NOTICE OF AN EXTRA ORDINARY COUNCIL MEETING

Ōpōtiki District Council Chambers, 108 St John Street, Ōpōtiki
Thursday, 26 June 2025
Commencing at 9.00am

ORDER PAPER

APOLOGIES

DECLARATION OF ANY INTERESTS IN RELATION TO MEETING AGENDA ITEMS

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Chair:	**His Worship the Mayor – David Moore**
Members:	**Cr Shona Browne (Deputy Mayor)**
	Cr Tom Brooks
	Cr Barry Howe
	Cr Maxie Kemara
	Cr Steve Nelson
	Cr Dean Petersen

Committee Secretary:	**Gae Finlay**
Quorum:	**4**

LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968

Councillors are reminded that if you have a pecuniary or non-pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the Council chamber.

Stace Lewer
CHIEF EXECUTIVE OFFICER

Ōpōtiki District Council
STRONG COMMUNITY STRONG FUTURE

COUNCIL REPORT

Date : 3 June 2025

To : Extra Ordinary Council Meeting, 26 June 2025

From : Strategic Policy Analyst, Joel Hingston

Subject : **ADOPTION OF THE 2025/2026 ANNUAL PLAN**

File ID : A1309081

EXECUTIVE SUMMARY

- Under section 95 of the Local Government Act 2002, local authorities are required to prepare and adopt an Annual Plan prior to the financial year it relates too.
- Council outlined its work plan and indicative rates increases in the Annual Plan information document, 'Our Plan in Action' released to the public on 5 May 2025.

RECOMMENDATIONS

1) **That the report titled "Adoption of the 2025/2026 Annual Plan" be received.**

2) **That Council adopts the 2025/2026 Annual Plan.**

3) **That the Council authorises the relevant asset additions and disposals as outlined in the Annual Plan and corresponding schedule of projects, and delegates the authority to the Chief Executive.**

PURPOSE

1. The purpose of the report is to seek adoption of the 2025/2026 Annual Plan as presented in the separately circulated document.

STRATEGIC ALIGNMENT

2. The matters detailed in this report relate to the following priorities from Ōpōtiki District Council's Long-Term Plan 2024-2034:

   ☒ Community Priority One: Strong relationships and partners

   ☒ Community Priority Two: Investment in our district

   ☒ Community Priority Three: Well-being is valued

   ☒ Community Priority Four: Our communities are resilient

   ☒ Community Priority Five: Growth is sustained over time.

BACKGROUND

3. Annual Plans support Long Term Plans and provide the basis for setting and assessing rates for the year to which they relate to. This paper seeks to adopt the 2025/26 Annual Plan.
4. In preparing this plan, the following signals were provided:
    - That there be no significant material changes to what was adopted in the LTP
    - That the plan development is prepared and adopted by legislated timeframe (30 June 2025)
    - That the plan strikes the right balance set out in the LTP, to support community development while ensuring the community can afford it.
5. It is considered that the Annual Plan does present the right balance and provides a set of commitments that Council will be undertaking over the next year, while avoiding any unnecessary activities that would cause significant financial burdens on ratepayers.
6. On 29 April 2025, Council approved its Annual Plan Information Document for release which provides a summary of Council's proposed activities.
7. As Council adopted the Long Term Plan 2024-2034 on 30 October 2024, Council's guidance was that there is to be no significant changes to year 2 of the LTP and that an annual plan be prepared accordingly. With no significant changes, Council decided to use a 'light touch' approach to engagement and released 'Our Plan in Action' to give the community a chance to provide feedback.
8. Council received some feedback in relation to 'Our Plan in Action' which was considered at the workshop held on 28 May.
9. Feedback received was focused on the proposed cycleway continuation for Waiotahe. Most of the feedback was in favour of the proposed cycleway with one indicating safety concerns and impacts on the Bryans Beach cycleway proposal. There has been no feedback on other aspects of the information document in writing however the drop-in sessions provided mostly positive feedback and suggestions for Council's operations.
10. As there are no significant changes there was no requirement to undertake a special consultative procedure. There were no significant increases in the 2025/26 Fees and Charges Schedule, and these were adopted by Council on 29 April 2025.

OPTIONS

11. The options available to Council are to either adopt the Annual Plan 2025/26 by 30 June 2025 to meet legislative requirements and set the direction for 2025/26 financial year, or to not adopt the Annual Plan and seek amendments.

OPTION 1: Adopt the 2025/26 Annual Plan	
Description	*Council adopts the Annual Plan and sets the direction for the financial year 2025/26.*
Advantages	*Council meets legislative requirements and enables delivery of projects and operations for financial year 2025/26.*
Disadvantages	*None identified.*
Impact on mana whenua	*Minimal impact, no negatives noted.*
Strategic alignment	*Aligns with all Community Priorities.*
Associated risks	*None identified.*

OPTION 2: Not the adopt 2025/26 Annual Plan	
Description	*Council does not adopt the Annual Plan.*
Advantages	*None identified*
Disadvantages	*Council misses legislative requirements. Council does not have financial assurance for the coming year.*
Impact on mana whenua	*No support from Council for coming financial year.*
Strategic alignment	*Does not align with Council's Community Priorities.*
Associated risks	*Failure to meet legislative requirements. Potential for further financial implications. No advancement of projects or capital works.*

Financial/budget considerations

12. There are no direct financial implications in adopting the Annual Plan. The Annual Plan sets out the financial planning and impacts for the coming year.
13. The LTP forecasted an overall rates increase of 10.6% for Year 2. During the Annual Plan development, Council staff were able to reduce the overall increase down to 9.8% (comprising general rates at 9.4% and targeted rates at 11.1%). This is a slight adjustment to the 9.5% overall increase Council had proposed upon the release of the Information document. The is due to the new Water Services levies that have been imposed on Council. The overall increase is less than the 10.6% planned in ear 2 of the LTP.

Policy and planning implications

14. The 2025/26 Annual Plan sets the direction and plans for the coming financial year.

Impact on mana whenua

15. There is no impact on Mana Whenua.

Climate impact considerations

16. The Annual Plan supports the direction of Council's intention to build climate resilience.

Risks

17. Should Council determine to not adopt the Annual Plan. Council will miss the legislative deadline of 30 June 2025 to adopt the plan.

Community well-being considerations

18. The purpose of Local Government now includes promotion of social, economic, environmental and cultural well-being of communities in the present and for the future ('the four well-beings').
19. The subject matter of this report has been evaluated in terms of the four well-beings during the process of developing this report as outlined below.
20. Social, economic, environmental and cultural well-beings are what have under pinned the development of Annual Plan 2025/2026. The plan has been developed to promote and enhance the wellbeing of the community, both now and into the future.

SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Assessment of significance

21. On every issue requiring a decision, Council is required to determine how significant a decision is to the community, and what the corresponding level of engagement should be. Council uses the Significance Flowchart in the Significance and Engagement Policy to determine the level of significance.
22. The level of significance related to the decision in this report is considered to be **low**. Because the decision is determined to have **low** significance in accordance with the policy, the corresponding level of engagement required is **Inform**.

Assessment of engagement

23. As the level of significance has been determined to be **low**, the level of engagement required is **Inform** according to the Engagement Framework of the Significance and Engagement Policy:

INFORM	To provide balanced and objective information to assist understanding about something that is going to happen.

24. The tools that Council will use for the ‘Inform’ level of engagement include a report in the public agenda of the Council meeting and may include a combination of public notices in the newspaper and/or on Council’s social media.

25. Council did not require a special consultative procedure and instead opted to release the annual plan information document titled ‘Our Plan in Action’. This was released to the public and circulated online and presented at in-person drop-in sessions held in Ōpōtiki and Te Kaha.

CONCLUSION

26. The 2025/26 Annual Plan will enable Council to deliver on its objectives for the coming financial year and provides clarity to the community on Council plans over the next year.

Joel Hingston

STRATEGIC POLICY ANALYST

Ōpōtiki District Council
STRONG COMMUNITY STRONG FUTURE

COUNCIL REPORT

Date : 17 June 2025

To : Extra Ordinary Council Meeting, 26 June 2025

From : Finance Manager, Billy Kingi

Subject : **SETTING OF 2025/26 RATES, DUE DATES FOR PAYMENT, AND THE PENALTIES REGIME**

File ID : A1313465

EXECUTIVE SUMMARY

- **With Council having adopted the 2025/26 Annual Plan, Council has to set the rates, due dates for payment and penalties regime for the financial year from 1 July 2025 to 30 June 2026.**

RECOMMENDATIONS

1. **That the report titled "Setting of 2025/26 Rates, Due Dates for Payment, and the Penalties Regime" be received.**
2. **That the Ōpōtiki District Council, pursuant to the provisions of the Local Government (Rating) Act 2002, set the following rates (including GST) for the period 1 July 2025 to 30 June 2026:**

1 GENERAL RATES

(a) General Rate

Pursuant to Section 13 of the Local Government (Rating) Act 2002, a general rate of 0.2785 cents in the Dollar of Capital Value on all rateable rating units in the Ōpōtiki District.

Revenue Sought ***$12,279,487***

(b) Uniform Annual General Charge

Pursuant to Section 15 of the Local Government (Rating) Act 2002, a uniform annual general charge of $660.03 per rating unit on every rateable rating unit in the district.

Revenue Sought ***$3,264,168***

2 TARGETED RATES

(a) Water Supply Charges

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate for water supply within the following water supply areas as follows:

	Supply Name	
(i) A full charge for the ordinary supply of water in respect of each separately used or inhabited part of a rating unit to which water is supplied.	**Ōpōtiki/ Hukutaia**	**$597.18**
	Te Kaha	**$456.56**
	Ōhiwa	**$695.73**
(ii) A half charge in respect of every rating unit to which water can be, but is not supplied, situated within 100m of any part of the waterworks.	**Ōpōtiki/ Hukutaia**	**$298.59**
	Te Kaha	**$228.28**
	Ōhiwa	**$347.86**
Revenue Sought:	***Ōpōtiki/ Hukutaia***	***$1,483,529***
	Te Kaha	***$169,434***
	Ōhiwa	***$14,958***

Pursuant to section 19 of the Local Government (Rating) Act 2002 a targeted rate for water supplied by meter is applied as well as the connection charge outlined above as follows

Any property that is connected to one of the above water supplies where there is a water meter, the metered volumes of water used shall be charged at the following marginal rates per cubic meter up to each daily use threshold.	**Ōpōtiki/ Hukutaia**	**$0m^3$**	**$0.88**
		$2m^3$	**$1.33**
		$3.5m^3$	**$1.76**
		$4.5m^3$	**$2.20**
		$10m+^3$	**$2.64**
	Te Kaha	**$0m^3$**	**$1.55**
		$2m^3$	**$2.33**
		$3.5m^3$	**$3.09**
		$4.5m^3$	**$3.88**
		$10m+^3$	**$4.66**
	Ōhiwa	**$0m^3$**	**$1.67**
		$2m^3$	**$2.33**
		$3.5m^3$	**$3.09**
		$4.5m^3$	**$3.88**
		$10m+^3$	**$4.66**

(b) Sewerage rates

Pursuant to Sections 16 of the Local Government (Rating) Act 2002, a targeted rate in each urban drainage area as follows:

	Scheme Name	**2025/26**
(i) One full charge in respect of every separately used or inhabited part of a rating unit connected to a public sewerage drain.	**Ōpōtiki**	**$631.81**
	Waihau Bay	**$1,079.87**
(ii) Half of the full charge in respect of each rating unit to which sewer drainage can be, but is not connected, situated	**Ōpōtiki**	**$315.91**
	Waihau Bay	**$539.94**

within 30m from any part of the public sewerage drain.		
(iii) 80% of the full charge in respect of every separate toilet pan, water closet, or urinal where there are multiple connections on one rating unit.	Ōpōtiki	$505.45
<u>Note:</u> A residence of not more than one household shall be deemed to have not more than one water closet, toilet pan, or urinal. Charge (i) does not apply when charge (iii) does.		
Revenue Sought	*Ōpōtiki* *Waihau Bay*	*$1,195,946* *$27,537*

(c) Waiotahe Wastewater Extension

Pursuant to Sections 16 of the Local Government (Rating) Act 2002, a targeted rate shall be set as a fixed amount per rating unit connected to the Waiotahe Wastewater Extension of $4,039.95.

Revenue Sought:	*Waiotahe Extension*	*$4,039.95*

(d) Refuse Collection Charge

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a targeted rate for kerbside refuse collection within the defined Ōpōtiki Ward and Waiotahe/Waioweka Ward collection areas set as follows:

(i) A full charge of $252.81 per separately used or inhabited part of a rating unit (except those not used or inhabited) within the defined Ward collection areas

(ii) A half charge of $126.40 per rating unit that is not used or inhabited within the defined Ward collection areas.

Revenue Sought	*$602,172*

(e) **Communities of interest**

Pursuant to Section 16 of the Local Government (Rating) Act 2002, a communities of interest targeted rate set as an amount per rating unit as follows:

(i) **Residential communities of interest**

$113.28 per rateable rating unit within the defined rating areas where land use is residential.

Revenue Sought ***$260,413***

(ii) **Rural communities of interest**

$52.18 per rateable rating unit within the defined rating areas where land use is rural.

Revenue Sought ***$127,469***

(iii) **Commercial/industrial communities of interest**

$1,836.68 per rateable rating unit in the district where land use is commercial or industrial.

Revenue Sought ***$375,599***

3 INSTALMENT DATES

That the Ōpōtiki District Council resolves that all rates are payable in two equal instalments, due on or before:

- **Instalment One: 22 September 2025**
- **Instalment Two: 20 March 2026**

4 ADDITIONAL CHARGES ON UNPAID RATES

That the Ōpōtiki District Council authorise the addition of penalties to unpaid rates in accordance with the following regime:

Under the provisions of Sections 57 and 58 of the Local Government (Rating) Act 2002, a penalty of 10% will be added to the amount of the first instalment of rates remaining unpaid after the due date, on 25 September 2025; and of the second instalment of rates remaining unpaid after the due date, on 25 March 2026.

PURPOSE

1. The purpose of this report is to present the rates for the 2025-2026 year for Council to set. Under section 23 of the Local Government (Rating) Act 2002 it is necessary to set the rates, due dates for payment, and penalties regime by Council resolution.

STRATEGIC ALIGNMENT

2. The matters detailed in this report relate to the following priorities from Ōpōtiki District Council's 2025-26 Annual Plan:

   ☒ Community Priority One: Strong relationships and partners

   ☒ Community Priority Two: Investment in our district

   ☒ Community Priority Three: Wellbeing is valued

   ☒ Community Priority Four: Our communities are resilient

   ☒ Community Priority Five: Growth is sustained over time

BACKGROUND

3. The 2025/26 Annual Plan information document was approved by Council on 29 April 2025 for public release and provide a summary of Council's proposed activities.
4. As Council adopted the Long-Term Plan 2024/2034 on 30 October 2024, Council's guidance was that there is to be no significant changes to Year 2 of the LTP and that an annual plan be prepared accordingly. With no significant changes, Council decided to use an 'inform' approach to engagement and released 'Our Plan in Action' to give the community a chance to provide feedback.
5. As there are no significant changes there was no requirement to undertake a special consultative procedure. There were/26.
6. The Rates Resolution is the legal document for setting rates and must be consistent with the 2025/26 Annual Plan to be effective. It must be adopted after the final 2025/26 Annual Plan has been adopted. Additionally, all rates set in the Rates Resolution must be provided for as sources of funding in Council's Revenue and Financing Policy.
7. The Rates Resolution sets the dates for rates payments and also provides authorisation for penalties to be charged on non-payment by the due date.

OPTIONS

8. There are no realistic alternative options. Council must set the rates for the 2025/26 rating year based on the adopted 2025/26 Annual Plan. Rates should be set now to allow them to be assessed and invoiced in time according to the Council's timeframes as per the instalments schedule listed in the above recommendations.

DISCUSSION

9. The various rates are set out in the Funding Impact Statement included in the 2025/26 Annual Plan. The total rate requirement as forecast by the 2025/26 Annual Plan is $17,458,010 (excluding GST) which is a 9.8% increase on last year.

Financial/budget considerations

10. The revenue associated with this rates resolution is integral to the funding of the 2025/26 Annual Plan operating and expenditure budgets and associated outcome, without which significant further change to the funding or levels of expenditure would be required.

Policy and planning implications

11. The decisions within this report align with the adopted 2025/26 Annual Plan, which supports and is consistent with the 2024/2034 Long Term Plan. No inconsistencies with any of the Council's policies or plans have been identified in relation to this report.

Impact on mana whenua

12. The Rates Resolution itself does not require consultation as it is effectively an output of the 2025/26 Annual Plan, of which, there are no significant material changes to what was adopted in the 2024/34 LTP, and therefore did not require a full Special Consultative Procedure.

Climate impact considerations

13. The decisions and matters of this report are assessed to have low climate change implications and considerations.

Risks

14. Key risks associated with this resolution have been raised with the Council during development of the 2025/26 Annual Plan.

Community wellbeing considerations

15. The process of preparing, reviewing and adopting the 2025/26 Annual Plan requires Council officers and elected members to acknowledge how best it can deliver on the four wellbeings (Economic, Cultural, Social, and Environmental) in a way that is cost-effective for businesses and households. The Rates Resolution supports and is consistent with the 2025/26 Annual Plan.

SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Assessment of significance

16. On every issue requiring a decision, Council is required to determine how significant a decision is to the community, and what the corresponding level of engagement should be. Council uses the

Significance Flowchart in the Significance and Engagement Policy to determine the level of significance.

17. The level of significance related to the decision in this report is considered to be **low**. Because the decision is determined to have **low** significance in accordance with the policy, the corresponding level of engagement required is **Inform**.

Assessment of engagement

18. As the level of significance has been determined to be **low**, the level of engagement required is **Inform** according to the Engagement Framework of the Significance and Engagement Policy:

INFORM	To provide balanced and objective information to assist understanding about something that is going to happen.

19. The rate requirement for the 2025/26 financial year was established through the 2025/26 Annual Plan which was not required to be subject to special consultative procedure, in this instance, under the Local Government Act 2002.

CONCLUSION

20. Council is now required to set the rates, due dates for payment and penalties regime for the financial year from 1 July 2025 to 30 June 2026.

Billy Kingi

FINANCE MANAGER

Ōpōtiki District Council
STRONG COMMUNITY STRONG FUTURE

COUNCIL REPORT

Date : 11 June 2025

To : Extra Ordinary Council Meeting, 26 June 2025

From : Group Manager Strategy and Development, Antoinette Campbell

Subject : **ADOPTION OF THE EASTERN BAY OF PLENTY SPATIAL PLAN**

File ID : A1312355

EXECUTIVE SUMMARY

- A Spatial Plan has been developed for the Eastern Bay of Plenty, to guide planning for more homes (and house up to 11,000 more people), provide more business land and support job growth, while also enabling primary industries to grow, enhancing the natural environment, and living with a range of natural and climate change hazards
- In addition to the three Eastern Bay Councils and the Bay of Plenty Regional Council, iwi were at the decision-making table, as part of the Project Governance Group. Government agencies including NZTA, the Ministry of Housing and Urban Development, Kāinga Ora, the Ministry of Education, and Ministry of Health were also involved in developing the Plan.
- Widespread public consultation was carried out throughout the plan's development and formal consultation occurred from 14 October 2024 through to 17 November 2024, providing an opportunity to hear directly from communities about their thoughts and aspirations for the future of the Eastern Bay.

