



Council Briefing

Hui Whakamōhio

Wednesday, 26 March 2025

Wenerei, 26 Poutūterangi 2025

Tōtara Room, Whakatāne District Council
14 Commerce Street, Whakatāne
Commencing at 9:00 am



Chief Executive: Steven Perdia | Publication Date: 21 March 2025

whakatane.govt.nz

Recording the Briefing - *Ka hopuhia te hui**Recording the Briefing - Ka hopuhia te hui***PLEASE NOTE**

The **public section** of this briefing will be recorded.

All care will be taken to maintain your privacy however, as a visitor in the public gallery, your presence may be recorded. By remaining in the public gallery, it is understood your consent is given if your image is inadvertently recorded.

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A Membership - *Mematanga*

A *Membership - Mematanga*

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Councillor Ngapera Rangiaho

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B Briefing Purpose - *Te Take o te hui***B** *Briefing Purpose - Te Take o te hui*

Councillors have many complex issues about which to make decisions and rely on the advice they receive from the administration. Complex issues often require more extensive advice processes which culminate in the council report. Briefings are a key feature to help prepare Councillors with the appropriate background and knowledge for robust decision making during future meetings. They are sessions during which Councillors are provided with detailed oral and written material, and which provide Councillors with the opportunity to discuss the issues between themselves and with senior council staff.

Briefings are scheduled monthly; however due to the nature of Council business, additional Briefings may be held.

Briefings cannot be used to make final decisions, as final decisions and resolutions cannot lawfully be made outside the context of a properly constituted meeting.

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1 Karakia

1 [Karakia](#)

2 [Briefing Notices - Ngā Pānui o te hui](#)

1. Recording

Welcome to members of the public who have joined us today.

Council Briefings are recorded. Public gallery attendees' presence implies your consent to being broadcast.

Recordings are available upon request.

2. Health and Safety

In case of an emergency, please follow the building wardens or make your way to the nearest exit. The meeting point is located at Peace Park on Boon Street.

Bathroom facilities are located opposite the Chambers Foyer entrance.

3. Acknowledgements

3 [Apologies - Te hunga kāore i tae](#)

No apologies had been received at the time of compiling the Agenda.

4 Presentations - *Whakaaturanga*

[4](#) [Presentations - *Whakaaturanga*](#)

4.1 *3Waters Rating Review*

Bevan Gray will speak to the attached report.

4.1 3Waters Rating Review(Cont.)

3Waters Rating Review (Storm & Waste)Water

26 March 2025

Bevan Gray – General Manager Finance & Commercial Services



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4.1 3Waters Rating Review(Cont.)

Topics for today



- Recap of what has occurred to date
- Wastewater (direction required)
 - Equalisation
- Stormwater (direction required)
 - Equalisation
 - Split between fixed and variable
 - 25:75 Fixed:Variable
 - 50:50 Fixed:Variable
 - Commercial vs residential
 - General rates contribution?



4.1 3Waters Rating Review(Cont.)



Wastewater – Main issues from 4 December Workshop

- Targeted rates is the funding tool
- To be decided upon
 - Equalisation
 - Murupara
 - Matata



4.1 3Waters Rating Review(Cont.)



Wastewater – Other (minor) issues

- SUIPs – Separately Used and/or Inhabited Parts
- Remissions
- Availability



4.1 3Waters Rating Review(Cont.)

Current funding model



The rates for the 2024/25 year are shown below:

Whakatāne, Ōhope, Edgecumbe, Tāneatua, Te Mahoe (all schemes excluding Murupara) (\$)	
522.65	per residential or rural rating unit connected to a public sewerage drain
522.65	per pan commercial / industrial rating unit connected
261.32	per rating unit availability (capable of connection)

Murupara (\$)	
374.81	per residential or rural rating unit connected to a public sewerage drain
374.81	per pan commercial / industrial rating unit connected
187.40	per rating unit availability (capable of connection)



4.1 3Waters Rating Review(Cont.)

Murupara information



639 properties that have a connection

731 SUIP's (multiple dwellings, commercial properties with pan charges)

79 vacant properties getting an availability charge

Perceived ability to collect revenue has driven expenditure (cart driving the horse)

LTP shows significant spend occurring Y1-Y3 - \$1.7M

- Consent renewal and associated works(only consenting work, not capex, +\$30M LWDW)

Currently excluded/trimmed works from the LTP

- Sludge management
- Network renewals
- Monitoring, I & I, network model



4.1 3Waters Rating Review(Cont.)

Equalisation for Murupara



Current charge for connected SUIP - \$375

Based on this years rates

- \$10 (theoretical) decrease for currently equalised properties \$522 to \$512
- \$138 (37%) increase for Murupara \$375 to \$512

By 2033 this could look like

- \$2,700 per property if not equalised
- 2027 will see increases in the order of \$600 per property if left unequalised

Photo caption



Equalisation for Murupara



Do you want to do this?

Transition plan can phase this in, what does this look like and when?

- Planning for the wastewater upgrades

Photo caption



4.1 3Waters Rating Review(Cont.)

Wastewater – SUIPs



Tidy for Wastewater, but is inconsistent with Water Supply

Largely an operational matter

Keeping rating database updated

Dealing with anomalies



4.1 3Waters Rating Review(Cont.)

Wastewater – Remissions



Rates remission for educational institutions' sewage (pan) charges *Te whakaitinga tāke kaunihera parakaingaki kura*

1.0 OBJECTIVE OF THE POLICY – *Te Whāinga Kaupapa Here*

The objective of this Rates Remission Policy is to enable the Council to reasonably rate educational institutions for sewerage disposal, having regard to the number of toilets and urinals needed for the number of staff and students rather than for the actual number of toilets and urinals available.



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2.0 CONDITIONS AND CRITERIA – *Ngā Heipūtanga me ngā Paearu*

- 2.1 This policy will apply to the following educational establishments:
 - a) A state school under section (2)(1) of the Education Act 1989;
 - b) An integrated school under section (2)(1) of the Private School Conditional Integration Act 1975;
 - c) A special institution under section 92(1) of the Education Act 1989; or
 - d) An early childhood centre under section 308 of the Education Act 1989, but excluding any early childhood centre operating for a profit.
- 2.2 This policy does not apply to schoolhouses.
- 2.3 Upon receipt of an annual written application from the educational establishment, including an annual return of staff and student numbers, the Council may remit the number of pan charges in excess of the deemed number of pans. The excess number of pans will be the number of toilets and urinals available, less the deemed number of pans. The deemed number of pans will be calculated as follows:
 - a) $\text{Number of staff} + \text{number of students} \div 20 = \text{deemed number of pans}$.
- 2.4 The number of staff in an educational establishment is the number of teaching staff and administration staff employed by the educational establishment on 1 March, immediately before the year to which the charge relates. The number of students in an educational establishment is the number of students on its roll on 1 March in the year immediately before the year to which the charge relates. If the actual number of toilets and urinals for the educational establishment exceeds the deemed number of pans, the Council will remit the difference.

3.0 RATES TO BE REMITTED – *Ngā Tāke Kaunihera ki te whakaiti*

- 3.1 The number of pan charges for rates remission shall be 'the number of toilets and urinals available less the number of deemed toilets and urinals'.



Wastewater – 'Availability'



461 properties across the district that have the ability to connect to wastewater but haven't

\$113K revenue (incl. GST)

Currently if a Council Wastewater pipe is within 30 metres of a property we deem a wastewater service available. (May wish to consider practicability of connecting.)

Availability charge is currently set at 50% of the full charge



4.1 3Waters Rating Review(Cont.)

Wastewater – Matata



Same principle as Murupara

Suggest we "Put on hold for now"

Allow project to travel its own path

Significant cost

Significant complexity and uncertainty in relation to timing



Stormwater - preamble



What is the purpose of the Stormwater Activity?

To manage the impacts of stormwater on properties and people's ability to use property.

When stormwater doesn't work, the cost to the whole community is significant.

Who benefits? Who pays? Sometimes a tenuous linkage to Properties.



Stormwater – current policy



The targeted rates are set as a fixed amount per property (25% of the required amount)

And

A rate on the capital value of properties 75% of the required amount (except Whakatane commercial/industrial - 2.2 differential)

Note – Current Revenue & financing policy *allows* up to 30% to be recovered by way of General rate.



4.1 3Waters Rating Review(Cont.)

Current Funding Model



Stormwater rates (\$4.98 million)

The Council sets a fixed targeted rate for stormwater and a rate on the capital value differentially as follows:

Fixed Amount per Scheme	Rate \$
Whakatāne urban area	134.36
Whakatāne Commercial and Industrial	134.36
All rating units in the Matatā area	91.67
All rating units in the Ōhope area	101.86
All rating units in the Edgecumbe area	165.08
All rating units in the Tāneatua area	40.11
All rating units in the Murupara area	8.55
All rating units in the Te Mahoe Land Drainage area	117.19
All rating units in the Te Teko Land Drainage area	29.99

Per Dollar of Capital Value per Scheme	Differential	Rate \$
Whakatāne urban properties	1.0	0.00042380
Whakatāne Commercial and Industrial properties	2.2*	0.00093236
Matatā	1.0	0.00042380
Ōhope	1.0	0.00022617
Edgecumbe	1.0	0.00064651
Tāneatua	1.0	0.00033502
Murupara	1.0	0.00014604
Te Mahoe Land Drainage	1.0	0.00118844
Te Teko Land Drainage	1.0	0.00041459

* A differential targeted rate calculated on capital value is charged for Whakatāne Commercial and Industrial rating units, due to the greater level of impermeable surfaces putting greater pressure on stormwater systems.



4.1 3Waters Rating Review(Cont.)

Direction - Stormwater



Direction provided from Council;
Model 50% Fixed; 50% Capital value
Model 25% Fixed; 75% Capital value
Consider equalisation
Consider differential to Commercial & Industrial outside Whakatāne

On further reflection;
General rate contribution



Stormwater Fixed vs Variable Scenarios



- On its own, the mix of fixed v variable makes only a little difference (Generally collecting a similar amount from the same properties)
- However, if we move to 50/50 it shifts the burden slightly from higher value (often larger or impermeable surface) properties to lower value (smaller) properties.
 - Note - If a General rate is used it is effectively 'variable'. (Currently based on CV reflecting the community benefit)
 - Also note that L G (Water Services) Bill currently proposes removal of Water Entity charges based on any form of property value.



4.1 3Waters Rating Review(Cont.)

Equalisation Principles



Reduce administrative burden & increase efficiency

Recognise area/district-wide benefits of the Activity

Effectively attribute costs to properties that benefit from the Activity
versus users of the Activity

Consistency with the other water activities

Would smooth out future changes

Detail still required at a reasonably low level for management purposes

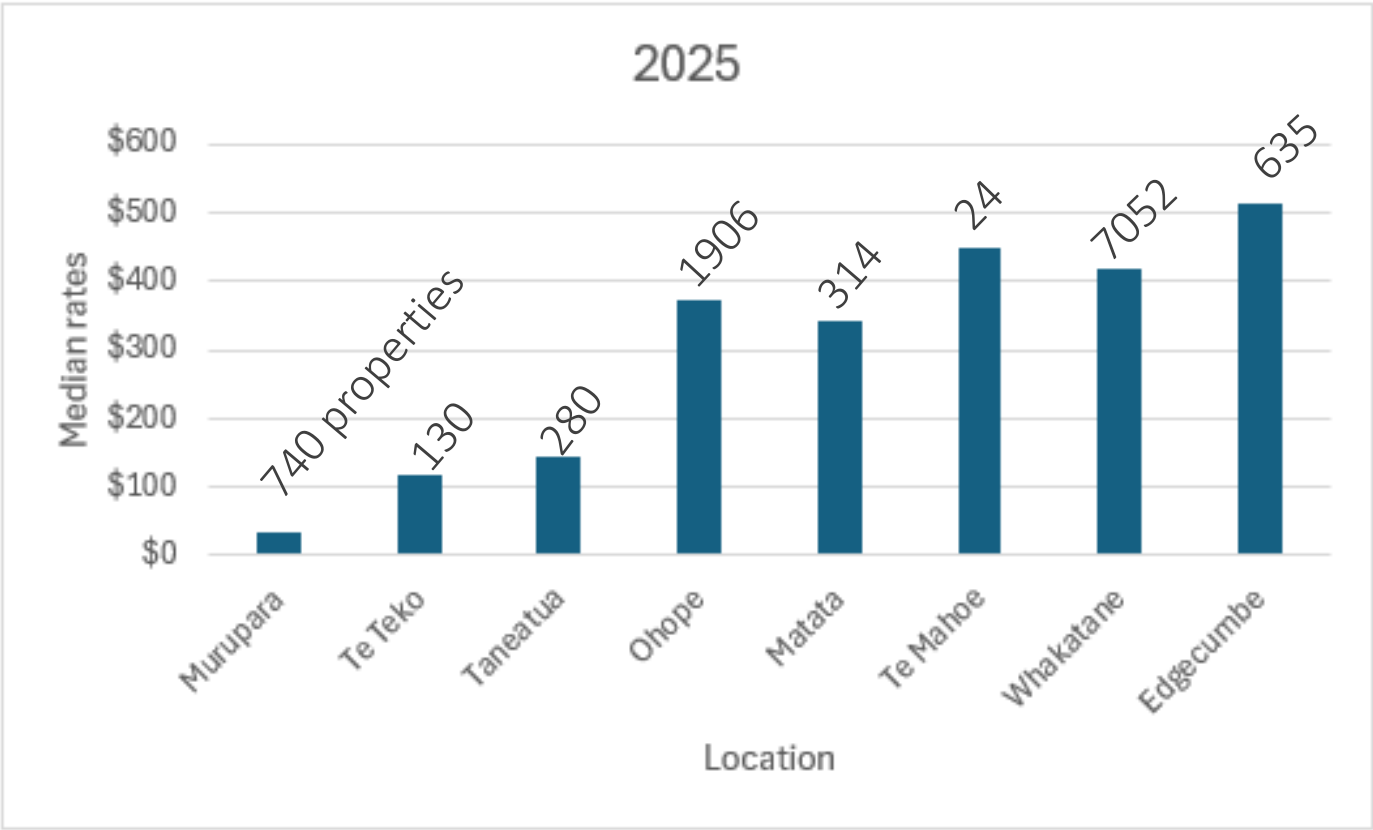
Note that RC land drainage rates apply separately



Stormwater Snapshot



- 2025 rates, 25 fixed/75 CV, 50th percentiles, Number of residential properties

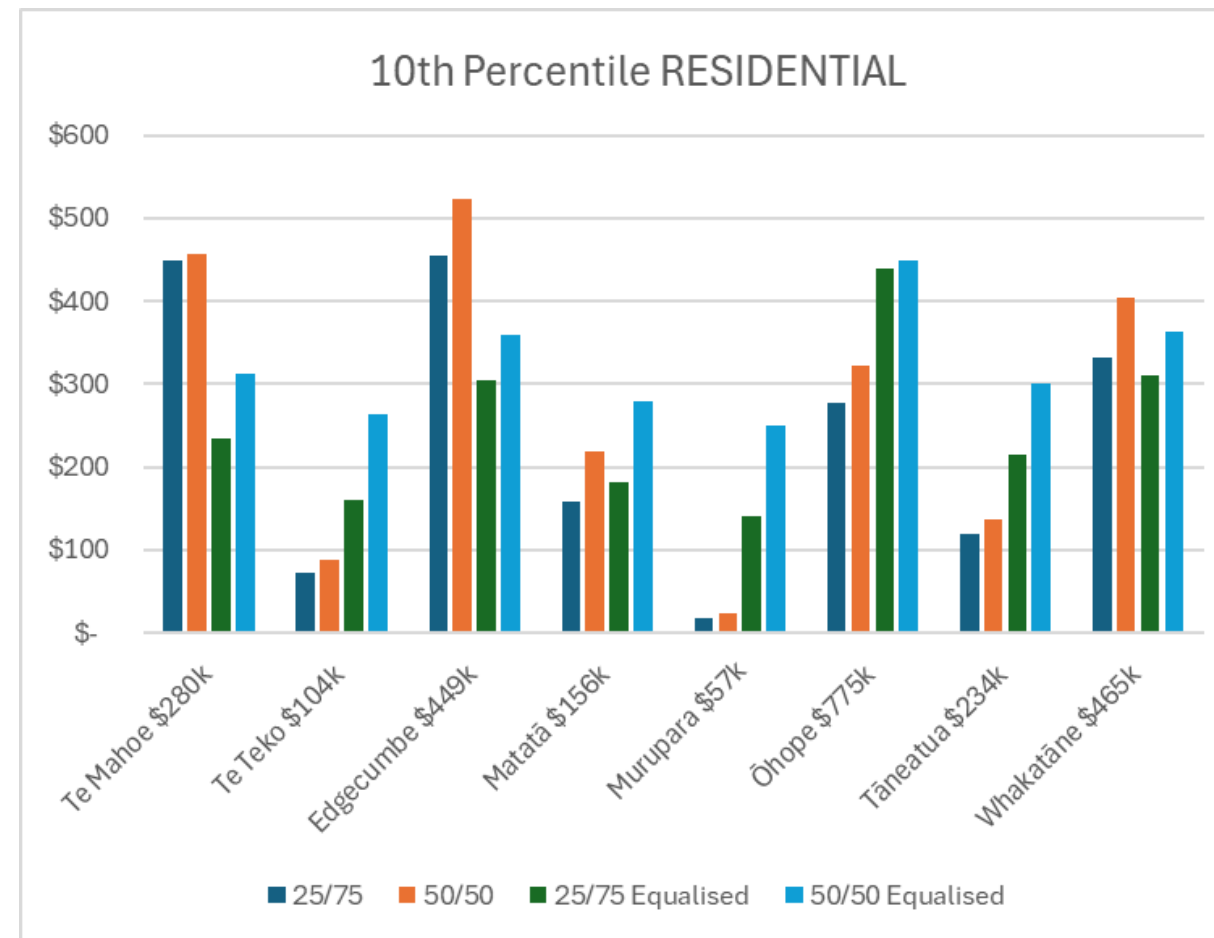


4.1 3Waters Rating Review(Cont.)



