Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

COUNCIL EXTRAORDINARY MEETING AGENDA

Tuesday 8 October 2024 at 1pm

Council Chamber
Liardet Street, New Plymouth

Chairperson:	Mayor	Neil	Holdom
Members:	Cr	Tony	Bedford
	Cr	Sam	Bennett
	Cr	Max	Brough
	Cr	Gordon	Brown
	Cr	David	Bublitz
	Cr	Murray	Chong
	Cr	Amanda	Clinton-Gohdes
	Cr	Harry	Duynhoven
	Cr	Bali	Haque
	Cr	Te Waka	McLeod
	Cr	Anneka Carlson	Matthews
	Cr	Dinnie	Moeahu
	Cr	Marie	Pearce
	Cr	Bryan	Vickery

Purpose of Local Government
The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option outlined in each report meets the purpose of local government and:

- Promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of Council, or transfer the ownership or control of a strategic asset to or from Council.

OPENING KARAKIA

Tutawa Mai

Tūtawa mai i runga
Tūtawa mai i raro
Tūtawa mai i roto
Tūtawa mai i waho
Kia tau ai
Te mauri tū
Te mauri ora
Ki te katoa
Haumi e, hui e, tāiki e!

I summon from above
I summon from below
I summon from within
I summon from the outside
environment
to calm and settle
the vital inner essence
the wellbeing of everyone
Be joined,
together united!

Te Kaunihera-ā-Rohe o Ngāmotu
New Plymouth District Council

Health and Safety Message / Te Whaiora me te Marutau

In the event of an emergency, please follow the instructions of Council staff.

Please exit through the main entrance.

Once you reach the footpath please turn right and walk towards Pukekura Park, congregating outside the Spark building. Please do not block the footpath for other users.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Please be mindful of the glass overhead.

Please remain where you are until further instruction is given.

APOLOGIES / NGĀ MATANGARO

Councillors Clinton-Gohdes and Haque

CONFLICTS OF INTEREST / NGĀ ARA KŌNATUNATU

1. People who fill positions of authority must undertake their duties free from real or perceived bias. Elected members must maintain a clear separation between their personal interests and their duties as an elected member. Failure to do so could invalidate a Council decision and leave the elected member open to prosecution and ouster from office.

2. An elected member is entitled to interact with the Council as a private citizen. However, they cannot use their position as an elected member to gain an advantage not available to the general public.

3. Elected and appointed members will:

   - Declare any interest whether pecuniary or non-pecuniary at a meeting where the interest is relevant to an item on that agenda.

   - Exclude themselves from any informal discussions with elected members relating to a matter they have an interest in.

   - Seek guidance from the Chief Executive if they are unclear of the extent of any interest.

   - Seek guidance or exemption from the Office of the Auditor General if necessary.

ADDRESSING THE MEETING

Requests for public forum and deputations need to be made at least one day prior to the meeting. The Chairperson has authority to approve or decline public comments and deputations in line with the standing order requirements.

PUBLIC FORUM / ĀTEA Ā-WĀNANGA

Public Forums enable members of the public to bring matters to the attention of the committee which are not contained on the meeting agenda. The matters must relate to the meeting's terms of reference. Speakers can speak for up to 5 minutes, with no more than two speakers on behalf of one organisation.

- None advised

DEPUTATIONS / MANUHIRI

Deputations enable a person, group or organisation to speak to the meeting on matters contained on the agenda. An individual speaker can speak for up to 10 minutes. Where there are multiple speakers for one organisation, a total time limit of 15 minutes, for the entire deputation, applies.

- None advised

REPORTS

LOCAL WATER DONE WELL – TARANAKI WATER SERVICE DELIVERY OPTIONS ANALYSIS AND DIRECTION

MATTER / TE WHĀINGA

1. The matter for consideration by Council is to determine how to progress development of a Water Services Delivery Plan with options to proceed with regional analysis, opt-out and proceed with independent analysis or proceed with both joint and independent analysis.

RECOMMENDATION FOR CONSIDERATION / NGĀ WHAIKUPU

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

a) Note that Central Government has legislated that Local Authorities are to develop, and publicly consult on a Water Services Delivery Plan by 3 September 2025.

b) Note that these Plans can either be developed on an individual Council basis or jointly, depending on the preferred model chosen.

c) Note that analysis to date has been in conjunction with Stratford and South Taranaki District Councils and focused on a long list of options from enhanced status quo through to a regional Water Services Council Controlled Organisation (WSCCO).

d) Note that high-level financial modelling has been completed on a cost per connection basis only. Further detailed financial modelling will consider revenue tariff/sources in the next stage.

e) Agrees to develop both joint and independent Water Services Delivery Plans to:

i) Enable undertaking of more detailed analysis on both scenarios to support future decision-making.

ii) Maximise the time available to gain support, buy-in and consensus among all Councils.

iii) Maintain 'off ramp' opportunities without risking central government interference or extending into the pre-election period.

COMPLIANCE / TŪTOHU	
Significance	This matter is assessed as being of some importance.
Options	This report identifies and assesses the following reasonably practicable options for addressing the matter: 1. **Progress with regional analysis** to inform a joint Water Services Delivery Plan. 2. **Do not progress with regional analysis** and develop an independent Water Services Delivery Plan. 3. **Develop both** a joint and independent Water Services Delivery Plan.
Affected persons	The persons who are affected by or interested in this matter are all residents and ratepayers of New Plymouth District, (particularly (but not limited to) those who receive, or could potentially receive, drinking water, wastewater and stormwater services) and iwi and hapū.
Recommendation	This report recommends Option 3 for addressing this matter.
Long-Term Plan / Annual Plan Implications	This decision does not have any direct implications on the Long-Term Plan or Annual Plan. When implemented, regardless of the option pursued, new water legislation requires Three Waters to be removed from Council's Long-Term Plan and a new waters specific planning framework being implemented. Depending on the model implemented this change may have a significant impact on future budgets, occurring as part of the Long-Term Plan 2024-34 and beyond. Specifically: • Establishment costs for the new water model are not budgeted for in the LTP. • New legislation states that significant activities will no longer be delivered by Council, with corresponding decreases to revenue, expenditure, debt reserves and assets. • Council may have stranded overheads to address as well.
Significant Policy and Plan Inconsistencies	There are no immediate inconsistencies with policies and plans at this point in time. Policies, plans and bylaws may need to be reviewed following enactment of future legislation.

EXECUTIVE SUMMARY / WHAKARĀPOPOTOTANGA MATUA

2. On 3 September 2024, Central Government passed the Local Government (Water Services Preliminary Services Arrangements) Act, establishing the Local Water Done Well framework and starting the 12-month timeframe for local Councils to develop Water Services Delivery Plans (WSDP).

3. The Water Service Delivery for Taranaki Project was established in March 2024, to ensure Taranaki Councils were positioned to respond to the new legislation and meet the government's deadlines.

4. The Taranaki Mayoral Forum accepted a Project Mandate on 14 March 2024, and approved proceeding to Stage 2: Options Analysis and explore options for the region in-line with the release of new legislation.

5. Taranaki Councils, in partnership with GHD Consulting, completed high-level financial modelling and multi-criteria Analysis against a range of options from enhanced status quo through to a regional Water Services Council Controlled Organisation (WSCCO). Multiple workshops were held to ensure te Tiriti partners and key stakeholders were kept informed of progress throughout.

6. The high-level financial modelling indicates that a joint regional WSCCO will deliver savings compared to three separate WSCCOs however NPDC will be a net contributor, i.e. the cost per connection to NPDC is higher when part of a regional WSCCO when compared to it forming a WSCCO on its own. The joint regional WSCCO also scores higher in relation to the achievement of investment objectives and critical success factors.

7. The high-level financial modelling has been completed on a cost per connection basis only. Feedback from council workshops is to understand the revenue/tariff sources: consider network price zones, and/or volumetric pricing. Further detailed financial modelling would consider how each District fund its own investments for a period of time whilst sharing the benefits of scale equally across the region.

8. Each participating Council[1] has undertaken the same process by running individual Council workshops, leading to an extraordinary meeting to determine how to proceed.

9. This report provides the advantages, disadvantages and risks for each option to assist elected members when determining next steps.

10. Officers recommend Option 3, the development of both joint and independent Water Service Delivery Plans to mitigate the identified risks.

[1] Participating Councils are New Plymouth District Council (NPDC), Stratford District Council (SDC) and South Taranaki District Council (STDC).

11. The Secretary for Local Government retains the right to reject plans that do not comply with the Act for resubmission by a specified date. Where a Plan is not submitted in accordance with the Act, or a resubmitted Plan does not meet the requirements of the Act, the Minister of Local Government may appoint a Crown Water Services Specialist[2] (at council's expense).

BACKGROUND / WHAKAPAPA

12. Councillors may wish to refer to the following documents for background information:

Document	Link
Department of Internal Affairs (DIA) Future water services delivery system website	Water Services Policy Future Delivery System - dia.govt.nz This page provides an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill. • Local Water Done Well Overview • Water service delivery models: Guidance for local authorities August 2024 (PowerPoint) • Financing for councils and water organisations • Planning and accountability for local government water services • Future arrangements for stormwater • Economic regulation and consumer protection • Drinking water quality regulation • Standards to help reduce water infrastructure costs
Local Government (Water Services Preliminary Arrangements) Act 2024	Local Government (Water Services Preliminary Arrangements) Act 2024 No 31, Public Act Contents – New Zealand Legislation

[2] A Crown Water Services Specialist can prepare a Plan for the Council(s), direct the Council(s) to adopt a specified Plan (which may be a Plan that the Crown Water Services Specialist has prepared), or direct the Council(s) to submit a specified Plan to the Secretary.

The Three Waters Reforms process has a long history

13. Following the serious campylobacter outbreak in 2016 in Havelock North and the Government Inquiry into Havelock North Drinking Water, central government has considered the issues and opportunities facing the system for regulating and managing the Three Waters (drinking water, wastewater and stormwater). The result of those investigations has led to considerable reform.

14. The first stage of legislative reform was the Taumata Arowai-the Water Services Regulator Act 2020. This established Taumata Arowai as a new Crown entity to regulate water services. The next legislative reform was the Water Services Act 2021. That Act replaced parts of the Health Act 1956 with a stricter compliance standard, particularly for drinking water. The Government also brought in the National Policy Statement for Freshwater Management 2020 under the Resource Management Act 1991 which, while more broadly aimed than three water services, has significant impact on the environmental regulation of three water service delivery.

15. In 2020 the Government established the Three Waters Reforms Programme. This Programme assessed various options for the future management of three water services.

16. On 30 June 2021 the Minister of Local Government, the then Minister Hon Nanaia Mahuta, announced the Government's proposed reform. This consisted of four new Water Services Entities. NPDC would be part of Entity B, spanning the middle of the North Island and water services would transfer by default to these new entities.

17. In April 2023 because of feedback to the Minister of Local Government, changes to Waters Reform were announced. This included increasing water service entities from 4 to 10 to strengthen local representation and voice. NPDC would be part of Entity D, along with South Taranaki and Stratford District Councils.

18. Following the national election, in November 2023 a new direction for water services delivery was announced – Local Water Done Well (LWDW) - and in February 2024 the Government introduced and passed legislation to repeal all legislation relating to water services entities.

19. The Local Government (Water Services Preliminary Arrangements) Act 2024 that establishes the LWDW framework and the preliminary arrangements for the new water services system, was enacted on 2 September 2024. The Act lays the foundation for a new approach to water services management and financially sustainable delivery models that meet regulatory standards.

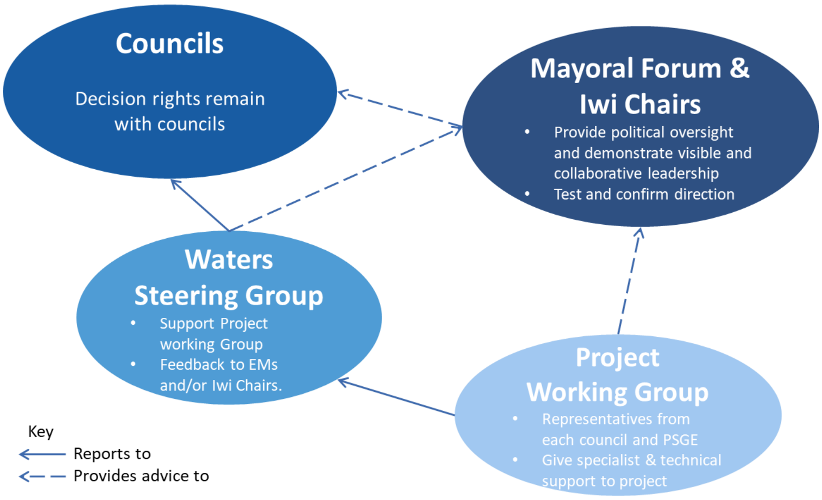
20. A critical component of the Local Government (Water Services Preliminary Arrangements) Act 2024 is the statutory requirement for all Councils to submit a WSDP to Central Government by 3 September 2025.

Water Service Delivery for Taranaki Project

21. In approving the project mandate, the Mayoral Forum established The Water Service Delivery for Taranaki Project. As a cross-Council project, this ensures the Taranaki Councils are well positioned to respond to the changing legislation and meet the government's deadlines.

22. The Project governance arrangements are outlined in Figure 1 below. The Project Steering Group included participating Council Chief Executives and two representatives from Post Settlement Governance Entities (PSGEs).

Figure 1: Water Service Delivery for Taranaki Project Governance Arrangements



23. A Project Mandate was presented to the Taranaki Mayoral Forum on 14 March 2024, outlining a staged approach to explore options for the region and seek approval to progress to Stage 2, Options Analysis.

24. The Taranaki Councils (using remaining Transition Support Funding from the Department of Internal Affairs (DIA)) proactively established the project to undertake the Stage 2: Options Analysis in-line with the release of new legislation.

25. The participating Councils jointly drafted the project outcomes which were confirmed by the Mayoral Forum. The Project Steering Group confirmed a long list of reasonably practicable options from enhanced status quo, through to a regional Waters CCO (WSCCO) model and this was tested in workshops with District Mayors and nominated Elected Members in June 2024.

26. High-level financial analysis and multi-criteria Analysis across a long list of options was completed as part of Stage 2: Options Analysis. These outputs were shared with each Council at independent Council workshops in September 2024.

27. This analysis and outputs of Stage 2: Options Analysis is attached as Appendix 1. Water Service Delivery for Taranaki Project – Indicative Business Case.

28. Central government legislation informed the analysis as it was released. This included stormwater responsibilities, new financing options for Councils (including WSCCOs ability to borrow up to 500% operating revenue) and other requirements such as financial separation and new accountability frameworks.

Staged Approach and Opt-Out Provisions

29. The project was designed in a staged approach to ensure that:

    a) Buy-in and consensus is established to proceed to each decision gateway, giving 'off ramps' to decision makers along the way.

    b) Taranaki Councils proceed and keep up momentum to define what water delivery services should be in a Taranaki context but do not get too far ahead of central government legislation.

30. Time is taken to complete robust analysis (including in-depth financial analysis) to arrive at a preferred solution that is agreed to by all partners before committing unnecessary time and resource.

31. This report signals the first of three decision gateways, with the second in late January/early February 2025. The second gateway will confirm a preferred option prior to public consultation, and the third gateway (post consultation - circa July/August 2025) being prior to submission of a finalised WSDP to central government.

32. While it is each participating Council's prerogative to determine the option that best reflects the needs and preferences of their community, given the 12-month timeframe mandated by Central Government it is important to signal intentions as early as possible for the benefit of all parties.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS / HURINGA ĀHUARANGI

33. Subject to final legislation, it is a reasonable assumption that water service providers, regardless of the delivery model chosen, will have the objective to deliver water services in a sustainable and resilient manner.

34. Council's Emissions Reduction Plan identifies significant opportunities to reduce greenhouse gas emissions within the water and wastewater services. Both services are significant sources of emissions through both their operations and capital works programmes. Officers would expect that a new delivery model would seek to implement emission reduction initiatives, but there is no assurance of this.

35. A key consideration to determining the most appropriate future delivery model is the ability of the different models to implement changes to service delivery. Climate change considerations are one example of the types of changes that the preferred model will need to be able to implement.

NEXT STEPS / HĪKOI I MURI MAI

36. Irrespective of the decision to develop a joint, independent or dual WSDPs, the next steps are:

    a) Confirm a draft WSDP by late January 2025.

    b) Undertake public consultation in March-April 2025 on the draft WSDP.

    c) Determine the final WSDP July/August 2025 prior to submission to central government in early September 2025.

37. The development of a draft WSDP will require a series of workshops to be completed, focusing on the ownership structure options, governance arrangements, stormwater arrangements and transition planning, as well as further financial analysis to determine:

    a) 'Revenue sufficiency' - sufficient revenue to cover the costs (including servicing debt) of water services delivery.

    b) 'Investment sufficiency' - projected investment is sufficient to meet levels of service, regulatory requirements and provide for growth; and

    c) 'Financing sufficiency' - funding and financing arrangements are sufficient to meet investment requirements

SIGNIFICANCE AND ENGAGEMENT / KAUPAPA WHAKAHIRAHIRA

38. In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being of some importance.

39. While the ultimate decision around water service delivery for the district will involve strategic assets[3], have implications for Council's purpose and obligations and will include financial costs for Council and the community; this meeting/report is not the final decision-making juncture.

40. It is proposed that public consultation will be undertaken in line with the streamlined consultation approach as outlined by government. This will require Councils to consult based on status quo and their preferred delivery model.

[3] The Strategic Asset list includes the Stormwater Network, Drainage, Water Supply Network and Treatment, Wastewater Network and Treatment

41. Further detail on streamlined consultation is expected in the next Bill, due for release in December 2024.

OPTIONS / KŌWHIRINGA

42. There are three reasonably practicable options:

    a) **Progress with regional analysis** to inform a joint Water Services Delivery Plan.

    b) **Do not progress with regional analysis** and develop an independent Water Services Delivery Plan.

    c) **Develop both** a joint and independent Water Services Delivery Plan.

43. NPDC has approximately $346k of Transition Support Funding remaining from the Department of Internal Affairs to be utilised to assist the development of the Water Service Delivery Plan.

44. The cost estimates for each option are set out in Table 1 below and include the following:

    - Internal staff time (including project team members),
    - External/independent analysis
    - Te Tiriti partner participation
    - Legal/regulatory advice and review
    - Consultation resource and consultation activities.

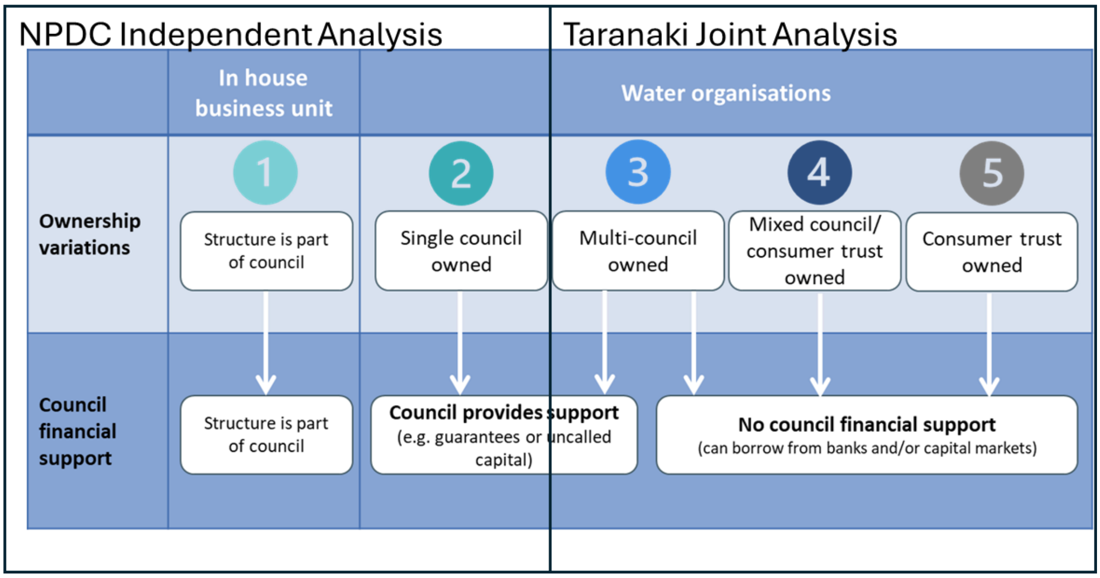
Table 1: Option Cost Estimate Breakdown – NPDC Contribution

Option	Total estimate Stage 3[4] ('000')	Total estimate Stage 3 + 4[5] ('000')	Notes
1. Joint WSDP Development	$275k	$485k	Assumed shared costs include detailed analysis, consultation design and engagement activities
2. Independent WSDP Development	$360k	$630k	No shared costs anticipated
3. Dual WSDP Development	$415k	$740k	Increased resourcing, larger scope for financial analysis and increased engagement and legal costs. Some shared costs assumed.