RECOMMENDATIONS

1) **That the report titled "Adoption of the Eastern Bay of Plenty Spatial Plan" be received.**
2) **That Council adopts the Eastern Bay of Plenty Spatial Plan.**
3) **That Council notes that following the Local Government elections in 2025, the Eastern Bay councils will need to consider project governance for any further review of the Eastern Bay of Plenty Spatial Plan and the Eastern Bay Economic Development Strategy.**
4) **That Council notes that the Independent Chair of PGG, being Vaughan Payne (in consultation with the Mayors and Chair) will forward a final copy of the adopted spatial plan to the Ministers of Transport, Housing and Urban Development, Regional Development, Local Government and Education and offer a briefing/tour the next time they are in the region.**
5) **That Council note that:**

a. **The Spatial Plan sets out a long-term framework for collaborative implementation leading to positive changes for the Eastern Bay; and**

b. **Ongoing collaborative planning and implementation will be required to see these changes happen.**

c. **The spatial plan aligns with iwi aspirations communicated to the project and engagement feedback received from the community.**

d. **The Spatial Plan, implementation plan, and related investment decisions will need to adapt to changes and regular monitoring of indicators such as population and economic changes, decisions on infrastructure and planning, building consents approved, and capacity for residential development will enable this to happen;**

6) **That Council delegates authority to the Group Manager Strategy and Development to approve any final changes, including those set out and not yet implemented in the change register at Appendix D, to the following documents:**

   a. **Appendix B: Our Places – The Eastern Bay of Plenty Spatial Plan.**

   b. **Appendix C: Our Places - Short Story.**

PURPOSE

1. The purpose of this report is to seek the adoption of the Eastern Bay of Plenty Spatial Plan.

STRATEGIC ALIGNMENT

2. The matters detailed in this report relate to the following priorities from Ōpōtiki District Council's Long-Term Plan 2024-2034:

   ☒ Community Priority One: Strong relationships and partners

   ☒ Community Priority Two: Investment in our district

   ☒ Community Priority Three: Well-being is valued

   ☒ Community Priority Four: Our communities are resilient

   ☒ Community Priority Five: Growth is sustained over time

BACKGROUND

3. Since late 2022, Local Authorities and iwi Authorities in the Eastern Bay of Plenty have been working collaboratively with Government agencies to develop a spatial plan for the region. The process used to develop the Plan has sought to capture and reflect partners' goals and aspirations for the rohe.

4. Spatial plans are about the places communities live in and how they want them to grow and change over time, so that future generations and the environment can continue to thrive. A Spatial Plan provides a road map for the future of spaces and places, and an agreed evidence base and

direction to align other strategies, planning processes and investment decisions, towards common outcomes.

5. The Plan will be used to inform Council's long-term plan processes, future district plan reviews, influence Government infrastructure investment decisions and Regional Deals, and support the aspirations of iwi, hapū, and communities.
6. A Spatial Plan is needed for the Eastern Bay, so that it can make room for an estimated 5,500 more homes (and house up to 11,000 more people), provide more business land and support job growth, while also enabling primary industries to grow, enhancing the natural environment, and living with a range of natural and climate change hazards.

Purpose and Objectives of the Eastern Bay of Plenty Spatial Plan project

7. In 2023, formal project structures were agreed for the delivery of the Eastern Bay of Plenty Spatial Plan. These included a confirmed project scope and purpose, project plan and budget, project governance, and a joint project team resourced from partner Councils.
8. The confirmed purpose of the project was to "*determine a joint Spatial Plan, focused on delivering well-being outcomes through planning appropriately for priority growth pressures on Whakatāne, Kawerau and Ōpōtiki Districts, including the Rangitāiki Plains from Whakatāne/Ōhope urban areas to Kawerau and Ōpōtiki urban environment and east of Ōpōtiki town with a lens to the wider district areas*".
9. The project's objectives were to develop a Spatial Plan that:
    1. Enables well planned growth in the context of a changing climate and evolving economy.
    2. Defines well-functioning urban environments that meet the changing needs of our communities, including well planned and connected growth.
    3. Delivers housing choices (including Papakāinga developments, mixed-use spaces and eco villages) and levers to support housing affordability across the housing continuum.
    4. Guides the development of a future urban growth to support integrated planning, Māori land tenure provisions, investment, and efficient delivery of infrastructure, necessary to support our communities.
    5. Improves community, social and cultural well-being.
    6. Protects and enhances our natural environment.
    7. Strengthens and gives effect to active co-operation between iwi, local and central government.
10. In addition to a range of technical work (to understand the sub-region's growth-related constraints, opportunities, risks and issues), partnership with iwi, significant engagement with Government agencies, and community consultation have all been important in the development of the Spatial Plan.

Partnership with Iwi

11. From inception of the project working in genuine partnership with iwi was identified as critical at all stages of the spatial planning process. This reflected the sub-regional Councils' ongoing commitments to partner with iwi and recognised that Māori make up a large percentage of the sub-region's population, are amongst the most significant landowners across the rohe, are major investment partners, and have important perspectives relating to a long-term vision for the way the Eastern Bay grows and changes. It has been particularly critical to have iwi at the decision-making table as part of the Project Governance Group.
12. The process to develop the Spatial Plan provided an opportunity to understand iwi aspirations and strategies and to make provision for them within the plan. Recognising this, the project has sought to weave the aspirations of iwi into the project and ensure decision-making forums included iwi representation.

Working with Government Agencies

13. The Spatial Plan has implications for Government agencies that deliver transport, housing and urban development, regional development and critical services (such as health and education) that will be needed to meet the expected growth and change across the Eastern Bay of Plenty and deliver on partner aspirations.
14. To ensure that the project and funding implications arising from the Spatial Plan can be implemented, it has been developed collaboratively with Government agencies including NZTA, the Ministry of Housing and Urban Development, Kāinga Ora, the Ministry of Education, and Ministry of Health.

Community and stakeholder engagement

15. The Spatial Plan will also influence decisions that impact a wide range of communities across the sub-region, in the short term to long term. This includes the longer-term settlement pattern for the region (the location of new housing and urban development), and some of the important "key moves" needed to enable growth and change.
16. Communities and stakeholders have differing needs and aspirations, and their feedback has been sought as the Spatial Plan has been developed. Formal public consultation took place from 14 October 2024 through to 17 November 2024, providing an opportunity to hear directly from communities about their thoughts and aspirations for the future of the Eastern Bay.
17. Over 550 points of feedback were received, including 60 written submissions, (32 hard copy/email and 28 online), 125 comments through an online engagement tool, and 300 attendees at in-person events. Approximately 30% of comments were supportive of the changes outlined in the

consultation document, 35% provided suggestions for improvements, 25% expressed concerns about various aspects of the project and 10% were opposed to the proposed changes.

18. Key themes from the public consultation included:

    1. Strong desire for well maintained and efficient infrastructure that can support communities' needs and future development.
    2. Strong desire for balanced and thoughtful development that enhances the area's liveability and economic prospects.
    3. Community commitment to preserving its way of life while supporting thoughtful and sustainable development.
    4. The importance of integrating environmental considerations into all aspects of urban planning to ensure a sustainable and resilient community.
    5. Need for balanced economic development that includes job creation, support for local businesses and consideration of environmental and social factors.

19. Key reasons for opposing proposed changes related to potential disruption of small-town character, concerns about infrastructure, costs to ratepayers, environmental concerns, and lack of support for existing residents that needs addressing before planning for new growth.

20. Feedback from iwi/hapū, Government agencies, stakeholders and communities has been carefully considered and is reflected in the final growth scenario, key moves and implementation actions contained in the Spatial Plan.

21. The Engagement Summary Report can be found in Appendix A.

22. Kawerau District Council conducted a final round of community consultation between 14 May 2025 and 09 June 2025. Due to timing the consultation by Kawerau District Council is not included as part of the Engagement Summary Report. There were few submissions received by KDC within the consultation. A notable one from Ngāti Tūwharetoa is outlined in Appendix D – Change Register.

OPTIONS

23. The options available to Council are to either adopt the Eastern Bay of Plenty Spatial Plan or to not adopt the plan.

OPTION 1: Adopt the Eastern Bay of Plenty Spatial Plan	
Description	*Council adopts the Eastern Bay of Plenty Spatial Plan.*
Advantages	• *Provides a platform for sub-regional collaboration to jointly manage growth and change through partnership.* • *Enables each district to move forward with local growth planning, engagement and implementation.*

OPTION 1: Adopt the Eastern Bay of Plenty Spatial Plan	
	• *Supports future sub-regional collaboration with partners on growth and change planning, investment and partnerships.* • *Supports joint advocacy for regional development and infrastructure investment to Government agencies and Ministers.* • *Supports attraction of new private sector investment in businesses, housing and urban development.*
Disadvantages	*None identified.*
Impact on mana whenua	*The Spatial Plan has been developed in genuine partnership with mana whenua with representation from Whakatōhea, Ngai Tai and Te Whānau-a-Apanui on the project governance group.*
Strategic alignment	*Aligns with all of Council's Community Priorities.*
Associated risks	*One or more of the partner councils decide to not adopt the Spatial Plan diminishing its collective impact for sub-regional collaboration opportunities.*

OPTION 2: Do NOT adopt the Eastern Bay of Plenty Spatial Plan	
Description	The draft Eastern Bay of Plenty Spatial Plan is not adopted.
Advantages	*None identified*
Disadvantages	• *Would hamper local growth planning, engagement and implementation.* • *Impedes future sub-regional collaboration with partners on growth and change planning, investment and partnerships.* • *Prevents joint advocacy for regional development and infrastructure investment to Government agencies and Ministers.* • *Hampers attraction of new private sector investment in businesses, housing and urban development.* • *Leads to weaker partnerships outcomes.*
Impact on mana whenua	*Iwi aspirations reflected in the Spatial Plan will not be fully realised.*
Strategic alignment	*Does not align with Council's Community Priorities.*
Associated risks	*Not adopting the Spatial Plan will result is misalignment of sub-regional priorities if the partner councils adopt the plan.*

DISCUSSION

24. To adopt the Eastern Bay of Plenty Spatial Plan is a significant milestone within a work programme that includes a number of connected collaborative projects, such as the sub-regional Economic Development Strategy. The Spatial Plan provides a regionally agreed evidence base, goals, high-

level future growth scenario, key moves and implementation priorities for shaping and enabling growth and change in the Eastern Bay over the next 30 years.

25. The Eastern Bay of Plenty Spatial Plan provides a framework to help communities grow in a sustainable way. It focuses on improving amenities, protecting the environment, offering better transport options, and providing housing that meets the needs of the diverse and growing population of the rohe. The plan emphasises the importance of safeguarding the natural environment and significant cultural sites. The Plan recognises the need for resilient communities, including managing climate change risks and building strong partnerships with iwi and hapū.

26. By encouraging investment and economic development, the spatial plan aims to support the local economy. Overall, the Spatial Plan offers a long-term vision for co-ordinated planning and decision-making across the Eastern Bay.

27. The critical elements of the Spatial Plan are summarised in the following sections, with the full Spatial Plan and short story (for public storytelling about the Plan) are circulated with this report as Appendices B and C.

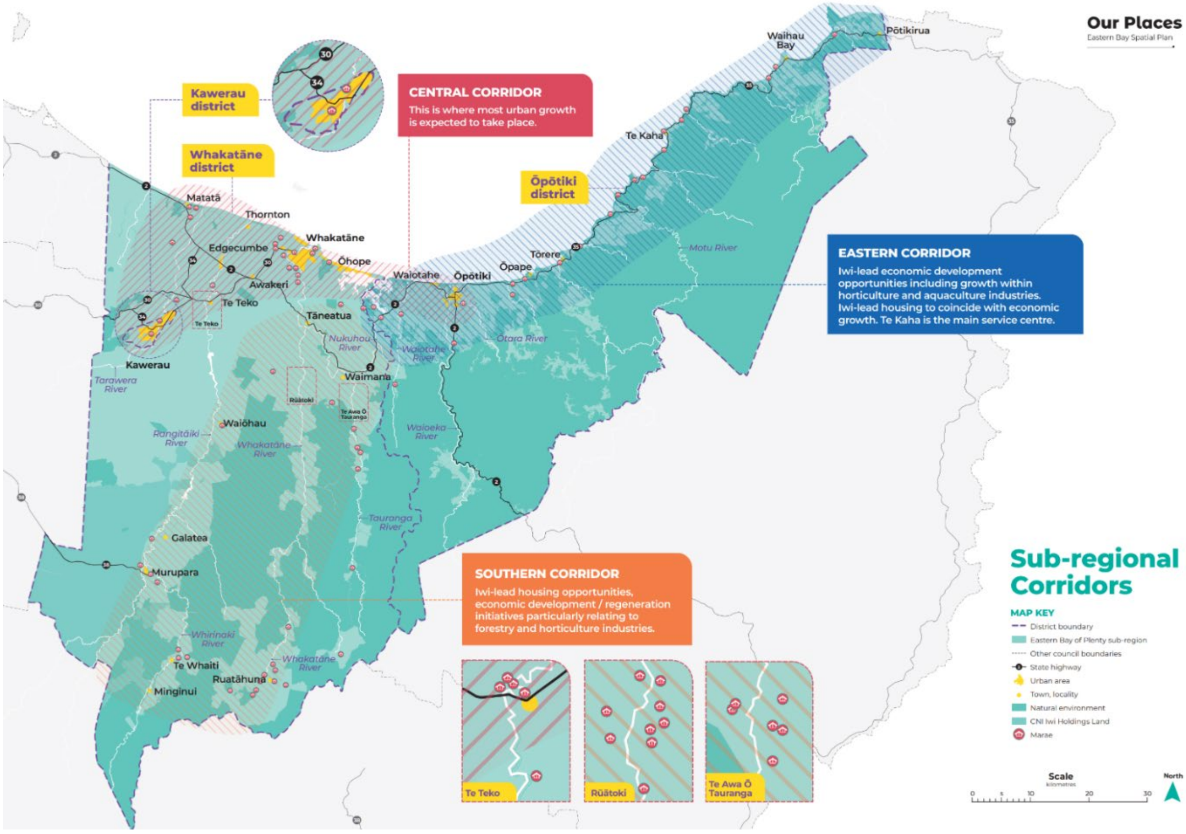
Goals of the Spatial Plan

28. To provide high-level direction, and a clear outcome focus for the Spatial Plan, three overarching Goals were defined by the Project Governance Group. These synthesise and align with the Long-Term Plan visions and community outcomes across the sub-region, prior engagements and consultations, and considering iwi values and aspirations.

Development corridors and future growth locations

29. At its heart, the Spatial Plan describes how new housing, business and urban development could be accommodated across the sub-region, based on the projected population and employment requirements, technical assessment of different locations, and feedback through engagement.

30. The plan segments the Eastern Bay into three corridors with different characteristics. Each corridor facilitates movement, economic activity, and sustainable growth, ensuring both urban and rural areas thrive. For each corridor priority growth areas are identified where additional planning and investments will be needed to enable desired growth and change.



1. **Urban Central Corridor**: including the townships of Kawerau, Whakatāne and Ōpōtiki and extending along the coast to Matatā capturing main rail routes to the Port of Tauranga and connection to State Highway 2.

   As the area with the largest projected urban growth, the Central Urban Corridor also contains the large-scale priority growth areas that are expected to accommodate most new housing and urban development. Those areas are shown in Table 1.

Table 1: Priority growth areas in the central corridor

Area	Timing	Notes
Awakeri	Short-Medium term	Develop into an urban township of more than 2,000 dwelling units
Whenua Māori West of Coastlands	Medium term	Explore opportunities based on Land Trust and Hapu interests, with substantial potential for development of 190ha
Matatā	Medium-Long term (Infill) Long term (Expansion)	There is existing zoned capacity requiring centralised wastewater treatment to be realised, and a long-term opportunity to expand eastward
Putuaki (Industrial Growth Area)	Ongoing	Continued ongoing development
Hukutaia	Ongoing	Develop into an urban community of 2,000 dwellings
Whakatāne (Kopeopeo infill)	Ongoing	Ongoing infill of Whakatāne township in locations safe from natural hazards

Note: Long term (10-30 years), Medium term (3-10 years), Short term (0-3 years)

2. **Rural Southern Corridor**: including the large southern extent of the Whakatāne district including the villages of Tāneatua, Waiōhau, Galatea, Waimana, Murupara, Minginui and Ruatāhuna with linkage to Rotorua from State Highway 38. This corridor emphasizes iwi-led housing and development opportunities to support rural communities, forestry and horticulture industries.
   The three main iwi in this Corridor have specific aspirations relating to economic development, housing and self-sufficiency that are reflected in the Spatial Plan.
3. **Coastal Eastern Corridor**: including the coastal strip extending east from Ōpōtiki township to Pōtikirua. The Coastal Eastern Corridor has a focus on iwi-led housing and economic initiatives.

Key Moves and Implementation Priorities

31. While the three overarching goals focus on the long-term outcomes for the Eastern Bay, the Spatial Plan also contains a set of Key Moves that explain what needs to be done to achieve the goals. Each Key Move also has implementation priorities.
32. The Spatial Plan's nine Key Moves are:
    1. Collaboratively shape the future - We will work together, with stakeholders, and the community to deliver the spatial plan.
    2. Nurture strong and effective iwi and Hapū partnerships - Involve iwi and Hapū in decisions about their rohe and support achieving housing and wider aspirations.
    3. Build climate resilient communities - Ensure vulnerable communities and new growth areas are safe and resilient to natural hazard risk and the long-term effects of climate change.
    4. A prosperous, high productivity sub-region - Create a resilient and competitive economic environment through strategic economic development, infrastructure enhancement, and market engagement.

5. Enough housing and business land to meet demand - Ensure zoned, serviceable, and connected land to enable more housing and business land at the locations defined in this plan.
6. Great places for people to live for generations - Develop and improve community places and facilities to enhance quality of life as communities change over time.
7. Connect people with opportunities, and freight with markets - A well-functioning Transport system that enables future growth, provides access to social, recreational, housing and economic opportunities.
8. Improve biodiversity and ecosystem health - Use integrated environmental management practices to enable a full range of ecosystems to be restored to a healthy functioning state.
9. Clear and consistent sub-regional funding priorities - Use available and new funding methods to facilitate the key moves and implementation priorities.

33. Individual districts, and sub-regional partners will now take the Spatial Plan forward, and move to local planning, engagement and implementation activities.

Financial/budget considerations

34. There are no significant budget considerations associated with the recommendations of this report, however there may be some modest costs associated with the PGG (or a similar governance entity) being tasked to oversee future reviews and implementation of the Eastern Bay Spatial Plan and Sub-Regional Economic Development Strategy.

Policy and planning implications

35. A district plan change is underway which will see resilient growth unlocked for the Ōpōtiki district in the Hukutaia development area which is identified as a priority urban growth area in the spatial plan. The plan change aims to rezone Hukutaia from rural zoning to a vibrant residential and mixed-use zone. It is estimated that up to 2280 more houses may be needed over the next 30 years of which the Hukutaia Growth Area will provide around 1900 homes.

Impact on mana whenua

36. The iwi of the Ōpōtiki district are represented on the project governance group and have provided input to the plan to ensure that mana whenua aspirations for growth and development are captured.

Climate impact considerations

37. Consideration of climate change and its impacts have been a critical technical and policy input to the development of the Spatial Plan and are reflected in the recommended future growth scenario/settlement pattern, priority growth areas, Key Moves and implementation priorities.

Risks

38. There are a number of implementation risks associated with the Eastern Bay of Plenty Spatial Plan details as follows:

Risk	Description and/or Mitigation
Partnerships - There is a risk that partnerships needed to deliver sub-regional outcomes, and the key moves do not happen because the plan is not implemented.	Establish a sub-regional governance group for the spatial plan, economic development strategy and other broad scale initiatives (e.g., regional deals, responding to Government policy changes) with terms of reference delegating authority to work on behalf of councils and other partners, appropriately resourced. Note that the existing Project Governance Group (PGG) could be repurposed for this function.
Commercial Feasibility There is a risk that development areas are not commercially viable due to infrastructure costs, and housing or business land does not get developed, and housing and economic development outcomes are curtailed.	Encourage viability by derisking development in priority areas with enabling planning frameworks, providing structure plans that set out urban form and infrastructure requirements, ensuring natural hazard risk information is available and mitigations are well understood, ensuring enabling infrastructure projects are outlined in Long Term Plans and other funding planning to enable development to proceed in a timely manner.
Infrastructure Funding and Affordability -There is a risk that infrastructure costs are unaffordable for councils, and priority development areas or related placemaking and economic development activities cannot be delivered.	Employ investment thresholds, explore the use of private investments into public projects, ensure required infrastructure projects are in the Long Term Plans and infrastructure strategies to enable appropriate development contributions. Prioritise/sequence investment into development locations.
Population Growth - Risk that population may be lower or higher than selected most likely population scenario, which could affect commercial viability for development and funding sources.	Monitor population change and adapt investment timing.

