



Our reference
F19/13/03-D21/26182

18 February 2025

Notice of Meetings – Tuesday 25 February 2025

Notice is hereby given that the following meetings will be held in the **Council Chambers, Stratford District Council, 63 Miranda Street, Stratford** on **Tuesday 25 February 2025** beginning at **10.00am**

Timetable for 25 February 2025 as follows:

10.00am	Extraordinary Meeting of Council - Water Services Delivery Model for Consultation
12 noon	Farm Committee Meeting
1.00pm	Policy and Services Committee – Hearing - To hear and consider submissions to the draft Parking Control Bylaw, Restricted Access to Roads Bylaw and Vehicle Crossing Bylaw.
3.00pm	Policy and Services Committee

Yours faithfully

Sven Hanne
Chief Executive

2025 - Agenda - Extraordinary - Water Service Delivery Options for Consultation



25 February 2025 10:00 AM

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AGENDA

Extraordinary



F22/55/05 – D25/4809

Date: Tuesday 25 February 2025
Venue: Council Chambers, 63 Miranda Street, Stratford

1. Welcome
 - 1.1 **Opening Karakia**
D21/40748 Page 5
 - 1.2 **Health and Safety Message**
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2. Apologies
3. Announcements
4. **Declarations of members interest**
Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.
5. **Attendance Schedule**
Attendance schedule for Ordinary and Extraordinary Council meetings.
6. **Decision Report – Selection of Preferred Water Services Delivery Model for Consultation**
D25/4497 Page 8

Recommendations

1. THAT the report be received.
2. THAT Council note that as per the requirements arising from the Local Government (Water Services Preliminary Arrangements) Act 2024 and other associated legislation, it is required to identify a preferred water services delivery model for Water, Wastewater and Stormwater, to be consulted on – with the final delivery model forming the basis of a compliant Water Services delivery Plan (WSDP), that will be formally adopted via council resolution before being submitted to the Secretary of Local Government by 3 September 2025.
3. THAT officers are instructed to prepare consultation material for consideration at a meeting in April 2025 that:
 - a. Includes analysis of two options for the delivery of Water Services to the Stratford District, these are:
 - I. Enhanced Status Quo via an in-house Business Unit
 - II. Joint Taranaki WSCCO.
 - b. Identifies the (model) as the preferred delivery model for Water and Wastewater services with Stormwater assets and services to remain under Stratford District Council ownership and management.

(If a regional Joint Taranaki Water Services Council Controlled Organisation with New Plymouth District Council (NPDC) and South Taranaki District Council (STDC) is chosen as the preferred model, the following should be added to this resolution):

That in the event NPDC and/or STDC opt out of a Joint Taranaki WSCCO, the recommended preferred water services delivery model is an Enhanced Status Quo delivered by an in-house business unit of council with ownership of water, wastewater and stormwater assets remaining with council.

Recommended Reason

As per discussion with elected members, no overall staff recommendation is included in this report due to the combination of technical as well as political aspects of the two delivery models considered. Analysis of the technical aspects, particularly considering risk, rates implications and end-user cost favours an in-house business unit, this however needs to be balanced against the political aspects which are explored further within this report.

/
Moved/Seconded

7. Questions

8. Closing Karakia
D21/40748 Page 56



Our reference
F19/13/03-D21/40748

Karakia

Kia uruuru mai
Ā hauora
Ā haukaha
Ā haumāia
Ki runga, Ki raro
Ki roto, Ki waho
Rire rire hau Paimārire

I draw in (to my being)
The reviving essence
The strengthening essence
The essence of courage
Above, Below
Within, Around
Let there be peace.



Our reference
F19/13/03-D22/17082

Health and Safety Message

In the event of an emergency, unless guided to an alternative route by staff, please exit through the main entrance. Once outside the building please move towards the War Memorial Centre congregating on the lawn area outside the front of the council building.

If there is an earthquake, please drop, cover and hold where possible. Remain indoors until the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

5. Attendance schedule for 2025 Ordinary and Extraordinary Council meetings.

Date	01/02/25	25/02/25	11/03/25	08/04/25	13/05/25	10/06/25	08/07/25	12/08/25	02/09/25	07/10/25
Meeting	O	E	O	O	O	O	O	O	O	O
Neil Volzke	✓									
Steve Beck	✓									
Grant Boyde	✓									
Annette Dudley	✓									
Jono Erwood	✓									
Ellen Hall	✓									
Amanda Harris	✓									
Vaughan Jones	A									
Min McKay	✓									
John Sandford	✓									
Clive Tongaawhikau	A									
Mathew Watt	✓									

Key	
O	Ordinary Meeting
E	Extraordinary Meeting
EM	Emergency Meeting
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sick
(AV)	Meeting held, or attended by, by Audio Visual Link

DECISION REPORT



F22/55/04 – D25/4497

To: Council
From: Chief Executive
Date: 25 February 2025
Subject: Selection of Preferred Water Services Delivery Model for Consultation

Recommendations

1. THAT the report be received.
2. THAT Council note that as per the requirements arising from the Local Government (Water Services Preliminary Arrangements) Act 2024 and other associated legislation, it is required to identify a preferred water services delivery model for Water, Wastewater and Stormwater, to be consulted on – with the final delivery model forming the basis of a compliant Water Services delivery Plan (WSDP), that will be formally adopted via council resolution before being submitted to the Secretary of Local Government by 3 September 2025.
3. THAT officers are instructed to prepare consultation material for consideration at a meeting in April 2025 that:
 - a. Includes analysis of two options for the delivery of Water Services to the Stratford District, these are:
 - I. Enhanced Status Quo via an in-house Business Unit
 - II. Joint Taranaki WSCCO.
 - b. Identifies the (model) as the preferred delivery model for Water and Wastewater services with Stormwater assets and services to remain under Stratford District Council ownership and management.

(If a regional Joint Taranaki Water Services Council Controlled Organisation with New Plymouth District Council (NPDC) and South Taranaki District Council (STDC) is chosen as the preferred model, the following should be added to this resolution):

That in the event NPDC and/or STDC opt out of a Joint Taranaki WSCCO, the recommended preferred water services delivery model is an Enhanced Status Quo delivered by an in-house business unit of council with ownership of water, wastewater and stormwater assets remaining with council.

Recommended Reason

As per discussion with elected members, no overall staff recommendation is included in this report due to the combination of technical as well as political aspects of the two delivery models considered. Analysis of the technical aspects, particularly considering risk, rates implications and end-user cost favours an in-house business unit, this however needs to be balanced against the political aspects which are explored further within this report.

/
Moved/Seconded

1. Purpose of Report

The matter for consideration by Council is the determination of the preferred water services delivery model to include in formal public consultation required under the Local Government (Water Services Preliminary Arrangements) Act 2024, to enable the development of consultation materials for release in April 2025 and meet the statutory deadline of 3 September for the submission of a WSDP.

2. Executive Summary

2.1 In September 2024, the Coalition Government passed the Local Government (Water Services Preliminary Arrangements) Act 2024, driving a tight timeframe for developing and implementing objectives under the Local Water Done Well (LWDW) Policy.

2.2 This policy differs from the previous government's Affordable Waters reforms by providing Councils with the flexibility to determine the optimal structure and delivery method for their water services whilst meeting new rules for financial sustainability and regulatory quality standards.

2.3 The Local Water Done Well framework includes the opportunity for councils to establish independent or joint Water Services Council Controlled Organisations (WSCCOs), that can borrow directly through the New Zealand Local Government Funding Agency (LGFA) at higher net debt to revenue ratios than most local authorities.

2.4 It has been stated in formal communications from the former Minister for Local Government, Hon Simeon Brown that "The Government's expectation is that councils will work together to establish joint water organisations for water services delivery, recognising the cost and operational efficiencies that come with greater size and scale¹".

2.5 A critical component of the legislation is the statutory requirement for all Councils to submit a Water Services Delivery Plan (WSDP) to Central Government by 3 September 2025 that explicitly shows an assessment of Council's water infrastructure, how much is needed to invest, and how Councils plan to finance and deliver it through a preferred water service delivery model.

2.6 Under the Act, Councils must use a simplified consultation process for decision-making, requiring the identification of a preferred model, and assessment of the advantages and disadvantages of the preferred model and at least one other model, and the impact of each option on rates, debt, and levels of service. This means Council's consultation may be confined to two options, however it is open to Councils to identify any other options it has considered to help the community understand why Council decided on the preferred model.

2.7 Elected members and officers completed an initial options analysis based on the five Service Delivery Models covered by the Local Water Done Well guidance information.

Model 1	Enhanced Status Quo (In-house business unit)
Model 2	Enhanced Status Quo (In-house business unit) + Shared Services
Model 3	Single-Council WSCCO (SDC-WSCCO)
Model 4	Joint/Taranaki WSCCO
Model 5	Consumer Trust Model

2.8 The options analysis determined some models to not be reasonably practicable or not financially beneficial. Model 1 and Model 2 were considered to be the same as shared services are already well established within the existing service delivery model. Detailed analysis was therefore undertaken for the Enhanced Status Quo (in-house business unit) option as well as a Joint/Taranaki WSCCO for water and wastewater. For the WSCCO options, stormwater would remain with Council, with the option for the delivery of services to be contracted to the WSCCO at a later date.

2.9 This paper therefore seeks agreement to include the analysis of two options: 1) Enhanced Status Quo, 2) Joint WSCCO in consultation materials.

¹ Letter from Hon Simeon Brown to Local Government Mayors/Chairs received 10 December 2024.

- 2.10 With regards to the preferred option, it was agreed with elected members that officers would provide an analysis and recommendation based on the technical aspects of the two delivery models but limit the guidance given regarding the political aspects to general advice on each aspect rather than an overall recommendation. This is covered in the Options section of this paper, and as a result there is no staff recommendation regarding the overall model in the overall recommendation of this report.
- 2.11 If elected members opt for a Joint WSCCO as their preferred option, there is a risk that regional partners opt out prior to, or as a result of public consultation. If this were to occur, then SDC would default to the Enhanced Status Quo option. This ensures compliance with legislative requirements within the statutory timeframe and enables, if desired, further investigation into other delivery arrangements, at a later date, without the time pressure of a legislative deadline.

3. Local Government Act 2002 – Section 10

Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future”			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:			Yes
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

Provision of water supply traverses all four well-beings. While this report only sets criteria for the upcoming consultation process, this was assessed on the basis of the overall work programme it forms part of, driven by a legislative requirement to change from the status quo.

4. Background

Water services reform has been on the national agenda as part of the last Labour and current National governments and has been articulated in previous reports and through Council workshops.

4.1 Local Water Done Well Legislative and Policy Framework

- 4.1.1 The Local Government (Water Services) Bill was introduced in early December 2024. This Bill builds on the foundations set in the Local Government (Water Services Preliminary Arrangements) Act 2024.
- 4.1.2 The combined legislation sets minimum requirements for service delivery models that include:
 - a) new economic, environmental and water quality regulations
 - b) a new planning and accountability framework
 - c) financial sustainability objectives
 - d) new statutory objectives consistent for all water providers
 - e) restrictions against privatisation.
- 4.1.3 All Councils are required under legislation to consider options and determine a preferred water service delivery model. Whatever model is adopted, there are legislative restrictions against privatisation and regardless of the delivery

arrangements, the existing responsibilities, commitments and obligations under the Local Government Act (LGA) and treaty settlement legislation continue to apply.

- 4.1.4 Irrespective of the model chosen, the revenues, assets, expenses and debt for water services must be separated or ring-fenced from all other Council services.

4.2 Financial Sustainability

- 4.2.1 The Act requires that Councils provide an explanation in their WSDP's of what the council proposes to do to ensure that water services will be delivered in a financially sustainable manner by 30 June 2028.

Financial sustainability means water services revenue is sufficient to meet the costs of delivering water services. The costs of delivering water services include meeting all regulatory standards, and long-term investment in water services.

How councils approach achieving financial sustainability can be different depending on local circumstances and require councils to consider the balance between three key factors.

These factors are:

- Revenue sufficiency – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
- Investment sufficiency – is the projected level of investment sufficient to meet levels of service, regulatory requirements and provide for growth?
- Financing sufficiency – are funding and finance arrangements sufficient to meet investment requirements?

