

Notice is hereby given that an extraordinary meeting of Horowhenua District Council will be held on:

Date:	Wednesday 4 June 2025
Time:	11:00 am
Meeting Room:	Council Chambers
Venue:	126-148 Oxford St Levin

Extraordinary Council OPEN AGENDA

MEMBERSHIP

**Mayor
Deputy Mayor
Councillors**

His Worship The Mayor Bernie Wanden
Councillor David Allan
Councillor Mike Barker
Councillor Rogan Boyle
Councillor Ross Brannigan
Councillor Clint Grimstone
Councillor Nina Hori Te Pa
Councillor Sam Jennings
Councillor Paul Olsen
Councillor Jonathan Procter
Councillor Justin Tamihana
Councillor Alan Young

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Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

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Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tihei mauri ora!	

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KARAKIA WHAKAMUTUNGA

Kia whakairia te tapu	Restrictions are moved aside
Kia wātea ai te ara	so the pathway is clear
Kia turuki whakataha ai, kia turuki whakataha ai	To return to everyday activities
Haumi e, hui e, taiki e!	Draw together, affirm!

1 Apologies

2 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

3 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

4 Levin School Group Presentation

File No.: 25/281

5.1 Local Water Done Well: Service Delivery Model

Author(s)	Justine Moore Principal Advisor - Infrastructure Kaihautū Whakamahere Tūāhanga
	Rob Benefield Commercial & Operations Manager Kaiwhakahaere o ngā Kawenga Mahi
	Daniel Haigh Group Manager Community Infrastructure Tumu Rangapū, Tūāhanga Hapori
	Jacinta Straker Group Manager Organisation Performance Tumu Rangapū, Tutukinga Whakahaere
Approved by	Monique Davidson Chief Executive Officer Tumuaki

PURPOSE | TE PŪTAKE

1. The purpose of this report is to seek a Council decision on the future water services delivery model for the Horowhenua District, which will inform the development and eventual adoption of the Council's Water Services Delivery Plan. Both aspects are required by the Local Government (Water Services Preliminary Arrangements) Act 2024.

This matter relates to Local Water Services Done Well

Position Council for future changes to Local Waters Done Well waters arrangements.

EXECUTIVE SUMMARY | TE WHAKARĀPOPOTOTANGA MATUA

2. Central Government led water reform has been progressing for almost a decade, with successive governments seeking to adopt new policy frameworks that will ensure safe, reliable, and sustainable water services. Local Water Done Well (LWDW) is the current Government's policy, which replaces the Three Waters framework and legislation enacted by the former Government (and now repealed, with LWDW progressing in its place).
3. The LWDW policy and associated legislation requires all territorial authorities to decide on their future model for delivering water services, and then adopt a Water Services Delivery Plan (by September 2025). In order to inform the Council's decision on its future delivery model, three options were confirmed for consultation with the community, with two of these options remaining available following the decisions of other councils.
4. The two remaining options are:
 - A joint Water Services Organisation: jointly owned by all willing councils from the Manawatū-Whanganui Region (Option 2 in the Consultation Document).
 - Status Quo (in-house business unit) (Option 3 in the Consultation Document).
5. Based on current information the only certain willing partner who are also in a position to make a substantive decision on their delivery model, is Palmerston North City Council.
6. At their Council Meeting on 22 May Rangitīkei District Council agreed their preferred position is to work with Palmerston North City Council and Horowhenua District Council (and Ruapehu and Whanganui Councils if they subsequently agree).

7. However, it is possible that Ruapehu District Council and Whanganui District Council may also become willing partners following their council decision making processes.

SIGNIFICANCE ASSESSMENT | HE AROMATAWAI MATUA

8. The decisions and matters in the report involve strategic assets of the Council, and are assessed as being of high significance.
9. The mandatory consultation on the Council's options identified for future water services delivery was undertaken in accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024.