Changes in Government - Policy changes in national policy directions can influence the viability of delivering the spatial plan due to funding criteria shifts or policy requirements changing.	With each change in Government review the Spatial Plan to determine if priorities need to change to better align to the Government's priorities of the day.
Climate Change & Natural Hazards - Natural hazard risks exist and will become worse through climate change; this affects existing communities.	Undertake comprehensive natural hazard risk assessments for at risk locations to consider risk management options. For the priority growth areas (Awakeri, Hukutaia and Matatā) undertake integrated stormwater planning at the master planning stage to inform structure planning and the objectives of the relevant river schemes.

Community well-being considerations

39. The purpose of Local Government now includes promotion of social, economic, environmental and cultural well-being of communities in the present and for the future ('the four well-beings').
40. The subject matter of this report has been evaluated in terms of the four well-beings during the process of developing this report as outlined below.

Social, Economic and Environmental

41. The Spatial Plan identifies areas suitable for resilient housing growth to meet the growing demand for housing over the next 30 years.
42. The Spatial Plan addresses the economic growth cross-cutting constraints of housing, and transport and connectivity identified in the sub-regional economic development strategy.

SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Assessment of significance

43. On every issue requiring a decision, Council is required to determine how significant a decision is to the community, and what the corresponding level of engagement should be. Council uses the Significance Flowchart in the Significance and Engagement Policy to determine the level of significance.
44. The level of significance related to the decision in this report is considered to be **low**. Because the decision is determined to have **low** significance in accordance with the policy, the corresponding level of engagement required is **Inform**.

Assessment of engagement

45. As the level of significance has been determined to be **low**, the level of engagement required is **Inform** according to the Engagement Framework of the Significance and Engagement Policy:

INFORM	To provide balanced and objective information to assist understanding about something that is going to happen.

46. The tools that Council will use for the 'Inform' level of engagement include a report in the public agenda of the Council meeting and may include a combination of public notices in the newspaper and/or on Council's social media.

CONCLUSION

47. The Eastern Bay Council meetings are planned to consider adopting the Spatial Plan and short story. These are:
    - Bay of Plenty Regional Council, 18 June 2025
    - Kawerau District Council, 25 June 2025
    - Ōpōtiki District Council, 26 June 2025
    - Whakatāne District Council's Environment, Energy, and Resilience Committee approved a recommendation that Council adopt the spatial plan at the 22 May 2025 meeting.
48. If adopted, each partner to the Spatial Plan will lead the relevant actions in the implementation plan and/or associated activities.
49. Following the Local Government elections in 2025, the Eastern Bay Councils will need to consider project governance for any further review and coordination of risk management and implementation of both the Eastern Bay Spatial Plan and Sub-Regional Economic Development Strategy.

Circulated with this report:

Appendix A - Engagement Summary Report.

Appendix B - Our Places – The Eastern Bay of Plenty Spatial Plan.

Appendix C - Our Places - Short Story

Appendix D - Change Register.

Antoinette Campbell

GROUP MANAGER STRATEGY AND DEVELOPMENT

Ōpōtiki District Council
STRONG COMMUNITY STRONG FUTURE

COUNCIL REPORT

Date	:	16 June 2025
To	:	Extra Ordinary Council Meeting, 26 June 2025
From	:	Group Manager Service Delivery, Nathan Hughes
Subject	:	**LOCAL WATER DONE WELL – PREFERRED SERVICE DELIVERY OPTION**
File ID	:	A1313643

EXECUTIVE SUMMARY

- Local Water Done Well is the Government's approach to address long-standing water infrastructure challenges. The Local Government (Water Services Preliminary Arrangements) Act and the Local Government (Water Services) Bill set out the various arrangements, and requirements on councils and water services providers. The Act requires Council to submit a future Water Services Delivery Plan (WSDP) to the Department of Internal Affairs by 3 September 2025.
- Workshops were held with Councillors in December 2024 and April 2025 to discuss the current state of 3 waters delivery at Ōpōtiki District Council (ŌDC) and the potential options available for future water services delivery. At these workshops, two delivery options were identified (i) an Internal Business Unit, and (ii) a Joint Water Service Organisation with neighbouring Councils. Detailed reports have been prepared by independent consultants (Tonkin + Taylor, and MartinJenkins) to support Council decision-making.
- In April 2025, Councillors requested that staff prepare consultation materials on the basis that an internal business unit would be the preferred option for future water service delivery, noting council would continue to explore options for joining a water service organisation.
- Consultation was carried out between 3 May 2025 and 3 June 2025. 17 responses were received through this consultation, with 71% supporting an internal business unit as their preferred service delivery option for three waters.
- Staff are seeking approval from Council to prepare a Water Service Delivery Plan using an internal business unit as their preferred service delivery option. ODC will also explore a Joint Water Service Organisation (WSO) alongside other Eastern BOP Councils and Rotorua Lakes Council over the next 2-3 years. This Water Service Delivery Plan will be prepared by staff and come back to council for approval in August 2025.

RECOMMENDATIONS

1) **That Council receives the report titled "Local Water Done Well – Preferred Service Delivery Option".**

2) **That Council resolves that the future water service delivery for the Ōpōtiki district is through an internal business unit.**

3) **That Council instructs the Chief Executive to continue exploring a potential Joint WSO in the future, aligning with the proposed approach as tabled by Rotorua Lakes Council.**

4) **That Council instructs the Chief Executive to prepare Council's Water Service Delivery Plan based on the resolution 2 and 3, for Council approval at a future meeting. Noting the Chief Executive Officer will also need to approve the Water Service Delivery Plan before submission to DIA.**

5) **That Council sets up a working group (Three Waters Working Group) consisting of elected members of Ōpōtiki District Council to engage with other Councils over the timeframe from November 2025 to February 2027, with a purpose of developing a working model of a joint Water Services Organisation (WSO).**

6) **That Council directs the Chief Executive to provide technical and financial advice to the Three Waters Working Group, and report back to Council on a quarterly basis.**

7) **That Council instructs the Chief Executive Officer to prepare details of the budget required to support joint WSO discussions and come back to Council for approval.**

PURPOSE

1. The purpose of this report is for Council to approve the preferred water service delivery model for incorporation into the Water Service Delivery Plan (WSDP)

STRATEGIC ALIGNMENT

2. The matters detailed in this report relate to the following priorities from Ōpōtiki District Council's Long-Term Plan 2024-2034:

   ☒ Community Priority One: Strong relationships and partners

   ☒ Community Priority Two: Investment in our district

   ☒ Community Priority Three: Wellbeing is valued

   ☒ Community Priority Four: Our communities are resilient

   ☒ Community Priority Five: Growth is sustained over time

BACKGROUND - Legislative Requirements for Local Water Done Well

3. Local Water Done Well is the Government's approach to the future management of three waters in New Zealand. The approach is provided for in the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act) and the Local Government (Water Services) Bill released in December 2024, and is expected to be passed later this year.
4. The Act (section 8) requires Council to prepare a Water Service Delivery Plan (WSDP). This plan must:

a) identify the current state of the authority's water services; and

b) demonstrate publicly its commitment to deliver water services in a way that—

i. ensures that the Territorial Authority will meet all relevant regulatory quality standards for its water services; and

ii. is financially sustainable for the Territorial Authority; and

iii. ensures that the Territorial Authority will meet all drinking water quality standards; and

iv. supports the Territorial Authority's housing growth and urban development, as specified in the Territorial Authority's Long Term Plan.

5. The financial sustainability requirements mean that water revenue must be kept separate from Council's other functions, so that this revenue is only used for water services (colloquially known as 'ring fencing'), and that the authority is financially able to meet all regulatory standards and requirements for the authority's delivery of those water services.

6. The Local Government (Water Services) Bill was released in December 2024 and provides for:
   a) arrangements for the new water services delivery system; and
   b) a new economic regulation and consumer protection regime for water services; and
   c) changes to the water quality regulatory framework and the water services regulator.

7. The Bill sets out that Council must provide water services through one or more of the following:
   a) providing water services itself directly;
   b) transferring responsibility for providing water services to a water organisation (through a transfer agreement);
   c) contracting with another party to provide water services on behalf of the Territorial Authority;
   d) entering into a joint water service provider arrangement;
   e) entering into another type of arrangement (other than a franchise or concession agreement).

8. The Bill provides for one or more Councils to establish, or become shareholders in, a Water Services Organisation (WSO) to provide water supply, wastewater, and/or stormwater services.

9. WSOs may be owned by local authorities (Territorial Authorities and Regional Councils) and by the trustees of consumer trusts. Local authorities and trustees of consumer trusts may own a water organisation either as the sole shareholders, or as joint shareholders.

BACKGROUND - Local Water Done Well Work Completed to Date

10. The Council has participated in four workshops (19 December 2024, 29 January 2025, 2 April 2025, 9 June 2025), and one Council meeting (29 April 2025).

11. The purpose of the first workshop (19 December 2024) was to present an early assessment of the viability and sustainability of the Council's water services arrangements. This assessment indicated that the Council could proceed with two options (i) an internal business unit and (ii) Joint WSO with neighbouring Councils. The assessment signalled that a standalone WSO (solely owned by ŌDC)

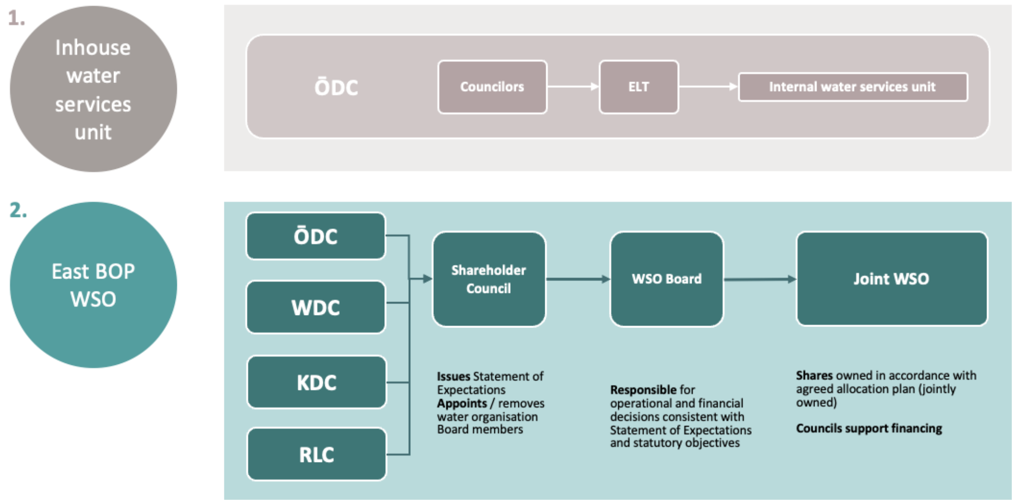
was not financially beneficial and community trust option was not going to be viable for our district. Some concerns were noted with future affordability for local ratepayers in the long term. Councillors signalled their preference was an internal business unit if this was viable.

12. On 29 January 2025, staff provided a high-level synopsis of the Local Government (Water Services) Bill released in December 2024, including the approach for submitting on this Bill. Staff also discussed with Councillors the approach to review the capex programme developed by Tonkin + Taylor to ensure this was legislatively compliant and met the needs of the local community.
13. On 2 April 2025, MartinJenkins presented to Council an initial options report, seeking feedback on the preferred option for future service delivery and matters of emphasis for the consultation document. Key risks and issues were presented, both for the short-term and long-term viability of water service delivery and Council (as a whole). Councillors advised staff their preference to proceed with a preferred option of an internal business unit for future water service delivery.
14. On 29 April 2025, Council agreed to proceed with public consultation highlighting a preferred option (Internal Business unit while Council continue to explore options for joining a water service organisation) and an alternative option (going straight to a Joint Water Service Organisation). At this meeting, Council approved the public Consultation Document and process, in accordance with the legislation.
15. On 9 June 2025, staff provided Councillors with the public consultation feedback, with 71% submissions supporting the Council preferred option (Internal Business unit).

OPTIONS

16. The MartinJenkins Options Assessment report (Attachment 1) has confirmed that Council has two legislatively compliant viable water service delivery models to consider:
    a) OPTION 1: Continue to deliver through the Council, via an 'enhanced status quo' with a standalone internal (water services) business unit.
    b) OPTION 2: A joint water services organisation.
17. Structures of the two potential options for three water service delivery models is illustrated in Figure 1, below.

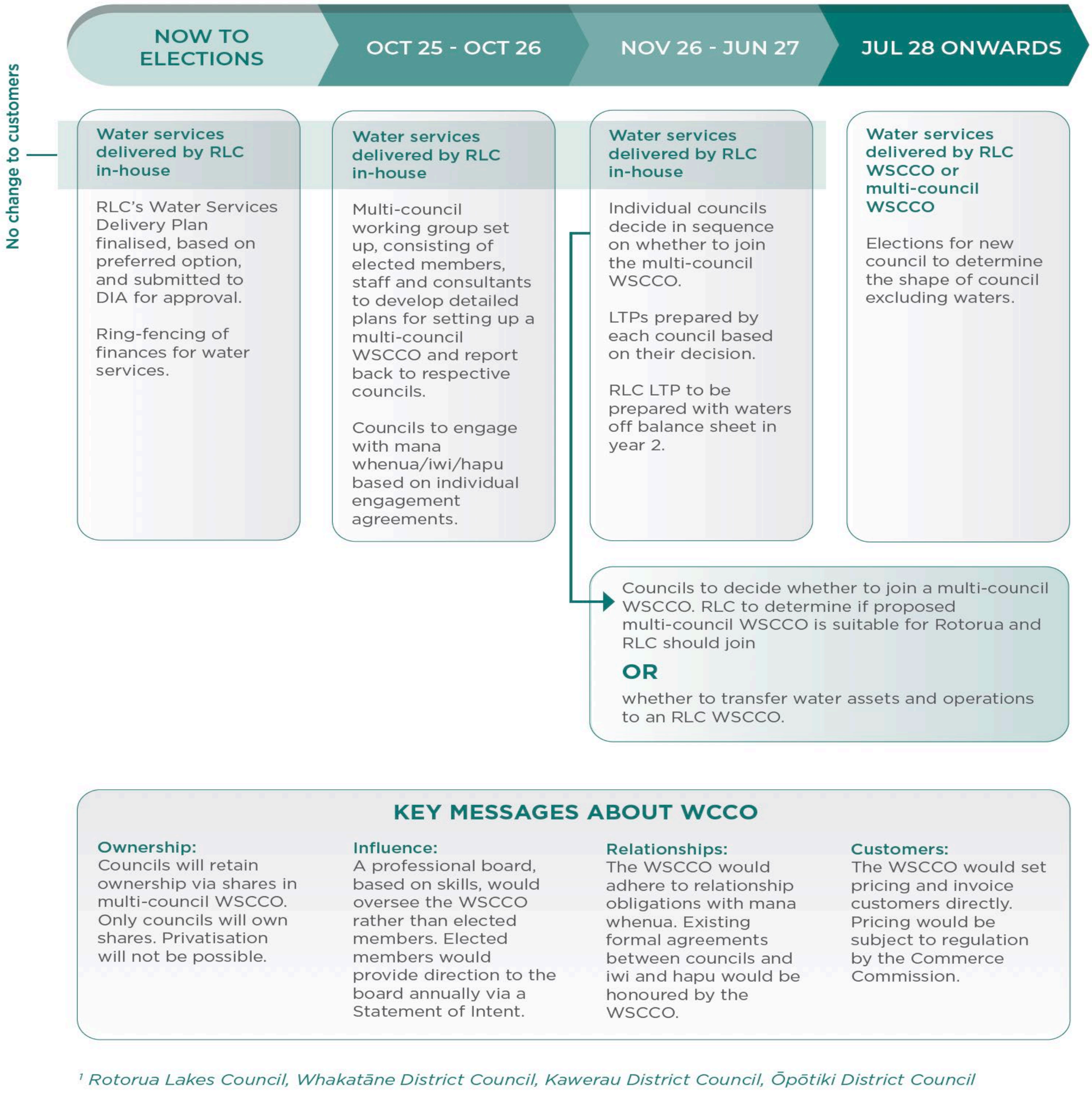
Figure 1: Two broad service delivery options (MartinJenkins report Attachment 1 – Page 16)



18. Page 11 and 12 of the MartinJenkins report (Attachment 1) captures Council's strategic objectives for future water services delivery, and these are as follows:
    a) Efficient and sustainable delivery of water services
    b) Protects and promotes public health and the environment
    c) Resilience to natural hazards and climate change
    d) Integrated water services and infrastructure planning
    e) Affordable fit for purpose service to consumers and communities
    f) Responsibilities to Iwi and Māori are met
    g) Remaining Council operations are viable.
19. Pages 20 - 23 of MartinJenkins report (Attachment 1) compares these strategic objectives against the water services delivery options. The comparison table shows that an internal water services unit and the joint WSO are both viable, however there are some risks identified with the internal business unit option.
20. Page 25 of the MartinJenkins report (Attachment 1) compares the average cost per connection in FY34 for the two different service delivery options. This shows that an internal water services unit has a slightly higher connection cost up to FY34 in comparison to a joint WSO (assuming the joint WSO does not harmonise charges across the participating districts). Beyond 2034, MartinJenkins forecasts further efficiency gains from a joint WSO which put downward pressure on water services charges.
21. Page 31 of the MartinJenkins report (Attachment 1) captures the key risks and mitigations for each of the two options for future water service delivery.
22. ŌDC has two clear viable options that both meet the criteria, as defined in LWDW legislation.
23. One additional consideration is the option to progress with an Internal Water Services Unit at present while continuing to explore establishing a joint water services organisation in the future.

24. A similar approach is being progressed by Rotorua Lakes Council. The roadmap from Rotorua Lakes Council's Consultation Document is presented in Figure 2 below.

Figure 2: Rotorua Lakes Council Roadmap for considering Joint WSO



25. MartinJenkins' detailed options analysis report is attached to this briefing. Slide 50 of the report contains the summary of MartinJenkins' assessment. This is provided in Figure 3 Below.

Figure 3: Summary Assessment – potential Water Service Delivery Options

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
Internal business unit with possible shared service arrangements (enhanced status quo)	You are confident that the impacts on debt and affordability are manageable given the capex needed to meet regulatory requirements, and Council wants least change to status quo. ***Our analysis suggests the impact on council borrowing levels and affordability will be hard to manage and become increasingly more difficult over time.***	• Ease of implementation, and ongoing flexibility. • Integrates well with existing council functions and infrastructure planning. • Least likely option to create stranded costs or adverse impacts on rest of council.	• Presents significant affordability and financing challenges given capital expenditure requirements. • High levels of water debt expected to significantly restrict borrowing capacity for non-water activities. • Limited capacity to undertake increased investment beyond addressing core compliance requirements. • Limited scope for operating and capital efficiencies due to lack of scale economies. • Increases workforce retention and attraction challenges with likelihood of large water CCOs operating within the region.
East BOP water services organisation	There are mutual benefits from partnering with others to establish a joint organisation and Council is confident in design of investment prioritisation mechanism, and ability for communities and iwi/hapū to engage. ***Advantages and disadvantages will depend on the final number and mix of councils involved, and mitigation of risks through establishment and transition process. Participation by a large council partner important to address affordability challenges.***	• Scale efficiencies expected but not to the extent of joint options involving a large, metropolitan council due to likely participants having a smaller population size and capital programme. • Potential for integration with neighbouring councils to better manage challenges across district boundaries. • Greater access to debt with capacity to increase investment to address future challenges and improve long-term affordability.	• Uncertainty about the design of the model, including ownership/representation, mechanisms for agreeing shared expectations across councils and engaging with hapū and iwi. • Stranded costs are likely (but may be mitigated through careful transition planning). • Potential for diseconomies of scope (e.g. loss of integration with spatial planning, transport). • Higher costs and uncertain timeframe for implementation – likely 3 – 5 years away

Your preferred option can indicate a change over time. For example, Rotorua Lakes Council's preferred option is: "Water services delivered in-house until 2028, then delivered by a WSCCO (either wholly owned by Rotorua Lakes Council or a multi-council WSCCO) from July 2028 onwards".

COMMUNITY CONSULTATION: Legislative requirements

26. The Act (sections 62 – 64) provides an alternative approach to standard Local Government Act 2002 requirements decision-making and engagement. If these requirements are met, Council does not need to comply with the corresponding requirement in the Local Government Act 2002.

