

Report Cover Sheet (not for publication)

Report Title:	Hearings and Deliberations for Local Water Done Well	Committee Name:	Council		
		Meeting date:	15/05/2025	Report completion deadline:	04/05/2025

Sign-offs	Name/Position	Description	Date
Author	Lisa Thomas Strategy Manager		
Chief Financial Officer		<i>The Chief Financial Officer must be consulted with if the report has significant or unplanned financial implications</i>	
Manager		<i>For review</i>	
General Manager	Hamish Waugh GM Infrastructure	<i>All reports require GM approval</i>	06/05/25
Other		<i>If the report has implications for another team or department, it is advisable that an appropriate person (subject matter expert, manager or GM) peer review it.</i>	
Governance and Assurance Team	Ash Garstang – Governance & Assurance Manager	<i>All reports undergo a final review from the GA team. The team will check formatting, recommendations and delegations for Council/Committees.</i>	09 May 25



Council

Meeting of 15 May 2025

Business Unit: People and Corporate

Date Created: 31 January 2025

Decision on Local Water Done Well

Purpose Te Aronga o te Pūrongo

To present Council's preferred option for Local Water Done Well for adoption. The decision Council makes today will inform the preparation of Council's Water Services Delivery Plan.

Recommendations Ngā Tūtohunga

1. That the Council adopt Option 1 – Status quo in-house stand-alone model as its preferred model for the delivery of water services in the Manawātū District.
2. That Council approve the responses to issues and concerns raised in submissions on Local Water Done Well (Annex A) for distribution.

Note: The Water Services Delivery Plan will be developed based on the preferred option and will be presented to Council for adoption and approval for submission to the Department of Internal Affairs at the 24 July 2025 Council meeting or before if possible.

Report prepared by:
Lisa Thomas
Strategy Manager

Approved for submission by:
Hamish Waugh
General Manager – Infrastructure

1 Background Ngā Kōrero o Muri

- 1.1 Council has been working through the Local Water Done Well programme over the past 12 months.
- 1.2 Under the Local Government (Water Services Preliminary Arrangements) Act 2024, Council has a choice about how water services are delivered in the future so long as it meets new rules for investment, borrowing and pricing. There will also be a new regulator overseeing compliance with these rules.
- 1.3 The decision that Council makes around the preferred option for the delivery of water services will need to be documented in a Water Services Delivery Plan.
- 1.4 The content of the Water Services Delivery Plan and the consultative requirements are prescribed in the Local Government (Water Services Preliminary Arrangements) Act 2024. The Department of Internal Affairs has developed a template Water Services Delivery Plan document.
- 1.5 Over the past year, Council has participated in a regional options appraisal project with all of the Councils within the Manawatū–Whanganui region.
- 1.6 The Councils within the Manawatū–Whanganui region are:
 - Manawatū District Council
 - Palmerston North City Council
 - Tararua District Council
 - Horowhenua District Council
 - Rangitīkei District Council
 - Whanganui District Council
 - Ruapehu District Council
- 1.7 The regional options appraisal project looked at a multi-council Water Service Council Controlled Organisation and concluded that the seven council arrangement was not financially beneficial for Manawatū ratepayers, with Manawatū District Council providing cross-subsidisation to most of the other councils within the region throughout the entirety of the 30 year period that was modelled.
- 1.8 On 7 November 2024, Council resolved to discontinue further work on a multi-council Water Service Council Controlled Organisation involving all seven councils and resolved the following:
 - 1.8.1 To consider the development of a Water Service Delivery Plan on the basis of an in-house, stand-alone model (the status quo).
 - 1.8.2 To continue further work on the viability of a single-council (Manawatū District Council) Water Service Council Controlled Organisation.