RECOMMENDATION | NGĀ TAUNAKITANGA

- A. That Report 25/281 Local Water Done Well: Service Delivery Model be received.
- B. That this matter or decision is recognised as of high significance in accordance with the Council's Significance and Engagement Policy.
- C. That Council acknowledge with thanks the submitters who responded and/or made comment Council's Local Water Done Well Consultation.
- D. That Council adopt as its future Water Service Delivery Model a joint Water Services Organisation (in the form of a Water Services Council-Controlled Organisation) (Water Services Organisation), with Palmerston North City Council and Rangitīkei District Councils.
- E. That Council note the other Councils in the Manawātū-Whanganui Region, namely Ruapehu District Council and Whanganui District Council who are yet to make their substantive decisions on their water services delivery model, and that there remains the potential for these councils to want to join an arrangement that involves Horowhenua District Council, Palmerston North City Council and Rangitīkei District Councils.
- F. That, as part of its adopted Water Service Delivery Model, Council agree in principle that the dedicated stormwater network infrastructure, including the reticulated stormwater network and pumps will be transferred to any future Water Services Organisation and other assets that have a primary use for any other activities will remain the assets of Horowhenua District Council.
- G. That Council direct the Chief Executive to prepare a Water Services Delivery Plan in conjunction with Palmerston North City Council that includes the agreed joint Water Services Organisation and then return to Council for approval before submitting to the Secretary for Local Government by 3 September 2025.
- H. That Council direct the Chief Executive to continue to work with Whanganui and Ruapehu District Councils to inform their decision-making processes, and return to Council with advice on the status of those other Councils, including whether there is any potential that a larger new Water Services Organisation. If there is potential for a larger new Water Services Organisation, advice on timing, process and other matters of detail will be tabled for Council's consideration.

BACKGROUND | HE KŌRERO TŪĀPAPA

10. At a national level the delivery of water services in New Zealand has faced significant challenges in recent times including aging and poorly maintained infrastructure, underinvestment, and varying levels of service quality across different regions. The most significant consequences of this relate to negative public health outcomes, such as those associated with the Havelock North Water contamination that led to a government inquiry.
11. Multiple governments have recognised the need for change and improvement in how water services are delivered across the country. The intent to drive water reform across New

Zealand has been a political feature since 2017, when the Three Waters Review was initiated.

12. The Coalition Government policy to address New Zealand's long-standing water infrastructure challenges is called: Local Water Done Well (LWDW). The key components of LWDW include:
 - Fit for purpose service delivery models and financing tools;
 - Ensuring water services are financially sustainable; and
 - Introducing greater central government oversight, economic and quality regulation.
13. The LWDW policy places increased focus on the investment in and delivery of water services, and their long-term financial sustainability. It will be implemented through three pieces of legislation:
 - Water Services Acts Repeal Act 2024, repealing the previous water services legislation.
 - Local Government (Water Services Preliminary Arrangements) Act 2024, establishing the LWDW framework and the preliminary arrangements for the new water services system, including a requirement for councils to develop Water Services Delivery Plans (WSDP); and
 - Local Government (Water Services) Bill, which will provide the structured framework for managing and delivering water services in New Zealand, and include a new framework for planning and accountability of water service providers, and provide for regulation over water services.
14. Elected members should refer to the most recent correspondence from the Minister of Local Government on the practical application and consequences of this legislation (Attachment A).

Horowhenua District Council Actions to Date

15. Horowhenua District Council has prioritised strategically positioning ourselves to embrace and benefit from sector change, including positioning Council for future changes to LWDW arrangements and provide options for ensuring financial sustainability for the delivery of three waters services into the future.

Council Meeting 27 November 2024

16. At the 27 November Council Meeting, Council considered which options for water service delivery models should be further explored by officers and also confirmed which options Council did not intend to consider further. The Council Report is available via this link: https://horowhenua.infocouncil.biz/Open/2024/11/CO_27112024_AGN_AT.PDF. This Council meeting was open to the public and livestreamed. All recordings are available via this link: <https://www.horowhenua.govt.nz/Council/Council-Meetings/Council-Meetings-Live>
17. At this meeting the Chief Executive was instructed to report back to Council with a Statement of Proposal and the relevant consultation documentation prior to the commencement of formal consultation (Resolution Number CO/2024/362).