45. It is important to note that any cost sharing arrangements are yet to be agreed with participating Councils, therefore these estimates are subject to change.

46. There are further sub-options within joint or independent WSDP development that Council will need to be considered in the next stage. The proposed water service delivery models available under LWDW are presented in figure 2.

Figure 2: Illustrative examples of service delivery models (DIA Sept 2024)



[4] Stage 3 is Oct 2024 to end Jan 2025, to take us through to the next decision gate.
[5] Stage 3 & 4 is Oct 2024 to end Jun 2025, includes public consultation and takes us through to formal Council resolution of the preferred model.

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

47. This matter promotes the achievement of multiple community outcomes including:

    a) Trusted – providing trust and confidence in our due diligence and considered approach to water service delivery outcomes.

    b) Thriving Communities – the delivery of water services is paramount to the health and wellbeing of our communities.

    c) Environmental excellence – our approach to water service delivery within the region will have capacity to meet environmental outcomes and the principles contained within Te Mana o Te Wai.

    d) Prosperity – the chosen model for water service delivery in Taranaki has a long-term outcome of attracting talent, growth and future investment into the region.

Statutory Responsibilities / Ngā Haepapa ā-ture

48. Standard Local Government Act 2002 obligations apply to this decision.

49. Progressing towards the development of a WSDP will meet recent LWDW legislation enacted by government in September 2024. It will also enable us to meet the future statutory responsibilities expected to be confirmed in Bill 3, December 2024.

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

50. This work is being undertaken as a result of legislative change and Central Government direction. While the LTP provided for a regional work programme, no budgetary allowance was made for progressing this work on the three waters.

51. Council Officers will ensure elected members are kept up to date on any inconsistencies with the LTP allowances and recommendation for additional funding and/or resources (if required).

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

52. The community were asked in the 2024 LTP consultation for feedback on whether the Council should explore joint options for the future delivery of water services. Of 2533 submissions regarding water services were received, 60% supported investigation of alternative delivery options.

53. Further public consultation is planned for March-April 2025 as the next stage of the project (Stage 4: Recommendations & Decision Making).

54. The next gateway decision is planned for late January 2025 to confirm Council's comfort with proceeding to public consultation prior to a Consultation Document being developed and consultation activities proceeding.

Participation by Māori / Te Urunga o Ngāi Māori

55. To date, the Water Service Delivery for Taranaki Project has had involvement and input from iwi/mana whenua by way of PSGE members sitting on the Steering Group, Pou Taiao staff on the Project Working Group and a workshop held with District Mayors and Iwi Chairs.

56. The draft Indicative Business Case has been shared with Steering Group members including PSGE representatives for comment and their feedback has been incorporated into the report.

57. Te Tiriti partners will continue to be part ongoing discussions and workshops in the next stage of the project.

Option 1
Progress with regional analysis to inform a joint WSDP

Financial and Resourcing Implications / Ngā Hīraunga ā-pūtea, ā-rauemi

58. Within the approved Project Mandate, Stage 3: Detailed Assessment has a high-level budget of $150k tagged for detailed analysis undertaken by an external firm. These costs would be shared amongst participating Councils with NPDC's contribution being $79,500 (53%).

59. Further budget has been tagged to support other work programme costs, including Council Officer requirements (both project members and the wider internal team (as required), Te Tiriti partner participation and legal/regulatory review costs. Most of these costs are assumed to be shared if proceeding with a joint plan, minus internal staff time.

60. The overall budget for Stage 3: Detailed Assessment[6] for NPDC is ~$275k. This is within the overall budget for this mahi and will be paid for by remaining Transition Support Funding[7].

[6] From October 2024 to end January 2025.
[7] Noting these are maximum amounts and assumes that external consulting/contractor support is required for detailed financial analysis.

Risk Analysis / Tātaritanga o Ngā Mōrearea

61. The risks associated with this option are summarised in the table below:

Risk	Implications
Regional partners opt-out within the 12-month timeframe	Council to seek an extension of time from government leading to: a) increased risk of Central Government enacting legislative 'step in' powers b) increased political risk by extending timeframes into local body elections
Lack of capacity and/or engagement by participating Councils	Inability to discuss and debate the 'big calls' around ownership structure, governance arrangements, stormwater arrangements and transition planning to inform a joint WSDP
Outputs are not aligned with preferred political outcomes	Time and funding are expended on detailed analysis that does not align with political appetite, and consequently disregarded

62. There following additional risks are present in all options:

a) Decision-making standstill – inability or unwillingness to decide or continuously requiring more information/analysis, leading to increased public consultation requirements or extended timeframes

b) Unbudgeted establishment costs - no provision for establishment costs have been made in the LTP, leading to unbudgeted costs for NPDC[8]

63. To confirm the legality/legislative compliance of a joint WSDP, budget has been tagged for legal review at three points along the development pathway.

Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga.

64. The high-level financial analysis and outcome of the multi-criteria analysis is outlined in the attached Indicative Business Case.

65. When looking at the estimated cost per connection, the cost for New Plymouth to be part of a regional WSCCO is greater than going alone. This includes initial establishment/transition costs and ongoing contribution to asset replacement, improvements to levels of service, regional capital works programme and additional demand.

[8] At the time the LTP was prepared there was insufficient understanding of Government's intentions to enable meaningful budgeting. Some establishments costs can be debt funded by a new organisation.

66. When considering the long-term investment objectives, a regional WSCCO scores higher than other options on elements such as sustainable funding, supporting an attractive market for regional investment and growth, and ensuring well maintained and regulatory compliant water systems. The regional WSCCO is followed by Option 2, Enhanced Status Quo with additional Shared Services that scored high in other Investment Objectives such as sustainable funding and supporting local accountability and responsiveness.

67. The advantages and disadvantages of developing a joint/regional plan only are outlined in the following table:

Advantages	Disadvantages
• Continued partnership to explore regional options. • Maintains 'off ramps' for participating Councils. • Signal to central government Taranaki's willingness to align with the intent of LWDW. • Further analysis on the highest rated option from the multi-criteria analysis.	• Risk making a decision too early and not investigating other viable options. • Risk of perception that the joint plan/regional WSCCO is a fait accompli to the community. • Not actively mitigating the risks outlined above i.e. partners opting out, political risk.

Option 2
Do not progress with joint analysis and proceed with an independent WSDP.

Financial and Resourcing Implications / Ngā Hīraunga ā-pūtea, ā-rauemi

68. Similar levels of finance and resourcing is required for this option. Noting that cost sharing with other participating Councils would no longer be an option.

69. This would increase costs by an estimated $85k, bringing the total budget for Stage 3 to $360k. This is still within the overall budget for this mahi and will be paid for by both remaining Transition Support Funding and internal operational budgets[9].

[9] Noting these are maximum amounts and assumes that external consulting/contractor support is required for detailed financial analysis.

Risk Analysis / Tātaritanga o Ngā Mōrearea

70. The risks associated with this option are summarised in the table below:

Risk	Implications
Future government mandates to amalgamate with other Councils	NPDC would be required to implement further change to our water service delivery model
Orphan Councils	If large or medium sized Councils opt to develop independent WSDPs, there is increased risk of smaller Councils who are unable to demonstrate financial sustainability being forced to do the same and these not being accepted by government.

71. As noted in option 1, the following additional risks are present in all options:

a) Decision-making standstill – inability or unwillingness to decide or continuously requiring more information/analysis, leading to increased public consultation requirements or extended timeframes

b) Unbudgeted establishment costs - no provision for establishment costs have been made in the LTP, leading to unbudgeted costs for NPDC [10]

72. To confirm the legality/legislative compliance of a joint WSDP, budget has been tagged for legal review at three points along the development pathway.

Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga.

73. Referring to the high-level financial analysis and outcome of the multi-criteria analysis in the attached Indicative Business Case, NPDC going alone is the most cost-effective option. Noting there are upfront establishment costs for an independent WSCCO, costs per connection in outyears are lower than in a regional WSCCO model.

74. The Department of Internal Affairs have recently inputted our LTP information into their financial model and have found no material issues with NPDC's financial sustainability, should we choose to develop an independent WSDP. This confirms that all delivery options remain available to NPDC, including an In-House Business Unit.

75. Pursuing an independent solution has a lower risk option compared to the joint regional option as it avoids the partnership and political risks outlined in Option 1, and ensures we meet the 12-month legislative timeframe.

[10] Noting some establishments costs can be debt funded by a new organisation.

76. It is important to note that if an independent WSCCO model was pursued at this stage, future 'on ramps' could be made available to our regional partners. The design of a single-Council WSCCO including 'on ramps' could be explored as part of the next stage.

77. The advantages and disadvantages of NPDC proceeding with an independent plan only are outlined in the following table:

Advantages	Disadvantages
• There is enough evidence that NPDC 'going alone' is a viable option. • Mitigation of risks inherent in joint/regional planning. • Faster process with reduced complexities. • Ensures we meet the 12-month deadline for submission to central government.	• Risk making a decision too early and not investigating other viable options • Risk of perception that NPDC is not 'thinking outside the box' with others to find a regional solution. • Further pressure may/could be applied by central government to consider other options.

Option 3
Develop both a joint and independent WSDP.

Financial and Resourcing Implications / Ngā Hīraunga ā-pūtea, ā-rauemi

78. This option assumes a larger scope for financial analysis, additional engagement and consultation costs, an increased legal budget and additional internal resourcing.

79. Shared costs are assumed across consultation resources and activities, te Tiriti partner participation, external/independent financial analysis and some resourcing costs. However, these shared costs are yet to be agreed.

80. Initial estimates indicate this option would cost $415k in the next stage. This is still within the overall budget for this mahi and will be paid for by both remaining Transition Support Funding and internal operational budgets[11].

[11] Noting these are maximum amounts and assumes that external consulting/contractor support is required for detailed financial analysis.

Risk Analysis / Tātaritanga o Ngā Mōrearea

81. Some of the risks present in option 1 are also applicable to this option. These are summarised in the table below:

Risk	Implications
Lack of capacity and/or engagement by participating Councils	Inability to discuss and debate the 'big calls' around ownership structure, governance arrangements, stormwater arrangements and transition planning to inform a joint WSDP
Outputs are not aligned with preferred political outcomes	Time and funding are expended on detailed analysis that does not align with political appetite, and consequently disregarded
Increased costs	Dual plan development incurs increased costs, noting that one version of a WSDP will be discarded at the final decision gate.
Disruption to BAU	Increased resourcing efforts from Three Waters and Finance teams could lead to disruption or reprioritisation of agreed work programmes.

82. As noted in option 1, the following additional risks are present in all options:

a) Decision-making standstill – inability or unwillingness to decide or continuously requiring more information/analysis, leading to increased public consultation requirements or extended timeframes.

b) Unbudgeted establishment costs - no provision for establishment costs have been made in the LTP, leading to unbudgeted costs for NPDC[12].

83. To confirm the legality/legislative compliance of a joint WSDP, budget has been tagged for legal review at three points along the development pathway.

[12] Noting some establishments costs can be debt funded by a new organisation.

Advantages and Disadvantages / Ngā Huanga me Ngā Taumahatanga.

84. As the scoring of the options in the multi-criteria Analysis and the advantages and disadvantages of both a joint WSCCO and NPDC WSCCO have been explored earlier in this paper, the following table speaks only to the advantages and disadvantages of developing both/dual plans in the next stage:

Advantages	Disadvantages
• More detailed analysis on both scenarios to support decision-making. • Gaining time to support buy-in and consensus. • Maintains 'off ramps' without risking central government interference or extending into local elections. • Ensures we meet the 12-month deadline for submission to central government.	• Increased funding and resourcing required, with potential disruptions to BAU. • May still result, or even contribute to political indecision. • May result in the desire to publicly consult on multiple options, increasing scope and complexity.

Recommended Option
This report recommends Option 3 for addressing this matter.

APPENDICES / NGĀ ĀPITIHANGA

Appendix 1 Water Service Delivery for Taranaki, Indicative Business Case (ECM 9348087)

Report Details
Prepared By: Helen Gray, Manager Integrity & Innovation
Team: Integrity & Innovation
Approved By: Gareth Green, Chief Executive
Ward/Community: District Wide
Date: 8 October 2024
File Reference: ECM 9345531

---*End of Report* ---

Water Services Delivery for Taranaki

Indicative Business Case

26 September 2024

→ **The Power of Commitment**

Project name	Water Services Delivery for Taranaki Indicative Business Case
Document title	Water Services Delivery for Taranaki | Indicative Business Case
Project number	12597702 – TO-13
File name	Indicative Business Case

Status Code	**Revision**	**Author**	**Reviewer**		**Approved for issue**		
			Name	**Signature**	**Name**	**Signature**	**Date**
S4		Logan Peck David Walker	Andrew Smith		Tim Eldridge	*Tim Eldridge*	26/09/24

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Executive Summary

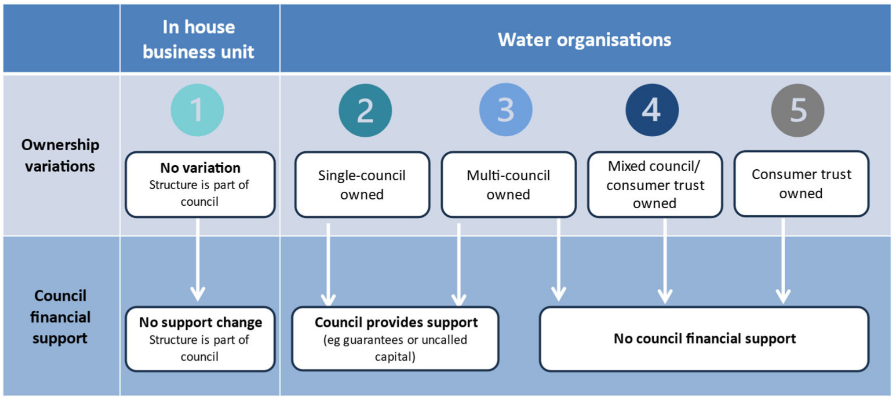
New Plymouth, South Taranaki, and Stratford District Councils have agreed to jointly undertake this Indicative Business Case (IBC) and have dedicated a Project Working Group and Waters Steering Group to help manage the project, alongside the Mayoral Forum and Iwi Chairs. Elected members in each Council retain decision-making power.

This IBC responds to the New Zealand Government's desire for reform in the water sector, which is being implemented through the Department of Internal Affairs' "Local Water Done Well" Programme. The purpose is to assess the case for change with regard to the establishment of a Water Services Council-Controlled Organisation (WSCCO) regionally.

Legislative Environment

While there have been many changes over the last few years in the legislation around water service delivery, the latest Bill Three has helped solidify the available options, and the requirements for Water Service Delivery Plans.

The following shows the list of confirmed service-delivery options from Bill Two - Preliminary Arrangements Bill



The main points of significance to come from the precursory advice from the DIA that was released in anticipation of Bill 3:

- Confirmation of the debt caps being up to 500% of operating revenue for both single-council and regional WSCCOs
- Stormwater was confirmed to continue as the legal responsibility of the councils but with the option to be outsourced to another organisation.
- Current funding arrangements for stormwater are retained in council. Accordingly, stormwater debt limits will continue to be managed under existing council limits, and CCO debt limits will be based on operating revenues for wastewater and drinking water only.
- Guidance around what a Water service delivery plan is expected to contain. It is a plan to demonstrate how councils can, separately or jointly, provide water services, and additionally:
  - meet level of service requirements
  - meet all regulatory and drinking quality standards
  - be financially sustainable by 30 June 2028
  - demonstrate how it will unlock housing growth and urban development as specified in the LTP.
  - Undertake an affordability assessment for water service delivery
- with a due date of the end of August 2025.
- The introduction of consumer trusts as an operating model, including mixed council / consumer trust (regional scenario only) owned vs 100% consumer trust owned (single-council scenario only) entities.

Strategic Alignment

Further to the legislative requirement to address water services delivery, there are several synergies with other strategic documents, including the National Policy Statement for Freshwater Management, Taumata Arowai, Tapuae Roa, Taranaki 2050, iwi management plans, and the councils' LTPs and District Plans.

The strategic context was further established for this project and are set out below.

Problem Statements

- Funding gap and affordability
- Ageing assets
- Commercial inefficiencies
- Compliance shortfall
- Partner expectations
- Community expectations
- Resilience
- Building and retaining talent/capability
- Legislation / regulation uncertainty
- Asset data
- Government programme integration
- Non- serviced areas coverage

Key Requirements

- Economies of scale
- Ratepayer affordability
- Improved service quality
- Sustainable resource management
- Regulatory compliance
- Community engagement

Benefits

- Protection of receiving environments
- Reduced costs and improved efficiencies
- Clear accountability and strategic decision-making
- Resourcing efficiencies
- Improved regulatory compliance
- Proactive management and sustainable practices
- Improved resilience

Risks

- Changing Legislation
- Political Unacceptability
- Cross-Subsidisation Untenable
- Ongoing Demand for Higher Standards/Levels of Service
- Intergenerational Equity
- Protection of the Sources
- Renewals Backlog
- Sustainability of WSCCOs
- Insurance Outlook with Increasing Cycle of Climatic Events
- Iwi Engagement Vacuum
- Debt Ceilings
- Increased Cost of Future Water Service Delivery

Constraints

- Lack of Certainty Regarding Asset and Investment Quality Information:
- Changing Legislation:

Dependencies

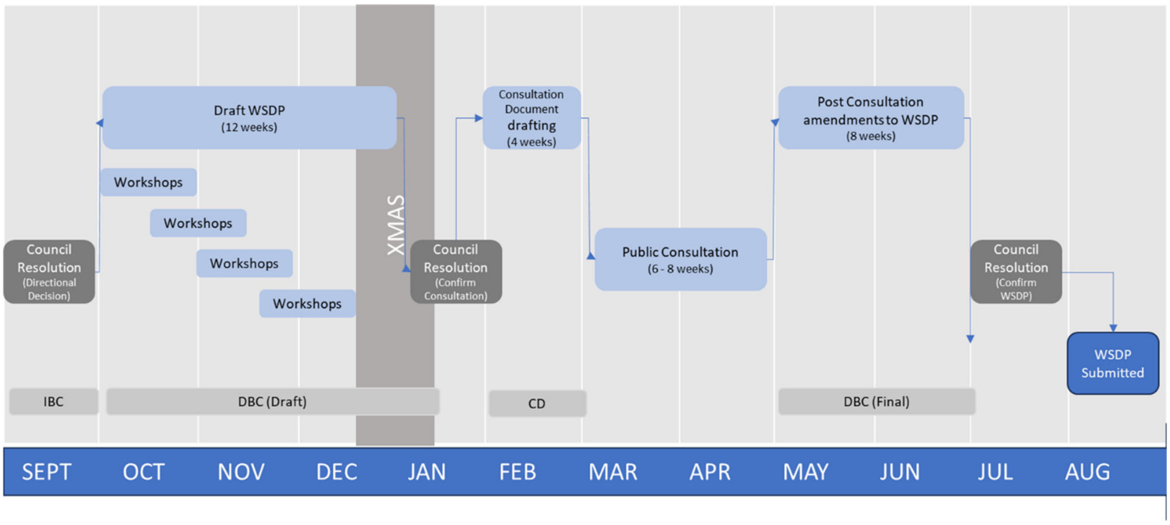
- Councils coming together
- Legislation
- Meeting regulatory requirements
- Community expectations

Planning Assumptions

- Councils having comparable LTP numbers
- Timetable
- Councils being able to create their own funding streams through revenue and debt

Timetable

To produce the water service delivery plans and potential structural changes, the timetable below is assumed to be correct. Changes to this timetable will impact the reliability of the findings of this business case.