- 4.2.2 To meet the anticipated investment needs for water service delivery, a borrowing facility has been offered through the New Zealand Local Government Funding Agency (LGFA) whereby a WSCCO can borrow up to 500% of its operating revenue. This lending framework will only be available to new asset-owning water organisations that are CCOs and are financially supported by their parent council(s), either as a guarantor or via uncalled capital.
- 4.2.3 The intention of providing this lending facility is twofold; to better enable councils via a WSCCO to address water investment needs and enable 'balance sheet separation' with the advantage of freeing-up debt 'headroom' for other council activities.
- 4.2.4 An in-house business unit will continue to operate within the parent-council's financial envelope. This is calculated based on council's overall income stream – which is significantly broader than that of a WSCCO. Therefore a comparison on % basis of income does not appropriately reflect the financial realities of each model, these are tested and demonstrated against the indicative capital works programme
- 4.2.5 As per the modelling undertaken to date, both delivery models comply with LGFA restrictions for the respective model.
- 4.2.6 Legislation allows for council(s) to undertake the revenue collection on behalf of WSCCOs and therefore utilising its rating powers. While this provides an income guarantee to a WSCCO that is superior to any alternative approach, staff consider this as too messy and confusing for the community. Taranaki councils have long standing experience with collecting revenue on behalf of other organisations and while practical, it blurs the lines of responsibility for the end user. If SDC chooses to join a regional WSCCO, asset ownership and revenue collection should also fall with such an organisation.
- 4.2.7 Both models would appear to be financially sustainable and compliant with debt limits, at varying levels.

4.3 Alignment with existing Long Term Plan (LTP)

- 4.3.1 Neither model examined aligns with the adopted LTP. This is due to the LTP being based on a non-modified in-house delivery model and on-going asset ownership for all water service related activities by council. While the reforms were underway at the time

the LTP was being prepared, not enough was known about the impact of these reforms to incorporate this into the LTP at the time.

4.3.2 The departure from the LTP is much greater for a Joint Taranaki WSCCO than for the Enhanced Status Quo option.

4.3.3 The two models take slightly different approaches to allowing for the increased requirements resulting from legislation, which will have to be met irrespective of which delivery model is chosen. The in-house model allows approximately \$500k per annum to address additional staffing requirements, governance and levy costs, while the regional model allows for additional levies and governance costs only. Additionally, the regional model combines all operational (including overheads) costs of the pre-reform delivery (now) and adds a 9% transition allowance for the first 5 years to account for new Information Technology systems and structure and staffing establishment. After that it anticipates to cover the remaining costs from savings achieved by economies of scale starting at 0.8% savings in year 4 of establishment date, and increasing to 8% year on year from year 13.

4.4 Stormwater

4.4.1 Under the Bill, Councils retain legal responsibility and control of stormwater services but have the flexibility to choose the arrangements that best suit their circumstances.

4.4.2 If a new WSCCO is established, SDC could contract the delivery of Stormwater services to the this organisation, retaining ownership of the assets.

4.4.3 Stormwater revenue will continue to be collected by Council irrespective of the delivery model chosen.

4.5 Water Service Delivery Plans

4.5.1 The Council must by 3 September 2025, submit a WSDP which explicitly shows:

- a) The proposed water services delivery model, as decided by Council.
- b) The decision of Council to transfer (or not) stormwater services and/or assets (as well as drinking water and wastewater assets).
- c) Financial separation of water services from the rest of Council activities.
- d) That financial sustainability will be achieved by 30 June 2028.
- e) Adoption by Council before 28 June 2025 and certified as being true by the Council Chief Executive.

4.5.2 The WSDP must be accompanied by an Implementation Plan for the preferred delivery model and submitted to the Secretary of Local Government (through DIA) by 3 September 2025. The WSDP is then either;

- a) Accepted by the Secretary for Local Government, who can only accept a WSDP if it complies with the Act (as above).
- b) Not accepted by the Secretary who may recommend the Minister of Local Government appoints a Crown Water Services Specialist to complete the WSDP to an acceptable outcome (at Council's expense).

4.5.3 The Government is also proposing a new planning and accountability framework for water services. The framework is intended to improve transparency and accountability for future delivery of water services.

4.5.4 Essentially, the status quo, for two (and potentially three) waters delivery, is no longer an option without substantial modification to meet the legislated requirements for financial sufficiency.

5. Consultative Process

5.1 Public Consultation - Section 82

The Act specifies that consultation is mandatory on the Council's proposed model or arrangement for water service delivery, but optional on the balance of the WSDP.

The Act sets out streamlined consultation requirements that must be used when consulting or deciding on a proposed model or arrangement for delivering water services. These expressly replace certain provisions of Part 6 of the LGA, simplifying the process to assist with the preparation, consultation and adoption of a WSDP.

The Act specifies the information that must be provided about the proposed delivery model during consultation. These are:

- a) Specifying the proposed model or arrangements for delivering water services and the reasons for it.
- b) An analysis of the advantages and disadvantages of at least two options (including the proposed arrangements/model) that have been considered; one of these is expected to be a status quo approach. Council may decide to include analysis of additional options.
- c) Potential impacts of proceeding or not proceeding with the proposal, including on rates, debt, levels of service, and any charges for water services.
- d) For a joint model, the implications for communities and accountability arrangements for communities throughout the joint service area.

5.2 Māori Consultation - Section 81

To date, the Water Service Delivery for Taranaki Project has had involvement and input from iwi/mana whenua by way of Post Settlement Governance Entity (PSGE) members participation in the Steering Group, Pou Taiao staff on the Project Working Group, Technical Working Group, and briefings to Taranaki Iwi Chairs.

Governance considerations have been shared with Steering Group members including PSGE representatives, participating Pou Taiao staff and Iwi Chairs. Their feedback has been incorporated into delivery model development.

6. Risk Analysis

- 6.1 Both models in question face significant uncertainties. These largely relate to the underlying assumptions, such as future capital and operational costs, future infrastructure requirements, future legislative requirements, efficiencies achievable through joint delivery, one-off and ongoing costs arising from the establishment of a dedicated WSCCO, to name a few.
- 6.2 Staff have endeavoured to provide a fair assessment of both options and aligned assumptions across both models where possible.
- 6.3 Model specific risk considerations have been included in the options analysis below as these differ between the two delivery models and need to be considered as part of the advantages and disadvantages of each model.
- 6.3 Overall, the Enhanced Status Quo carries significantly less uncertainty in that it largely aligns with the status quo. Additional cost requirements for known and anticipated enhancements have been incorporated into the model.
- 6.4 The regional WSCCO offers a greater aspect of "safety in numbers" as costs and risks are spread across a greater base. Statistically however, the cost/risk increases at the same rate as the mitigation (more risks shared by more people) – meaning that the risk per customer remains unchanged in a larger model and that there is no material risk reduction resulting from a WSCCO.
- 6.5 The following risks from council's corporate risk register are considered applicable to the subject matter and decisions inherent in this report:

Risk Number	Risk Subject	Risk Description
1	Legislation Changes	IF changes to legislation or case law occur and are not implemented by staff, THEN council may be acting illegally and in breach of legislation.
6	Three Waters – Non Compliance	IF Council does not comply with its obligations under legislation (i.e. Resource Management Act, NZ Drinking Water Standards, Health and Safety at Work Act) THEN administrative fines and penalties may result, in addition to reputational damage if publicised.
62	New Regulations require Significant Investment	IF new environmental regulations or legislation imposed on councils requires a significant increase in capital expenditure, THEN ability to finance investment could be compromised and rates increases could breach limits.
74	Inadequate financial provision to fund asset replacement	IF there is inadequate financial provision in reserves to fund the replacement of assets, THEN the Council may have to borrow more than expected, or asset replacement may need to be delayed which may affect service level performance.
47	Attracting and Retaining Staff	IF Council is unable to attract and retain suitably qualified personnel, THEN services may become under threat and may cease.
78	Government Policy Impacting on Local Government	IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.
59	CCO and other outsourced Functions	IF Council's non-core activities (farm, aerodrome) or CCO (Percy Thomson Trust) operate in a way that has potential for non-compliance with the law or potential for financial loss THEN there may be legal, financial, environmental and health implications.
72	Elected Members - Decision Making	IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002.
90	Consultation and Engagement with Māori	IF Council does not effectively engage with Māori on matters of interest, THEN Council decisions will lack a Māori perspective which may lead to substandard community outcomes, and decisions that may not be supported by Māori which could harm relationships.
91	Māori Tikanga and Protocols	IF Council representatives show disrespect or ignorance to Māori tikanga, customs, protocols and /or environment, THEN this may cause harm to Council's relationships with the Māori community and put Council into disrepute.
92	Community Engagement	IF Council does not engage with the community in line with its Significance and Engagement Policy and the requirements of sections 76-82 of the Local Government Act 2002, THEN Council decisions will lack a community mandate, may not be fit for purpose, and may be scrutinised and subject to legal challenge.

6.6 Due to the cross-council nature and potential impact, the working group maintains a separate risk register for underlying work. This is attached as **Appendix 2** to this report.

7. Sustainability Consideration

- 7.1 Water service providers, regardless of the delivery model chosen, will have the objective to deliver water services in a sustainable and resilient manner.
- 7.2 Officers would expect that any new delivery model would seek to implement similar projects given the statutory obligations that are proposed.
- 7.3 A key consideration to determining the most appropriate future delivery model is the ability of the different models to implement changes to service delivery. Climate change considerations are one example of the types of changes that the preferred model will need to be able to implement.

8. Decision Making Process – Section 79

8.1 Direction

	Explain
Is there a strong link to Council's strategic direction, Long Term Plan/District Plan?	The decision sought in this report forms part of a larger decision that has the potential to be significant regarding Council's adopted LTP.
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	This reform programme has the potential to significantly re-shape the future of how infrastructure and services are delivered to our community.

8.2 Data

As covered under the risk analysis earlier in this document, there is a significant amount of assumptions and uncertainty inherent in the required decision.

Where available, staff have been utilising the best information available, such as LTP budgets, infrastructure strategies and asset management plans. This has been applied consistently across both delivery models considered to ensure comparability.

There are however significant aspects where no data is available, this is largely in areas of WSCCO set-up and operational costs, cost efficiencies and future compliance costs.

Details of any assumptions made are included in the options analysis below.

8.3 Significance

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?		
Is it: <ul style="list-style-type: none"> considered a strategic asset; or 	Yes	While the outcome of this report does not change ownership of a strategic asset, it is part of a series of decisions that has the potential to do so.
<ul style="list-style-type: none"> above the financial thresholds in the Significance Policy; or impacting on a CCO stakeholding; or 	Unclear	
<ul style="list-style-type: none"> a change in level of service; or 	Yes	One of the options discussed in this report is to create a new multi-council CCO that council would be a shareholder of
	No	There is no intention to change the level of service with either delivery model discussed

<ul style="list-style-type: none"> creating a high level of controversy; or 	Possibly	The previous iteration of the underlying reforms has created significant controversy, it is unclear why these reforms would be any different although there seems to be a greater level of acceptance or apathy to these reforms than there was last time.
<ul style="list-style-type: none"> possible that it could have a high impact on the community? 	Yes	Uncertainty about assumptions in both models which could result in the wrong model being chosen and higher costs & debt incurred to the Community than forecasted. Also, the future viability of a local Stratford Council could be influenced by this decision.

In terms of the Council's Significance Policy, is this proposal of high, medium, or low significance?		
High	Medium	Low
	✓	

8.4 **Options**

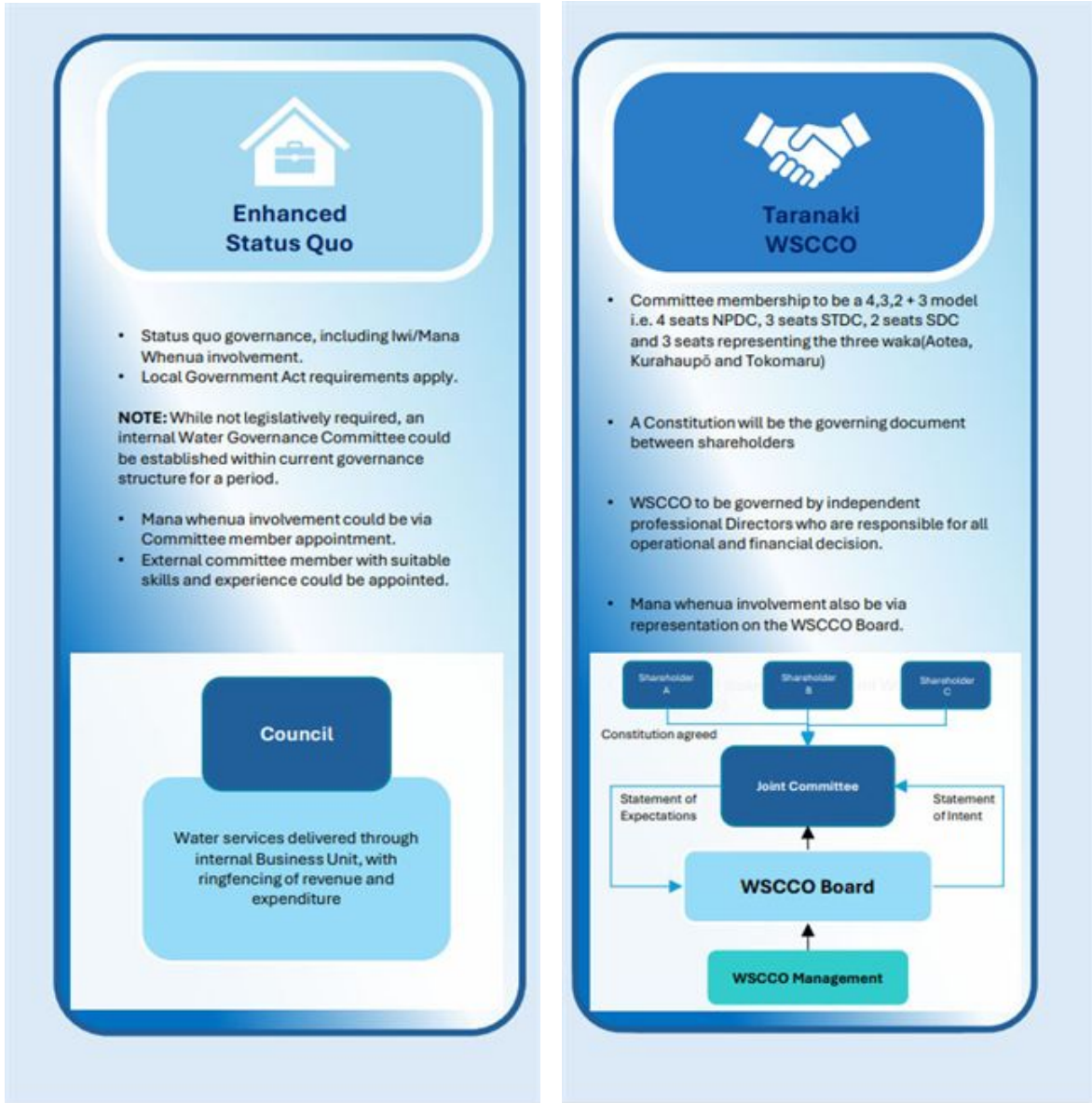
Option 1 - Enhanced Status Quo via an in-house Business Unit