Council Meeting 5 March 2025

18. At the 5 March 2025 Council Meeting, Council adopted the consultation document 'Have your say on Who Delivers Local Water Services' for consultation. The Council Report is available via this link: https://horowhenua.infocouncil.biz/Open/2025/03/CO_05032025_AGN_AT_EXTRA.PDF. This Council Meeting was open to the public and livestreamed. The livestream link is available here: <https://www.horowhenua.govt.nz/Council/Council-Meetings/Council-Meetings-Live>

19. The three options that were consulted on with the community were:
- Option 1 (Council's preferred option): A Water Services Organisation jointly owned by Horowhenua District Council, Palmerston North City Council, Manawātū District Council, and Kāpiti Coast District Council.
 - Option 2: A Water Services Organisation jointly owned by all willing councils from the Manawātū-Whanganui and Kāpiti regions.
 - Option 3: Status Quo (financially constrained).

Council Meeting 30 April 2025

20. On 30 April 2025 Council met to receive and consider submissions made in response to the Council's consultation, and hear from submitters who wished to speak to their submission. The Council Meeting was open to the public and livestreamed. The livestream link is available here: <https://www.horowhenua.govt.nz/Council/Council-Meetings/Council-Meetings-Live>
21. 93 written submissions were received and seven submitters spoke to their submissions.
22. The Council Agenda including written submissions is available via this link: https://horowhenua.infocouncil.biz/Open/2025/04/CO_30042025_AGN_AT_EXTRA.PDF

Council Workshops

23. Since the Council Meeting on 27 November 2024, workshops were held with Elected Members on 22 January 2025, 29 January 2025, 5 February 2025, and 12 February 2025.
24. These workshops provided an opportunity for Elected Members to provide feedback and direction on the options being considered in detail by Officers, and to shape the consultation document prior to it being publicly released.
25. An Elected Member forum was held with representatives from Horowhenua District Council, Manawātū District Council, Kāpiti Coast District Council and Palmerston North City Council on 25 March 2025. This forum provided elected members with the opportunity to hear from other councils about their decision-making process and to hear from subject matter experts from the Department of Internal Affairs, Commerce Commission, Taumata Arowai, and Morrison Low about the developing regulatory environment and to support future decision making by elected members of all councils.
26. An additional Elected Member forum was held on 8 May 2025 with representatives from Horowhenua District Council, Palmerston North City Council, Manawātū District Council, Whanganui District Council, Ruapehu District Council, and Rangitīkei District Council. This again allowed Elected Members to consider a wider operational context including the decisions that other councils are considering, and to facilitate further discussion on the financial modelling.

DISCUSSION | HE MATAPAKINGA

27. Legislation requires that Council is able to demonstrate financial sustainability through the development of a Water Services Delivery Plan (WSDP). This means water services revenue is sufficient to meet all regulatory standards and requirements, and ensure long-term investment in water services. How councils approach achieving financial sustainability can be different depending on local circumstances and require councils to consider the balance between three key factors.
28. These factors are:
- Revenue sufficiency – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
 - Investment sufficiency – is the projected level of investment sufficient to meet levels of service, regulatory requirements and provide for growth?

- Financing sufficiency – are funding and finance arrangements sufficient to meet investment requirements?
29. The Council must also demonstrate through the development of a WSDP that water services will be delivered in a way that meets all relevant regulatory quality standards for its water services, meets all drinking water quality standards and supports the Council's housing, growth, and urban development, as specified in the Council's Long Term Plan.
30. The WSDP is required to be submitted to the Secretary for Local Government by 3 September 2025. The Minister of Local Government has indicated that any requests for extensions would be unlikely to be granted.

Feedback received from Consultation

31. Community consultation was undertaken between 10 March and 10 April 2025. Of the 92 submissions received:
- 56% (53 submissions) preferred Option 1.
 - 9% (8 submissions) preferred Option 2.
 - 31% (29 submissions) preferred Option 3.
 - 4% (4 submissions) did not indicate a preferred option.
32. Two submitters preferred both Option 1 and Option 2 in their submission and both included an explanation of why they did this. These submissions are therefore included within both options in the list above.

