progressed as part of the work that will be required to support an LTP amendment and the separation of waters related rates and charges from the general rate.
- 11.1.4 The modelling assumes a minimum viable product (MVP) approach to establishing an HCC only waters CCO. This assumes:
- (a) selecting, appointing, remunerating and supporting a Board of Directors

- (b) selecting and appointing a Chief Executive (although through the establishment period it may be easier for the HCC Chief Executive to also be the CE of the waters entity)
  - (c) either seconding or transferring to the waters CCO only those staff who are directly involved in the delivery of waters services
  - (d) the adoption of all existing HCC delegations, business rules, procurement policies, health and safety frameworks, policies and procedures
  - (e) application of a complete shared services model that uses existing HCC business systems, customer channels, IT platforms, finance and accounting services, communications and engagement expertise, etc.
  - (f) only incurring setup costs where existing HCC systems are not able to cope with the changes that would be required to support the operation of a waters CCO
  - (g) a new CCO would need to have its own identity, and sufficient budget to explain to the people of Hamilton who it is and any changes in water billing from HCC to the new organisation.
- 11.1.5 This approach was adopted to simplify the analysis. The MVP Waters CCO that has been assumed may well be the most cost effective way to stand up a HCC only Water CCO. Avoiding early investment in new business systems also reduces the risk of duplicated effort if and when any subsequent merger with another Council's water services takes place. It is also the easiest way to avoid stranded overhead costs in the council whilst moving at pace.
- 11.1.6 It is unlikely that the MVP CCO would deliver the best long-term outcomes for a HCC only CCO. Over time there would need to be a degree of further separation of systems when the need is justified.
- 11.1.7 Exploring the costs of establishing an MVP CCO has highlighted a number of HCC business systems that are not capable of supporting a separate entity, or where significant costs would be involved in making the necessary changes. Amongst other things the existing HCC payroll system would not be able to support paying both HCC employees and employees of a Waters CCO. There may also be significant costs in making changes to the rates billing system for HCC to collect water charges on behalf of a Waters CCO.
- 11.1.8 For the purposes of the current modelling establishment costs for the MVP HCC Only Waters CCO of around \$5m to \$6m have been assumed. This is a very high-level initial estimate that will need further refinement. Key establishment costs include:
- (a) recruiting and remunerating a professional board of directors,
  - (b) establishing the CCO as a legal entity including its constitution and shareholding arrangements,

- (c) the design and execution of the transaction to transfer water and wastewater assets and liabilities from the council to the CCO including legal processes to record the change in ownership of land and interests in land,
  - (d) the change process involved in the transfer of relevant staff from the council to the CCO,
  - (e) the design and implementation of the shared services framework between the council and the CCO,
  - (f) the design and implementation of the service agreement between the council and the CCO for the delivery of stormwater services,
  - (g) changes to existing HCC business systems as may be necessary to support the operation of the CCO, including key systems required for financial management, billing, payroll, asset management, project management and document management,
  - (h) establishing the digital environment necessary for the CCO to operate,
  - (i) communications with the Hamilton community to ensure that the change is understood and to ensure direct billing for water is effective.
- 11.1.9 The modelling work has considered two timelines for the transition to an HCC only Waters CCO:
- (a) commencing operation in Year 2 of the LTP (1 July 2025)
  - (b) commencing operation in Year 3 of the LTP (1 July 2026).
- 11.1.10 Having explored the implementation and establishment issues the option of establishing operation from 1 July 2025 is now considered to be over ambitious, risky, and in the context of a potential increase in Council debt headroom to 350 percent of revenue, unnecessary.
- 11.1.11 Recognising the impracticality of a 1 July 2025 start date has implication for the approach that Council takes to considering the separation of water charges from the general rate for the 2025/26 financial year.
- 11.1.12 In order to approximate the level of activity and investment that will be required to demonstrate financial sustainability in response to growth, a revised waters capital works programme (with consequential changes to operating expenditure, interest, and depreciation) was developed. This programme includes a number of projects that have been identified as works that Council should do (as opposed to must do) and it includes the current estimate of costs of installing city-wide water meters.
- 11.1.13 The revised waters capital works programme needs to be seen as indicative and not a final considered investment programme. The revised waters capital works programme has not been optimised over time.
- 11.1.14 The total amount of additional investment that is reflected in the revised waters capital works programme is shown in the table below.



### Capital Expenditure

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	10 year total
Adopted 24-34 LTP	\$344,383,506	\$317,064,134	\$432,816,251	\$402,361,133	\$439,613,624	\$518,571,542	\$526,909,210	\$460,278,010	\$457,054,501	\$526,135,301	\$4,425,187,213
Change	\$0	\$21,386,328	\$30,482,962	\$74,800,547	\$99,845,417	\$61,590,825	\$96,797,938	\$125,262,014	\$68,100,472	-\$24,604,449	\$526,997,629
Total	\$344,383,506	\$338,450,462	\$463,309,213	\$477,161,680	\$539,459,041	\$580,162,367	\$623,707,148	\$585,540,024	\$525,154,973	\$501,530,852	\$4,952,184,842

11.1.15 Because of the revised capital works programme, operational expenditure, interest costs, and depreciation over the period increases by a combined total of \$48m.

11.1.16 Using the LTP as a base and adding in CCO establishment and operating cost, as well as the revised capital works programme and the maximum additional debt headroom for both the Council (350%) and the waters CCO (500%) the financial model was then used to derive the amount of revenue needed to balance the books and ensure that both the Council and the CCO are within the debt limits. As required by the Local Government (Water Services Preliminary Arrangements) Bill, the modelling work ensures that the books for waters are balanced by 30 June 2028 and in each subsequent year.

11.1.17 Neither the expenditure profiles, or the resulting revenue requirements have been smoothed or optimised over the period of the LTP. Further work is required to develop a realistic, optimised financial picture of both the Council and the CCO.

### Conclusions from the Financial Modelling

11.1.18 Indicative financial modelling suggests that Option A is a viable short-term transition option and may be able to deliver long-term financial sustainability delivering a considerably enhanced capital works programme. Indicative modelling of Option B suggests that with that structure (and associated debt head room) Council could deliver a considerably enhanced waters capital programme within the total revenue provided for in the LTP and the new (increased) debt to revenue limits.

11.1.19 The indicative modelling analysis suggests that both Options A and B may enable HCC to pass the expected financial sustainability test by the 30 June 2028 deadline, but that without further attention to smooth the capital works programme and the waters revenue growth additional waters debt headroom could be exhausted before the end of the 10-year period.

11.1.20 More detailed modelling will be required, including optimising the revised (larger) capital works programme, smoothing both waters and council revenue over time, and further review of the residual council financial position and ability to fund and deliver non-waters activities. Further modelling will also need to consider other risks in the LTP. The most obvious of these is the potential impact of HCC not receiving the levels of NZTA financial assistance that are assumed in the LTP.

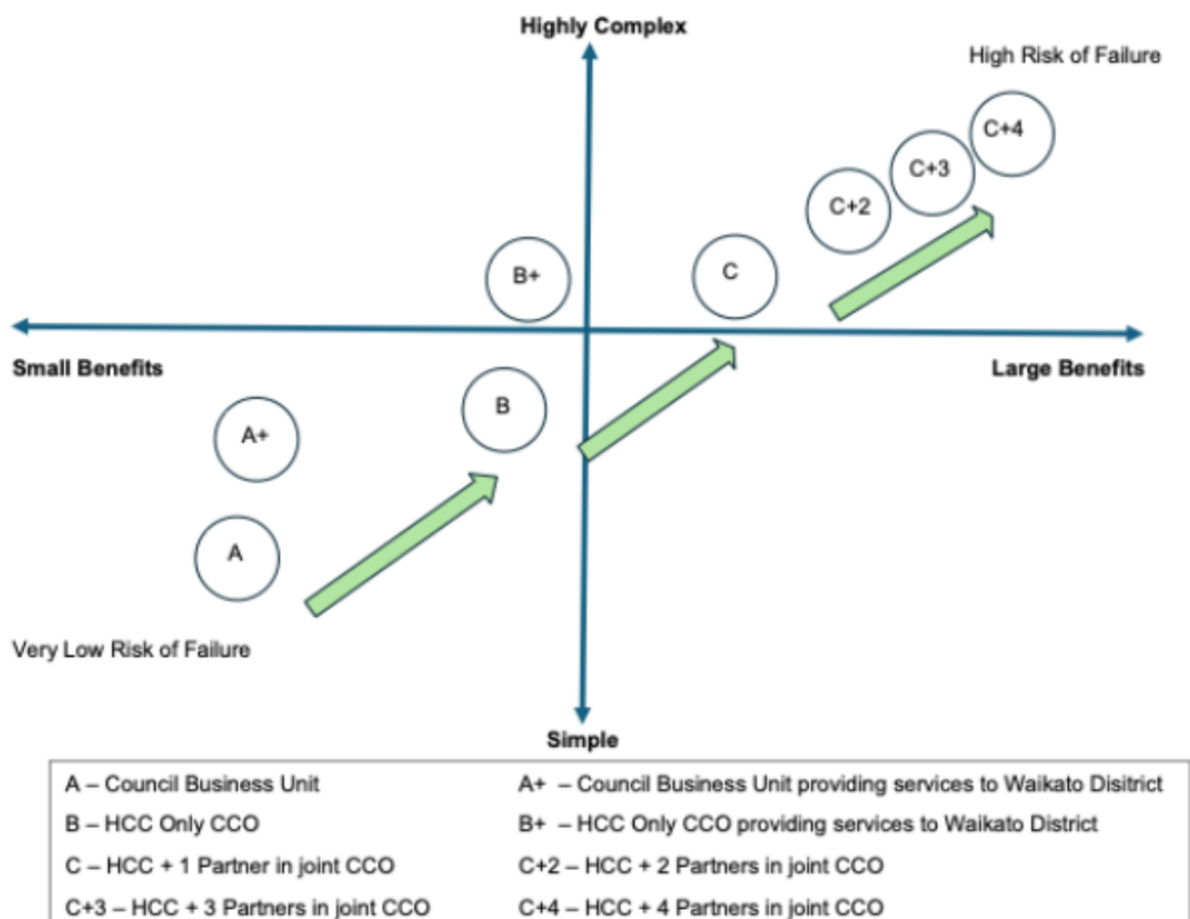
11.1.21 Multi-council models have not been modelled, but the range of possible benefits has been confirmed by the analysis undertaken by DIA, Waikato Water Done Well, and the earlier work by Cranleigh. Further modelling on multi-Council models will be required. This effort will only be justified in the context of a specific proposal with committed partners.

11.1.22 Neither the current year budget or the initial estimates for establishing a HCC only CCO include the costs for working with potential partners on the design of a multiply owned CCO (either through direct engagement or through Waikato Water Done Well).

11.1.23 The financial modelling suggests that by optimising the works programme it **may** be possible to deliver lower rates increases than are currently shown in some years in the LTP. However, more work is required to refine the financial modelling, optimise the revised capital works programme and investigate further the impact of separating waters on the remaining council activities. Elected Members are cautioned against using this analysis to infer potential rates increases that are lower than those in the LTP until that work is done.

## 11.2 Overall Evaluation

11.2.1 In considering the meaningful options is it important to consider carefully the overall benefits that can be achieved, the cost of transition and the risks that go with that. The following figure shows the meaningful options in relation to those factors.



- 11.2.2 The figure is not to scale, but is intended to reflect the relative benefits and complexity of the meaningful options. The added complexity and additional benefits associated with additional partners is shown as options C (one additional partner, C+2 (2 additional partners), C+3 and C+4 (3 and 4 additional partners respectively). Clearly the marginal benefits in relation to the marginal costs of adding an additional partner would depend on the alignment of the shareholders and the operation, as well as the scope of potential scale benefits that the additional partner brought.
- 11.2.3 The option of providing services to Waikato District is shown as option A+ and option B+. The figure is intended to reflect the considerable complexity in HCC taking over responsibility for Waikato waters from Watercare without a great deal of benefit to HCC. As is noted above the benefits would come from moving to a jointly owned CCO.
- 11.2.4 The option that offers the greatest potential benefits is a Waters CCO with more than one other partner council.
- 11.2.5 Moving to establish a HCC only Water CCO would provide greater benefits than a HCC Internal Business Unit.
- 11.2.6 Establishing an Internal Business Unit is the minimum response to Local Water Done Well that HCC can undertake.
- 11.2.7 The Cranleigh Business case clearly demonstrates the potential benefits of a jointly owned Future Proof Waters CCO. The potential benefits from scale are also reflected in the work that the Water Infrastructure Commission for Scotland undertook for DIA as part of the previous reforms.
- 11.2.8 The actual costs and benefits of any particular partnership with another Council will depend on many things, including:
- (a) who they are and the extent to which they have a very different organisational culture and way of operating
  - (b) the extent to which their network can be physically joined and managed as one network
  - (c) the nature of the business systems and processes that they use and how different they are
  - (d) the scale of the systems integration and data migration necessary to operate
  - (e) the extent to which between the partners they have the skills, expertise and personnel necessary to operate effectively.
- 11.2.9 These factors mean that it is not possible to estimate the actual benefits or costs of transition without engaging with a specific potential partner and undertaking considerable scoping work.

### 11.3 Implications for Iwi Partnerships and HCC's JMA

- 11.3.1 HCC has entered into a Joint Management Agreement (JMA) with Waikato-Tainui. The purpose of the agreement is to provide for an enduring relationship between the parties through the shared exercise of functions, duties and powers and to give effect to the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010.
- 11.3.2 The JMA sets out the principles of relationship and the way that HCC and Waikato-Tainui will work together.
- 11.3.3 Changes in the way in which water services are delivered have implications for the way in which HCC and Waikato-Tainui work together and for the avenues in which Waikato-Tainui are able to give effect to the River Settlement.
- 11.3.4 It is critical that as HCC considers options for the future delivery of waters services that it engages with Waikato-Tainui, understands their needs and expectations, and explores options in good faith and in the spirit of co-operation that both parties have committed to.
- 11.3.5 The next step in that process of engagement is to bring the matters raised in this report to the next meeting of the JMA parties and to commence engagement on what the options may mean for Waikato-Tainui and how the intent of the JMA could be reflected in any alternative delivery arrangements.

### 11.4 Pathways and Phasing

- 11.4.1 In addition to considering the total net benefits on options for water delivery other key factors in making direction-setting decisions will be:
  - (a) **Speed to certainty / risk of failure** – the sooner decisions can be made the better, the more partners the greater the risk of failure, the greater the diversity of partner views the greater the risk of failure.
  - (b) **Speed to benefits realisation** – faster benefits is worth a lot, therefore complex slow options are likely to have slower speed to benefits, simple quick and stackable options are likely to look more attractive.
  - (c) **Ability to fund transition / establishment** – simply, is the Council able to fund the transition costs through to the point a new approach can be self-sustaining / raise its own debt and revenue? Options that are less costly to establish or where establishment costs can be spread over a number of steps will be more attractive than large complex and expensive single step change processes.
  - (d) **Opportunity cost of change** – the extent to which the approach to realising benefits for waters services crowds out or impacts on other critical Council activities.
  - (e) **Cost / complexity of residual Council** – Council will need to realign to respond to any transfer of responsibilities smaller, less cost options will be easier, but may not deliver the benefits of a larger change.



- (f) **Ability to communicate solution to both the public and to iwi and hapū partners**– this goes to the extent to which the solution is understandable and its likely acceptability – complex and easily confused solutions will be less attractive.

- 11.4.2 Option A is the critical first step in response to Local Water Done Well. Establishing an Internal Business Unit and separating waters charges from the general rate / UAGC are key minimum compliance requirements. They also provide a stepping stone towards any of the other meaningful options.
- 11.4.3 Some options could provide a pathway towards others over time. Given the time that it takes to execute some changes, a stepwise pathway could provide faster benefits than a larger single step.
- 11.4.4 Similarly, Option B could provide stepping stone toward any of the combinations of partners in Option C. For instance, Because this solution that involves only HCC it could be faster to implement than Option C. It would not require complex multi-party negotiation and decision-making. The benefits of that Option B provides will be both faster to realise and more certain than more complex multi-party options – but will deliver substantially lesser total benefits over the long-term because of its limited scale.
- 11.4.5 A pathway that begins with HCC and progressively adds other local authorities over time could deliver more certain benefits and reduce the risk of the sort of failure experienced in the previous CCO negotiations.
- 11.4.6 A series of steps will also preserve options while the legislative and regulatory framework is uncertain. Option A, followed quickly with Option B or a two Council version of Option C would be consistent with a least regrets approach in an environment of uncertainty.