An in-house service delivery approach based on the Status Quo with adjustments made to the financial treatment within council and additional resourcing to meet legislative requirements.

Option 2 - Joint Taranaki WSCCO

A regional asset owning WSCCO for drinking water and wastewater assets, with the option for councils to contract all or some of the service delivery of stormwater services to the WSCCO.

Indicative Governance Structure under the two models



Option Comparison

As outlined in the Executive Summary of this report, no overall staff recommendation is provided with this report as significant elements influencing the decision are considered political, rather than technical in nature. The below table of assessment criteria is broken into three sections. Mandatory, Technical and Political criteria.

Mandatory criteria:

Compliance with these may be achieved through different means by the two delivery models but both have been assessed against these as fully compliant.

Technical criteria:

Cost to consumers/ratepayers: Cost aspects of the two models under consideration are explored in figures 1-5 below. These are heavily influenced by the underlying assumptions but figures 3-5 indicate that while an in-house model would be more sensitive to one-off costs, due to a smaller funding base, overall the cost to the consumer should be lower. Cost fluctuations between years can be addressed through the careful application of funding tools.

Financial risk/Uncertainty is considered as higher under the WSCCO model. While council's financial liability is comparable between the two models, the WSCCO model has a significantly higher level of change inherent, as well as significantly reduced direct control over a CCO, compared to an in-house activity.

The In-house option is based on a known delivery model with changes applied. The WSCCO is new – and due to the simultaneous application country-wide there is limited ability to learn from others' mistakes and successes.

- Both models are financially guaranteed by council
- Council has direct control over an In-house business unit
- A WSCCO operates, by design, at arm's length from council, largely free from political influence
- Operational costs in both models allow for status quo but treat future requirements differently. The in-house model permanently allows for additional requirements in addition to current costs. The WSCCO allows for change costs on a percentage basis in the early years but expects to offset higher requirements through efficiencies later on.
- Capital costs have been aligned between the two models to create a fair comparison

Ability to build a high quality database of water assets: It is anticipated that due to the specialist, single-purpose nature, a WSCCO will have more sophisticated and focused IT systems, staffing and business practices than an in-house delivery that will operate at least partially on systems that are designed for the broad range of requirements councils have. To meet new legislative requirements, the model for the in-house delivery makes provision for additional IT and staffing cost, these are however unlikely to reach the same level of sophistication of a purpose-built WSCCO. Some of this shortcoming will be offset by a higher degree of local knowledge within an in-house service delivery.

Political criteria (advisory only):

The assessment of Effective and efficient decision making between the two models is difficult to weigh up as a smaller, local based organisation (in-house) has the potential to be more efficient – this is however countered by the more focused nature of a WSCCO that is less restrained by the broader considerations or conflicting priorities a council needs to weigh up, particularly for funding, often between unrelated activities whose only common denominator is the requirement for council funding and its affordability implications on customers. This point needs to be considered alongside Community influence in service delivery – as across the board a WSCCO may be more effective and efficient but due to scale and priorities it may yet be much harder to achieve desired outcomes locally.

The Future viability of Stratford District Council as a territorial authority is considered to be more at risk under the WSCCO model, as it removes one of its key responsibilities and replaces it with a shared governance role. While the direct activity costs will depart the organisation together with the activities, a key consideration should be the corporate overheads (building ownership & operation, IT systems and infrastructure, senior staff, governance, elected member costs, etc) currently serviced by Water Services will have to be absorbed by the remaining activities or recovered via rates.

Approximately \$500K of Council overheads are applied to water supply and wastewater activities annually and due to the small size of our Council with low staffing numbers and compact facilities there is very little ability to reduce these. If the regional model is adopted the remaining activities will need to pick up these additional overheads, which will increase the district's rate requirements for these services.

Community influence in service delivery is considered to be lower for the WSCCO as it moves from a local service to being part of a much bigger operation with more formal processes and hierarchy to work through to initiate action. It also reduces elected members' ability to champion any outcomes they consider desirable. A CCO model is specifically designed to remove operational interference and focus on key aspects.

Regional relationships. Taranaki councils utilise a significant amount of formal and informal collaborations on an ongoing basis which traverse all aspects of the business from political to basic operational matters. It is hard to imagine that a decision to participate or not in a regional WSCCO will materially impact this. If it was to do so it would be equally possible that such influence was positive – if and when all worked well, or negative – if and when there may be frustrations or regrets regarding the delivery model choice. Staff do not see this criterion as particularly helpful in arriving at a preferred delivery model.

Ability and ease to change from one model to the other

Clarification: This criterion was understood to consider a future move between models, rather than the initial choice of a delivery model.

Changing in the future from in-house delivery to a joint model has been rated as EASY whereas returning to in-house delivery from an external model is considered extremely difficult. This is not trying to say that any such move is without challenges but relative to that of returning to an in-house model after having joined a WSCCO previously, it is considered significantly more straight forward to go from in-house to a joint model.. This is largely due to the fact that a move back to in-house delivery would have to re-establish systems and staffing that were removed from council when joining a shared model.

A related consideration should be the difference between joining a WSCCO at its inception as opposed to joining it a later date. The key difference would be the level of influence over the organisational design council would have. Being a partner from the beginning gives the ability to influence the design process whereas a future merger would most likely be on the basis of accepting what has already been set up by one or multiple councils. However, joining at a later stage may bring unanticipated benefits of learning from other councils' transition experience.

Allow for future growth. This is similar to the previous point of Community influence in service delivery in that any decisions by a CCO will be made based on the policies and priorities of the CCO with very limited ability of local communities or elected members to influence this at the detail level. Infrastructure investment by a CCO will be based on demand and return on investment rather than an individual community's aspirations.

Overall comparison table:

		In-house	Joint WSCCO
Mandatory			
1	Ability to comply with legislation and regulatory standards	✓	✓
2	Financial Sustainability – debt capacity	✓	✓
3	Ability to respond to the community's needs in relation to water services	✓	✓
4	Mana whenua involvement	✓	✓
5	Ability to recruit and retain expertise and talent	✓	✓
Technical			
6	Cost to consumers/ratepayers	Water charges: lower Rates: unaffected	Water charges: higher Rates: higher
7	Financial Risk / Uncertainty	Lower	Higher
8	Ability to build a high quality database of water assets	Less sophisticated IT More local knowledge	Improved IT systems (supported by Transition Costs assumption discussed earlier) Less local knowledge
Political			
9	Effective and efficient decision making	Status quo	Unknown
10	Future viability of Stratford District Council as a territorial authority	Status Quo (Viable)	Reduced viability
11	Community influence in service delivery	High	Unknown but likely to be less influence due to regional focus and independence of CCO
12	Regional relationships	Status Quo (Good)	Greater collaboration than currently.
13	Ability and ease to change from one model to the other	Easy but negotiated terms may differ from what is proposed in this model	Extremely difficult and potentially requiring DIA approval
14	Allow for future growth	Locally controlled	Unknown

Staff-score of technical aspects of both models:

Technical	Weighting	In-house (X/10)	Joint WSCCO (X/10)
6	Cost to consumers/ratepayers	25	5
7	Financial Risk / Uncertainty	20	8
8	Ability to build a high quality database of water assets	5	4
	Total:		17
			15

Score: 1=poor outcome / 10=optimal outcome

Financial Modelling

To enable easy comparison between the options, the revenue (and therefore cost to consumer) was kept consistent for both models allowing the debt to be used to understand the differences. The revenue was set by developing a credible approach to harmonisation over a 10-year period as shown in figures 1 and 2 below. The period of harmonization was chosen to limit annual cost increases for participating councils. It is clear from the graphs that a stand-alone model reacts more to expenditure for significant capital projects where this gets buffered more in a regional model with more projects and more customers. The key metric of cost/unit for either model is further explored below.

Figure 1: Rates per cubic meter for water services

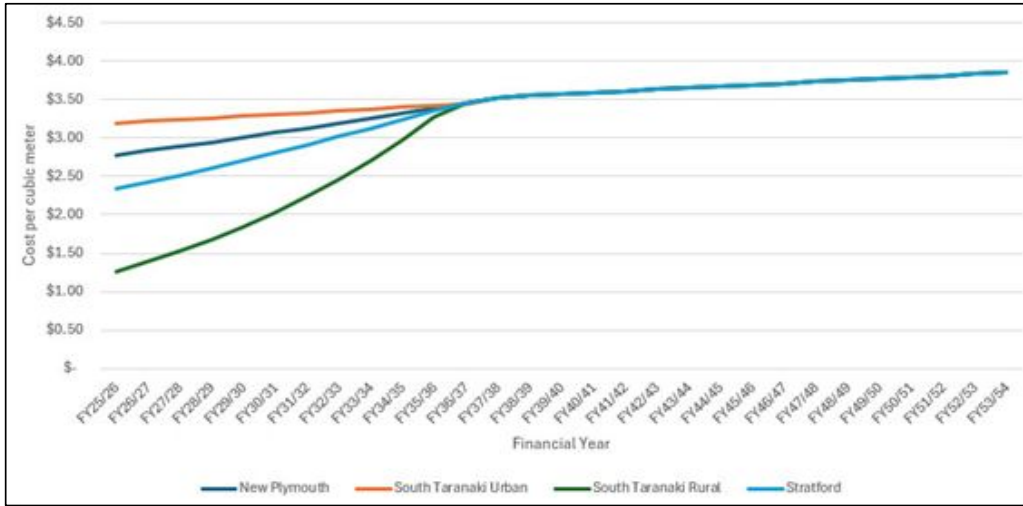
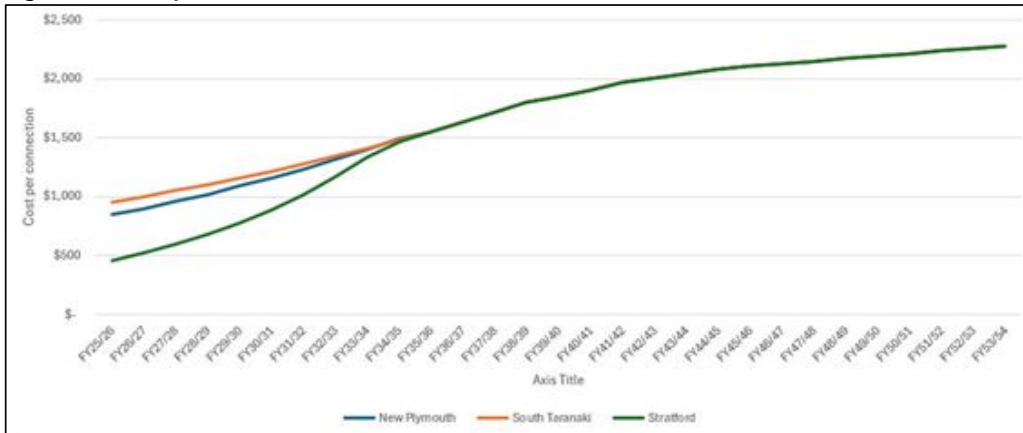


