

Time	Topic and Purpose	Presenter(s)	Format	Time allocated
9.30am	Three Waters Update The purpose of the session is to update Members on the work being undertaken on Water done well by staff and the Waters Working Group.	Andrew Parsons Peter Winder	Open Briefing	60 Minutes
10.30am	Long Term Plan Pre-Deliberation Discussion – Introduction The purpose of this session is to provide Members with an opportunity to meet with staff following the circulation of the LTP Deliberations agenda.	James Clarke	Open Briefing	90 Minutes
SESSION ENDS				

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 to members information on water reform and work to develop an HCC position 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 and the matters considered by the Waters Working Group at its recent meetings.

This session is one 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 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 attached draft success statements
- read and consider the Waters Working Group Agenda that is attached
- prepare feedback on the draft success statements.
- 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 in relation to Local Water Done Well solutions for Auckland – this is a two waters solution with strong balance sheet separation and no Council or Crown underwrite for Watercare's debt.
- The LGFA is continuing to work through options for funding water CCOs and discussed this when they last briefed Council. This points to an alternative to the Auckland solution that may be more helpful – in particular through the transition period when any waters CCO does not have an established track record of collecting waters revenue.
- 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 has not yet been introduced to Parliament. However, this is unlikely to address the key aspects of what 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.
- The Waters Working Group has progressed consideration of what success from Local Water Done Well would look like for Hamilton (attached).
- Feedback is sought from Councillors on the draft success framework before it is finalized for formal endorsement.

WHERE CAN MEMBERS FIND MORE INFORMATION?

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

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

Staff need direction on:

- The draft success statements.

Local Water Done Well – What is success for HCC?

DRAFT

In order to consider the opportunities, issues, risks and options that Local Water Done Well brings, HCC is working to express what 'success' would look like. The following statements reflect the emerging position. This is a work in progress and has not been formally adopted by Council.

The emerging position is that success for Hamilton from Local Water Done Well would be that ...

Waters are delivered in a way that:

1. Provides the best (financial and non-financial) sustainable outcomes for the communities of Hamilton now and for the future.
2. Supports the health of the awa and Hamilton's role in implementing Te Ture Whaimana.
3. Responds to and caters for Hamilton's growth needs as identified in Hamilton's growth strategy.
4. 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.
5. Provides a stable and secure long term decision-making environment that can make sound investment decisions for very long-life infrastructure.
6. Ensures that all environmental, public health, and economic regulatory compliance requirements are met.
7. Ensures commitments and obligations to iwi and hapū are met.
8. Creates the conditions necessary to build, attract, develop, and sustain the highly skilled workforce needed to deliver water services.
9. Ensures that Hamiltonians have influence in ownership and governance decisions proportionate to the size and nature of the City's population, assets, and needs.
10. Recognises Hamilton's role and contribution to the region and the benefits of regional action.

HCC also seeks to ensure that:

11. Change follows the most logical, efficient, cost effective, and lowest risk pathway to realise the benefits.
12. The community clearly understands any change.

DRAFT

Expanding the success statements further gives the following:

1. 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 deliver 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.

2. 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.

3. 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.

4. 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.

5. 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 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.

6. 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.

7. Ensures commitments and obligations to iwi and hapū are met.

HCC has made significant commitments to iwi and hapū 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.

8. 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.

9. 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.

10. 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.

HCC also seeks to ensure that:

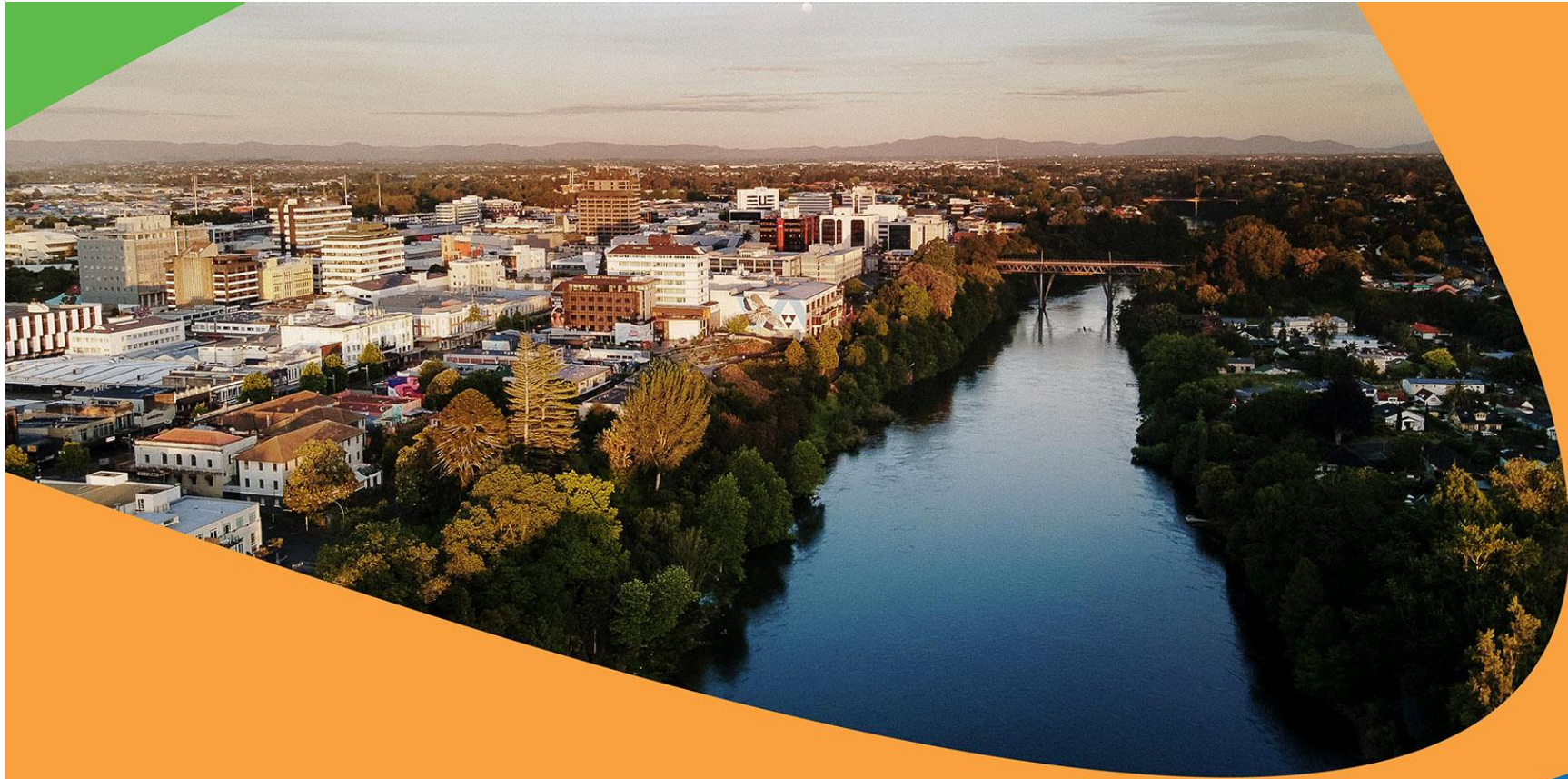
11. Change follows the most logical, efficient, cost effective, and lowest risk pathway to realise the benefits.

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.

12. 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.



Three Waters

The challenges ahead - Update

What we will cover in this briefing

May 29, 2024

1. Recent Announcements

2. Engaging with other Councils

3. What does success look like for Hamilton?

4. Key Messages

5. Next steps

Local Water Done Well
2

1. Recent Announcements

- The Minister of Local Government and the Mayor of Auckland have announced a framework for Local Water Done Well in Auckland – this provides a two waters solution, with balance sheet separation, and no shareholder or Crown underwrite of Watercare debt.
- The LGFA recently briefed Council on its work. This points to a different approach to achieve increased debt headroom through a CCO with a council underwrite.
- The second Bill has not yet been introduced to Parliament – it will focus on economic regulation and new requirements for a Water Services Delivery Plan.
- The Bill is unlikely to address significant issues relating to what a new Waters CCO would look like, how it would operate and the legislative underpinning for it – it is likely that there will be considerable uncertainty over key aspects of a new Waters CCO until the third Bill is introduced (end of 2024) and enacted (middle of 2025).
- HCC will need to consider a submission on the second Bill and timing for that will be tight.

2. Engaging with other Councils

- We have entered into an MOU with Waikato District and are preparing to commence a due diligence and information sharing process with them.
- We will be verbally update Council on Tauranga's approach and their emerging preferred option.
- The Waikato Water Done Well process held a CE design workshop on 17 May. DIA provided a verbal briefing which largely confirmed our expectations regarding timing, which issues will be addressed in which Bill, and when Councils are likely to have sufficient information to make informed decisions. We encouraged all councils to consider their options and secure a mandate for engagement.

3. What does success look like for Hamilton?

Feedback is sought on what success looks like for Hamilton. The emerging position is that success for Hamilton from Local Water Done Well would be that ... Waters are delivered in a way that:

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2. Supports the health of the awa and Hamilton's role in implementing Te Ture Whaimana.
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4. 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.
5. Provides a stable and secure long term decision-making environment that can make sound investment decisions for very long-life infrastructure.