Regional Water System Outcome Statements

The following statements were agreed to reflect the requirements for any regional water system and form the basis for the investment objectives in the options analysis.

Critical Success Factors

In addition to the above investment objectives, a set of critical success factors has been used to assess the mechanics of each option and form part of the Multi-Criteria Analysis (MCA). These are:

– Achievability
– Value for money
– Optimal scale and structure
– Long term flexibility

Long list of Options

Initially the long list was drafted by GHD and agreed with the Project Working Group before being endorsed by the Mayoral Forum and Iwi Chairs. Changes have since been made to reflect the shifting legislative environment, resulting in the following long list of options:

1 Enhanced Status Quo

2 Enhanced Status Quo + Shared Services

3 Taranaki Regional WSCCO

4 Single-Council WSCCO

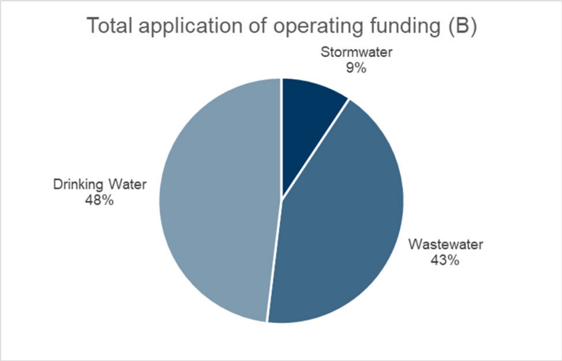
5 Outsourced to private sector

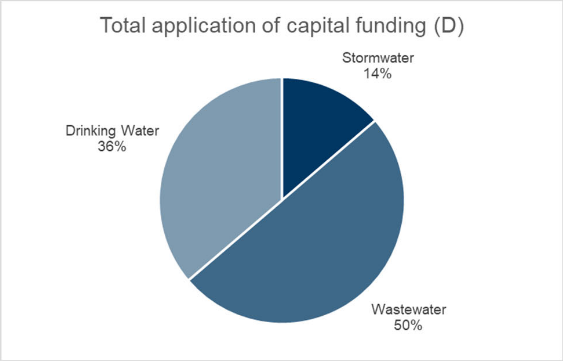
6 Outsourced to other council

7 Regional consumer trust

Stormwater inclusion in a WSCCO

Stormwater makes up 9% of operational expenditure, and 14 percent of capital expenditure across the three councils.





The impact of this being excluded entirely, or being included in the WSCCO expenses without contributing to the revenue and debt limits was also assessed.

The results of the MCA indicate that the strengths and weakness of each option are relatively even when averaged across all the considerations. However, the following factors also need to be considered regarding Taranaki's unique characteristics:

– Local preferences in the 'strategic' consideration areas of legislation, iwi, funding, and environment
– The integrated three waters regulatory overlay within the context of a smaller region

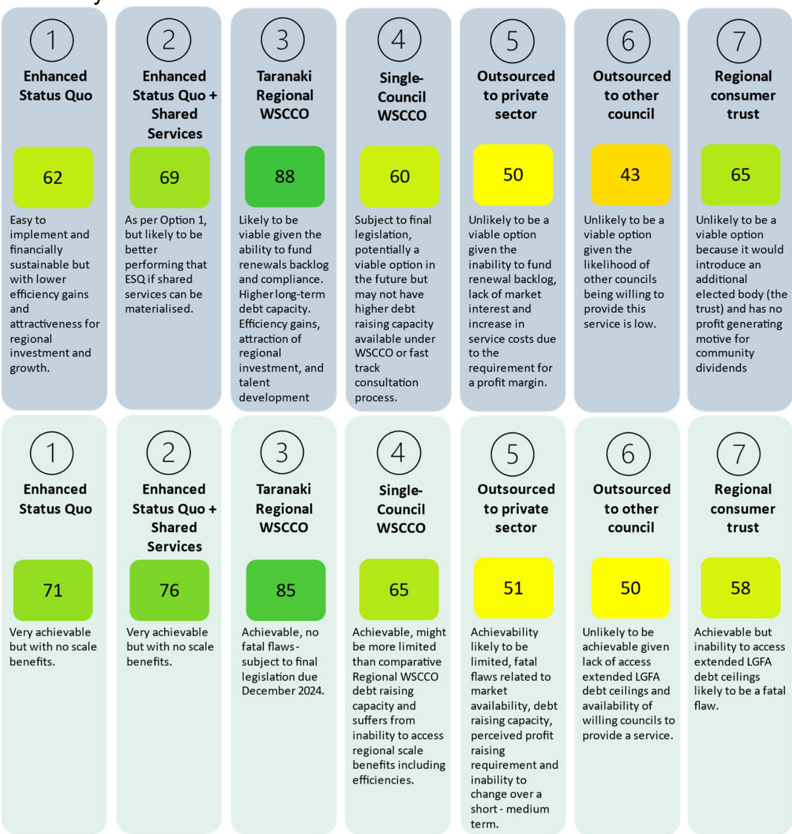
These additional factors may influence the final decision.

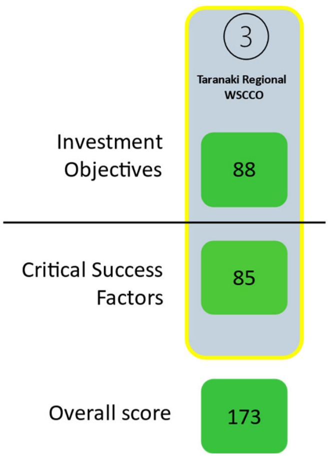
MCA Assessment

Option 3, which involves the establishment of a Regional WSCCO, received the highest scores with regards to both the IOs and CSFs. This option aligns with key objectives around funding for the renewal backlog and increased compliance. It is also expected to deliver significant benefits in terms of value for money, and is considered to be achievable from a political standpoint and could eventually merge into a larger entity.

Three options without fatal flaws scored within 20 points of each other, but still below the Regional WSCCO model. Options 1, 2 and 4 scored well on achievability, and Option 4 also scored well for supporting an attractive market for regional investment and growth. Options 5, 6 and 7 were subject to fatal flaws, particularly around funding restraints.

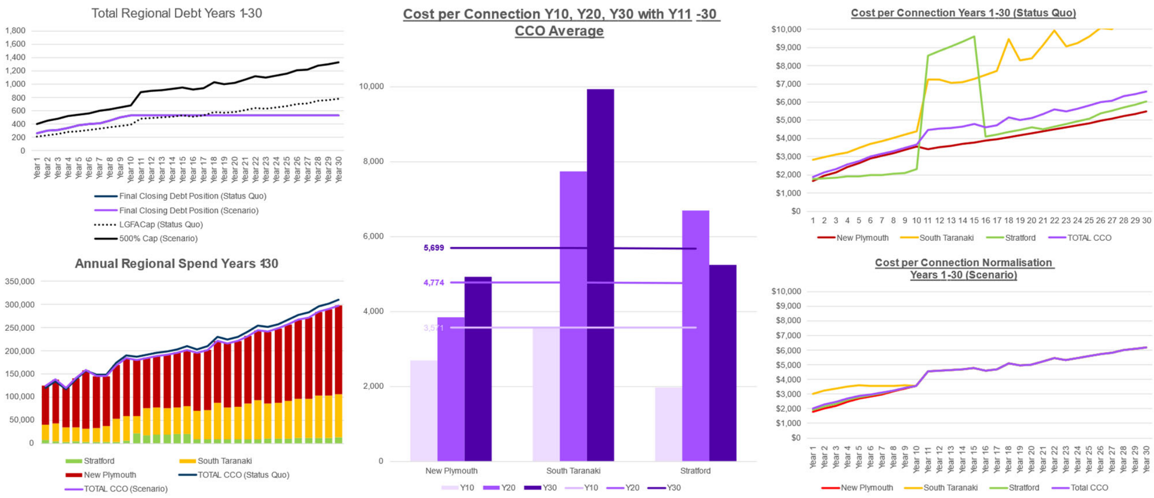
A more detailed summary of the MCA Assessment is provided in Appendix B that contains a breakdown of the scores by each individual IOs and CSFs.





Financial Modelling

High-level financial modelling was subsequently undertaken to evaluate the two highest scoring options, to determine the impact of increased costs as well as efficiency savings on each council, should they decide to pursue either option. A list of the assumptions used in the model is available in Appendix A



Summary Findings

New Plymouth is a net contributor to the CCO throughout the thirty-year modelling.

South Taranaki is a net beneficiary of the CCO throughout the thirty-year modelling[1].

Stratford is a net contributor in the first ten years, and a net beneficiary from year 11 to 20 and a net contributor in years 21 to 30.

Joint Regional CCO vs Single-Council WSCCO

The cost to establish a regional WSCCO looks less expensive for South Taranaki and Stratford than establishing a standalone, single-council WSCCO. New Plymouth pays more in a regional WSCCO model than in their standalone scenario.

There are significant initial costs for establishing a WSCCO which are indicated by the gap between the Year 10 bars and the Year 10 lines in the cost per connection graph (centre).

Implications for amalgamation

Large capital expenses, such as those experienced by Stratford in years 11-16, are able to be smoothed across the whole CCO. For each council, this means potential for increased peace of mind that when unexpected costs arise, there is a larger ratepayer base to spread the costs across.

Preferred Option

No preferred option has been stated, as the decision-making remains with elected members of each council.

Note regarding Commercial and Management Cases:

These have not been developed as agreed between GHD and the councils, as they would subsequently form part of the Water Services Delivery Plan.

[1] South Taranaki have indicated that they have a significant number of water-by-meter users that are not contributing to the number of connections used for this analysis. Hence, the numbers for South Taranaki are likely be overstated in this model as the water-by-meter rates would likely be increased in line with the fixed and targeted rates in the LTP.

Contents

Table index

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Appendices

1. Strategic Case

This Indicative Business Case (IBC) has been prepared by GHD for New Plymouth District Council, as coordinator for the three Taranaki territorial authorities of New Plymouth, Stratford, and South Taranaki District Councils[2]. It responds to the New Zealand Government's desire for reform in the water sector, which is being implemented through the Department of Internal Affairs (DIA) Local Water Done Well Programme. The IBC discusses options for three waters service delivery in the Taranaki region which are consistent with the Programme.

The evidence expected of an IBC is indicative by nature. It provides the decision-makers with an early opportunity to consider change and confirm the preferred option being considered before more detailed evidence is gathered in a detailed business case (DBC). The Taranaki Water Service Delivery IBC stemmed from the agreed on Regional Water Outcome Statements that were developed. Activity to date has also involved developing the IBC building blocks (financial and non-financial) and engaging through a series of informal workshops including staff, executives, iwi engagement reps and elected members to gain inputs and provide insights.

1.1 Organisational Overview

The way in which the three waters are currently delivered is through each council's internal departments separately, directly to rate payers. Councils collect the revenue through various streams, including general rates, targeted rates, user pays and development contributions. It is not currently ring-fenced, so the revenue is shared between different departments.

The three councils have agreed to jointly undertake the IBC and have dedicated a Project Working Group and Waters Steering Group to help manage the project, alongside the Mayoral Forum and Iwi Chairs. Elected members in each Council retain decision-making power. The organisational structure of this engagement is outlined in Figure 1 below.

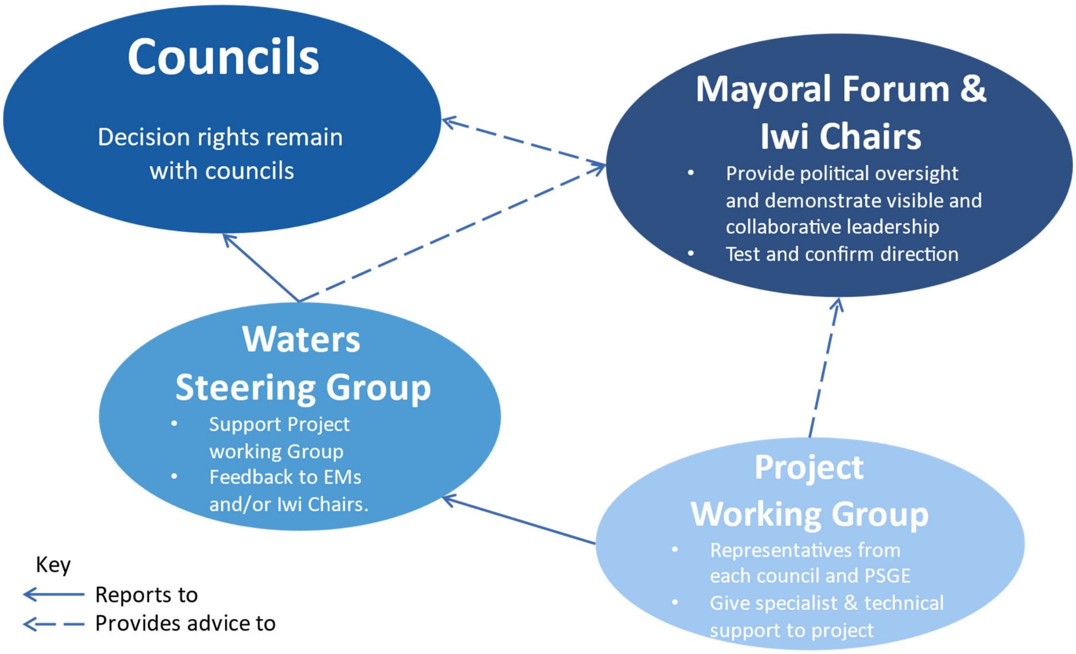


Figure 1 Taranaki Region Three Waters IBC Organisation Structure

[2] GHD has been onboarded as the partner for the Taranaki Councils in developing the IBC through to the first decision gate (and through to Detailed Business Case as/if agreed).

1.2 Brief History Of Reform

In **Mid-2017**, following the Government Inquiry into Havelock North drinking water, the Government established the Three Waters Review to look at how to improve the regulation and service delivery arrangements of drinking water, wastewater and stormwater.

In **July 2020**, the Three Waters Reform Programme was announced in response to mounting evidence of the challenges facing three waters service delivery nationally. Subsequent key dates included:

March 2021, Taumata Arowai established as the new independent water regulator.

March 2021, the three Taranaki territorial authorities commissioned GHD to develop an Indicative Business Case (IBC) that discussed options for three waters service delivery in the Taranaki region. The assessment of options at the time showed a preference for Option 2, a Taranaki region asset owning entity. An interim report was developed but not progressed following the decision of the Government to centralise the reform process.

June 2021, the Government decided to progress the reforms, including announcing the proposal to create four Water Services Entities of which Taranaki would be part of ‘Entity B’.

April 2023, the Government decided on changes to the water services reform programme. These changes included increasing the number of new water services entities from four to ten and strengthen local representation and voice.

November 2023, off the back of the national election, a ‘stop work’ notice was issued to the DIA and new direction for waters services delivery announced. This new direction includes repealing the previous Government’s water services legislation and restoring council ownership and control of water infrastructure and services.

December 2023, the Taranaki region recommissioned GHD to revisit and complete the IBC as a result of the reform mandate being returned to local government.

February 2024, Parliament passed the Water Services Acts Repeal Bill 12-1 (2024) that repeals previous legislation to establish 10 publicly owned Water Services Entities and restores local council ownership and control of water services, and responsibility for service delivery.

May 2024, The Local Government (Water Services Preliminary Arrangements) Bill (Bill Two) introduced by the Government requiring the development of Water Service Delivery Plans and other related requirements.

August 2024 – The details of Bill Three and guidelines were announced containing details relating to water entities, funding and financing, regulation, stormwater arrangements and other accountability requirements. The main points of significance to come from the precursory advice from the DIA[3] in anticipation of Bill 3 were:

- Confirmation of the debt caps being up to 500% of operating revenue for both single-council and regional WSCCOs
- Stormwater was confirmed to continue as the legal responsibility of the councils but with the option to be outsourced to another organisation
- Current funding arrangements for stormwater are retained in council. Accordingly, stormwater debt limits will continue to be managed under existing council limits, and CCO debt limits will be based on operating revenues for wastewater and drinking water only
- Guidance around what a Water service delivery plan is expected to contain. It is a plan to demonstrate how councils can, separately or jointly, provide water services, and additionally:
  - meet level of service requirements
  - meet all regulatory and drinking quality standards
  - be financially sustainable by 30 June 2028
  - demonstrate how it will unlock housing growth and urban development as specified in the LTP.
  - Undertake an affordability assessment for water service delivery

  This plan has a due date of the end of August 2025.

[3] Department of Internal Affairs. (2024). *Local Water Done Well legislation*. https://www.dia.govt.nz/Water-Services-Policy-legislation-and-process

– The introduction of consumer trusts as an operating model, including mixed council / consumer trust (regional only) owned vs 100% consumer trust owned (single council only) entities.

The following shows the list of confirmed service-delivery options from Bill Two - Preliminary Arrangements Bill

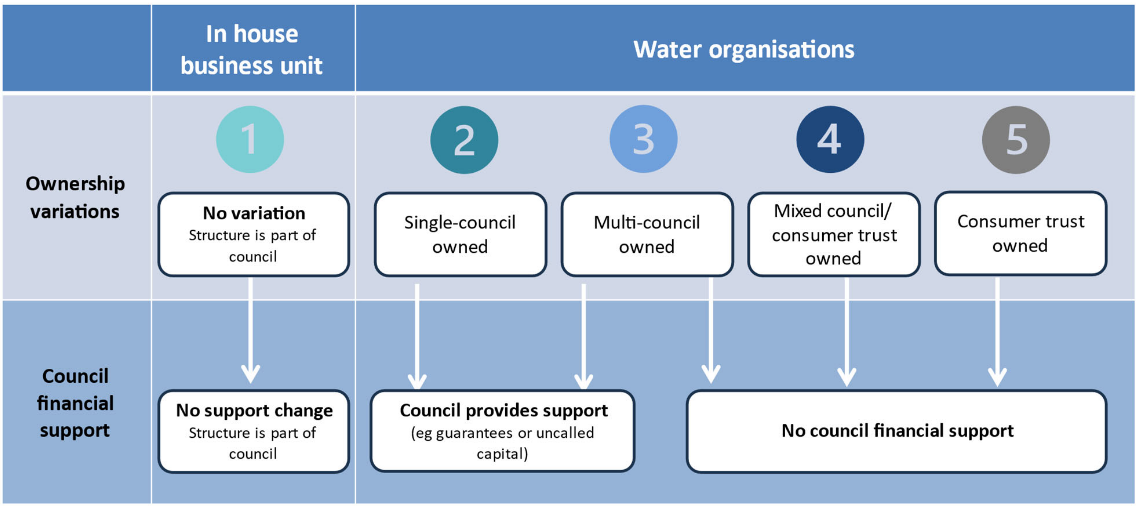


Figure 2 List of confirmed service-delivery options

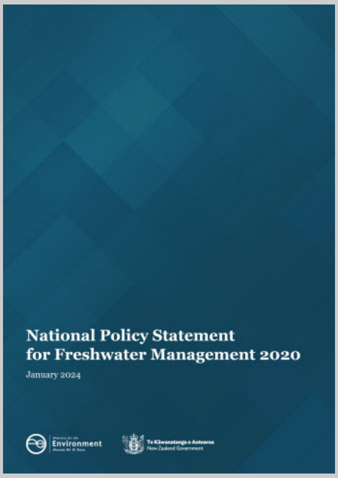
1.3 National Strategies

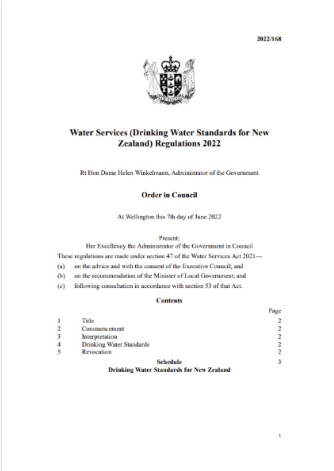
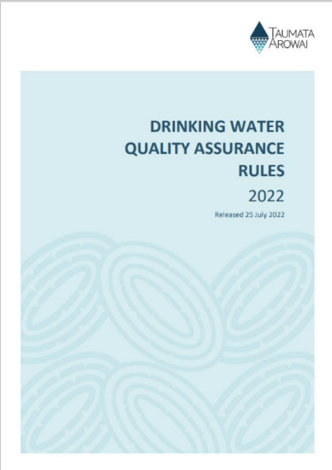
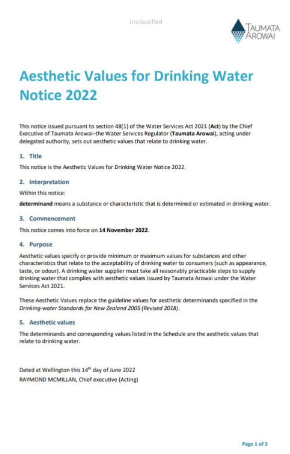
There are several national strategies to which the development of either a single-council or a joint regional WSCCO would be strategically aligned. These include the National Policy Statement for Freshwater Management (NPS-FM), Various regulation from Taumata Arowai, and the parliamentary bills themselves.