Figure 2: Rates per connection for wastewater services



Based on the above harmonised consumer cost applied to both models, the following debt profiles arise for each activity:

Figure 3: Net debt to revenue – Water Supply

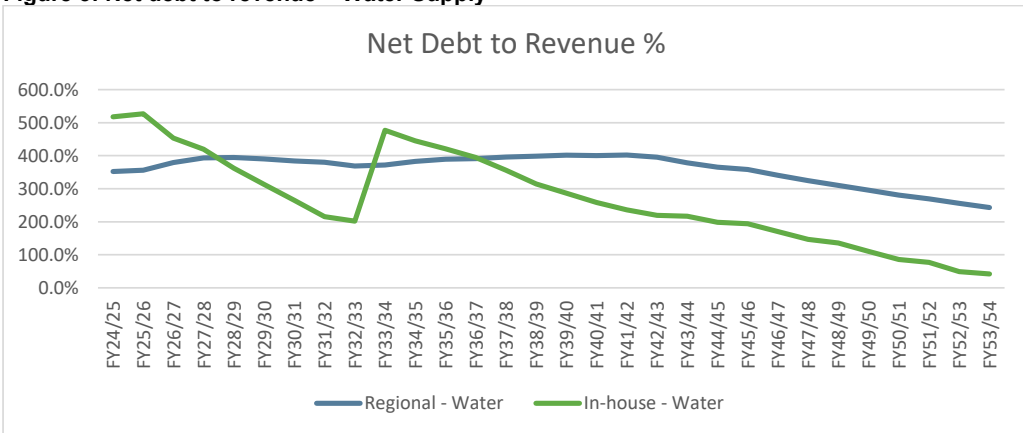
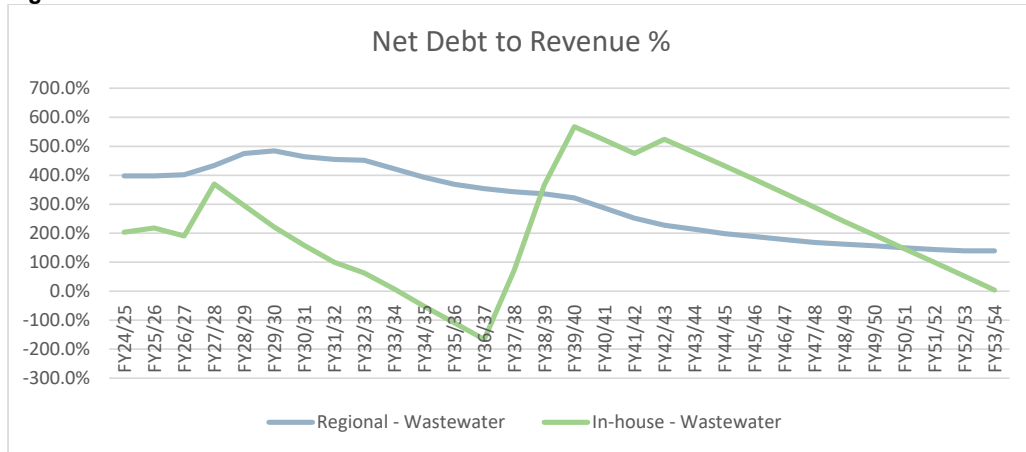


Figure 4: Net debt to revenue – Wastewater



Given that cost to consumer was standardised between the two models, debt becomes an indicator of cost of service delivery. The more efficient model will have less debt if cost to consumer is the same.

To further explore this, the rates per cubic meter (water) / rates per connection (wastewater) has been calculated. This removes consumer cost from the consideration and evaluates both models exclusively based on forecast operational costs.

Figure 5: Water Supply – Cost comparison

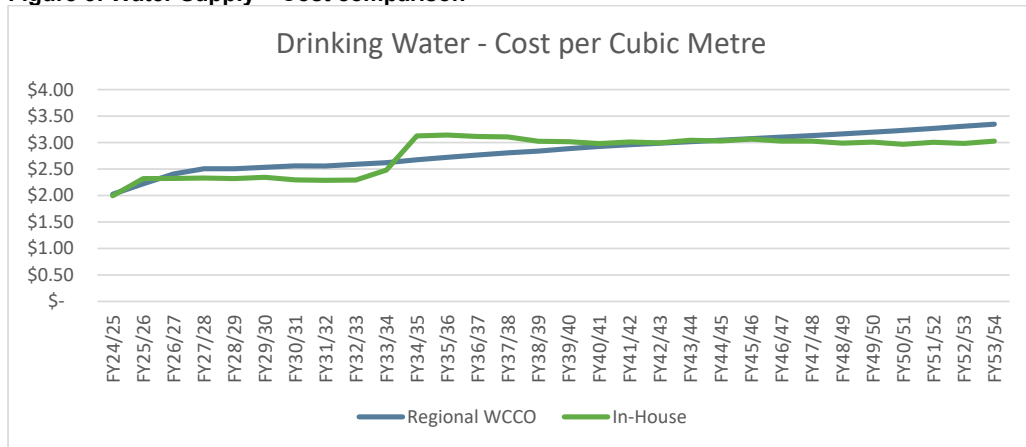
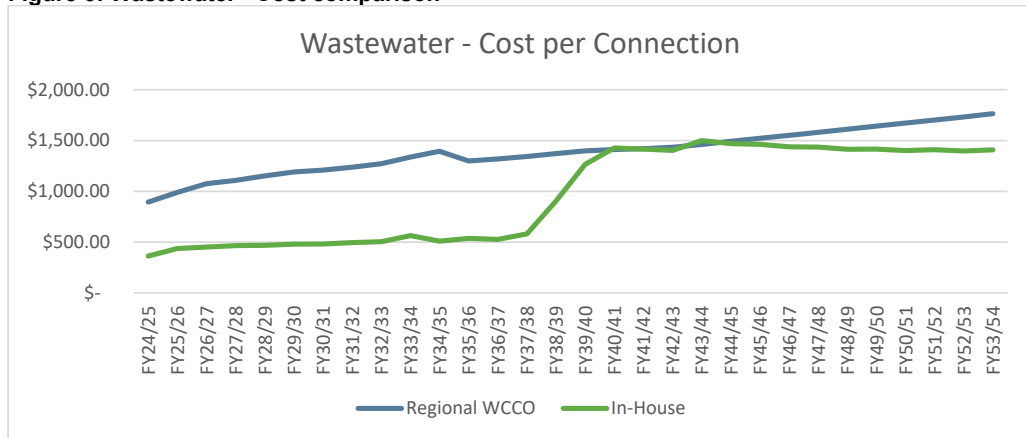


Figure 6: Wastewater– Cost comparison



The above graphs align in their assessment of the in-house model as the cheaper option for both activities for the first decade. Water supply becomes more expensive in-house for a period of approximately 5 years starting in 2035 and drops below the cost of the regional model for the remainder of the modelling timeframe. Wastewater is cheaper throughout the modelling timeframe bar a couple of brief and minor exceedances approximately 15 and 20 years into the model. These are however well within the margin of error.

Based on the assumed efficiencies arising from the economies of scale (purchasing power) of a regional model, users within the Stratford District should see a \$11 million saving over the 30 year forecast period. This has been factored into the analysis underlying the above graphs. These have to be balanced against the costs of a stand-alone entity and do not reflect costs borne by the overall community as a result of stranded overheads that will fall onto the remainder of council activities (as these sit outside the water activities), as discussed in 4.3.3 above.

As noted previously, the financial models used are based on numerous variables and assumptions which have been applied as equally as possible to both models. It is highly unlikely that these cost scenarios will actually align with reality as decision-making and circumstances over time will force either model out of sync with the assumptions made. It is however anticipated that the more cost efficient model will retain that status unless any key assumptions turn out to be significantly flawed or any substantial influences arose that were outside the modelling considerations.

8.5 **Financial**

Financial considerations for either future delivery model are addressed in the background and options analysis sections of this report.

The external costs of the ongoing reform programme have largely been covered by DIA funding but a significant amount of staff time consumed by this work has been absorbed by the organisation.

8.6 **Prioritisation & Trade-off**

Due to legislative timeframes, this project has to be treated as a priority.

The establishment date for a Taranaki Joint WSCCO, should this be the chosen model, has been set as 1 January 2026, with a final transition date of 1 January 2027

Council could choose to minimise the immediate impact and risk on the organisation by opting for the enhanced status quo and observe the performance and learn from the experiences of other WSCCOs for a period of time before re-considering this delivery model. This would however most likely result in council having to accept the framework, terms and conditions of an existing WSCCO, rather than being an establishment partner and able to influence the newly established organisation. A notable risk under this approach is that any joining of an existing WSCCO will be subject to agreement from the existing WSCCO owner(s)/shareholder(s) and may be subject to with acceptance criteria and or conditions.

8.7 **Legal Issues**

The key legal consideration for this work programme is to achieve compliance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024 and any other associated requirements of the Local Water Done Well Reform Programme. Notwithstanding this, any solution identified must also meet the requirements of any other applicable legislation, including the Local Government Act and the Resource Management Act. Proposed models have been reviewed by the Department of Internal Affairs and no issues identified to date.

8.8 **Policy Issues - Section 80**

Given the legislative requirements to undertake the work programme covered by this report, there are no policy issues inherent in the decisions sought.

Attachments:

- Appendix 1** Letter – Hon Simeon Brown
- Appendix 2** Risk Register
- Appendix 3** New Plymouth District Council Decision Report



Sven Hanne
Chief Executive

Date 18 February 2025

Appendix A

Project Risk Register

Hon Simeon Brown

MP for Pakuranga

Minister for Energy
Minister of Local Government
Minister of Transport

Minister for Auckland
Deputy Leader of the House

Appendix 1



Dear Mayor / Chair

Local Government (Water Services) Bill introduced to Parliament

This week I introduced to Parliament the Coalition Government's third Local Water Done Well Bill.

When enacted, the Local Government (Water Services) Bill will be the central piece of legislation for New Zealand's water services system.

The Bill reflects key policy decisions shared with you in August this year, which give local government the tools required to address New Zealand's water services challenges.

It builds on the foundations already in place through the Local Government (Water Services Preliminary Arrangements) Act 2024, including the development of Water Services Delivery Plans (Plans) by councils.

About the Bill

The Bill is necessarily comprehensive. It sets out key details relating to the water services delivery system, the economic regulation and consumer protection regime for water services, and changes to the water quality regulatory framework.

The Bill gives effect to the policy decisions announced in August. While there are no changes to the information that has already been shared with you on these, the Bill sets out detailed information about the new water services delivery system that will be important for informing your consideration of future water services delivery arrangements.

This includes information about:

- Tax implications for water organisations
- Wastewater and stormwater standards
- Technical details about the implementation of the National Engineering Design Standards
- Bespoke requirements for the consumer trust model of water services delivery
- Arrangements for transferring responsibilities to water organisations
- The objectives, financial principles and other responsibilities that apply to water service providers (councils and water organisations)
- Contractual arrangements for water services delivery
- The new planning and reporting framework for water services.

Information and guidance available

I encourage you to visit the Department of Internal Affairs' website for further detailed information about key aspects of the Bill.

Private Bag 18041, Parliament Buildings, Wellington 6160 New Zealand
+64 4 817 6804 | s.brown@ministers.govt.nz | www.beehive.govt.nz

The Department has updated the Local Water Done Well factsheets that were shared in August and developed new factsheets, based on the provisions of the Bill as introduced and including further information.

This information is available at: www.dia.govt.nz/Water-Services-Policy-Future-Delivery-System.

Alongside the material that has been released to support the introduction of the Bill, the Department has developed additional guidance to help inform your consideration of future water services delivery arrangements as part of the development of your Plans. This information is also available on the Department's website.

Transforming water services infrastructure and delivery

The introduction of this Bill represents a significant milestone for Local Water Done Well, and for the delivery of local solutions for improved, financially sustainable and high-quality water services.

With the framework and settings now in place, it is now up to you to consider the best solution for your communities.

The Government's expectation is that councils will work together to establish joint water organisations for water services delivery, recognising the cost and operational efficiencies that come with greater size and scale.

A joint water organisation will enable councils to pool resources, improve access to financing via Local Government Funding Agency (LGFA), and reduce costs for ratepayers. It won't mean harmonisation of pricing and other key financial metrics from day one – that process can and should reflect the realities of each region.

While some councils may wish to continue with in-house delivery of water services, it's important to emphasise that the new framework and requirements under Local Water Done Well – such as ringfencing, planning and accountability, and economic regulation – means business as usual is not an option.

Under Local Water Done Well, water service providers will have to operate more like independent utility businesses, much like telecommunications or electricity utilities. They will be structured and operated differently, and they will be directly accountable to customers, regulators and shareholders (where relevant).

Progress on Water Services Delivery Plans

Finally, I want to acknowledge the progress councils are making with the development of your Water Services Delivery Plans – the centrepiece of financially sustainable and locally-delivered water services.