## 11.5 Speed and Opportunity Cost

- 11.5.1 The speed with which Hamilton can respond to the fundamental challenge of being able to fund and deliver the levels of infrastructure investment needed to support the growth and development of the city is critical. A central part of that solution is the speed with which Hamilton can secure additional debt headroom. Additional debt headroom is critical in relation to the Council's ability to smooth the impact of growth related capital expenditure over time – ensuring that there is a credible balance between the contribution from current and future generations towards assets with very long lives which will serve a number of generations of Hamilton residents and businesses.
- 11.5.2 Responding to the need achieve benefits from water reform quickly requires HCC to progress with pace the separation of water-related charges from the general rate / UAGC and to move quickly to establish at least a HCC only Waters CCO. This work is unfunded and on top of a very significant existing work programme and significant initiatives to reduce costs across the council's operations.

- 11.5.3 HCC has limited capacity to undertake completely new initiatives. There are real opportunity costs associated with a decision to establish a Waters CCO as quickly as possible. These will include the ability to progress a number of major IT system upgrades. These opportunity costs have not yet been quantified. They may be able to be ameliorated by adequately resourcing the establishment of a Waters CCO.
- 11.5.4 The other significant areas of potential opportunity costs relates to whether HCC continues to be part of the next stage of Waikato Water Done Well and the extent to which HCC engages directly with potential partners to explore joint CCO options. The extent to which HCC can do these things at the same time as progressing the establishment of an Internal Business Unit and the separation of water charges from rates will depend entirely on the level of resourcing that can be provided. This activity is currently unbudgeted.

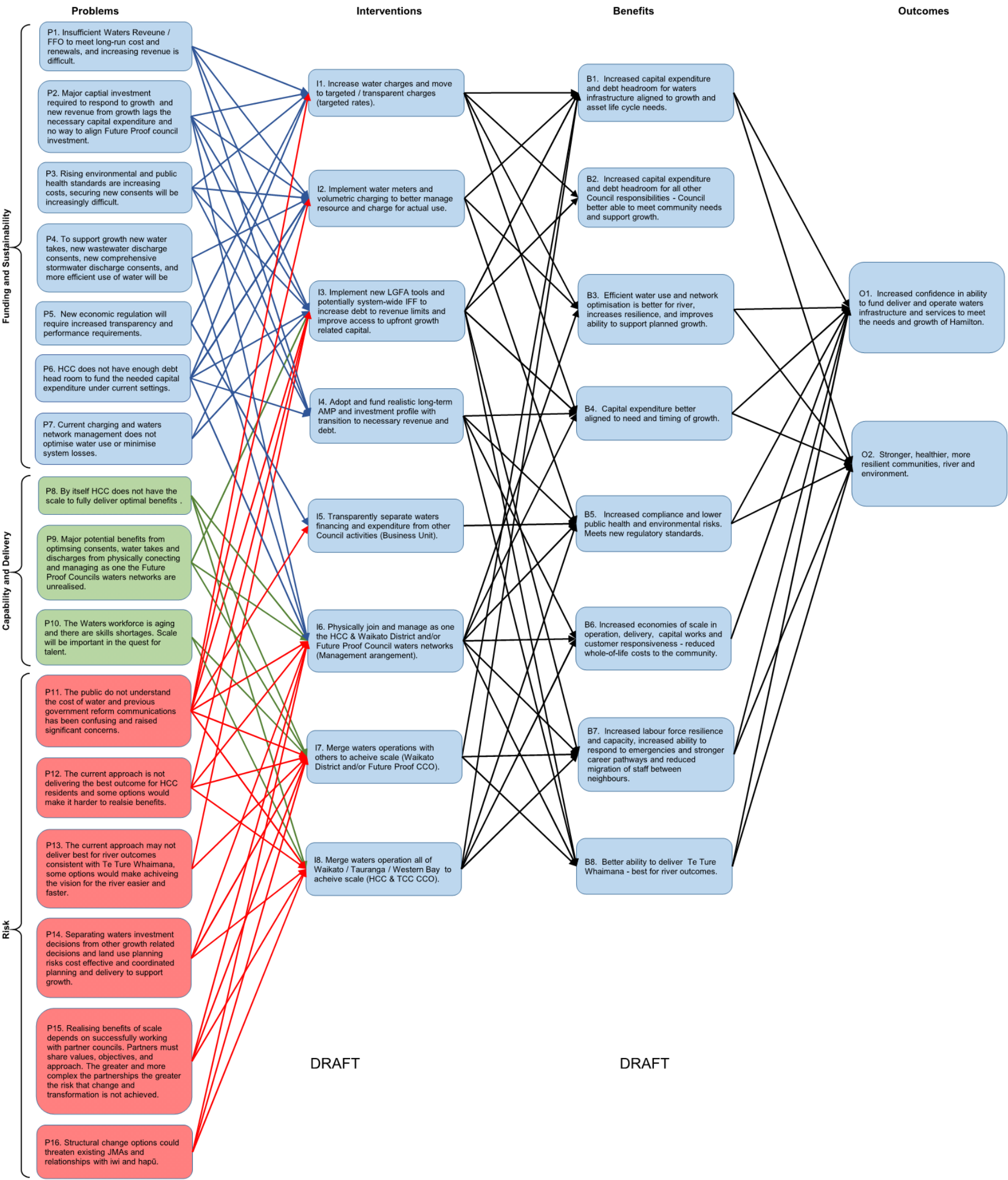
## PART 12 - THE RECOMMENDED APPROACH

- 12.1.1 Considering the issues, options, pros and cons set out above the recommended approach is that Council adopts a least regrets approach, focusing on:
- (a) doing what it must to ensure that it complies with the new requirements of Local Water Done Well,
  - (b) securing the maximum benefits for Hamilton as quickly as possible
  - (c) actively seeking joint solutions that would offer greater benefits than Hamilton only responses
  - (d) ensuring that it can deliver benefits to Hamilton quickly in the event that possible partnerships with others do not eventuate, or will take a long time to develop, agree and implement
  - (e) ensuring that anything that Hamilton does by itself can be a stepping stone to a larger regional or sub-regional approach that delivers greater benefits for both Hamilton and others.
- 12.1.2 This approach is reflected in the recommendations made to Council to consider at its 12 September 2024 meeting.

APPENDIX A INTERVENTION LOGIC MAP

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HCC Waters Futures - Intervention Logic Map v2.0





## APPENDIX B CRANLEIGH BUSINESS CASE SUMMARY REPORT

Item 13

Attachment 2

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## Business Case For Water Services - Delivery Options

### Part A: Summary Report

Issue date: 6 May 2015



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## 1. ACKNOWLEDGEMENT

### 1.1 Introduction

Cranleigh, in partnership with Mott MacDonald and Martin Jenkins, was commissioned in November 2014 to undertake a study on behalf of Hamilton City Council, Waikato District Council and Waipa District Councils (Councils). The study was to determine how each Council should manage water, wastewater and stormwater services across the sub-region. Three options were to be investigated: retaining the status quo, boosting shared services and forming a council owned CCO.

In developing this business case we have had the benefit of extensive discussions with both officials and selected elected members from the three Councils and other external contributors. We would like to thank them for their substantial commitment of time and knowledge towards the project. This has been supported by the oversight and leadership of the project Governance Group.

### 1.2 Qualifications

- We have not been asked to consider water metering nor tariff structures which are outside of the scope of this business case. None of our recommendations require or are contingent upon the implementation of water metering.
- We have also not been asked to consider any form of privatisation of water services. We note that privatisation of water services is prohibited by the Local Government Act 2002.
- Consideration of water rights or the allocation of water are also outside the scope of the project.

### 1.3 The Team

#### **Cranleigh**

Cranleigh is a leading Australasian advisory firm which has strong company valuation and commercial structuring skills. The firm also includes a specialist infrastructure advisory team. Cranleigh advise both public and private sector organisations to develop large scale infrastructure projects across multiple sectors. Water infrastructure has formed a core part of Cranleigh's practice and the firm has successfully completed water, waste and stormwater asset projects in both New Zealand and Australia.

#### **Mott MacDonald**

Mott MacDonald is a global management, engineering and development consultancy business that has 16,000 staff in 180 principal offices that provide local experts to 140 countries. Mott MacDonald has a specialist asset management advisory team working across multiple sectors internationally. With substantial water industry experience across many jurisdictions globally, Mott MacDonald provide strategic advice enabling organisations to manage their assets efficiently and effectively.

#### **Martin Jenkins**

For more than two decades Martin Jenkins has specialised in providing high calibre evaluation, public policy and organisational strategy and design services to clients in New Zealand and beyond. The firm's team of 40 consultants has a wealth of in-depth knowledge and skills in evaluation, research, economics, public policy, financial and organisational management.

**DEFINITIONS**

<b>2 Waters:</b>	Water and wastewater
<b>3 Waters:</b>	Water, wastewater and stormwater. Also refers to 3 Waters Strategy produced by Hamilton, Waikato and Waipa Councils in 2012.
<b>Base Case:</b>	The most likely financial forecasts CCO scenario which uses conservative assumptions for opex and opex savings.
<b>BBC:</b>	Better Business Case methodology developed by NZ Treasury NIU.
<b>BLG:</b>	Better Local Government. A Government programme initiated in 2012 aimed at improving the efficiency and effectiveness of local government. The first changes to the LGA were enacted in December 2012 and a further Amendment was enacted in August 2014.
<b>Capex:</b>	Capital expenditure
<b>CCO:</b>	Council Controlled Organisation. An entity in which one or more local authorities control 50% or more of the voting rights or has the right to appoint 50% (or more) of the organisation's directors.
<b>Councils:</b>	This refers to Waikato and Waipa District Councils and Hamilton City Council.
<b>Discount Rate:</b>	A percentage annual rate used to calculate the present value (PV) of cash flows which will occur in the future. For this business case a nominal (including inflation) rate of 8% per annum has been used.
<b>EAG:</b>	Expert Advisory Group. A group appointed by the Government in 2012 to investigate how local government infrastructure could be delivered in the most cost effective manner in a growing economy. It reported in March 2013.
<b>ESS:</b>	Enhanced Shared Services. An option where the Councils would pool most of their water teams in one unit to manage most water services for all three Councils.
<b>Forum:</b>	The Waikato Mayoral Forum represents 11 local authorities in the Waikato Region – Hamilton, Hauraki, Matamata-Piako, Otorohanga, South Waikato, Thames-Coromandel, Taupo, Waikato, Waipa, Waitomo, and Waikato Regional Council.
<b>Gearing:</b>	A measure of how indebted an organisation is, calculated here as debt divided by equity times 100. E.g. if you owned a house worth \$500,000 and had a mortgage of \$200,000 you would have a gearing ratio of 66.6% calculated as $\$200,000 \div (\$500,000 - \$200,000) \times 100$ .
<b>FTEs:</b>	Full time equivalent staff members.
<b>Future Proof:</b>	The name given to the three councils working together on growth issues in and around Hamilton – Hamilton, Waikato, Waipa.
<b>LASS:</b>	Local Authority Shared Services
<b>LGA:</b>	Local Government Act 2002
<b>LGC:</b>	Local Government Commission. The Commission is an independent statutory body whose main role is to make decisions on the structure and representation requirements of local government in New Zealand.
<b>LOS:</b>	Level of Service. In its 2007 publication <i>Developing Levels of Service and Performance Measures</i> , the National Asset Management Steering (NAMS) Group defines Levels of Service as the descriptions of the service output for a particular activity or service area against which performance may be measured. In broad terms it can be thought of as standards for service quality, delivery, reliability and resilience.
<b>LTP:</b>	Long-Term Plan. 10 year plans that councils are required to prepare and update every 3 years. Current plans are being produced (in draft form) for the 2015-25 period.
<b>MSA:</b>	Management Services Agreement. This is an agreement where a service provider agrees to manage a range of services for another party for an agreed term for a fee.



	The range of services under a single agreement can be wide ranging and might include the provision of all necessary, staff and equipment. These may be used during the sale of a business where the vendor agrees to provide management services for a time until the purchaser can set up their own arrangements. Another common example is where a property investor owns a hotel building, but a hotel company operates and manages the facility under contract.
<b>NIP</b>	National Infrastructure Plan. A national, strategic infrastructure plan issued in 2011 covering five key areas –Transport, Telecommunications, Energy, Water and Social. A 2015 NIP has been released for consultation.
<b>NIU:</b>	National Infrastructure Unit. A department within Treasury reporting to an independent National Infrastructure Board, which in turn reports to the Minister of Infrastructure.
<b>Nominal Dollars:</b>	A value expressed in monetary terms for a specific year or years, without adjusting for inflation.
<b>Not-for-Profit:</b>	A not-for-profit organisation is one that does not earn profits for its owners. All of the money earned by or donated to a not-for-profit organisation is used in pursuing the organisation's objectives. Typically not-for-profit organisations are charities or other types of public service organisations. Note that a not-for-profit organisation may actually report a profit or income surplus in any given year so that it can raise funds for growth and investment to further benefit its objectives.
<b>O&amp;M:</b>	Operations and maintenance.
<b>ODRC</b>	Optimised Depreciated Replacement Cost. A method of valuing fixed assets.
<b>Opex:</b>	Operational expenditure – the ongoing, routine costs incurred in managing an activity. It includes maintenance, loan servicing, depreciation and administration expenditure.
<b>Options:</b>	The three options which are the subject of this business case i.e. Status Quo, ESS and CCO.
<b>Positive Case:</b>	A more optimistic financial forecasts CCO scenario which uses more optimistic assumptions for opex and opex savings than the Base Case.
<b>PV:</b>	Present Value. Value today of a cash flow or series of cash flows that will occur at some future date or dates. It is calculated by applying a Discount Rate which takes into account of how risky or how likely it is that the cash flow will occur.
<b>Real Dollars:</b>	Dollar amounts which have been adjusted for inflation.
<b>SOI:</b>	Statement of Intent. A key public document agreed between a CCO and its council shareholder/s describing the activities and intentions of a CCO for the year. It will typically include key performance indicators (KPIs) that the CCO is expected to meet. It also provides the basis of accountability for the CCO's performance.
<b>Sub- Region:</b>	The sub-region refers to the three districts of Waikato, Waipa and Hamilton.
<b>TLA:</b>	Territorial Local Authorities
<b>VFM:</b>	Value for Money
<b>Vested Assets:</b>	Assets that are transferred to a public entity at nominal or zero cost. Typically, this might result from a situation where a developer has installed assets as part of developing a site and passes them to a public entity to manage, maintain, and deliver services through. (Source: Audit NZ)
<b>WDC:</b>	Waikato District Council
<b>WOL:</b>	Whole of Life
<b>WPDC:</b>	Waipa District Council

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## 2. EXECUTIVE SUMMARY

### 2.1 Introduction and Key Recommendations

#### *Introduction*

Water is critical resource in meeting our every day needs. Water availability is also a key enabler of economic growth. Increasing population growth, infrastructure costs, and competing water uses present substantial challenges for water management in New Zealand and internationally. In 2014, Hamilton City Council (HCC), Waikato District Council (WDC) and Waipa District Council (WPDC) co-funded this report, to assess three separate management options:

- Retaining the status quo with each council running its own operations (Status Quo);
- Boosting the councils' existing shared services into an enhanced shared services model (ESS); and
- Considering forming a council-owned Council Controlled Organisation to run water services on behalf of all three Councils (CCO).

This report considers if water, wastewater and urban stormwater (3 Waters) can be managed and governed in a different way that will generate demonstrable qualitative and financial benefits for everyone. It is not about changing the ownership of these long-term assets to a private company as privatisation of council-delivered water services is against the law in New Zealand. The water assets will remain under council ownership in either the ESS or under the CCO option which will be 100% owned by councils.