The **lower value** properties reflecting a change from, 25 fixed/75 CV, to

- 50 fixed/50 CV,
- Equalised 25 fixed/75 CV,
- Equalised 50 fixed/50 CV

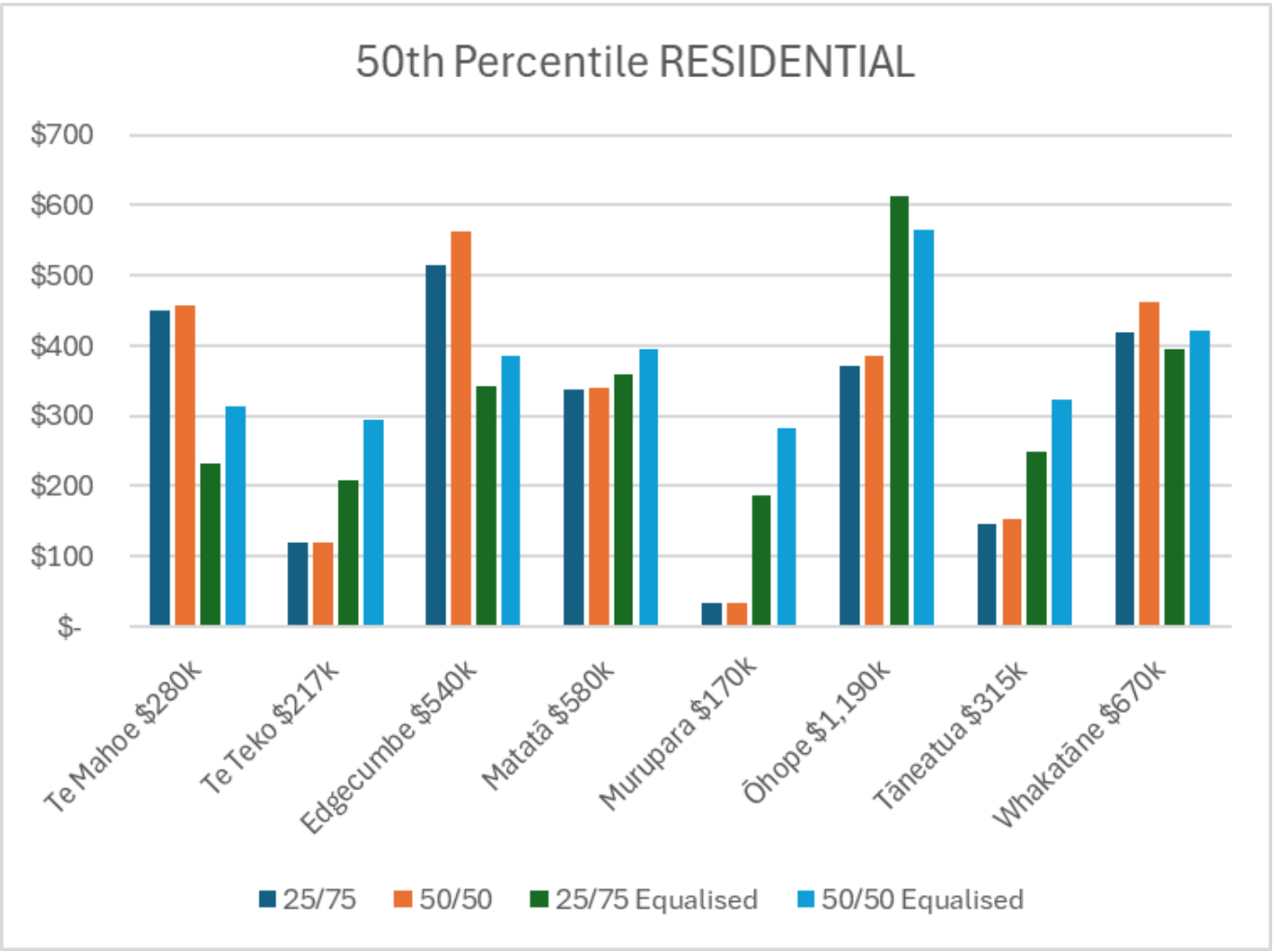


4.1 3Waters Rating Review(Cont.)



The **middle value** properties reflecting a change from, 25 fixed/75 CV, to

- 50 fixed/50 CV,
- Equalised 25 fixed/75 CV,
- Equalised 50 fixed/50 CV

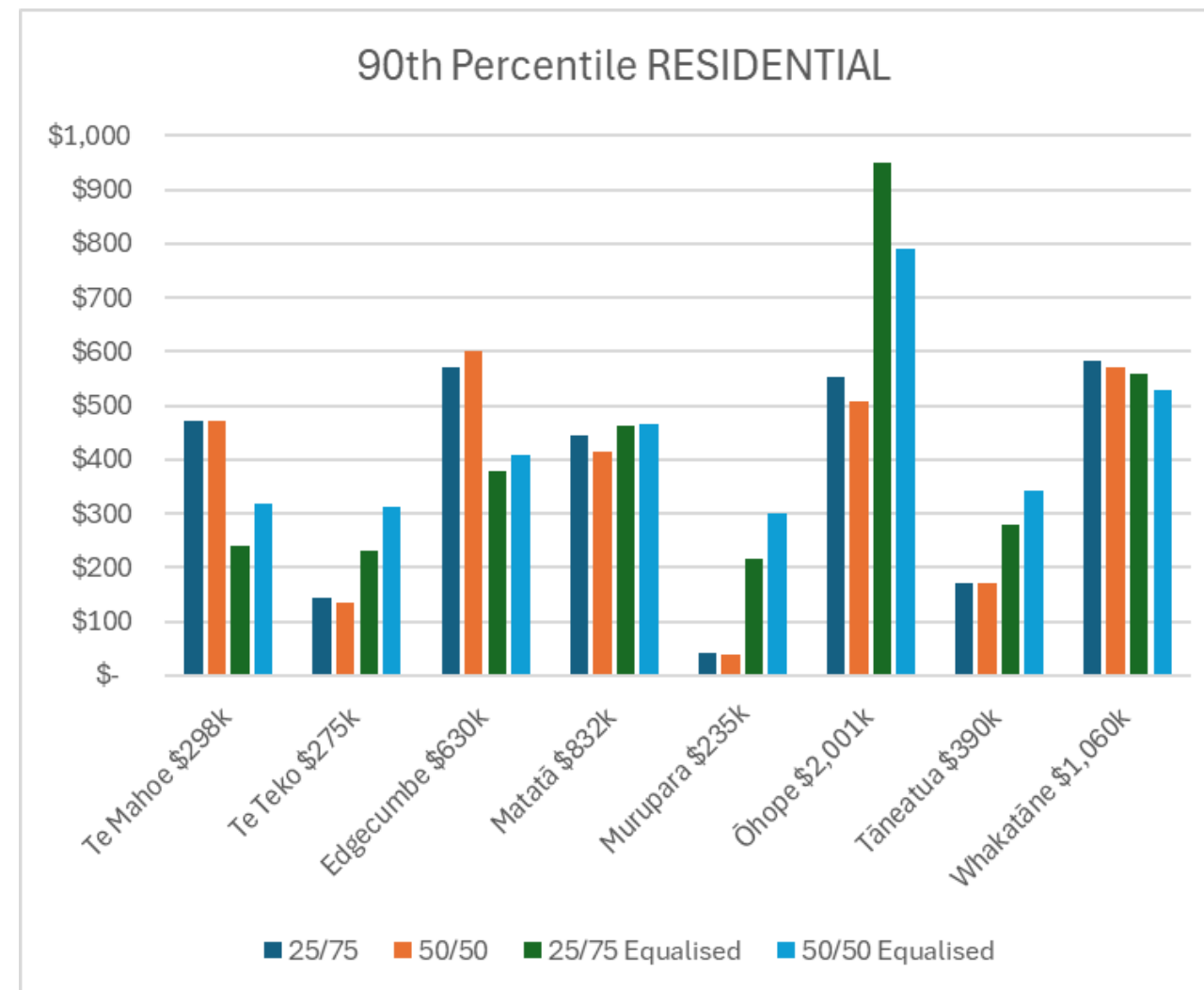


4.1 3Waters Rating Review(Cont.)



The **higher value** properties reflecting a change from, 25 fixed/75 CV, to

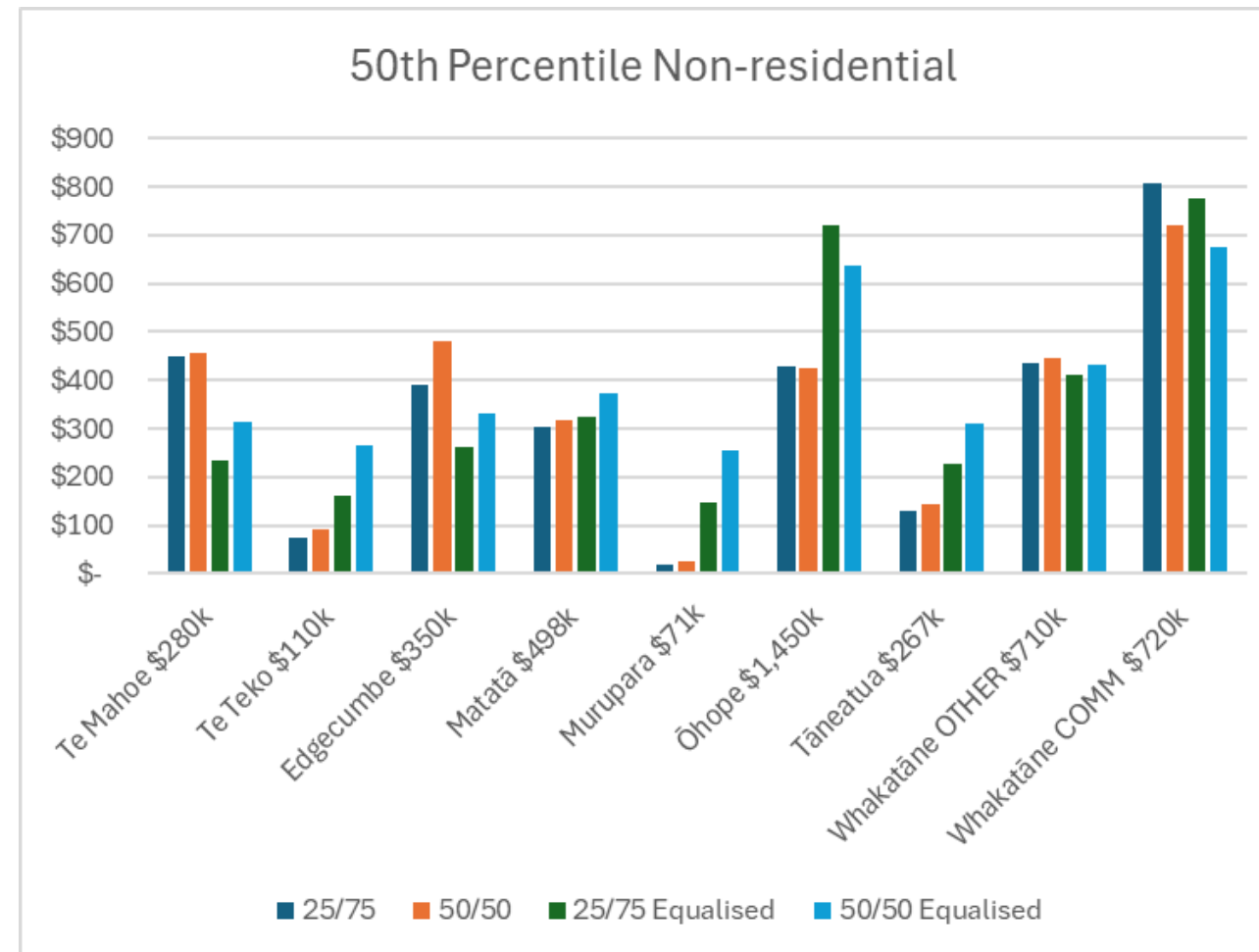
- 50 fixed/50 CV,
- Equalised 25 fixed/75 CV,
- Equalised 50 fixed/50 CV



4.1 3Waters Rating Review(Cont.)

The **non residential** properties reflecting a change from, 25 fixed/75 CV, to

- 50 fixed/50 CV,
- Equalised 25 fixed/75 CV,
- Equalised 50 fixed/50 CV

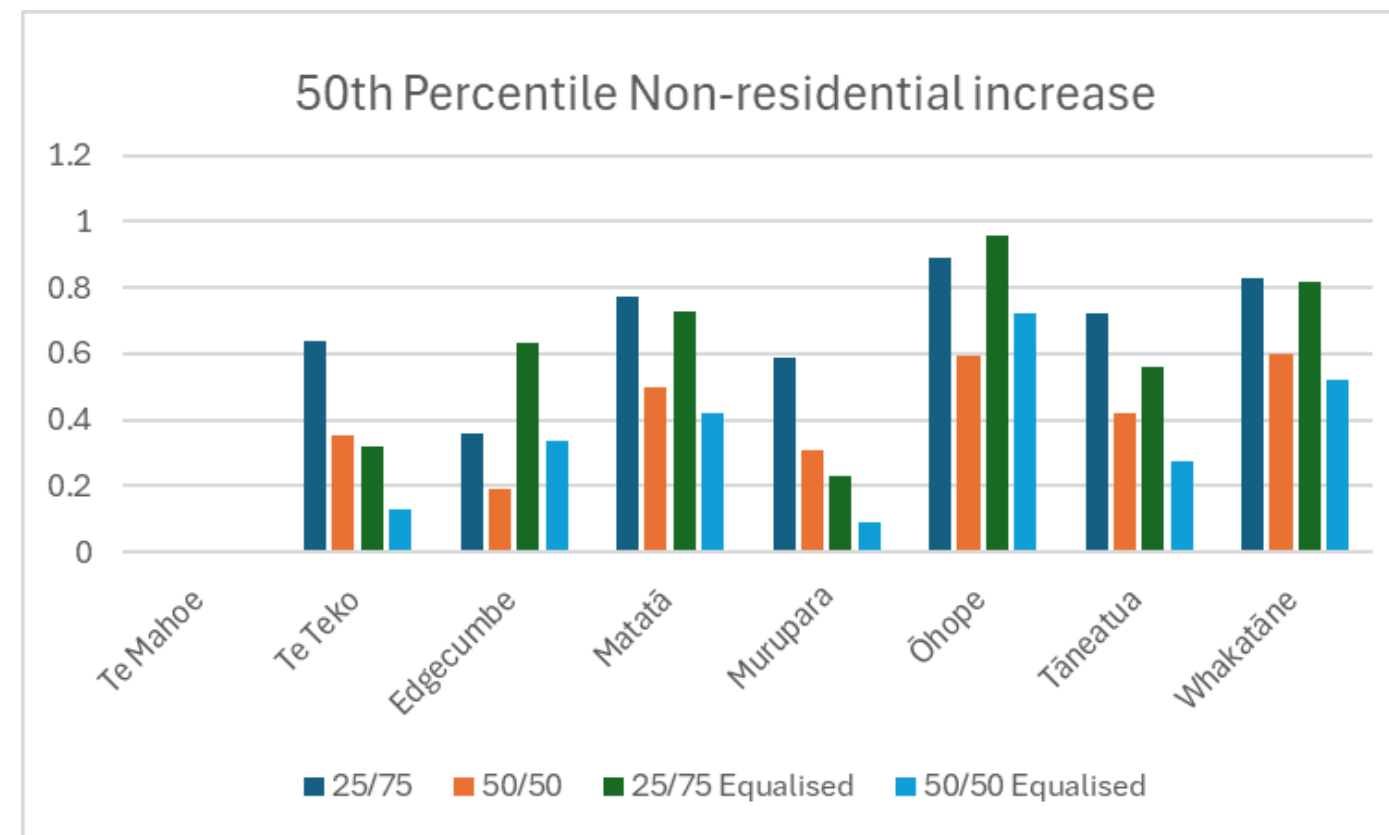


4.1 3Waters Rating Review(Cont.)



The **non residential** properties reflecting a change from, 25 fixed/75 CV, to

- 50 fixed/50 CV,
- Equalised 25 fixed/75 CV,
- Equalised 50 fixed/50 CV
- And applied 2.2 differential

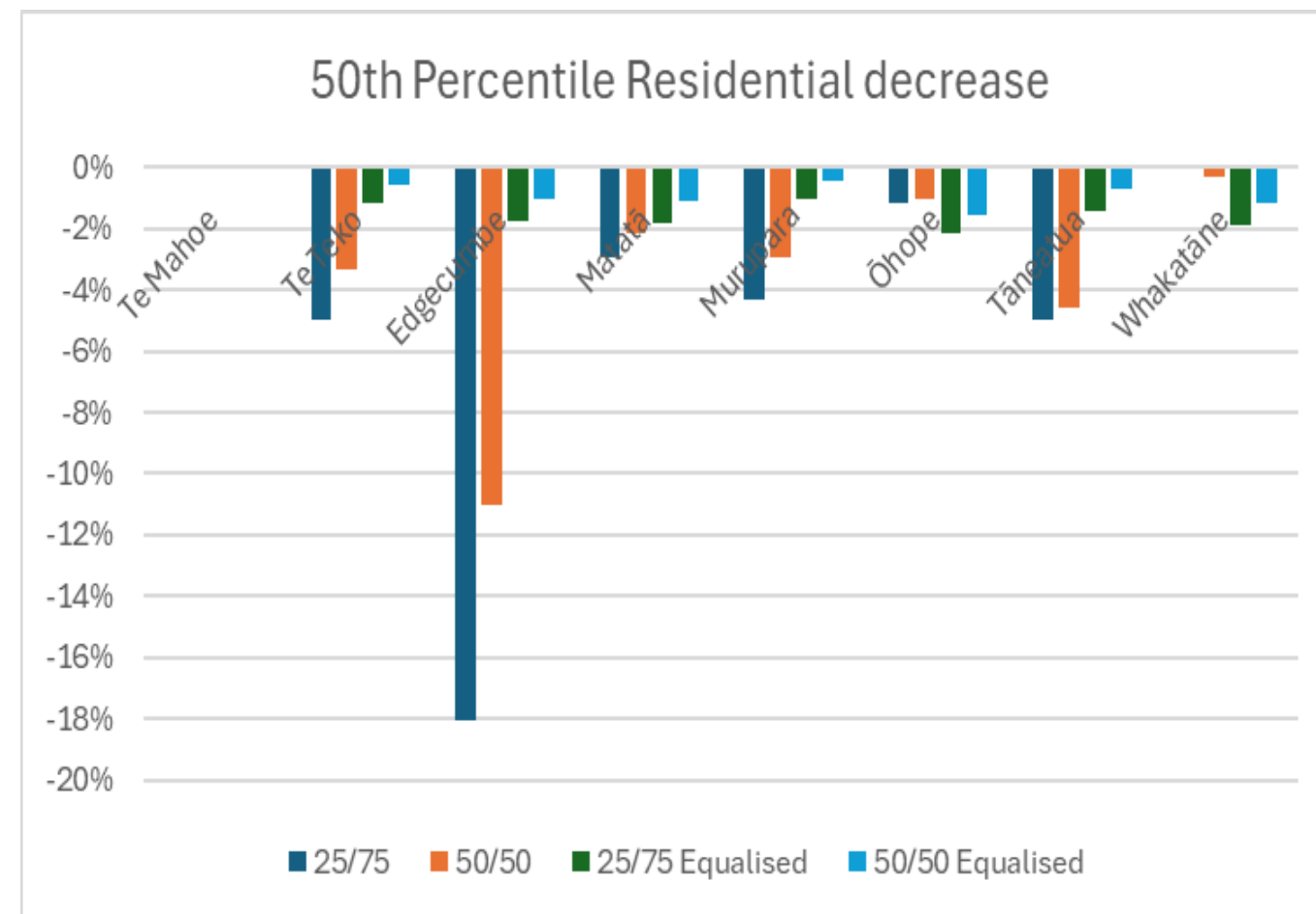


4.1 3Waters Rating Review(Cont.)