Plans provide a clear pathway for councils to assess their current water services arrangements and chart a course for improvement, using the tools and framework the Government has made available.

While you have until 3 September 2025 to develop your Plans, it's important to emphasise that this is just the start of a locally – or regionally – driven transformation. Laying the groundwork now is critical to shaping high-quality, cost-effective water services in future.

Crown Facilitators continue to be an option to support councils in navigating the complexities of preparing these Plans, and I really encourage you to take up that option if you are experiencing challenges.

Crown Facilitators can provide tailored guidance, facilitate collaboration among councils, or assist with joint planning efforts. These facilitators are not there to impose decisions but to help councils develop robust, achievable plans that meet their unique needs.

Next steps

Once the Bill has had its first reading it will be referred to a select committee, where you will be able to make a submission.

I encourage you to have your say to ensure the legislation provides an enduring framework for the delivery of financially sustainable water services to your communities.

Acknowledging that the submission period falls over the Christmas break, I will be writing to the select committee to request that submissions by councils be received until the end of February, to give councils time to meet in the New Year and consider their submission.

More detail on the timing of the select committee process can be found on the Parliament website at www.parliament.nz, following first reading.

Thank you for your continued engagement and support.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Simeon Brown'.

Hon Simeon Brown

Minister of Local Government

Appendix 2

Water Services for Taranaki Risk Register

Number	Source of Risk	Short Description	Description	State	Risk Type	Inherent Risk Rating	Inherent Risk Consequence	Inherent Risk Likelihood	Treatment Option	Current Treatment	Residual Risk Rating	Residual Risk Consequence	Residual Risk Likelihood	Notes
001	Legislative compliance & control	Changing political landscape	If central government change their approach to Local Water Done Well or delay supporting legislation, there is a risk that Taranaki efforts are waylaid, require significant rework or we experience sunk costs	Open	Risk	Medium	Major	Unlikely	Accept					With the release of Bill 3, the likelihood of this risk occurring has reduced. There are no active treatments identified and officers will keep abreast of any changes in this space.
002	Legislative compliance & control	Lack of political willingness or consensus	If our politicians or leadership do not want to advance regional waters or there is lack of consensus as to how, there is a risk that we cannot progress to a solution and central government dictates a solution	Open	Risk	High	Major	Moderate	Reduce	Implementation of planning that allows for political engagement and feedback throughout. Utilise Mayor Forum to test direction and prime the individual council discussions as appropriate	Medium	Moderate	Possible	
003	Governance	Lack of collective ownership	If regional partners do not take collective ownership, or ownership is assumed (or perceived to be assumed) by one party, there is a risk that a collaborative approach and/or consensus is not achieved.	Open	Risk	Medium	Major	Possible	Reduce	Involve regional partners on project governance with a clear Mandate and Terms of Reference (TOR). Establishment of regional waters project team with representatives from all councils or involvement of council subject matter experts.	Medium	Major	Unlikely	
004	Governance	Lack of clearly defined governance or decision-making pathways	If governance and decision-making pathways and timeframes are not clearly defined, there is a risk of unmandated or confused decisions being made and ultimately challenged.	Open	Risk	High	Major	Moderate	Reduce	Governance pathways, building in time and space for political/elected member engagement and input confirmed in project approach. Workshops and forums for Elected Members held as/if appropriate.	Medium	Moderate	Possible	
005	Planning & strategy	Insufficient resourcing or capacity	If dedicated resourcing is not applied to regional waters or the right capability cannot be secured, there is a risk that the project does not advance in expected timeframes or at all.	Open	Risk	Medium	Moderate	Possible	Reduce	Resourcing requirements identified and programmed in as early as possible, including external capability. Identifying dedicated resource, subject matter experts and backfilling as appropriate.	Low	Moderate	Unlikely	Council resourcing identified and external capability onboarded as required.
006	Financial	Insufficient funding sourced from all parties	If funding is not fairly applied or not ringfenced for the advancement of regional waters, there is a risk that the project is stalled or discontinued.	Close										Closed as no combined project budget in stages 3 & 4
007	People and knowledge	Community expectations not well understood	If community expectations are not well understood, there is a risk that a regional waters solution does not meet expectations and perceived project failure.	Close										Risk combined with Risk013. See Risk018.
008	People and knowledge	Treaty Partner expectations not well understood	If Treaty Partner expectations are not well understood, or partners are not engaged early or to an appropriate level, there is a risk that a regional waters solution does not meet expectations and perceived project failure.	Open	Risk	High	Major	Moderate	Reduce	Strong and early engagement with Treaty Partners as part of business case development, Iwi leadership inclusion in project governance. Understand Treaty Partner expectations and identify how to engage meaningfully with limited time available	Medium	Major	Possible	Treaty Partner representation on Waters Steering Group, and Technical Working Group. Briefings provided to Iwi Chairs as required.

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009	People and knowledge	Continued uncertainty for people	If there is continued uncertainty for people working in Three Waters, there is a risk of change fatigue and loss of talent/capability within the region	Open	Risk	Medium	Moderate	Moderate	Reduce	Staff communications planning Change support as appropriate	Low	Moderate	Unlikely	It is the responsibility of each council to keep their staff informed as appropriate throughout.
010	Financial	Unviable or financially unsustainable solution	There is a risk that the preferred solution is found to be unviable and/or financially unsustainable, leading to significant rework or needing to rely on external funding to implement.	Open	Risk	Medium	Major	Possible	Reduce	Focus on robust financial analysis with regular check in/assurance around financial viability. Signalling early if there are issues around financial sustainability. Continuing to work with DIA to assess financial sustainability and utilise the DIA model as appropriate	Low	Moderate	Unlikely	DIA financial analyst to provide review and QA on both status quo and regional WSDP as they are developed.
011	Project/Quality management	Scope management	If scope is not confirmed or managed closely, there is a risk that the project is spread too thin and/or does not achieve its objectives.	Open	Risk	Medium	Moderate	Possible	Reduce	Confirm scope from the outset. Manage any changes to scope with robust change control i.e. agreed via governance with assessment of cost, time and resource implications	Low	Moderate	Unlikely	Scope has been managed throughout. Risk of scope creep is reducing as the project progresses.
012	Project/Quality management	Quality Assurance	If we utilise internal capability to develop WSDPs, there is a risk of limited or not external quality assurance, leading to a lack of confidence in what we are asking Chief Executives to sign/confirm	Open	Risk	Medium	Moderate	Moderate	Accept					Direction from Waters Steering Group is to not seek formal external quality assurance. Each Council to consider this independently.
013	Reputation	Public awareness of Central Government legislative drivers for LWDW	If the public are unaware of legislative drivers and direction from Central Government, there is a risk of misunderstanding the drivers and poor public perception of our approach. leading to negative or adverse effect on Council's reputation.	Close										Risk combined with Risk007. See Risk018.
014	Property & assets	Uncertainties about the actual assets we currently own/use	If there are uncertainties about the actual assets we currently own/use or we have not yet identified these assets there is a risk that some assets may not be included in planning which could lead to degradation and potential failure of unidentified assets in the medium to long-term	Open	Risk	Medium	Moderate	Moderate	Accept					Asset registers collated under the previous legislation (Affordable Waters) are sufficient for this stage. Further asset identification is the responsibility of each Council independently.
015	Health safety & wellbeing	Additional workload for staff involved in LWDW	If additional workload is placed on staff to participate in LWDW, there is a risk that the health and wellbeing of these staff would be impacted negatively, leading to increased sick absences, mental fatigue or staff resigning causing reduction in Levels of Service and other critical activities not being completed as required.	Open	Risk	High	Major	Moderate	Reduce	Regular check in sessions with individuals to understand upcoming requirements Project resource planning Identifying technical leads and considering backfill arrangements or sharing workloads with others	Medium	Major	Possible	Capacity of staff assigned to LWDW is still considered a risk and requires regular check-ins to ensure work can progress.
016	Operations & service delivery	Delivery of 3W services post change	If there is a lack of clarity about the 3W services Council will continue to deliver post change implementation, there is a risk that we may not have sufficient and suitable resources, systems or processes to deliver these services, leading to a reduction in Levels of Service in other areas and higher than expected rates.	Open	Risk	Medium	Moderate	Moderate	Accept					Accept as this is considered a risk for the establishment phase, post decision.
017	Property & assets	Lack of clarity regarding Storm Water asset transfer	If there is lack of clarity about management and transfer of storm water assets associated with Transportation/Community assets, there is a risk that planning is insufficient, leading to under investment in assets and reduction in Levels of Service.	Open	Risk	Medium	Moderate	Possible	Reduce	Working closely with DIA to confirm working assumptions re Stormwater responsibilities and transition options	Low	Moderate	Unlikely	

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018 (new)	Reputation	Community misinterpretation of the change proposal	If we do not provide the background and legislative drivers for change, we risk community misunderstanding or misinterpreting the change proposal.	Open	Risk	High	Major	Likely	Reduce	Provide clear legislative details and background information through multiple communication channels. Regular updates through short and simple key messages to the community, possibly pre-consultation	Medium	Major	Possible	Consider how best to communicate with the community to ensure legislative drivers for change ahead of formal consultation.
019 (new)	Reputation	Managing officer bias to ensure that this doesn't influence Council decision making	If Officers and/or Elected Members have an interest in particular service delivery option, there is a risk that this may unduly influence the identification of the preferred option, leading to an overriding of other options and possible unrepresentative outcome.	Open	Risk	Medium	Major	Possible	Reduce	Provide all information on all options and interpret the results in context; Present Options analysis for all models, highlighting the pros and cons of each option	Low	Moderate	Unlikely	Utilise external analysis of regional consultation submission could be an option to mitigate the element of potential bias.

Appendix 3

LOCAL WATER DONE WELL – PROPOSED WATER SERVICES DELIVERY MODELS FOR CONSULTATION

MATTER / TE WHĀINGA

1. The matter for consideration by Council is determination of the preferred water services delivery models to include in formal consultation required under the Local Government (Water Services Preliminary Arrangements) Act 2024, to enable resources to focus on the development of consultation materials for release in April 2025.

RECOMMENDATION FOR CONSIDERATION / NGĀ WHAIKUPU

That having considered all matters raised in the report, Council:

1. **Note that Central Government has legislated that Local Authorities are to develop and publicly consult on a preferred model for water services delivery and submit a Water Services Delivery Plan (WSDP) by 3 September 2025.**
 - a) **Note that Government requires Councils to:**
 - i) **Identify a preferred water services delivery model in a WSDP and formally adopt via Council resolution before submitting to the Secretary of Local Government by 3 September 2025.**
 - ii) **Demonstrate compliance with financial sustainability tests by 30 June 2028, and**
 - iii) **Ring-fence revenue for three waters so that is separate from other Council activities from 30 June 2028.**
 2. **Instructs Officers to prepare consultation material for consideration at an extraordinary meeting in April 2025 that:**
 - a) **Specifies an asset owning Joint Taranaki Water Services Council Controlled Organisation (WSCCO) with South Taranaki (STDC) and Stratford District (SDC) Councils as the preferred delivery model for water and wastewater services. Stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO).**
-

- b) **Specifies that in the event STDC and/or SDC opt out of a Joint Taranaki WSCCO, then the recommended preferred water services delivery model is an asset owning NPDC WSCCO for water and wastewater. Stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO), and**
- c) **Includes analysis of three options: 1) Enhanced Status Quo, 2) NPDC WSCCO, 3) Joint Taranaki WSCCO.**

COMPLIANCE / TŪTOHU	
Significance	This matter is assessed as being of some importance
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> 1. Prepare consultation materials that: <ol style="list-style-type: none"> a) Specifies an asset owning Joint Taranaki WSCCO with South Taranaki (STDC) and Stratford District (SDC) Councils as the preferred delivery model for water and wastewater, including that in the event STDC and/or SDC opt out of a Joint WSCCO then the recommended preferred model is the NPDC WSCCO option. Under both options Stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO). <p style="text-align: center;">OR</p> b) Specifies an option other than a Joint Taranaki WSCCO as the preferred water services delivery model. <ol style="list-style-type: none"> 2. Prepare consultation materials that: <ol style="list-style-type: none"> a) Includes analysis of two delivery models: <ol style="list-style-type: none"> i) Enhanced Status Quo, ii) Joint Taranaki WSCCO <p style="text-align: center;">OR</p>

COMPLIANCE / TŪTOHU	
	<p>b) Includes analysis of three delivery models:</p> <p>i) Enhanced Status Quo,</p> <p>ii) NPDC WSCCO,</p> <p>iii) Joint Taranaki WSCCO.</p>
Affected persons	<p>The persons who are affected by or interested in this matter are all residents and ratepayers of New Plymouth District, particularly (but not limited to) those who receive, or could potentially receive, drinking water, wastewater and stormwater services; and iwi and hapū are also affected by and interested in this matter.</p> <p>For the Joint Taranaki WSCCO option this also affects the residents and ratepayers of Stratford and South Taranaki District Councils.</p>
Recommendation	This report recommends options 1a and 2b for addressing the matter.
Long-Term Plan / Annual Plan Implications	When implemented, regardless of the model pursued, new water legislation requires Three Waters to be removed from Council's Long-term Plan and a new waters specific planning framework will be implemented.
Significant Policy and Plan Inconsistencies	There are no immediate inconsistencies with policies and plans at this point in time. Policies, plans and bylaws may need to be reviewed following enactment of future legislation.