3. What Does success look like for Hamilton? #2

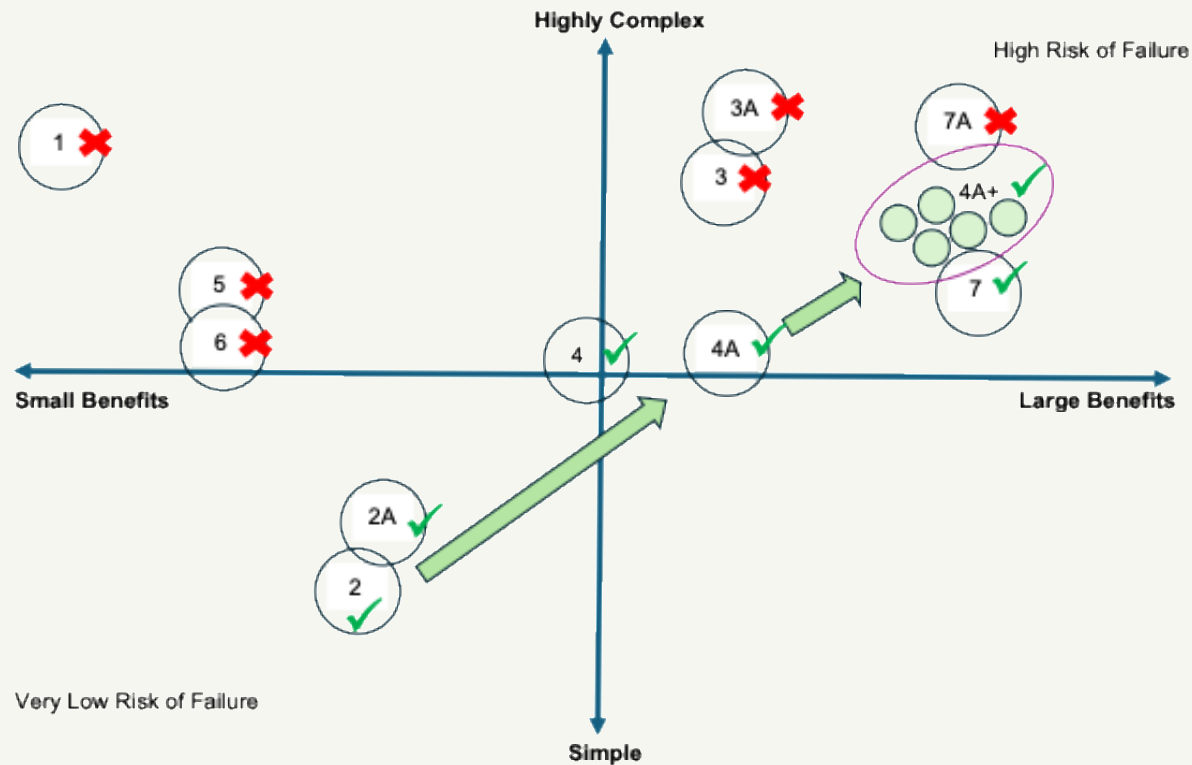
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9. Ensures that Hamiltonians have influence in ownership and governance decisions proportionate to the size and nature of the City's population, assets, and needs.
10. Recognises Hamilton's role and contribution to the region and the benefits of regional action.

3. What Does success look like for Hamilton? #3

HCC also seeks to ensure that:

11. Change follows the most logical, efficient, cost effective, and lowest risk pathway to realise the benefits.
12. The community clearly understands any change.

4. Options



1 - Council with new regulation	2 - Council Business Unit	2A - Council Business Unit + services
3 - 3 Waters Assets + Services CCO	3A - 3 Waters Asset CCO	4 - 2 Waters Asset CCO
4A - 2 Waters + Stormwater Services CCO	5 - 2 Waters Services CCO	6 - 2 Waters multi Council CCO
7 - 2 Waters multiple Council CCOs	7A - 3 Waters multiple Council CCOs	4A+ Plus Additional Council Shareholders

May 29, 2024

Done Well

5. Key Messages

Primary key message to the public and media in this initial phase is:

- **Council is working through options to get the best outcomes for Hamiltonians, and there is time to get it right.**

Other key messages:

- Hamilton delivers safe, high quality, well-maintained three waters services to its residents.
- We are better off than many other councils, but we face some very big challenges.
- Future costs for water services will increase, in Hamilton, and across the country.
- If we can find better ways to deliver water services, we can reduce the size of these increases.
- Government has announced councils have to produce a plan for their water services by mid-2025.
- This Government sees councils forming partnerships or CCOs to get economies of scale.

5. Key Messages 2

Other key messages (continued):

- Legislation is coming to enable new forms of CCOs and new economic regulation.
- The detail of this legislation is not yet known.
- At a regional level the Waikato Mayors and Chairs Forum is overseeing work with councils and iwi partners to consider a potential Waikato water services organisation.
- Alongside this work, individual councils are evaluating which options best fit their community's needs.
- Hamilton's been down this path before, and we know there's big economic efficiencies through combining resources.
- We've also got really good data from the previous government's water reform journey.
- Over the next few months, we're refining many options and looking at what we can do on our own, with neighbouring councils, or with other alliances.
- **Council will have some big decisions, but we've got time to get it right.**

6. Next steps

Following feedback from this briefing the project workstream is:

- Confirm resources necessary to respond to Local Water Done Well – Council item for 30 May 2024
- Progress Due Diligence and information sharing with Waikato District
- Continue to engage in Waikato Water Done Well
- Progress the formal evaluation and documentation of the long-list to short-list of options
- Prepare draft submission on the second water reform Bill
- Scope the work that would be involved in progressing and implementing the emerging pathway
- Scope and plan for a Water Services Delivery Plan

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