The **middle value** residential properties reflecting the introduction of 2.2 differential on

- 25 fixed/75 CV,
- 50 fixed/50 CV,
- Equalised 25 fixed/75 CV,
- Equalised 50 fixed/50 CV



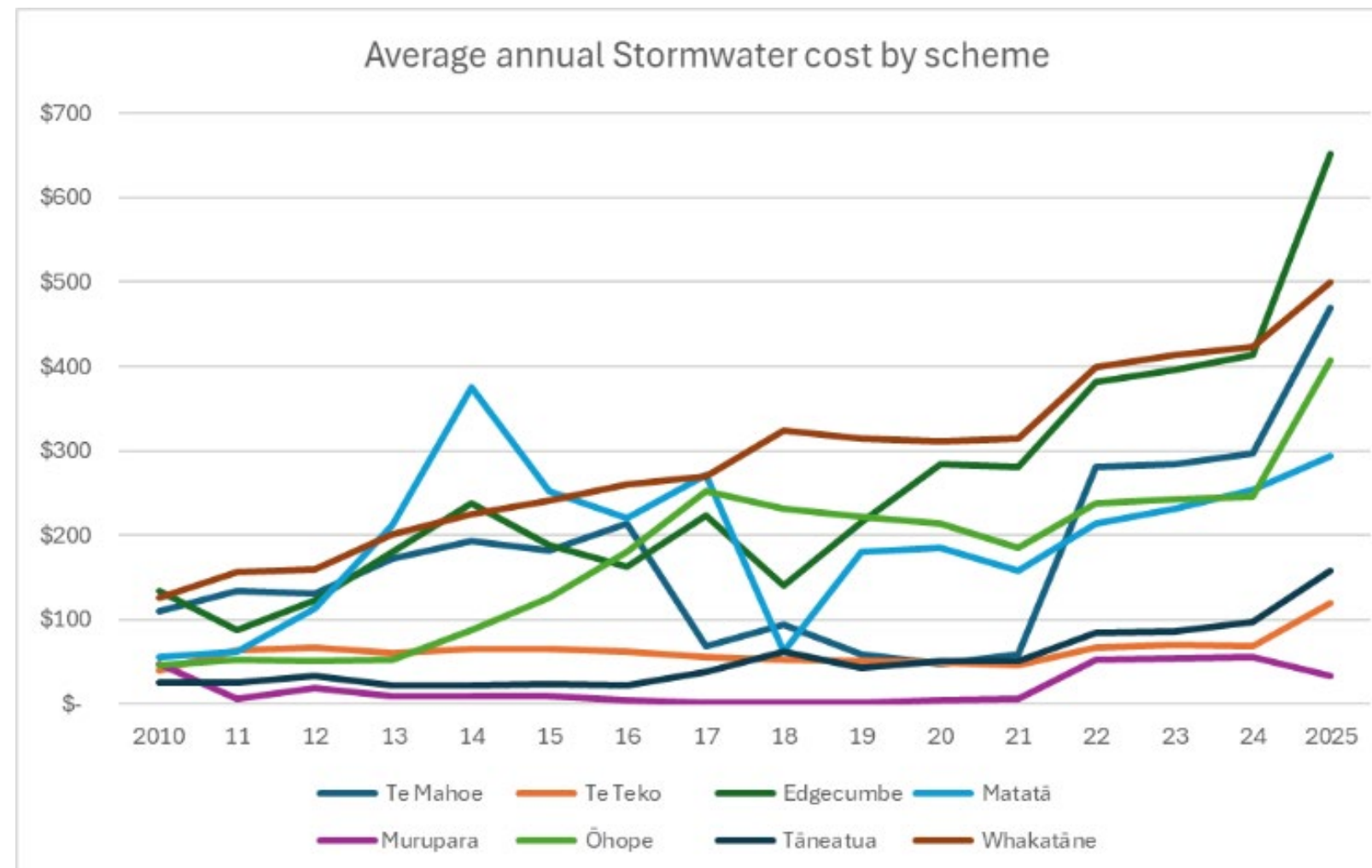
4.1 3Waters Rating Review(Cont.)

Stormwater Snapshot



Rates over time

- 25 fixed/75 CV, 50th percentiles, Residential
- Having many small schemes means large year to year variability



Stormwater Equalisation Scenario 1



- Total equalization (all schemes)
- Impact would be a large increase for Murupara, Te Teko & Taneatua
- Small decrease for others
- Future year on year rate changes would be smoother



Stormwater Equalisation Scenario 2



- Partial equalisation ('Towns' & 'settlements')
- 'Towns' = Ohope + Whakatane
- 'Settlements' = All the rest
- Still a hefty increase for Murupara, Te Teko & Taneatua
- Slight decrease for Te Mahoe & Edgecumbe
- Year on year rate changes would become more steady
- Is there already a Towns vs Settlements Level of Service difference?
- Or would we be creating one?



Stormwater – General Rates??



- Is General Rates an option? What does this look like?
- Current Revenue & Financing Policy

Activity Grouping/Activity	General rates	Targeted rates	User fees and charges
Climate Change and Resilience			
Emergency Management	☆	☆	⊗
Climate Change	☆	☆	⊗
Stormwater			
Waters Management	☆	⊗	⊗
Stormwater and Drainage Services	☆	☆	⊗

TABLE 3.7.1: FUNDING BANDS		
Description	Range	Key
Unlikely	0% (-)	⊗
Low	0% - 30%	☆
Medium	30% - 70%	☆
High	70% - 100%	☆
Potential to be Used		☆



4.1 3Waters Rating Review(Cont.)

Stormwater – General Rates??



- Allows up to 30% of revenue sourced from General Rates – without changing R & F Policy.
- Would broaden the rate burden from urban only to whole district.





Stormwater – If using General rate

30% can be recovered by way of General rate.

Options

- Include in General rate and/or
- Include in Uniform Annual General charge and/or
- A fixed value targeted rate

Rationale - That everyone, whether in a stormwater area or not, benefits from an effective stormwater system



4.1 3Waters Rating Review(Cont.)

Stormwater – Commercial & Industrial



- Differential only applies at Whakatane (town)
- 220% recognises greater impermeable areas – roofs & yards
- This could be extended to encompass the other towns/settlements – recommended.
- Could be extended to include non-urban Commercial & Industrial – not recommended



Stormwater Decisions



1. Is the 25% fixed/75% CV model about right?, or do we want to move to another model, e.g 50 fixed/50 CV
2. Do you want to equalise? If so which scenario?
3. Do you want to extend Commercial differential outside Whakatane town?
4. Do you want to consider a General Rate component for funding?



4.1 3Waters Rating Review(Cont.)



Next steps

Present Water Supply information	16 April 2025
Data Refinement	April 2025
Transition plan design	May 2025
Consultation	June 2025
Project closeout	July 2025



4.2 Local Water Done Well - Draft Consultation

4.2 **Local Water Done Well - Draft Consultation**

David Bewley, Nicholas Woodley, Nick Davis from Martin Jenkins & Ian Morton will speak to the attached report.

4.2 Local Water Done Well - Draft Consultation(Cont.)

Local Water Done Well

26 March 2025

David Bewley – General Manager Planning, Regulatory & Infrastructure

Nicholas Woodley – Manager Policy, Planning and Consents

Nick Davis – Martin Jenkins

Ian Morton – Morton Consulting



WHAKATĀNE
District Council
Kia Whakatāne au i ahau

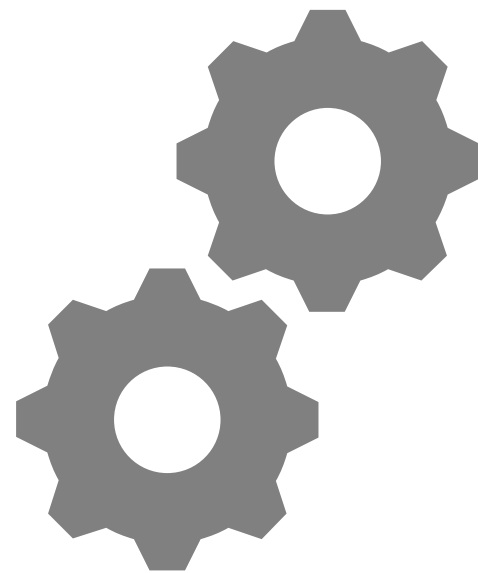


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4.2 Local Water Done Well - Draft Consultation(Cont.)



Key investment challenges + Capex programme review

4.2 Local Water Done Well - Draft Consultation(Cont.)

Recap:

- Overview of significant challenges and major Three Waters investments

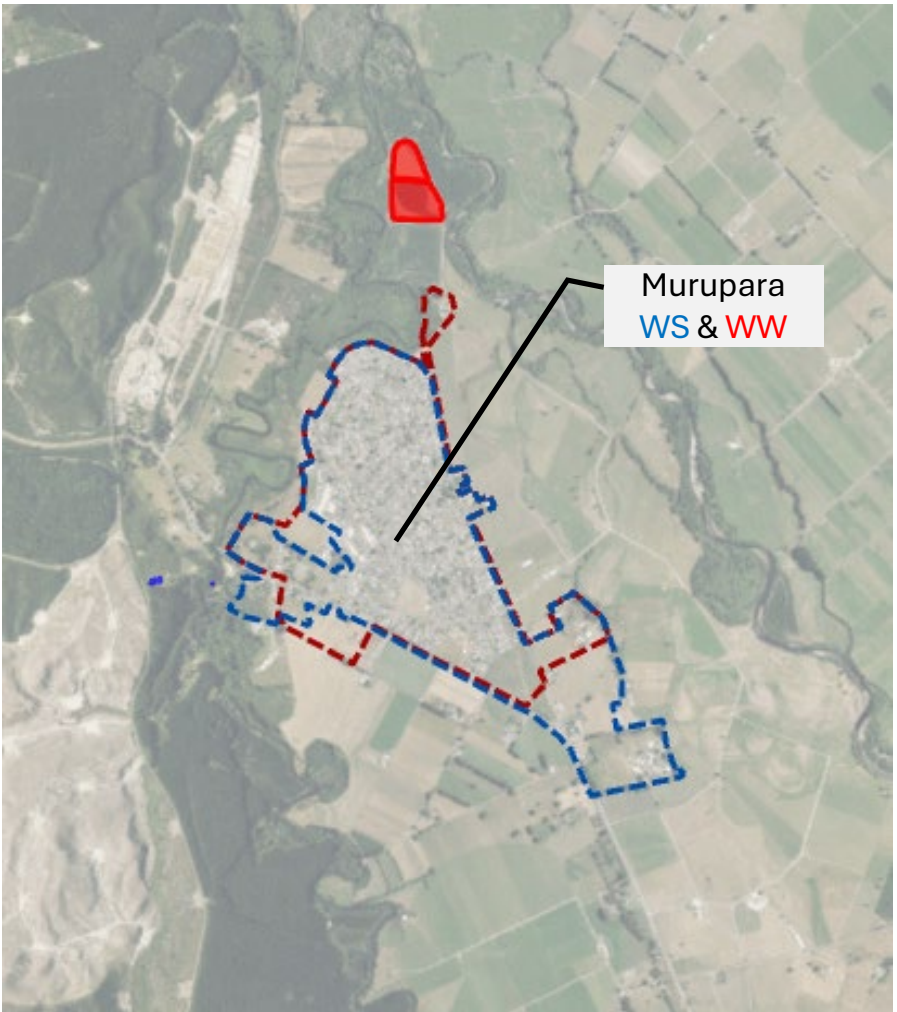
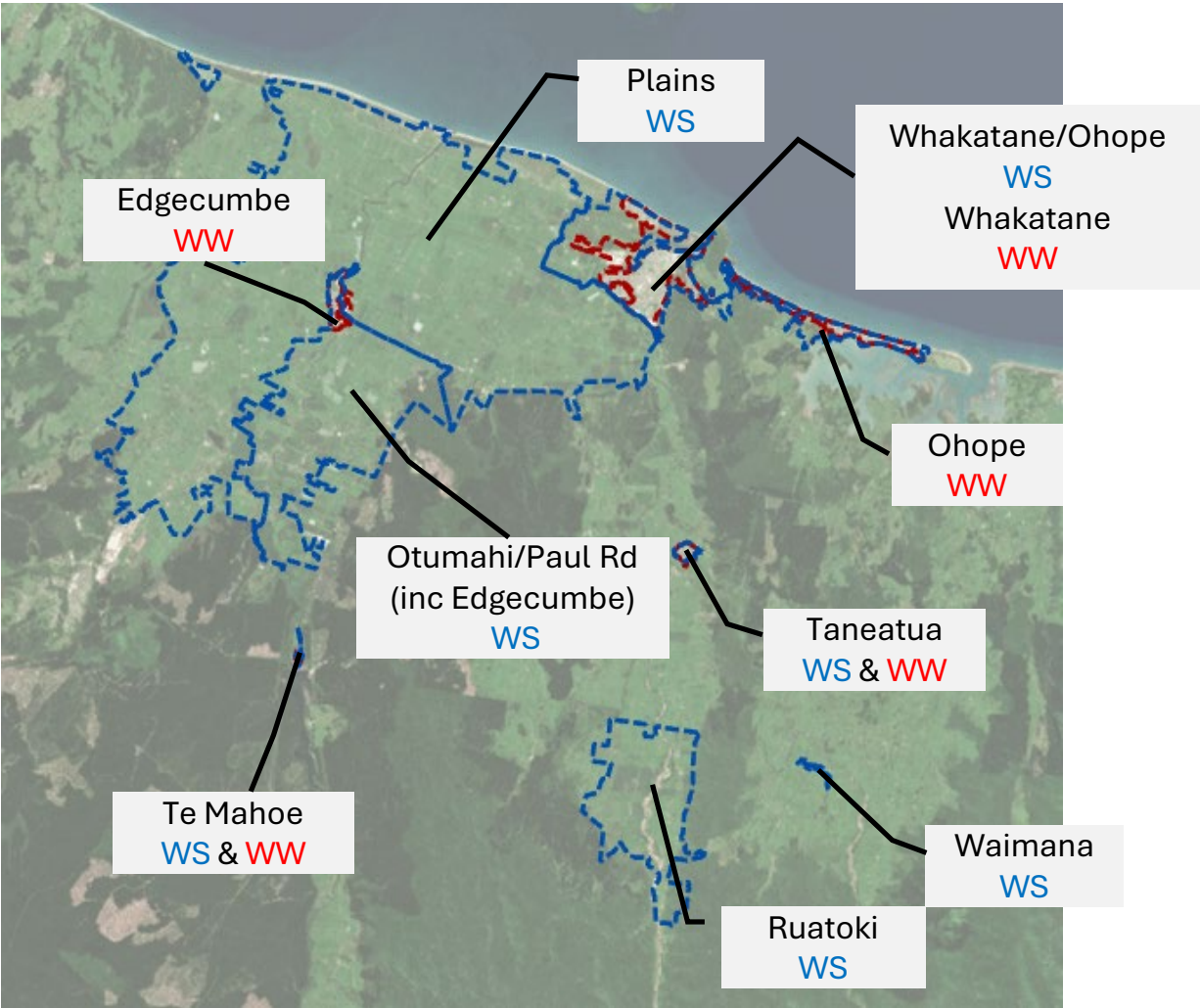
Update:

- Possible investment pathways
- Independent programme review to test outcomes, investment levels & staging
- Debt/affordability impacts on the Capex programme



4.2 Local Water Done Well - Draft Consultation(Cont.)

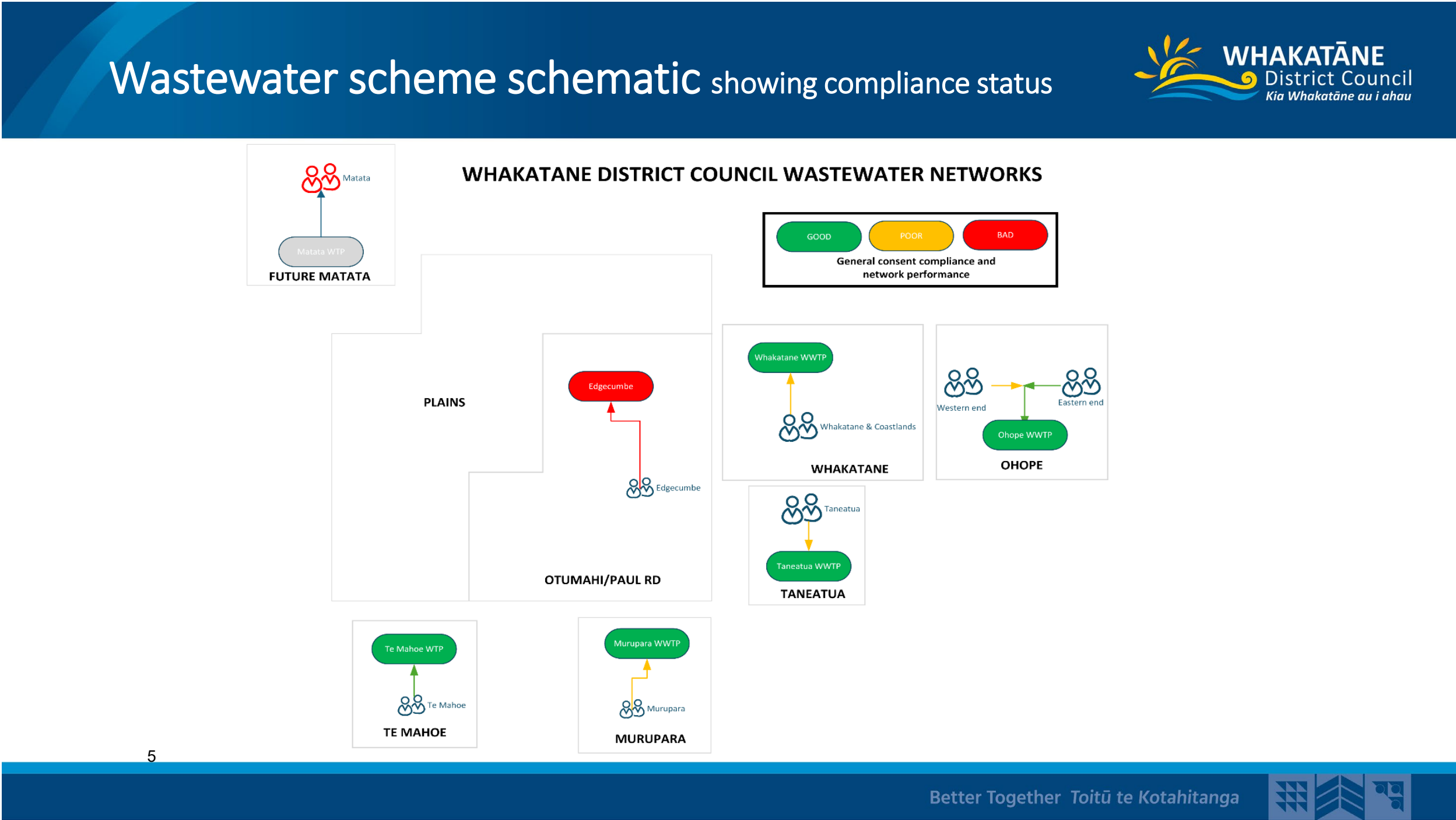
Overview of Council’s Water supply (9) and Wastewater schemes (6)
(8 stormwater schemes not shown for clarity)