EXECUTIVE SUMMARY / WHAKARĀPOPOTOTANGA MATUA

2. In September 2024, the Coalition Government passed the Local Government (Water Services Preliminary Arrangements) Act 2024, driving a tight timeframe for developing and implementing objectives under the Local Water Done Well (LWDW) Policy.
3. This policy differs from the previous government's Affordable Waters reforms by providing Councils with the flexibility to determine the optimal structure and delivery method for their water services whilst meeting new rules for financial sustainability and regulatory quality standards.
4. The Local Water Done Well framework includes the opportunity for Councils to establish independent or joint Water Services Council Controlled Organisations (WSCCOs), that can benefit from an increased borrowing facility through the New Zealand Local Government Funding Agency (LGFA).

-
5. It has been stated in formal communications from the former Hon. Minister for Local Government, Hon Simeon Brown that "The Government's expectation is that Councils will work together to establish joint water organisations for water services delivery, recognising the cost and operational efficiencies that come with greater size and scale¹".
 6. A critical component of the legislation is the statutory requirement for all Councils to submit a Water Services Delivery Plan (WSDP) to Central Government by 3 September 2025 that explicitly shows an assessment of Council's water infrastructure, how much is needed to invest, and how Councils plan to finance and deliver it through a preferred water service delivery model.
 7. Under the Act, Councils must use a simplified consultation process for decision-making, requiring the identification of a preferred model, and assessment of the advantages and disadvantages of the preferred model and at least one other model. This means Council's consultation may be confined to two options, however it is open to Councils to identify any other options it has considered to help the community understand why Council decided on the preferred model.
 8. Council Officers completed an initial period of options analysis, where the following delivery models were considered via a high-level financial modelling and Multi-criteria Analysis (MCA) process:

Model 1	Enhanced Status Quo
Model 2	Enhanced Status Quo + Shared Services
Model 3	Single-Council/NPDC WSCCO
Model 4	Joint/Taranaki WSCCO
Model 5	Consumer Trust Model
Model 6	Outsourcing to the Private Sector
Model 7	Outsourcing to other Council.
 9. The options analysis determined some models to not be reasonably practicable, and agreement was secured to progress with detailed analysis of Enhanced Status Quo, asset owning Single-Council/NPDC WSCCO and Joint/Taranaki WSCCO for water and wastewater. For both WSCCO options, stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO).
 10. Council Officers have since progressed detailed analysis on the remaining options, including continued collaboration with South Taranaki District Council (STDC) and Stratford District Council (SDC) to explore joint water service delivery options to address infrastructure and delivery challenges and opportunities.

¹ Letter from Hon Simeon Brown to Local Government Mayors/Chairs received 10 December 2024.

11. This detailed analysis demonstrates that the Joint Taranaki WSCCO model best meets the Strategic Investment Objectives and is expected to deliver the most benefits, including:
 - a) Freeing up debt headroom for other Council activities by moving water assets and debt from Council balance sheets
 - b) Delivering \$100M of savings to the New Plymouth community due to operational efficiencies and economies of scale over a 30-year period.
 - c) An enhanced strategic focus on water services, supporting an attractive market for regional investment and growth.
 - d) Informing Te Mana o te Wai and environmental outcomes through increased, focused investment and specialist capability.
 - e) Ensuring the continuous delivery of well-maintained and regulatory compliant water systems and services to the community.
 12. New Plymouth rate payers would receive these benefits at no extra cost in the first 20 years, and thereafter realise savings.
 13. This paper therefore seeks agreement to specify in consultation materials that an asset owning Joint Taranaki WSCCO with South Taranaki and Stratford District Councils as the preferred delivery model for wastewater and drinking water, noting stormwater services and stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO).
 14. As outlined in previous reports there is a risk that regional partners opt out of a Joint WSCCO prior to, or as a result of public consultation. In the event STDC and/or SDC opt out of a Joint Taranaki WSCCO then the recommended preferred model is the NPDC WSCCO option.
 15. The NPDC WSCCO will deliver all the benefits attributable to a Taranaki WSCCO but to a lesser extent, delivering \$17M savings over a 30-year period and providing long-term flexibility for future mergers either within or outside the region.
 16. This paper therefore seeks agreement to include the analysis of three options: 1) Enhanced Status Quo, 2) NPDC WSCCO, 3) Joint WSCCO in consultation materials as a mitigation to this risk and ensure we receive feedback on the full scope of reasonably practicable options.
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BACKGROUND / WHAKAPAPA

17. Water services reform has been on the national agenda as part of the last Labour and current National governments and has been articulated in previous reports and through Council workshops. A summary of the history (as previously reported) is attached as Appendix 1.

Local Water Done Well Legislative and Policy Framework

18. The Local Government (Water Services) Bill was introduced in early December 2024. This Bill builds on the foundations set in the Local Government (Water Services Preliminary Arrangements) Act 2024.
19. The combined legislation sets minimum requirements for service delivery models that include:
- a) New economic, environmental and water quality regulations
 - b) A new planning and accountability framework
 - c) Financial sustainability objectives
 - d) New statutory objectives consistent for all water providers
 - e) Restrictions against privatisation.
20. All Councils are required under legislation to consider options and determine a preferred water service delivery model. Whatever model is adopted, there are legislative restrictions against privatisation and regardless of the delivery arrangements, the existing responsibilities, commitments and obligations under the Local Government Act (LGA) and Treaty settlement legislation continue to apply.
21. Irrespective of the model chosen, the revenues, assets, expenses and debt for water services must be separated or ring-fenced from all other Council services.

Financial Sustainability

22. The Act requires that water services be delivered in a financially sustainable manner by 30 June 2028.
23. To meet the anticipated investment needs for water service delivery, an increased borrowing facility has been offered through the New Zealand Local Government Funding Agency (LGFA) whereby a WSCCO can borrow up to 500% of its operating revenue.

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24. This lending framework will only be available to new asset-owning water organisations that are CCOs and are financially supported by their parent Council(s), either as a guarantor or via uncalled capital.
 25. The intention of providing this lending facility is twofold; to better enable Councils via a WSCCO to address water investment needs and enable 'balance sheet separation' with the advantage of freeing-up debt 'headroom' for other Council activities.

Stormwater

26. Under the Bill, Councils retain legal responsibility and control of stormwater services but have the flexibility to choose the arrangements that best suit their circumstances.
27. If a new water organisation is established, the entity may provide all stormwater services to NPDC under contract, or stormwater assets and debt may be transferred in full².
28. Stormwater revenue will continue to be collected by Council irrespective of the delivery model chosen.

Water Service Delivery Plans

29. The Council must by 3 September 2025, submit a WSDP which explicitly shows:
 - a) The proposed water services delivery model, as decided by Council.
 - b) The decision of Council to transfer (or not) stormwater services and/or assets (as well as drinking water and wastewater).
 - c) Financial separation of water services from the rest of Council activities.
 - d) Demonstrations that financial sustainability will be achieved by 30 June 2028.
 - e) Adoption by Council before 29 July 2025 and certified as being true by the Council Chief Executive.
30. The WSDP must be accompanied by an Implementation Plan for the preferred delivery model and submitted to the Secretary of Local Government (through DIA) by 3 September 2025. The WSDP is then either;

² DIA guidance states that only those assets primarily existing for stormwater purposes, or for which a future water organisation would need control to reliably operate the stormwater network, should transfer.

- a) Accepted by the Secretary for Local Government, who can only accept a WSDP if it complies with the Act (as above).
 - b) Not accepted by the Secretary who may recommend the Minister of Local Government appoints a Crown Water Services Specialist to complete the WSDP to an acceptable outcome (at Council's expense).
31. The Government is also proposing a new planning and accountability framework for water services. The framework is intended to improve transparency and accountability for future delivery of water services.
32. Essentially, the status quo, for two (and potentially three) waters delivery, is no longer an option without substantial modification to meet the legislated requirements for financial sufficiency.

Consultation requirements

33. The Act specifies that consultation is mandatory on the Council's proposed model or arrangement for water service delivery, but optional on the balance of the WSDP.
34. The Act sets out streamlined consultation requirements that must be used when consulting or deciding on a proposed model or arrangement for delivering water services. These expressly replace certain provisions of Part 6 of the LGA, simplifying the process to assist with the preparation, consultation and adoption of a WSDP.
35. The Act specifies the information that must be provided about the proposed delivery model during consultation. These are:
- a) Specifying the proposed model or arrangements for delivering water services and the reasons for it.
 - b) An analysis of the advantages and disadvantages of at least two options (including the proposed arrangements/model) that have been considered; one of these is expected to be a status quo approach. Council may decide to include analysis of additional options.
 - c) Potential impacts of proceeding or not proceeding with the proposal, including on rates, debt, levels of service, and any charges for water services.
 - d) For a joint model, the implications for communities and accountability arrangements for communities throughout the joint service area.
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CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

36. Water service providers, regardless of the delivery model chosen, will have the objective to deliver water services in a sustainable and resilient manner.
37. Council's Emissions Reduction Plan identifies significant opportunities to reduce greenhouse gas emissions within the water and wastewater services (including the Thermal Dryer replacement, Wastewater Treatment Plant diffuser replacement and the water conservation programme).
38. Officers would expect that a new delivery model would seek to implement these projects given the statutory obligations that are proposed and would have the strategic focus to do so.
39. A key consideration to determining the most appropriate future delivery model is the ability of the different models to implement changes to service delivery. Climate change considerations are one example of the types of changes that the preferred model will need to be able to implement.

NEXT STEPS / HĪKOI I MURI MAI

40. The next steps are:

Council meeting

16 April 2025 Council adopts the Consultation Document and approves its release.

Public consultation and decision made

April-May 2025 Public consultation undertaken to inform a final WSDP

1 – 2 July 2025 Hearings held

29 July 2025 Council considers submissions and determines an option

By 3 Sep 2025 Council Officers submit final WSDP to central government

SIGNIFICANCE AND ENGAGEMENT / KAUPAPA WHAKAHIRAHIRA

41. In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being of some importance.
 42. While the ultimate decision around water service delivery for the district will involve strategic assets, have implications for Council's purpose and obligations and will include financial costs for Council and the community; this meeting/report is not the final decision-making juncture.
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43. It is proposed that public consultation will be undertaken in line with the streamlined consultation approach outlined by government. This will require Councils to consult based on status quo and their preferred delivery model.

DECISION-MAKING REQUIREMENTS RELEVANT TO ALL OPTIONS

44. The following Local Government Act 2002 decision-making requirements apply to all options.

Promotion or Achievement of Community Outcomes / Hāpaitia / Te Tutuki o Ngā Whāinga ā-hāpori

45. Decisions on water service delivery promote the achievement of multiple community outcomes including:

- a) Trusted
Providing trust and confidence in our due diligence and considered approach to water service delivery outcomes.
- b) Thriving Communities
The delivery of water services is paramount to the health and wellbeing of our communities.
- c) Environmental excellence
Our approach to water service delivery within the region will have capacity to meet environmental outcomes and the principles contained within Te Mana o Te Wai.
- d) Prosperity
The chosen model for water service delivery in Taranaki has a long-term outcome of attracting talent, growth and future investment into the region.

Statutory Responsibilities / Ngā Haepapa ā-ture

46. Progressing towards the development of a WSDP will meet LWDW legislation enacted by government in September 2024. The contents of the Local Government (Water Services) Bill released in December 2024, does not have a material impact on the contents of this report.

Consistency with Policies and Plans / Te Paria i ngā Kaupapa Here me ngā Mahere

47. Current analysis and discussions are being undertaken as a result of legislative change and Central Government direction. While the Long-Term Plan (LTP) provided for a regional work programme, no budgetary allowance was made for progressing the establishment of a new entity/WSCCO.

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48. Council Officers will ensure elected members are informed of on any inconsistencies with the LTP and any actions required to accommodate those inconsistencies.

Community Views and Preferences / Ngā tirohanga me Ngā Mariu ā-hāpori

49. Through the 2024 – 2034 LTP consultation, Council sought community feedback on whether the Council should explore joint options for the future delivery of water services. Of 2533 submissions regarding water services received, 60% supported investigation of alternative delivery options.
50. Further public consultation is planned for April - May 2025 as the next stage of the project (Stage 4: Recommendations & Decision Making).
51. The next gateway decision is planned for mid-April 2025 to confirm consultation materials and consultation activities proceeding.
52. To date all meetings and workshops relating to LWDW have been open to the public and livestreamed. Meeting and workshop material, including video recordings are available on the Council's website.