27. The Act also sets out the information that must be made publicly available including how proceeding (or not proceeding) with the proposal is likely to affect the authority's rates, debt, and levels of service; and any charges for water services; the implications for communities throughout the joint service area of a joint-WSO; a description of potential accountability or monitoring arrangements the authority will use to assess the performance of the WSO (i.e. Statement of Expectation); and any other relevant implications of the proposal that the authority considers will be of interest to the public.

28. Public hearings are not required as part of the LWDW consultation, as stated in the Act Section 62.

COMMUNITY CONSULTATION: Work completed

29. As noted above, Councillors approved the public consultation document on 29 April 2025, capturing the following :

a) Council resolves to consult with the public from 6 May 2025 to 3 June 2025, on the following two future water services delivery models.

   i. **Option 1: Continue to deliver through the Council, via an 'enhanced status quo' with a standalone internal (water services) business unit, while we continue to explore establishing a joint water services organisation.**

   ii. **Option 2: Joint Water Services Organisation**

b) Council resolves that Option 1, is Council's preferred future water service delivery model.

30. Print, radio and social media advertising was used throughout the consultation period, plus face-to-face community meetings.

31. In total 17 submissions were received. 71% of the community submissions supported the Internal BU model, 18% supported a Joint WSO model and 12% did not choose a preferred option. See Figure 1 below.

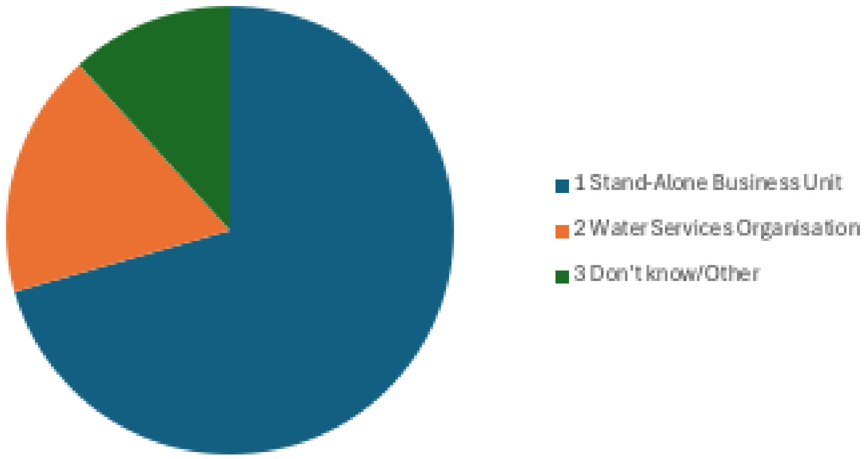


Figure 1 : Public submissions for Future Water Service Delivery

32. Submitters had the opportunity to add free text as part of their submissions, a summary of the free text submissions is captured below.

    a) Of the 12 submitters who supported the internal business unit, comments mainly around keeping local control, ensuring large future investments are consulted on or paid for by developers (where appropriate).

    b) Of the 3 submitted who supported the Joint WSO option, they highlighted the access to greater capability, increased efficiencies and increased buying power.

    c) Of the 2 submissions that did not know, they supported an EBOP model (using an opt in approach) or a Water Service Organisation if it can be guaranteed to improve infrastructure.

33. Informal feedback was gathered, comments included:

    a) No to fluoride

    b) Affordability concerns

c) Need to improve technology
d) Lack of trust with the process.

DISCUSSION

34. To date Councillors have indicated their preference to proceed with an internal business unit, if viable, whilst exploring a potential Joint WSO in the future, aligning with the proposed approach as tabled by Rotorua Lakes Council.
35. The community feedback received, supports Council's preferred option for future water service delivery.

Financial/budget considerations

36. The proposed work for 24/25 will be managed in line with the budgets as agreed with Council for Year 1 of the LTP 2024-2034. Additional funding may be required to complete the Water Service Delivery Plan (and any ongoing requirements for LWDW) for FY 25/26. Staff will assess this once a preferred option is confirmed and, if required, come back to Council for approval.
37. The costs of establishment of an internal water services unit and meeting legislative requirements would need to be met by the Council. How this could be managed to minimise the impact on Council requires further consideration.

Policy and planning implications

38. The decision sought from this report is agreement to proceed with development of a Water Service Delivery Plan on the basis of an internal business unit for future water service delivery. This is fully aligned with Council's LTP 2024-2034 and other Council policies.

Impact on mana whenua

39. No specific feedback from Iwi partners was received through the consultation period. We will continue to share information and feedback gathered and tabled with Council for any future decision-making, in accordance with Council policies.

Climate impact considerations

40. Climate change (both mitigation and adaptation), resilience and environmental impacts are considerations arising from the Local Water Done Well legislation.
41. These have been considered in the option assessment for this report.

Risks

42. That the Proposed Water Service Delivery Plan, as submitted to DIA is not accepted and further work is required to find an alternative solution for future water service delivery. Staff will actively

engage with the DIA to address feedback and ensure alignment with expectations. Additionally, it is important to explore joint WSO arrangements.

43. There is a risk that new legislative requirements - such as increased capital and operational expenditure, expanded reporting obligations, engagement with additional regulators, and the need to ring-fence Three Waters functions - could lead to significant increases in rates. This risk is immediate and is expected to intensify over the medium to long term (3 to 10+ years). To manage this risk, staff are actively reviewing and refining plans, financial forecasts, and operational advice to ensure alignment with evolving legislative requirements.

Community wellbeing considerations

44. The purpose of Local Government now includes promotion of social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the four wellbeings').
45. The subject matter of this report has been evaluated in terms of the four wellbeings during the process of developing this report as outlined below.

Social

46. As part of the LWDW legislation, a common set of water and wastewater standards will be applied across New Zealand, this results in improved performance across New Zealand and better reliability with regard to Level of Service (LoS) into the future.

Economic

47. Through the LWDW legislation, growth has to be provided for within future three waters planning. This will ensure economic growth is supported from a three waters perspective. As part of the LWDW legislation an economic regulator is being put in place and this will mean an increase in public reporting for three waters.

Environmental

48. Within the LWDW legislation, there are provisions for putting in place new wastewater standards, this may result in a change in environmental standards for new wastewater plants within the district.

Cultural

49. The LWDW legislation removes the need for Taumata Arowai (The Water Services Regulator) to consider Te Mana o Te Wai as part of the legislation. There are no other key changes in relation to how Councils operate, with Councils still being required to give effect to their treaty settlement obligations.

SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Assessment of significance

50. On every issue requiring a decision, Council is required to determine how significant a decision is to the community, and what the corresponding level of engagement should be. Council uses the Significance Flowchart in the Significance and Engagement Policy to determine the level of significance.
51. The level of significance related to the decision in this report is considered to be **high**.
52. Public consultation has been undertaken as discussed earlier in the report and in accordance with the Act (sections 62 – 64).

CONCLUSION

53. Councillors have indicated their preference to proceed with an internal business unit, whilst exploring a potential Joint WSO in the future, aligning with the proposed approach as tabled by Rotorua Lakes Council.
54. Public consultation process has completed, feedback from this consultation supports Council's preferred option.
55. Staff are seeking formal confirmation of this preferred option (Internal BU), allowing staff to prepare the Wate Service Delivery Plan.

Nathan Hughes

GROUP MANAGER SERVICE DELIVERY

ATTACHMENT 1

Local Water Done Well – Options assessment

Final report – April 2025

MARTIN JENKINS

Preface

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa. We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the New Zealand public, and to work on projects that make a difference.

Established in 1993, we are a privately owned New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of Executive Partners and Independent Directors. Our Independent Directors are Sophia Gunn and Chair David Prentice. Our Executive Partners are Sarah Baddeley, Nick Carlaw, Allana Coulon, Nick Davis, and Richard Tait. Michael Mills is a non-shareholding Partner of our firm.

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Limitations

hibit the future supply of such information in a free and frank manner. It is recommended that participating councils are consulted prior to the disclosure of any information or findings in this report.

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Executive summary

This report presents an assessment of water service delivery options for Ōpōtiki District Council (ŌDC), in response to Local Water Done Well (LWDW).

LWDW introduces new legislative requirements and higher expectations for councils to ensure their water services are sustainable and compliant over the long term.

ŌDC has considered multiple options. This report focuses on the two main options available to the Council that are expected to comply with the legislation:

- *an internal water services unit*
- *a joint water services organisation (WSO) with councils in east Bay of Plenty.*

This report is intended to support ŌDC's decision-making as it prepares to consult with the community on its proposed future arrangements for water service delivery.

ŌDC faces cost pressures and future investment requirements that need to be considered when assessing its options for future water service delivery. Like many councils, ŌDC faces challenges including ageing infrastructure, consistently meeting regulatory requirements, and growing pressures from natural hazards.

Reflecting this, upgrading assets to meet regulatory requirements is a focus of ŌDC's 10-year capital programme and is an important consideration when considering future service delivery arrangements. ŌDC has increased its planned investment in water services over the next ten years by $6 million above the $63.9 million programme included in its he current Long-Term Plan. This investment programme has been reviewed by independent engineers and is expected to meet future regulatory requirements.

In responding to the Government's LWDW policy and considering the future challenges, the Council has sought to explore how an in-house water services unit, or a collaborative approach with neighbouring councils in east Bay of Plenty (via a joint WSO), would support robust and affordable water services for the district now and into the future.

This assessment found an in-house water services unit is expected to be viable when considered against legislative requirements. This option allows the Council to retain the most control and avoid the costs of change to the greatest degree.

However, this option carries risks. It leaves little debt headroom to deal with shocks and fund non-water services. It is also likely to entail the highest cost to ratepayers over the long-term.

This assessment found that combining water services with other local authorities is likely to unlock greater financial capacity for ŌDC and create capacity for additional investment in water services. This option would also help to reduce price increases for consumers, although estimated impacts on affordability are similar over the next ten years compared to delivering water services internally. A joint water services organisation is expected to provide access to specialised expertise for water services, which would help to safeguard water quality and reliability, particularly when meeting new regulatory standards and resilience needs in the future.

Establishing a joint WSO can raise concerns about local influence. While there are mechanisms to protect this, ŌDC would need to be satisfied that it can achieve the level of influence it seeks to have, balancing this with other objectives including affordability. Ultimately, an internal business unit is easier to stand up.

The Council will need to make a series of judgments to determine which option will best provide for the Ōpōtiki District's future water service delivery needs. This report is intended to support Council to make those judgments, well informed by analysis of the available service delivery options.

Update on context

ŌDC engaged MartinJenkins in February 2025 to undertake detailed analysis of options to deliver water services in order to support public consultation.

Our analysis has focused on the two most promising options. These are:

1. **Internal business unit or division** within Ōpōtiki District Council; and
2. **Multi-council water services organisation**, based around a group of councils including Rotorua Lakes Council, Kawerau District Council, Whakatāne District Council, and Ōpōtiki District Council.

This report provides further analysis of these two options to support a Council decision on its preferred option in preparation for public consultation.

Sustainability and affordability challenges

1

Capital expenditure needs to be funded through a combination of borrowing and revenue. The capital programme reflects the requirements of regulators. It was increased in preparation for new requirements and cannot be reduced or deferred.

Borrowing is subject to limits imposed by the Local Government Funding Agency.

Revenue collection is not subject to legal limits but needs to be affordable for ratepayers.

Balancing the three is an ongoing challenge. Our analysis suggests that affordability will become difficult over time if a standalone business unit is pursued and remains in place for years.

Population spread and population growth

2

The district has approximately 10,500 people living across an area of 310,100 hectares. Less than 6,000 receive water supply services. This low population density and low volume of connections make it hard to derive economies of scale.

The population is projected to exceed 14,000 in 2051. Population growth will result in increased consumption of drinking water and discharge of wastewater, both of which will need to be managed.

Protecting against the risk of natural hazards

3

Like the rest of New Zealand, the Ōpōtiki District faces risk from natural hazards.

Natural hazards such as river scheme flooding, urban flooding, groundwater rise, tsunamis, coastal inundation, and liquefaction present significant risks to assets and the ability to maintain service levels. Investment pressures from insurers and ratepayers are increasing, along with the expectation that infrastructure is well prepared and business continuity plans are in place to effectively respond to these risks.

Climate change will exacerbate risk from natural hazards and demand on stormwater services during the most adverse weather events.

STRATEGIC OBJECTIVES	KEY ELEMENTS
Efficient and financially sustainable delivery of water services for the communities of the Ōpōtiki district, now and into the future	• **Financial sustainability**, a requirement under the new legislation incorporates: – **revenue sufficiency** - water charges generate sufficient revenue to meet the full costs of service delivery including opex, interest and depreciation – **financing sufficiency** - Council can raise the borrowing required to finance investment and generate the cash surpluses required to repay debt as it falls due, and – **resource sufficiency** - the future model will have sufficient resource to operate water services sustainably, and the management of those resources is effectively and efficiently undertaken. • **Ringfencing**: Councils will be required to prepare separate financial statements for each water activity group, and for water services as a whole. • Operate in accordance with best commercial and business practices.
Protects and promotes public health and the environment - meeting regulatory requirements	• **Investment sufficiency**: Councils undertake the investment they need to maintain existing assets, meet regulatory requirements, and provide for seasonal demands, consistent with current asset management plans including: • maintaining compliance with drinking water standards • maintaining good standards of environmental protection, and • anticipating and planning for meeting national standards and resource consent requirements.
Water services **are resilient to natural hazards and climate change**	• **Investment sufficiency to meet current and future resilience needs and enable effective response to emergencies from natural hazards.** • Debt headroom and financial capacity to respond to unexpected shocks.

STRATEGIC OBJECTIVES	KEY ELEMENTS
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• **Support integrated planning and decision-making** around rural and urban water network planning, including addressing **low growth, changing demographics and peak (seasonal) demand.** • **Coordination with wider district and infrastructure planning** to align water services planning effectively and efficiently. • **Appropriate levels of service**, including how these are reflected in differential charges, ensuring equitable access.
Affordable fit-for-purpose service to consumers and communities that meets the needs, and expectations of the communities of the Ōpōtiki district	• **Affordability** - the projected increase in water charges is affordable for the community. • **Strength of mechanisms for local voice and influence provided** for in the model for example, customer engagement regarding service levels, investment and prices. • **Act in best interests of present and future consumers and communities**. • **Fit-for-purpose** - delivering only what is necessary to meet the specific needs of the community, without excess (that is, value-for-money).
Responsibilities to iwi and Māori are met	• Giving effect to **Council's responsibilities arising from treaty settlements**. • Strength of processes and mechanisms for **engaging with iwi and Māori to ensure meaningful participation** in water services decision-making and delivery.
Remaining council operations are viable and continue to deliver on communities' expectations	• The Council can continue to deliver its core services and deliver on communities' expectations.

Work completed in 2024

Tonkin + Taylor analysis identified two options as most promising:

1. Internal business unit or division within Ōpōtiki District Council; and
2. Multi-council joint water services organisation, based around a group of councils including Rotorua Lakes Council (RLC), Kawerau District Council (KDC), Whakatāne District Council (WDC), and Ōpōtiki District Council.

Tonkin + Taylor considered and rejected other options – see Appendix 1:

- Establishing a single council-controlled organisation was found to offer no inherent advantage over a standalone business unit yet would incur greater establishment costs.
- Establishing a model where a community trust owned the water assets was discounted. Horizon Networks indicated its trust deed does not allow for anything other than an electricity-based portfolio and would not support a deed change. Further, a trust would need to access debt at less favourable rates than those offered by the Local Government Funding Agency.

Recent developments

We have worked with Council officers to further explore the two most promising options in further detail. The Council will need to determine its preference and consult the public on these options.

We have had regard to previous work undertaken by Tonkin + Taylor which considered the current state and options for water services delivery.

ŌDC sought advice from the Department of Internal Affairs on the viability of a joint water services organisation working with Rotorua Lakes, Kawerau District, and Whakatāne District Councils.

This advice, and associated financial modelling, was based on Long-Term Plan financial projections rather than recently updated financial projections and does not include establishment costs, incremental operating costs, or capital or operating efficiencies.

MartinJenkins has adjusted DIA's modelling work for this analysis by updating the capital and revenue profile for ŌDC and adding efficiencies and establishment costs.

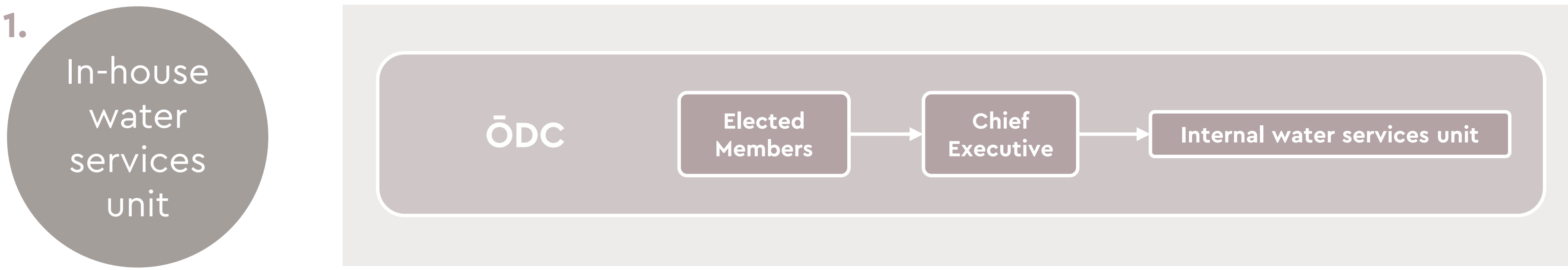
Consultation requirements

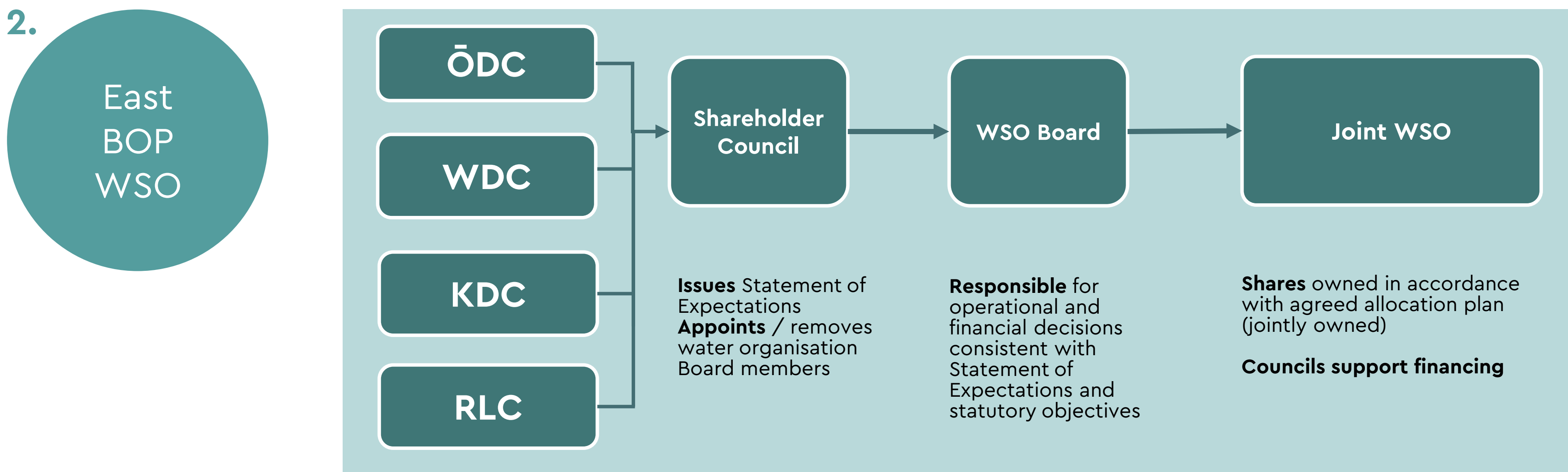
Engaging your communities

Councils must consult on the anticipated model for delivering water services. The Local Government (Water Services Preliminary Arrangements) Act 2024 requires the council to consult prior to determining the proposed model for delivering water services.