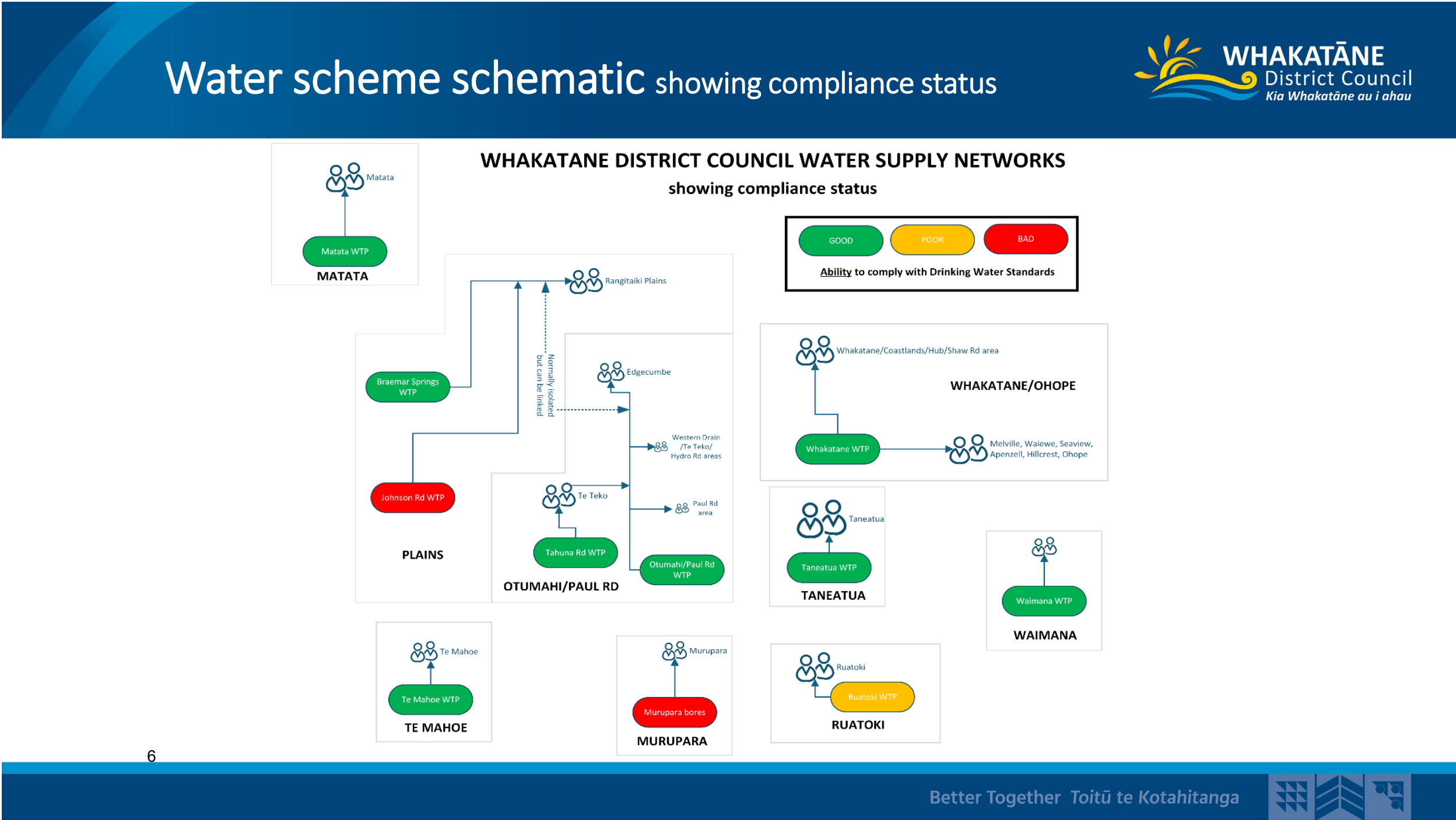
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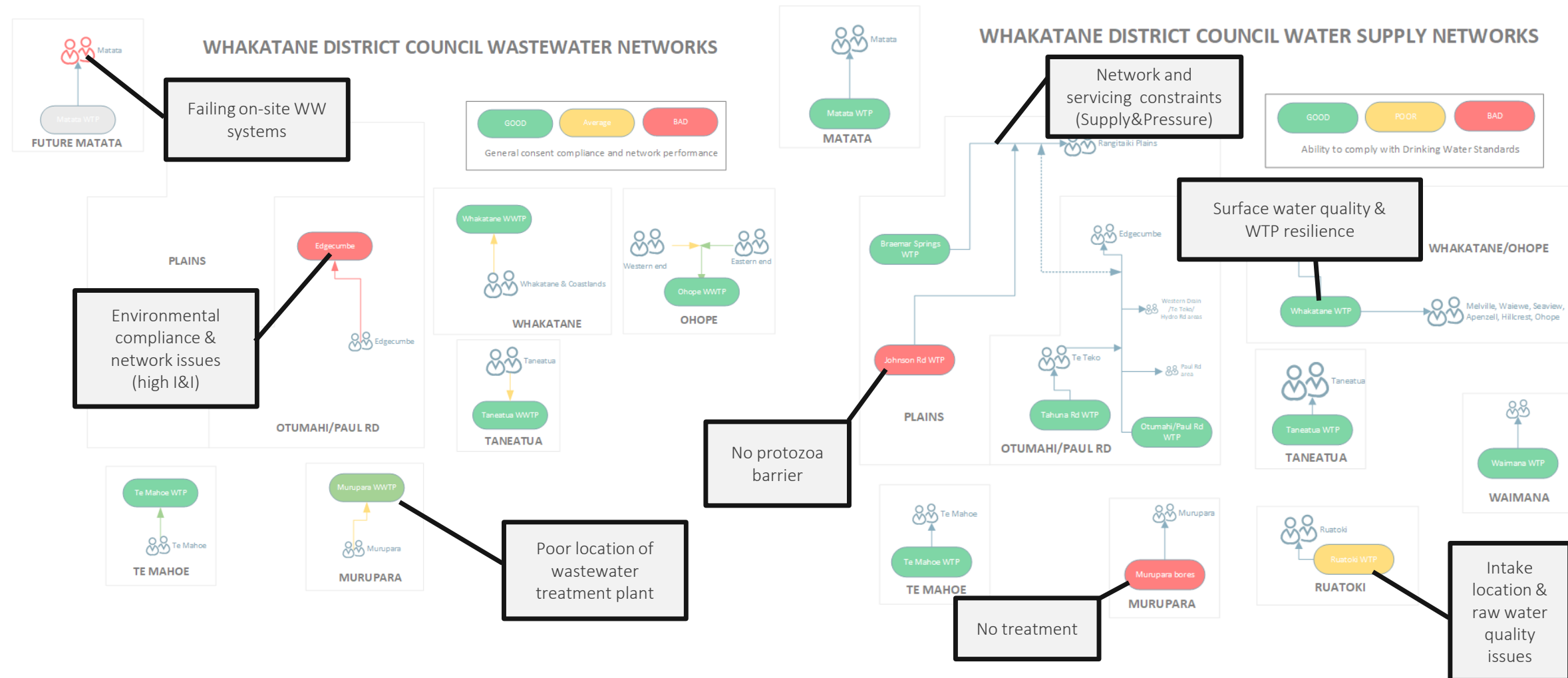
4.2 Local Water Done Well - Draft Consultation(Cont.)



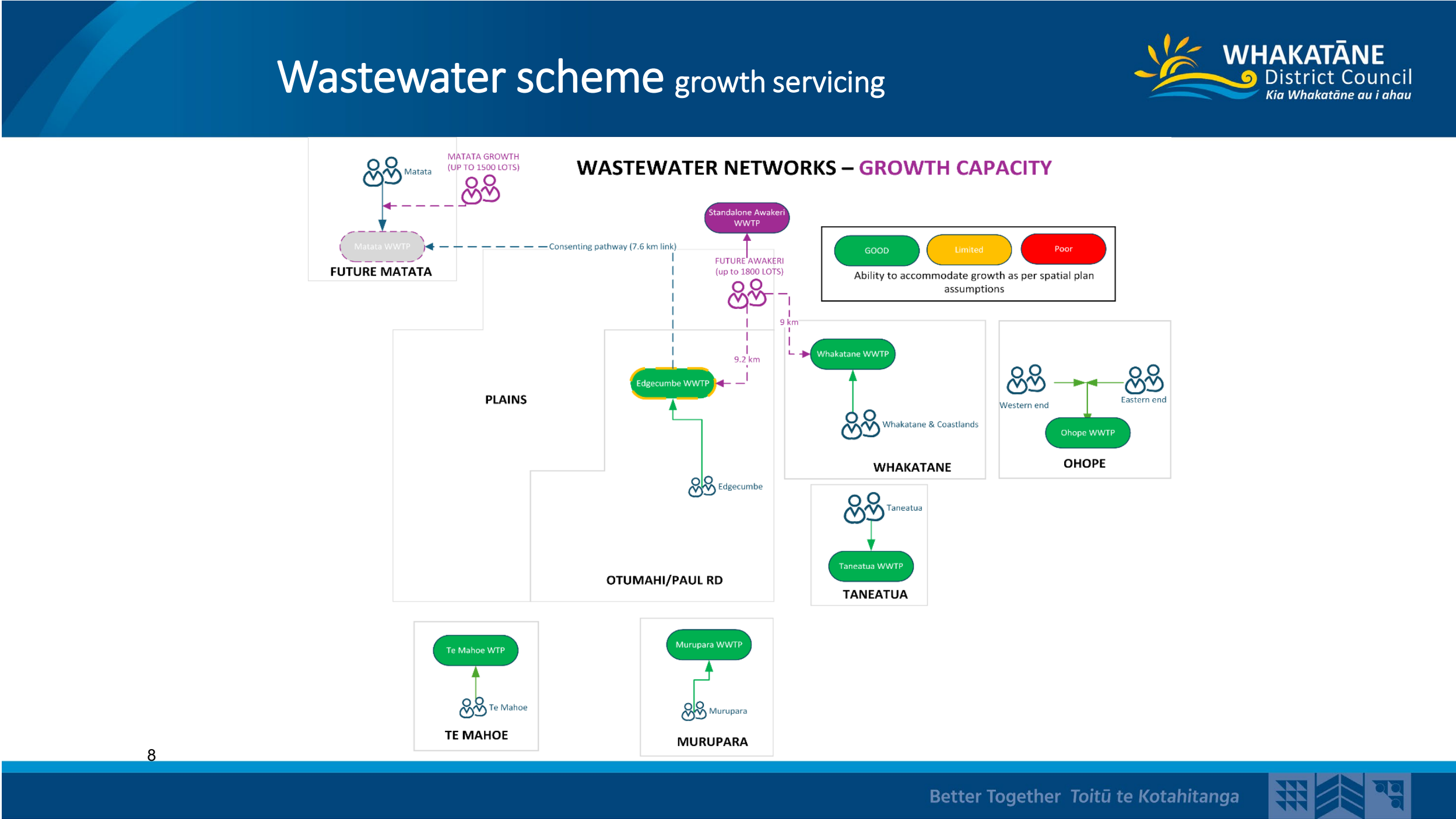
4.2 Local Water Done Well - Draft Consultation(Cont.)