This report is laid out in two parts: Part A comprises an executive summary and report summary that outline the findings, which are presented in greater detail in Part B, using New Zealand Treasury's Better Business Case (BBC) format.

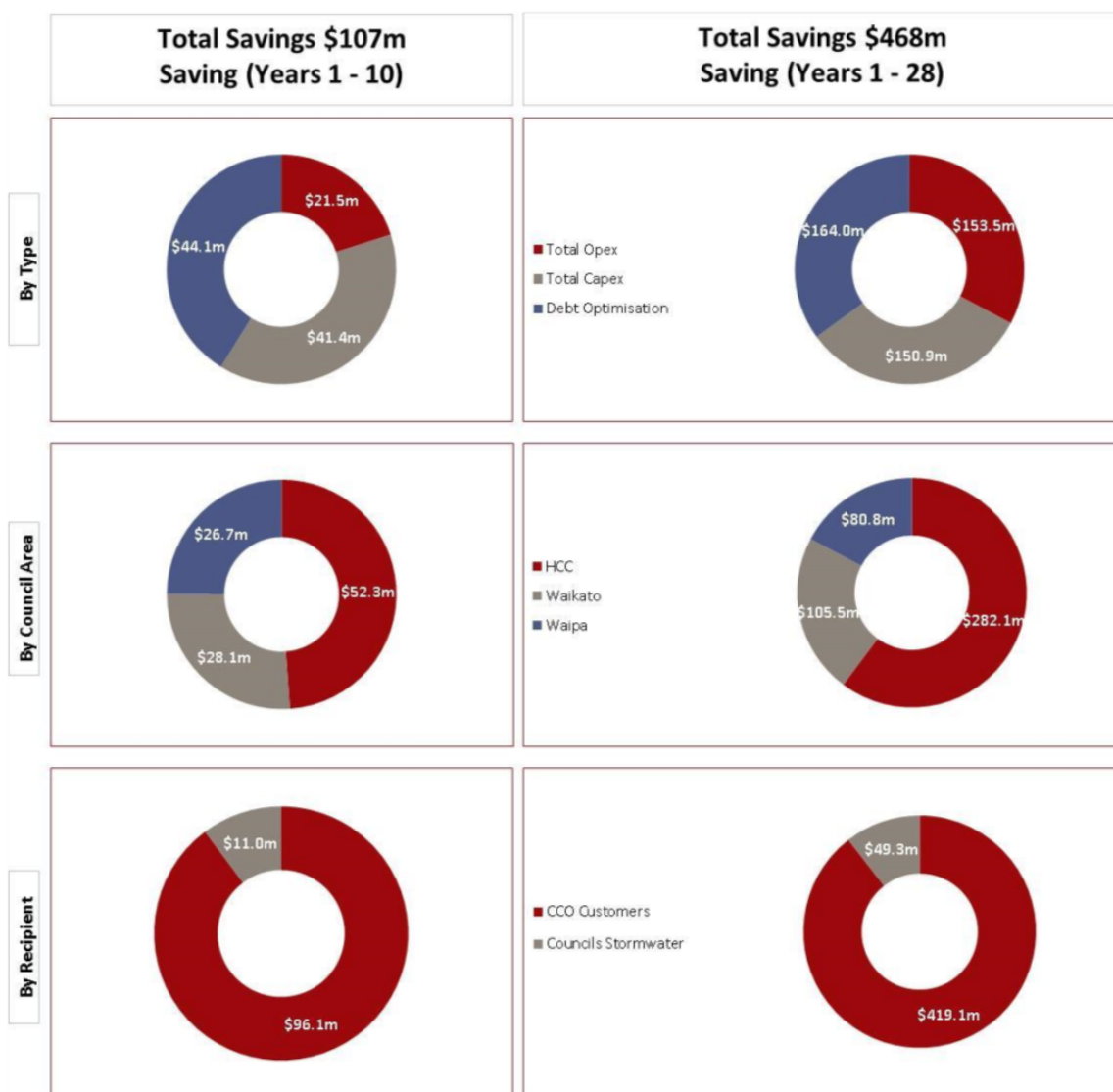
#### *Key Recommendations*

- Councils should transfer their water and wastewater assets into a jointly owned not-for-profit CCO; and
- Councils should retain ownership of their urban stormwater assets, but outsource management of those assets to the CCO on a cost recovery basis.

#### *Key Benefits of a Rate-Payer Owned CCO over Other Options*

- **Lower 3 Waters charges produce savings for Councils and water customers** – as set out in the charts overleaf. The charts show the potential savings that a CCO offers over the Status Quo. This is made up of operational and capital expenditure savings for the 3 waters and the use of debt optimisation within the CCO to further reduce charges to water customers. Stormwater savings are passed on to the respective councils through lower operating and capital expenditure costs.
- **A stronger water network across the whole sub-region** – improved resilience is one of the single most important benefits offered by the CCO model over the other two options. It enables key strategic decisions to be made to develop a more stable water supply and robust network by exploiting sub-regional network synergies using a single coordinated Asset Management Plan.
- **Cleaner water and wastewater benefits customers, ratepayers and the environment** – a CCO would address below standard drinking water and non-consented sewage discharges across the sub-region as a key priority. This is an advantage for communities over the Status Quo where water expenditure priorities have to be balanced across other council funding requirements. An ESS model will not automatically re-balance those priorities as funding decisions will remain with councils.





- **Attract and retain talented staff** – the CCO will provide for better career opportunities, and create greater concentration of more specialised skills. This will overcome a current problem of the Status Quo. The ESS model would address this issue to a lesser extent than the CCO.
- **Economic development** – a single-focus organisation is better placed to support economic growth in the sub-region by offering an improved 3 Waters network and integrated planning, but only if the governance model ensures the CCO is fully ‘mapped’ into each council’s economic priorities.
- **Centre of excellence available to share expertise with the region** – a CCO will create a centre of excellence, and when acting in a line with the three Councils’ policies, will be able to share its expertise with other water authorities in the region on a cost recovery basis.

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## 2.2 Summary of Analysis

### *The Strategic Case for Change*

There have been a number of reports commissioned by the Waikato Mayoral Form. All these reports recommended changes to improve the efficiency and effectiveness in water delivery. The latest report (April 2014) recommended that the three Councils investigate establishing a council owned CCO to jointly manage water, wastewater and urban stormwater infrastructure.

A number of factors have been instrumental in the commissioning of this report. These include:

- **Population and economic growth.** Continuing growth is forecast for the sub-region which will require expanded water services. Already Councils can not provide water for new water intensive industries in the sub-region. The ageing population will also have an effect on average incomes making affordability of services even more important.
- **Environmental and Regulatory Compliance.** All councils have faced challenges in this area with WDC and WPDC drinking water for most communities failing to meet NZ drinking water standards or being unrated. In addition, most wastewater treatment plants are only partially compliant with their resource consents.
- **Capital Investment.** Due to the above issues, plus the need to replace aged infrastructure, the three Councils forecast capital expenditure over the next 10 years to total \$764 million in their draft 2015-2025 Long Term Plans (LTPs). This compares with a forecast of \$495 million in the 2012 – 2022 LTPs.

### *Status Quo*

The Status Quo is providing a basic level of water services. However, because of its limited scale, the Status Quo cannot as effectively meet the challenges listed above. A report to the Mayoral Forum in 2012 showed there was considerable scope to improve the effectiveness and efficiency of 3 Waters and generate significant operational and capital expenditure savings.

### *Enhanced Shared Services*

Working alongside Council members and staff, a feasible ESS model was developed. Under this model most water staff would become employees of a 'host' council that would run the ESS unit on behalf of all three councils. Each council would continue to bill or rate its own customers. Each council would fund all costs of running its own network and associated capital expenditure. A key attribute of this model is that important and far reaching planning and investment decisions will remain with individual councils.

Analysis indicates that the ESS model, across the 3 Waters, can generate operating expenditure savings of \$64m over 28 years and estimated capital expenditure savings of \$40m over 28 years.

**Summary:** This option, if successfully implemented, is an improvement on the Status Quo but is not recommended. Coordination costs including reconciling different operating standards and priorities across the councils could easily exceed the savings. The success of an ESS model would be wholly dependent upon strong cooperation and goodwill between member councils over many years. Shared services models are rarely successful over a longer term because they rely on the goodwill and collegiatly of all parties and a very strong process of joint decision making.

### *Water CCO*

A model for the establishment of a CCO was based on discussions facilitated primarily at three workshops conducted with council members. Features of a water CCO are:

- The CCO should take the form of a 'Limited Liability' entity with no power under its constitution to declare and pay any dividends to its shareholders. The CCO will act as a non-profit organisation.

- It will effectively be a co-operative in favour of water customers although customers will not be members or shareholders.
- The shareholders of the CCO will be each of the three councils. Careful governance will be required to address the delicate power – independence relationship between each council and the CCO. The CCO requires sufficient independence to deliver on its requirements whilst remaining accountable to each council. This can be managed through an annual Statement of Intent (SOI) process.
- The CCO will purchase the water assets and liabilities of the three councils. This will involve a transfer of those assets and related liabilities by each council to the CCO.
- The CCO will manage its own balance sheet and debt.
- The CCO will be overseen by an independent, professional board of six directors and a chair that are appointed by all three councils, and managed by a CEO reporting to the board.
- The CCO will aim to deliver services and operations at the lowest cost while still maintaining prudent management. Key decisions about the water and wastewater will become the responsibility of the board, based on an agreed SOI with the councils.

We considered the CCO being a non-asset owning entity, but did not recommend this, as experience shows that while some savings can be achieved, only full network, operational and financial integration will generate substantial benefits.

#### **Risk Assessment**

A risk evaluation workshop was conducted with council finance and engineering staff in February 2015. Based on the results of that workshop and further analysis the risk evaluations of the options are:

- **Status Quo.** Rated as more risky than the CCO option, but lower risk than ESS. While regarded as sub-optimal, the Status Quo option avoids the coordination and multiple agendas of the ESS model. Risk rating: Medium.
- **ESS.** Rated as more risky than the Status Quo. While not a substantial difference the lower scoring principally reflects the expectation that the coordination and multiple council agendas will make it more difficult to manage and mitigate the identified risks over the long term. Risk rating: High.
- **CCO.** Rated as the least risky option. The option scored best or equal best in most categories reflecting the stronger governance, independent structure, business focus and resourcing. Risk rating: Low.

#### **Conclusion & Recommendation**

The BBC methodology was used in the analysis, including the use of multi-criteria analysis to fairly score non-quantitative factors in the decision process. A decision support workshop was held with council personnel to agree and weight the relative importance of a range of criteria against which to assess the options. Based on the total analysis Cranleigh assessed a combined multi-criteria score for each option. The results are shown below with the risk assessment and financial results:

Decision Factor	Status Quo	ESS	CCO
Multi – Criteria Score	58%	60%	82%
Combined Savings (10 years)	NA	\$27m	\$107m
Combined Savings (28 years)	NA	\$104m	\$468m
Present Value of Capex & Opex Savings	N/A	\$35m	\$91m
Risk Rating	Medium	High	Low
<b>Overall Ranking</b>	<b>2</b>	<b>3</b>	<b>1</b>

ESS has an overall ranking less than the Status Quo as possible financial benefits are offset by the risks. The risk/reward ratio does not justify a change from the Status Quo.

The CCO has the highest ranking and therefore is recommended by Cranleigh as the preferred option. It meets all the agreed investment objectives well, is lower risk and offers substantial financial benefits.

Key advantages include:

- Water services are an activity with substantial economies of scale. The CCO option is the only one which offers scale across all key areas including staffing, systems, operations, and network ownership and funding.
- A CCO structure is also the only option which brings a full Waikato sub-regional view and solution supported by a robust and responsive governance structure. ESS goes some way towards this, but lacks strong governance and a single unified network.
- Major cost savings for water customers and councils due to opex and capex savings and the optimisation of funding structures made possible by a specialist, asset owning entity. Cost savings are supported by evidence from similar amalgamations overseas and in New Zealand as identified in the Mott MacDonald's engineering report.
- Stormwater forms a very small part of the water team's activity and does not have its own revenue stream. We recommend that the management of urban stormwater activity other than planning should be moved to the CCO where procurement and management efficiencies can be generated.

### 3. INTRODUCTION

#### 3.1 Background to Business Case

In April 2014 an independent report to the Waikato Mayoral Forum recommended three Waikato councils – HCC, WDC and WPDC – investigate establishing a council-owned, CCO to jointly manage water, wastewater and stormwater infrastructure.

In 2014, the three Councils agreed to co-fund a study looking at a CCO, as well as two other options. The three options to be investigated were:

- Retaining the status quo with each council running its own operations;
- Boosting existing shared services into an enhanced shared services model (ESS) between the Councils; and
- Considering forming a council-owned CCO to run water services on behalf of all three Councils.

The study was not asked to consider establishing a private water company because the privatisation of council-delivered water services is against the law in New Zealand.

This report presents the results of that study. The findings and recommendations follow five months of investigation and analysis by a team of industry, commercial, financial and engineering practitioners supported by a peer review by Australian and UK experts.

#### **Strategic Context**

There is strong government interest in water. The 3 Waters are a key sector of the 2011 and draft 2015 National Infrastructure Plans, regionalisation recommendations by the Local Government Infrastructure Expert Advisory Group (2013) and detailed review of water by the Office of the Auditor General (OAG) (2014). New Local Government legislation was introduced in 2014 to encourage collaboration between councils and better asset management. The OAG estimates that by 2022 the gap between asset renewals expenditure and depreciation for the local government sector could be between \$6 billion and \$7 billion.

A number of factors have been instrumental in the commissioning of this report. These include:

- **Population and economic growth.** Continuing growth is forecast for the sub-region which will require expanded water services. Already Councils can not provide water for new water intensive industries which may wish to locate in the sub-region. The population is also ageing. This will have an effect on average incomes making affordability of services even more important.
- **Environmental and Regulatory Compliance.** WDC and WPDC face real challenges in this area with drinking water for most communities failing to meet NZ drinking water standards or being unrated. In addition, most wastewater treatment plants are only partially compliant with their resource consents although HCC is generally compliant.
- **Capital Investment.** Due to the above issues, plus the need to replace aged infrastructure, the three Councils are planning major capital investment over the next 10 years. In total, \$764 million is forecast to be spent on water infrastructure by the three councils over the next 10 years.
- **Prior advice.** In April 2014, a report commissioned by the Waikato Mayoral Forum recommended that the three councils investigate establishing a council-owned, CCO to jointly manage water, wastewater and urban stormwater infrastructure.

Cranleigh was appointed in November 2014 to develop an independent, detailed and robust business case that builds on the findings of the previous analysis and provides a detailed evaluation and set of recommendations for the delivery of water services across the Hamilton, Waikato and Waipa districts.



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Out of scope was any review of tariff structures including water metering or fixed rate options, community engagement including iwi engagement or consideration of water allocation within the catchment.

### 3.2 Business Case Scope and Approach

Three options have been evaluated:

- Status Quo – Current situation where each council manages its own water activities (Status Quo).
- Enhanced Shared Services (ESS) – Builds on the existing current very limited shared service arrangement by including most core water activities, but excludes: development engineering, compliance, customers services and statutory and resilience planning.
- Council Owned Water CCO – Councils transfer water assets to a jointly-owned entity (CCO).

#### **Approach**

The business case has been developed using the BBC methodology developed from UK and Australian best practice and mandated for all government departments by the NZ Treasury National Infrastructure Unit. BBC requires that five modules or “cases” be completed to ensure all points are covered.

The project scope (see Part B, Appendix 1) details the outcomes required from this report. Essentially the three councils required a detailed and robust business case that builds on the findings of the previous analysis and provides a detailed evaluation and set of recommendations for the delivery of water services across the Hamilton, Waikato and Waipa districts. A set of clear, actionable recommendations is required.

Cranleigh divided the activities into a number of work streams designed to best utilise and focus the skills of project team members and council staff.