Joint Water Services Organisation (Options 1 and 2)

33. Of the submissions that supported the development of a Joint Water Services Organisation (Options 1 and 2) the following key themes were identified in submissions:
- A joint Water Services Organisation is a cost-effective option for individual ratepayers (10 submitters);
 - This option will allow for additional borrowing to support future growth and infrastructure development (6 submitters);
 - These options are likely to provide economies of scale (7 submitters);
 - Will allow greater access to equipment, staff, specialist knowledge, and support the adoption of best practices (2 submitters); and
 - Increased resilience and ability to respond to climate related weather events (2 submitters).
34. In addition to those themes, concerns were also raised in relation to:
- Recognition of the need for effective management and use of qualified board members (2 submitters);
 - Continue to require developers to fund the additional infrastructure required to support growth through development contributions (3 submitters);
 - Consider how the needs of the Horowhenua community will be prioritised particularly against the needs of other communities by a joint Water Service Organisation (4 submitters);
 - Ensure that water services remain a public resource and are not able to be privatised in the future (3 submitters); and
 - Consider how the proposed Water Service Organisation will be held accountable to prevent poor service delivery (1 submitter).

Status Quo (Consultation Option 3)

35. Of the submissions that supported remaining with the Status Quo (Option 3) the following themes were identified:
- This option allows the Horowhenua Community to continue to make decisions about our assets/services that prioritise Horowhenua (5 submitters);
 - Consider the strategy around debt, reduce the debt that is currently held, reduce/stop future borrowing with a focus on reducing future debt payments, and not be responsible for another district's debt/previous decisions. This included not burdening future generations with debt. (4 submitters); and
 - This option will allow for a focus on current needs rather than future growth (4 submitters).

General

36. General themes that do not directly relate to any of the options consulted on include:
- Ensuring environmental concerns are addressed to prevent contamination (4 submitters);
 - Consideration of how iwi and hapū are included in decision making (10 submissions supported iwi and hapū being included and 1 did not support specific iwi and hapū involvement in decision making);
 - Outlining that effective management, particularly at a governance level, is needed (2 submitters);
 - Care needs to be taken to ensure that the Horowhenua Community is still able to advocate effectively for action to be taken to address the needs of the community (3 submitters);
 - One submitter commented on stormwater and stated that they believed stormwater management should remain under local control (1 submitter); and
 - Improve transparency about how costs/rates are used (1 submitter).

Joint Submission from Tānenuiārangi Manawatū Charitable Trust Rōpu, Te Rūnanga o Ngāti Toa, Te Tūmatakahuki, Ngāti Kauwhata, and Muaūpoko Tribal Authority

37. A submission was provided to Council on behalf of the iwi representatives from Tānenuiārangi Manawatū Charitable Trust Rōpu, Te Rūnanga o Ngāti Toa, Te Tūmatakahuki, Ngāti Kauwhata, and Muaūpoko Tribal Authority, who attended a hui at Rangimarie Marae. The submission outlines the combined view that this is a critical moment to embed the aspirations of the iwi/hāpu for wai and the importance of water as a taonga, essential to the wellbeing of the environment, whanau, and future generations. The submission expressed a desire to ensure that the new water service arrangements give effect to Te Mana o te Wai, uphold Te Tiriti o Waitangi, and recognise the rights and responsibilities of mana whenua across the rohe.
38. The submission outlines that the combined iwi representatives believe that the best way to achieve this is through continuing to work together as partners in the process and for iwi/hapū to be involved at all levels of governance, management, and operations.
39. The submission outlined a structure for how iwi/hapū propose working together going forward. This submission is included on page 255 of the Agenda for the Council Meeting held on 30 April 2025
https://horowhenua.infocouncil.biz/Open/2025/04/CO_30042025_AGN_AT_EXTRA.PDF

Te Tūmatakahuki Submission

40. The Te Tūmatakahuki hapū collective made up of Ngāti Raukawa hapū and represents Ngāti Turanga, Ngāti Rakau, Ngāti Te Au, Ngāti Takihiku, Ngāti Ngarongo, Ngāti Whaketerere, Ngāti

Pareraukawa, Ngāti Huia ki Matau, Ngāti Kikopiri, Ngāti Hikitunga, and Ngāti Wehiwehi provided a submission to Horowhenua District Council on the Local Waters Services Delivery Model. This submission is included on page 302 of the Agenda for the Council Meeting held on 30 April 2025

https://horowhenua.infocouncil.biz/Open/2025/04/CO_30042025_AGN_AT_EXTRA.PDF

41. The submission outlines a preference for a collective water service delivery organisation that is more locally responsive so the preference is for Option 2 at a more limited scale, such as a joint arrangement with just Palmerston North City Council.
42. The submission also, strongly outlines Te Tūmatakahuki's expectation that whatever form the water service delivery model takes that it upholds Te Tiriti o Waitangi, recognises their rights and responsibilities as mana whenua across the rohe, and gives effects to Te Mana a te Wai. This includes maintaining and enhancing meaningful participation of Te Tūmatakahuki hapu within the rohe.