1.3.1 Environmental Regulation

The environmental regulation that covers freshwater management is included in Table 1.

Table 1 National Environmental Regulations

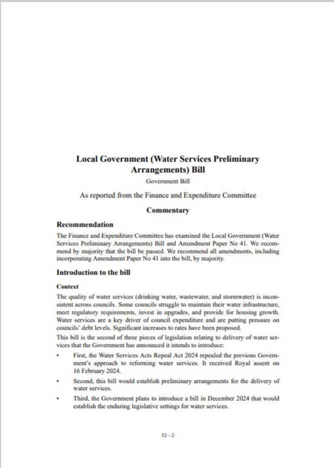
Strategy	Alignment
	**National Policy Statement for Freshwater Management 2020** The National Policy Statement for Freshwater Management sets the environmental standards for freshwater, including the setting of bottom lines for indicators such as E. coli. Approaches to implementing the National Policy Statement include: **Integrated Management**: CCOs can facilitate the integrated management of water services, ensuring that freshwater management objectives are met in a coordinated manner. **Regulatory Compliance:** CCOs can streamline consultation and decision-making processes, helping councils meet the NPS-FM requirements more efficiently.

	**Water Services (Drinking Water Standards for New Zealand) Regulations 2022** **Regulatory Compliance:** The Bill requires councils to develop Water Services Delivery Plans that ensure water services meet regulatory standards, including drinking water quality. **Transparency and Accountability:** The Bill mandates councils to provide detailed information about their water services operations, promoting transparency and accountability in meeting drinking water standards. **Streamlined Processes:** The Bill includes provisions for streamlined consultation and decision-making, helping councils establish CCOs that comply with drinking water regulations.
	**Drinking Water Quality Assurance Rules 2022** The Drinking Water Quality Assurance Rules have been prepared by Taumata Arowai in accordance with section 49 of the Water Services Act 2021, including the public consultation requirements set out in section 53 of the Act. **Compliance and Oversight:** The CCO supports all drinking water suppliers to comply with the new rules, providing consistent oversight and management. **Modular Approach:** The rules allow the CCO to apply them proportionately based on the scale, complexity, and risk profile of each water supply. **Sector Collaboration:** The CCO can work closely with various stakeholders, reflecting the input and perspectives of technical and sector reference groups.
	**Aesthetic Values for Drinking Water Notice 2022** Aesthetic values specify or provide minimum or maximum values for substances and other characteristics that relate to the acceptability of drinking water to consumers (such as appearance, taste, or colour) **Compliance**: A CCO sees that drinking water meets the aesthetic values set by Taumata Arowai, such as appearance, taste, and odour, enhancing consumer satisfaction. **Quality Control:** By centralising water services, a CCO can implement consistent quality control measures to maintain the aesthetic standards**.** **Efficiency:** A CCO can streamline operations and resources, making it easier to monitor and address any issues related to the aesthetic values**.** **Public Trust:** Adhering to these values helps build public trust in the water supply, demonstrating a commitment to providing high-quality drinking water.

1.3.2 Economic Regulation

Key economic regulation is included in the Local Government Bill as outlined in Table 2 below.

Table 2 Economic regulation



Local Government (Water Services Preliminary Arrangements) Bill

Government Bill

As reported from the Finance and Expenditure Committee

Commentary

Recommendation

The Finance and Expenditure Committee has examined the Local Government (Water Services Preliminary Arrangements) Bill and Amendment Paper No 41. We recommend by majority that the bill be passed. We recommend all amendments, including incorporating Amendment Paper No 41 into the bill, by majority.

Introduction to the bill

Context

The quality of water services (drinking water, wastewater, and stormwater) is inconsistent across councils. Some councils struggle to maintain their water infrastructure, meet regulatory requirements, invest in upgrades, and provide for housing growth. Water services are a key driver of council expenditure and are putting pressure on councils' debt levels. Significant increases to rates have been proposed.

This bill is the second of three pieces of legislation relating to delivery of water services that the Government has announced it intends to introduce:

- First, the Water Services Acts Repeal Act 2024 repealed the previous Government's approach to reforming water services. It received Royal assent on 16 February 2024.
- Second, this bill would establish preliminary arrangements for the delivery of water services.
- Third, the Government plans to introduce a bill in December 2024 that would establish the enduring legislative settings for water services.

52—2

Local Government (Water Services Preliminary Arrangements) Bill

Streamlined Processes: The Bill provides streamlined processes for councils to establish, join, or amend a WSCCO, making it easier for councils to collaborate and manage water services efficiently.

Financial Sustainability: Councils can choose financially sustainable configurations for water service delivery, ensuring long-term viability and compliance with regulatory standards.

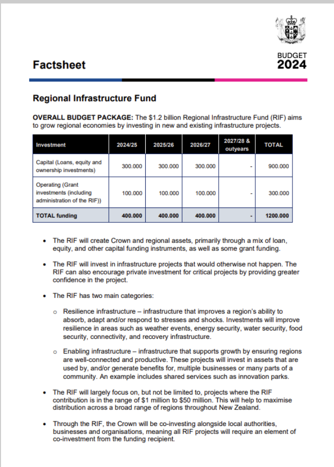
Joint Arrangements: The Bill requires that councils prepare Water Services Delivery Plans (WSDPs) and allows these to be joint plans which promotes collaboration and shared responsibility in water service management.

Regulatory Compliance: WSCCOs must meet relevant regulatory quality standards for stormwater, wastewater, and water supply networks, ensuring high-quality service delivery.

1.3.3 Linkage With Other Government Programmes

The WSCCO is also aligned to the Regional Infrastructure Fund which is summarised in Table 3.

Table 3 Linkage with other Government programmes



Factsheet BUDGET 2024

Regional Infrastructure Fund

OVERALL BUDGET PACKAGE: The $1.2 billion Regional Infrastructure Fund (RIF) aims to grow regional economies by investing in new and existing infrastructure projects.

Investment	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Capital (Loans, equity and ownership investments)	300.000	300.000	300.000	-	900.000
Operating (Grant investments (including administration of the RIF))	100.000	100.000	100.000	-	300.000
TOTAL funding	**400.000**	**400.000**	**400.000**	**-**	**1200.000**

- The RIF will create Crown and regional assets, primarily through a mix of loan, equity, and other capital funding instruments, as well as some grant funding.
- The RIF will invest in infrastructure projects that would otherwise not happen. The RIF can also encourage private investment for critical projects by providing greater confidence in the project.
- The RIF has two main categories:
  - Resilience infrastructure – infrastructure that improves a region's ability to absorb, adapt and/or respond to stresses and shocks. Investments will improve resilience in areas such as weather events, energy security, water security, food security, connectivity, and recovery infrastructure.
  - Enabling infrastructure – infrastructure that supports growth by ensuring regions are well-connected and productive. These projects will invest in assets that are used by, and/or generate benefits for, multiple businesses or many parts of a community. An example includes shared services such as innovation parks.
- The RIF will largely focus on, but not be limited to, projects where the RIF contribution is in the range of $1 million to $50 million. This will help to maximise distribution across a broad range of regions throughout New Zealand.
- Through the RIF, the Crown will be co-investing alongside local authorities, businesses and organisations, meaning all RIF projects will require an element of co-investment from the funding recipient.

Regional Infrastructure Fund

The $1.2 billion Regional Infrastructure Fund (RIF) aims to grow regional economies by investing in new and existing infrastructure projects.

The fund consists of $900k allotted for Capital investment and $300k allotted for Operating costs.

The RIF has two main categories:

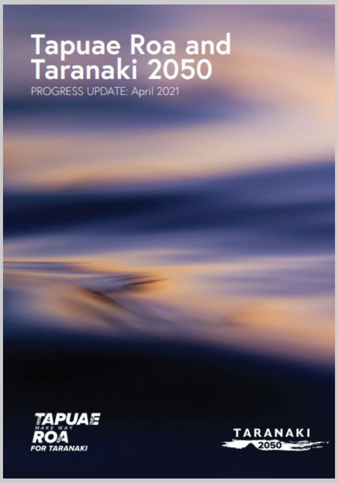
- Resilience Infrastructure – infrastructure that improves a region's ability to absorb, adapt and/or respond to stresses and shocks
- Enabling Infrastructure - infrastructure that supports growth by ensuring regions are well-connected and productive.

While three waters assets on the councils' networks are not able to be funded through the RIF, there is an opportunity for water assets that are "not 'business as usual' assets and are directly critically enabling for eligible RIF projects" to be funded through the RIF. Additionally, rural, community-owned water assets are also eligible for funding through the RIF.

1.4 Regional Strategies

The regional strategy that applies in this instance is outlined in Table 4 below.

Table 4 Regional Strategies

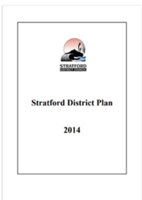
	**Tapuae Roa and Taranaki 2050** The regional strategies are designed to achieve a high value and low emissions future based on inclusivity and sustainability. **Sustainability:** By promoting sustainable water management practices, the CCO aligns with the goal of harnessing natural resources in a more sustainable way, contributing to environmental stewardship and long-term sustainability. **Efficient Resource Allocation:** The CCO can enable better allocation of funds towards resilient, self-sustaining water infrastructure, supporting the focus on efficient and sustainable infrastructure development. **Innovation and Investment:** The CCO's separation from the council political system can better support a shift in approach from traditional water management methods to more innovative and adaptive practices that allows for better allocation of funds toward long-term focused projects. **Māori Futures:** CCOs can serve as a designated body that facilitates partnerships with iwi and other stakeholders that align with the Tapuae Roa actions

1.5 Local Strategies

Based on the goals and values outlined in local strategies and plans, the development of a WSCCO fulfils the outcomes specified in the following documents included in Table 5

Table 5 Local Strategies

	**South Taranaki Long Term Plan 2024-2034** The South Taranaki LTP outlines the strategic direction and work program for the next ten years as guided by their community outcomes. The establishment of a CCO aligns with the outcomes as listed below: **Cultural:** CCOs can serve a designated body that facilitates partnerships with iwi and other stakeholders focused on three waters projects that reflect local priorities, values, and mauri. **Social:** By consolidating the region, the CCO enables a more connected community **Economic:** The CCO can allow better allocation of funds toward resilient, self-funded water infrastructure. **Environmental:** The CCO promotes a regional perspective on sustainable resource management.

	**New Plymouth District Council Long Term Plan 2024-2034** The CCO must align with NPDC’s strategic vision for a Sustainable Lifestyle Capital and their four key goals: **Trusted:** The CCO can serve a designated body that facilitates partnerships with iwi and other stakeholders focused on three waters projects that reflect local priorities, values, and mauri. **Thriving Communities and Culture:** By consolidating the region, the CCO enables a more connected community **Prosperity:** Streamlined regional water management will enhance local and wider business performance through efficient operation of essential services **Environmental Excellence:** The CCO allows a dedicated focus on three waters quality and meeting the safety requirements.
	**Stratford Long Term Plan 2024-2034** The LTP contains the community outcomes necessary to deliver the vision for the district. The outcomes below guide the development of strategies, policy and procedures and how the CCO aligns. **Welcoming:** The establishment of a joint regional CCO brings together a diverse range of people which allows a more inclusive community. **Resilient:** The improved allocation of funds through a CCO can be directed toward supporting resilient infrastructure while respecting Te Ao Māori values **Connected:** By consolidating the region, a CCO enables a more connected community Providing opportunities for community connection, engagement in democratic processes, partnerships with Mana Whenua, and advocating for necessary services. **Enabling:** Encouraging a diverse business community to support economic growth and business development
	**Council District Plans** Council District Plans are the main document that sets the framework for managing land use and development within each district. They contain objectives, policies, and rules to address resource management issues. The establishment of a joint regional CCO considers the district plans across the three councils. **Efficient Resource Management:** The CCO can streamline water resource management across the three councils, ensuring consistent application of best practices and efficient use of resources. **Ensuring Compliance:** The CCO will oversee adherence to the rules, standards, and conditions set out in the district plans when developing programmes of work **Environmental Protection:** The CCO can implementing policies to protect and enhance the natural resources as stated across the district plans.

1.6 Iwi Management Plans

Iwi management plans reflect their cultural values and priorities and are developed by iwi to address resource management issues of significance within the Taranaki region. Establishing a WSCCO can strategically align with these plans by enabling water management practices to respect and incorporate iwi perspectives, fostering collaborative governance and sustainable resource use.

The local iwi in the Taranaki region have developed environmental management plans that aim to protect, restore and sustain the natural environment and its freshwater bodies.

Iwi	Environmental Management Plan
Ngā Ruahine Rangi	Te Korowai o Ngāruahine Trust Annual Report [4]
Ngaa Rauru	Puutaiao Management Plan[5]
Ngāti Maniapoto	Maniapoto Environmental Management Plan[6]
Ngāti Maru	TBC
Ngāti Mutunga	Environmental Management Plan[7]
Ngāti Ruanui	TBC
Ngāti Tama	Ngāti Tama ki Te Tauihu Environmental Protection Plan
Taranaki iwi	Rautaki Tiaki Whenua – Reserves Management Plan[8]
Te Ātiawa	Tai Whenua, Tai Tangata, Tai Ao – Te Atiawa Iwi Environmental Management Plan[9]

Together these documents highlight key areas of significance that have been identified by the iwi which include:

Rangatiratanga (Right to exercise authority over enviro & cultural resources)	**Balancing** environmental & cultural values with economic efficiency
Kaitiakitanga (Guardianship) requiring environmental protection for future generations	Preventing the **loss of water bodies** e.g. wetlands
Promoting **agency** understanding and recognition of kaitiaki role	Contribution to **climate change mitigation**
Active engagement, advice, direction and encouragement in resource management	**Stormwater** capture, treatment and management
Restoration of **'Taiao'** healthy environment including water bodies	Avoiding the cross-catchment **mixing of waters**
Opposition to direct receiving environment of **'wastewater'**	Minimising the level of **water extraction**
Promotion of active enviro resource **monitoring**	Endorsement of **Te Mana o Te Wai** – hierarchy of water use

[4] https://www.ngaruahine.iwi.nz/all-documents
[5] https://www.rauru.iwi.nz/resources/resouces-single-page/puutiao-management-plan
[6] https://tenehenehenui.iwi.nz/3d-flip-book/maniapoto-environmental-management-plan-emp/
[7] https://www.ngatimutunga.iwi.nz/environment/
[8] https://taranaki.iwi.nz/our-environment/
[9] https://teatiawa.iwi.nz/tai-whenua-tai-tangata-tai-ao/

1.7 Regional Water System Outcome Statements

The regional water system outcome statements were developed and agreed upon by the Project Working Group and the Waters Steering Group on 13/05/2024. These outcome statements are included in Figure 3.

Figure 3 Regional Water System Outcome Statements

One of the key intended outcomes of WSCCO is that it provides a sustainable funding mechanism, resulting in improved investment into three waters assets. An entity like this can deliver operational efficiencies and scale economies allowing common goals to become more attainable.

Another key intention is for WSCCO to create an attractive market for regional investment and growth, aligning with overarching strategic direction of the region.

Thirdly, while acknowledging the treatment/application of Te Mana o Te Wawi has been altered, this outcome signals an intent to continue working with Te Tiriti Partners on how we are consistent with or guided by Te Mana o Te Wai principles. These principles are about "restoring and preserving the mauri of the wai…the balance between water, the environment and the community[10]". The project working group and Waters Steering Group have also highlighted the need for well maintained and regulatory compliant water systems as a key outcome.

Lastly, they would like to achieve sufficient staff capability and talent pipeline, and to support local accountability and responsiveness.

The outcomes noted in Figure 3 form the Investment Objectives (IOs) for the options evaluation. The IOs provide the metrics for evaluating successful return on investment. Understanding how effective an option is likely to be is based on critical success factors. In this case, the critical success factors are used to assess the mechanics of the options, particularly relating to identifying any fatal flaws that make the options infeasible.

[10] Ministry for the Environment. (2022). *Clause 1.3: The fundamental concept of Te Mana o te Wai and its use in the NOF*. **https://environment.govt.nz/publications/guidance-on-the-national-objectives-framework-of-the-nps-fm/clause-1-3**

1.8 Current Water Services Problem Statements

The following problem statements were agreed by the project working group on 06/06/2024.

Table 6 Problem Statements

#	Problem	Problem Evidence
1	Funding gap and affordability	Project mandate statement: Funding mechanisms and pressure to keep rates affordable has resulted in historic under investment and limited ability to fund for growth.
2	Ageing assets	Project mandate statement: Many, predominantly network, assets are assessed as requiring replacement, or the true condition of the asset is unknown.
3	Commercial inefficiencies	Project mandate statement: Multiple contracts, level of service and engineering standards across the region contributing to suboptimal financial and service delivery outcomes.
4	Compliance shortfall	Project mandate statement: Compliance with standards is difficult to achieve due to both the increasing water quality and environmental requirements and the capabilities for existing assets.
5	Partner expectations	Project mandate statement: Iwi/hapu have an overriding mission to protect the environment for future generations requiring sustainable environmental management to maintain water quality.
6	Community expectations	Project mandate statement: Community expectations of environmental performance, particularly relating to water bodies, have been rising and are expected to increase further over time.
7	Resilience	Project mandate statement: Some assets are vulnerable to the impact of natural hazards. Climate change may challenge the capacity of some assets such as stormwater.
8	Building and retaining talent/capability	Project mandate statement: The scale of operations spread across three councils, and the services they deliver directly makes it difficult to attract and retain talent/capability.
9	Legislation / regulation uncertainty	Project mandate statement: Legislation/regulation is still in progress with Government leaving a degree of uncertainty about the final operating model for delivery.
10	Asset data	Project mandate statement: AM confidence levels in asset information low per AMP disclosure which will challenge the accuracy underlying asset investment plans.
11	Government programme integration	Project mandate statement: The Government is separately mandating other infrastructure investments such as the Regional Infrastructure Fund which the Region needs to engage with given the linkage to component problems such as resilience and growth.
12	Non- serviced areas coverage	Project mandate statement: Current Council asset and investment plans focus on existing infrastructure which do not take account of a number of smaller non reticulated settlements requiring sanitary assessment.

1.9 Key Requirements

Based on the above outcome statements and problem statements, the following list of requirements have been identified relating to what a successful water service delivery system would achieve.