- **Engineering.** The engineering assessment identified the asset-related and service issues and challenges associated with the water, wastewater and storm water services and assessed the implications for future long-term investment and operating costs for both the combined entity and the individual councils. This assessment was used to determine the capital and operating costs to be used in our financial modelling and to determine the economic case for change from the current water model.
- **Financial Model Development.** Comprehensive financial models were developed at both the sub regional and individual council levels. Financial models were essential tools in forecasting the financial impact of changes to the water and wastewater systems for each council (whether sub regional integration occurs or not). Ernst & Young conducted a peer review of the financial model for completeness, accuracy and logic.
- **Financial Structure.** A number of factors determine the optimum financial structure for an asset owning CCO. These include net revenues and their predictability, initial asset values, initial debt, future funding needs, acceptability to capital markets and equity between customer groups and between councils. Our financial model provided us with the ability to test different funding assumptions over the forecast period. We used a prudent financial management approach combined with water industry benchmarks to determine prudent maximum debt ratios.
- **Structures and Organisational Design.** Good governance arrangements will be essential to the success of both the ESS and CCO. Good governance requires professional oversight of management and the appropriate representation of the interests of the three councils and the water service customers that they represent. Pro forma organisational structures were developed for the CCO and ESS options with staff numbers being established by mapping existing staff positions for the Councils to the relevant CCO and ESS functions. Duplicate positions were then removed and benchmarks applied to estimate future staffing requirements.

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Cranleigh conducted six focused workshops with the Councils to carefully consider all important aspects of the project. More detail on the workshops is provided in Part B Appendix 3 including the participant groups.

**Item 13**

**Attachment 2**



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#### 4. CURRENT SUB-REGIONAL WATER SYSTEM

##### 4.1 Description

Key measures for the combined water, wastewater and stormwater (3 Waters) activities are shown below.

Council	Total Staff FTEs	Water Connections	% of Ratepayers Connected	2015 Revenue \$m	June 2015 Total Waters Debt \$m	June 2015 3 Waters Fixed Assets \$m	June 2014 Deprec. As % of Replacement Cost	June 2015 Waters Debt/Equity
Hamilton	126.8	49,161	83%	51.2	110.7	1,002.1	37%	12.4%
Waikato	50.7	11,277	37%	22.0	42.6	220.1	37%	24.0%
Waipa	39.5	13,171	61%	19.8	(5.2)	195.5	49%	2.7%
Total	217.0	73,609		93.0	148.1	1,417.7		12.6%

Key points:

- Many ratepayers are not water customers.
- HCC also hosts the existing shared services unit which includes around 14 FTE staff.
- All councils have modest or low water debt.
- All have major capital expenditure programmes.
- Hamilton is around two thirds of the sub-regional water business.

##### 4.2 Current Focus

All three councils are putting a lot of focus on improving compliance, Level of Service (LOS) and managing growth in their draft LTPs. This includes a substantial capex programme of \$764m over the next 10 years. At the same time councils have been committed to exploring sub-regional solutions.

##### 4.3 Key Challenges

The challenge is to make the necessary investments in a timely way; without severely affecting affordability either for customers or over taxing council debt capacities. At the same time attraction and retention of qualified staff remains vital.

##### 4.4 Pros and Cons

Councils have capable local teams who perform well, but lack sufficient scale to gain true efficiencies. A sense of local ownership exists, but there is not an exclusive focus on water given the needs of other council activities. The water teams can readily support other council activity such as roading and cover part of the councils' general overheads.

The Status Quo is a workable solution, but one which will always offer only basic service delivery and performance and at a higher cost to ratepayers and connected customers than other options.

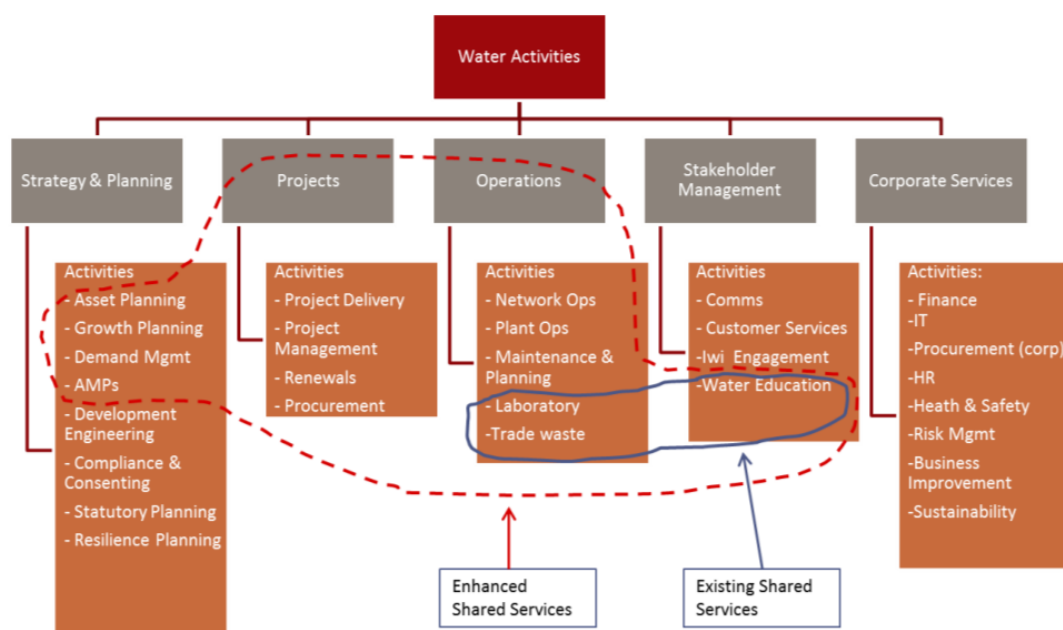
## 5. DELIVERY OPTIONS

### 5.1 Enhanced Shared Services

The three councils already operate a limited shared service arrangement providing joint resourcing for water education, laboratory analysis and trade waste. These activities are provided by HCC for all three councils and costs are shared on an agreed basis.

Aided by discussions with council staff, Cranleigh has scoped and developed a feasible ESS model. Services included in the model and other aspects of the model were developed from three workshops conducted with council members and staff.

The diagram below illustrates the range of activities required to successfully deliver water services. The solid blue line indicates services currently provided on a shared basis and the dashed red line indicates services that could be included in an ESS model. The remaining activities are either support services which could best be provided by one or more councils or considered inappropriate for shared services given councils' continuing ownership of the assets and revenues under this model.



Key features of the ESS model are as follows:

- The model will not involve the establishment of a separate legal entity (CCO or company) to deliver the shared services. Instead, a 'host' council would deliver the shared services for the benefit of all three councils;
- Relevant staff would be employed by the providing council with costs shared on a pro rata basis;
- Councils retain ownership of their own water assets, collect associated revenues and raise and repay any necessary debt;
- The General Manager ESS would formally report to a senior manager or CEO in the host council and he or she would be an employee of that council.

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**5.2 CCO**

Cranleigh developed a model for the establishment of a council owned CCO, following three workshops conducted with council personnel. Key features of a water CCO are:

- The CCO should take the form of a 'Limited Liability' entity with no power under its constitution to declare and pay any dividends to its shareholders. The CCO will act as a non-profit organisation.
- It will effectively be a co-operative in favour of water customers although customers will not be members or shareholders.
- The three councils will own 100% of the CCO shares.
- The shareholders of the CCO will be each of the three councils. Careful governance will be required to address the delicate power – independence relationship between each council and the CCO. The CCO requires sufficient independence to deliver on its requirements whilst remaining accountable to each council. This can be managed through an annual Statement of Intent (SOI) process.
- The CCO will purchase the water assets and liabilities of the three councils. This will involve a transfer of those assets and related liabilities by each council to the CCO.
- The CCO will manage its own balance sheet and debt.
- The CCO will be overseen by an independent, professional board of six directors that are appointed by all three councils, and managed by a CEO reporting to the board.
- The CCO will aim to deliver services and operations at the lowest cost while still maintaining prudent management. Key decisions about the water and wastewater will become the responsibility of the board, based on an agreed SOI with the councils.
- After a transition period the CCO will bill customers directly under tariff structures approved by an Establishment Committee or succeeding council monitoring arrangements. A proposal for water meters may only be introduced with the approval of individual councils.
- The CCO will make provision for other councils from the region to join later.

The option of the CCO being a non-asset owning entity was investigated, but not recommended as experience shows that while some savings can be achieved, only full operational and financial integration including network operational standards integration and rationalisation will generate substantial benefits. These are cost savings, network and procurement efficiencies and, the funding optimisation that can only come when the revenues are controlled and assets owned by one entity..

**5.3 Stormwater**

We have been asked to evaluate the options with or without urban stormwater. The Status Quo is a 3 Waters model where each council owns and operates its own water, waste water and stormwater assets.

Planning for stormwater services is closely aligned with urban and rural planning and roading network planning – these activities will remain with the three Councils. Much of the capital works programme for stormwater infrastructure is also aligned with, and often forms an intrinsic part of roading works across the sub region.

Renewals, O&M and capital investment could be ring-fenced as a service that could be provided by an ESS or a CCO option under a management services contract. The provision of the services would essentially be cost neutral through either of these two options.

While major assets are employed in stormwater, management of them forms a very small part of the water team's activity, and as such is unlikely to deliver professional development and economies of

scale. For these reasons, the management of stormwater activity should be moved to the ESS or CCO option where procurement and management efficiencies should apply.

Furthermore the delivery of stormwater services are essentially a public good service where the revenue to provide the service is collected via the land rates and cannot (in the most part) be directly associated with individual properties. This makes it problematic for a CCO to own the stormwater assets as it will always be dependent on councils to provide sufficient funding to operate, develop and maintain the assets.

Also both the CCO and its directors could be sued or prosecuted for health and safety or environmental breaches associated with these assets and it is very unlikely a professional director could be persuaded to accept full responsibility for the assets without control of the funding. Consequently we recommend that the CCO should not own stormwater assets. As the ESS business unit is not a legal entity, it cannot own other councils' stormwater assets.

Given the above we recommend:

- Councils retain ownership of their stormwater assets.
- The ESS or CCO manages urban stormwater operations and maintenance and other agreed stormwater capital works under Management Service Agreements with each council on a cost recovery basis.
- Each Council retains the planning for stormwater infrastructure in house where appropriate as part of their urban and roading network planning.

6. ORGANISATION AND GOVERNANCE

6.1 Status Quo

All three councils currently operate their water activities as cost centre departments within council. They benefit from the support of corporate services such as HR, IT and accounting and they are ultimately responsible through the Chief Executive to the elected council.

The current Status Quo model provides for the three councils to collaborate on a sub-regional basis for water education, laboratory and trade waste services. This provides a limited basis for generating improved service outcomes and financial benefits.

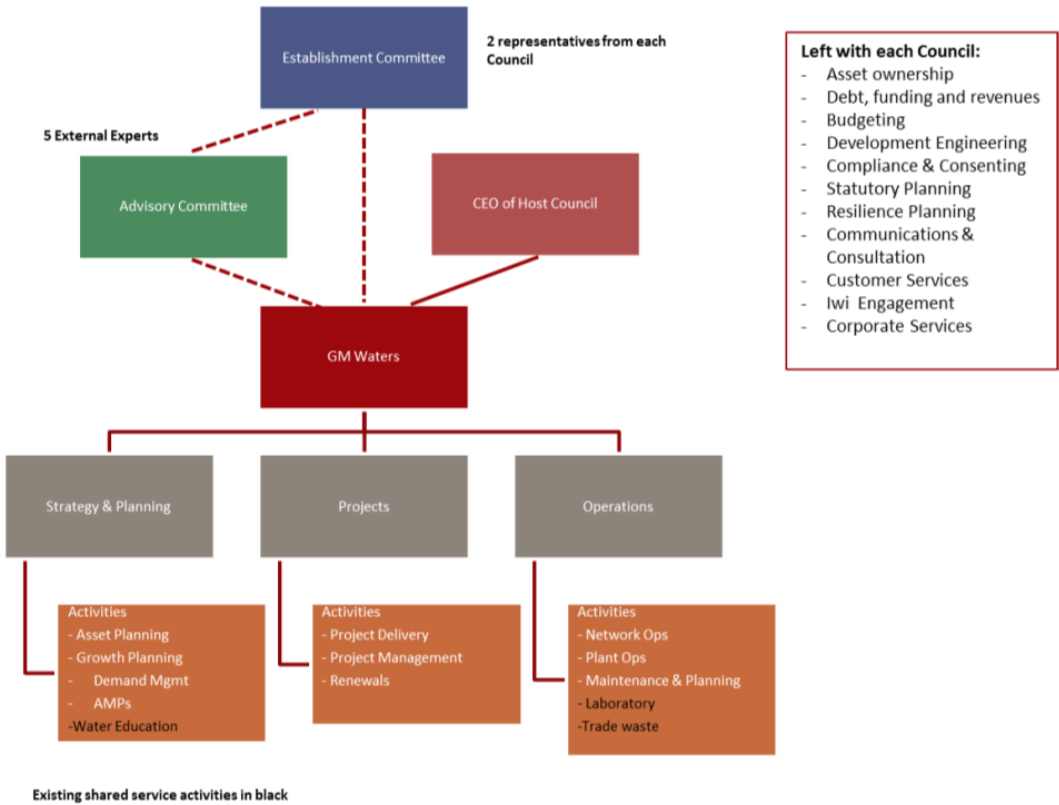
Because water activities form part of council operations there is a sense of local ownership in the community regarding the water activities. The water departments can also be supportive of other council activity and have the ability to liaise directly with other council departments such as planning, roading and to assist economic development.

However, while each of the Councils has capable teams they lack the scale to develop as real centres of excellence and gain true efficiencies.

6.2 ESS

Structure

A high level overview of the proposed ESS structure is set out below:





The peak co-ordinating mechanism would be the Establishment Committee consisting of two representatives from each council. This committee would review and approve a consolidated asset management plan for the sub-region together with LOS, budgets and capex priorities. This will be a crucial forum for resolving conflicting priorities between councils that will inevitably arise. The need for the committee should be reviewed once the ESS unit is well established and its functions could be absorbed into existing shared services arrangements.

There are likely to be some staff savings from establishing an ESS unit. It is expected that these will principally be at the senior team leader level as the combined teams will only need one leader. Savings of 10 FTE staff have been assumed to give cost savings of \$850,000 per annum. This has been assessed on the basis that only five people will be required to fill each of the top five leadership positions in the ESS unit compared to fifteen across the three Councils. Further savings are unlikely due to the coordination efforts that will be required to serve the three different councils.

### **Governance**

ESS offers the potential to create a larger, more specialised team that can become a centre of excellence across the sub-region but it will present some challenges from an organisation and governance point of view.

The ESS unit would be a council business unit operating within the host council, able to adopt a more comprehensive and commercial approach to delivery of management services through an expanded scope of services, noted above. However, the business unit does not have powers to contract beyond that of the Council of which it is a part. All major contracts for work undertaken for the other two councils would need to be approved by the relevant host council. Council staff are employees of the council and therefore act under the authority of their respective CEO.

Management Service Agreements (MSAs) would be required between the host council and the other two councils covering the work that the ESS unit will be undertaking and how each council will pay for these works and services. While the MSAs would have fixed terms, they would normally roll over under standard renewal provisions. Even so, the Councils would have the ability to withdraw from the ESS arrangement in the future if desired.

We recommend that the councils appoint a small advisory board of five external members to provide professional guidance on the operation of the business unit. The key issues to be addressed are network growth, operations and water pricing. The cost of this has been allowed for in our modelling. Although the advisory board has no legal standing with regard to directing the business unit they will be able to offer a range of outside industry and private sector expertise. We would expect them to meet with council staff no more than 3-4 times a year.

Under the ESS model, each council remains responsible for its water assets and related liabilities. This includes each council's power to contract, raise revenue, borrow and provide any security for borrowings. Particularly borrowings will depend on the financial standing each council.