Analysis of Submissions

Financial Implications

43. A number of submitters commented on the financial implications of both a joint Water Services Organisation and the status quo.
44. Officer Comment:
 - a) The use of debt to fund capital expenditure was part of submissions that supported both a joint Water Services Organisation and the status quo. There appeared to be a philosophical difference between those who agreed that debt should be used to share the cost of capital expenditure over a longer period of time and that it be funded by those who use the assets, and those who opposed increased borrowing and making decisions about requiring future generations to repay debt (including interest).
 - b) The use of debt to share the cost of assets over their life, is in line with the financial strategy set by the Council. It helps to ensure that there is enough debt capacity to borrow for when those assets need replacement.
 - c) Remaining with the status quo (an in-house business unit), would significantly limit Councils future borrowing capacity compared to a joint Water Services Organisation. This is particularly the case for all activities other than three waters as, the focus of capital spending in our infrastructure and financial strategies has been waters. This is because of the growth and upgrade work needed on networks to provide for our growing community.
 - d) It is likely that there would be limited ability to borrow the amount needed to continue to develop the water services infrastructure for growth as we currently only have \$5m space in our debt remaining over the next four years, and this is before taking into account the impacts of further regulation on waters and the potential impacts of further government reform, including rates capping and changes in other government funding.
 - e) Alternatively, a joint Water Services Organisation would be able to access higher levels of debt funding from the New Zealand Local Government Funding Agency and would therefore be able to spread the cost of capital expenditure over the lifetime of the assets. We as a Council have needed to increase our rates funded debt repayment over the last 4 years to catch up for the past, when we have not been fully balancing our budget with enough rates. This means our debt is higher as we haven't been paying for the full annual fair share of future asset replacement (known as fully funding depreciation). This has limited the amount we have been able to invest for growth in the short term and has meant that we are not currently financially sustainable within the waters activities.
 - f) A joint Water Services Organisation would be able to take advantage of economies of scale and over time the costs for all communities would be less than their individual status quo options. This is evidenced by the modelling options included in Attachment B

to this report. However, this will depend on a number of factors including agreeing to the principles surrounding harmonisation and how three waters debt will be transferred to the new organisation.

- g) Based on current modelling, a joint Water Services Organisation is likely to be the most cost-effective option for individual households over time. It will see a minimum reduction in total revenue required from the community of \$85m over 30 years to provide the same level of services to our communities, which will translate to lower increases in three waters costs for the community that we had originally planned. This is because they will be able to share the cost of debt more fairly across those benefiting from them. In addition, we as a Council will have significantly more capacity to borrow (from the current room of \$5m to just over \$55m) to be and to invest in community assets and provide for unforeseen natural disasters if required.

Future Structure of a Water Services Organisation including Board of Directors

- 45. A number of submitters commented on a potential joint Water Services Organisation being able to provide greater access to equipment, staff, specialist knowledge and support the adoption of best practices.
- 46. Officer Comment:
 - a) This issue, in part relates to the scale of the joint arrangement. In short, the greater the number of water service connections that the organisation services and the larger the potential Water Service Organisation will likely be (including number of staff and resources), the more likely it is that scale will generate a greater potential for this benefit to be realised.
 - b) Several submitters also commented on the need for effective management and the use of qualified board members. The Local Government (Water Services) Bill as currently drafted will require directors to be appointed on a competency/skill basis and that collectively the directors have an appropriate mix of skills, knowledge and experience relating to providing water services. As a result, there will be no risk of unqualified directors forming part of the governance for any new organisation.