- 1.8.3 To continue further work on the viability of a multi-council Water Service Council Controlled Organisation between Manawatū District Council and Palmerston North City Council.
- 1.8.4 To continue further work on the viability of a multi-council Water Service Council Controlled Organisation between Manawatū District Council, Palmerston North City Council, Horowhenua District Council and Kapiti Coast District Council.
- 1.9 Council has also continued to assess the full impact of moving water services into a Water Services Council Controlled Organisation with particular reference to the impact of stranded overheads¹ on the residual organisation should water services be separated out from Council's operations.
- 1.10 Council engaged Morrison Low (an independent advisory / consultancy company) to compare and contrast the various Water Service Council Controlled Organisation options referred to in paragraph 3.1 of this report.
- 1.11 The considerations around the impact of stranded overheads on the residual organisation should water services be separated out from Council's operations applies differently in each Water Service Council Controlled Organisation scenario.
- 1.12 On 19 December 2024, Council resolved to discontinue further work on a single-council MDC Water Service Council Controlled Organisation and resolved the following:
 - 1.12.1 That Council publicly consult on an in-house, stand-alone model (the status quo) for the delivery of water services in the Manawatū district and that this option would be Council's preferred option.
 - 1.12.2 That Council publicly consult on a multi-council Water Services Council Controlled Organisation jointly between Manawatū District Council and Palmerston North City Council for the delivery of water services in the Manawatū district.
 - 1.12.3 That Council publicly consult on a multi-council Water Services Council Controlled Organisation jointly between Manawatū District Council, Palmerston North City Council, Horowhenua District Council and Kapiti Coast District Council for the delivery of water services in the Manawatū district.
- 1.13 Council adopted the Consultation Document for Local Water Done Well at the 21 February 2025 Council meeting. The public consultation period was from 10 March 2025 until 5pm, Friday 11 April. A total of 505 submissions were received. Ten submitters spoke to their submissions at the Hearing on 1 May 2025.
- 1.14 To meet the statutory deadline for submission of the Water Services Delivery Plan, Council will have to adopt a Water Services Delivery Plan by way of Council resolution and submit the adopted Water Services Delivery Plan to the Department of Internal Affairs before 6 September 2025. The adoption of Council's Water Services Delivery Plan is scheduled for the 19 June 2025 Council meeting.

¹ Forming a Council Controlled Organisation means that some fixed costs — such as office expenses, IT systems, and certain corporate staff — remain with the Council, while the revenue previously used to fund these overheads is no longer available.

2 Strategic Fit Te Tautika ki te Rautaki

- 2.1 This report and the decision sought aligns with Council's strategic priority of "A future planned together." Council consulted with the Manawatū community to obtain feedback on which of the three options consulted on was most preferred. Council deliberated on all feedback received at the 1 May 2025 Council meeting. This feedback has helped inform the decision that Council is making today with respect to the future ownership, management and delivery of water services for the Manawatū District.
- 2.2 Council's strategic priority of "An Environment to be proud of" is relevant to Council's decision-making with respect to the future ownership, management and delivery of water services. Council is committed to ensuring that water services are managed in a way that protects the Manawatū District's natural and physical resources now, and into the future.
- 2.3 This report and the decision sought aligns with Council's strategic priority of "Infrastructure fit for future" as the purpose of this work is to ensure that the water services of the Manawatū are delivered in a way that meets the need of the Manawatū District's community now, and into the future.
- 2.4 Council's strategic priority of "value for money and excellence in local government" is also relevant to this report as, through consulting with the community, Council is focussed on doing what is best for the Manawatū District. Council has carried out extensive financial modelling to evaluate the feasibility of each option.

3 Discussion and Options Considered Ngā Matapakinga me ngā Kōwhiringa i Wānangahia

- 3.1 There are three reasonably practical options being evaluated by Council for the ownership, management and delivery of water services in the Manawatū District. These options are described as follows:
- Option 1 – Status quo with changes (preferred option).
 - Option 2 – 'the Two' – A multi-council Water Services Council Controlled Organisation jointly owned by Manawatū District Council and Palmerston North City Council.
 - Option 3 – 'the Four' - A multi-council Water Services Council Controlled Organisation jointly owned by Horowhenua District Council, Kāpiti Coast District Council, Palmerston North City Council and Manawatū District Council.
- 3.2 The Local Water Done Well for Manawatū District Consultation Document 2025 asked submitters to select their preferred option. Of the 505 submissions received, 487 (96.4%) selected Option 1 as their preferred option, five (1%) selected Option 2, and 13 (2.6%) selected Option 3.
- 3.3 The most common reasons for support of Option 1 were that Council has invested in three waters infrastructure and are managing the process well (222), a desire to keep local control (137) and that merging with other Councils would mean that MDC ratepayers would be subsidising those Councils that have under invested in three waters infrastructure (85).
- 3.4 The five submitters that selected Option 2 as their preferred option gave the reason that MDC and PNCC should combine and share resources.

- 3.5 The 13 submitters that selected Option 3 as their preferred noted potential benefits in combining to reduce overlap in services, reduce costs, and spread risk. Other reasons for support included independent management, greater ability to stand up to central government authority, and concerns with MDC's prior planning and decision-making.
- 3.6 Council deliberated on all feedback received through oral and written submissions at the 1 May 2025 Council meeting. At this meeting, Councillors gave officers clear direction that of the three options consulted on, Option 1 (status quo with changes) has the most support and is therefore Council's preferred option.
- 3.7 During consultation on Local Water Done Well, submitters were given the opportunity to share any other issues or concerns that they have with three waters services. These concerns have been grouped by topic and submission number, with officer responses in a table. This table is attached as Annex A to this report. It is our intention to send these submitters the responses to the matters raised in their submissions, as soon as practicable following this meeting. Those submitters who did not raise additional issues will still receive an email confirming Council's final decisions on Local Water Done Well.