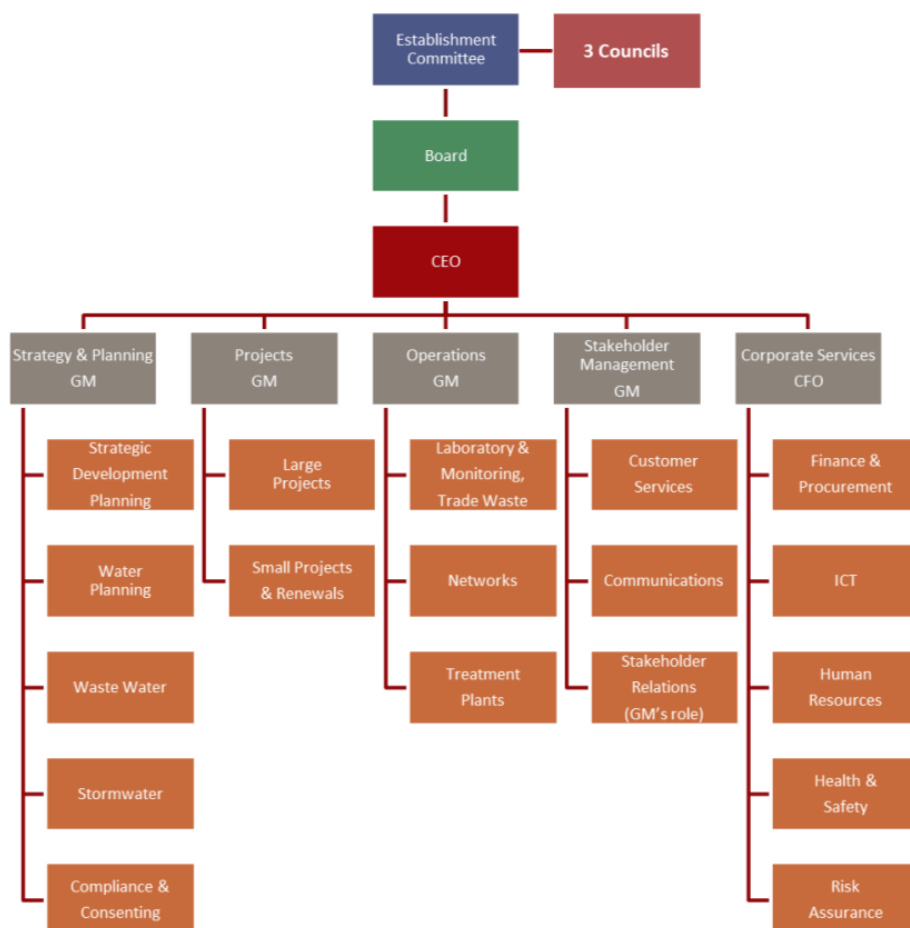
The ESS option will require a very carefully developed set of contractual arrangements, strong governance and most of all goodwill and cooperation between the councils at both a staff and governance level, sustained over time.

## **6.3 CCO**

### **Structure**

The councils currently employ 217 FTE staff in water activities. During a transition period of three years, staff numbers can be reduced to 181 by reducing duplication of roles. This will be an important cost saving that is simply not available in other options (ESS or Status Quo). It is not anticipated that significant redundancies will be required as this reduction over time is within the levels of normal annual staff turnover. To estimate required staff numbers a pro forma organisational structure was developed

for the CCO with staff numbers being established by mapping existing staff positions in the Councils to the relevant CCO functions and teams. Duplicate positions were then removed and the required support and senior management staff numbers calculated. Finally benchmarks were applied to cross check staffing requirements. A high level overview of the proposed CCO structure is set out below.



### Governance

Part 5 of the Local Government Act 2002 specifies certain governance, including monitoring, reporting and planning obligations of a CCO. Set out in Part B Appendix 4 of this report is further detail regarding the definition of a council organisation and the specific requirements of a SOI. Building on those requirements, the following organisational and governance features should be adopted under a CCO model:

- **Independent board:** The CCO must have a board of directors which operates independently of political pressures, and outside of election cycles, remaining accountable to its shareholders, as well as its community and environmental stakeholders. We recommend that six directors be appointed plus a chair.
- **Public Company Standard:** Even though the CCO is established as a non-profit operation, its governance model should emulate the high standards applicable to publicly listed companies (plc). Adopting high standards of governance including disclosure reflect the important role of the CCO as the stakeholder for public assets and delivery of essential services to rate payers. The CCO



constitution will provide for appointments and the key decisions that the board and the shareholding councils need to make. In the plc model, the prescribed procedures and timings relating to Annual General Meetings (AGM), Special Meetings and passing of resolutions to be voted on are laid down. This process should be adapted for the CCO. It is very important that the workings of a CCO are not frustrated by delay in decision making by shareholding councils (this may occur for the simple reason of trying to get items onto a council agenda). The constitution needs to bind both the CCO into providing full and frank disclosure on a timely basis to the councils while ensuring the councils make important decisions relating to the CCO on a similar timely basis. Councillors should be invited to a formal AGM where they can learn about the performance and plans of the CCO.

- **Council CCO Governance:** The current governance structure is used by the councils in governing an existing CCO; the Hamilton Airport (HA). A key feature is that the board of HA has access to the CEOs and Mayors of the councils and meet when required to inform and make decisions. The HA also can discuss day-to-day issues with the council's CCO sub-Committees. This process could be adapted to the proposed water CCO model, but given the complexity and political sensitivity of a water CCO, particularly around water pricing, Cranleigh recommends putting in place a Establishment Committee. This Committee will be important during the establishment phase to produce a series of agreed CCO outcomes, protocols and on-going management of the relationship with the CCO. We recommend that the Committee be comprised of two members appointed by each council (one of whom must be a councillor). Resolutions will be passed by a simple majority vote (two votes per council). It is recommended that members serve a fixed three-year term with a rolling rotation of tenure. Initially the committee's role will be to agree on the constitution, directors' and chair's appointment process and SOI for the CCO. Following the establishment phase, the committee will be involved on an on-going basis to discuss and monitor the CCO's performance against targets, at least annually, agree to any directors' appointments, submit Letters of Expectation, endorse proposed tariffs and updates to the SOI, as required. Establishing a Committee to take charge of this process will achieve a strong link between the Councils and the CCO that will help to manage the relationship over time. Once the CCO is well established it is possible that the Establishment Committee could be replaced by the three Councils' existing CCO and shared services monitoring structures.
- **Relationship with the shareholding councils:** while each council will devolve management of its water business (including water assets and related liabilities) to the CCO, and the CCO Board is to operate independently, the three councils should retain an important degree of influence and control. This will be achieved via annual Letters of Expectation from the Councils to the CCO board, the SOI process, the power to appoint directors and the ultimate power as voting shareholders. The SOI will reflect the CCO's direction, power and accountability, as negotiated with the three councils. This means that the CCO will be required to carry out policies and directions agreed by the Establishment Committee, using its powers under the constitution, and reporting on its activities to the councils and the public.
- **Stakeholder representation and management:** in addition to providing effective professional oversight of management, the CCO governing board must also provide for the appropriate representation of the interests of the three councils, the water customers that they service and other stakeholders such as iwi. It is also essential that appropriate co-ordinating mechanisms be put in place to ensure good co-ordination with council roading, town planning, transport and economic development activities. This is often an area of failure of poorly designed CCO structures that can take on a life of their own devoid of the wider community context.
- **Planning for Growth:** It will be important to develop strong coordinating mechanisms between the CCO and council planning functions to ensure alignment between water network development and council growth plans. These can be mandated in the CCO constitution and SOI.

- **A not-for-profit CCO structure:** This type of CCO is essentially a cooperative in favour of water service customers. Customers will benefit from any surpluses generated from productivity improvements in the form of lower water charges. It is important to note that given the Councils' statutory obligations in water, the responsibility to provide new equity funding will remain with the councils should that need ever arise. No such need is evident in the current 30 year forecasts.
- **Significance of shareholding:** Under this arrangement the ownership of shares concerns the extent to which the funder of last resort risk should be borne by the different councils. The other aspect is the power to appoint Establishment Committee members and the level of influence in a limited number of major decisions. Initial shareholdings will be determined by the value of assets and debt contributed by each council on formation as set out in the Commercial Case. The final governance arrangements will need to allow for the possible inclusion of additional councils who may wish to join in the future.
- **Major decisions of the CCO:** Each Council will hold one third of the votes required for most day to day decisions which would be passed by simple majority i.e. any two councils will need to agree. Certain major decisions will require a super majority of not less than 75% of shareholding councils to pass. Councils' votes on these major decisions will be determined by their shareholding in the CCO. These decisions are:
  - Major transactions as defined by the Companies Act
  - Any change to the CCO constitution
  - Any issue of shares in the CCO
  - Increase in debt over a certain cap or ratio
  - Any change in the purpose of the CCO or scope of services
  - Acceptance of another council as a new shareholder
  - Any distribution of capital to shareholders
  - Taking steps to wind up the CCO

Any implementation of residential water metering will require specific prior approval by the council concerned; it cannot be a decision of the CCO.

## 7. FINANCIAL ANALYSIS

### 7.1 Overview

Each of the three councils operates a water business which essentially comprises of water delivery, wastewater and stormwater. By their nature they are comprised of large capital assets including water reservoirs, water pipes and water treatment plants. These typically have long lives which can extend to greater than 100 years. Given the size of these assets, careful planning and timing of major capital expenditure can have a significant influence on the effective operation of these types of businesses which benefit from strong economies of scale.

### 7.2 Methodology

The Financial analysis compares the financial differences between the Status Quo, the ESS and the CCO.

Financial forecasts for the Status Quo were developed for the water activities for each of the three councils using the current LTP's and 30 year infrastructure strategies. These were consolidated to provide the Status Quo view. The model has been built taking inflation into account and is expressed in nominal dollars.

ESS and CCO models were established using the Status Quo as a base and deducting estimated operational and capital expenditure savings that are potentially achievable under those structures. Operational savings were phased in gradually over three years and the costs of establishment, ongoing council monitoring costs and stranded overheads were included in the operational costs of the CCO and ESS.

Under the CCO two scenarios were developed, a conservative base case and a positive case. The positive case uses more optimistic assumptions regarding possible operating and capital expenditure savings.

In addition, under the CCO model, prudent debt optimisation was applied, to enable additional financial benefits to be passed on to customers.

The key outputs from the analysis measured the following:

- Opex and Capex savings compared to the Status Quo
- Reduction in water and wastewater charges to customers
- The present value of operational and capital expenditure savings compared to the Status Quo
- The impact on Council financial statements including key financial ratios of moving to a CCO.

The model developed is a 30 year model starting with the 2015/16 financial year. A realistic start for a ESS unit or CCO would be at the beginning of the 2017/18 financial year and the analysis undertaken compares the first ten years from 2017/18, two years beyond the current LTPs and over the total 28 year period of the Infrastructure Strategies after the CCO start date.

It should be noted that the projections for the first ten years, which are largely based on the LTPs, are more reliable than years 11-28, which are partially based on the councils 30 years infrastructure strategies which are long term estimates and have less moderation of capital expenditure.

The 28 year results should be seen as a possible outcome based on councils' current long term estimates driven by factors such as population growth rates and long term capital expenditure requirements. Changes in the years 11-28 forecasts will impact both the SQ, ESS and CCO models. For example if the capital expenditure forecasts change this will have the impact of under or overstating the potential savings in the ESS and CCO models. This is covered in the sensitivity analysis.

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### 7.3 Enhanced Shared Services

The Enhanced Shared Services model assumes the strategy, planning and co-ordination of water activities comes together under a single group within one council and a two year transition period is assumed.

#### **Total Operating and Capital Savings – ESS**

The following table represents the total operating and capital expenditure savings that an ESS unit is expected to generate compared to the SQ.

Total Cost Savings – ESS	First Ten Years 2017/18 – 2026/27			28 Years		
	Opex	Capex	Total	Opex	Capex	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Base Case	14.9	12.3	27.2	64.5	39.5	104.0

The key saving assumptions include a reduction in staffing of 10 FTEs, general operating savings of 2% and general savings on capital expenditure of 1.5%. Implementation costs for the ESS are expected to be in the region of \$1m.

These savings would be shared by councils on an agreed basis, perhaps as a % of water volumes or current operating and capital expenditure costs. It is assumed that savings are passed on to customers as rate reductions. Some of these saving would be reflected as lower development charges.

Savings are less than a quarter of those that could be achieved under a CCO and this is because the lack of common ownership of the network reduces operating and capex efficiencies.

### 7.4 CCO

The CCO model assumes that water and wastewater are owned and managed by the CCO and that urban stormwater is managed on behalf of the councils who continue to own the stormwater assets. A three year transition period is assumed. The key findings are set out below.

#### **Total Savings**

The following tables show the breakdown of savings by council area and by type of savings:

Potential Savings – First Ten Years From 1 July 2017 – Base Case	Hamilton \$m	Waikato \$m	Waipa \$m	Total \$m
Operating Costs	10.7	5.4	5.4	21.5
Capital Expenditure	24.9	6.5	10.1	41.4
<b>Combined</b>	<b>35.6</b>	<b>11.9</b>	<b>15.5</b>	<b>63.0</b>
Debt Optimisation	16.7	16.1	11.2	44.1
<b>Total Savings</b>	<b>52.3</b>	<b>28.1</b>	<b>26.7</b>	<b>107.1</b>
Total Savings for water customers of a CCO (inc. developers)	45.8	26.4	23.9	96.1
Stormwater Savings in Councils	6.5	1.7	2.8	11.0
<b>Total Savings</b>	<b>52.3</b>	<b>28.1</b>	<b>26.7</b>	<b>107.1</b>
% savings on SQ Forecast Council Revenue	6.6%	8.4%	7.7%	7.2%



Potential Savings – 28 Years From 1 July 2017 – Base Case	Hamilton \$m	Waikato \$m	Waipa \$m	Total \$m
Operating Costs	75.6	39.3	38.5	153.5
Capital Expenditure	115.6	15.8	19.5	150.9
<b>Combined</b>	<b>191.3</b>	<b>55.1</b>	<b>58.1</b>	<b>304.4</b>
Debt Optimisation	90.8	50.4	22.7	164.0
<b>Total Savings</b>	<b>282.1</b>	<b>105.5</b>	<b>80.8</b>	<b>468.4</b>
Total Savings for water customers of a CCO (inc. developers)	252.5	98.0	68.6	419.1
Stormwater Savings in Councils	29.6	7.5	12.2	49.3
<b>Total Savings</b>	<b>282.1</b>	<b>105.5</b>	<b>80.8</b>	<b>468.4</b>
% savings on SQ Forecast Council Revenue	8.9%	9.7%	6.7%	8.6%

#### **Total Operating and Capital Savings – CCO**

The following table represents the total operating and capital expenditure savings that a CCO is expected to generate compared to the SQ.

Total Cost Savings - CCO	Ten Years – 2017/18 – 2026/27			28 Years		
	Opex	Capex	Total	Opex	Capex	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Base Case	21.5	41.5	63.0	153.5	150.9	304.4
Positive Case	35.8	68.0	103.7	213.4	235.2	448.5

Under the base case CCO operating savings compared to the Status Quo amount to \$5.3m p.a. or 11% p.a. which includes staffing efficiencies of 18% p.a., a general reduction in operating costs of 5% p.a. and reduction in overhead costs of 15% p.a. After taking into account stranded overheads and ongoing council monitoring costs the net savings amount to \$4.0m per annum or 6.5% per annum. This increases to \$5.5m or 9.0% under the positive case. These savings would build gradually over a three year transition period.

Capital expenditure savings average 5.7% per annum under the base case (8.9% in the positive case). This comprises general efficiency and procurement savings of 4.25% (7.5% positive) with the balance being expected synergy savings achieved by combining the networks. General savings have been based on experience gained in Australia, the UK and New Zealand with the creation of water utility companies predominately from council water departments demonstrating efficiencies and economies of scale.

Stormwater operational and capital expenditure savings, included in the above table, range between \$11m and \$16m over the first ten years and \$49m and \$68m over 28 years. These would occur in the council accounts based on their relative stormwater expenditure.