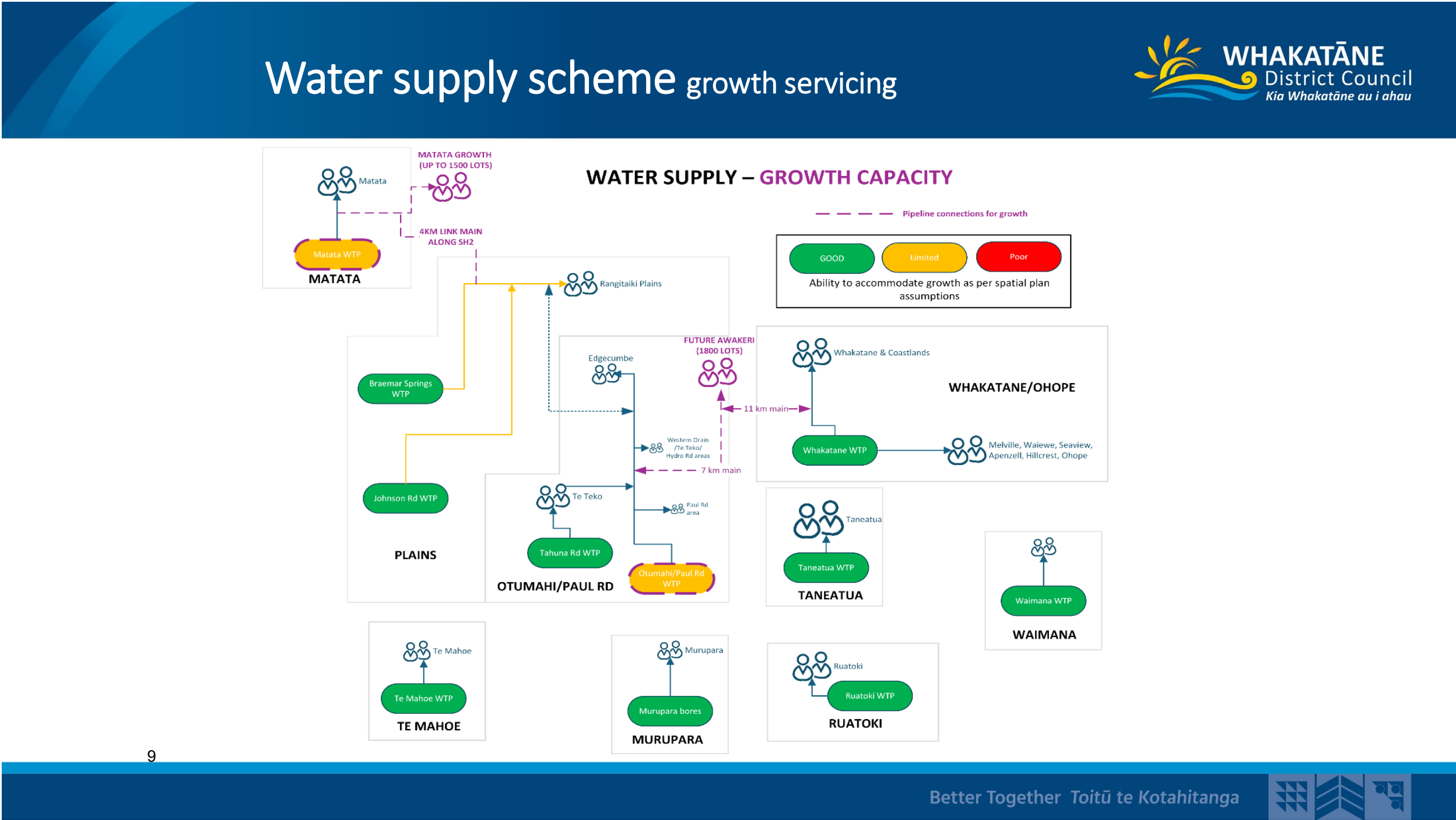
Present day significant issues



4.2 Local Water Done Well - Draft Consultation(Cont.)

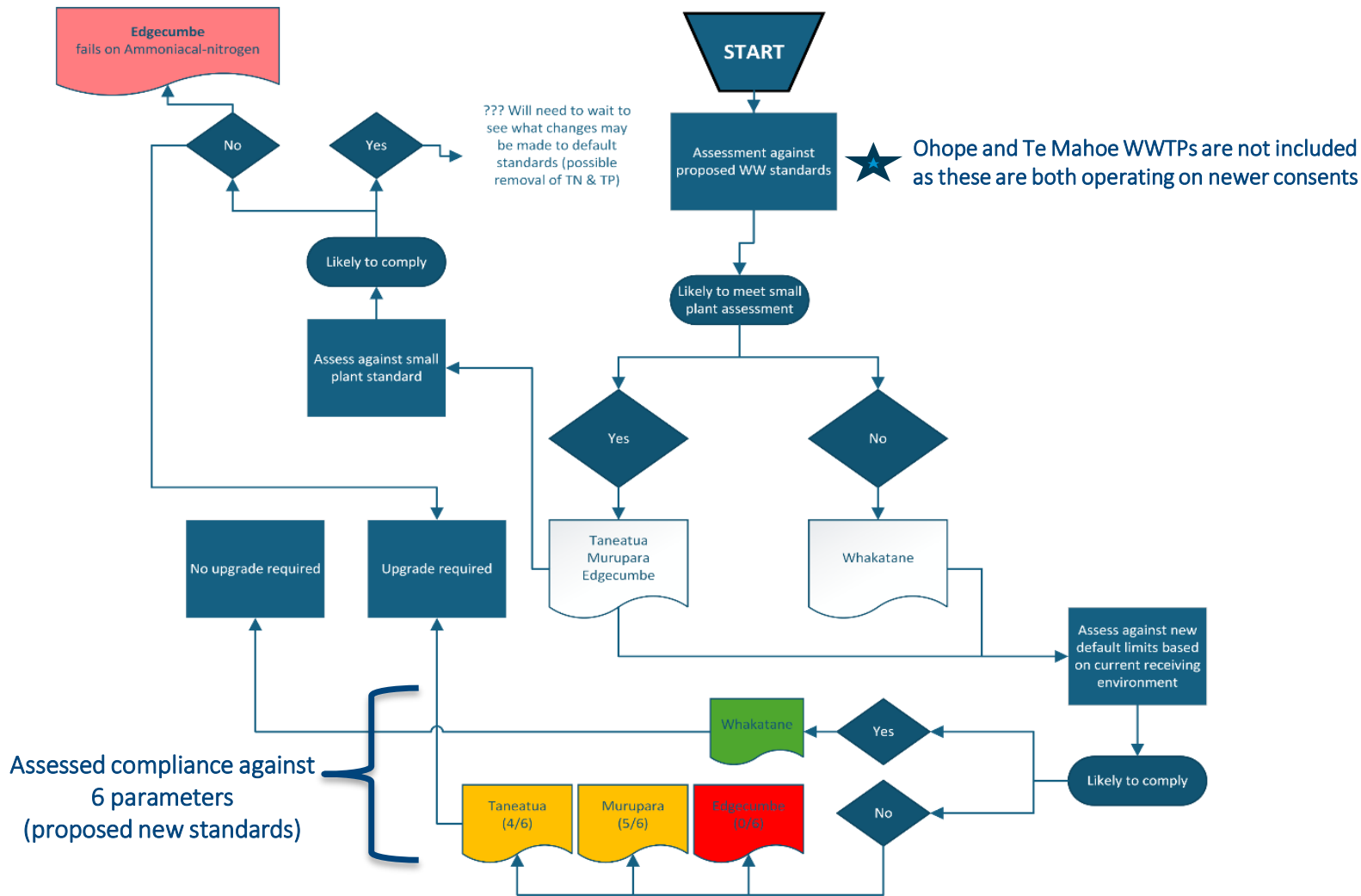


4.2 Local Water Done Well - Draft Consultation(Cont.)

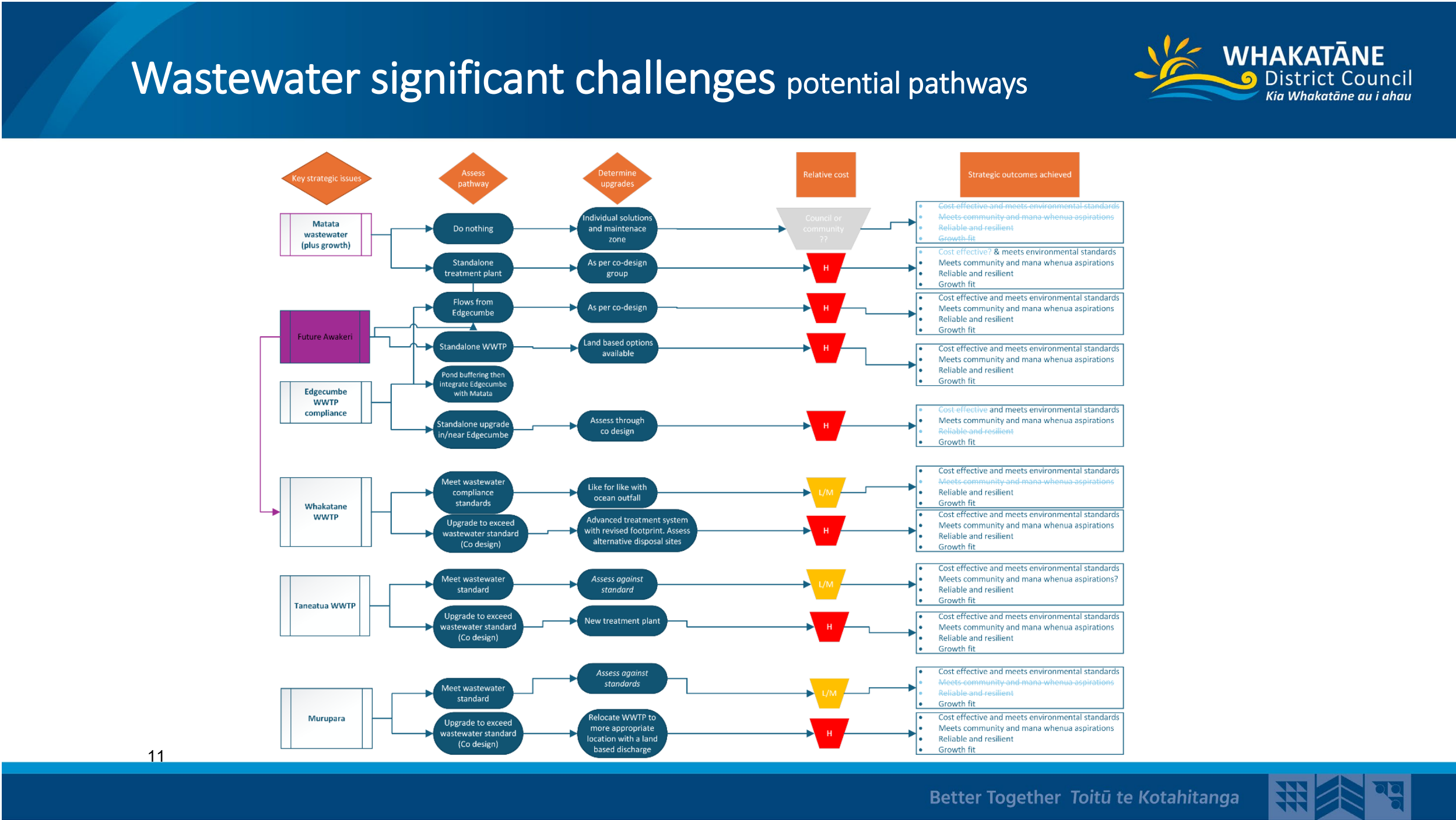


4.2 Local Water Done Well - Draft Consultation(Cont.)

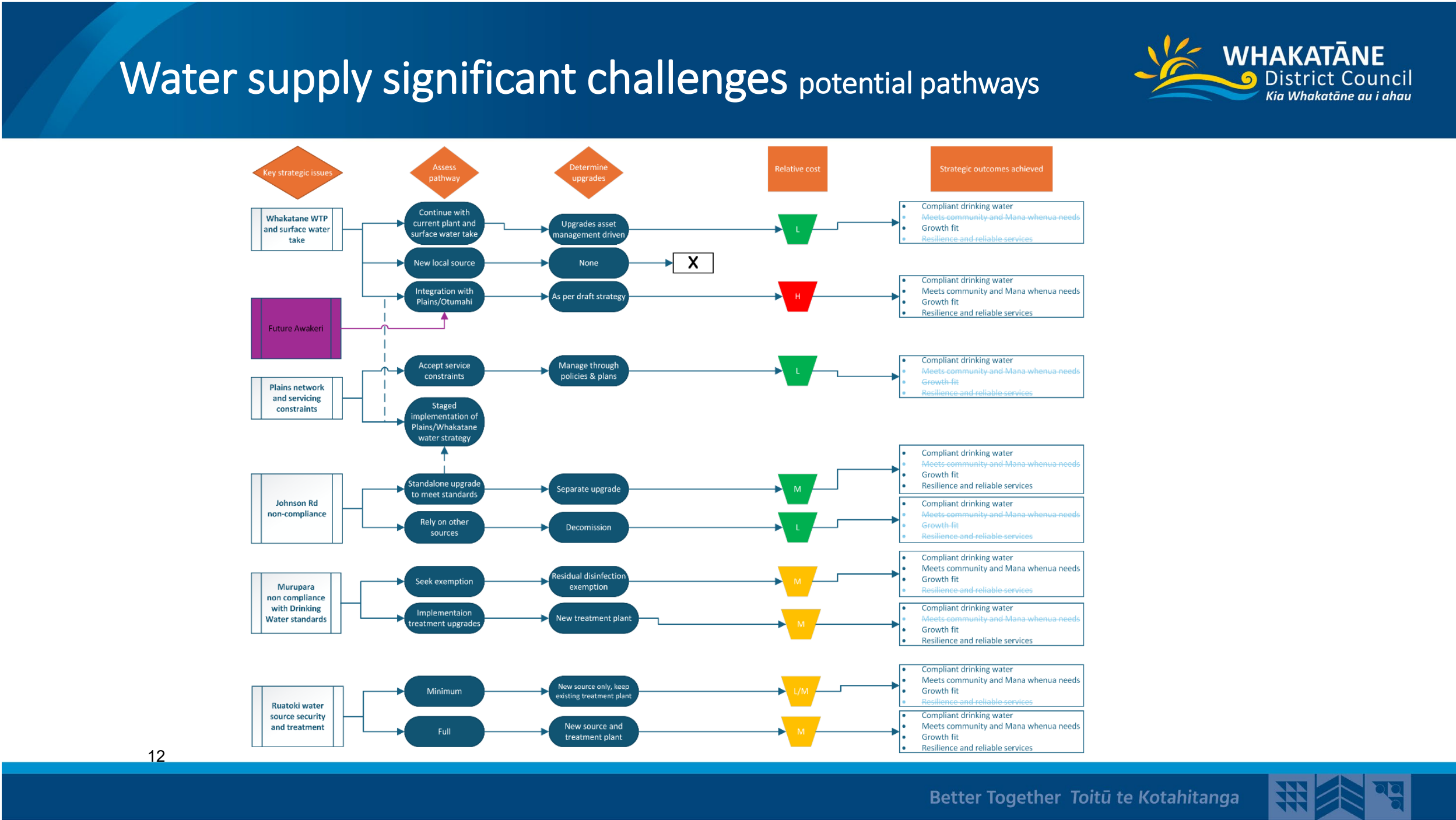
Wastewater upgrade assessment against proposed new standards



4.2 Local Water Done Well - Draft Consultation(Cont.)

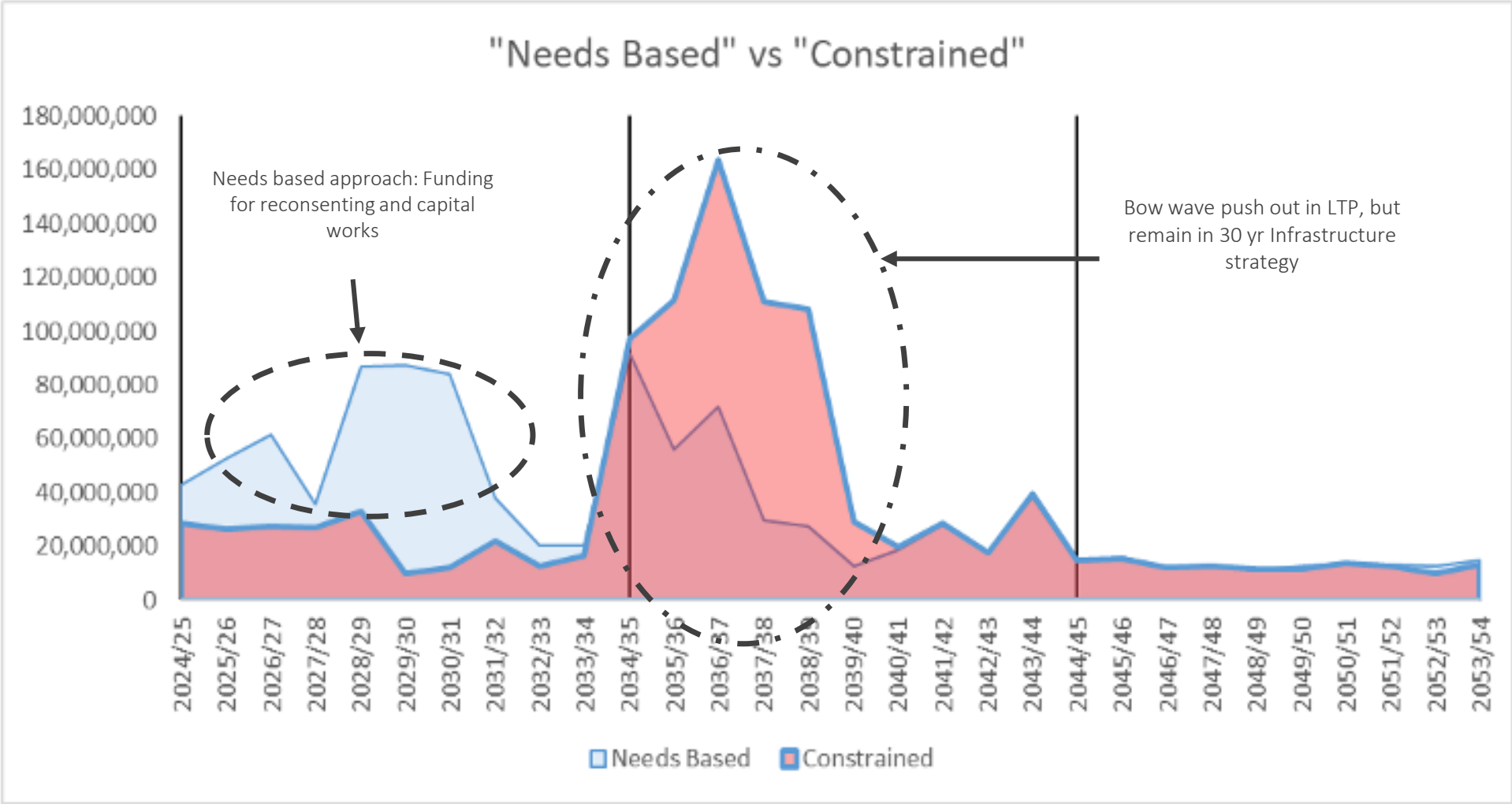


4.2 Local Water Done Well - Draft Consultation(Cont.)



4.2 Local Water Done Well - Draft Consultation(Cont.)

‘Needs-based’ approach ‘constrained’ for 2024 LTP



4.2 Local Water Done Well - Draft Consultation(Cont.)

Key challenges for a 'WDC internal BU' approach



Conclusions and recommendations

- Whakatāne District has limited options that would satisfy a strict interpretation of financial sustainability requirements
- Council should continue to explore how it could meet LWDW requirements under option 1
- Council should expedite exploration of potential joint arrangements with other councils, prioritising option 3a

OPTIONS

1 Internal business unit with possible shared service arrangements (enhanced status quo)

2 Standalone council-owned water organisation (WSCCO)

3a Regional / sub-regional asset owning water organisation

3b Regional / sub-regional asset owning water organisation

CONTINUE TO EXPLORE?

Yes – the provisional findings show that the current delivery model would not meet financial sufficiency tests. However, Council needs to continue to consider how it can meet LWDW requirements on its own for consultation given multi-council options are not well advanced at this stage.

No – the provisional findings show that the additional borrowing capacity of this option is unlikely to be sufficient to achieve financial sustainability without unaffordable increases in water revenues.

3a Yes – strong future benefits. Opportunity exists to approach TCC and WBOPDC to join development of option for consultation (TCC/WBOPDC already have joint work underway to explore this option). It may be more straightforward to secure commitment to explore this option than to pursue a region-wide option.

3b Yes – strong future benefits. CE-level discussions have been held but requires a firmer mandate and commitment from participating councils to progress towards development of a more tangible option for consultation within WSDP timeframes.

- Debt capacity/financial sustainability
- Costs to meet regulatory compliance
- Affordability

4.2 Local Water Done Well - Draft Consultation(Cont.)

Tonkin & Taylor commissioned to assess what a 'reprofiled compliant budget' would look like....



- *Initially*, the 'reprofiled compliant budget' was \$698m over 30 years
- Then revised, primarily due to reduced WWTP costs resulting from new draft standards: Funding for Matata wastewater, \$37m (2032); Murupara, \$32m (2027); Edgecumbe, \$25m. No significant funding for Whakatane and Taneatua * (* see next slide)
- Then Council staff *reprofiled* on an assumed affordability envelope (plus improved staging/deliverability)



15



4.2 Local Water Done Well - Draft Consultation(Cont.)

Reprofiling of Capex (within a \$21m cap)

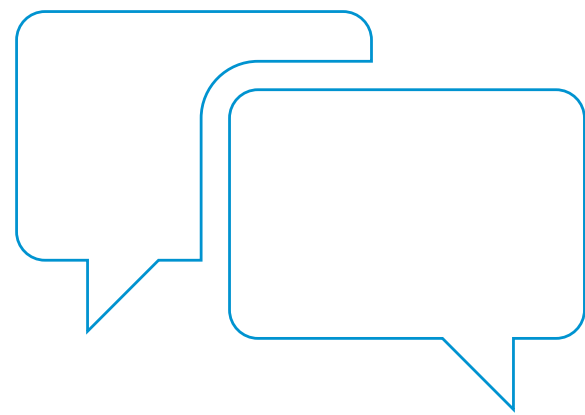


- Key points from the reprofiled compliant budget
 - Drinking Water Standards are planned to be compliant by 2026
 - Wastewater schemes are planned to be compliant by 2032
- New wastewater standards have *potentially* resulted in cost reductions for key some schemes
 - Beca have been commissioned to independently assess these assumptions
 - The projected costs are based on meeting the draft new minimum standards

* **Note:** The revised Wastewater upgrade cost assumptions are based on meeting the current limits outlined in the proposed new standards (minimums). Significantly higher costs may be associated with additional plant upgrades to meet the aspirations of the community and Iwi/Hapu, such as statutory acknowledgment obligations, or improvements in resilience. Additionally, the standards are subject to change as they are currently out for public consultation.



4.2 Local Water Done Well - Draft Consultation(Cont.)



Communications + Engagement

4.2 Local Water Done Well - Draft Consultation(Cont.)



Our engagement promise

We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced decision-making.

Objectives

- Raise awareness – inform internal and external stakeholders about LWDW and the process, Council's preferred approach and where to find further information
- Enable understanding – clearly communicate the 'why'
- Build trust – demonstrate transparency and accountability by proactively sharing information, providing regular updates and addressing concerns
- Stakeholder engagement – accessible channels for feedback, questions and concerns, and foster authentic engagement with tangata whenua to ensure knowledge and perspective is understood and considered
- Encourage community participation in decision-making, gathering feedback on key values and concerns
- Comply with legal requirements for consultation



4.2 Local Water Done Well - Draft Consultation(Cont.)



Phase 1: Education campaign

Completed to date:

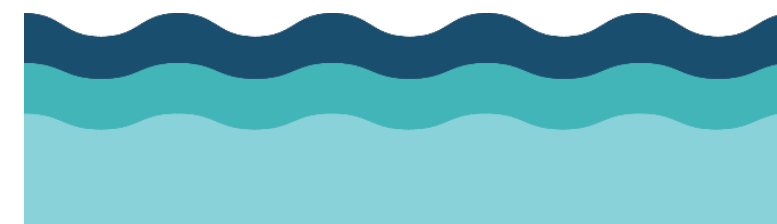
- Web – whakatane.govt.nz/wai-it-matters
- Media – *What's up with water? Introducing 'Wai - It Matters'*
- 4x videos shared across Facebook, Instagram, YouTube + LinkedIn
 - **Drinking water** – How it works + call to action (register Kōrero Mai)
 - **Wastewater** – How it works + call to action (register Kōrero Mai)
 - **Stormwater** – How it works + call to action (register Kōrero Mai)
 - **Stormwater** – Hinemoa Stormwater Relocation + Upgrade Project
- Paid marketing campaign: Boosted FB + Instagram reels

To come:

- Static assets covering key messages including 'Respect the throne' (Wastewater) Whakatāne Beacon, Facebook, Instagram, LinkedIn, ward newsletters
- Radio

Aim

To build awareness + generate interest about the importance of, and the 'how it works' of drinking water, wastewater and stormwater services prior to LWDW consultation.