4 Risk Assessment Te Arotake Tūraru

- 4.1 The Hearings and Deliberations Report on Local Water Done Well, presented at the 1 May 2025 Council meeting, identified the following potential risks:
- **Strategic risk** – there is potential for further government reform that might mean that MDC is required to deliver water services as part of a joint CCO with other Councils, even if this is not Council's preferred model. The likelihood of this is considered low given that there is nothing within the current legislation that would enable this to happen.
 - **Economic Regulation** – The Commerce Commission will be the economic regulator under the Government's Local Water Done Well regime. It is possible that the economic regulator could use revenue thresholds or price-quality regulations to set revenue levels for the delivery of water services that are below what is necessary to maintain current levels of service. The Commerce Commission will start implementing the economic regulation regime after the Local Government (Water Services) Bill is enacted. It is therefore too early to say how the economic regulation of water services will impact on funding for the delivery of water services in the Manawatū District.
 - **Privatisation** – the Local Government (Water Services) Bill outlines the different structure and delivery arrangements that water organisations may use to deliver water services. Concerns have been expressed that the arrangements for council-controlled organisations more readily lend themselves to privatisation than current in-house delivery of water services. However, the risk of privatisation of water services is considered low as the current legislation does not provide for this.
 - **Accuracy of cost forecasting** – the financial impact on ratepayers for each of the options is based on modelling undertaken by Morrison Low. This modelling includes a number of assumptions and forecasts. The accuracy of the cost forecasts are therefore dependent on the accuracy of the assumptions and forecasts on which they are based. The model was developed using the best available information from all Councils. In addition, all of the options being considered by the Manawatū District Council, Palmerston North City Council, Horowhenua District Council and Kapiti Coast District Council are based on the same modelling approach and assumptions so that all four consultation documents are consistent in the information

presented. Sensitivity analysis was used to highlight which assumptions that modelling outcomes are most sensitive to changes in.

- 4.2 These risks were discussed at the 1 May 2025 Council meeting during the deliberations on submissions received. These risks are noted and no additional risks have been identified.

5 Engagement Te Whakapānga

Significance of Decision

- 5.1 Councils' decisions with respect to who should own, manage and deliver water services for the Manawatū District was deemed 'significant' in accordance with the following criteria from section 4.2 of the Significance and Engagement Policy 2020:
- The level of financial consequences of the proposal or decision,
 - The number of residents or ratepayers affected and the degree to which they are affected by the decision or proposal,
 - The likely impact on Māori and mana whenua cultural values and their relationship to land and water and taonga,
 - The level of community interest,
 - Whether the decision, or something similar to it, has a history of, or is known to be, controversial.
- 5.2 Council therefore resolved to consult with the community in accordance with the requirements set out in section 83 of the Local Government Act 2002. A summary of the consultation undertaken is included in paragraph 5.8 of this report.

Māori and Cultural Engagement

- 5.3 The Mayoral Forum from across the Manawatu-Whanganui region met on 12 November 2024 to commence initial and high-level regional engagement with iwi.
- 5.4 A meeting was held at Te Āhuru Mōwai on 27 March 2025 with members of Te Kōtuiti Reo. There was positive feedback from attendees, and a request to hold a further meeting on the 7th of April for more iwi members to attend. The purpose of these meetings was to gain better understanding of what the options were, and the reasons for the preferred option.

Community Engagement

- 5.5 The Local Government (Water Services Preliminary Arrangements) Act 2024 outlines the community engagement requirements of the Local Water Done Well policy.
- 5.6 Council adopted the Manawatū District Council Consultation Document for the Local Water Done Well public consultation at the 6 March 2025 Council meeting. This document presented three options for the delivery of water services, including the advantages and disadvantages of each option.