#### **Debt Optimisation**

A further benefit of a CCO verses the Status Quo will be its ability to optimise debt. This will have the impact of creating better inter-generational equity. This is done by borrowing somewhat more money today to fund capital investment to avoid such high revenue increases in the coming years. The debt can

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then be prudently paid off over the long term as water assets have a very long life. We have run a debt optimised scenario in the CCO which maintains a minimum interest cover rate of 2.5 times<sup>1</sup> (this is the minimum interest cover ratio used by Watercare Services Ltd and is comparable to international benchmarks).

This will enable the CCO to further reduce charges to customers, over and above projected operational and capital expenditure savings<sup>2</sup>. It also helps to smooth increases in customer charges.

#### **Savings to Customers**

The combination of operating and capital expenditure savings in the CCO with funding optimisation will enable a significant reduction in the level of water charges to customers.

Cost to Customers \$m From 1 July 2017	10 Years Base	10 Years Positive	28 Years Base	28 Years Positive
Status Quo	1,286.7	1,286.7	4,760.6	4,760.6
CCO - Base	1,190.5	1,162.3	4,341.5	4,217.9
Revenue Reduction \$m	96.1	124.4	419.1	542.8
% Reduction	7.5%	9.7%	8.8%	11.4%

The potential impact on total customer charges in respect to water and wastewater collected by individual councils is estimated below. Please note that due to the complexity of water services tariffs and charges across the 3 Councils this should be taken as indicative only and subject to change.

Cost to Customers \$m From 1 July 2017	10 Years Hamilton	10 Years Waikato	10 Years Waipa	Total
Status Quo	687.7	305.1	293.8	1,286.7
CCO - Base	642.0	278.7	269.8	1,190.5
Revenue Reduction \$m	45.8	26.4	23.9	96.1
% Reduction	6.7%	8.7%	8.1%	7.5%

Based on current planned charges these indicative reductions would broadly see HCC customers pay around \$38 less per annum for water and wastewater rates, WDC customers would see a reduction of around \$106 per annum (based on water usage of 215m per annum) and WPDC customers a reduction of around \$68 per annum (based on usage of 215m per annum).

A transition period will be required to harmonise tariffs across the sub-region.

#### **Development Contributions**

The capital expenditure savings achieved by a CCO would apply to growth capital and could also be passed on to developers as lower infrastructure growth charges. These form part of the savings to customers in the table above. This should be at least 4.25% per annum on current levels. As the CCO would not be a council itself it would charge infrastructure growth charges instead of development contributions.

<sup>1</sup> Interest Cover Calculated as (Profit Before Tax + Depreciation) divided by Net Interest. As Profit Before Tax is after paying interest an Interest Cover of 2.5x indicates that operating cash flows are three times higher than Net Interest payments.

<sup>2</sup> Further explanation is available in Part B, Section 4.4 Funding Optimisation.

### Implementation Costs

The establishment and transition costs of forming a CCO includes the costs of set up and transitioning staff and overheads from the councils to the new entity. This is estimated at \$10.3m, spread over a 5 year period from the date a decision to proceed is made. The significant costs include the set up of a new office, establishment and migration of IT systems and records, potential recruitment and redundancy costs, legal, tax and project management costs.

In addition we have estimated that stranded overhead costs in the three councils will amount to a total of \$1.6m at the end of the three year transition period and we have allowed a total of \$600,000 per annum for ongoing council monitoring and planning coordination costs.

### 7.5 Other Financial Comparisons of Options

The following table lists other key financial comparisons between the options.

Other Key Financial Comparisons	Status Quo \$m	CCO Base \$m	CCO Positive \$m	EES \$m
Present Value of Savings against the SQ (Net Operating and Capital Expenditure)		91	142	35
Present Value of Revenue Savings against the SQ		142	183	35
Annual Revenue Growth Rate	3.1%	2.3%	2.2%	3.0%
Peak Debt	304	393	381	304
Max Gearing % ( debt / equity) – First 10 years	22%	30%	29%	22%

The present value (PV) of net operating and capital expenditure savings generated by a CCO for three waters are in the range of \$91m and \$142m over the 28 year period. The PV of the ESS is \$35m.

This represents the total net savings, in nominal dollars, discounted at a rate of 8% p.a. This takes into account the costs of establishing the CCO or ESS, the annual operating and capital expenditure savings over the next 28 years and any stranded costs left with councils.

The PV of revenue savings for customers' ranges between \$142m (base) and \$183m (positive) for the CCO compared to the Status Quo and \$35m for the ESS. This represents the net reduction to customers, in nominal dollars, discounted at a rate of 8%. Average annual growth in revenues or charges over the 28 years under a CCO would range between 2.2% and 2.3% compared to 3.1% under the Status Quo.

Peak Debt under the CCO is estimated to reach \$393m or a 30% debt/equity ratio over the first ten years compared to \$304m or a 22% debt/equity ratio under the Status Quo. A ratio of 30% debt/equity is considered to be prudent for a water business based on water utility benchmarks.

### 7.6 Taxation

Under the current Status Quo, the councils are exempt from income tax. It is important to ensure that any new CCO structure has minimal taxation implications.

Based on specialist tax advice from the Tax Team, the overall conclusion is that, provided the establishment and ongoing operation of the CCO is managed appropriately, there are unlikely to be significant, if any, adverse tax consequences. The TaxTeam's detailed advice is in Part B Appendix 6.



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## 8. TRANSACTION STRUCTURE

This section outlines the broad approach that the councils would need to follow to merge their water services either in an ESS unit or into a jointly owned CCO.

### 8.1 ESS

One council acting as the “host” council would employ waters staff from the other two councils to create an ESS unit. Management Services Agreements would also be made with the other two councils where the ESS unit agreed to manage the water services of the councils for a fee. The agreements would set out service standards and processes to agree priorities, work programmes, budgets and performance monitoring arrangements. An agreement between the three Councils would also be required covering the establishment of the unit, how it would be monitored and priority conflicts resolved.

### 8.2 CCO

The CCO entity would acquire each of the Councils’ water assets and businesses including normal working capital. Cash would be paid to councils equal to their existing water debt including external bank debt and any negative reserves, while councils would receive shareholder loans and equity shares in proportion to the net pre-CCO equity each council has in its water business. Shareholder loans provide the councils accounting and legal simplicity and flexibility in dealings with the CCO such as when transferring vested assets. The councils would appoint one valuer to value all of the Councils’ water assets using an agreed common set of criteria similar to that used by councils now.

Based on current forecasts and the above principles will result in the following payments and shareholdings in any new waters CCO.

Forecast Estimates	Waikato	Hamilton	Waipa	Total
As at 30/06/2016	\$m	\$m	\$m	\$m
<i>Council Water Assets (2 Waters)</i>				
Total Assets Contributed	201.8	676.8	170.7	1,049.3
% of Total Assets	19.2%	64.5%	16.3%	100.0%
<i>Council Water Debt</i>				
Total Existing Debt	47.3	109.6	0.0	156.8
Net Pre-CCO Equity	154.6	567.2	170.7	892.5
% Equity Pre-CCO	17.3%	63.6%	19.1%	100.0%
<i>CCO Purchase Price Paid</i>				
Cash	47.3	109.6	0.0	156.8
Shareholder Loans	45.4	166.7	50.2	262.3
Equity Shares	109.1	400.5	120.5	630.2
Total Purchase Price	201.8	676.8	170.7	1,049.3
% Shareholding	17.3%	63.6%	19.1%	100.0%
Opening CCO Debt				156.8

## 9. ENVIRONMENTAL, RESILIENCE AND ECONOMIC FACTORS

### 9.1 Environmental & Regulatory Compliance

All the councils have suffered from some compliance issues in terms of drinking water and waste water standards. HCC is in the best shape, being the only council delivering 'Aa' graded water and with only minor wastewater consent breaches. WPDC drinking water is either ungraded or of low grading with the exception of Kihikihi. WPDC's wastewater treatment plants are generally compliant. WDC's drinking water is of low grade in most locations and a number of its wastewater treatment plants have shown inadequate effluent quality in their last audit. Tables detailing water and wastewater results by community are contained in Part B – Appendix 9.

Aware of these problems, the Councils have put considerable focus in their draft LTPs on improving compliance and managing growth. The Councils' capex programmes are designed to address these issues over the forecast period, but the risk is that future councils may decide on a change in priorities.

As ESS will be dependent on council funding and debt policies, it is expected that inroads to the environmental and compliance challenges currently faced by the Councils will be more at risk. The unit must compete for resources with other council functions and while some capex and opex savings can be expected, there is no guarantee that these funds would be applied to waters investment. Also, as with the Status Quo, there are not strong legal consequences for non-compliance by individual councils or their staff.

A CCO would be better placed to deliver improved environmental and regulatory compliance. WDC and WPDC face challenges in this area with drinking water for most communities failing to meet NZ drinking water standards or being unrated. In addition most wastewater treatment plants are only partially compliant with their resource consents. The key reason for this is directors of a CCO will become personally liable for any significant environmental and regulatory compliance breaches.

### 9.2 Resilience

While the Councils have the ability to address resilience issues in their own areas, some of the gains would come from optimising the network on a sub regional basis. This has proved very difficult to achieve under the Status Quo model as the individual councils command less dedicated water services resources than either ESS or CCO option; they cannot exhibit the same specialised organisational and team capabilities that better support long-term resilience.

Under the ESS option, as each council will continue to own and fund its own network (and given the difficulties in aligning council priorities to create an integrated agenda), it is expected that it could offer only a marginal improvement over the Status Quo in improving resilience.

Resilience is one of the most important benefits offered by the CCO model. It enables key strategic decisions to be made with the objective of a more stable supply and reduces the probability of failure. This is supported by the ability to exploit network synergies and using a single coordinated asset management plan and greater financial flexibility. A larger pool of staff in one entity reduces problems due to the departure of key staff.

### 9.3 Economic Impact

The Councils are required to provide water infrastructure in a timely manner in order to provide water services to businesses, the economic drivers for the Waikato region, as well as residential and other properties. The ESS option would operate similarly to the Status Quo currently; where further development is governed by the individual Councils' funding constraints.

A CCO has better access to resources with a single focus on water. A CCO is also not governed by funding constraints which would allow it to optimise infrastructure development projects.

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Instead of development contributions, a CCO would institute a comparable system of infrastructure growth charges to cover growth. It would have the flexibility to negotiate with developers and facilitate new infrastructure development. This would assist a CCO to proactively meet industry requirements. A CCO would be guided by a set of principles agreed by the Councils in its Statement of Intent to act in accordance with Council plans and its constitution would require it to give effect to the Councils' LTPs.

## 10. RISK ANALYSIS

In order to assess the risks involved in each of the options, a risk evaluation workshop was undertaken with council engineering and finance officials on Friday 13 February 2015. The purpose was to identify key risks and evaluate the consequence and likelihood of each under each of the three options. This was subsequently moderated by the project team and a scoring matrix was applied. Weights were applied to the scores which were then summed to give a total score. The lower the score; the lower the risk.

Based on this analysis (with the detailed risk assessment available in Part B – Appendix 8):

- The Status Quo option has been rated as more risky than the CCO option, but lower risk than the ESS. While regarded as suboptimal, the Status Quo option avoids the coordination problems and multiple agendas of the ESS model. **Overall risk rating: Medium.**
- The ESS option has been rated as more risky than the Status Quo. While not substantially different the lower scoring principally reflects the expectation that the coordination and multiple agendas of the model will make it more difficult to manage and mitigate the identified risks. **Overall risk rating: High.**
- The CCO option has been rated as the least risky option. The option scored best or equal best in all categories except three: customer services, planning alignment and the relative likelihood of perceived low transparency. The likelihood of customer service problems is thought to be lower than other options, but the consequence higher. \$200,000 per year per council has been allowed for any additional costs incurred coordinating planning activities. The CCO option's overall risk profile reflects the stronger governance, independent structure, business focus and resourcing of a specialist, high profile water services organisation. **Overall risk rating: Low.**

## 11. IMPACT ON COUNCILS

Changing to an ESS or CCO structure will have a number of effects for all councils in addition to specific financial impacts for each.

- **Resource Consents.** Under ESS this will remain a council activity, but if a CCO is formed it will be responsible for obtaining and maintaining its own consents.
- **Planning.** Under ESS statutory and resilience planning will remain with councils, but asset and growth planning will move to the ESS unit. Under a CCO model all these activities will sit in the CCO. Strong coordinating mechanisms will be required between councils other planning activities and the ESS or CCO teams.
- **Staff Losses.** Under both models many staff will move from councils to the new organisation. Under ESS there is a risk for the two “non-hosting” councils as if the ESS arrangement was dissolved they would need to quickly move to re-establish their own water teams.

### 11.1 Hamilton City Council

The move to a CCO will improve the key financial ratios of debt/revenue, interest cover and gearing in the accounts of the parent company of HCC. However as a majority shareholder of the CCO the council will need to consolidate the CCO accounts into its group accounts. This will have the effect of increasing the debt / revenue ratio in the group above the council's current 200% threshold. It does however remain below general local government guidelines of 250%. Other key ratios remain within council guidelines. It should be remembered that although all the CCO debt must be consolidated for accounting purposes it is not a direct repayment obligation for HCC nor dependent on HCC rates income for a source of repayment.

Year to 30 June Debt / Revenue Ratio	Status Quo	Parent	Group
2017/18	196%	194%	222%
2018/19	194%	190%	231%
2019/20	190%	179%	224%
2020/21	186%	174%	223%
2021/22	183%	162%	215%
2022/23	183%	156%	203%
2023/24	178%	163%	210%
2024/25	167%	153%	205%

On an equity accounting basis HCC's debt / revenue ratio would be the same as parent ratios above.

### 11.2 Waikato District Council

WDC's debt/revenue, interest cover and gearing all improve under the CCO model after the first year and improve even more at the end of the LTP period. At 2024/25 under a CCO the debt / revenue ratio is 46% compared to the Status Quo of 79%, interest cover is 22.7 under the CCO compared to Status Quo of 9.6 and gearing is 3% compared to 5% under the Status Quo.

### 11.3 Waipa District Council

WPDC's key financial ratios of debt/ revenue and gearing improve under a CCO both at the end of the first year and at the end of the LTP period. Interest cover, whilst still very high, reduces after the first year from 17.0 under the Status Quo to 11.8 under the CCO.

In 2024/25 under a CCO the debt / revenue ratio is 31% compared to the Status Quo of 66%, interest cover is 15.4 under the CCO compared to Status Quo of 13.1 and gearing is 2% compared to 4% under the Status Quo.

## 12. OPTIONS ASSESSMENT AND CONCLUSION

### 12.1 Options Criteria

The financial impacts associated with each option have been quantified as far as possible and this analysis is a key component of the options assessment. However, not all impacts can be readily quantified in monetary terms. It is appropriate to also take non-monetary considerations into account. To this end, a simple form of multi-criteria decision analysis has been used to complement the financial analysis. A decision support workshop discussed and agreed a range of criteria against which to assess the options taking into account the factors driving change. The criteria were grouped under two headings; objectives and critical success factors (CSFs). Detail regarding the criteria is in section 2.6 of the Part B report.

A percentage weighting given to each objective and CSF was discussed and agreed at the workshop. The weighting is designed to give a sense of relative importance of each criteria in the decision making process.

### 12.2 Multi-Criteria Analysis

Based on the total business case analysis Cranleigh has independently scored each option against the criteria to give an overall score out of 10, but displayed as a percentage as shown in the table below. An explanation of the scoring is available in Appendix 5 of the Part B report.

Assessment Criteria	Weight %	Status Quo	ESS	CCO
<b>Objectives:</b>				
Effectiveness	25%	3/5	2/5	4/5
Efficiency	15%	3/5	3/5	4/5
Improved Financial Sustainability	20%	3/5	3.5/5	4/5
Alignment	10%	2/5	3/5	4/5
Reducing Risk	10%	3/5	2/5	4/5
Customer Voice/ Focus	20%	3.5/5	3.5/5	4/5
<b>Critical Success Factors:</b>				
Strategic fit	25%	3/5	3.5/5	4.5/5
Value for Money	17%	2/5	2.5/5	4/5
Affordable	20%	3/5	3.5/5	4.5/5
Achievable	23%	3/5	3/5	4/5
Regulatory Compliance	15%	2.5/5	3/5	4/5
<b>Overall Weighted Score</b>	Out of 100	58%	60%	82%

Given the level of accuracy of this form of analysis, the overall scores for the Status Quo and ESS can be considered the same.