– **Economies of Scale**: By consolidating water services, the region can achieve cost savings through bulk purchasing, shared infrastructure, and streamlined operations. This reduces overall expenses and improves efficiency

– **Ratepayer Affordability:** Consolidation helps distribute costs more evenly across a larger customer base, making water services more affordable for individual ratepayers. This is particularly beneficial in ensuring that all communities, including those in rural areas, have access to affordable water services

- **Improved Service Quality**: A consolidated approach allows for better resource allocation and investment in advanced technologies, leading to enhanced service quality and reliability. This includes better maintenance, quicker response times to issues, and improved water quality
- **Sustainable Resource Management**: Consolidation supports more effective management of water resources by enabling comprehensive planning and coordination across the region. This ensures sustainable use of water resources, protecting them for future generations
- **Regulatory Compliance**: A unified water service entity can more efficiently meet regulatory requirements and standards, ensuring compliance with environmental and health regulations. This reduces the risk of penalties and enhances public trust
- **Community Engagement:** Consolidated water services can foster stronger relationships with local communities by providing a single point of contact for water-related issues. This improves communication, transparency, and responsiveness to community needs

1.10 Benefits of Increased Focus on Three Waters

Improving the governance and operations of Councils' Three Waters delivery can yield the following benefits:

- **Protection of receiving environments:** The receiving environments are protected through better wastewater management and pollution control, leading to healthier ecosystems. Additionally, it assists with drinking water meeting stringent safety standards, providing communities with reliable access to clean water
- **Reduced costs and improved efficiencies:** The region can also reduce costs and improve efficiencies by leveraging economies of scale. This means that resources can be pooled to achieve efficiency savings
- **Clear accountability and strategic decision-making:** Provision of clear accountability and strategic decision-making, aligning with the needs of the community and regulatory requirements. Economies of scale also contribute to maintaining assets more effectively, ensuring they are well-managed and resilient
- **Resourcing efficiencies:** Allows for better allocation of funds, supporting growth and development. A larger rating base spreads costs more evenly, making it easier to fund necessary improvements and expansions. This financial stability also makes the entity more attractive to investors, improving debt/equity ratios and enabling off-balance-sheet financing
- **Improved regulatory compliance:** Achieving Water Service Delivery Plans for example, becomes more manageable with a unified approach. Entities can meet legal standards and respond to changes in regulatory frameworks. Meeting the needs of mana whenua and Te Mana o te Wai (TMOTW) can also be prioritised, ensuring that water management respects cultural values and rights
- **Proactive management and sustainable practices:** Community and customer expectations are met through consistent levels of service, reducing vulnerability and risk. Healthy waters and positive environmental outcomes are achieved. Additionally, the consolidation reduces the risk of losing skilled personnel, retaining institutional knowledge and expertise
- **Improved resilience:** Increased job attractiveness and opportunities for training and development make the sector more appealing to potential employees. This not only helps retain talent but also ensures that the workforce is skilled and capable of meeting future challenges

1.11 Potential Risks

The potential risks were developed and agreed upon by the Project Working Group and the Waters Steering Group and workshopped with councils on 13/05/2024. To address the risks associated with consolidated water services, it's important to consider the following factors:

- **Changing Legislation:** The regulatory landscape for water services is constantly evolving. New laws and regulations can impact operational practices, requiring ongoing adaptation and compliance efforts.
- **Political Unacceptability:** Consolidation efforts may face resistance from political stakeholders who are concerned about losing local control or the perceived disadvantages of a centralised system.
- **Cross-Subsidisation Untenable:** Balancing the financial contributions from different areas can be challenging. Ensuring that wealthier regions do not disproportionately subsidise less affluent ones requires careful financial planning and transparent policies.

- **Ongoing Demand for Higher Standards/Levels of Service:** As communities grow and expectations rise, there will be continuous pressure to improve service quality and infrastructure. Meeting these demands requires significant investment and innovation.
- **Intergenerational Equity:** Planning for the long-term sustainability of water services is crucial. This involves making projections over 30 years rather than the traditional 10 years to ensure that future generations are not burdened with unsustainable practices.
- **Protection of the Sources:** Safeguarding water sources from contamination and overuse. This includes implementing robust environmental protection measures and sustainable resource management practices.
- **Addressing Renewals Backlog:** Many regions face a backlog of infrastructure that needs renewal or replacement.
- **Sustainability of WSCCOs:** Ensuring that a single region-based Water Services Council-Controlled Organisation (WSCCO) remains financially and operationally sustainable is a significant challenge requiring strategic planning and efficient resource management.
- **Insurance Outlook with Increasing Cycle of Climatic Events:** The increasing frequency and severity of climatic events pose risks to water infrastructure. Securing adequate insurance coverage and implementing resilient infrastructure designs will help mitigate these risks.
- **Iwi Engagement Vacuum in Current Water Service Legislation:** The break in the linkage with Te Mana o Te Wai has reduced the provisions for meaningful engagement with iwi. Ensuring that iwi perspectives and rights are incorporated into water management practices is essential for equitable and culturally respectful governance.
- **Managing Within Existing Debt Ceilings:** Council Business units must operate within existing debt limits, which can constrain their ability to finance necessary improvements and expansions.
- **Minimising the Increased Cost of Future Water Service Delivery:** As costs rise, finding ways to minimise the financial burden on ratepayers is crucial. This includes optimizing operations, leveraging economies of scale, and seeking alternative funding sources.

Addressing these risks requires a proactive approach to work towards water services that remain reliable, sustainable, and equitable for all communities involved. This approach should also work to minimise the increased cost of future water service delivery.

1.12 Constraints

To address the constraints associated with consolidated water services, it’s important to consider the following factors:

- **Lack of Certainty Regarding Asset and Investment Quality Information:** One of the primary challenges is the uncertainty surrounding the quality and value of existing assets and investments. This lack of reliable data makes it difficult to perform fair comparisons and assessments. To mitigate this, comprehensive asset audits and evaluations are necessary to establish a clear understanding of the current state of infrastructure and investments. This will enable more accurate planning and decision-making.
- **Changing Legislation:** The regulatory environment for water services is subject to frequent changes, which can impact the timing and completion of assessments and projects. Staying aware of legislative developments and maintaining flexibility in planning are important steps in working within this constraint. Additionally, engaging with policymakers and stakeholders can help anticipate and influence legislative changes, ensuring that the water services strategy remains compliant.

1.13 Dependencies

Dependencies of this project that may influence or be influenced by the success of the project include:

- **Councils coming together**: The Taranaki Councils are looking at their current situation and a range of possibilities regarding the future of water services. The level of cooperation in the exploration of joint models will influence the outcomes of the project, and the decisions made by each council will impact the outcomes of a potential joint model.

- **Legislation:** The legislative environment for three waters is continually evolving. Major changes to the legislation or its interpretations may significantly impact the process and outcomes of the project.
- **Meeting regulatory requirements:** The ability of the Taranaki Councils to meet the requirements of existing and upcoming regulation (including environmental and economic regulation), will both influence and be affected by the outcomes of the project.
- **Community expectations:** The communities of each council will have a significant role in determining the acceptability of any proposed water services council-controlled organisation, joint or otherwise. This may impact the decisions regarding proceeding with a joint regional model or a standalone model.

1.14 Planning Assumptions

Several Assumptions have been made at this early stage, including:

- **Councils having comparable LTP numbers:** It is fundamental to the modelling of any future scenarios that the LTP Funding Impact Statement (FIS)s are an apples-to-apples comparison. Any differences in the underlying assumptions used to create these FISs will impact the reliability of the findings of the high-level financial model.

  Timetable: To produce the water service delivery plans and potential structural changes, the timetable below is assumed to be correct.

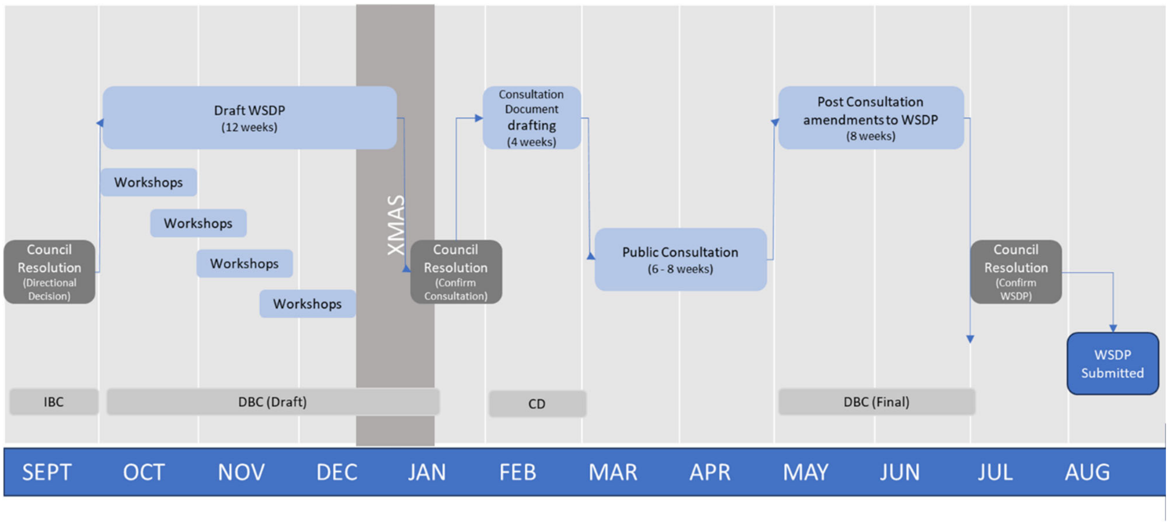


Figure 4 Timetable for production of WSDP

- **Councils being able to create their own funding streams through revenue and debt:** It is important for the reliability of the options assessment that councils are able to fund their involvement in any CCO, whether standalone or joint, through revenue and debt. The inability to access these funding mechanisms will impact the reliability of the findings of this business case.

2. Economic Case

The economic case focuses on the evaluation of financial and economic benefits for the proposed investment. Usually, a long list of potential options is explored and then narrowed down to a short list of options that can be assessed in more detail using an analysis framework. This process aims to uncover a clear pathway forward implementing a solution that will provide the best outcomes possible.

2.1 Critical Success Factors

In addition to the investment objectives in Section 1.7, a set of critical success factors has been used to assess the mechanics of each option and form part of the Multi-Criteria Analysis (MCA). These are:

– Achievability
– Value for money
– Optimal scale and structure
– Long term flexibility

These critical success factors were drafted by GHD and agreed upon by the Project Working Group and subsequently endorsed by the Mayoral Forum and Iwi Chairs in a workshop dated 15/07/2024.

2.2 Long List Of Delivery Options

The long list of options was drafted by GHD and agreed upon by the Project Working Group and subsequently endorsed by the Mayoral Forum and Iwi Chairs in a workshop dated 15/07/2024.

Removed Options

Initially, workshopped options included:

1. An ordinary Asset-owning CCO and
2. A non-asset-owning CCO.

These have both since been removed from the options assessment. The asset-owning CCO was removed once some details of the upcoming Bill Three were announced in August 2024, indicating that it will not have access to the increased debt ceilings. The non-asset-owning CCO has been removed as an option as the assessment of asset ownership is set to take place in the next phase of work, once a directional decision has been made by each council.

Additional Options

A single-council WSCCO was also included when the option was announced in August 2024, indicating that it would have access to the increased debt ceilings.

Further, the announcement of the Consumer trust models resulted in an additional option that is assessed below. The mixed-ownership consumer trust is the only option that can be taken at a regional level, and therefore has been included rather than the consumer trust option which occurs under a single-council scenario only.

Figure 5 Long List of Delivery Options

2.3 Considerations Regarding Asset Ownership

The following table includes the key considerations regarding whether an entity should be asset-owning or non-asset-owning.

Table 7 Asset Ownership Considerations

Consideration	Asset Owning	Non-Asset Owning
Ownership	Assets are jointly vested in the CCO and divested from each Council. Ownership is secured through the agreed shareholding model.	The assets remain in Council books. Ownership through agreed shareholding model.
Governance	In this case, Councils appoint Director, direct the CCO through an annual letter of intent.	Councils appoint Directors, direct CCO through the annual letter of intent, but retain control of district asset funding plans.
Strategy	The CCO is guided by regional/district plans but own a 'region-wide' operational strategy that is implemented according to the CCO.	Councils direct the CCO by individual asset management investment plans. This is a 'local' approach that can pre-empt the regional approach
Funding & Financials	This arrangement relies on fully integrated financials and the ability to borrow independently (WSCCO tbc) of Council constraints.	In this case the CCO would have to maintain individual records to maintain separate Council information for integrity. Borrowing is constrained by Council balance sheet constraints.
Iwi and stakeholder engagement	Asset ownership would be regionalised, as the CCO consults on broader 'regional' plans and operations.	The CCO retains District focus and the Council consults on broader plans including Asset Management Plans (AMPs) at an individual district level.
Regulation	The asset-owning CCO is a single entity, more efficient & uphold more effective response capabilities.	The CCO has to account for each individual Council.
Operations	The CCO can run efficiently as a single regional utility operator.	Non-asset owning CCOs are not as efficient from an operations perspective and have to take account of individual districts.
Customer	This case stipulates that the CCO can collect revenue from the customer and can make commercial decisions for the benefit of the overall region. Is this case the CCO owns the investment prioritisation.	Individual councils can collect revenue from the customer and the CCO cannot make overall commercial decisions i.e. tariff and investment plans. The councils retain their individual investment prioritisation.

2.4 Stormwater Inclusion Or Exclusion In A WSCCO

Current legislation allows stormwater to be vested in WSCCO, be retained by Council but delivered by WSCCO, or to be retained and delivered by Council. This section reviews the background and assesses these three options.

2.4.1 Background

A key decision within the context of the business case process relates to the ownership and responsibility for stormwater. Management of water activities today highlight that local government water operations can be operated as a ‘two plus one’ model water model or as three waters. Watercare Services Limited is an example of the former, with responsibility drinking and wastewater only, with stormwater retained in Auckland Council. Wellington Water Limited by contrast operates all three waters.

There are valid arguments for both models, starting with the fact that water supply and wastewater systems are effectively part of the same water management system; most water used by consumers is discharged via the sewerage system. Stormwater drainage networks by contrast are not physically connected to those for water and wastewater, and ordinarily comprise of a combination of open waterways, constructed green assets and hard assets such as pipes and culverts. In this regard these stormwater assets have a very strong linkage to both the transport and parks networks.

Despite this, ultimately all three water systems are connected as part of the wider water environment. Given the inter connectivity, how councils chose to manage them is potentially best assessed against the relative conditions in each locality.

Although under the previous Government Water Reform model, it was decided to only operate a three-water model, the current reforms allow a choice. In this regard Auckland Council and Watercare Services Limited have opted for the two plus one model which is currently being executed.

2.4.2 Three Waters Legislative Integration

The Department of Internal Affairs provided updated information on stormwater provisions in August 2024 in anticipation of Bill Three[11].

The factsheet provided on Future arrangements for stormwater states that:

1. Councils will retain legal responsibility and control of these services
2. Councils will be able to continue to deliver stormwater services or contract a new water organisation to deliver stormwater services
3. Transfer aspects of stormwater delivery, including assets, to a water organisation

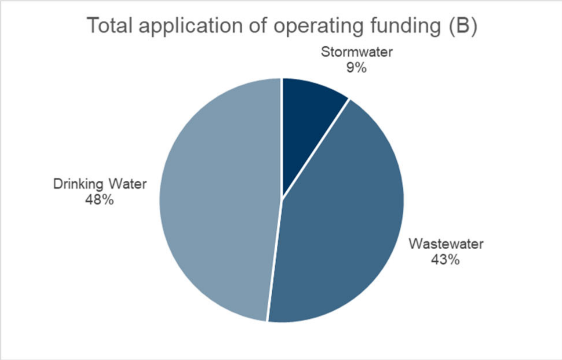
Accordingly, these sections mean that the entity may or may not engage in stormwater services.

clause that will readily enable charging for stormwater services outlined in Section 340, with allocation on a similar value basis to existing rating schemes.

2.4.3 Stormwater Spend As Part Of Three Waters

Stormwater makes up 9% of operational expenditure, and 14 percent of capital expenditure across the three councils. The impact of this being excluded entirely, or being included in the WSCCO expenses without contributing to the revenue and debt limits is assessed in the following sections.

[11] Department of Internal Affairs. (2024). *Factsheet: Future arrangements for stormwater.* https://www.dia.govt.nz/diawebsite.nsf/Files/Water-Services-Policy/$file/04.Factsheet-Future-arrangements-for-stormwater.pdf



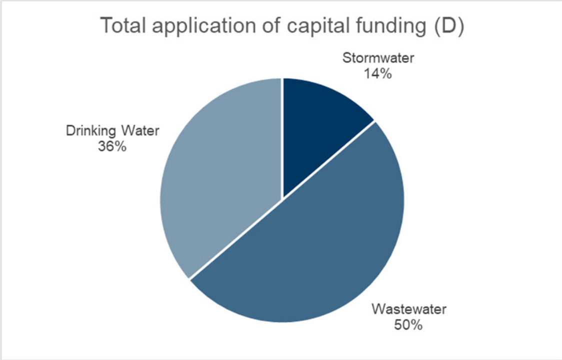


Figure 6 Stormwater Spend as a Percentage of Three Waters Spend

2.4.4 Stormwater Structure Options

Given the legislative flexibility relating to the stormwater activity ownership and delivery arrangements, councils if they chose to establish a WSE are able to adopt the approach that best suits their local needs. Generally, this would comprise the following two models:

1. Three waters model (Water, Wastewater and Stormwater together)
2. Two plus one model (Water & Wastewater together with Stormwater separate)

In addition, stormwater could be retained in the council, but operated by the WSCCO.

2.4.5 Options Assessment For Stormwater

The following table illustrates both the considerations and merits for the location of the stormwater activity across each of the three options. The green or amber assessment provides a high-level indication about the relative strength of the option against consideration.

Table 8 Stormwater Ownership and Operation MCA

Consideration	COMMENTARY	1. Entity Ownership & Operation	2. Council Ownership/ Entity Operation	3. Council Ownership & Operation
Governance	Stormwater has a better fit as a public good (e.g. flooding, rate funding), connection to roading and land-use planning, stormwater has a better fit with Council governance	Average	Good	Good
Legislation	The new legislation has a requirement that entities co-ordinate stormwater strategy whether they or the Council run the stormwater function	Good	Average	Average
Operating model	From a commercial perspective, water/wastewater tends to suit an entity better given the narrower utility focus, the operational connection between the two functions and clear revenue streams. Stormwater also has stronger linkages to other activities particularly transport and broader land use	Average	Average	Good
Iwi	Iwi preference is for fully integrated water management as outlined and approached through their environmental management plans	Good	Average	Average
Efficiency	Given the smaller size of a Taranaki entity, there is likely efficiency in managing the three waters together. This is tempered by complexities relating to land ownership for stormwater operations	Good	Good	Average
Financing	Given the smaller size of a Taranaki entity, there is likely to be debt capacity/borrowing ceiling benefits in	Good	Good	Average

Consideration	COMMENTARY	1. Entity Ownership & Operation	2. Council Ownership/ Entity Operation	3. Council Ownership & Operation
	managing the three waters together – this needs to be tested once the details of the third bill are announced			
Funding	Water and wastewater are suitable for direct charging which also has a significant positive benefit for demand management and has a better fit with economic regulation. Stormwater due to its land use linkage, is better aligned with rates and its land/capital value base. However, under S340 the entity is permitted to utilise this approach, probably necessitating access to council rating systems	**Average**	**Good**	**Good**
Customer	Water/wastewater customers are limited to those connected to closed networks. Stormwater customers are all property owners.	**Average**	**Good**	**Good**
Environment	Environmental planning trends emerging technology i.e. water recycling tend to reinforce an integrated approach to waters is a stronger option.	**Good**	**Average**	**Average**
Regulation Investment Drivers	Regulation both environmental and economic will apply to all scenarios	**Good**	**Good**	**Good**
Resourcing	For a smaller region, including stormwater will better enable the recruitment of specialist staff, noting there may be a need for some residual water expertise in the transport functions.	**Good**	**Average**	**Average**
Emergency Management	Arguably, emergency stormwater/flooding management (e.g. flooding) is likely to be directly managed by the council EM functions, although these functions now co-ordinate with other lifeline operators anyway	**Average**	**Average**	**Good**

The results indicate that the strengths and weakness of each option are relatively even when averaged across all the considerations. However, the following factors also need to be considered regarding Taranaki's unique characteristics:

– Local preferences in the 'strategic' consideration areas of legislation, iwi, funding, and environment
– The integrated three waters regulatory overlay within the context of a smaller region

These additional factors may influence the final decision.