Participation by Māori / Te Urunga o Ngāi Māori

53. To date, the Water Service Delivery for Taranaki Project has had involvement and input from iwi/mana whenua by way of Post Settlement Governance Entity (PSGE) members participation in the Steering Group, Pou Taiao staff on the Project Working Group, Technical Working Group, and briefings to Taranaki Iwi Chairs.
54. Governance considerations have been shared with Steering Group members including PSGE representatives, participating Pou Taiao staff and Iwi Chairs. Their feedback has been incorporated into delivery model development.

OPTIONS / KŌWHIRINGA

Strategic Analysis

55. Since the establishment of the Water Service Delivery for Taranaki Project, Taranaki Councils have considered which options provide the best strategic outcomes for their communities and the delivery model(s) that best allows for long-term financial sustainability.
56. Noting that participating Councils have defined their own strategic assessment criteria that aligns with their communities' priorities and needs; for NPDC, all delivery models have been assessed against Strategic Investment Outcomes and Critical Success Factors outlined in Figure 1 below:

Figure 1: Strategic Investment Objectives & Critical Success

Investment Objectives

A sustainable funding mechanism	Taranaki water systems have sustainable and affordable funding mechanisms, keeping rates low whilst both maintaining our assets and addressing historic under-investment in water infrastructure.
Delivers operational efficiencies and scale economies	Extent to which the water service delivery model delivers operational efficiencies and expected economies of scale
An attractive market for investment and growth	Increased and improved investment in Taranaki water systems support growth, therefore attracting regional investment to achieve a larger rating base and stronger industry and community.
Informs Te Mana o Te Wai	Taranaki water systems meet community expectations of environmental performance, particularly in relation to water bodies, including the increased focus and needs to Te Mana o Te Wai.
Well-maintained and compliant water systems	Taranaki water systems can meet increasing water quality and environmental requirements and demonstrate improved resiliency of our water assets, to counter the impacts of natural hazards and climate change.
Sufficient capability and a robust talent pipeline to support its water activities.	Taranaki water service delivery demonstrates resourcing efficiencies and attracts and retains talent within the region.
Supports local accountability and responsiveness	Taranaki water service delivery understands local needs and can respond in a timely manner to service requests.

Critical Success Factors

Achievability	Ease in which the new water services delivery model can be established within legislative timeframes
Value for money	Expected financial benefits and efficiencies for each water services delivery model
Optimal scale and structure	The extent to which the water service delivery model meets optimal scale and structure to deliver efficiencies
Long-term flexibility	The extent to which the water service delivery model can be adapted in the future to meet changing legislation, regulatory expectation and political requirements.

57. Initial analysis resulted in a determination that Outsource to Private Sector (Model 5), Outsource to Other Council (Model 6) and Regional Consumer Trust (Model 7) are not reasonably practicable models and Council resolved not to proceed with detailed analysis.
58. Consequently, Council Officers collapsed models 1 and 2 into a single Enhanced Status Quo model and progressed with detailed analysis of the following:
 - Model 1 Enhanced Status Quo
 - Model 3 Single Council/NPDC WSCCO
 - Model 4 Joint/Taranaki WSCCO
59. These models have been assessed comparatively against the agreed Strategic Investment Objectives, this comparative analysis is outlined in Figure 2 below and a full analysis, including commentary is included as Appendix 2.

Figure 2: Strategic Investment Objectives Comparative Analysis

	Enhanced Status Quo	NPDC WSCCO	Taranaki WSCCO
A sustainable funding mechanism	3	4	4
Delivers operational efficiencies and scale economies	2	3	4
An attractive market for investment and growth	2	4	5
Informs Te Mana o Te Wai	3	4	5
Well-maintained and compliant water systems	3	4	5
Sufficient capability and a robust talent pipeline to support its water activities.	3	3	4
Supports local accountability and responsiveness	5	5	4

60. Working assumptions tested via Council workshops in November and December 2024 included:

- a) WSCCO to be a two Waters asset ownership model for drinking and wastewater assets, with the service delivery of stormwater services to remain with Council and be considered at a later date³. The decision to not include ownership of the stormwater assets at this time was due to a number of inherent complexities that need to be resolved including:
 - i) Upon what basis income would be collected by the entity (as opposed to water and wastewater which is more straight forward).
 - ii) Under the Bill, Councils retain legal responsibility and control of stormwater services. How this would work in practice with an asset owning entity is yet to be determined.
 - iii) Land ownership where there is a dual purpose (e.g. Sutherland park that is a sports field and stormwater detention area).

³ The Local Government Water Services Bill (Bill 3) states 'other water services (including stormwater services and services supplied by non-local government suppliers) will be able to be brought within the regime at a later date, by designation by order in Council.'

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- iv) Who owns and is responsible for what assets between parks, transport and stormwater (e.g. retaining walls in streams, stormwater treatment devices etc).

The decision to consider at a later date (likely during WSCCO establishment) who be responsible for service delivery recognises that this is a commercial transaction and Council needs to maintain commercial tension in the process. Locking in service delivery from the WSCCO would remove this.

- b) Governance design principles, including:
 - i) Shareholding to be determined by population or value of assets.
 - ii) Committee membership (seats) to also be determined by population or value of assets.
 - iii) Mana Whenua representation at the Joint Committee level, and Te ao Māori capabilities essential at the WSCCO Board.
- c) Incorporating price harmonisation in our Water Service Delivery Plan financial modelling for a regional model.

- 61. These assumptions have been endorsed by the Waters Steering Group and a summary of the proposed governance models are included as Appendix 3.
- 62. Noting, the proposed make-up of the Joint Committee under a Joint Taranaki WSCCO model being a 4 (NPDC), 3 (STDC), 2 (SDC) + 3 Waka (Aotea, Kurahaupō and Tokomaru). This has been tested with Iwi Chairs and is included in the Joint Taranaki WSCCO summary.

Financial Modelling

- 63. Financial modelling for the water and wastewater activity has been completed to enable comparison of different options under the new legislation; it is not intended as a confirmed tariff structure for future water services.
- 64. Financial modelling for Stormwater has not been undertaken for the following reasons:
 - a) The costs are relatively small (10% of the regional WSCCO OPEX budget).
 - b) The decision not to transfer the assets was made for non-financial reasons.

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65. Technical Working Group members across Councils inputted into the financial model to assess the viability of a regional WSCCO. Independent status quo analysis has been undertaken by each Council individually.
66. The Department of Internal Affairs (DIA) has also assisted through provision of a standard spreadsheet template for local authorities to utilise that provided an automated calculation of financial sufficiency tests.
67. The financial model incorporated the following assumptions:
- a) Baseline costs are consistent across all three options, for financial years 2025/26 to 2034/35 are directly from the 2024/25 LTP for NPDC. Noting there are slight modifications for SDC and STDC with following adjustments:
 - i) The addition of Tumata Arowai and Commerce Commission Levy at \$5.44/person residing in the district
 - ii) A 1% increase in from 27/28 to internal charges and overheads to account for responding to proposed additional regulation
 - b) Baseline OPEX costs for 2035/36 onwards are based on the 2035/36 costs plus an annual 3.1% uplift for inflation.
 - c) Baseline CAPEX Costs for 2035/36 onwards are based on an updated version of the Infrastructure Strategy to account for the additional projects that are expected to be required but not yet identified.
 - d) Additional costs and savings specific to each model were applied as per the table below to water and wastewater. Costs for stormwater are assumed to be the same for all models so are not covered in this report.

Cost/Saving Applied	Enhanced Status Quo	NP WSCCO	Regional WSCCO
OPEX Efficiency Saving	NA	Commencing in 2029/30 and linearly ramping up over 10 years to 2% Note: 2026/27 FY OPEX is \$33M	Commencing in 2029/30 and linearly ramping up over 10 years to 8% Note: 2026/27 FY OPEX is \$51M
CAPEX Efficiency Saving	NA	Commencing in 2029/30 and linearly ramping up over 10 years to 1%	Commencing in 2029/30 and linearly ramping up over 10 years to 4.5%
Establishment costs	NA	6% of OPEX for 5 years commencing 2026/27	9% of OPEX for 5 years commencing 2026/27
Additional Governance Costs	NA	\$100,000 per year	\$200,000 per year

68. To enable easy comparison between the options, the revenue (and therefore cost to consumer) was kept consistent for all options allowing the debt to be used to understand the differences. The revenue was set by developing a credible approach to harmonisation over a 10-year period as shown in figures 3 and 4.
69. Figure 3 for water, uses a cost per cubic meter as all the Councils have different average consumption and tariff structures meaning a cost per connection is not a meaningful way to divide the cost, Stratford and New Plymouth are looking to move towards volumetric billing and over 50% of South Taranaki's consumption is volumetrically billed.
70. The rate of harmonisation is dictated by limiting the rate of increase for South Taranaki Rural to 10% for water (New Plymouths increases at 2% pa) and limiting the rate for increase for Stratford to 14.4% for wastewater (New Plymouth increases at 6.5%).
71. Note: In practice should NPDC choose to proceed with the enhanced status quo or a New Plymouth WSCCO, the water tariff would be higher and wastewater tariff lower than that shown to better manage the debt to revenue implications.

Figure 3: Cost per cubic meter for water services

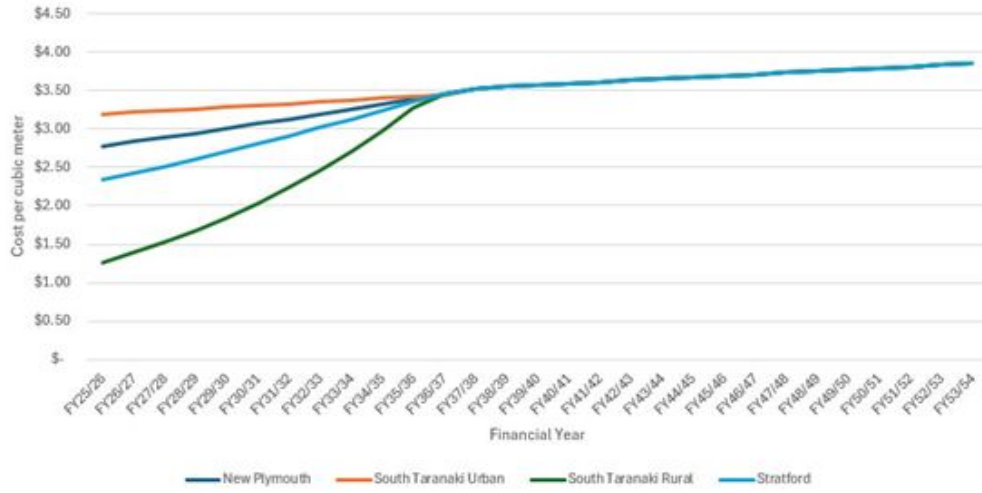
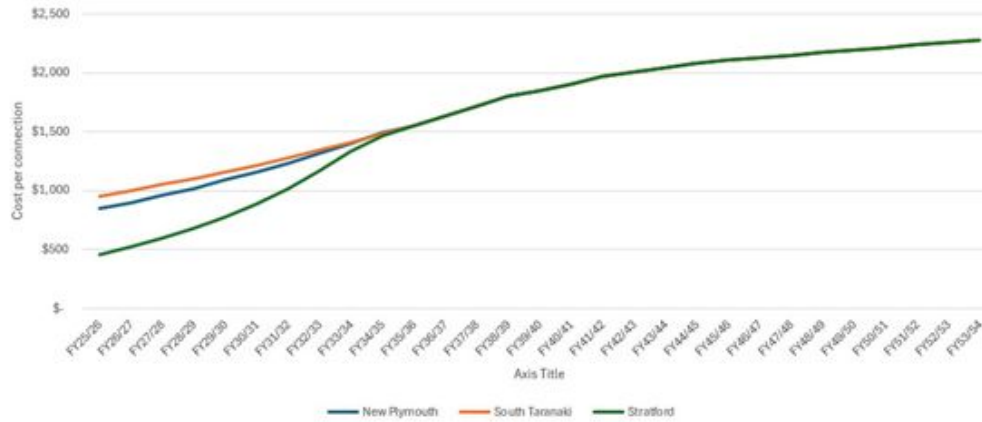