4.2 Local Water Done Well - Draft Consultation(Cont.)



Phase 1a: Pre-Engagement - Stakeholder conversations

Targeted stakeholder/partner engagement with:

- Iwi (via Iwi Policy Hub)
- 3W Operational Staff (face to face GM presentation)
- Organisation wide staff (Teams GM presentation)
- Community Board chairs
- Mayor + Elected Members
- Key stakeholders e.g - Taumata Arowai, other territorial authorities

Purpose:

- Scene setting - raise awareness of LWDW and the 'why'
- Provide information on how and when they can have their say



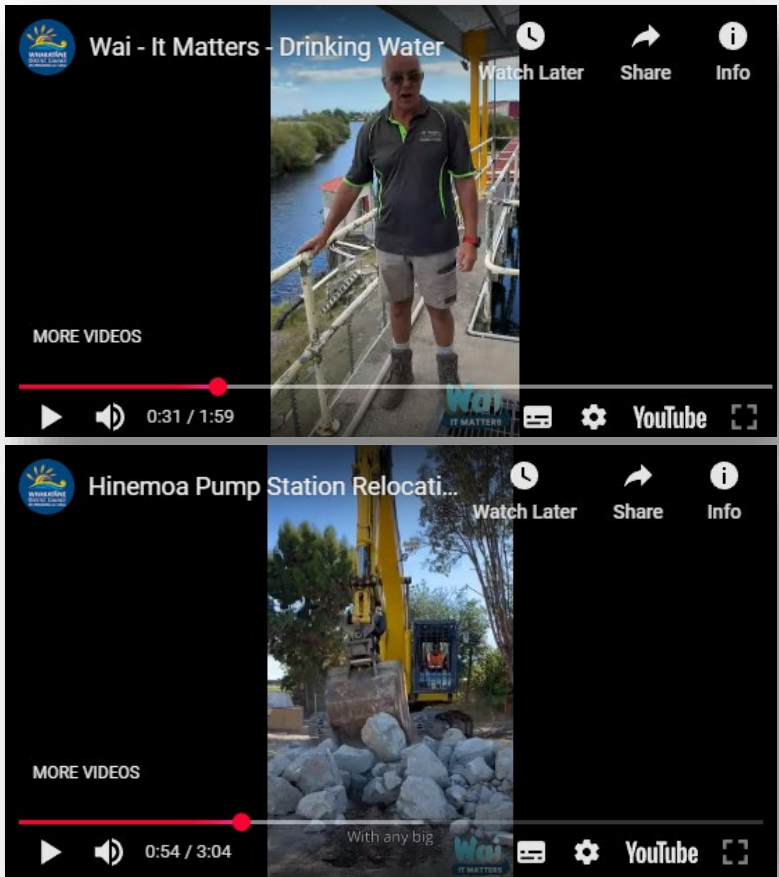
4.2 Local Water Done Well - Draft Consultation(Cont.)



What we've heard so far



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4.2 Local Water Done Well - Draft Consultation(Cont.)



Phase 2: Formal consultation - 'Have we got it right?'


- Formal consultation April 17 – May 18 2025
- Online survey - [Koreroimai.whakatane.govt.nz/wai-it-matters](https://koreroimai.whakatane.govt.nz/wai-it-matters)
- Consultation stands – Civic Centre, Te Kōputu, Murupara SC, and Ōhope + Edgecumbe libraries
- Paid marketing campaign to run across digital, social media, radio and print, sharing options including a preferred option for community feedback. Static assets + reels.
- Further face to face stakeholder + community engagement e.g -
 - 2x Community open days - Whakatāne Water Treatment Plant
 - Pop in session - Civic Centre
 - Community conversations road show – Honoa Hapori vans visiting satellite towns
 - Hearings??



4.2 Local Water Done Well - Draft Consultation(Cont.)



Potential consultation approach

1. Which of the following factors is important to you? (slider) 
e.g – Community influence, cultural input, governance, access to finance, debt capacity, ring fencing
2. Which option do you prefer? (select option 1 or 2)
3. Open ended questions
e.g – “Our preferred option is XXXX. What are your thoughts?”
 “What do you think we have missed?”
 “Do you have any suggestions or concerns about the reliability, affordability, or quality of future water service delivery?”



NB: The final consultation questions will be included in the Consultation Document presented to Council on 10 April.



4.2 Local Water Done Well - Draft Consultation(Cont.)



Phase 3: Tie the bow – We asked, you said, we did

- August – September 2025

Communicate outcomes regarding decision making about Local Water Done Well with our people, our communities, tangata whenua and key stakeholders



4.2 Local Water Done Well - Draft Consultation(Cont.)



Patai?



4.2 Local Water Done Well - Draft Consultation(Cont.)



Consultation key messages

- We have important decisions to make about how water services will be delivered in the future.
- New government rules require all councils to meet stricter standards for managing water quality, funding, and infrastructure.
- Water is a taonga (treasure) that must be managed carefully. Clean, safe drinking water, effective wastewater treatment, and well-managed stormwater are essential for healthy communities, a safe environment, and a strong economy.
- Like many councils, we face significant funding challenges for water infrastructure. This is a nationwide issue, and the Government’s Local Water Done Well policy introduces new requirements for councils to address these challenges.
- New rules affect how we will invest in water infrastructure, borrow and price water services, and deliver and manage water services.
- Every council must create a Water Services Delivery Plan to show how we’ll meet new standards while staying financially sustainable. This plan must be ready by September 2025 and be fully compliant by June 2028.
- Local Water Done Well allows councils to explore alternative service delivery models, but our water assets will remain under council ownership.
- Whakatāne District has high water service standards, but ongoing investment is essential to maintain our systems and support future growth.
- Our goal is to deliver water services in the most economically and environmentally sustainable way.
- We’re on a tight Government-set timeline to decide the future of Whakatāne District's water services.
- There are no immediate changes happening to water services. Whether we operate alone or partner with others, we have time to get it right.
- Over time, the cost of delivering water services will rise across all New Zealand councils, including in the Whakatāne District - regardless of how services are managed. Our priority is to control and minimise these costs as much as possible for our community.
- We need to assess whether we continue as a standalone provider or collaborate with others.
- We’ve developed two options for delivering water services, including a preferred option. Now, we need your feedback to shape the final plan.
- Your feedback will help shape our approach before we submit our plan in September.
- Whatever decisions we make together, we will ensure that future generations have access to clean, safe, and reliable water services.

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4.2 Local Water Done Well - Draft Consultation(Cont.)

Options analysis to inform Whakatāne District Council's preferred approach

For discussion at Council workshop of 26 March 2025

MARTIN
JENKINS

In Confidence

4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Preface

This report has been prepared for Whakatāne District Council by MartinJenkins.

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.



4.2 Local Water Done Well - Draft Consultation(Cont.)

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Information provided by the client or others for this assignment has not been independently verified or audited.

Any financial projections included in this document (including budgets or forecasts) are prospective financial information. Those projections are based on information provided by the client and on assumptions about future events and management action that are outside our control and that may or may not occur.

We have made reasonable efforts to ensure that the information contained in this report was up to date as at the time the report was published. That information may become out of date quickly, including as a result of events that are outside our control.

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This Disclaimer supplements and does not replace the Terms and Conditions of our engagement contained in the Engagement Letter for this assignment.



4.2 Local Water Done Well - Draft Consultation(Cont.)



Update on context

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Decisions to date

Council considered our high-level options assessment on 12 December. At that meeting, Council:

1. **Received** the 'Local Water Done Well – Water Service Delivery Options ' report.
2. **Authorised** the Chief Executive to:
 1. Further explore opportunities with Tauranga City Council and Western Bay of Plenty District Council (and others) for a potential joint water services council-controlled organisation
 2. Assess the existing Capex and Opex spend profile in the WDC LTP 24/34 to determine if a staged approach to achieving compliance is viable, including engaging with DIA, BOPRC and the Water Services Authority on requirements to comply with legislation.
3. **Instructed** the Chief Executive to write to the Minister requesting support from DIA to facilitate progress on joint arrangements with other councils, including potentially the appointment of a Crown Facilitator to help the Council explore potential joint arrangements with other councils.
4. **Noted** staff will return to Council by end March 2025 with two shortlist options for future water service delivery (which will be used for community consultation).

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



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Recap: WDC strategic context and challenges



Sustainability and affordability challenges

1

The capital expenditure programme to FY34 in WDC’s Long-Term Plan would not meet regulatory requirements. Significant work has been undertaken to rework this programme and bring expenditure forward.

However, this capex needs to be funded through a combination of borrowing and revenue.

Capital expenditure needs to meet the expectations of regulators. Revenue collection needs to be affordable for ratepayers. Debt is subject to Local Government Funding Agency limits. Balancing the three is an ongoing challenge.



Meeting regulatory requirements and renewing assets

2

The District faces compliance challenges in meeting the Drinking Water Quality Assurance Rules and obtaining resource consents relating to drinking water and wastewater services. Significant investment is required.

There are a number of small community supplies that are vulnerable and present risk to Council.

The Council faces an asset renewals backlog.



Population growth, land use intensification and climate change

3

Population growth will result in increased consumption of drinking water and discharge of wastewater. It will also generally result in land use intensification.

While less exposed than other districts, changes to demographics and consumer behaviour need to be monitored for their impacts on water use and discharge.

Climate change will exacerbate demand on stormwater services during the most adverse weather events. It will also cause sea levels to rise. Infrastructure needs to be able to manage greater demands from climate change.



FINAL DRAFT

Your agreed strategic objectives

STRATEGIC OBJECTIVES

Efficient and financially sustainable delivery of water services for the communities of the Whakatāne District, now and into the future

Protects and promotes public health and the environment
- meeting regulatory requirements

Water services are resilient to natural hazards and climate change

Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery

Affordable fit for purpose service to consumers and communities that meets the needs, and expectations of the communities of the Whakatāne District

Responsibilities to hapū and iwi are met

Remaining council operations are viable and continue to deliver on communities’ expectations

This is a long-term decision
Consider which of these are most important



FINAL DRAFT

Recap: Summary of prior findings (Viability & Sustainability Assessment)

You are facing some challenges that may impact your ability to meet your strategic objectives in the longer-term (10+ years).

Consistent compliance with drinking water standards has been a challenge.

Resource consents expiring for four wastewater treatment plants, with regulatory uncertainty about national standards

Infrastructure resilience challenges due to geography, and exposure to natural hazards and climate change impacts

Challenges associated with operating multiple water and wastewater schemes across the district with a small ratepayer base

Affordability pressures exacerbated by significant investment requirements, rising costs and low household incomes

Workforce challenges, which may become more pronounced with the establishment of water services CCOs in neighbouring areas



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Recap: summary assessment from previous analysis

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
1 Internal business unit with possible shared service arrangements (enhanced status quo)	<p>Analysis confirms this is financially achievable, Council wants least change to status quo and is confident it can meet new LWDW requirements in the short- to medium-term.</p> <p><i>This unlikely to be financially sustainable without unaffordable increases in water revenues, based on our current state review.</i></p>	<ul style="list-style-type: none">Ease of implementation, and ongoing flexibility.Integrates well with existing council functions and infrastructure planning.Unlikely to create stranded costs or adverse impacts on rest of council.	<ul style="list-style-type: none">Affordability and financing challenges if capital expenditure to comply with LWDW is brought back into the 10-year plan.Potential workforce attraction and retention risks, exacerbated if neighbouring councils form a larger entity.Benefits of potential shared services still to be explored with neighboring councils, but not likely to materially alter the financial position.Does not provide any scale economies.
2 Standalone council-owned water organisation (WSCCO)	<p>Council can meet LWDW requirements on its own but needs additional debt capacity offered through LGFA. This would require a significant adjustment in the current funding approach.</p> <p><i>This unlikely to be financially sustainable without unaffordable increases in water revenues, based on our current state review.</i></p>	<ul style="list-style-type: none">Greater access to debt (compared to Option 1) to meet future challenges and enable additional investment in resilience.	<ul style="list-style-type: none">Affordability challenges if capital expenditure to comply with LWDW is brought back into the 10-year plan.Significant efficiencies likely limited due to lack of scale and may be diseconomies of scope.Some loss of oversight and control by elected members.Potential implementation risks.
3 a Regional / sub-regional asset owning water organisation 3 b	<p>Mutual benefits to Council from partnering with others to establish a joint organisation and Council is confident in design of prioritisation mechanism, and ability for communities to engage.</p> <p><i>These two options have similar advantages and disadvantages, albeit dependent on the mix of participating councils. The key differences between the options relate to the potential scale efficiencies and level of complexity with increasing number of councils involved.</i></p>	<ul style="list-style-type: none">Scale efficiencies likely to be greatest under these options.Potential integration with neighbouring councils to better manage demographic, environmental compliance and spatial planning challenges.Access to debt, and longer-term financing to address future challenges and affordability.Greatest ability to attract and retain workforce.	<ul style="list-style-type: none">No formal commitment from potential partners to explore options at this point in time.No certainty about the design of the model, including mechanisms for agreeing shared priorities and 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 timeframe for implementation



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Recap: conclusions from previous analysis

OPTIONS	CONTINUE TO EXPLORE?
1 Internal business unit with possible shared service arrangements (enhanced status quo)	Yes – the provisional findings showed that the current delivery model would not meet financial sufficiency tests. However, Council needs to continue to consider how it can meet LWDW requirements on its own for consultation given multi-council options were not well advanced at this stage.
2 Standalone council-owned water organisation (WSCCO)	No – the provisional findings showed that the additional borrowing capacity of this option is unlikely to be sufficient to achieve financial sustainability without unaffordable increases in water revenues.
3 Regional / sub-regional asset owning water organisation	3a Yes – strong future benefits. Opportunity existed to approach TCC and WBOPDC to join development of option for consultation (TCC/WBOPDC already have joint work underway to explore this option). It may be more straightforward to secure commitment to explore this option than to pursue a region-wide option. Yes – strong future benefits. CE-level discussions have been held but requires a firmer mandate 3b and commitment from participating councils to progress towards development of a more tangible option for consultation within WSDP timeframes.
4 Water services organisation owned by community trust	No – Trust Horizon confirmed it is only able to fund energy related investments under its Deed. Further, a community trust cannot borrow through the LGFA and therefore can only access debt finance at less favourable rates.



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Further work since December

Our advice in December

We recommended further considering two options :

1. an internal business unit (which could include exploring shared services arrangements with neighbouring councils), and
2. a regional / sub-regional asset owning water organisation, potentially involving Tauranga City Council and Western Bay of Plenty District Council (and others).

Subsequent developments

We have worked with council officers to further explore the two options in further detail.

Since Council considered our initial options assessment:

- Discussions to form a joint water services CCO with all councils in the Bay of Plenty region have not progressed significantly but conversations between Mayors and CEOs are ongoing
- WDC’s capex programme has been refined following additional work by Tonkin & Taylor, meetings with regulators (Water Services Authority, BOPRC, and DIA) and subsequent revisions by council officers. We have updated our financial modelling to incorporate this revised capex programme. See slide 21 for more information.
- WDC participated in exploratory modelling of a ‘West BOP’ CCO option with Tauranga, Western BOP, and Thames Coromandel.
- Tauranga City Council and Western Bay of Plenty District Council have agreed their preferred option is to form a joint CCO, with option for other councils to join.
- WDC sought advice from DIA on the viability of a joint water services CCO working with Rotorua Lakes, Kawerau District, and Ōpōtiki District Councils. MartinJenkins has refined the initial DIA modelling of this option to enable a “like for like” comparison of options.
- **This detailed options assessment has focused on the following options:**
 - **Standalone business unit**
 - **Jointly-owned WSCCO with Tauranga City and Western Bay of Plenty District Councils (“West CCO”)**
 - **Jointly-owned WSCCO with Rotorua, Opotiki and Kawerau (“East CCO”)**



4.2 Local Water Done Well - Draft Consultation(Cont.)

Identifying the options for consultation

4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Consultation requirements

RECAP

Engaging your communities

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

Consultation must:

- Identify at least **two options** for delivering water services. Additional options may be identified. An assessment of the advantages and disadvantages of all options identified is required.
- Consult with its communities **on its proposal (preferred option)**, including analysis of the preferred option (the impact on the council's rates, debt, levels of service, and charges for water services).
- If the council is considering a joint WSCCO option (whether establishing, or joining), it must also **describe the implications for communities throughout the joint service area**, and describe any accountability or monitoring arrangements the council will use to assess the performance of the WSCCO.

Note, if an amendment is required to the Council's LTP to give effect to the preferred option, it will not be required to consult on the LTP amendment if certain conditions are satisfied through the above consultation (c.f. s63 of the Act).