5.7 Council consulted with the community over the period from 10 March to 11 April 2025.

5.8 The following public engagement events were held during the submissions period:

- Feilding Market: March 14
- Family Fun Day: March 16
- Pop Up Engagement at the Hub: March 21, 12.30-1.30pm
- Public Meeting: Feilding, March 25 at 7pm
- Pop Up Engagement at the Hub: March 26, 10-11am
- Public Meeting: Kimbolton, March 27 at 7pm
- Te Kōtui Reo Taumata: March 27
- Feilding Market: March 28
- Public Meeting: Rongotea, March 31 at 7pm
- Pop Up Engagement at the Hub: April 3, 2.30pm-3.30pm
- LWDW Hui: Feilding, April 7 at 6pm

6 Operational Implications Te Whai Pānga Atu ki ngā Kaupapa Mahi

6.1 As outlined in the Hearings and Deliberations report, presented at the 1 May 2025 Council meeting, the operational implications for the delivery of water services differ depending on which of the three options Council adopts.

6.2 If Council confirms its previous direction that its preferred option is to develop a Water Service Delivery Plan on the basis of an in-house, stand-alone model (the status quo), then the operational implications will be minimal. These implications will include additional reporting requirements and some changes to financial reporting to comply with the new ringfencing requirements.

6.3 If the final decision is a departure from the preferred option (the status quo) and requires the development of a Water Service Delivery Plan on the basis of a multi-council Water Services Council Controlled Organisation, there will be significant operational implications. This will include the legal establishment of a Water Services Council Controlled Organisation and the development of an Implementation Plan for the Water Services Council Controlled Organisation including the transfer of staff, assets and IT systems etc. from Council to the Water Services Council Controlled Organisation. The implementation of a Water Services Council Controlled Organisation may be spread over a number of years.

6.4 Notwithstanding the outcome, there will be new requirements of the Water Services Authority that all future water service delivery providers will need to adhere to. These include:

- 6.4.1 Statement of Expectations – which is issued to a water service providers by its owner(s) and sets out the strategic and performance expectations for the organisation. Each

water service provider will be required to give effect to the statement of expectations, including in its water services strategy.

6.4.2 Water Services Strategy – which is prepared by all water service providers for the water services they are responsible for delivering. This is each provider’s primary strategic, financial, and infrastructure planning and accountability document. Owners will be able to determine the nature of their involvement in the process for preparing their water organisation’s water services strategy.

6.4.3 Water Services Annual Report – prepared by water service providers to provide transparency about their performance over the preceding financial year, and detailed financial statements relating to water services.

7 Financial implications Te Whai Pānga Atu ki ngā Kaupapa Ahumoni

7.1 If the decision is to develop a Water Service Delivery Plan on the basis of an in-house, stand-alone model (the status quo) then there will be no direct financial implications relating to that decision.

7.2 If the final decision is a departure from the preferred option (the status quo) and requires the development of a Water Service Delivery Plan on the basis of a multi-council Water Services Council Controlled Organisation, there will be significant financial implications.

7.3 The size and nature of the financial implications of selecting a multi-council Water Services Council Controlled Organisation will depend on which multi-council Water Services Council Controlled Organisation is chosen. The Consultation Document outlined the financial impact of both of the multi-council Water Services Council Controlled Organisation options.

7.4 Regardless of the option chosen – status quo or multi-council Water Services Council Controlled Organisation, there will be additional costs for all water service providers relating to the Water Services Authority reporting requirements and Economic Regulator levies. The cost of these levies is estimated to be \$187,000 per year. The levies will be recovered in the same way that the rest of the water activity costs are recovered, which is a combination of targeted rates and user fees to those that are connected or able to connect to the services, with a small portion recovered via the general rate in the stormwater activity.

8 Statutory Requirements Ngā Here ā-Ture

8.1 The Local Government (Water Services Preliminary Arrangements) Act 2024 requires Council to prepare Water Services Delivery Plan that:

8.1.1 Identifies the current state of the authority’s water services; and

8.1.2 Demonstrates publicly its commitment to deliver water services in a way that:

8.1.3 Ensures that the territorial authority will meet all relevant regulatory quality standards for its water services; and

8.1.4 Is financially sustainable for the territorial authority; and

8.1.5 Ensures that the territorial authority will meet all drinking water quality standards; and

8.1.6 Supports the territorial authority's housing growth and urban development, as specified in the territorial authority's long-term plan.

8.2 It is noted that while this report and the recommendations contained therein are not statutory requirements in their own right, they are part of Councils process to prepare a Water Services Delivery Plan which is a statutory requirement.

9 Next Steps Te Kokenga

9.1 The Water Services Delivery Plan will be developed based on the decision Council makes today, and will be presented to Council for adoption and approval for submission to the Department of Internal Affairs at the 19 June 2025 Council meeting.

10 Attachments Ngā Āpitihanga

- Annex A – Officer responses to issues and concerns raised through submissions on Local Water Done Well