Options available

to Ōpōtiki District Council


1.
In-house water services unit
ŌDC
Elected Members
Chief Executive
Internal water services unit


2.
East BOP WSO
ŌDC
WDC
KDC
RLC
Shareholder Council
WSO Board
Joint WSO
Issues Statement of Expectations
Appoints / removes water organisation Board members
Responsible for operational and financial decisions consistent with Statement of Expectations and statutory objectives
Shares owned in accordance with agreed allocation plan (jointly owned)
Councils support financing

Options assessment

Key judgements to inform decision making

Comparative assessments have been undertaken for each option, against a series of financial and non-financial considerations.

Comparative assessment against strategic objectives

We have assessed the options against strategic objectives. These can be broadly placed into two categories:

- effective and affordable delivery, and
- meeting community needs.

Comparative financial assessment

Options were assessed against several key financial metrics:

- investment and revenue sufficiency
- average cost per connection
- debt position of the Council, with and without water services delivery, and
- future level of efficiencies.

Impact on remaining Council functions

The factors considered to assess the degree of impact on the rest of Council were:

- the impact on the Council's 'residual' financial position of transitioning water services to a separate WSO, or meeting ringfencing requirements, and
- other impacts on the viability of remaining council services, including the level of cost that the Council would need to fund from other activities (that is, stranded costs) that may not transfer to an internal water services unit or a joint WSO.

Additional considerations

This includes key risks, mitigations and a comparative overview of ownership, decision making and accountability structures.

Comparative assessment

Strategic objectives

STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	JOINT WATER SERVICES ORGANISATION
Efficient and financially sustainable delivery of water services for the Ōpōtiki District community, now and into the future	• Will require revenue increases over and above LTP financial projections to meet financial sustainability requirements. • Council will face additional costs associated with achieving ringfencing, including new planning and audit requirements, and levies from the Water Services Authority and Commerce Commission. This challenges revenue sufficiency further. • Potential for only very limited efficiency gains from shared services arrangements.	• Likely to be more efficient in delivering water services over time depending on the mix and scale of participating councils. • Extent of savings critically dependent on achieving sufficient scale, with the greatest savings expected through partnering with a metropolitan council.
Protects and promotes public health and the environment – meeting regulatory requirements	• Capex profile incorporates investment necessary to achieve compliance (noting uncertainty about future wastewater standards). Council officers have revised the capital programme, adding $6 million in planned capex to the $63.9 million capital programme scheduled in the LTP.	• Capex profile incorporates investment necessary to achieve compliance. • Depending on partners, this option is expected to have greater capacity to invest in infrastructure than the standalone option. • Strong ability to meet drinking water quality and environmental regulatory requirements through increased investment capacity.

Legend: *Red text denotes possible risk* | *Does not meet objective(s)* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	JOINT WATER SERVICES ORGANISATION
Water services **are resilient to natural hazards and climate change**	• Capex programme adds necessary compliance investments, which will improve compliance with drinking water quality assurance rules and wastewater discharges. • Limited capacity for responding to any shocks relating to natural hazards, while Asset Management Plan notes more frequent and severe storms are expected in the district over time. • Council borrowing limits will be largely utilised for water infrastructure, which may limit Council's ability to make other resilience investments (for example, in the roading network).	• Likely to have some capacity for additional investment relative to internal business unit.
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Retains interface between spatial and water infrastructure planning. • All infrastructure planning and delivery managed under "one roof".	• Integration with common-boundary councils likely to support better alignment on growth planning across the region but this may be less important than coordinating spatial and infrastructure planning within district boundaries. • Creates greater need for collaboration between council(s) and WSO to plan for and fund growth. • May be harder to agree shared priorities for growth and development across councils with divergent community interests. • Complexity will be broadly proportionate to the number of councils involved and differences in communities of interest (for example, urban vs. rural).

Legend: *Red text denotes possible risk* | *Does not meet objective(s)* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	JOINT WATER SERVICES ORGANISATION
Affordable, fit-for-purpose service to consumers and communities that meets the needs, and expectations of the Ōpōtiki District community	• Least affordable of shortlisted options, and increasingly unaffordable over time. Water charges are estimated to reach up to $4,430 per connection in FY34 (greater than 5% of median household income). This exceeds generally accepted benchmarks for affordability of water services. • Strong community voice mechanisms and direct accountability to communities. • Ability to meet future growth and resilience requirements could be challenging. • Water debt may constrain other council activities and limit financial flexibility to deal with shocks such as natural disasters.	• More affordable than internal business unit, particularly in the long-term, but ultimately depends on the number and mix of the councils involved, for example, the inclusion of a large metropolitan council would achieve greater economies of scale and efficiencies. • Organisation would need to be able to respond to diverse needs of a broader consumer base, requiring design of new consumer engagement mechanisms. • WSO would need to determine community voice mechanisms and may replicate some existing consumer consultation and engagement activities. • Subject to consumer protection regulations, including independent dispute resolution. • Economic regulation regime is expected to drive a customer focus with requirements to engage communities. • Would require agreed transition path including approach to harmonisation of investment plans. • Harder to agree shared priorities and expectations across councils with divergent community interests.

Legend: *Red text denotes possible risk* | *Does not meet objective(s)* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

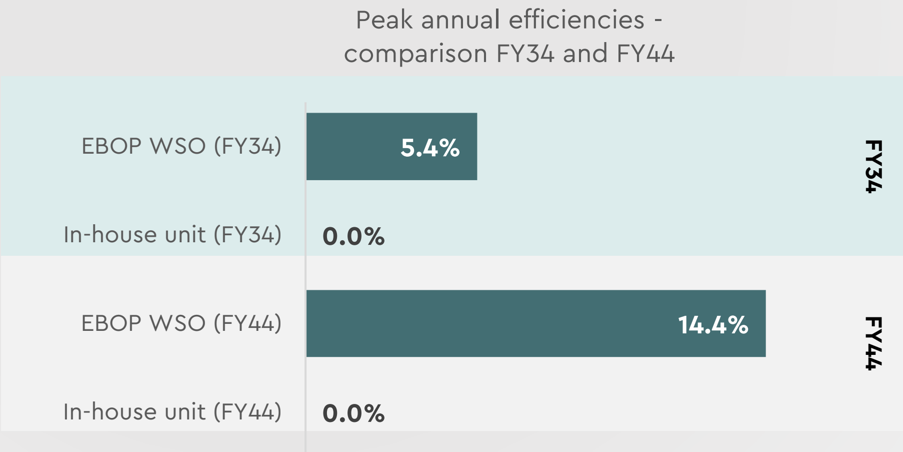
STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	JOINT WATER SERVICES ORGANISATION
Responsibilities to iwi and Māori are met	• Ability to make use of existing mechanisms and channels for engagement partnership.	• New engagement and partnership mechanisms would need to be developed that meet the needs and expectations of increased numbers of iwi and Māori. • There may be a preference for smaller/existing boundaries. Direct engagement with iwi and Māori is required to explore this, including on the potential for greater investment capacity under multi-council options.
Remaining council operations are viable and continue to deliver on communities' expectations	• Council would be left with very little debt headroom relative to internal borrowing limits, which may constrain funding for non-water activities – see slide 36.	• This option leaves Council with significantly greater financial flexibility to fund non-water council activities and will help to ensure the Council has debt headroom to meet any unexpected expenses – see slide 36.

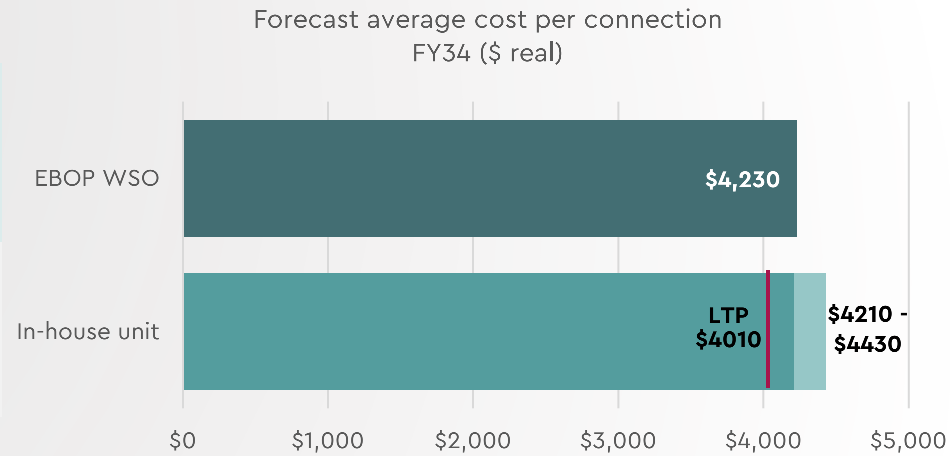
Legend: *Red text denotes possible risk* | *Does not meet objective(s)* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Comparative assessment

Financial comparison

Part 2: Comparative financial analysis against key metrics





	1 In-house delivery	2 East BOP WSO
	Delivery through a ring-fenced internal business unit.	Councils in East BOP establish a WSO.
Average cost per connection ($real) FY34 *FY25 cost is around $2,250 per connection*	**Approximately $4,210 - $4,430** This incorporates additional costs to meet LWDW requirements. The lower bound of the range assumes water debt would be accumulated up to 500% of revenue. The upper end the range assumes that water debt would be accumulated up to 400% of revenue to leave some debt headroom for other council uses. We modelled a third scenario – the LTP – which produced an average cost per connection of $4,010 based on a lower capital programme.	**Approximately $4,230** ŌDC ratepayers expected to face lower average charges under either non-harmonised or harmonised prices. We note the costs per connection for this option are indicative only, as this option was not developed with partner councils.
Efficiencies *See Appendix 2 for assumptions underpinning efficiencies*	Limited to no efficiencies are likely to be realised, other than marginal gains through potential shared services.	Operational efficiencies of 1% per year phased in over time, with annual savings of $168,000 per year by FY34. Capital efficiencies of 1% per year yielding cumulative savings of $1.5 million per year by FY34. *Efficiencies would continue to accumulate and deliver further benefits beyond FY34.*

Comparative assessment

Ownership, decision making and accountability

ELEMENT	INTERNAL BUSINESS UNIT	JOINT WATER SERVICES ORGANISATION
Ownership structure	• Council-owned (internal division).	• Owned by ŌDC and other participating councils.
Governance arrangements	• Council oversight.	• A Shareholder Council can appoint and remove directors on a Water Organisation Board. A constitution would govern composition of the Board, process and requirements. • Shareholder council provides governance oversight and a forum to meet, discuss and coordinate on relevant issues. Shareholder Council will strive to make all decisions by consensus.
Decision making	• Elected members continue to decide on levels of service and investment intentions (within legal requirements).	• The Shareholder Council would issue a Statement of Expectations, guided by ownership rights set out in a constitution or shareholders' agreement. • Operational and financial decisions consistent with Statement of Expectations and statutory objectives would sit with the Water Organisation Board.
Accountability	• Accountable to the public through the framework in the Local Government (Water Services) Bill. • Accountable to elected members through existing mechanisms.	• Reports to owners quarterly, prepares an audited annual report, acts consistent with statutory objectives.
Community engagement and consultation	• Through access to councillors and submissions.	• Shareholder councils can appoint and remove directors. • If ŌDC is involved at the establishment phase, it can influence the mechanisms as part of the design of the organisation.

ELEMENT	INTERNAL BUSINESS UNIT	JOINT WATER SERVICES ORGANISATION
Approach to allocation of costs, revenues and efficiencies	• Council can access debt via the LGFA subject to its limits (175% debt to revenue).	• Final approach would be considered in next phase of reform. • Approach to pricing (harmonised versus non-harmonised) could have a significant impact on the affordability of services for Ōpōtiki District residents. • Water services organisation charges water users, with borrowing available from Local Government Funding Agency supported by council guarantee or uncalled capital. • The parent council guarantee can be joint and proportionate, however the proportionality terms would need to be negotiated.
Iwi/Māori involvement	• Council can use existing mechanisms.	• New engagement and partnership mechanisms would need to be developed that meet the needs and expectations of an increased number of iwi.
Confidence in delivery, establishment and ongoing management	• High confidence this option could be stood up quickly, with changes only necessary to implement new ring-fencing, planning and accountability requirements.	• Limited confidence an East BOP joint WSO will emerge in the short term, however we understand partner councils are actively exploring this option with a view to it being in place from FY29.
Additional considerations	• Shared services arrangements may allow small savings to be realised.	• Benefits will depend on the mix of councils involved. Benefits are likely to be highest if a large metropolitan council is involved (large population, many connections, population density).
Risks (see slide 31 for more)	• Financial projections indicate this option would become increasingly unaffordable over time.	• Unlikely to be feasible to bring the four named councils together in the short-term as other councils are understood to prefer single-council options in the first instance. • Risk that funding is prioritised to needs in other districts.

Comparative assessment

Rest of council considerations, key risks and mitigations

Part 4: Rest of Council considerations

Decisions on how water services are delivered will have follow-on implications for the rest of the Council's functions.

Forthcoming decisions on how ŌDC delivers water services to residents will have a material impact on the Council's residual financial and operating context.

It is relevant for Council to understand these financial and operational implications for other Council functions under all options considered. This is because even under the internal business unit option, the ringfenced financial management of water services will have implications for things such as overhead allocation and the residual debt capacity of the Council for other functions.

ŌDC needs to consider whether existing service delivery arrangements will (i) be sustainable; and (ii) continue to meet community expectations regarding levels of service and affordability.

This assessment has multiple considerations, including:

- The broader strategic context that ŌDC faces including the ability to service its unique community and including to address issues related to climate change adaptation and resilience.
- The implications of a new purpose for local government and definition of core services against Council's current service offering.
- The opportunities and challenges that could be explored for economies of scale through shared services arrangements.
- The investment needed to ensure ŌDC has the strategic capacity to lead through complex change and to continue to respond to the diverse needs and expectations of its unique communities.
- Options to move towards a financially sustainable (and affordable) operating model for the future that enables committed progress toward Council's strategic priorities.

The introduction of financial ringfencing and the potential transfer of water services to a standalone or joint water services organisation provides both challenges and opportunities.

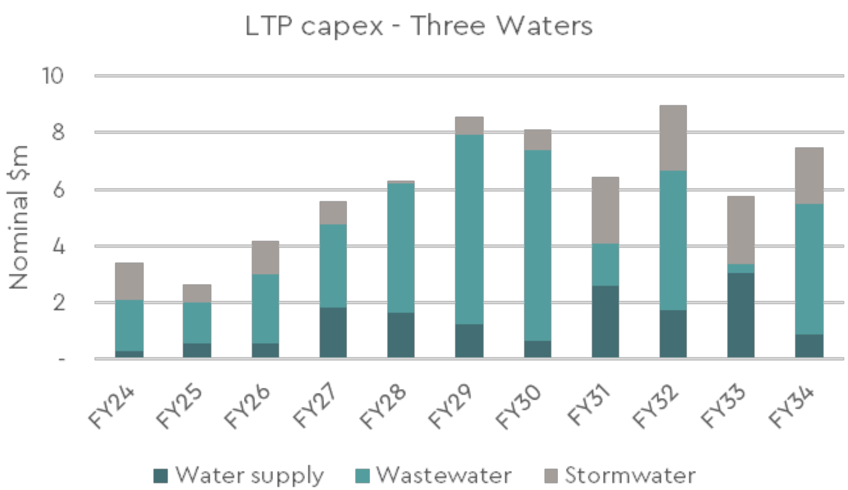
Our analysis has been informed by the information provided by ŌDC. High-level findings are:

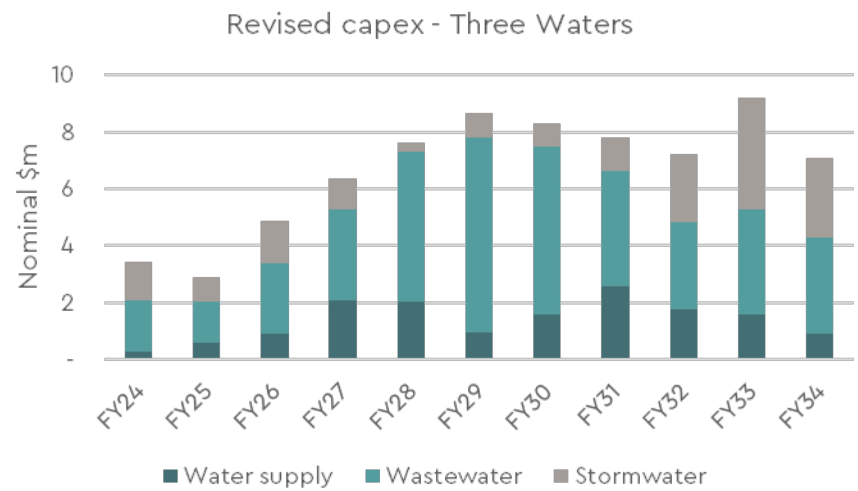
- Overall, the removal of water service delivery significantly improves the borrowing position of the rest of council.
- Current levels of operating costs should be reviewed to ensure they remain sustainable.
- The current overhead allocation appears low (see Appendix 3) and the overhead allocation method should be reviewed given the need to ringfence water services. The overhead allocation approach could potentially have a material impact on water charges and rates, but the impacts are expected to be offsetting for ratepayers overall.
- Water activities should receive an appropriate allocation of internal overhead costs, to be recovered through water charges. Similarly, internal borrowing will need to be accounted for on an arms-length basis.
- The council has a stable financial position when water services are excluded. When water services are included, the Council's debt position would be constrained, unless rates were increased to create debt headroom.

Option	Risk	Possible mitigation
Internal business unit	• Resource competition with WSOs – staff, contractors and delivery. For example, when tendering for investment, or attracting staff with the right skills and experience.	• Difficult to mitigate. Option to engage a third-party or WSO for service delivery, or leverage expertise through secondments to ŌDC.
	• The smaller operational scale and lower debt ceiling may limit flexibility to respond to broader challenges or shocks (for example, maintaining assets, making climate investments to improve resilience, or responding to an extreme weather event).	• Difficult to mitigate. The Council is expected to become constrained by growing water borrowing and, as water charges increase, affordability challenges are expected to restrict Council's ability to increase rates.
Joint Water Services Organisation	• Limited direct control or influence over investment decisions and pricing outcomes.* **Note, all water service providers (including councils) will be subject to economic regulation, as well as environmental and water quality regulation which may direct investment and prices.*	• Consider options with fewer shareholding councils to reduce potential complexity of governance arrangements and transition. • Consider council groupings with common interests and shared challenges. • Shareholder Council appoint and remove directors. • Shareholders issue Statements of Expectations which the entity must adhere to.
	• Transition risks, such as stranded overheads, or reduced internal capacity to deliver other council services as a result of staff moving to a WSO.	• May be addressed through careful negotiation of transition arrangements with potential partners to ensure Council functions are protected alongside appropriate management of stranded costs. This includes ensuring the WSO compensates Council for any services provided through transition period (for example, collecting revenue on their behalf, accommodating staff).
	• Efficiencies not being realised, putting upward pressure on prices.	• Economic regulation will help to drive efficiencies. • WSO structure, including independent governance, will support strong asset management and procurement practices.

Financial analysis of internal business unit option produced by MartinJenkins

Outputs from MartinJenkins financial modelling





Capital expenditure

Council planned on investing $63.9 million in three waters assets over the LTP period, comprised of:

- $14.7 million in water supply assets
- $36.0 million in wastewater assets, and
- $13.2 million in stormwater assets.

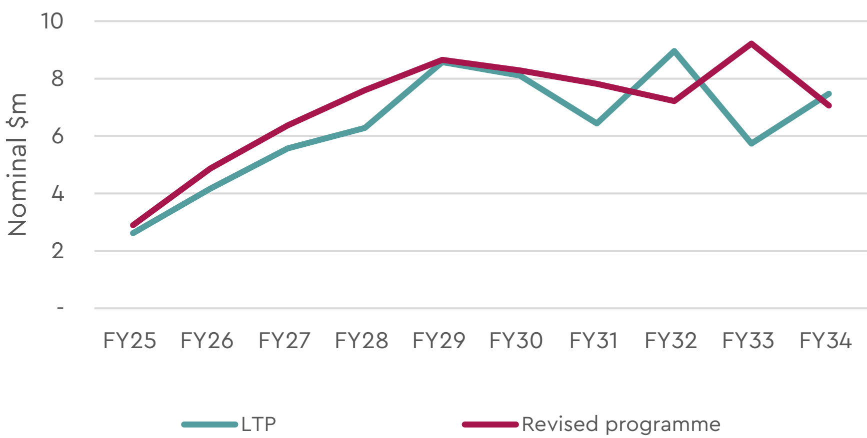
An independent review of by Tonkin + Taylor underpinned revisions to the capital programme to ensure legislative compliance, with the timing of some projects changing, and new projects being added. These changes reflect the need to meet regulatory requirements in a dynamic regulatory environment.