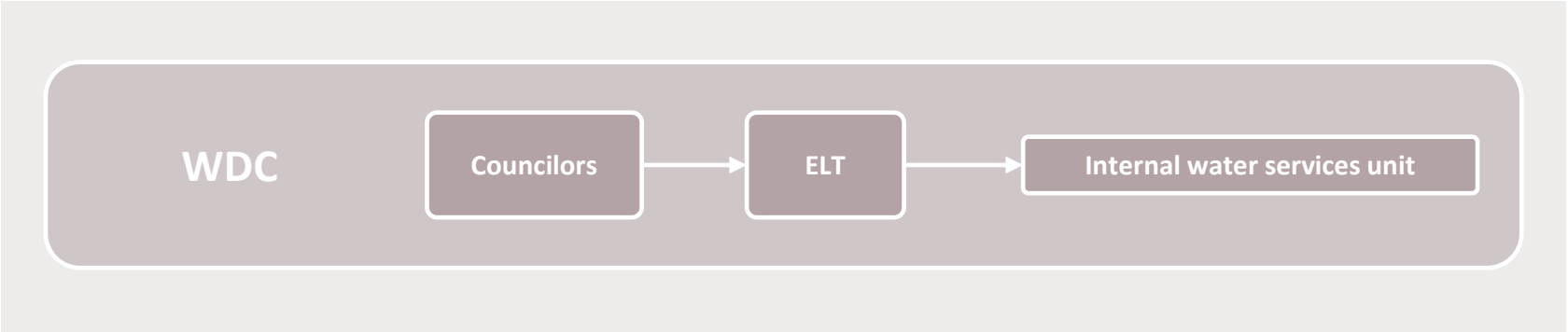
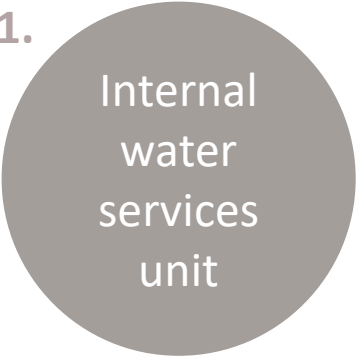


4.2 Local Water Done Well - Draft Consultation(Cont.)

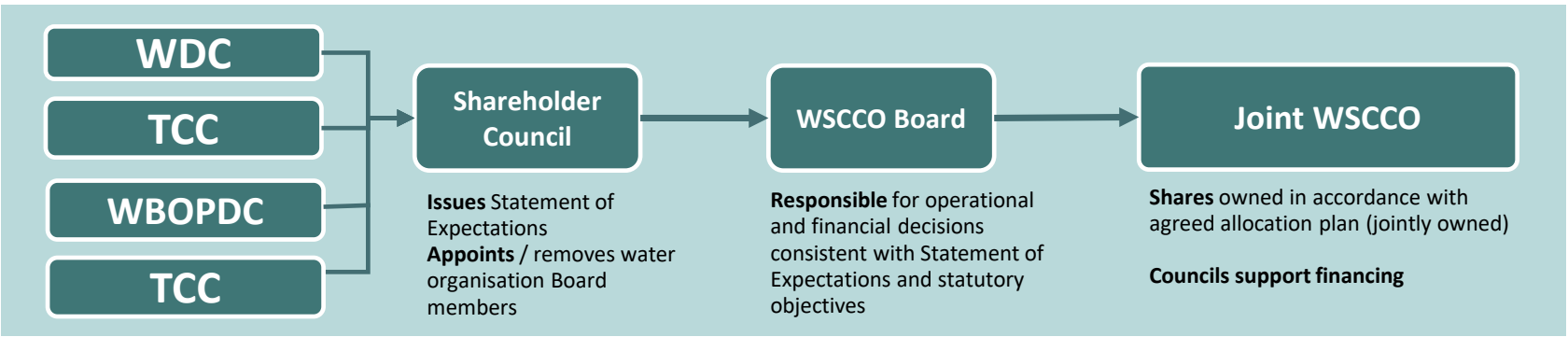
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Three options have been considered in further analysis

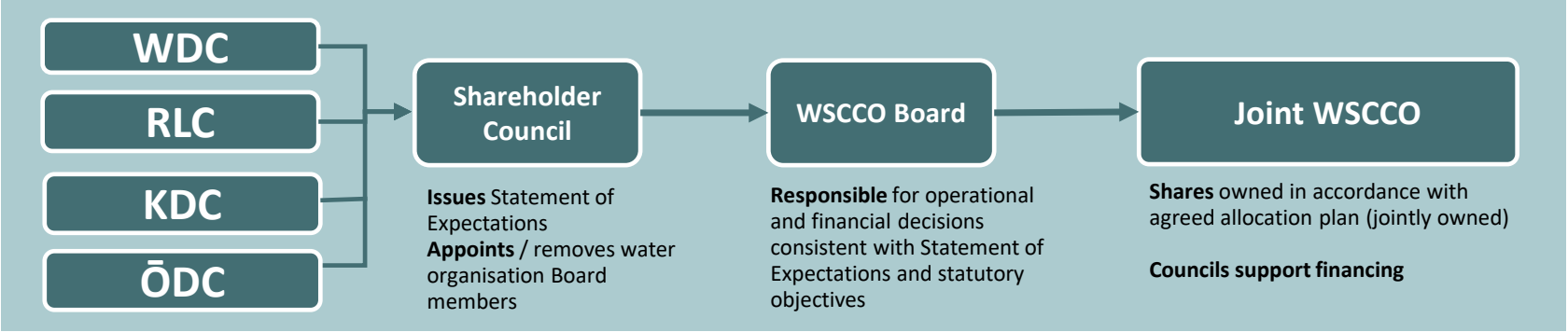
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4.2 Local Water Done Well - Draft Consultation(Cont.)

Comparing the options

Key judgements to inform decision making



Part 1: Comparative analysis against strategic objectives



Part 2: Comparative financial analysis against key metrics



Part 3: Comparative overview of ownership, decision making and accountability structures



Part 4: Additional considerations *(impact of remaining Council functions)*

4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 1: Analysis against strategic objectives – 1/4

STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	WEST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION	EAST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION
Efficient and financially sustainable delivery of water services for the Whakatāne District community, now and into the future	<ul style="list-style-type: none">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.Potential for limited efficiency gains from shared services arrangements.	<ul style="list-style-type: none">Efficiencies are likely from economies of scale. While dependent on the mix of councils involved, the most significant scale benefits come with the inclusion of TCC/WBOP which is likely to progress – see slide 22.Greater access by CCO to debt allows investment to meet future challenges to be spread over generations.A multi-council, asset-owning organisation including a larger council (like TCC) is likely to deliver greatest benefit to communities.	<ul style="list-style-type: none">Some efficiency gains expected, but to a lower degree than efficiency gains expected under a West CCO option – see slide 22.
Protects and promotes public health and the environment - meeting regulatory requirements	<ul style="list-style-type: none">Revised capex profile incorporates investment necessary to achieve compliance and has been tested with regulatorsRevised Council plans for investment largely align with needs but represent an ambitious capital programme against historic delivery rate (not to mention affordability implications which are considered below)	<ul style="list-style-type: none">The strongest option against this criteria. A West CCO would offer the greatest capacity to invest.Strongest ability to meet drinking water quality and environmental regulatory requirements through increased investment capacityCarries risk that funding may be prioritised towards the needs of other councils, however mitigations exist	<ul style="list-style-type: none">Greater debt capacity available to the organisation to invest.Strong ability to meet drinking water quality and environmental regulatory requirements through increased investment capacity.Carries risk that funding may be prioritised towards the needs of other councils, however mitigations existRelative to West CCO, may be easier to manage tensions between urban and rural areas and between strengthening existing networks and providing for growth

Legend: Red text denotes possible risk

Consistent with objective but has some risks

Moderate alignment to objective(s)

Stronger alignment to objective(s)



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 1: Analysis against strategic objectives – 2/4

STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	WEST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION	EAST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION
Water services are resilient to natural hazards and climate change	<ul style="list-style-type: none">Revised capex programme adds necessary compliance investments, which will also improve compliance with drinking water quality assurance rules and wastewater discharges.However, other discretionary investment in improved levels of service and climate resilience has been moved out.Limited capacity for responding to any shocks relating to natural hazards.Council borrowing limits will be largely utilised for water infrastructure, which may limit Council’s ability to make other resilience investments (e.g. in the roading network).	<ul style="list-style-type: none">Greater debt capacity should make it possible to enhance investment in climate resilience and improve levels of service.	<ul style="list-style-type: none">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	<ul style="list-style-type: none">Retains interface between spatial and water infrastructure planning.All infrastructure planning and delivery managed under “one roof”.	<ul style="list-style-type: none">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 CCO to plan for and fund growth.May be harder to agree shared priorities for growth and development across councils with divergent community interestsComplexity will be broadly proportionate to the number of councils involved and differences in communities of interest (i.e., urban city vs. rural/provincial)	



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 1: Analysis against strategic objectives – 3/4

STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	WEST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION	EAST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of the Whakatāne District community	<ul style="list-style-type: none">Probably the least affordable of shortlisted optionsStrong community voice mechanisms and direct accountability to communitiesAbility 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.	<ul style="list-style-type: none">Probably the most affordable of the three options, but expected savings to ratepayers depend on the mix of councils and whether prices are harmonisedOrganisation would need to be able to respond to diverse needs of a broader consumer base (would need to be addressed through design of consumer engagement mechanisms).CCO would need to determine community voice mechanisms and would likely replicate some existing consumer consultation and engagement activities specific to water servicesSubject to consumer protection regulations, including independent dispute resolutionEconomic regulation regime would be expected to drive a customer focus with requirements to engage communitiesWould require agreed transition path including approach to harmonisation of investment plans and water chargesHarder to agree shared priorities and expectations across councils with divergent community interests	<ul style="list-style-type: none">Possibly more affordable by FY34 than internal business unit as indication of affordability on slide 22 shows the upper end of expectations. Compared with option 1, The CCO has higher establishment costs and annual opex. Efficiencies are lower than for option2.Probably more affordable than option 1 by FY44.Organisation would need to be able to respond to diverse needs of a broader consumer base (would need to be addressed through design of consumer engagement mechanisms).CCO would need to determine community voice mechanisms and would likely replicate some existing consumer consultation and engagement activities specific to water servicesSubject to consumer protection regulations, including independent dispute resolutionEconomic regulation regime would be expected to drive a customer focus with requirements to engage communitiesWould require agreed transition path including approach to harmonisation of investment plans and water chargesHarder to agree shared priorities and expectations across councils with divergent community interests



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 1: Analysis against strategic objectives – 4/4

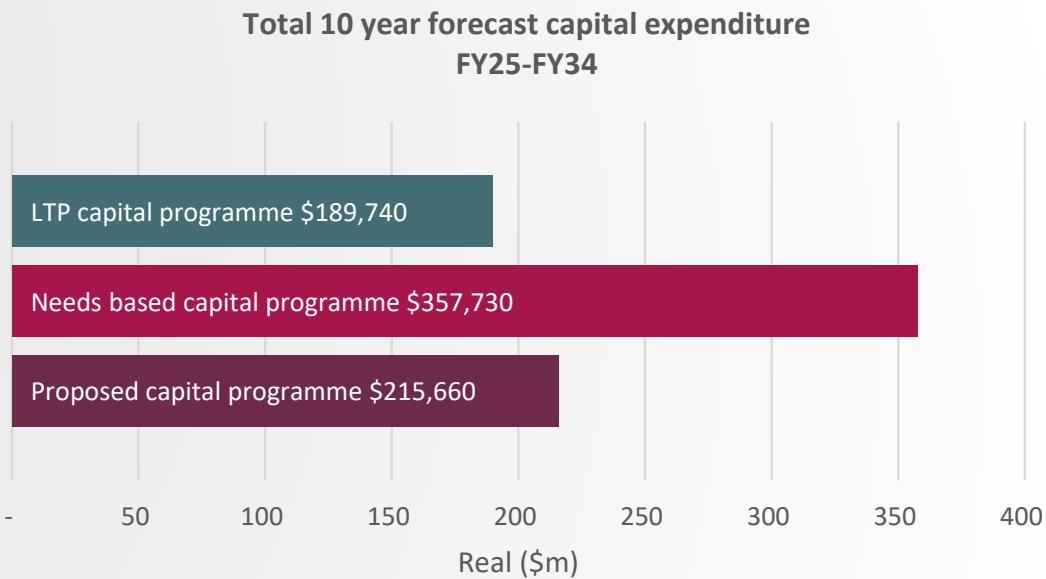
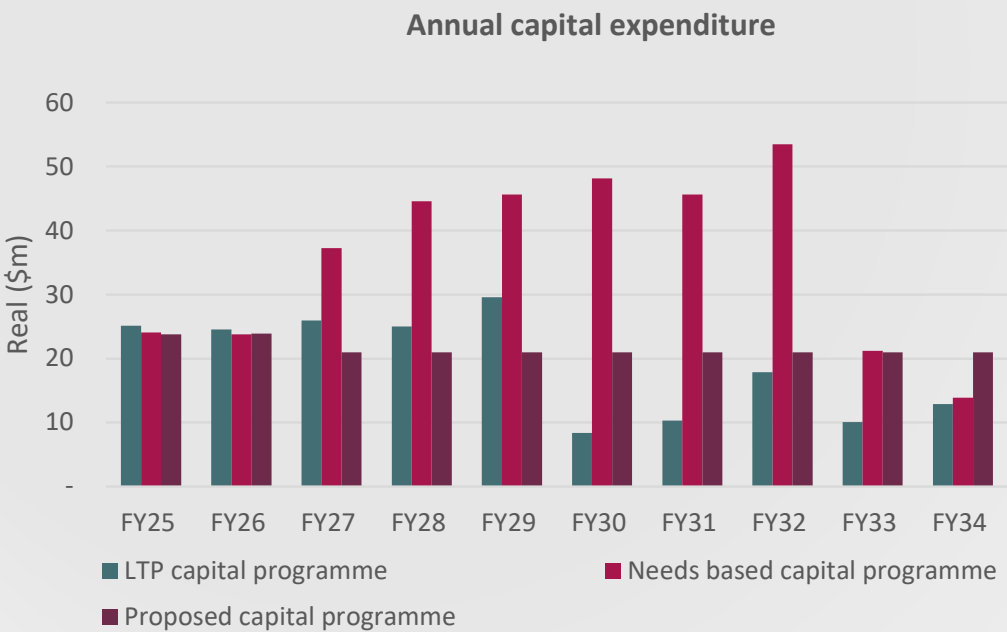
STRATEGIC OBJECTIVE	INTERNAL BUSINESS UNIT	WEST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION	EAST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION
Responsibilities to hapū and iwi are met	<ul style="list-style-type: none">Ability to make use of existing mechanisms and channels for engagement partnership	<ul style="list-style-type: none">New engagement and partnership mechanisms would need to be developed that meet the needs and expectations of increased numbers of hapū and iwiThere may be a preference for smaller/existing boundaries. Direct engagement with hapū and iwi 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	<ul style="list-style-type: none">This option puts significant strain on the Council debt position – see slide 26.	<ul style="list-style-type: none">Yes – this option leaves Council with more debt headroom to fund other activities and unexpected expenses – see slide 23.	<ul style="list-style-type: none">Yes – this option leaves Council with more debt headroom to fund other activities and unexpected expenses – see slide 23.



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

The capital investment programme has been refined



Capital programme

WDC’s capital expenditure projections have been revised by council officers to ensure compliance with regulatory requirements, while also considering achievability and affordability.

The LTP proposed a capital programme totalling \$190 million (in real terms) over the forecast period, with just over half of this forecast to renew existing assets and the vast majority of the remainder to improve levels of service. This compares with a needs-based programme developed by the council totalling \$358 million.

Tonkin & Taylor were engaged to review the LTP capex programme to determine additional investment required to meet regulatory requirements, particularly in regard to wastewater infrastructure. This was further refined by council officers following discussions with the Water Services Authority (Taumata Arowai) and Bay of Plenty Regional Council. This capital programme was subsequently reviewed by Beca for consistency with proposed national wastewater environmental performance standards,

noting there remains some uncertainty regarding the final form and application of new national standards.

The final capital programme totals \$215.7 million over ten years and forms the basis for financial modelling undertaken for this options assessment.

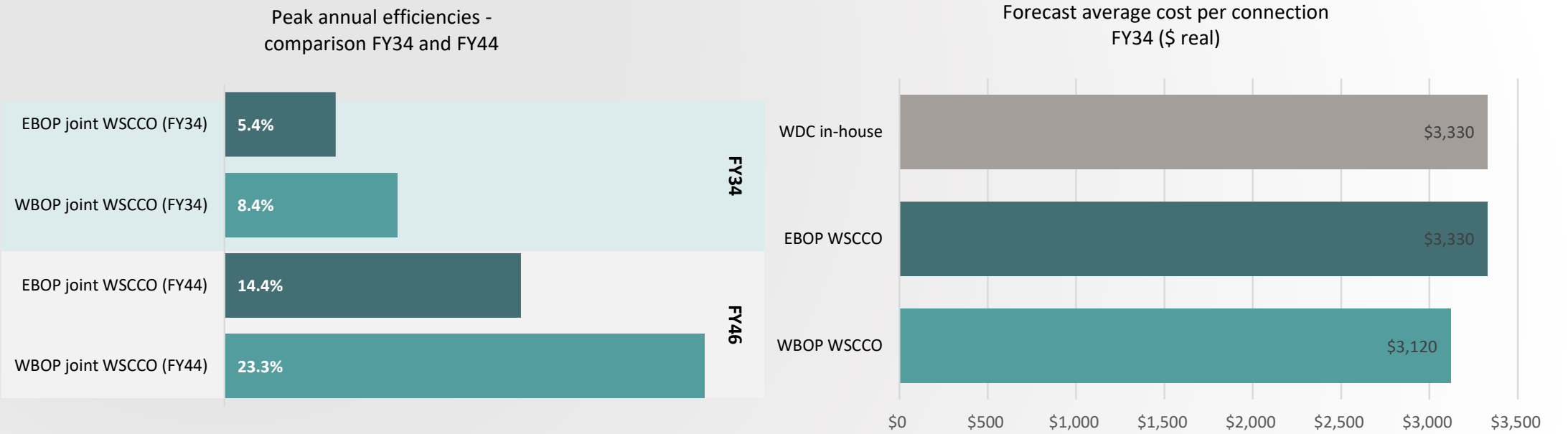
Under this final capital programme, drinking water infrastructure will be compliant with regulatory requirements by 2028, and wastewater infrastructure will be compliant by 2032 (noting there is some uncertainty with the final wastewater standards).



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 2: Comparative financial analysis against key metrics



	1 In-house delivery	2 West BOP WSCCO	3 East BOP WSCCO
	Creation of dedicated ring-fenced water services unit within WDC.	Councils in West Bop establish a joint WSCCO.	Councils in East BOP establish a WSCCO.
Average cost per connection (\$real) FY34 <i>FY25 cost is around \$2,000 per connection</i>	Up to \$3,330 This incorporates additional costs to meet LWDW requirements. We have assumed water debt would be accumulated up to 400% of revenue to leave some debt headroom for other council uses.	Up to \$3,120 WDC ratepayers expected to face lower water charges under either non-harmonised or harmonised prices compared with in-house delivery.	Up to \$3,330 WDC 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	Limited to no efficiencies are likely to be realised, other than marginal gains through potential shared services.	Operational efficiencies of 1.75% p.a. phased in over time, with annual savings of \$1.8 million (in savings per year by FY34. Capital efficiencies of 1.4% p.a., saving \$9.2 million p.a. by FY34 <i>Efficiencies would continue to accumulate and deliver further benefits beyond FY34.</i>	Operational efficiencies of 1% p.a. phased in over time, with annual savings of \$1.2 million in savings per year by FY34. Capital efficiencies of 1% p.a. yielding savings of \$5.7 million p.a. by FY34. <i>Efficiencies would continue to accumulate and deliver further benefits beyond FY34, but not as great as under option 2.</i>

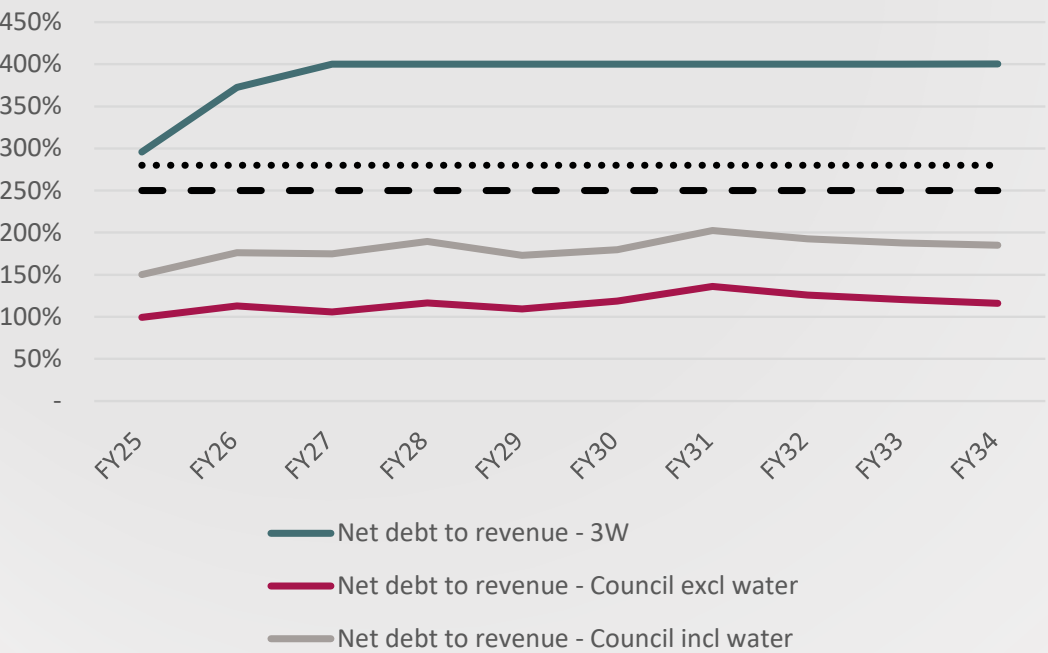


4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Financial implications for the Council

Net debt to revenue (LGFA)



All of Council (including water)

Council has an internal debt to revenue limit of 250%. As Council is rated, the covenanted limit with the LGFA is 275%.