Community Voice in Decision Making

- 47. Another key theme from submissions related to ensuring that the Horowhenua community's voice continues to be heard and that the needs of Horowhenua are appropriately prioritised.
- 48. This was a key concern for those who outlined that their preference was for the status quo, with a number justifying this choice because the option of an in-house business unit would only focus on activities within the Horowhenua District.
- 49. This was also a concern for those who outlined that their preference was for a joint Water Services Organisation.
- 50. Officer Comment:
 - a) If the option of a Joint Water Services Organisation was adopted the Local Government (Water Services) Bill outlines that a water organisation must be wholly owned by one or more local authorities. This means that Horowhenua District Council would be a shareholder in the appropriate joint Water Services Organisation. Part of the responsibility of being a shareholder in a joint Water Services Organisation will be to prepare and adopt a statement of expectations for the water organisation. The statement of expectations will be used to set out the shareholders expectations of the water organisation, set priorities and strategic direction, and inform and guide the decisions and actions of the water organisation. This document give Council, and indirectly Horowhenua community members, a voice in relation to water services in the district. Through the statement of expectations process, there may also be an opportunity for the shareholders to set guidance in terms of when and how engagement may be required.

Consideration of Māori in future decision making

51. 11 submitters referred to considering how iwi and hapū are included in decision making.
52. Officer Comment:
- a) The Local Government (Water Services) Bill does not include a requirement for Māori representation on any board of directors. However, the Bill also states that a territorial authority (such as Horowhenua District Council) must consider how any existing contracts, agreements, or arrangements between the territorial authority and a third party (and specifies that a third party includes an iwi, hapū or other Māori organisation) will apply in relation to the water organisation. Additionally, the Bill more generally provides broad scope for individual councils and shareholders to determine the relationships between Māori and a Water Services Organisation.
 - b) Subsequent to the discussions in front of Council today, one of the first steps of any formal collaboration will be to agree and identify a meaningful role for iwi/Māori within the legislative framework. This is a matter that Council will need to continue to consider.

Preventing Privatisation

53. Another key theme from submissions related to concerns that privatisation will occur in the future.
54. Officer Comment:
- a) The Local Government (Water Services) Bill includes restrictions against privatisation and assurances have been repeatedly made by central government agencies that this is not the intent of the legislation. Based on the information currently available Local Waters Services, even if transferred to a new Council-owned organisation, will not be able to be privatised in the future.

Development Contributions

55. The continued requirement for development contributions to fund the additional infrastructure required to support growth was also identified as a key theme from submissions.
56. Officer Comment:
- a) The Local Government (Water Services) Bill includes specific regulations around development contributions including that a water organisation will have the power to set its own policy and then require contributions for developments, and if received must use it for or towards the capital expenditure of the water services infrastructure for which the contribution was required. The Government is also progressing reform in this space, with a view to a new development levy framework being established. Officers expect that any new water organisation will have access to that framework, as well as the Council.

Update on decision-making by Manawatū District Council, Kāpiti Coast District Council, and Palmerston North City Council

57. Since late last year, the four Councils that made up the 'Four Council' group have been collaborating, at both the Elected Member and Officer levels, to explore the option of a joint Water Service Organisation.
58. The viability of a joint Water Services Organisation made up of all four Councils is of course dependent on all four deciding to be part of a new joint water service delivery model. This section briefly outlines the status of the decision-making by each of these Councils to date.

Manawatū District Council

59. Manawatū District Council undertook community consultation from 10 March 2025 to 11 April 2025 on three options:

- a) Option 1: In-house, stand alone model (the status quo) for the delivery of water services in the Manawatū District (preferred option).
 - b) Option 2: A multi-council Water Services Council Controlled Organisation jointly between Manawatū District Council and Palmerston North City Council for the delivery of water services across both Councils.
 - c) Option 3: A multi-council Water Services Council Controlled Organisation jointly between Manawatū District Council, Palmerston North City Council, Horowhenua District Council, and Kāpiti Coast District Council for delivery of water services across all Councils.
60. On 15 May Manawatū District Council adopted an in-house model as its future water services delivery model.

Kāpiti Coast District Council

61. Kāpiti Coast District Council undertook community consultation from 10 March 2025 to 13 April 2025 on two options:
- a) Option 1: 'The One'. Keeping their water services delivery in-house as they do now, but with additional effort and resourcing required to ensure they meet regulatory requirements (preferred option).
 - b) Option 2: 'The Four'. A four council-owned water services organisation with Horowhenua, Palmerston North, and Manawatū. This option would require them to transfer their water assets to the new organisation of which KCDC would be a shareholder.
62. Kāpiti Coast District Council made their decision on their future water services delivery model on 27 May 2025. At this Council meeting they decided to adopt an in-house business unit as the proposed water services delivery model.