The updated 10-year capex plan includes investment totalling $69.9 million over the LTP period. This is made up of:

- $14.8 million in water supply assets (an additional $0.1 million)
- $39.4 million in wastewater assets (an additional $3.4 million), and
- $15.7 million in stormwater assets (an additional $2.5 million).

The two plans are shown above. A comparison is provided on the next slide.

Capital expenditure – Three Waters

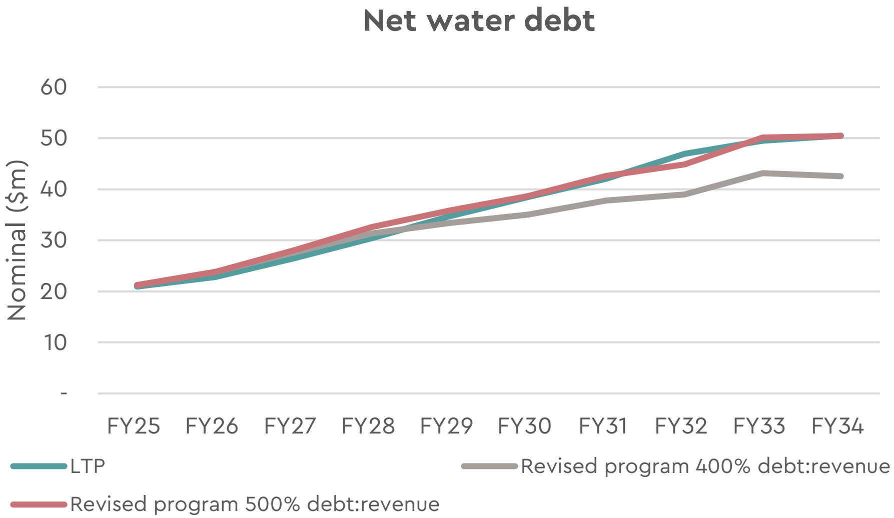


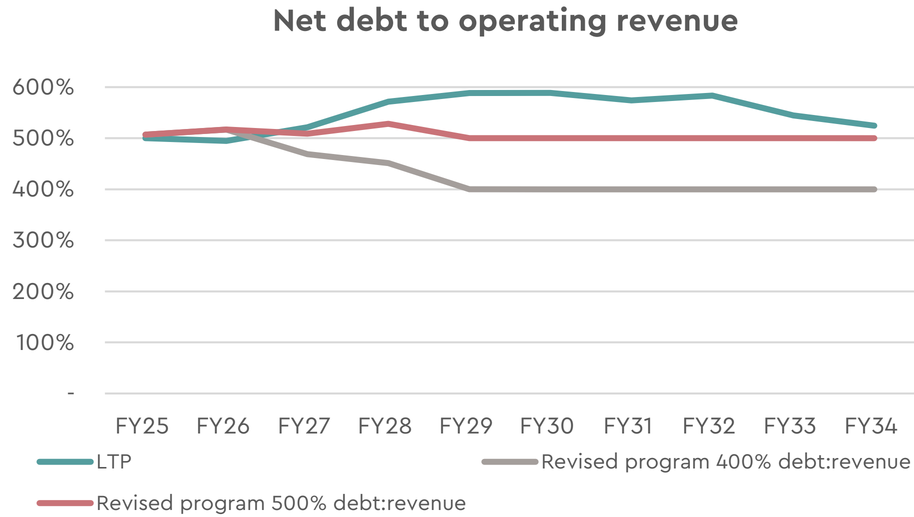
Capital expenditure continued

The two plans are shown in the graph to the left, with the red line reflecting the updated programme.

The wastewater capital programme has increased primarily due to construction costs for the new wastewater treatment plant in Ōpōtiki.

The difference in stormwater investment is primarily due to an increase in the amount set aside for large pipe renewals, and the King Street culvert upgrade which are proposed to reduce flooding risks.





Net debt in the LTP

The LTP had water debt increasing to $50 million by FY34, which is at a level that ranges between 500% and 600% debt to operating revenue over the next ten years. This is an elevated level of debt associated with water assets, and utilises a large amount of total Council debt capacity, meaning the Council would have limited borrowing capacity for unplanned investment and limited financial flexibility to manage shocks.

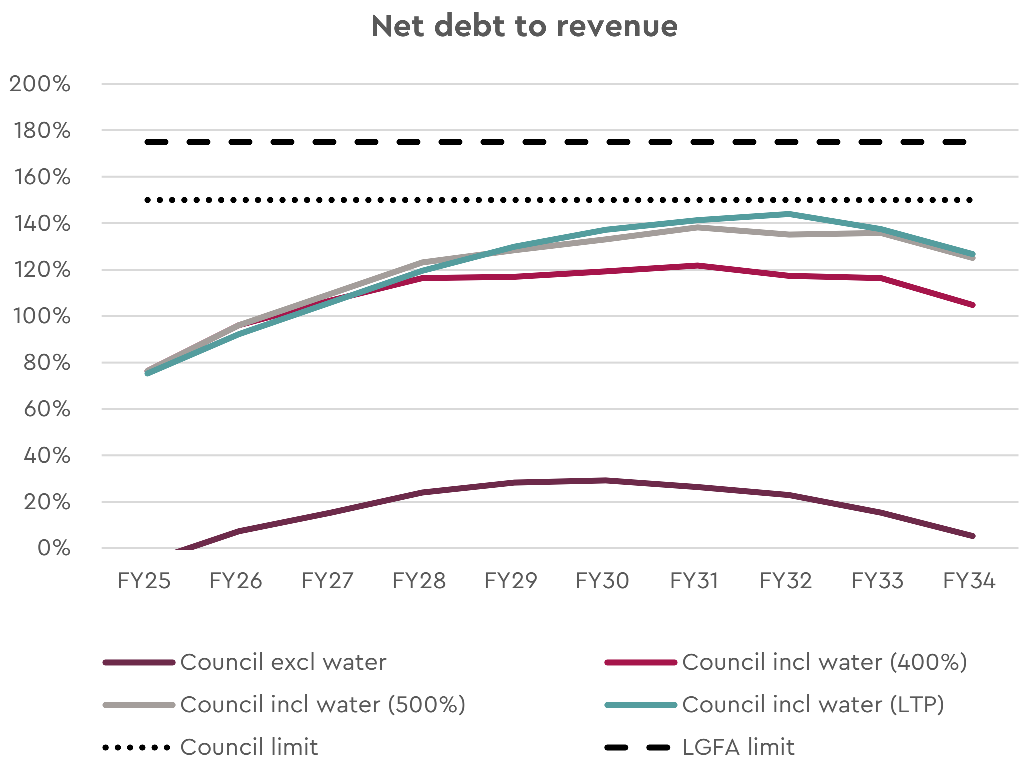
Maintaining water debt to revenue at a range of between 400% - 500% would allow the Council to retain some debt capacity for non-water activities and provide additional financial flexibility in the event of a shock that adversely impacts the council's financial position (for example, a natural hazard event).

Net debt in the revised programme

Owing to the constraints that the proposed level of water debt would place on the whole of Council, we have modelled net water debt at both 400% and 500% of operating revenues. Setting internal limits on water debt to revenue would require increases in water revenues over and above the LTP projections.

This level of gearing was chosen with reference to other councils and to ensure the Council as a whole has sufficient financial flexibility and debt headroom to fund non-water activities and cope with potential future shocks. This assumption was tested with Council officers and a range of 400-500% was determined to be an appropriate range for the purposes of modelling.

Targeting this level of debt means that the debt balance has been reduced by $8.0 million in FY34 (at a debt to revenue level of 400%) or $0.07 million (at a debt to revenue level of 500%), with the difference funded instead by water revenues.



Council has an internal debt to revenue limit of 150%, while the LGFA limit is 175% for unrated Councils.

All of Council debt with in-house water services delivery

As at June 2025, Council is forecasting to have total debt of $19.6 million. Water debt totals $20.9 million, leaving Council excluding waters in a net cash position of $1.3 million.

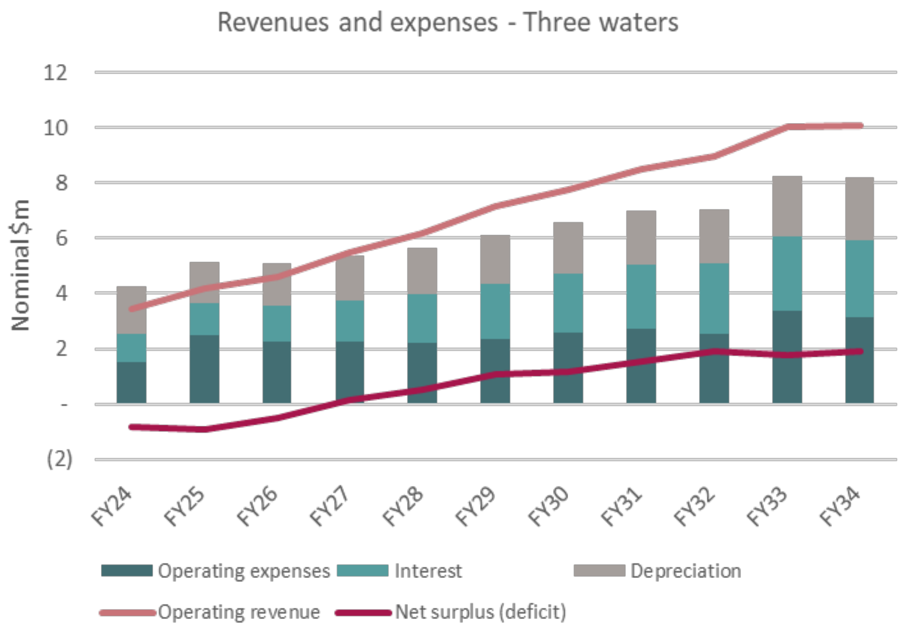
Compared to the LGFA limit of 175%, debt to revenue under each scenario reaches a maximum of:

- 144% in FY32 using the LTP forecasts
- 138% in FY31 using the 500% debt to revenue scenario
- 122% in FY31 using the 400% debt to revenue scenario

All of Council debt excluding water

If water services were delivered by a joint water services organisation, Council debt (with water debt removed) is forecast to increase from a net cash position to net debt totalling $8.1 million in FY30, before decreasing back to a net debt balance of $1.7 million in FY34.

The transfer of water services to a water services organisation would significantly improve the Council's debt headroom, providing the Council with greater financial flexibility.



*Note that this graph is based on a debt to revenue target of 500%. Expenditure on interest will be higher under the other two scenarios, with increased use of debt reducing revenue requirements.

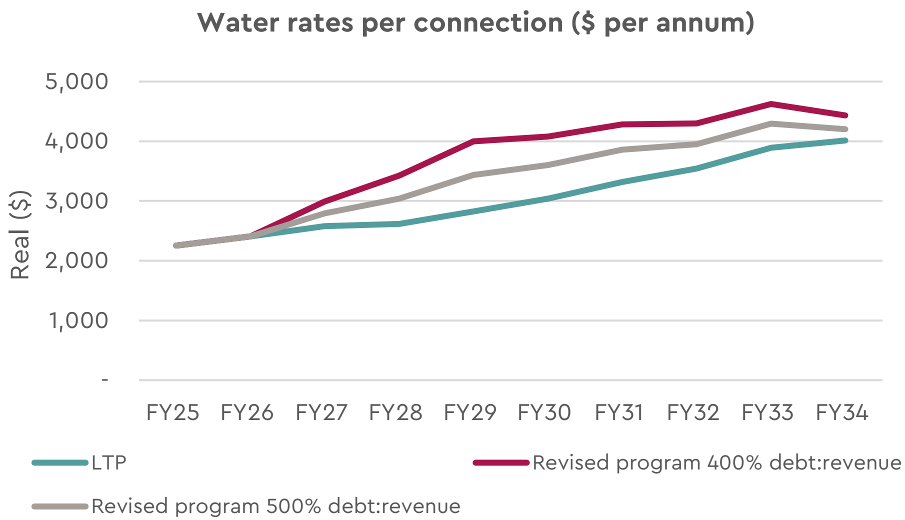
Operating expenditure

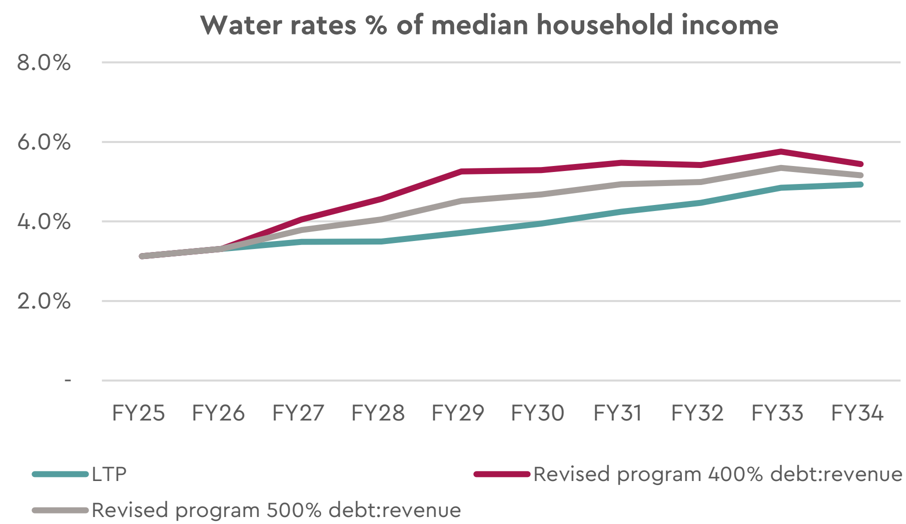
Operating expenses are forecast to increase from $1.5 million in FY24 to $3.15 million in FY34, or an average of 5.6% per year above the rate of inflation.

Operating deficits and surpluses

Operating deficits are forecast to occur in FY24-FY26, with depreciation only being partially funded.

From FY27, operating surpluses are required in order to maintain the desired debt to revenue ratio, with these surpluses being used to partially fund the capital programme. These surpluses average $1.3 million per annum, or an average 15% of revenue.





Water rates per connection

The average charge per water connection is forecast to be about $2,250 in FY25. By FY34, it is expected to cost about $4,430 (in today's dollars) per connection if targeting debt at 400% of revenue – an annual growth rate of 7.0% above forecast inflation. This is over $400 higher per connection than the LTP forecast, due to a lesser reliance on borrowing to finance new investment and a greater reliance on revenue from rates.

If a debt ratio of 500% of revenue is targeted, the average connection cost is forecast to reach about $4,210, which is around $200 higher than the LTP forecast.

Water rates as a percentage of household income

A generally accepted international benchmark says that household spend on water services should be no more than 2.5% to 3.0% of the median household income.

Water rates are currently 3.1% of the median household income ($66,900 in 2023 according to the 2023 Census).

This metric is forecast to reach between 5.2% and up to 5.4% of the median household income in FY34, depending on the scenario.

At this level, the charges for water services alone are expected to exceed 5% of median household income, that is, an affordability benchmark for **all Council services**.

Financial analysis of joint WSO option by DIA with adjustments by MartinJenkins

At the request of mayors, DIA initially undertook financial modelling for a joint WSO comprising an East BOP sub-group of councils: Rotorua Lakes Council, Whakatāne District Council, Ōpōtiki District Council, and Kawerau District Council.

The DIA model showed the benefits of simple aggregation and adoption of the proposed joint WSO capital structure and financing strategy, but it:

- was based on councils' LTP projections and made no adjustments for updates to the projections to achieve compliance with regulatory requirements. For some councils, these adjustments have been significant.
- did not include any allowance for efficiency improvements that would be expected through a joint WSO.
- did not include any allowance for establishment costs or incremental management costs associated with a joint WSO.

This means the DIA modelling does not provide a "like-with-like" comparison with our modelling of the Council's internal business unit option. For the purposes of comparison, we modified the DIA model with updated ŌDC financial projections and incorporated assumptions regarding establishment costs and efficiency improvements.

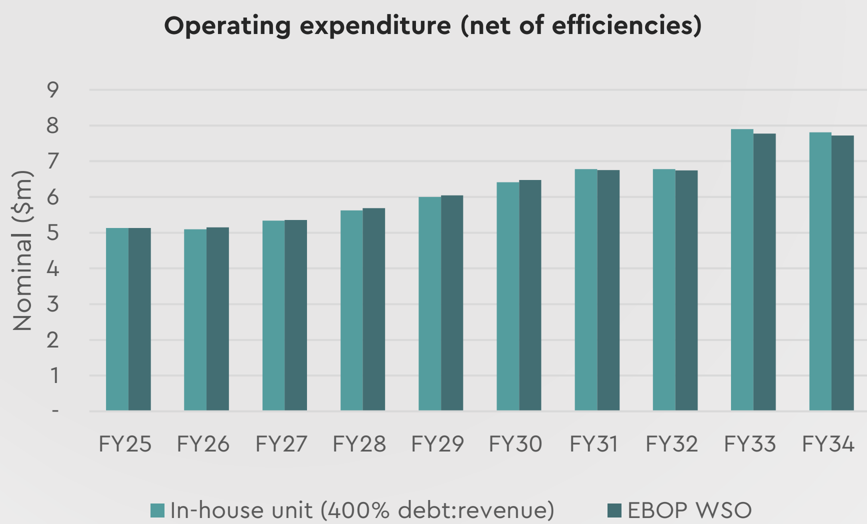
From its modelling (that is, with no adjustments from MartinJenkins), DIA concluded a joint WSO comprising the four East BOP councils:

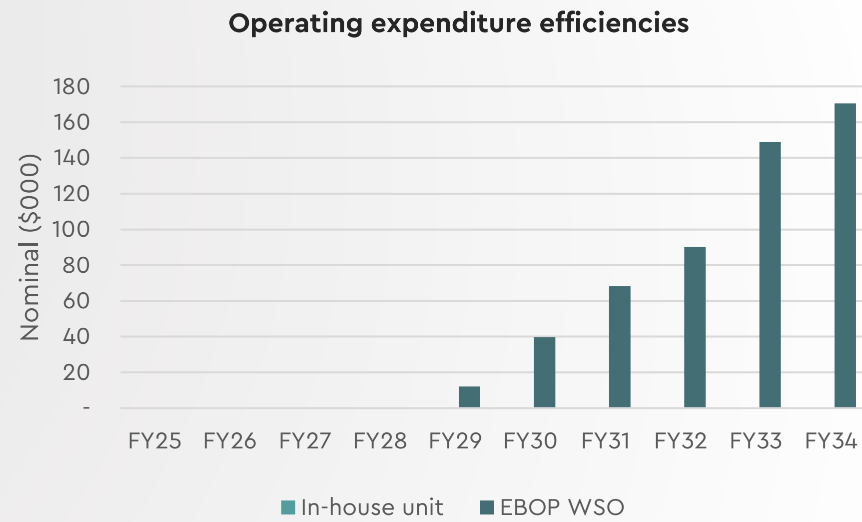
- could deliver water services at lower cost to consumers than could be achieved by individual councils.
- could access more debt financing than councils through LGFA. This enables greater access to funding, enables the costs of assets to be spread over their useful lives (through debt financing new assets), and provides additional cash reserves and flexibility.
- could meet expected borrowing covenants as signalled by LGFA, and access debt financing on improved terms against status quo council borrowing arrangements.
- would ensure financially sustainable water services provision to consumers, provide resilience, and enable uplifts in water services infrastructure investment over time.
- would enable the adoption of fit-for-purpose investment, asset management and financing strategies for water services delivery, which will be more efficient than council in-house delivery.
- would ensure compliance with ringfencing, financial sustainability and other financial principle requirements under Local Water Done Well.
- would be the regulated party for water quality regulation and economic regulation. By establishing a joint WSO, councils become beneficiaries of the regulatory regime.
- enables the refinancing of water services borrowings off council balance sheets, resulting in a material improvement in the financial sustainability and resilience of councils. This creates substantial borrowing headroom for councils, which can allow general rates to be reduced.