Council is forecast to have a debt to revenue ratio of 150% at the end of FY25, which is forecast to grow to 211% by FY31 and remain at similar levels through to FY34. This is within both the internal Council limit and LGFA limits, so keeping water services provided in-house remains a financially viable option. We note that this is based on restricting water debt to 400% of water revenue, with other council revenues and expenditures unchanged from the LTP.

Rest of Council (Council excluding water)

Water debt is forecast to comprise 46% of Council's debt in FY25, and is forecast to grow to 57% by FY34. By transferring this water debt to a CCO, Council's debt to revenue ratio would range between 99% (FY25) and peak at 136% (FY31), before decreasing to 116% in FY34.



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 3: Ownership, decision making and accountability – 1/2

ELEMENT	INTERNAL BUSINESS UNIT	WEST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION	EAST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION
Ownership structure	<ul style="list-style-type: none">Council-owned (internal division)	<ul style="list-style-type: none">Owned by WDC and other participating councils, presumably including TCC and WBOPDC.	<ul style="list-style-type: none">Owned by WDC and other participating councils
Governance arrangements	<ul style="list-style-type: none">Council oversight	<ul style="list-style-type: none">Shareholder councils can appoint and remove directors on the 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. Shareholders Council will strive to make all decisions by consensus.	
Decision making	<ul style="list-style-type: none">Elected members continue to decide on levels of service and investment intentions (within legal requirements)	<ul style="list-style-type: none">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	<ul style="list-style-type: none">Accountable to the public through the framework in the Local Government (Water Services) BillAccountable to elected members through existing mechanisms	<ul style="list-style-type: none">Reports to owners quarterly, prepares an audited annual report, acts consistent with statutory objectives.	
Community engagement and consultation	<ul style="list-style-type: none">Through access to councillors and submissions	<ul style="list-style-type: none">Shareholding Councils can appoint and remove directorsIf WDC is involved in establishment, it can influence the mechanisms included in the design of the organisation	



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Part 3: Ownership, decision making and accountability – 2/2

ELEMENT	INTERNAL BUSINESS UNIT	WEST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION	EAST BAY OF PLENTY JOINT COUNCIL-CONTROLLED ORGANISATION
Approach to allocation of costs, revenues and efficiencies	<ul style="list-style-type: none">Council can access debt via the LGFA subject to its limits (280% debt to revenue)	<ul style="list-style-type: none">Final approach would be considered in next phase of reform.WDC would contribute a relatively small portion of population and connections across the grouping	<ul style="list-style-type: none">Final approach would be considered in next phase of reform.WDC would contribute a larger portion of population and connections across the grouping than for option 2
Iwi/Māori involvement	<ul style="list-style-type: none">Council can use existing mechanisms	<ul style="list-style-type: none">Water organisation charges water users, with borrowing of up to 500% of revenue from Local Government Funding Agency supported by council guarantee or uncalled capitalThe parent council guarantee can be joint and proportionate, however the proportionality terms would need to be negotiatedLikely council credit rating downgrade under this structure due to higher debt and council guarantee of water CCO	
Confidence in delivery, establishment and ongoing management	<ul style="list-style-type: none">High confidence this option could be stood up quickly, if pursued by Council	<ul style="list-style-type: none">New engagement and partnership mechanisms would need to be developed that meet the needs and expectations of increased numbers of iwi and hapū.	<ul style="list-style-type: none">Increasing confidence that a grouping based around TCC and WBOPDC will emerge
Additional considerations	<ul style="list-style-type: none">No confidence that an East BOP joint arrangement will emerge in the short term	<ul style="list-style-type: none">Shared services arrangements may allow small savings to be realised	<ul style="list-style-type: none">Includes a large metro council which provides the greatest potential for economies of scaleDepending on which councils participate, membership could include councils that sit across multiple regions
Risks	<ul style="list-style-type: none">Benefits of DIA model based on LTP content are likely to be overstated	<ul style="list-style-type: none">Risk of becoming increasingly unaffordable over time	<ul style="list-style-type: none">Risk that funding is prioritised to needs in other districtsUnlikely to be a feasible option as other councils are understood to prefer single-council options



4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

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 WDC 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.

WDC 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 WDC 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 WDC 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 WDC. High-level findings are:

- Overall, the removal of water service delivery improves the borrowing position of the rest of council as measured in the ratio of debt to revenue.
- Current levels of operating costs should be reviewed ensure they remain sustainable.
- The current overhead allocation method should be revisited, simplified and made more transparent. Initial reviews as part of this analysis suggest limited stranded overheads.
- 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.



4.2 Local Water Done Well - Draft Consultation(Cont.)

Conclusions

4.2 Local Water Done Well - Draft Consultation(Cont.)

FINAL DRAFT

Best option for WDC depends on what you value

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
<div>1</div> <div>Internal business unit with possible shared service arrangements (enhanced status quo)</div>	<p>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.</p> <p><i>Our analysis suggests the impact on debt and affordability will be hard to manage.</i></p>	<ul style="list-style-type: none">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.	<ul style="list-style-type: none">Presents affordability and financing challenges given significant cost pressures and 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.Perpetuates workforce retention and attraction challenges
<div>2</div> <div>West BOP water services organisation</div>	<p>Mutual benefits from partnering with others to establish a joint organisation provided Council is confident in design of investment prioritisation mechanism, and ability for communities and iwi/hapu to engage.</p> <p><i>Advantages and disadvantages will depend on the final number and mix of councils involved.</i></p>	<ul style="list-style-type: none">Scale efficiencies likely to be greatest under this option.Potential for integration with neighbouring councils to better manage demographic, environmental compliance and spatial planning challenges.Greater access to debt with capacity to increase investment to address future challenges and improve long-term affordability.TCC and WBOP are consulting on this option as their preferred option, with ability for other councils to join. Aiming for establishment on 1 July 2026.	<ul style="list-style-type: none">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 timeframe for implementation, however upfront costs likely to be offset by greater efficiencies meaning this option is more cost effective for consumers.
<div>3</div> <div>East BOP water services organisation</div>	<p>Mutual benefits from partnering with others to establish a joint organisation provided Council is confident in design of investment prioritisation mechanism, and ability for communities and iwi/hapu to engage.</p> <p><i>Advantages and disadvantages will depend on the final number and mix of councils involved.</i></p>	<ul style="list-style-type: none">Scale efficiencies expected but not expected to be as significant as West BOP option due to smaller population size and capital programme.Potential for integration with neighbouring councils to better manage demographic, environmental compliance and spatial planning challenges.Greater access to debt with capacity to increase investment to address future challenges and improve long-term affordability.	<ul style="list-style-type: none">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



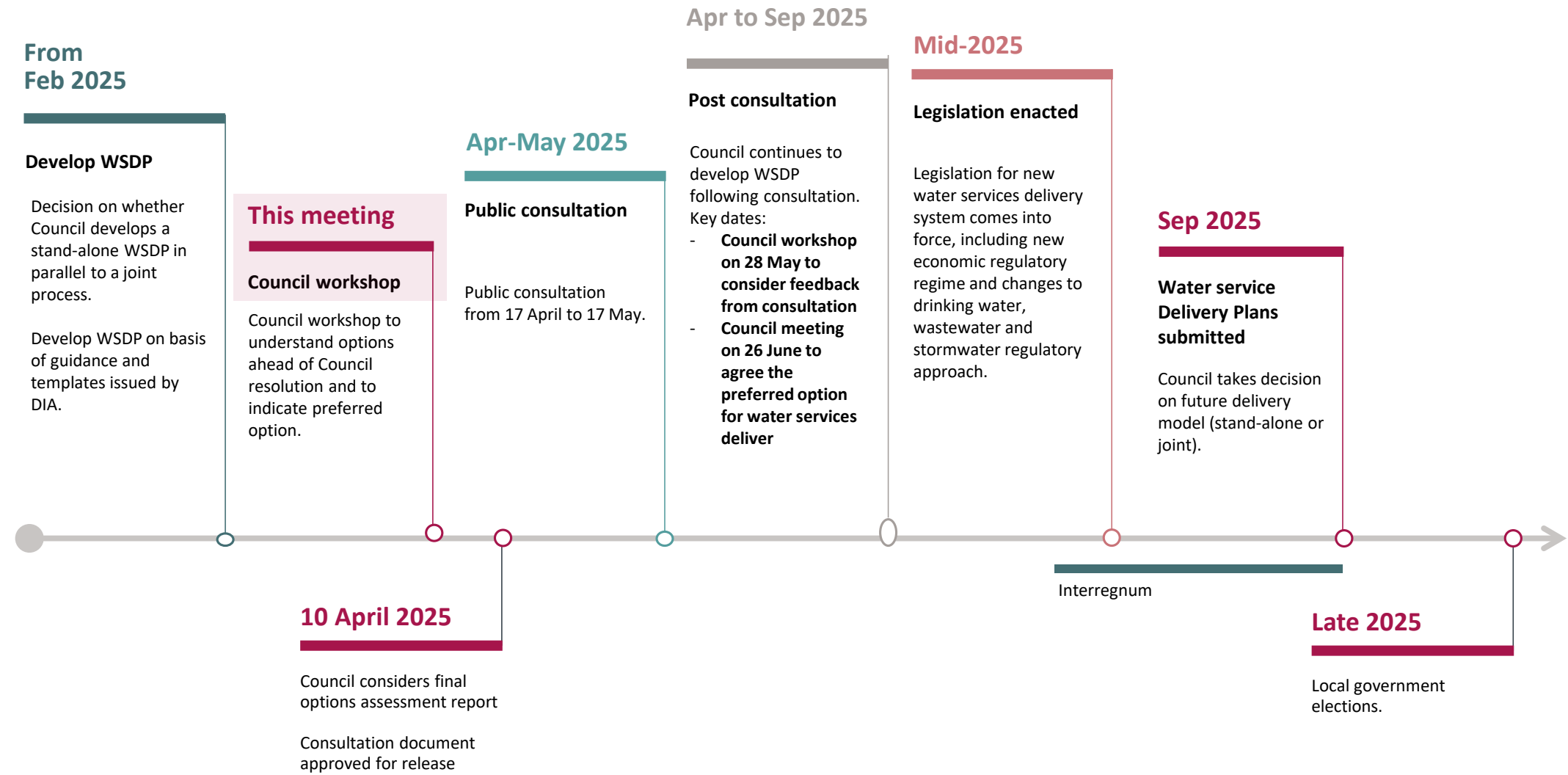
4.2 Local Water Done Well - Draft Consultation(Cont.)

Next steps

4.2 Local Water Done Well - Draft Consultation(Cont.)

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Summary of process



4.2 Local Water Done Well - Draft Consultation(Cont.)



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4.3 Public Forum: Positive Money

4.3 Public Forum: Positive Money

Public Forum: Don Richards from Positive Money will present.

4.3 Public Forum: Positive Money(Cont.)



Don Richards Bio

Don worked for BP Oil for 10 years and was in their Retail Strategy Unit during deregulation of the oil industry.

Don was with Standards New Zealand as it grappled with user pays and with the New Zealand Dairy Board, up to and including its merger with Fonterra.

Don worked with Transpower as it adjusted its processes to account for wind power generation and was the Quality and Environmental manager for BRANZ (the building Research Association of New Zealand) from 2005 to 2015 – immediately after the peak of the leaky building crises.

Don took on environmental and social projects and organised beach cleanups of Wellington harbour for over 20 years and was the Wellington Regional Environmentalist of the Year in 1999.

Don met and married Sue Hamill in 2000 and moved to Whakatane in 2015. Sadly, Sue passed away in 2018.

Don is committed to a financial system that supports a fair, productive and sustainable economy and set up an advocacy group in 2011 called [Positive Money New Zealand](#) that is part of [a global movement for financial reform](#).

4.4 Procurement Policy

4.4 Procurement Policy

Bevan Gray & Ingrid McNiven will speak to the attached report.

Procurement Policy Review Council Briefing

26 March 2025

Bevan Gray – General Manager Finance & Commercial Services

Ingrid McNiven – Procurement & Risk Manager



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whakatane.govt.nz

4.4 Procurement Policy(Cont.)

Approach



As a council, the choices we make when procuring goods and services can significantly impact our communities and the quality of life we have in the district.

As our procurement policy is due for review this is an opportunity to provide some information to Council and receive some feedback to ensure that staff is on the right track.

So why reviewing the policy ?

- Vastly out of date - last updated 2012
- To align with new regulations and best practices
- To enhance transparency, accountability, and efficiency
- To support local businesses and sustainability
- 2To strengthens risk management and financial controls

Policy objectives and principles



Objectives of the proposed policy

The objective of the Procurement Policy is to ensure that all procurement activities within the Whakatāne District Council are conducted in a manner that achieves:

1. Value for money for Council.
2. Efficiency, transparency, and accountability.
3. Outcomes for the local economy and sustainable practices.
4. This policy aims to provide clear decision-making and accountability in the procurement process.

Procurement principles

This policy aligns with the New Zealand Government Procurement's five principles. These principles are the overarching values and provide the foundations of good procurement practice. The principles are:

1. Plan and manage for great results.
2. Be fair to all suppliers.
3. Get the right supplier.
4. Get the best deal for everyone.
5. Play by the rules.

Key Proposed Changes



Proposed Key Changes to the policy :

1. Integrating Broader outcomes to the policy.
2. Reestablishing the role of the Procurement assessment panel
3. Reviewing of the Financial Thresholds

Benefits

- Aligns with new regulations and best practices
- Enhances transparency, accountability, and efficiency
- Supports local businesses and sustainability
- Strengthens risk management and financial controls

Introduction of Broader Outcomes 1/2



BROADER OUTCOMES



Cultural wellbeing *Oranga Ahurea*

We encourage initiatives that embrace cultural diversity, inclusivity of all people and revitalisation of our indigenous heritage through Mātauranga Māori (knowledge).

5



Social wellbeing *Oranga Hapori*

We promote and facilitate opportunities that lead to a healthy, safe and connected community.



Economic wellbeing *Oranga Ōhanga*

We support ethical economic prosperity through employment, upskilling and innovative supply-chain initiatives that encourage a resilient workforce and reduced inequalities.



Environmental wellbeing *Oranga Taiao*

We support initiatives and innovations that protect and enhance our community's natural environment, and enable the reduction of carbon emissions and waste.

Introduction of Broader Outcomes 2/2



Broader outcomes

These are the secondary benefits generated by the procurement activity: these outcomes can be incorporated in Council's procurement decision to generate greater public value.

How strongly do we want to consider Broader Outcomes in terms of competitive tender weighted outcomes.
(Eg mandate - weightings / or consider etc?)

4.4 Procurement Policy(Cont.)

Reestablishing Procurement Assessment Panel



Purpose/Role

The Procurement Assessment Panel serves as the review body for all significant (over \$200k) and high-risk procurement activities undertaken by the Council, ensuring the adequacy of the Procurement Policy and overseeing its implementation.

Info

- 3 General Managers to be on the panel, facilitated by Procurement and Risk Manager
- Terms of Reference have been drafted

4.4 Procurement Policy(Cont.)

Updated Financial Thresholds



Financial Thresholds

The objective of this Procurement Policy is to ensure that all procurement activities within the Whakatāne District Council are conducted in a manner that achieves:

- 1. Value for money for Council.
- 2. Efficiency, transparency, and accountability.
- 3. Outcomes for the local economy and sustainable practices.

This policy aims to provide clear decision-making and accountability in the procurement process.

<u>Procurement Value</u>	<u>Method Selection</u>	<u>Approver</u>	<u>Purchasing Means</u>
Less than \$50k	– Direct Purchase	❖ DFA	Authorised Purchase Order OR Contract/Agreement for any goods or services over \$10k
\$50k - \$200k	– Direct procurement when there is only one qualified supplier or when the time and cost of a competitive process exceed the benefits of competition; – Obtain 3 quotes – Competitive Tender Process Complete and document your decision within Short form Procurement Plan	❖ DFA	Contract/ Agreement
Over \$200k	– Competitive Tender Process unless a valid exemption from open competition is approved Complete and document your decision within Full Procurement Plan	❖ Procurement Assessment Panel	
An Exemption process will be required if a Procurement deviates from the Standard Procurement process.			
For NZ Transport Agency Waka Kotahi Funded Procurement – please refer to limits set out within the WDC Transport Procurement Strategy Document.			
All Procurements for consultants valued over \$10k require a contract number and a Consultancy agreement.			

4.4 Procurement Policy(Cont.)

Communication and Engagement



Policy aligns with the 'Consult' level on the IAP2 Engagement Spectrum, which means:

- We will gather public feedback
- We will listen to and acknowledge concerns and aspirations.
- We will provide feedback on how public input influenced our decisions.

Engagement and communication approach:

- Primary focus: Engage suppliers already registered with us.
- Direct engagement:
 - Contact registered suppliers directly via email.
 - Ensure key stakeholders receive relevant information first.
- Broader engagement:
 - Take a lighter-touch approach for wider communication/engagement.
 - Raise awareness through social media, website, digital screens and media releases etc.

Outcome:

Effectively inform and engage those most impacted, while also providing opportunities for broader community input.

4.4 Procurement Policy(Cont.)

Next Steps



Given how our procurement can impact our communities and the quality of life we have in the district, staff is recommending to go out for consultation to engage not only with suppliers but also the wider community.

Proposed timeframe :

1. 8 May 2025 Council - Draft policy to be approved by Council to go for consultation
2. May 2025 Consultation.
3. 26 June 2025- Council - Hearings if any, deliberation and adoption.

=> Alongside with this policy review, staff will start working on how to implement broader outcomes

5 Reason to Exclude the Public - *Te take kia aware te marea*

5 *Reason to Exclude the Public - *Te take kia aware te marea**

There will be a Public Excluded section of the Council Briefing. The reasons to exclude as follows:

- Enable Councils to **carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)** Section 7(2)(i)