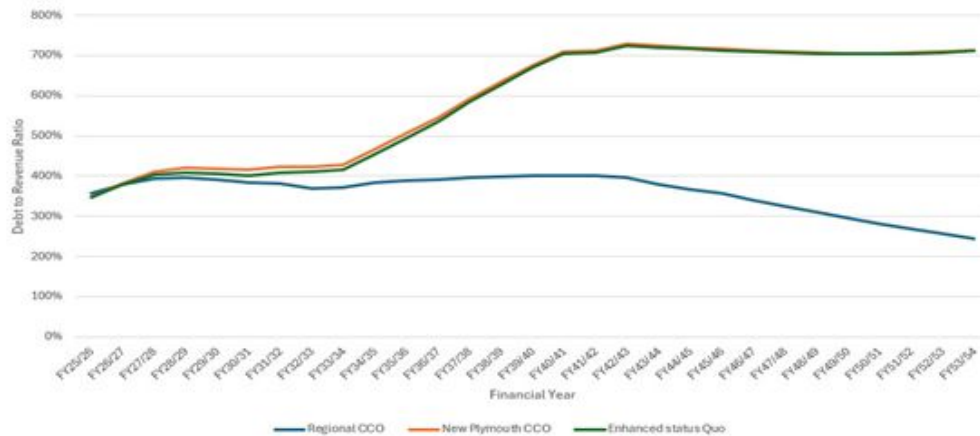
Figure 4: Cost per connection for wastewater services



72. The model results show that:

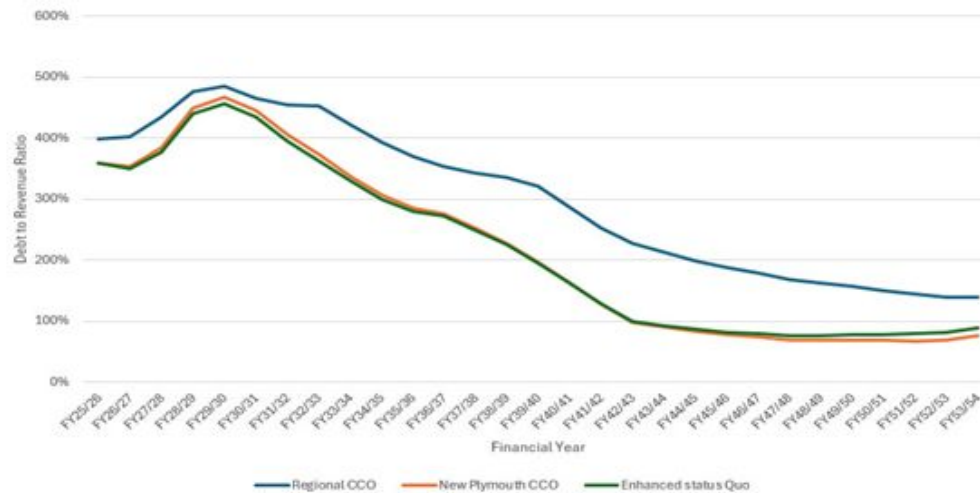
- a) NPDC are a net beneficiary for water. This is demonstrated by the high (700%) debt to revenue ratio for the Status Quo option and New Plymouth WSCCO when compared to the Regional WSCCO (figure 5).

Figure 5 – Debt to revenue ratio for the water activity



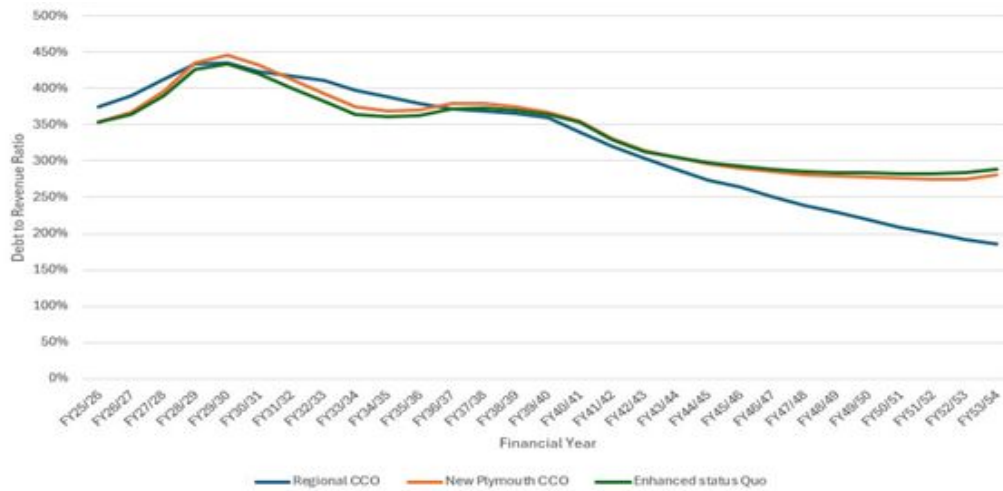
- b) NPDC are a net contributor for wastewater to a Regional WSCCO under the above assumptions. This is demonstrated by the low (100%) debt to revenue ratio (figure 6)

Figure 6 – Debt to revenue ratio for the wastewater activity



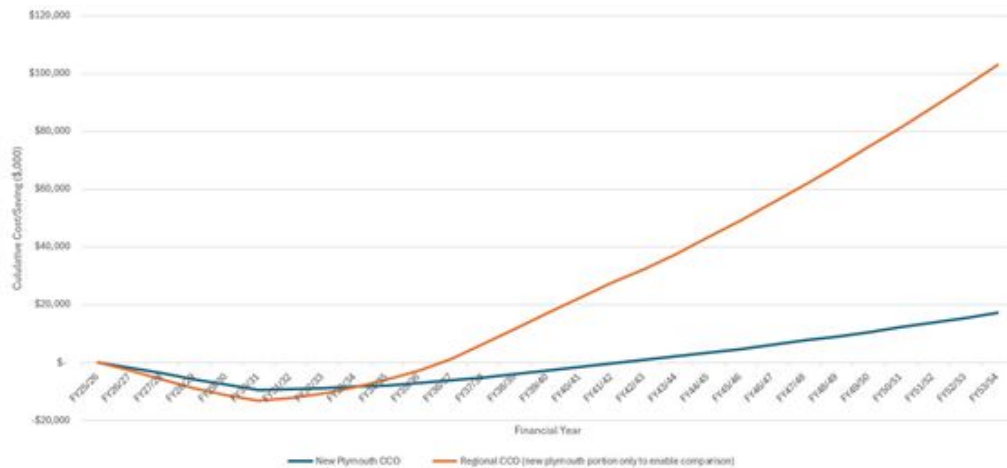
- c) All options are financially viable and keep the two waters debt to revenue ratio under 500% (figure 7).
- d) All options are essentially equal in terms of financial impact for the New Plymouth community (figure 7). This is illustrated by the very close tracking of the overall two waters debt to revenue between the three options for the first 20 years. The divergence in the final 10 years would make NPDC a net beneficiary over this period, noting the challenges of estimating costs over a 20-30 year horizon.

Figure 7 – Debt to revenue ratio for 2 waters



73. Figure 8 shows that while WSCCO's will cost NPDC rate payers more in the short term, the creation of a regional WSCCO would save over \$100M for NPDC rate payers over the 30yrs and the creation of a New Plymouth WSCCO would save around \$17M. The savings under a Joint WSCCO are realised five years earlier than under a NPDC only WSCCO. This means that the rate of increases for NDPC ratepayers will be less under the WSCCO options with the biggest benefit seen under the Joint WSCCO.

Figure 8 – Cumulative Cost/Saving for NPDC against Status Quo



74. A WSCCO (independent or joint) would have a single focus on three waters infrastructure and improved financial and asset management processes and financing tools. This avoids the compromise seen with Council obligations and systems which must meet the needs of diverse businesses often leading to compromised solutions. This WSCCO will be able to take a longer-term approach to delivery and investment and will have a legal obligation to support growth objectives for all participating Councils.
75. By moving water and wastewater assets across to a WSCCO, this also creates greater borrowing headroom for the rest of Council and allows Councils to focus on community priorities other than waters infrastructure.
76. While all options meet financial sustainability requirements of the legislation, there are clear strategic, environmental and operational benefits for Taranaki Councils under a Joint Taranaki WSCCO model as detailed in Figure 2. NPDC would receive these benefits at no extra cost in the first 20 years, and thereafter also realise savings, refer to Figure 7.

Decision 1: Preferred Water Services Delivery Model

77. As per the detailed analysis completed to date, a Joint Taranaki WSCCO model best meets the Strategic Investment Objectives and is expected to deliver the most benefits. It is recommended that the Joint Taranaki WSCCO be specified as the preferred delivery model in consultation materials.
 78. While Enhanced Status Quo and an NPDC WSCCO scored relatively close, Officers see greater benefits to establishing a NPDC WSCCO over Status Quo given its debt headroom advantage to ensure compliance with financial sustainability. It also has the strongest basis to meet new water requirements and standards with a singular focus on water services.
 79. In addition, progressing with an NPDC WSCCO provides the 'scaffolding' for mergers with other Councils should things change politically or financially in the future.
 80. Therefore, in the event that STDC and SDC do not elect to go with a Joint Taranaki WSCCO, then the NPDC WSCCO is recommended as the next preferred delivery model.
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Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga.

81. The advantages and disadvantages of specifying a Joint Taranaki WSCCO as the preferred model in consultation materials, are outlined in the following table:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Best meets the strategic investment objectives set for water service delivery, with particular differentiation around: <ul style="list-style-type: none"> ○ Supporting an attractive market for investment and growth, ○ Informing Te Mana o Te Wai and environmental outcomes ○ Having well maintained and compliant water systems ○ Supporting sufficient staff capacity and a robust talent pipeline. • Overall cost to NPDC community of all options is expected to be similar but a regional WSCCO is expected to achieve savings of over \$100M. 	<ul style="list-style-type: none"> • There is a degree of risk that the assumed establishment costs and efficiency savings are incorrect. This could positive or negative i.e. greater or less savings than assumed.

82. This report identifies and assesses the following reasonably practicable options for addressing the matter:

1. Prepare consultation materials that:
 - a) Specifies an asset owning Joint Taranaki WSCCO with South Taranaki (STDC) and Stratford District (SDC) Councils as the preferred water and wastewater services delivery model, including that in the event STDC and/or SDC opt out of a Joint WSCCO then the recommended preferred model is the NPDC WSCCO option. Under both options, Stormwater asset ownership and delivery would remain with Council, and Council will consider delivery options (potentially including contracting to the WSCCO).

OR

- b) Specifies an option other than a Joint Taranaki WSCCO as the preferred water services delivery model.

Decision 2: Number of options included in Consultation

- 83. While the analysis of the advantages and disadvantages of at least two delivery models is required for streamlined consultation under the Act, Council may decide to include analysis of additional delivery models.
- 84. As referenced earlier in the report, there is a risk that regional partners opt out of a Joint Taranaki WSCCO prior to, or as a result of public consultation.
- 85. As detailed analysis has been completed on three delivery models 1) Enhanced Status Quo, 2) NPDC WSCCO, 3) Joint Taranaki WSCCO it is recommended that all three delivery models are included in consultation materials as a mitigation to the risk of a Joint Taranaki WSCCO not proceeding i.e. in this circumstance NPDC still have two viable delivery models to consult on, and ensure we receive feedback on the full scope of reasonably practicable options.

Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga.

- 86. The advantages and disadvantages of including the analysis of three delivery models in consultation materials are outlined in the following table:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Meets the streamlined consultation requirements as required by the Act. • Mitigates the risk of regional partners opting out of a joint model – inclusion of two viable options if joint WSCCO discontinued. • Officers have completed analysis, therefore no additional work required to include three delivery models. 	<ul style="list-style-type: none"> • More delivery models for the public to consider as part of public consultation

- 87. This report identifies and assesses the following reasonably practicable options for addressing the matter:
 - 2. Prepare consultation materials that:
 - a) Includes analysis of two delivery models:

-
- i) Enhanced Status Quo,
 - ii) Joint Taranaki WSCCO

OR

- b) Includes analysis of three delivery models:
 - i) Enhanced Status Quo,
 - ii) NPDC WSCCO,
 - iii) Joint Taranaki WSCCO.

Recommended Option

This report recommends option 1a and 2b for addressing the matter.

APPENDICES / NGĀ ĀPITI HANGA

Appendix 1 Summary of history of Water Services reform and material previously presented (ECM 9396596)

Appendix 2 Multi-Criteria Analysis Summary (ECM 9434660)

Appendix 3 Governance Summary (ECM 9434662)

Report Details

Prepared By: Helen Gray, Manager Integrity & Innovation
Team: Integrity & Innovation
Approved By: Gareth Green, Chief Executive
Ward/Community: District Wide
Date: 19 February 2025
File Reference: ECM9434663

-----*End of Report*-----



Our reference
F19/13/03-D21/40748

Karakia

Kia uruuru mai
Ā hauora
Ā haukaha
Ā haumāia
Ki runga, Ki raro
Ki roto, Ki waho
Rire rire hau Paimārire

I draw in (to my being)
The reviving essence
The strengthening essence
The essence of courage
Above, Below
Within, Around
Let there be peace.