These benefits can be realised without requiring price harmonisation across councils, cross-subsidisation, or shareholding councils having to guarantee each other's proportion of the joint WSO's borrowings. These are all important establishment considerations, and it is in Councils' discretion as to how pricing and debt structuring parameters are set.

MartinJenkins updated DIA's modelling by incorporating the latest capex projections and making allowance for establishment costs and efficiencies. Key modelling assumptions for the EBOP WSO include:

- establishment date 1 July 2026 (FY2027)
- services for all three waters are provided for
- operating and capital efficiencies of 1.0% per year
- establishment costs total $10 million for a four-council WSO
- $1.1 million of additional annual operating expenditure related to governance, management, and audit
- revenues were set to achieve a target capital structure of 10% of funds from operations (FFO) to debt, excluding development contributions, with no changes to the timing or quantum of the proposed capital programme.





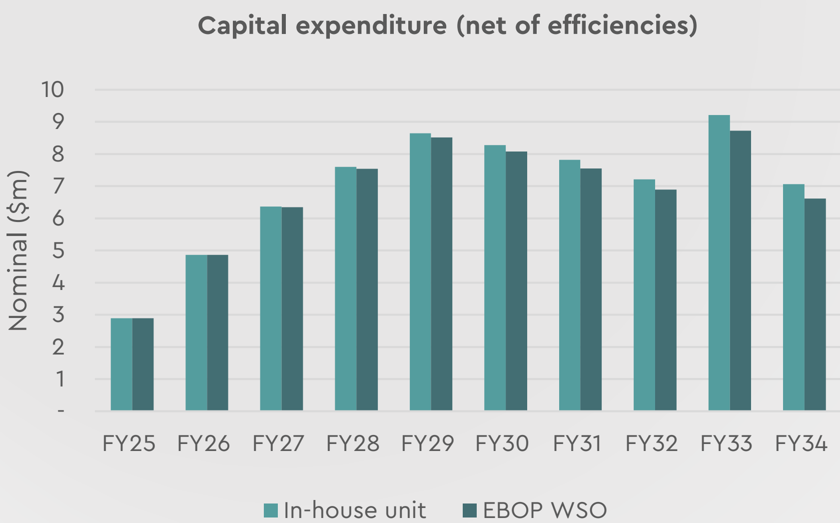
Operating expenditure

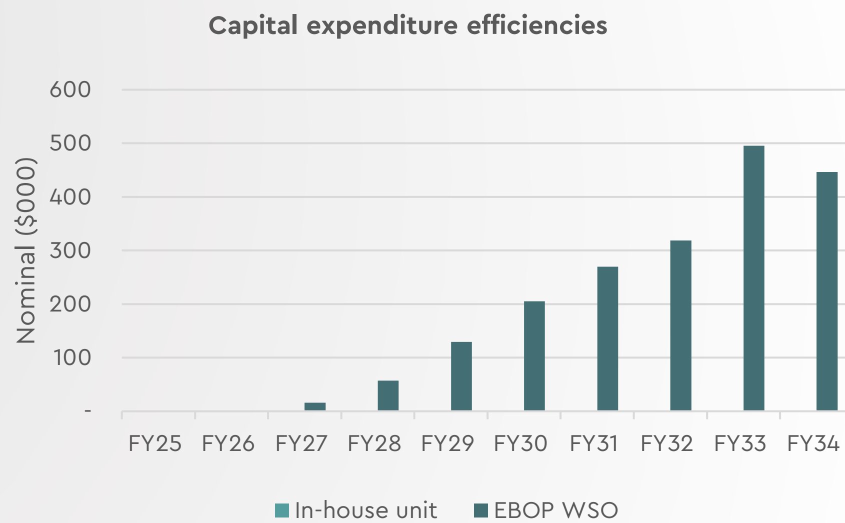
Operating expenditure is initially higher for a joint WSO compared with an internal business unit. This is because a joint WSO entails higher governance costs (that is, it incorporates the costs of running the shareholder council, the cost of running the Water Organisation Board (including director fees), and upfront establishing costs. These cost are avoided with an internal business unit.

Based on available evidence, we expect a joint WSO would operate more efficiently over time (see Appendix 2 for further details on efficiency assumptions). The graph on the top right shows the operating expenditure efficiencies that we estimate would accumulate over time for a WSO. These efficiencies put downward pressure on operating expenditure, resulting in operating savings relative to an in-house service delivery model.

An internal business unit may achieve some small efficiency gains through shared services arrangements. However, we consider any likely gains to have negligible effect on our financial modelling.

Joint WSO opex efficiency	Cumulative efficiency (FY34)	Peak efficiency (FY44)
1.0% per year	5.4%	14.4%





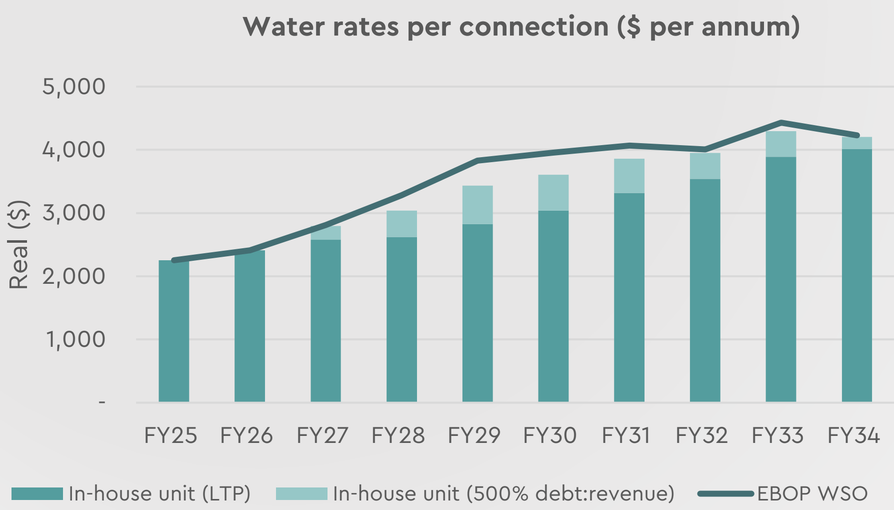
Capital expenditure

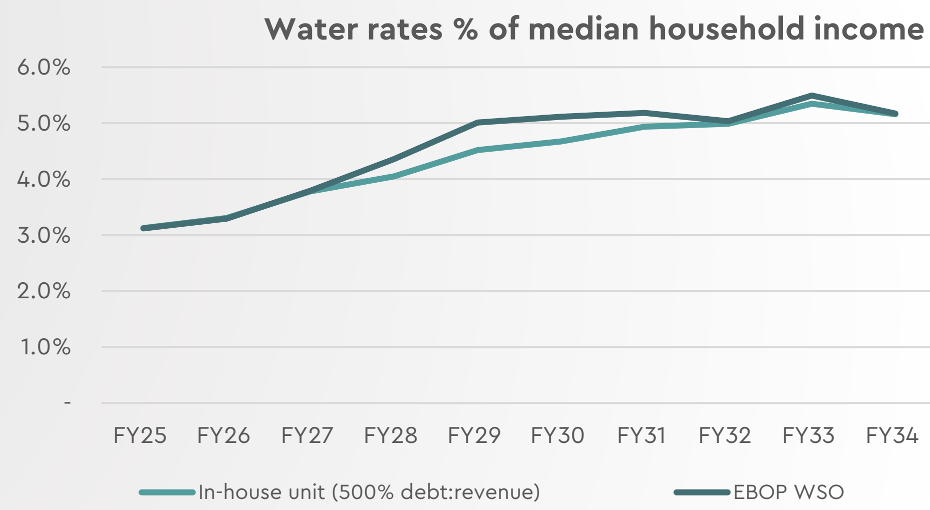
Based on available evidence, we expect a joint WSO could achieve modest capital efficiencies. These efficiencies have the effect of lowering expenditure on capital projects over time, noting that the underlying capital programme (projects to be completed) would not change.

Capex efficiencies are linked to the level of capital expenditure in a given financial year. This explains why capex efficiencies are lower in FY34 compared with FY33. Efficiencies are also cumulative, in that we expect small incremental improvements in annual capital efficiency over time.

Capex efficiencies are expected to continue to build beyond FY34 – see slide 25 for an indication of future efficiency gains.

Joint WSO capex efficiency	Cumulative efficiency (FY34)	Peak efficiency (FY44)
1.0% per year	5.8%	14.9%





Affordability

The average cost per connection in the in-house model is currently about $2,250, and projected to increase to approximately $4,210 by FY34 if the debt is accumulated to 500% of revenue. This equates to approximately 5.2% of the median household income in the Ōpōtiki District. If debt is accumulated to a lower percentage of revenue, the cost per connection would be higher.

If a joint WSO was to be established, the average connection cost is about the same cost as an in-house model targeting 500% debt to revenue in FY34. The average cost per connection is lower than an in-house model targeting 400% debt to revenue. By FY34, the average rate per connection is forecast to be about $4,230. This equates to approximately 5.2% of median household income in the Ōpōtiki District.

We note that operating and capital efficiencies are expected to accumulate beyond FY34, meaning the relative affordability benefits of a WSO would increase over time.

Additional considerations

for standing up a water services organisation

In general, a water services organisation is less likely to be prone to problems if it is set up appropriately and subject to regulation. There are mechanisms to facilitate this in legislation, and through the establishment process.

GOVERNANCE FAILURE

1

- Appointing Board members that, individually or collectively, do not have the skills and experience required to effectively set the strategy and performance targets, and monitor management's performance against that strategy.
- Ineffective scrutiny of performance and/or failure to act on performance issues, whether through Councils' ownership control mechanisms (that is, Board appointments) or ministerial or regulator oversight.

STRATEGIC CAPABILITY AND WORKFORCE

2

- Strategic capability to support any structural change and set up any new arrangements for success in a timely manner.
- The ability to attract and retain a high-quality management team and a qualified workforce is a key determinant of success. This risk is not inherent to a water services organisation model and also exists with in-house delivery.

INSUFFICIENT BALANCE SHEET

3

- There is a risk that the transfer of assets, liabilities, revenues and costs to a new water services organisation may result in it having low credit quality and/or being unable to adequately fund the level of ongoing investment required (limited headroom for new investment).
- This risk is not inherent to the water services organisation model but attention still needs to be paid to how the new entities are structured financially, including the amount of debt and revenues that are transferred to it.

LACK OF ALIGNMENT OF SHAREHOLDERS' INTERESTS

4

- In a multi-council ownership situation if different councils have different interests or priorities, then the Board and management of the entity can be pulled in different directions.
- The legislative requirement for a single Statement of Performance Expectations aims to mitigate this, as do other legislative protections.
- Shareholder agreements will also influence this.

Element	In-house delivery (via internal business unit)	Water Services Organisation
Ownership structure	100% Council-owned as a business unit or division within the organisation. No new organisation is established.	Ownership arrangements and rights set out in a constitution and/or shareholder agreement, subject to compliance with the legislation.
Governance arrangements	Internal business unit responsible to Elected Members, with other usual Council governance oversight. This could be supplemented with a technical advisory group if required and an additional cost.	Shareholder Councils can appoint and remove directors. A constitution would govern composition of the Board, process and requirements. Shareholder council provides governance oversight and a forum to meet, discuss, and coordinate on relevant issues. Shareholder Council will strive to make all decisions by consensus.
Strategy	Council will need to prepare a water services strategy.	A WSO must prepare and adopt a water services strategy, consistent with the Statement of Expectations (SOE) issued by the Shareholder Council. The Board prepares the water services strategy and consults shareholding councils.
Direction setting	Set by the Council, through various strategies and planning documents, including the Long-Term Plan.	The Shareholder Council would issue a Statement of Expectations, guided by ownership rights set out in a constitution or shareholders' agreement. The WSO must give effect to this.
Accountability	Accountable to the public through usual local democracy practices. Water services annual report – including new financial statements on water supply, wastewater and stormwater – will be completed to enhance current requirements. The Council will face new accountabilities to the economic regulator, and Water Services Authority for prices, and quality of service as well as consumers directly.	WSO must give effect to the Statement of Expectations, provided it is consistent with the Local Government (Water Services Preliminary Arrangements) Act. WSO Board is accountable to Council shareholders and reports regularly on performance (shareholders are accountable to community). WSO required to give effect to Statement of Expectations and meet statutory requirements. WSO prepares annual report, including financial statements, and information on performance and other matters outlined in water services strategy. The WSO will also be accountable to the economic regulator, and the Water Services Authority, as well as consumers directly.
Community engagement	Consistent with the Local Government Act engagement requirements.	WSO may engage with the community, and shareholders. Shareholders can prescribe requirements through founding documents and accountability instruments.

Summary assessment

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
Internal business unit with possible shared service arrangements (enhanced status quo)	You are confident that the impacts on debt and affordability are manageable given the capex needed to meet regulatory requirements, and Council wants least change to status quo. *Our analysis suggests the impact on council borrowing levels and affordability will be hard to manage and become increasingly more difficult over time.*	• Ease of implementation, and ongoing flexibility. • Integrates well with existing Council functions and infrastructure planning. • Least likely option to create stranded costs or adverse impacts on rest of council.	• Presents significant affordability and financing challenges given capital expenditure requirements. • High levels of water debt expected to significantly restrict borrowing capacity for non-water activities. • Limited capacity to undertake increased investment beyond addressing core compliance requirements. • Limited scope for operating and capital efficiencies due to lack of scale economies. • Increases workforce retention and attraction challenges with likelihood of large water WSOs operating within the region.
East BOP water services organisation	There are mutual benefits from partnering with others to establish a joint WSO and Council is confident in design of investment prioritisation mechanism, and ability for communities and iwi/hapū to engage. *Advantages and disadvantages will depend on the final number and mix of councils involved, and mitigation of risks through establishment and transition process. Participation by a large council partner important to address affordability challenges.*	• Scale efficiencies expected but not to the extent of joint options involving a large, metropolitan council due to likely participants having a smaller population size and capital programme. • Potential for integration with neighbouring councils to better manage challenges across district boundaries. • Greater access to debt with capacity to increase investment to address future challenges and improve long-term affordability.	• Uncertainty about the design of the model, including ownership/representation, mechanisms for agreeing shared expectations across councils and engaging with iwi and Māori. • Stranded costs are likely (but may be mitigated through careful transition planning). • Potential for diseconomies of scope (for example, loss of integration with spatial planning, transport). • Higher costs and uncertain timeframe for implementation – likely 3 – 5 years away.

Your preferred option could indicate a change in approach over time. For example, Rotorua Lakes Council's preferred option is: "Water services delivered in-house until 2028, then delivered by a WSCCO (either wholly owned by Rotorua Lakes Council or a multi-council WSCCO) from July 2028 onwards".

Next steps

From Feb 2025

Develop WSDP

Decision on whether Council develops a stand-alone WSDP in parallel to a joint process.

Develop WSDP on basis of guidance and templates issued by DIA.

10 April 2025

Council workshop

Council workshop to understand options ahead of Council resolution.

29 April 2025

Council meeting

Council meeting to consider our final options assessment and approve the consultation document for release

May - June 2025

Public consultation

Public consultation begins on 6 May.

June to Sep 2025

Post consultation

Council continues to develop WSDP following consultation. Determine viability of joint arrangements if this is the preferred option.

Mid-2025

Legislation enacted

Legislation for new water services delivery system comes into force, including new economic regulatory regime and changes to drinking water, wastewater and stormwater regulatory approach.

Interregnum

Sep 2025

Water service Delivery Plans submitted

Council takes decision on future delivery model (stand-alone or joint).

Late 2025

Local government elections.

Appendix 1: Tonkin & Taylor options assessment

	STANDALONE BUSINESS UNIT	STANDALONE BUSINESS UNIT WITH SHARED SERVICES	SINGLE COUNCIL-CONTROLLED ORGANISATION	MULTI COUNCIL-CONTROLLED ORGANISATION	COMMUNITY TRUST
Ownership	Entirely owned by ŌDC	Entirely owned by ŌDC	Entirely owned by ŌDC	Shared ownership with other councils	Community Trust owns assets
Governance	Status quo	Status quo	Competence-based board, appointed by ŌDC	Competence-based board, appointed by shareholders	Elected trustees
Scale of water services	Status quo	Status quo plus a bit	Status quo	3 – 20 times increase	Up to 20 times increase
Borrowing	Council borrowing from LGFA (current limit is 175%). Ability to increase to 280% if Council becomes credit rated.	Council borrowing from LGFA (current limit is 175%). Ability to increase to 280% if Council becomes credit rated.	Council borrowing from LGFA (up to 500%, in practice likely 300 – 400%).	Council borrowing from LGFA (up to 500%, depending on credit rating).	Borrowing from banks or other financial institutions.
Planning	Internal Council Water Services Strategy	Internal Council Water Services Strategy	Water organisation prepares Water Services Strategy taking into account Council's Statement of Expectation	Water organisation prepares Water Services Strategy taking into account joint Shareholder Council's Statement of Expectation	Water organisation prepares Water Services Strategy in accordance with Trustee Statement of Expectation
Operations	Status quo	Status quo with shared services (breadth and scale as agreed between parties)	Independent operations	Independent operations	Independent operations
Shortlisting status – MartinJenkins comment	*Essentially the same option. To be assessed further in this report.*		*Discounted. No inherent advantages over standalone business unit but greater establishment costs.*	*To be considered further, noting it relies on willing councils to partner.*	*Discounted. Would access debt at less favourable rates. Further, Horizon Networks indicated its trust deed does not allow for anything other than an electricity-based portfolio and would not support a deed change.*

Appendix 2: Information to inform efficiency assumptions

Significant improvements in efficiency have been achieved in overseas jurisdictions that have pursued reform of a similar nature to that proposed in New Zealand. For example:

Productivity Commission

- In Australia, the Productivity Commission found that service delivery reform has helped to improve efficiency and deliver significant benefits for water users and communities. National Water Reform - Draft Report (pc.gov.au)

Frontier Economics

- In its review of the experience with water services aggregation in Australia, Great Britain, Ireland and New Zealand (Auckland) finds that there is "strong and consistent evidence" that reforms have led to significant improvements in productivity and efficiency. Review of experience with aggregation in the water sector (dia.govt.nz)

FarrierSwier

- In its review of WICS methodology, FarrierSwier commented on the potential that exists for efficiency gains from amalgamating water services in New Zealand and notes significant improvements are possible through aggregation and associated reforms, including improving the ability to attract and retain skilled management and staff, more effective procurement functions, asset level optimisation and reduction in corporate overheads and duplicative functions. Farrierswier - Three Waters Reform Programme - Review of WICS methodology and assumptions underpinning economic analysis of aggregation - 2 May 2021 (dia.govt.nz)
- In an independent review of the Essential Services Commission's PREMO regulatory model in Victoria, Australia, FarrierSwier found that water companies set efficiency targets through its 2018 Price Review ranging from 1.0% per year to 2.7% per year (averaging 1.8% per year across 15 regulated water authorities). While all but two companies delivered reductions in controllable opex per connection, the actual opex savings reported were lower than the target (ranging from 2.2% to -0.2% and average 0.9% per year). Victoria's water sector: The PREMO model for economic regulation

WICS

- WICS reports that Scottish Water has been able to reduce its operating costs by over 50% since reform, while improving levels of service to customers and absorbing the new operating costs associated with its investment programme. WICS Supporting Material 2 - scope for efficiency (dia.govt.nz)

UK Water Trade Association

- A report for the United Kingdom water trade association found that reform of the water industry in England resulted in annual productivity growth of 2.1% or 64% over 24 years when adjusted for service quality improvements. Water-UK-Frontier-Productivity.pdf

The Victorian model is a strong example of driving greater focus on customers, driving cost efficiencies and reducing customer bills

In the mid-1990s, Victoria's water industry underwent significant restructuring. The provision of water services was largely corporatised, so that over 80 water providers became 20. This reform had an impact on the price consumers pay for water, as well as the terms of service delivery. As part of the restructuring process (in conjunction with the privatisation of the energy industry), the Kennett Government established the Office of the Regulator-General, which later became the Essential Services Commission (ESC). On 1 January 2004, the ESC became the economic regulator for all water businesses in Victoria.