2.5 MCA For Options

Using the IOs and the CSFs outlined above in Section 1.7 and Section 2.1 respectively, the three councils jointly assessed the options presented in the figure below subject to the caveats in Section 2.2

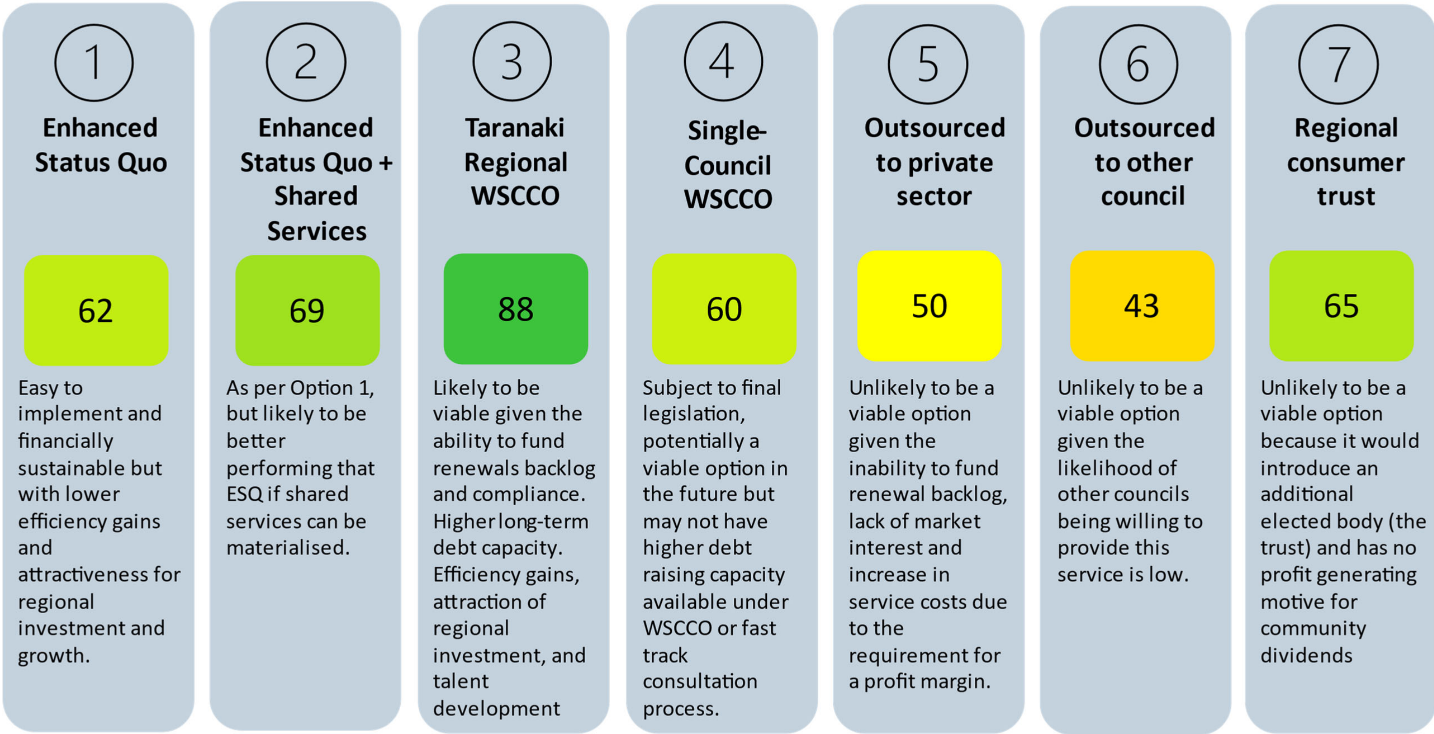


Figure 7 Investment Objectives Score

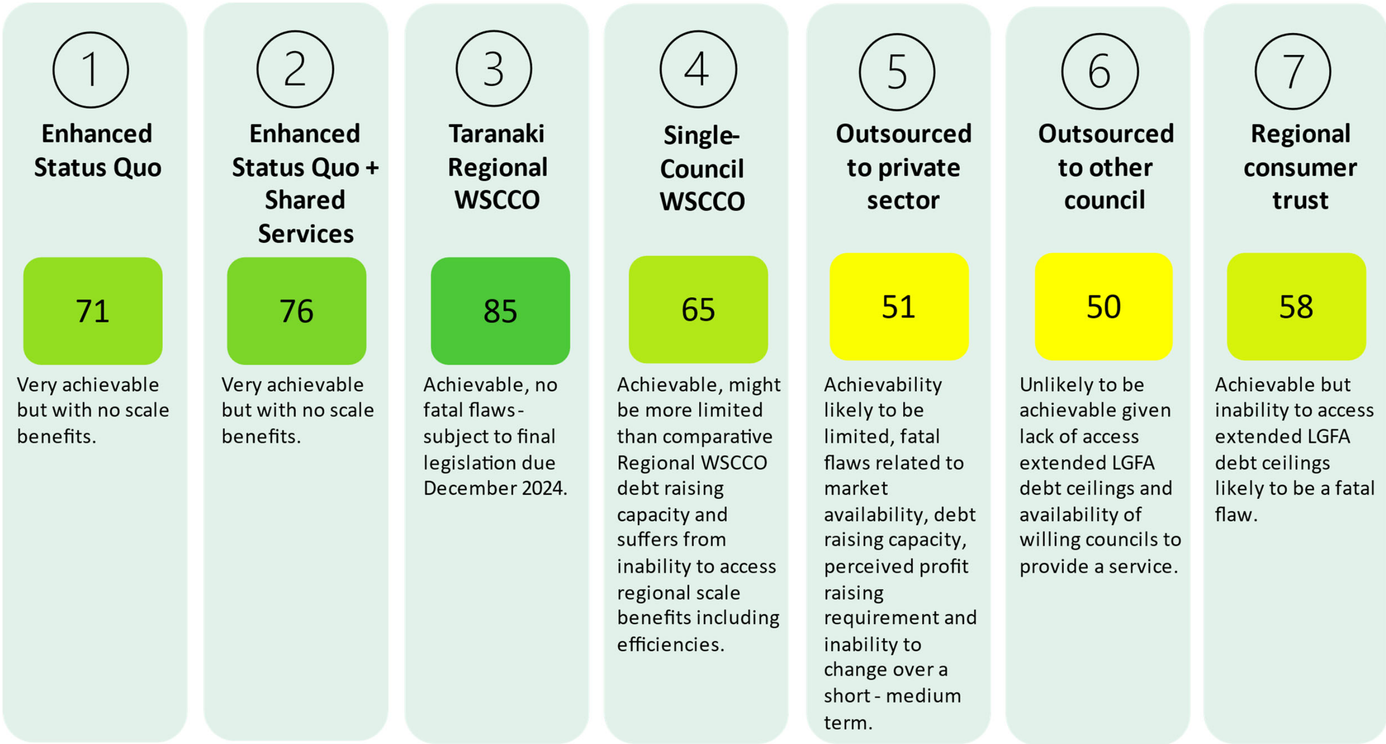


Figure 8 Critical Success Factors Score

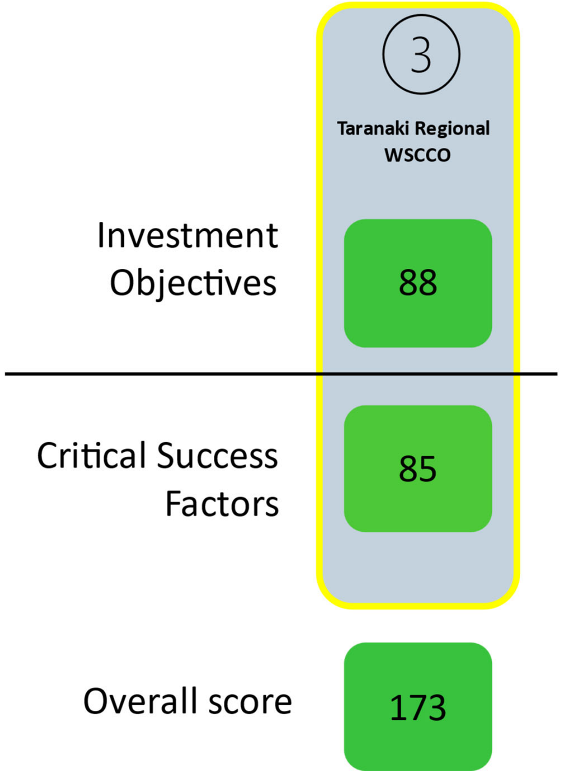


Figure 9 Combined score of highest-scoring option

Highest score

Option 3, which involves the establishment of a Regional WSCCO, received the highest scores with regards to both the IOs and CSFs. This option aligns with key objectives around funding for the renewal backlog and increased compliance. It is expected to also deliver significant benefits in terms of value for money, is considered achievable from a political standpoint and could eventually merge into a larger entity.

Runners-up

Three options without fatal flaws scored within 20 points of each other, but still below the Regional WSCCO model. Options 1, 2 and 4 scored well on achievability, and Option 4 also scored well for supporting an attractive market for regional investment and growth.

However, these options all scored low on operational efficiency, informing te mana o te wai principles, staff capability and talent pipelines. Options 1 and 2 also scored low on supporting a market for regional investment and growth.

While scoring well, Options 1 and 2 may be subject to long-term challenges relating to future mergers and debt capacity.

Fatal flaws

Options 5, 6 and 7 were subject to fatal flaws, particularly around funding restraints. Additionally, Option 5 lacked the market interest and was subject to increased costs due to private sector requirements for profit margins and Option 6 relies too much on other councils being willing to provide a service which is unlikely.

A more detailed summary of the MCA Assessment is provided in Appendix B that contains a breakdown of the scores by each individual IOs and CSFs.

2.6 Financial Modelling

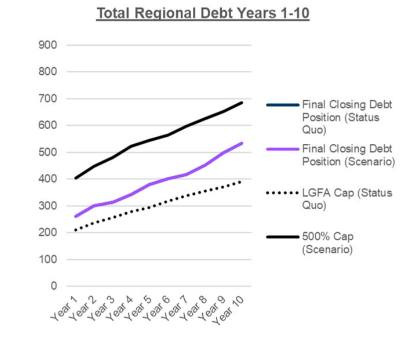
High-level financial modelling was subsequently undertaken to evaluate the two highest scoring options, to determine the impact of increased costs as well as efficiency savings on each council, should they decide to pursue either option. A list of the assumptions used in the model is available in Appendix A

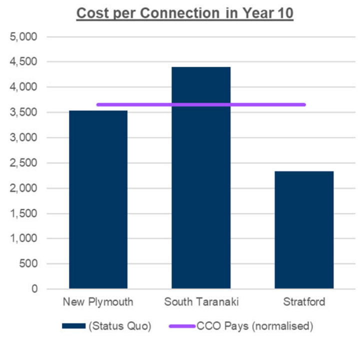
This section shows the output of the financial modelling, followed by a summary of the findings.

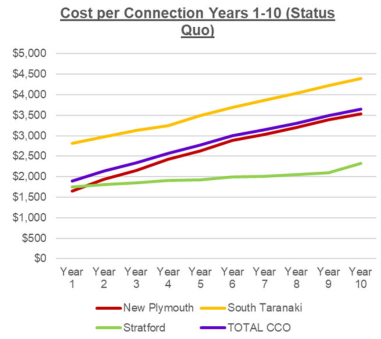
2.6.1 Financial Modelling Inputs

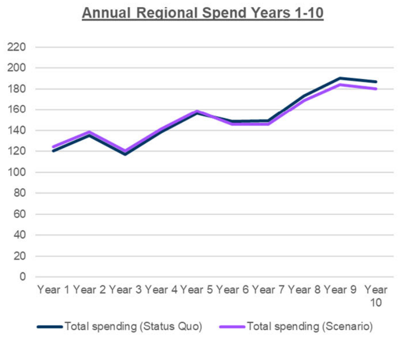
2.6.1.1 Taranaki Regional WSCCO – Conservative Assumptions

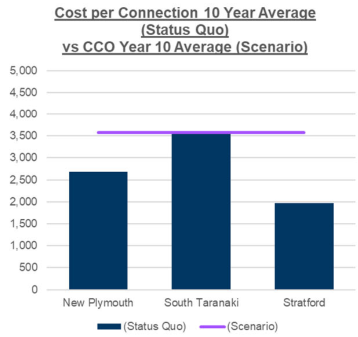
Ten-Year Model

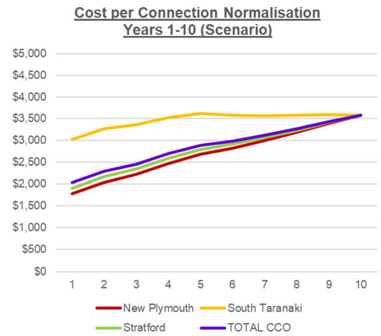




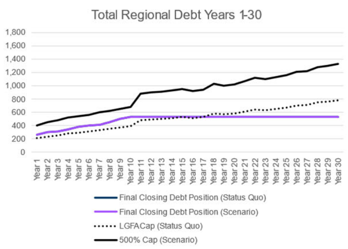


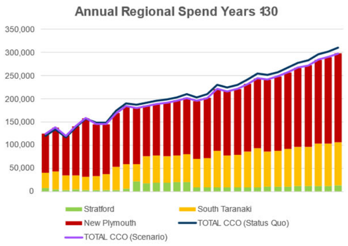


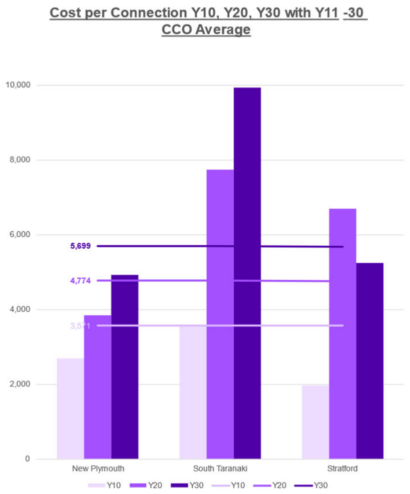


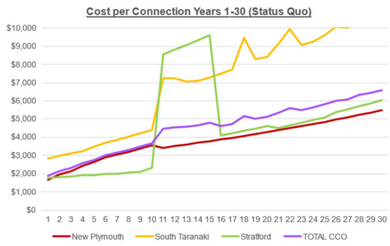


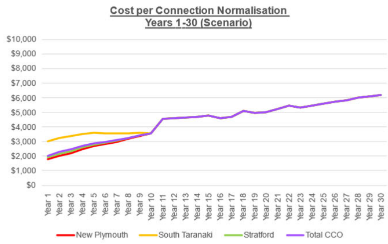
Thirty-Year Model





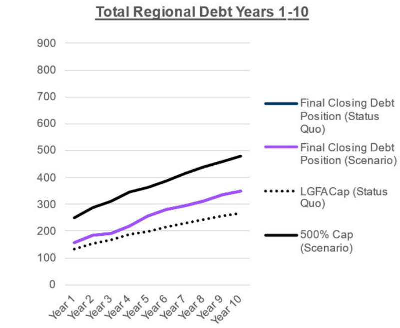


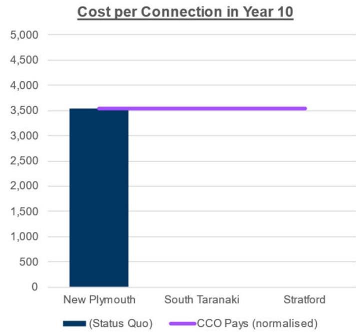


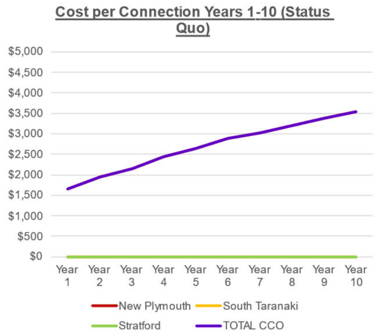


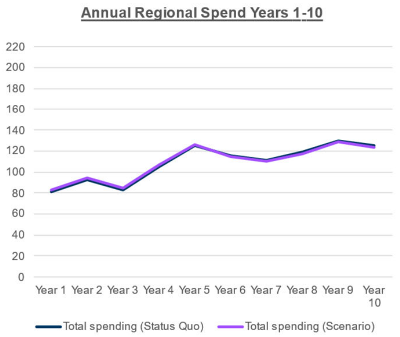
2.6.1.2 New Plymouth Single-Council WSCCO – Single-Council Assumptions

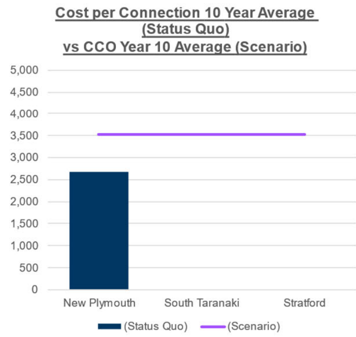
Ten-Year Model

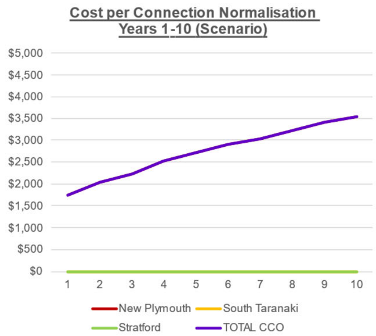




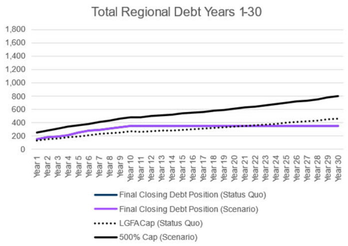


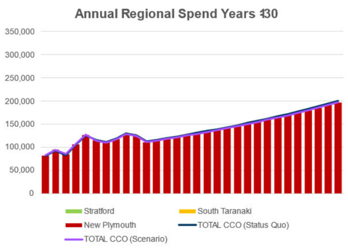


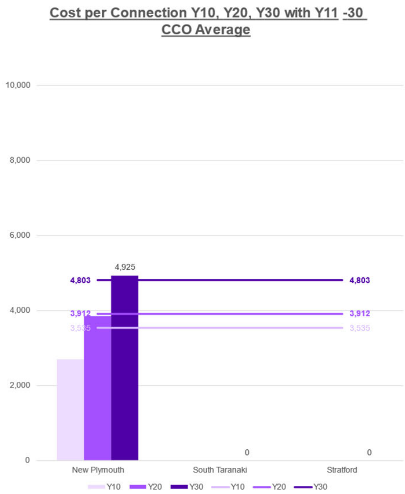


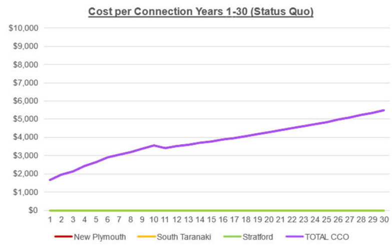


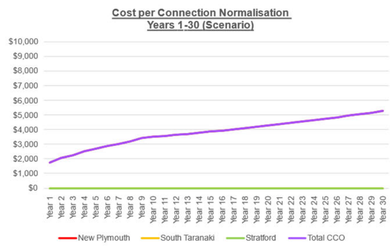
Thirty-Year Model





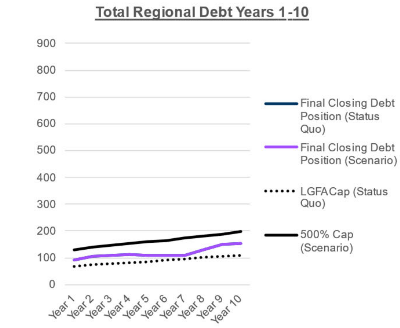


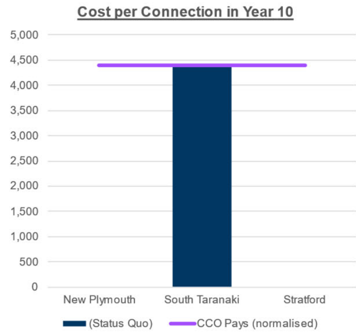


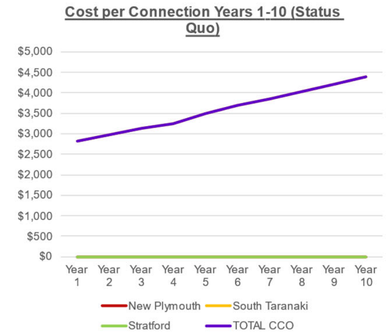


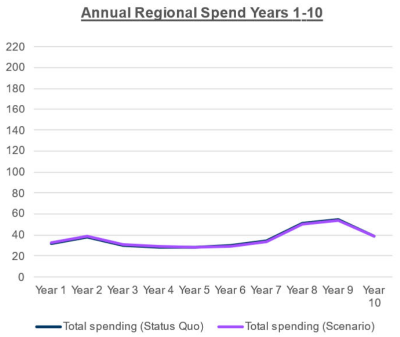
2.6.1.3 South Taranaki Single-Council WSCCO – Single-Council Assumptions