### 12.3 Summary and Recommendation

The different assessments of each option are brought together in the following table:

Decision Factor	Status Quo	ESS	CCO
Multi – Criteria Score	58%	60%	82%
Combined \$ Savings (10 years)	NA	\$27m	\$107m
Combined \$ Savings (28 years)	NA	\$104m	\$468m
PV of Capex & Opex Savings	NA	\$35m	\$91m
Risk Rating	Medium	High	Low
<b>Overall Ranking</b>	<b>2</b>	<b>3</b>	<b>1</b>

ESS has an overall ranking less than the Status Quo as possible financial benefits are offset by the risks. The risk/reward ratio does not justify a change from the Status Quo.

The CCO is clearly the highest ranking option and therefore is recommended by Cranleigh as the preferred option. It meets all the agreed investment objectives well, is lower risk and offers substantial financial benefits. Key advantages include:

- Water services are an activity with substantial economies of scale. The CCO option is the only one which offers scale across all key areas including staffing, systems, operations, network ownership and funding.
- A CCO structure is also the only option which brings a full Waikato sub-regional view and solution supported by a robust and responsive governance structure. ESS goes some way towards this, but lacks strong governance and a single unified network.
- Major cost savings for water customers and councils due to opex and capex savings and the optimisation of funding structures made possible by a specialist, asset owning entity. Cost savings are supported by evidence from similar amalgamations overseas and in New Zealand as identified in the Mott MacDonald's engineering report.

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### 13. IMPLEMENTATION

A comprehensive implementation plan will be critical to ensuring the chosen option is properly established and can quickly and effectively commence operations. An important part of the implementation plan will be establishing a strong change management programme.

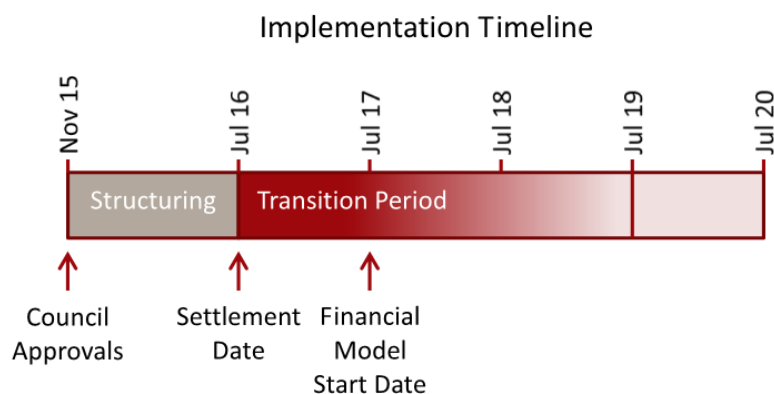
#### 13.1 Timeline

##### ESS

It would be best to commence the ESS option from mid-2016 (i.e., 1 July) to fit within Council balance date timeframes. The process would be staged over a six month to one year period, ensuring service continuity and easier management transition.

##### CCO

Assuming that the councils decided to proceed with the CCO option in late 2015, it should be possible with good planning and project management to have documentation ready for signing and settlement by 1 July 2016. It is expected that a transition period of up to three years will be required to implement all systems and transfer all activities from councils. In practice it may be considerably less than this, but a conservative approach has been taken. The CCO Implementation Timeline is detailed below.



#### 13.2 Project Governance

##### ESS

Governance arrangements would be similar to current operations. A project establishment team would be required. No special public consultation is required to establish this option, unlike the CCO option.

##### CCO

Recommend high level arrangements continue with the Project Governance Group, Project Management Group plus a Project Manager to assist governance transition to new board at an appropriate stage.

#### 13.3 Securing Benefits

##### ESS

To ensure that benefits of the option are realised, the ESS option will require a very carefully developed set of contractual arrangements, strong governance and most of all goodwill and cooperation between the councils at both a staff and governance level, sustained over time.

**cco**

An assessment of the anticipated benefits is essential to maintain the focus of the CCO and to ensure objectives are realised. Specific key performance measures will also need to be developed that address relevant benefit measures and these will need to be included in the CCO's Statement of Intent. Further detail on the benefits realisation is available in Part B, sections 5.4 and 5.5.

## APPENDIX C WAIKATO WATER DONE WELL REPORT

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<b>Waikato Water Done Well</b> <b>Hamilton City Council</b>	
<b>Report:</b>	Waikato Water Done Well – Proposal
<b>Meeting Date:</b>	27 August 2024
<b>Prepared by:</b>	Vaughan Payne and Waikato Water Done Well Project Team
<b>Endorsed by:</b>	Don McLeod (Chief Executive Matamata-Piako District Council and Waikato Water Done Well CE Working Party Lead)

### Purpose

To enable Hamilton City Council to consider and make informed decisions with respect to the Waikato Water Done Well recommendations.

### Recommendations

At the next council meeting, it is recommended that Hamilton City Council:

1. **Receive:** receive this report, the material presented and the **attached** technical report
2. **Approve:** approve the following recommendations relating to future water services by Hamilton City Council by no later than mid-September 2024:
  - a) **Strategic direction:** That the council agrees to the vision, outcomes and success measures for the Waikato to be adopted in principle. These are set out in section 3 of the attached technical report but also included in the Appendix to this report for ease of reference.
  - b) **Co-design a staged aggregated model:** That the council agrees to being a participating council that will co-design an aggregated model for the delivery of water services staged by function and governed by a professional board from the outset. Stage 1 will be the establishment of an entity providing functional services to participating councils. The end po. (to deliver on the vision, outcomes and success measures) is an aggregated, fully regulated water services entity (. as termed in the service delivery models recently announced by the Minister, a multi-council owned water organisation.
  - c) **Advise Forum Chairs of decision:** That the council formally advise the Joint Chairs of the Waikato Joint Mayors and Chairs Forum (via the Co-Lab project team) of their decision in relation to the above recommendations by mid-September 2024.
  - d) **Heads of Agreement:** That the council formally instruct its Chief Executive to negotiate a Heads of Agreement (**HoA**) to bring back for council approval by the end of October 2024 (with the intention of the HoA being signed in November 2024). The HoA will be a non-binding agreement between participating councils,

entered into on a good faith basis to show a commitment to progress in the manner proposed. The framework will inform the development of more formal documentation.

3. **Next steps:** subject to the above recommendations being approved, a HoA will be negotiated and brought back to the council for approval before the end of October 2024. If the council does not approve being a participating council in the proposed aggregated model, it will exit the Waikato Water Done Well workstream but be kept informed of the work underway.

### Background

4. Councils are required by law to periodically review the cost-effectiveness of how they meet their communities' needs for good-quality local infrastructure, local public services, and performance of regulatory functions.
5. Under Local Water Done Well, all councils are required by the government to look at how they can address any infrastructure deficits and raise standards of delivery to meet future regulatory requirements (economic, environmental and water quality).
6. One of the first requirements for councils under Local Water Done Well is that they submit a water services delivery plan by August 2025. Councils must adopt these plans by resolution. The plans require councils to describe the current state of water services and demonstrate publicly their commitment to deliver water services in a way that:
  - a) ensures regulatory and quality standards are met
  - b) is financially sustainable; and
  - c) supports the council's housing growth and urban development, as specified in its long-term plan.
7. Plans can be submitted individually or jointly. The information requested of councils is extensive and includes detail around the anticipated or proposed model for future water services delivery, together with the implementation plan for the proposed model (including timeframes and milestones).

### Regional and Local Context

8. Under the banner 'Waikato Water Done Well', the Waikato Joint Mayors and Chairs Forum seeks to support individual councils to make informed decisions on the merits of aggregating water services, regionally or sub-regionally. This report (together with the accompanying technical report) is the output of work mandated by the Forum. It is acknowledged that Hamilton City Council is undertaking significant work to ring-fence its water services activities from other council activities. It is also assessing a number of options for meeting the requirements of Local Water Done Well and the challenges that are specific to Hamilton. Waikato Water Done Well is one of these options.
9. Across Waikato councils LTP24s indicate circa \$7.5 billion is budgeted to be invested in three waters over the next decade alone. Of this, nearly \$5 billion relates to capital works. Some further capital commitments were recommended to councils but were not included in final 10-year budgets, largely because of affordability concerns. Under the current regime, the Waikato will continue to have infrastructure deficits.

10. As Hamilton City Council is well aware, there are multiple independent reports over the last decade (or more) that have been commissioned at a national and local level and show three waters can be delivered more cost-effectively if councils leveraged scale. The analysis set out in the attached technical report and this cover report continues to support that. Using a very conservative efficiency target of around 1% per year (compare with the efficiency target of 4% per annum set by the Watercare Board), savings of around \$338 million across the whole of Waikato could be achieved from a fully aggregated water services entity, over 10 years. The main driver of the efficiency savings relates to capital works planning and delivery, being \$185 million.
11. Successive governments have long recognised the benefits of scale. While the legislation is still being developed, Local Government Minister Simeon Brown has personally confirmed to Forum members at a meeting held in mid-June 2024 that the government is looking for a more joined-up approach to water services delivery, including in the Waikato.
12. The drivers for aggregation are both financial and non-financial. Water experts across Waikato councils, and externally (including contractors), advise risks and opportunities will best be mitigated and captured by councils working together.
13. This is not just about debt capacity, although that is a challenging issue for growth councils such as Hamilton City Council, in particular. Nor is it about whether councils can 'afford' their three waters capex forecast over the course of their LTPs. Even if councils can 'afford' to deliver within their debt limits, under the status quo projections show this will not be affordable for all existing communities.
14. Affordability for ratepayers, and the legal obligations of councils to review cost-effectiveness of arrangements, is a fundamental premise of this work.
15. While each council has its own challenges, the top challenges and risks across all councils (as rated by Chief Executives) are:
  - a) Workforce availability (staff and suppliers)
  - b) Capital works delivery
  - c) Compliance (Waikato Regional Council and Taumata Arowai)
  - d) Consenting (renewals and/or new)
  - e) Community affordability (where revenue needs are greater than acceptable water rates)
16. There are also some common opportunities to be realised, including:
  - a) better use of standardised data and consistent technology
  - b) working together to foster and promote innovation
  - c) increased leverage for procurement and contracting
  - d) better local career paths for the regional waters workforce and enhancing attractiveness for others to enter the sector
  - e) forming sound and effective relationships with Iwi at a level that aligns with current entities (Waikato River Authority, Hauraki Gulf Forum and Waihou, Piako, Coromandel Catchment Authority). Note this approach would not change any existing commitments to Iwi from any Council.



### Challenges for Hamilton City Council

17. The challenges that have been identified specific to Hamilton City Council are:

Council / key problem	Debt capacity	Community affordability	Workforce availability	Capital works delivery	Business continuity	Compliance	Consenting
HCC	✓	✓	✓	✓			✓

The following expands on the challenges across the Waikato councils.

18. **Debt capacity:** Waikato councils fit into two categories:

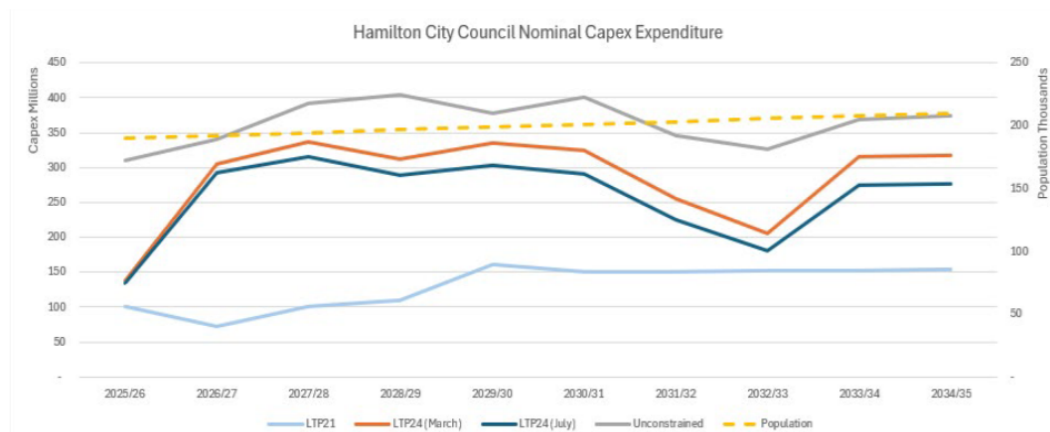
- a) Growth councils: being councils who are running out of the ability to borrow funds from the Local Government Funding Agency (LGFA) because they will surpass the debt to revenue ratio covenant. Hamilton City Council together with Waipā DC and Waikato DC very much fall into this category. As Councillors are aware, to give councils increased access to borrowing, LGFA has recently confirmed where councils form a water services CCO (whether wholly owned by one council or by more), it will extend borrowing up to five times revenue. This is subject to the parent council(s) providing financial support and meeting other prudent credit criteria (yet to be confirmed). This borrowing will be separate from the parent(s) council borrowing. In addition, for high growth councils like Hamilton City, LGFA is reviewing whether it can increase debt limits to 3.5 times revenue to address growth requirements. Again, this is subject to LGFA board approval on a bespoke basis. We understand that Hamilton City representatives are meaningfully engaging with LGFA in relation to this.
- b) Other Waikato councils: albeit there is significant growth in other councils, the pressure on the debt to revenue covenant is not as large as the growth councils.

19. However, an important point is that the need to set up a CCO for debt funding purposes is often confused with the need to establish an aggregated waters services CCO which would provide relief for all the issues raised in this report, and not just an individual council's need to be able to borrow funds.

20. **Community affordability:** Affordability has been self-assessed as a key challenge for Hamilton City. The below affordability table was presented to the Joint Forum on 22 July 2024. Based on a benchmark of water services becoming unaffordable if water rates exceed 2% of household mean income, this identifies Hamilton City as being affordable now but becoming unaffordable under the status quo within 10 years. It is acknowledged that at this point in time, the figures below are indicative only for Hamilton City Council. It is also worth noting that in the context of New Zealand, Watercare (in accordance with its Statement of Intent) monitors customer affordability with reference to a target of being no more than 1.5% of Aucklanders' household income.

Council	2024 Average Water Charges	2024 Mean Household Income	2024 Affordability	2025 Average Water Charges	2025 Mean Household Income	2025 Affordability
Hamilton	1,589	\$122,485	1.3%	5,281	\$195,968	2.7%
Hauraki	1,714	\$93,971	1.8%	4,860	\$150,348	3.2%
Matamata-Piako	1,539	\$106,012	1.5%	2,193	\$169,613	1.3%
Ōtorohanga	974	\$105,383	0.9%	1,652	\$168,606	1.0%
South Waikato	1,613	\$108,224	1.5%	2,337	\$173,152	1.3%
Taupō	1,655	\$110,702	1.5%	3,350	\$177,116	1.9%
Thames Coromandel	1,890	\$79,530	2.4%	3,049	\$127,243	2.4%
Waikato	2,310	\$129,602	1.8%	7,921	\$207,355	3.8%
Waipā	2,021	\$120,903	1.7%	3,470	\$193,437	1.8%
Waitomo	2,651	\$89,164	3.0%	4,634	\$142,657	3.2%

21. **Workforce availability:** the retention and recruitment of staff with the requisite skills, together with procuring contractor expertise are challenges that each Council faces. The workforce in water is an aging workforce. Even for those councils who do not consider financial sustainability to be an issue, there is the risk of not having the staff with the capability and capacity to maintain the requisite levels of service.
22. **Capital works delivery:** The capital investment projected for Hamilton City Council in LTP24 information provided is over \$2.7bn. In response to a survey on how confident the Chief Executive is that LTP 2024 reflects the future investment required by Hamilton City Council, particularly in relation to supporting growth through capital expenditure, with 9 being very high confidence and 1 being very low, the Chief Executive rated this as being 7.
23. Furthermore, in response to a survey as to how confident they are that LTP2024 reflects future investment requirement by their council to meet future regulatory requirements, including any fees payable to regulators (including economic) (using the same scale as above), the Chief Executive rated this as 7.
24. The capital works delivery as set in LTP21, March 2024 (draft figures provided by councils) and July 2024 is set out below together with the unconstrained amount of capital investment that was identified from feedback from council staff in the context of the last reform. This is then plotted against the population growth.