In the State of Victoria in Australia, the ESC makes individual price determinations using its PREMO framework for four metropolitan water businesses (South East Water, Yarra Valley Water, Greater Western Water, Melbourne Water) and 11 regional urban water authorities (Barwon Water, Central Highlands Water, Coliban Water, East Gippsland Water, Gippsland Water, Goulburn Valley Water, Lower Murray Water (urban), North East Water, South Gippsland Water, Wannon Water and Westernport Water). These entities range in size, from 20,000 customers (Westernport Water) to 2 million customers (Yarra Valley Water).

There is strong evidence that regulation under the PREMO regime, combined with well governed and managed water businesses, led to a much greater focus on their customers and improved customer outcomes (see two independent reviews by FarrierSwier of the PREMO model on the Essential Service Commission's website). Under the PREMO framework, water businesses are required by the regulator to commit to a range of customer outcomes and associated performance measures and targets as part of their price submissions.

The PREMO model in Victoria has been effective in incentivising water businesses to pursue cost efficiencies and minimise prices for customers. Water businesses' opex efficiency improvement targets averaged 1.3% in the 2023 price review. This is lower than the 1.8% average opex efficiency hurdle in the 2018 price review, but higher than the standard 1.0% rate the commission applied prior to the introduction of PREMO.

The lower efficiency hurdles in the 2023 price reviews reflects the view that Victorian water businesses are now operating close to the 'efficient frontier' following years of regulation.

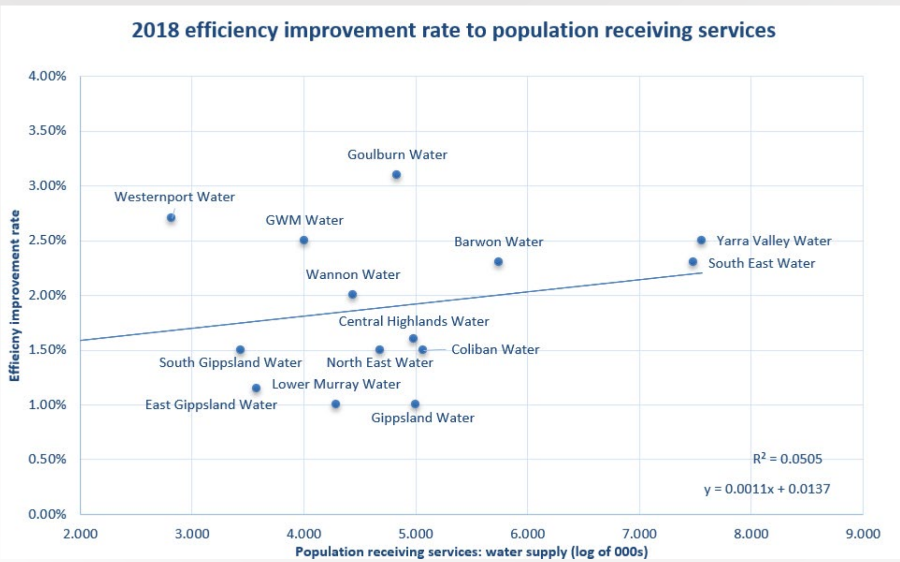
Analysis of Victorian utilities demonstrates potential deliverable efficiencies may improve with scale

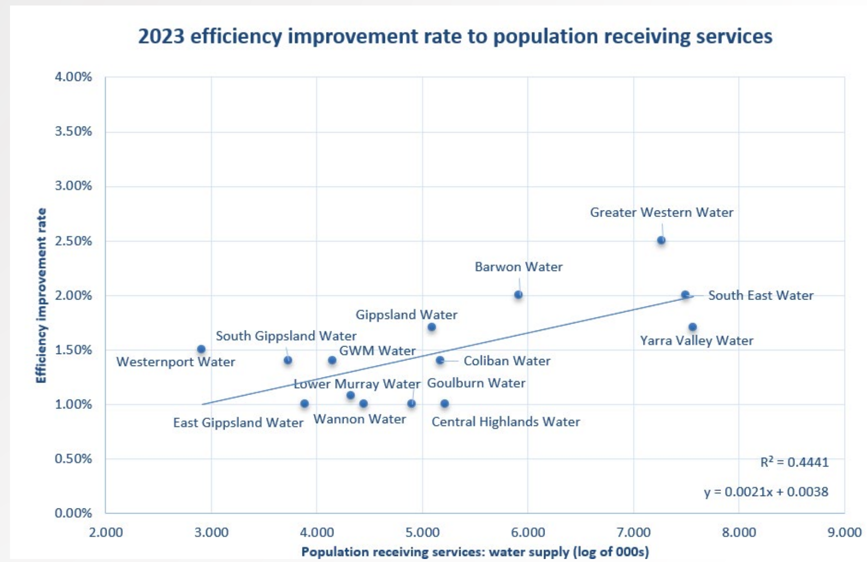
While actual performance data across Victorian utilities is limited and inconsistent (discussed on the next slide), analysis of regulatory efficiency targets (hurdles) provides valuable insights into the relationship between scale and expected improvements.

We have analysed the efficiency improvement hurdle imposed by or agreed with the Essential Services Commission in Victoria for each of the price reviews in 2018 and 2023 against scale (measured by population served).

The analysis highlights a clear relationship in the 2023 price review where larger entities were set a higher efficiency improvement hurdle for the ensuing five years. Larger entities were set efficiency hurdles of 1.5 – 2.5% per year despite already being regulated for over 15 years.

The relationship in the 2018 price review is less clear (largely driven by a number of smaller entities with efficiency improvement hurdles of 2.5 – 3.0%), reflective of a greater weighting on industry-wide catch-up efficiency. The larger entities in this price review were still set efficiency targets of approximately 2.5% per year for the ensuing 5 years. We also note that most entities serving 200,000 or less population (5.3 on X-axis) were set targets of 1 – 1.5% in both price reviews.





The Australian national performance report does not measure efficiency however average operating expenditure per property can be analysed

This analysis captures all Australian water utilities, however, does not track actual efficiency improvement and as such is only intended to be used for verification rather than in determining the efficiency opportunities. We note that inferences from this data should be made with caution given the limited sample size in each category (shown below graph) and the numerous factors influencing operating costs per property. External variables such as geographic dispersion, water sources, treatment requirements, growth impacts and infrastructure delivery methods make comparisons challenging (despite averaging approach).

Operating costs vary significantly by utility size

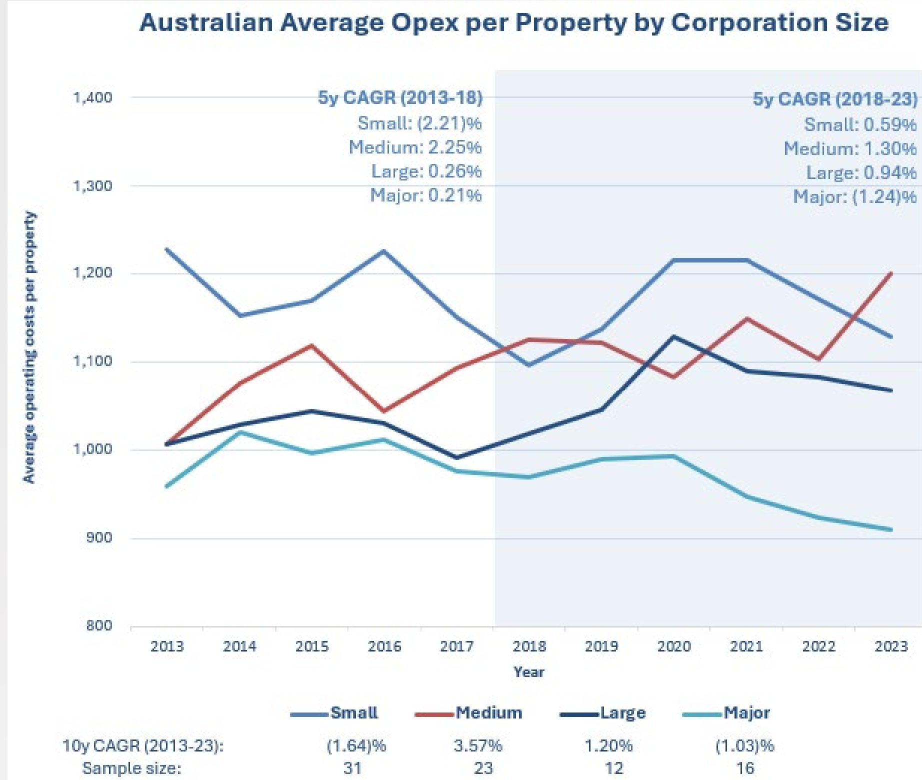
Major utilities (100,000 plus connections) consistently demonstrate the lowest operating costs per property (around $900–1,000) likely partly due to economies of scale as well as higher density.

10-year horizon highlights benefit of scale

Major utilities annualised growth over the period 2013 – 2023 outperformed large and medium utilities by 2.2% and 4.6% respectively. Small utilities average operating cost per property reduced by more than the major utilities however off a substantially higher base.

Dataset highlights variability over time

We note there are limited differences between medium, larger and major utility cost per property changes in the first five-year period (2013 – 2018) with all of the differential occurring in the second five-year period (2018 – 2023). The small utility dataset shows an irregular pattern over time.



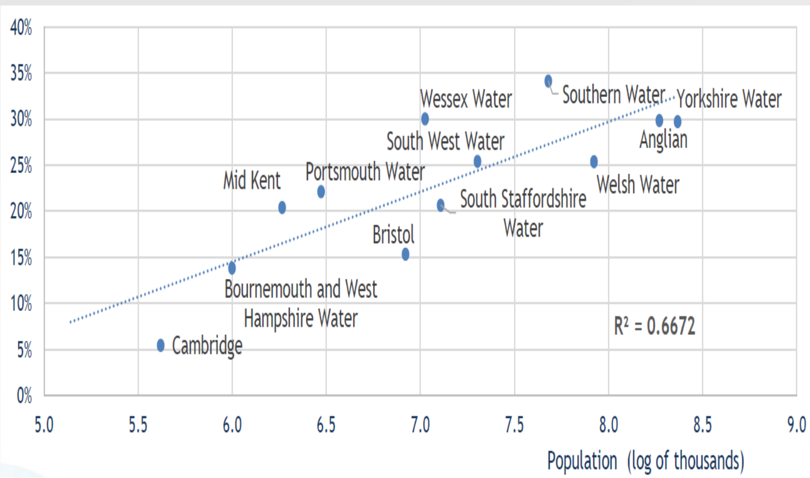
Small	Medium	Large	Major
Less than 20,000 connected properties	Between 20,000 and 50,000 connections	Between 50,000 and 100,000 connections	Over 100,000 connections

WICS compared efficiency for different scale UK water utilities following corporatisation, and used this to inform estimates for NZ councils

Water Industry Commission for Scotland (WICS) undertook analysis of the observed operating efficiency improvement for the different UK entities over a six-year period commencing with corporatisation (between 1994 and 1996) relative to the population served. In terms of quantifying the gains, the evidence indicates a non-linear relationship between scale (measured as population size or number of connections) and potential efficiency (see graph below). The WICS models are based on models developed by Ofwat and have been in use for 20+ years in England, Wales and Scotland.

There are diminishing returns to scale, with maximum scale reached with a connected customer base of 600,000-800,000. For councils below 60-70,000 population there is minimal scope for efficiency gains. This is consistent with management theory, whereby small entities are unable to achieve high levels of asset management maturity and procurement gains. WICS utilised the below to estimate efficiency gains for different scales of entity. WICS reduced the potential efficiency gains by a factor of 5 for scenarios where economic regulation, strong corporate governance and clear policy objectives were considered not present.

WICS calculated improvement in efficiency (over 6-year period following corporatisation) for UK water utilities and assessed catch-up potential for NZ



Council Area	LGNZ classification	Population served (thous)	Log of populatio n	Assessed catch-up based on observed experience
Auckland	Metro	1,758	7.47	100%
Christchurch	Metro	385	5.95	55.1%
Wellington City	Metro	223	5.41	38.9%
Hamilton	Metro	162	5.09	29.6%
Tauranga	Metro	143	4.97	25.9%
Dunedin	Metro	121	4.80	21.0%
Palmerston North	Metro	89	4.49	11.8%
New Plymouth	Provincial	64	4.16	2.0%
Hastings	Provincial	64	4.15	1.9%
Upper Hutt	Metro	63	4.14	1.6%
Rotorua Lakes	Provincial	62	4.13	1.3%
All other Councils		<60	4.1	0%

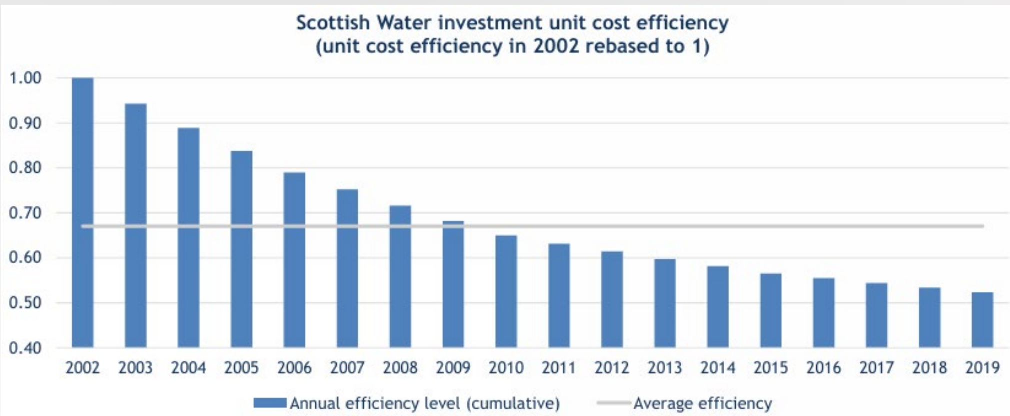
Source: Water Industry Commission for Scotland

The capital efficiency evidence base is less robust due to information scarcity. WICS utilised the capital efficiency achieved in Scotland reforms to estimate potential efficiency deliverable in NZ

There is limited international information readily available that enables a robust estimate of the potential capital efficiency gains possible from water reform in New Zealand. This reflects a lack of investment unit cost efficiency reporting which is necessary to ensure capital efficiency can be identified (as opposed to capital expenditure deferral or other driving factors).

WICS is the economic regulator for Scottish Water under a detailed and comprehensive economic regulation model. As such WICS has a detailed understanding of the Scottish Water investment unit cost efficiency over time. This information is presented below and highlights that as a result of reform, Scottish Water achieved approximately 45-50% lower capital expenditure unit costs between 2002-2019. WICS also noted that Scottish Water had recently committed to achieving further 0.75% real improvements in capital expenditure unit costs annually until 2040 suggesting significant further long-term efficiency gains were possible.

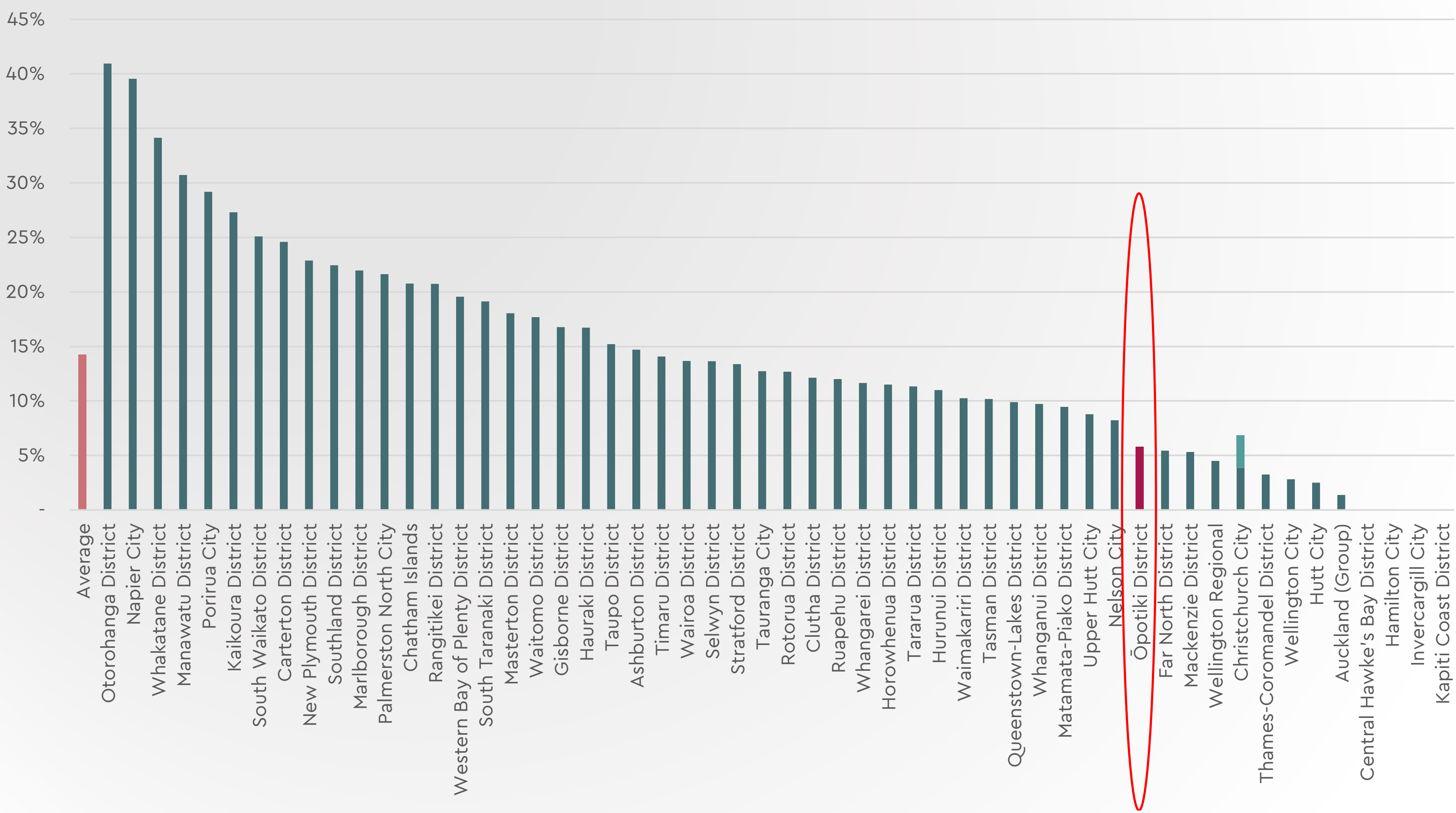
WICS considered that under the previous NZ water reform model (including necessary scale, professionalisation of Boards / governance and strong-form economic regulation) that NZ entities could achieve similar improvements. WICS worked closely with Watercare (and other councils) to understand potential differences between NZ and Scotland that would limit the potential capital efficiency achievable and edit efficiency targets to account for these differences.



Source: Water Industry Commission for Scotland

As such we believe it is prudent to use a significantly more conservative capital efficiency assumption (relative to WICS) and vary this less with increasing scale. We can provide further detail on our professional judgement of the expected capital efficiency opportunities if useful.

Appendix 3: Comparison of overhead allocations


45%
40%
35%
30%
25%
20%
15%
10%
5%
-
Average
Otorohanga District
Napier City
Whakatane District
Manawatu District
Porirua City
Kaikoura District
South Waikato District
Carterton District
New Plymouth District
Southland District
Marlborough District
Palmerston North City
Chatham Islands
Rangitikei District
Western Bay of Plenty District
South Taranaki District
Masterton District
Waitomo District
Gisborne District
Hauraki District
Taupo District
Ashburton District
Timaru District
Wairoa District
Selwyn District
Stratford District
Tauranga City
Rotorua District
Clutha District
Ruapehu District
Whangarei District
Horowhenua District
Tararua District
Hurunui District
Waimakariri District
Tasman District
Queenstown-Lakes District
Whanganui District
Matamata-Piako District
Upper Hutt City
Nelson City
Ōpotiki District
Far North District
Mackenzie District
Wellington Regional
Christchurch City
Thames-Coromandel District
Wellington City
Hutt City
Auckland (Group)
Central Hawke's Bay District
Hamilton City
Invercargill City
Kapiti Coast District

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