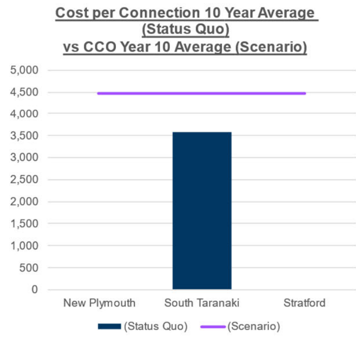
Ten-Year Model

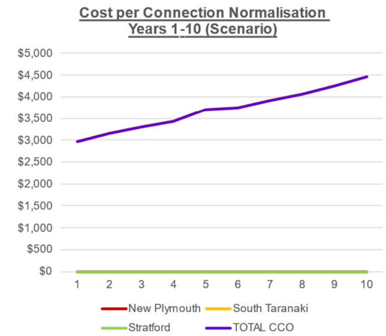




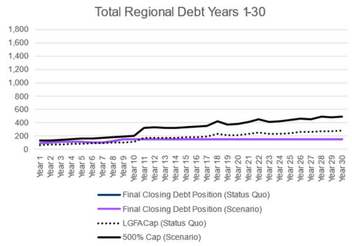


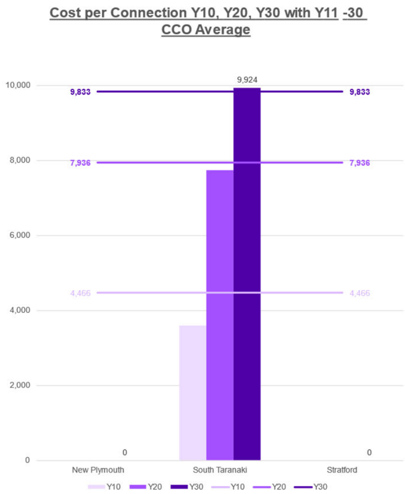


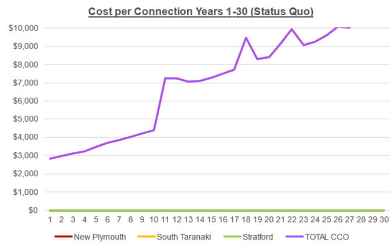


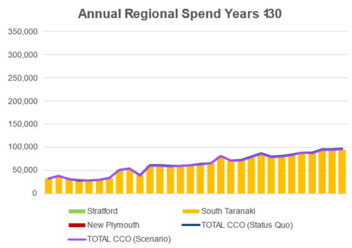


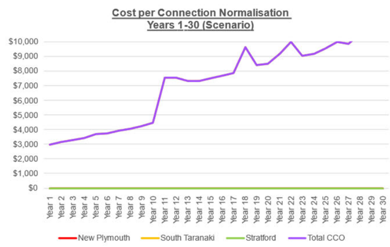
Thirty-Year Model





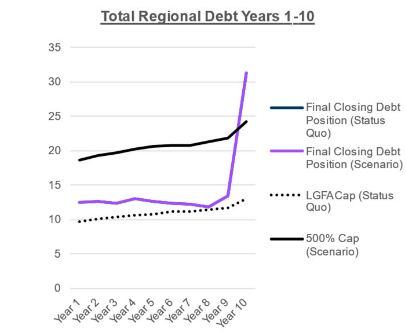


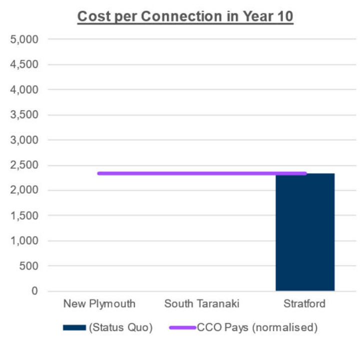


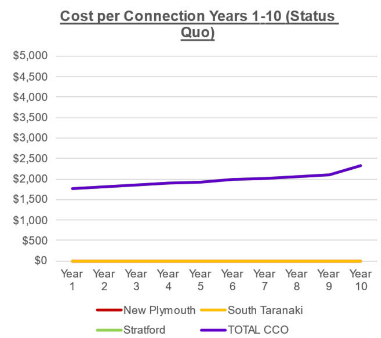


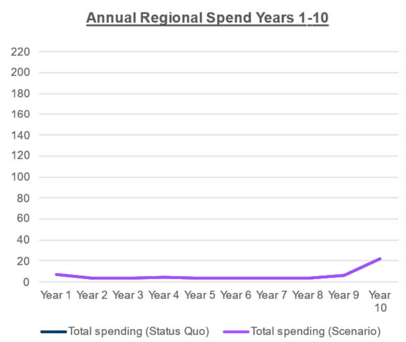
2.6.1.4 Stratford Single-Council WSCCO – Single-Council Assumptions

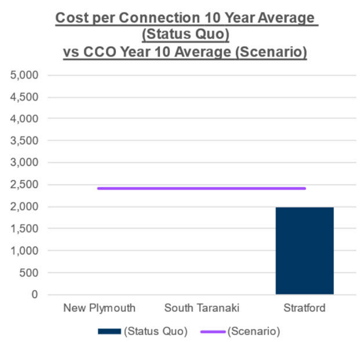
Ten-Year Model (debt axis adjusted for scale)

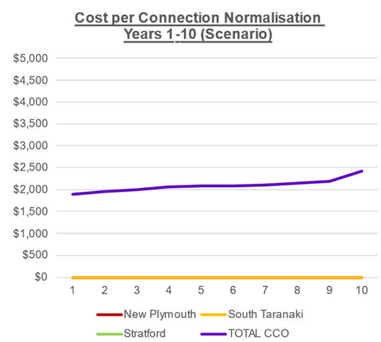




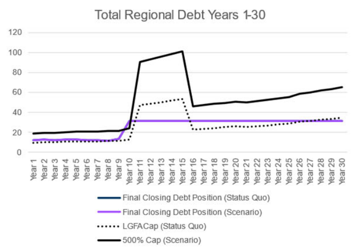


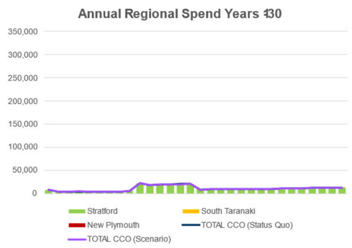


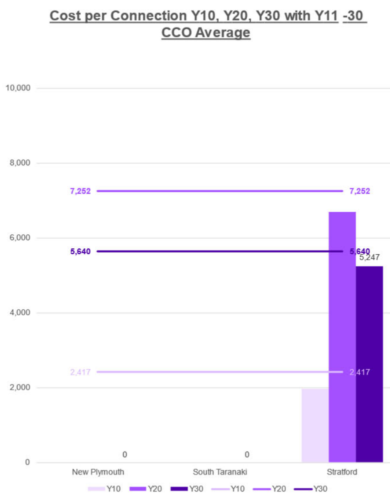


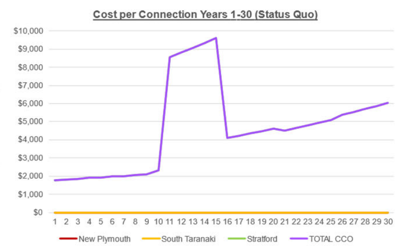


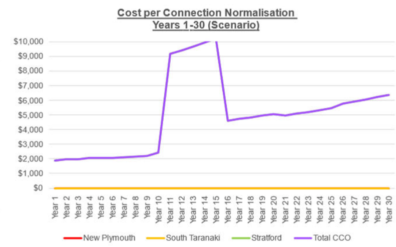
Thirty-Year Model (debt axis adjusted for scale)



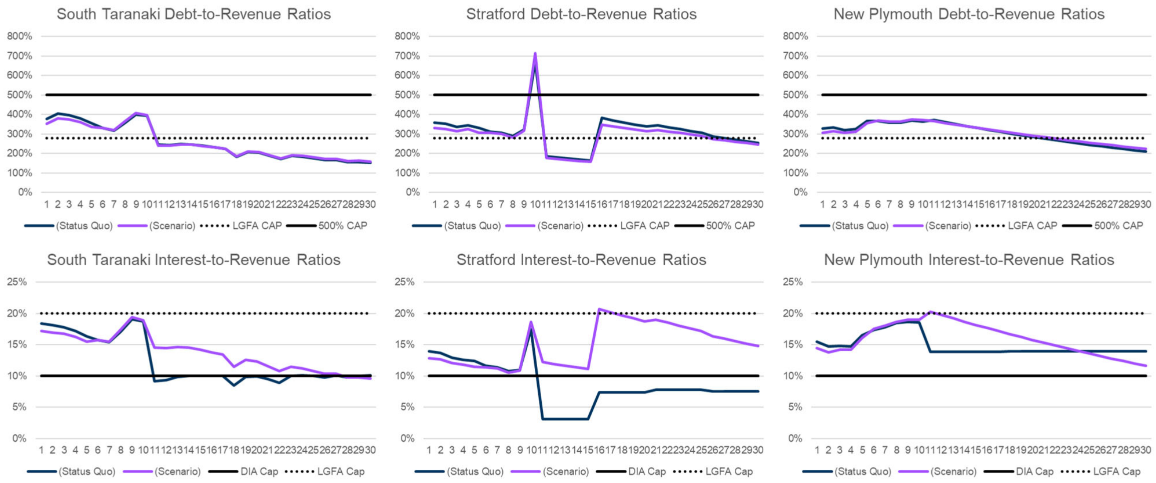








2.6.1.5 Debt-to-Revenue and Interest-to-Revenue Ratios (regional WSCCO model)



2.6.2 Summary Findings

Beneficiaries and Contributors

New Plymouth is a net contributor to the CCO throughout the thirty-year modelling.

South Taranaki is a net beneficiary of the CCO throughout the thirty-year modelling[12].

Stratford is a net contributor in the first ten years, and a net beneficiary from year 11 to 20 and a net contributor in years 21 to 30.

Debt-to-Revenue and Interest-to-Revenue Ratios

Under the status quo, ringfenced debt-to revenue ratios exceed the LGFA Cap[13] of 280% at some point in every scenario, especially in years one to ten. Similarly, the interest-to-revenue ratio set in schedule five of the Local Government (Financial Reporting and Prudence) Regulations 2014[14] are exceeded at some point in the status quo. However, an in-house business unit may borrow based on all-of-council revenue, meaning this option is still considered to be sustainable financially.

Joint Regional CCO vs Single-Council WSCCO

The cost to establish a regional WSCCO is less expensive for South Taranaki and Stratford than establishing a standalone, single-council WSCCO. New Plymouth pays more in a regional WSCCO than in their standalone scenario.

There are significant initial costs for establishing a WSCCO which are indicated by the gap between the Year 10 bars and the Year 10 lines in the cost per connection graph (centre).

Likely Implications

Large capital expenses, such as those experienced by Stratford in years 11-16, are able to be smoothed across the whole CCO. For each council, this means an increased peace of mind that when unexpected costs arise, there is a larger ratepayer base to spread the costs across.

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[12] South Taranaki have indicated that they have a significant number of water-by-meter users that are not contributing to the number of connections used for this analysis. Hence, the numbers for South Taranaki are likely be overstated in this model as the water-by-meter rates would likely be increased in line with the fixed and targeted rates in the LTP.

[13] LGFA. (2024). *Risk management* **https://www.lgfa.co.nz/about-lgfa/risk-management**

[14] Local Government (Financial Reporting and Prudence) Regulations 2014 **https://www.legislation.govt.nz/regulation/public/2014/0076/latest/DLM5941575.html#DLM5941575**

3. Financial Case

The financial case relates to the funding requirements and affordability of the preferred option. These funding requirements and affordability of options in this business case are an intrinsic part of the options themselves. This will require substantial further work to model the required investment levels and the plan to replace and upgrade assets to meet new and significantly higher standards.

Further and more detailed financial assessment will be undertaken during the next phase of work.

Appendices

Appendix A

Financial Model

Financial Model Assumptions

The High-Level Financial Model has several assumptions

The numbers in the FISs are accurate and comparable between councils.

The interest cost in the FIS as a proportion of the provided opening debt figures accurately represent the interest rate being paid.

From year eleven onwards, all costs and expenses increase at the same rate as the number of connections.

From year eleven onwards, additional Capex is added from the infrastructure strategy to account for varying spend profiles in the model.

From year eleven onwards, the number of connections increases at a steady rate, based on previous period growth.

All costs incurred must be paid in the period in which they occur – this does not represent the intricacies of debt-funded options where payments occur over several years to ensure intergenerational equity but is suitable for the purposes of a high-level comparison between councils given the treatment of each council is the same.

Costs per connection are normalised across the ten-year timeframe to slowly converge until each council pays the same amount from year ten onwards.

Efficiency savings are straight-line allocated starting in the second year and reaching full efficiency in year ten. This remains constant each year beyond year ten.

The total cost increases in each year are allocated entirely across the number of connections. Again, this is suitable for comparison as it provides a number that can be easily understood and is treated the same across all councils, regardless of the real distribution of the costs (to debt, rates, user-pays, development contributions etc.)

Regulation and Compliance Costs in the Scenario assumed to be 1.0% of opex based on national benchmark from the electricity sector, plus a 50k annual audit fee shared between all councils.

Regulation and Compliance Costs in the Status Quo assumed to be 1.5% of opex plus a 50k annual audit fee per council

Using a conservative set of assumptions:

Transition Costs assumed to be 9% of opex for each of the first five years (6% for single-council and moderate sensitivity testing)

Opex efficiency savings in the scenario assumed to be zero in year one, growing linearly to 5% in year ten and then remaining at 5% from year 11 onwards (2% for single-council, and 11% for moderate sensitivity testing)

Capex efficiency savings in the scenario assumed to be zero in year one, growing linearly to 3% in year ten and then remaining at 3% from year 11 onwards (1% for single-council, and 6% for moderate sensitivity testing)

Interest rate in the scenario assumed to be +25 basis points on the weighted average interest rate from the status quo (+50 basis points for single-council, and no change for moderate sensitivity testing)

Financial Model Levers

1. Number of councils included/excluded for scenario testing

Council	Include
New Plymouth	TRUE
South Taranaki	TRUE
Stratford	TRUE

2. Level of opex/capex efficiency and transition costs and interest rates

Efficiency Assumptions	
Opex Efficiency Savings	Conservative
Capex Efficiency Savings	Conservative
Transition Costs	Conservative
CCO Interest Assumption	Conservative

	Single-Council	Conservative	Moderate
Opex Efficiency Savings	2%	5%	11%
Capex Efficiency Savings	1%	3%	6%
Transition Costs	6%	9%	6%
CCO Interest Assumption	+50 basis points	+25 basis points	Weighted Average

4. Whether to apply efficiencies to rates or debt, and level of DCs to collect

New CCO Scenario	
Goal	Keep Debt Equal
DCs collection policy	Keep the same

Difference Tables

The following tables represent the difference between the status quo and the scenario, with a negative number representing an increase in cost, and a positive number indicating a saving.

Whole CCO

0	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1. Opening Debt Position	0	0	0	0	0	0	0	0	0	0
2. Operating Revenues, consisting of	0	0	0	0	0	0	0	0	0	0
3. Operating Expenses excluding Finance Costs, consisting of	(3,670)	(3,814)	(3,750)	(3,733)	(3,274)	1,857	2,175	2,516	2,952	3,400
3A. Payments to staff and suppliers	0	162	354	583	716	916	1,118	1,332	1,624	1,930
3B. Internal charges and overheads applied	0	106	213	330	449	573	687	809	940	1,070
3C. Other operating funding applications	0	0	0	0	0	0	0	0	0	0
3D. Implementation Costs for new CCO	(3,987)	(4,424)	(4,671)	(5,021)	(4,801)	0	0	0	0	0
3E. Regulation and Compliance Costs	318	341	355	374	362	368	371	375	388	400
4. Non-debt Capital Funding, consisting of	0	0	0	0	0	0	0	0	0	0
5. Capital spending, consisting of	0	311	495	912	1,296	1,381	1,540	2,367	3,053	3,157
6. Pre finance net change in debt position (2.-3.)+(4.-5.)	**(3,670)**	**(3,503)**	**(3,255)**	**(2,821)**	**(1,978)**	**3,238**	**3,715**	**4,883**	**6,005**	**6,557**
7B. Finance costs without subsidy	(1,271)	(1,432)	(1,575)	(1,680)	(1,798)	(1,809)	(1,875)	(1,866)	(2,074)	(2,267)
8. Closing Debt Position (1.+6.+7.)	(5,852)	(6,189)	(5,286)	(5,283)	(4,823)	882	1,462	2,016	2,747	3,469
9. Debt Change (8. - 1.) PLUS FIS Change in Debt	(5,852)	(6,189)	(5,286)	(5,283)	(4,823)	882	1,462	2,016	2,747	3,469
10. Final Closing Debt Position	0	0	0	0	0	0	0	0	0	0
11. New rates burden	**5,852**	**6,189**	**5,286**	**5,283**	**4,823**	**(882)**	**(1,462)**	**(2,016)**	**(2,747)**	**(3,469)**
12. Rates per connection RAW	141	148	126	125	114	-21	-34	-47	-63	-80
13. Rates normalisation per connection ALL CCO Pays OR Subsidy	0	0	0	0	0	0	0	0	0	0
15. Connections	0	0	0	0	0	0	0	0	0	0

New Plymouth

0	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1. Opening Debt Position	0	0	0	0	0	0	0	0	0	0
2. Operating Revenues, consisting of	0	0	0	0	0	0	0	0	0	0
3. Operating Expenses excluding Finance Costs, consisting of	(2,420)	(2,612)	(2,590)	(2,627)	(2,232)	1,215	1,424	1,651	1,960	2,196
3A. Payments to staff and suppliers	0	107	239	406	471	605	734	872	1,086	1,226
3B. Internal charges and overheads applied	0	75	147	229	312	397	476	561	646	740
3C. Other operating funding applications	0	0	0	0	0	0	0	0	0	0
3D. Implementation Costs for new CCO	(2,595)	(2,991)	(3,184)	(3,487)	(3,226)	0	0	0	0	0
3E. Regulation and Compliance Costs	175	197	207	224	210	214	215	218	228	230
4. Non-debt Capital Funding, consisting of	0	0	0	0	0	0	0	0	0	0
5. Capital spending, consisting of	0	213	368	698	1,128	1,123	1,150	1,548	1,987	1,961
6. Pre finance net change in debt position (2.-3.)+(4.-5.)	**(2,420)**	**(2,399)**	**(2,222)**	**(1,929)**	**(1,105)**	**2,339**	**2,574**	**3,199**	**3,947**	**4,156**
7B. Finance costs without subsidy	(1,149)	(1,074)	(1,005)	(831)	(762)	(1,059)	(1,281)	(1,765)	(1,819)	(1,551)
8. Closing Debt Position (1.+6.+7.)	(3,771)	(3,977)	(3,256)	(3,182)	(2,643)	1,012	1,281	1,391	1,961	2,725
9. Debt Change (8. - 1.) PLUS FIS Change in Debt	(3,771)	(3,977)	(3,256)	(3,182)	(2,643)	1,012	1,281	1,391	1,961	2,725
10. Final Closing Debt Position	0	0	0	0	0	0	0	0	0	0
11. New rates burden	**3,771**	**3,977**	**3,256**	**3,182**	**2,643**	**(1,012)**	**(1,281)**	**(1,391)**	**(1,961)**	**(2,725)**
12. Rates per connection RAW	122	128	104	101	84	-32	-40	-43	-61	-84
13. Rates normalisation per connection ALL CCO Pays OR Subsidy	0	0	0	0	0	0	0	0	0	0
15. Connections	0	0	0	0	0	0	0	0	0	0