25. **Compliance:** No moderate or significant compliance issues have been recorded for Hamilton City Council by Waikato Regional Council or Taumata Arowai for 2023/2024.
26. **Consenting:** Unanticipated costs associated with consent renewals have been identified as a challenge for Hamilton City Council.

#### *Opportunity for Hamilton City Council to address challenges*

27. Aggregation provides Hamilton City Council with an opportunity to mitigate the risks that these challenges present. Further, aggregation provides a significant opportunity for a more strategic and cost-effective approach to consenting (noting one third of all water consents in the region expire by 2030). This is because there are seven councils in the Waikato River catchment who could, for example, have strategic conversations with the consent authority and Iwi partners about giving effect to Te Ture Whaimana through 'nutrient balancing' between wastewater treatment plants within the catchment.
28. The recommendation at paragraph 2(b) above in respect of Waikato Water Done Well is for participating councils to take an incremental and pragmatic approach to developing a regional entity which is flexible to cater for different needs across the region, and equitable so that over time, everyone (i.e. each community) wins.

#### **Residual impact on Hamilton City Council**

29. On a wider regional level, it is acknowledged the residual impacts of moving some functional services from some individual councils to a regional entity are unknown at this stage. However, a long-term perspective is required to ensure a delivery model is adopted that is sustainable (with affordability being a component of this). The pathway principles set out in the attached technical report include a principle in relation to risk, and that risks associated with aggregation (including residual risk to councils) are managed and mitigated.
30. It is acknowledged that there is the added consideration for Hamilton City Council of potentially obtaining not just the 350% debt to revenue of a high-growth council but also the 500% water debt to revenue that a water services CCO could unlock from LGFA.
  - a) The 350% is a matter between LGFA and Hamilton City Council.
  - b) We understand that the work Hamilton City Council is currently undertaking internally will provide it with the building blocks to start establishing a water services CCO that

could get 500% water services borrowing to water services revenue. The technical report sets out an indicative structure that enables integration between any standalone CCO and the Stage 1 regional CCO as a stepping stone. The timing of the regional CCO moving to Stage 2 will be a matter determined by all Stage 1 participating councils in conjunction with the Board of the CCO.

31. Together, we can develop a financially sustainable model which better provides the water services infrastructure our communities and region need, and which meets regulatory requirements and government and community expectations.
32. In the interests of efficiency, councils who are unwilling or unable to commit by mid-September 2024 to an incremental approach, and the ultimate goal of an aggregated, fully regulated water services delivery entity, should exit this workstream (noting they will continue to be informed of the work underway). It will be up to these councils to determine how they will meet the requirements of Local Water Done Well and demonstrate the commitment to deliver water services in a manner that meets the requirements of central government.

### Next steps

As per the recommendations, the next step is for councils to inform the Joint Chairs of the Forum of their decision in relation to the recommendations. If a council wishes to be a participating council, the CE will be taken to have the mandate to negotiate the HoA which will be brought back to council for consideration and approval in October 2024.



## Appendix - Strategic framework

Strategic Outcomes	What does success look like?
1. create scale and change to enable the significant investment required to deliver efficient and financially sustainable services that comply with regulatory requirements and enable urban development	<ul style="list-style-type: none"> <li>Balance sheet separation is achieved together with ability to borrow in a practical and cost-effective manner</li> <li>Achieve more with the same amount of revenue</li> </ul>
2. create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for Waikato	<ul style="list-style-type: none"> <li>Supply chain has longer-term certainty, providing confidence to invest</li> <li>Specialist waters staff will be retained, protecting regional capability and enhancing future service delivery</li> </ul>
3. be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water	<ul style="list-style-type: none"> <li>Investment in systems is increased, data is <u>standardised</u>, leading to better analysis and more confident decision-making</li> <li>Can demonstrate transparency and compliance</li> <li>Affordable to the community</li> </ul>
4. ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges	<ul style="list-style-type: none"> <li>Local concerns addressed (but in a balanced manner that does not undermine balance sheet separation)</li> <li>The water services model can give effect to the spatial plans of each council (noting the plan informed by strong local voice).</li> <li><u>Prioritisation</u> framework and statement of expectations (for example) capture the strong local voice heard by councils</li> </ul>
5. meet the expectations of key partners and stakeholders including those represented in Treaty settlements and protecting public health and the environment.	<ul style="list-style-type: none"> <li>Treaty settlement obligations can be given effect to</li> <li>Ability to invest in whole of catchment solution, supporting regional economic growth</li> <li>Cost savings created through improved processes e.g. resource consents</li> </ul>



### FURTHER INFORMATION

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# Council Report

**Committee:** Council

**Date:** 12 September 2024

**Author:** Amy Viggers

**Authoriser:** Michelle Hawthorne

**Position:** Governance Lead

**Position:** Governance and Assurance Manager

**Report Name:** Draft 2025 Schedule of Council and Committee Meetings

<b>Report Status</b>	<i>Open</i>
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## Purpose - *Take*

1. To seek the Council's approval of the draft schedule of Council and Committee meetings for 2024.

## Staff Recommendation - *Tuutohu-aa-kaimahi*

2. That the Council:
  - a) receives the report; and
  - b) approves the Draft 2025 schedule of Council and Committee Meetings

## Executive Summary - *Whakaraapopototanga matua*

3. The proposed 2025 Hamilton City Council Schedule of Meetings sets out the meeting dates for the 2025 calendar year for Council and Committees of Council in line with the approved Governance Structure for the 2022-2025 triennium. This can be found in **Attachment 1** of this report
4. The schedule was developed in consultation with the Mayor, Elected Members, External Committee Member and key members of staff. This was largely based on the previous year's schedule.
5. Staff consider that the decision in this report has low significance, and that the recommendation complies with the Council's legal requirements.

## Discussion - *Matapaki*

6. Standard practice for the Council is to adopt a schedule of meetings for the following calendar year. this ensure the business of the Council can continue to be conducted in an orderly and transparent manner. Allowing public notification of meetings to be given in compliance with the Local Government Official Information and Meetings Act 1987.
7. The proposed 2025 Hamilton City Council Schedule of Meetings (**attachment 1**) sets out the meeting dates for the 2024 calendar year for Council and Committees of Council in line with the approved Governance Structure for the 2022-2025 triennium.



8. The Governance Team has been working with the Mayor, Elected Members, External Committee Members, Maangai Maaori Members, and key members of staff to form the schedule. This was largely based on the previous year's schedule.
9. The following considerations informed the development of the proposed 2025 schedule of meetings:
  - i. Council meetings, Committee meetings and information sessions are scheduled on Tuesday, Wednesday, and Thursday as much as possible, to keep Monday and Friday free for regional commitments and constituency work;
  - ii. Avoidance of Council or Committee meetings on the day prior and/or after a public holiday where possible;
  - iii. Finance and Monitoring meetings are proposed to take place at the end of a month. This is to enable staff to complete the month end process before reporting to the Committee which would lead to more up to date financial information in reports;
  - iv. With the workload of Members and staff in mind:
    - a. Weeks without formal Council or Committee meetings are linked to school holidays and are more regular.
    - b. Committee meeting where the same report writers are involved are separated where possible;
    - c. Some ordinary Council meetings have been combined with the Long-Term Plan Council meetings and the Annual Report adoption meeting;
10. It is important to note, that while there are more periods without formal Council or Committee meetings, work will still be occurring. Elected Members will continue attending meetings with constituents, Civic Events, Working Group meetings and other meetings.
11. Once the 2025 Schedule of Meetings has been approved, the Governance Team will update members calendars accordingly and the meeting dates will be uploaded to Council's website, so the public have advance notice of meeting dates.
12. If there are any changes to dates during the year, all calendars will be managed and updated accordingly by the Governance Team as per normal process.
13. Staff will commence work on forming draft 2025 work programmes and schedule of Council and Committee reports in consultation with relevant Chair's and Deputy Chair's. These schedules/work programmes will come back to Council for approval in due course.

### **Financial Considerations - *Whaiwhakaaro Puutea***

14. This is a regular operating activity funded through the Long-Term Plan.

### **Legal and Policy Considerations - *Whaiwhakaaro-aa-ture***

15. Staff confirm that information included in this report complies with the Council's legal and policy requirements.

### **Climate Change Impact Statement**

16. Staff have assessed this option against the Climate Change Policy for both emissions and climate change adaptation. Staff have determined no adaptation assessment is required.

### **Wellbeing Considerations - *Whaiwhakaaro-aa-oranga tonutanga***

17. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental, and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

18. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.
19. The recommendations set out in this report are consistent with that purpose.

#### **Risks - *Tuuraru***

20. There are no known risks associated with the decisions required for this matter.

#### **Significance & Engagement Policy - *Kaupapa here whakahira/anganui***

21. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the recommendation(s) in this report has/have a low level of significance.
22. Given the low level of significance determined, the engagement level is low. No engagement is required.

#### **Attachments - *Ngaa taapirihanga***

Attachment 1 - Draft 2025 schedule of Council and Committee Meetings

2025																							
January				February				March				April				May				June			
Mon																							
Tues												1	Comm Grant Sub										
Wed	1	New Years Day										2											
Thur	2											3											
Fri	3											4	Comm & Enviro	1	Council / Civic Awards								
Sat	4				1			1				5				3							
Sun	5				2			2				6				4				1			
Mon	6				3			3				7	Citizenship	5					2	Kings Birthday			
Tues	7				4			4				8	SG & DP	6	Council - AP Hearing	3			CE Review Meeting				
Wed	8				5			5	Information Session	9		9		7	Council - AP Hearing - HOLD	4			Information Session				
Thur	9				6	Waitangi Day		6	Strat Risk & Assur	10		10	Reg & Hearing	8	Council - AP Hearing	5			Comm & Enviro				
Fri	10				7			7				11		9		6							
Sat	11				8			8				12	School Holiday Start	10		7							
Sun	12				9			9				13		11		8							
Mon	13				10			10				14		12	Citizenship	9			Citizenship				
Tues	14				11			11	Infra & Transport	15		13	Infra & Transport	10		11			SG & DP				
Wed	15				12	Information Session		12	Traffic	16		14	Information Session	11		12			Information Session				
Thur	16				13			13		17		15	CE Review Workshop	12		13			Fieldays				
Fri	17				14			14		18		16		13		14			Fieldays				
Sat	18				15			15		19		17	Good Friday	14		15			Fieldays				
Sun	19				16			16		20		18		15		16							
Mon	20				17			17	Citizenship	21		19	Easter Monday	16		17							
Tues	21				18	Comm & Enviro		18	Tainui Co Governance	22		20		17		18			Eco Dev				
Wed	22				19			19		23		21		18		19			Traffic				
Thur	23				20	SG & DP		20	Council	24		22		19		20			Tainui Co Governance				
Fri	24				21	DLC		21		25		23	ANZAC Day	20		21			Matariki				
Sat	25				22			22		26		24		21		22							
Sun	26				23			23		27		25	School Holiday End	22		23							
Mon	27	Start of School		24	Citizenship			24		28		26		23		24			Finance and Monitoring				
Tues	28			25	Reg & Hearing			25		29		27	Finance and Monitoring	24		25			Finance and Monitoring				
Wed	29	Auckland Anniversary		26	CE Review Workshop			26	Information Session	30		28	Information Session	25		26			Information Session				
Thur	30			27	Finance and Monitoring			27	Eco Dev			29	Council - Deliberations	26		27			Council - AP adoption				
Fri	31			28				28				30	Council - Deliberations HOLD	27		28			Council				
Sat												31		28		29							
Sun								30						29		30			School Holiday Start				
Mon								31						30		31							
Tues																							
January				February				March				April				May				June			

KEY		
Council	Traffic	Public Holiday
Finance and Monitoring	CE review mtg	School Holidays
Infra and Transport	Information Sessions	New Year to 26/01/2025
SG & DP	Tainui Co-Governance	12 April - 27 April
Comm & Enviro	Comm Grant Sub	27 June - 13 July
Eco Dev	Dog Panel	20 September - 5 October
Reg & Hearing	Strat Risk & Assur	19 December -
No Formal Council meetings		

Annual Plan / Long Term Plan Amendment	
11 February Council meeting to set the draft budget	
20 March Council meeting to approve the consultation document	
24 March - 27 April consultation period	
6-8 May Council meeting for verbal submissions	
29-30 May Council meeting for Deliberations	
26 June Council meeting to adopt the plan	



# Council Report

Item 15

**Committee:** Council

**Date:** 12 September 2024

**Author:** James Winston II

**Authoriser:** Michelle Hawthorne

**Position:** Governance Advisor

**Position:** Governance and Assurance Manager

**Report Name:** Recommendations from Open Committee Meetings

<b>Report Status</b>	Open
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## Purpose - Take

1. To seek the Council's approval of the recommendations from the following Committee meetings:
  - i. Economic and Development Committee Meeting 13 August 2024 ([Agendas and Minutes](#)) concerning:
    - a. Policy Review – Appointment and Remuneration of Board Members of COs, CCOs and CCTOs
    - b. Policy Review - Freeholding of Council Endowment Land Policy
  - ii. Finance and Monitoring Committee meeting 29 August 2024 ([Agendas and Minutes](#)) concerning the Financial Performance & Strategy Report to 30 June 2024.
  - iii. Strategic Risk and Assurance Committee Meeting 3 September 2024 ([Agendas and Minutes](#)) concerning:
    - a. Health & Safety Report - 1 May 2024 to 31 July 2024
    - b. Risk Management Report
  - iv. Community and Natural Environment Committee Meeting 10 September 2024 concerning Reserve Classification and Naming.

## Recommendations from the Economic Development Committee meeting of 13 August 2024

### **Policy Review – Appointment and Remuneration of Board Members of COs, CCOs and CCTOs**

2. That the Council approves the revised Policy for the Appointment and Remuneration of Board Members of:
  - i. Council Organisations (COs),
  - ii. Council Controlled organisations (CCOs) and
  - v. Council Controlled Trading Organisations (CCTOs) (**Attachment 1**).

### **Policy Review - Freeholding of Council Endowment Land Policy**

3. That the Council approves the amended Freeholding of Council Endowment Land Policy as detailed in **Attachment 1** of the staff report.

**Recommendations from the Finance and Monitoring Committee meeting of 29 August 2024**

**Financial Performance & Strategy Report to 30 June 2024**

4. That the Council:
  - a. approves the capital movement as identified in the 29 August 2024 Capital Portfolio Monitoring Report; and
  - b. notes the revised Financial Strategy position for Debt to Revenue, Net Debt and Balancing the Books as set out in paragraphs 53 to 55 of Appendix 1 of the minutes of the committee meeting.

**Recommendations from the Strategic Risk and Assurance Committee meeting of 3 September 2024**

**Health & Safety Report - 1 May 2024 to 31 July 2024**

5. That the Council receives the report.

**Risk Management Report**

6. That the Council receives the report.

**Recommendations from the Community and Natural Environment Committee meeting of 10 September 2024 – to be circulated following the meeting.**

***Attachments - Ngaa taapirihanga***

There are no attachments for this report.

## 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. Confirmation of the Elected Member Closed Briefing Notes 7 August 2024	) Good reason to withhold ) information exists under ) Section 7 Local Government	Section 48(1)(a)
C2. Confirmation of the Elected Member Closed Briefing Notes 27 August 2024	) Official Information and ) Meetings Act 1987 )	
C3. Confirmation of the Elected Member Closed Briefing Notes 28 August 2024		
C4. Digital Services - Microsoft Enterprise Agreement and Server and Cloud Enrolment		
C5. Digital Services - Microsoft Azure Renewal		
C6. Appointment of new Independent Commissioners' Panel		

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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C4.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C5.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C6.	to protect the privacy of natural persons	Section 7 (2) (a)