South Taranaki

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1. Opening Debt Position	0	0	0	0	0	0	0	0	0	0
2. Operating Revenues, consisting of	0	0	0	0	0	0	0	0	0	0
3. Operating Expenses excluding Finance Costs, consisting of	(133)	(124)	(121)	(112)	(103)	103	116	129	145	158
3A. Payments to staff and suppliers	0	8	16	24	33	42	52	61	71	82
3B. Internal charges and overheads applied	0	3	6	10	13	17	20	23	29	32
3C. Other operating funding applications	0	0	0	0	0	0	0	0	0	0
3D. Implementation Costs for new CCO	(176)	(177)	(186)	(190)	(192)	0	0	0	0	0
3E. Regulation and Compliance Costs	43	43	43	43	44	44	44	44	45	45
4. Non-debt Capital Funding, consisting of	0	0	0	0	0	0	0	0	0	0
5. Capital spending, consisting of	0	11	7	54	13	19	27	26	87	613
6. Pre finance net change in debt position (2.-3.)+(4.-5.)	**(133)**	**(113)**	**(114)**	**(59)**	**(90)**	**122**	**143**	**154**	**232**	**772**
7B. Finance costs without subsidy	(164)	(227)	(203)	(214)	(258)	(238)	(244)	(285)	(262)	83
8. Closing Debt Position (1.+6.+7.)	(329)	(335)	(305)	(278)	(333)	(104)	(90)	(116)	(55)	333
9. Debt Change (8. - 1.) PLUS FIS Change in Debt	(329)	(335)	(305)	(278)	(333)	(104)	(90)	(116)	(55)	333
10. Final Closing Debt Position	0	0	0	0	0	0	0	0	0	0
11. New rates burden	**329**	**335**	**305**	**278**	**333**	**104**	**90**	**116**	**55**	**(333)**
12. Rates per connection RAW	149	152	138	126	150	47	40	52	25	-149
13. Rates normalisation per connection ALL CCO Pays OR Subsidy	0	0	0	0	0	0	0	0	0	0
15. Connections	0	0	0	0	0	0	0	0	0	0

Stratford

0	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1. Opening Debt Position	0	0	0	0	0	0	0	0	0	0
2. Operating Revenues, consisting of	0	0	0	0	0	0	0	0	0	0
3. Operating Expenses excluding Finance Costs, consisting of	(1,117)	(1,078)	(1,039)	(993)	(939)	539	635	736	847	1,046
3A. Payments to staff and suppliers	0	48	99	153	211	269	332	398	467	622
3B. Internal charges and overheads applied	0	28	59	92	124	159	191	225	264	298
3C. Other operating funding applications	0	0	0	0	0	0	0	0	0	0
3D. Implementation Costs for new CCO	(1,216)	(1,256)	(1,300)	(1,345)	(1,383)	0	0	0	0	0
3E. Regulation and Compliance Costs	100	102	104	107	109	110	112	113	116	125
4. Non-debt Capital Funding, consisting of	0	0	0	0	0	0	0	0	0	0
5. Capital spending, consisting of	0	86	120	160	156	239	363	793	979	583
6. Pre finance net change in debt position (2.-3.)+(4.-5.)	**(1,117)**	**(992)**	**(918)**	**(833)**	**(783)**	**777**	**998**	**1,529**	**1,826**	**1,629**
7B. Finance costs without subsidy	42	(131)	(367)	(635)	(779)	(512)	(349)	183	8	(799)
8. Closing Debt Position (1.+6.+7.)	(1,752)	(1,876)	(1,725)	(1,823)	(1,847)	(26)	272	741	841	411
9. Debt Change (8. - 1.) PLUS FIS Change in Debt	(1,752)	(1,876)	(1,725)	(1,823)	(1,847)	(26)	272	741	841	411
10. Final Closing Debt Position	0	0	0	0	0	0	0	0	0	0
11. New rates burden	**1,752**	**1,876**	**1,725**	**1,823**	**1,847**	**26**	**(272)**	**(741)**	**(841)**	**(411)**
12. Rates per connection RAW	207	220	201	210	214	3	-31	-85	-96	-47
13. Rates normalisation per connection ALL CCO Pays OR Subsidy	0	0	0	0	0	0	0	0	0	0
15. Connections	0	0	0	0	0	0	0	0	0	0

Appendix B

Multiple-Criteria Analysis

Option title		Option 1 - Enhanced Status Quo		Option 2 - Enhanced Status Quo with additional shared services		Option 3 - Taranaki WSCCO	
Investment objectives	**Weighting**	**Score**		**Score**		**Score**	
Sustainable funding - Improved investment in three waters assets	25%	5	Would be a financially sustainable option as debt caps to be based on all of Council revenue rather than 2-waters revenue only providing greater headroom.	5	Would be a financially sustainable option as debt caps to be based on all of Council revenue rather than 2-waters revenue only providing greater headroom.	4	Would increase the ability to invest due to anticipated balance sheet separation and confirmed availability of 500% debt cap ex LGFA, likely higher interest rates than in house
Delivers operational efficiencies and scale economies	15%	1	Better scale economies in a larger entity.	2	Some scale economies but better in a larger entity. Likely to require formal commitment through MOU to drive shared services.	4	Scale would enable greater efficiency through a range of factors including contract and consent consolidation, uniform standards etc. Arguably Region not large enough for optimum scale.
Supports an attractive market for regional investment and growth	15%	2	Limited ability to increase investment to change current attractiveness.	2	Limited ability to increase investment to change current attractiveness.	5	Proposed funding arrangements will substantially increase funding availability to provide future growth capacity.
Informs Te Mana o te Wai hierarchy of priorities - 1. Water 2. People 3. Communities	10%	1	Capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities will be more limited compared to options with greater capacity and ability to fund specialist positions.	2	Shared services have the potential to provide some capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities.	5	Capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities will be able to be maximised given the WSCCO has the greatest capacity to fund specialist positions to develop and drive understanding and ability to inform TMOTW priorities.
Well maintained and regulatory compliant water systems	15%	4	Currently deliver reliable service, have some plants with the same treatment systems. IT duplicated across plants.	4	Currently deliver reliable service, have some plants with the same treatment systems. IT duplicated across plants.	5	Reliability and repeatability likely to be enhanced with a regional entity.
Supports sufficient staff capability and talent pipeline	10%	2	Capacity and staff numbers to warrant this not available.	3	Capacity and staff numbers to warrant this not available.	4	Capacity and staff numbers will provide the platform for excellence and capability enablement.
Supports local accountability and responsiveness	10%	5	We know our communities, local issues, locations etc. Team can respond in timely manner. Well capable of this.	5	We know our communities, local issues, locations etc. Team can respond in timely manner. Well capable of this.	4	Would maintain a regional identity with good local connectivity.
Total for Investment Objectives	**100%**	**62**	Easy to implement and financially sustainable but with lower efficiency gains and attractiveness for regional investment and growth.	**69**	Easy to implement and financially sustainable but with lower efficiency gains and attractiveness for regional investment and growth. Likely to be better performing that ESQ if shared services can be materialised.	**88**	Subject to final legislation likely to be a viable option in the future given the ability to fund renewal backlog and increased compliance with higher debt raising capacity, as well as efficiencies, attractive market for regional investment and growth, ability to inform TMOTW
Critical Success Factors:	**Weighting**	**Score**		**Score**		**Score**	
Achievability	30%	5	The most politically achievable option and easy to implement	5	The most politically achievable option and easy to implement	4	Political achievability due to regional focus.
Value for money	25%	3	Easy to implement but low efficiency gains.	2	Shared services across councils often slow and inefficient to get in place.	5	Would deliver significant benefits.
Optimal scale and structure	25%	2	No scale benefits.	4	Limited scale benefits.	4	Still relatively small.
Long term flexibility	20%	4	Does not preclude change to other options in the future.	4	Does not preclude change to other options in the future.	4	Could eventually merge into a larger entity.
Total for Critical Success Factors	**100%**	**71**	Very achievable but with no scale benefits.	**76**	Very achievable but with no scale benefits.	**85**	Achievable, no fatal flaws - subject to final legislation due December 2024.

ption title		Option 4 - Single Council owned WSCCO (replaced CCO asset-owning entity)		Option 5 - Outsourced to private sector		Option 6 - Outsourced to other council	
vestment objectives	Weighting	Score		Score		Score	
Sustainable funding - Improved investment in three waters assets	25%	3	Enhanced ability to increase investment due to recently announced access to new council debt cap ex LGFA. Indications from LGFA are that these ceiling limits may be more restrictive than regional WSCCO.	1	Limited ability to increase investment due to capture within current council debt ceiling limits.	1	Limited ability to increase investment due to capture within current council debt ceiling limits.
Delivers operational efficiencies and scale economies	15%	1	Better scale economies in a larger entity.	3	Scale would enable greater efficiency through a range of factors including contract and consent consolidation, uniform standards etc, but potentially limited subject to individual council agreement i.e. standards currently locked in District Plans.	3	Scale would enable greater efficiency through a range of factors including contract and consent consolidation, uniform standards etc, but potentially limited subject to individual council agreement i.e. standards currently locked in District Plans.
Supports an attractive market for regional investment and growth	15%	4	Proposed funding arrangements will substantially increase funding availability to provide future growth capacity.	2	Limited ability to increase investment to change current attractiveness.	2	Limited ability to increase investment to change current attractiveness.
Informs Te Mana o te Wai hierarchy of priorities - 1. Water 2. People 3. Communities	10%	2	Capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities will be more limited compared to options with greater capacity and ability to fund specialist positions.	3	Capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities will more limited than the WSCCO.	1	Capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities will be more limited compared to options with greater capacity and ability to fund specialist positions.
Well maintained and regulatory compliant water systems	15%	4	Currently deliver reliable service, have some plants with the same treatment systems. IT duplicated across plants.	4	Reliability and repeatability likely to be enhanced with a utility service provider.	3	Reliability and repeatability likely to be enhanced with a larger council operation.
Supports sufficient staff capability and talent pipeline	10%	2	Capacity and staff numbers to warrant this not available.	3	Capacity and staff numbers will provide improved the platform for excellence and capability enablement. Likely to be more limited than WSCCO due to requirement to run duplicate systems for individual Councils and less flexibility in hiring specialist cross council resources.	3	Capacity and staff numbers will provide improved the platform for excellence and capability enablement. Likely to be more limited than WSCCO due to requirement to run duplicate systems for individual Councils and less flexibility in hiring specialist cross council resources.
Supports local accountability and responsiveness	10%	5	We know our communities, local issues, locations etc. Team can respond in timely manner. Well capable of this.	3	Regional identity would not necessarily be guaranteed with a national or global utility service company.	3	Regional identity would not necessarily be guaranteed with an interregional service.
Total for Investment Objectives	**100%**	**60**	Subject to debt ceiling legislation, potentially a viable option in the future but may not have higher debt raising capacity available under WSCCO or fast track consultation process.	**50**	Unlikely to be a viable option in the future given the inability to fund renewal backlog, lack of market interest and likely increase in service costs given requirement for a profit margin.	**43**	Unlikely to be a viable option given the likelihood of other councils being willing to provide this service is low.
itical Success Factors:	Weighting	Score		Score		Score	
Achievability	30%	4	Politically very achievable.	2	Unlikely to be politically achievable.	2	Unlikely to be politically achievable.
Value for money	25%	3	Easy to implement but low efficiency gains.	3	Would deliver benefits but less capacity to do so than WSCCO.	3	Would deliver benefits but less capacity to do so that WSCCO.
Optimal scale and structure	25%	2	No scale benefits.	4	Could provide scale through national/international coverage.	3	Could provide scale through larger inter council service.
Long term flexibility	20%	4	Could eventually merge into a larger entity.	1	Outsourcing likely to be a long term contract, providing little flexibility for change.	2	Outsourcing likely to be a medium term contract, providing minimal flexibility for change.
Total for Critical Success Factors	**100%**	**65**	Achievable, might be more limited than comparative Regional WSCCO debt raising capacity and suffers from inability to access regional scale benefits including efficiencies..	**51**	Achievability likely to be limited, fatal flaws related to market availability, debt raising capacity, perceived profit raising requirement and inability to change over a short - medium term.	**50**	Unlikely to be achievable given lack of access extended LGFA debt ceilings and availability of willing councils to provide a service.

Option title		Option 7 - Regional Consumer Trust	
Investment objectives	**Weighting**	**Score**	
Sustainable funding - Improved investment in three waters assets	25%	2	Limited ability to increase investment due to capture within current council debt ceiling limits, but is likely to drive revenue raising ability harder.
Delivers operational efficiencies and scale economies	15%	3	Scale assuming a regional community trust entity would enable greater efficiency through a range of factors including contract and consent consolidation, uniform standards etc, but potentially limited subject to individual council agreement i.e. standards currently locked in
Supports an attractive market for regional investment and growth	15%	3	Existing Council funding arrangements provides limited ability to increase investment for future growth capacity.
Informs Te Mana o te Wai hierarchy of priorities - 1. Water 2. People 3. Communities	10%	3	Capacity to develop policies, methods and reporting to assess and inform hierarchy of priorities will more limited than the WSCCO.
Well maintained and regulatory compliant water systems	15%	5	Reliability and repeatability likely to be enhanced with a regional entity.
Supports sufficient staff capability and talent pipeline	10%	4	Capacity and staff numbers will provide the platform for excellence and capability enablement.
Supports local accountability and responsiveness	10%	4	Would maintain a regional identity with good local connectivity.
Total for Investment Objectives	**100%**	**65**	Unlikely to be a viable option given lack of access to new LGFA enhanced debt ceiling and constitutionally more restrictive if other inter-regional consolidation opportunities arise.
Critical Success Factors:	**Weighting**	**Score**	
Achievability	30%	4	Political achievability due to regional focus.
Value for money	25%	3	Would deliver benefits but less capacity to do so that WSCCO and Asset Owning CCO.
Optimal scale and structure	25%	3	Still relatively small and Community Trust model likely to be less flexible than WSCCO.
Long term flexibility	20%	1	Community Trust models are very difficult to change once established.
Total for Critical Success Factors	**100%**	**58**	Achievable but inability to access extended LGFA debt ceilings likely to be a fatal flaw.

MCA Results

The following table represents the summary and total scores for each of the options assessed in the above detailed assessments. Red text indicates options which are subject to fatal flaws.

Option	IO		CSF		TOTAL
Option 1 - Enhanced Status Quo	62	*Easy to implement and financially sustainable but with lower efficiency gains and attractiveness for regional investment and growth.*	71	*Very achievable but with no scale benefits.*	133
Option 2 - Enhanced Status Quo with additional shared services	69	*Easy to implement and financially sustainable but with lower efficiency gains and attractiveness for regional investment and growth. Likely to be better performing that ESQ if shared services can be materialised.*	76	*Very achievable but with no scale benefits.*	145
Option 3 - Taranaki WSCCO	88	*Subject to final legislation likely to be a viable option in the future given the ability to fund renewal backlog and increased compliance with higher debt raising capacity, as well as efficiencies, attractive market for regional investment and growth, ability to inform TMOTW principles, and support staff capabilities and talent pipeline*	85	*Achievable, no fatal flaws - subject to final legislation due December 2024.*	173
Option 4 - Single Council owned WSCCO (replaced CCO asset-own	60	*Subject to debt ceiling legislation, potentially a viable option in the future but may not have higher debt raising capacity available under WSCCO or fast track consultation process.*	65	*Achievable, might be more limited than comparative Regional WSCCO debt raising capacity and suffers from inability to access regional scale benefits including efficiencies..*	125
Option 5 - Outsourced to private sector	50	*Unlikely to be a viable option in the future given the inability to fund renewal backlog, lack of market interest and likely increase in service costs given requirement for a profit margin.*	51	*Achievability likely to be limited, fatal flaws related to market availability, debt raising capacity, perceived profit raising requirement and inability to change over a short - medium term.*	101
Option 6 - Outsourced to other council	43	*Unlikely to be a viable option given the likelihood of other councils being willing to provide this service is low.*	50	*Unlikely to be achievable given lack of access extended LGFA debt ceilings and availability of willing councils to provide a service.*	93
Option 7 - Regional Consumer Trust	65	*Unlikely to be a viable option given lack of access to new LGFA enhanced debt ceiling and constitutionally more restrictive if other inter-regional consolidation opportunities arise.*	58	*Achievable but inability to access extended LGFA debt ceilings likely to be a fatal flaw.*	123

Scope and limitations

This report: has been prepared by GHD for New Plymouth District Council as the coordinator for the three Taranaki district councils and may only be used and relied on by the three Taranaki district Councils. GHD otherwise disclaims responsibility to any person other than the three Taranaki district Councils arising in connection with this report. GHD also excludes implied warranties and conditions, to the extent legally permissible.

The services undertaken by GHD in connection with preparing this report were limited to those specifically detailed in the report and are subject to the scope limitations set out in the report.

The opinions, conclusions and any recommendations in this report are based on conditions encountered and information reviewed at the date of preparation of the report. GHD has no responsibility or obligation to update this report to account for events or changes occurring subsequent to the date that the report was prepared.

The opinions, conclusions and any recommendations in this report are based on assumptions made by GHD described in this report. GHD disclaims liability arising from any of the assumptions being incorrect.

Accessibility of documents

If this report is required to be accessible in any other format, this can be provided by GHD upon request and at an additional cost if necessary.

GHD has prepared the Regional and Single-Council High-Level Financial Model ("Model") for, and for the benefit and sole use of, the three Taranaki district Councils to support decision makers in their assessment of the options at a high-level and must not be used for any other purpose or by any other person.

The Model is a representation only and does not reflect reality in every aspect. The Model contains simplified assumptions to derive a modelled outcome. The actual variables will inevitably be different to those used to prepare the Model. Accordingly, the outputs of the Model cannot be relied upon to represent actual conditions without due consideration of the inherent and expected inaccuracies. Such considerations are beyond GHD's scope.

The information, data and assumptions ("Inputs") used as inputs into the Model are from publicly available sources or provided by or on behalf of the three Taranaki district Councils (including possibly through stakeholder engagements). GHD has not independently verified or checked Inputs beyond its agreed scope of work. GHD's scope of work does not include review or update of the Model as further Inputs becomes available.

The Model is limited by the mathematical rules and assumptions that are set out in the Report or included in the Model and by the software environment in which the Model is developed.

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Assumptions

Note regarding Commercial and Management Cases:
These have not been developed as agreed between GHD and the councils, as they would subsequently form part of the Water Services Delivery Plan.

Financial Modelling

Financial Modelling assumptions are listed in Appendix A

CLOSING KARAKIA

TE WHAKAEATANGA

Te whakaeatanga e,
Tēnei te kaupapa ka ea,
Tēnei te wānanga ka ea,
Te mauri o te kaupapa ka whakamoea,
Te mauri o te wānanga ka whakamoea,
Koa ki runga,
Koa ki raro,
Haumi e, hui e, tāiki e.

It is completed, it is done,
We have achieved our purpose,
Completed our forum,
Let the purpose of our gathering rest for now,
Let the vitality of our discussions replenish,
We depart with fulfilled hearts and minds,
Bonded in our common goal and unity.

This karakia is recited to close a hui or event. It takes us from a place of focus and releases us to be clear of all the issues or tensions that may have arisen during the hui. We are now free to get on with other things.