Palmerston North City Council

63. Palmerston North City Council consulted on three options:
- a) Option 1: 'The four'. A water organisation jointly owned by Palmerston North City Council, Horowhenua, Manawatū, and Kāpiti Coast District Councils (preferred option).
 - b) Option 2: 'The up to six'. A water organisation jointly owned by Palmerston North City Council and one or more councils within the Horizons Regional Council boundary.
 - c) Option 3: 'Status quo with changes'.
64. Palmerston North City Council is scheduled to make their decision on the water services delivery model in June 2025.

Update on Decision Making by Whanganui District Council, Ruapehu District Council, Rangitīkei District Council and Tararua District Council

Ruapehu District Council

65. Ruapehu District Council undertook community consultation between 10 March and 11 April 2025 on three options:
- a) Option 1: A three-council Water Services Council-Controlled Organisation (WS-CCO) in partnership with Rangitīkei and Whanganui District Councils (preferred option).
 - b) Option 2: Standalone business unit – Ruapehu continues managing water services internally as a ring-fenced unit within Council.
 - c) Option 3: Single-Council WS-CCO – A Ruapehu-only Water Services Council-Controlled Organisation (WS-CCO).

66. Subsequently, Ruapehu District Council identified new information about additional potential models, including options involving Palmerston North City Council and Horowhenua District Council and joining the Waikato Water CCO.
67. Ruapehu District Council have since decided to continue working with Rangitīkei and Whanganui District Councils in establishing a three-council WS-CCO and also agreed to continue to progress work on a WS-CCO that reaches a 50,000 connection threshold with Palmerston North City Council and others.
68. Ruapehu District Council has decided that a two-week engagement window on the available information will take place from 28 May 2025 to 11 June 2025.
69. Ruapehu District Council plans to make a final decision, if a joint model with Palmerston North/Horowhenua is the preferred option, at their Council Meeting on 25 June 2025.
70. At it's meeting on 21 May 2025, Ruapehu District Council passed the below resolutions;

3. Agrees to continue working with Rangitīkei and Whanganui District Councils in establishing a three-council Water Services Council-Controlled Organisation (WS-CCO); and
4. Agrees to progress work on a Water Services Council-Controlled Organisation (WS-CCO) that reaches the 50,000-connection threshold with Palmerston North City Council and others;
5. Agrees to conduct engagement with the community on available information from 28 May 2025 to 11 June 2025; and
6. Notes that the final decision on a preferred option for water services delivery is planned for the Council meeting on 25 June 2025.

Rangitīkei District Council

71. Rangitīkei District Council undertook community consultation between 5 March and 2 April 2025 on three options:
 - a) Model 1: Development of a multi council-controlled organisation with Rangitīkei District Council, Whanganui District Council, Ruapehu District Council (preferred option).
 - b) Model 2: Maintain the current water services delivery model – in house management.
 - c) Model 3: A multi council-controlled organisation with as many councils in the Manawatū-Whanganui region as possible.
72. Rangitīkei District Council stated their preferred position is to work with Palmerston North City Council, Horowhenua District Council and other councils to establish a wider Water Services Organisation. This is subject to meeting the requirements for financial sustainability and for other councils confirming their intent to join a joint entity with Rangitīkei District Council.
73. If their preferred position of not being part of a wider Water Services Organisation isn't agreed to by Horowhenua District Council and Palmerston North City Council they will continue to work with Whanganui District Council and Ruapehu District Council to discuss establishing a three council WS-CCO.
74. At it's meeting on the 22 May 2025, Rangitīkei District Council passed the below resolution;

Resolution 6

That, having regard for sections 61 and 62 of the Local Government (Water Services Preliminary Arrangements) Act 2024, Rangitīkei District Council –

- a) agrees to continue discussions with Ruapehu and Whanganui District Councils in establishing a WS-CCO,

- b) agrees to continue discussion with Palmerston North City Council and Horowhenua District Council about establishing a WS-CCO with them and other councils,
- c) Council has a preferred position to work with Palmerston North City, Horowhenua, Ruapehu and Whanganui district councils to establish a WS-CCO subject to -
 - ☐ meeting the Government's requirements for financial sustainability.
 - ☐ delivering savings compared with the in-house model for Rangitikei, and
 - ☐ Palmerston North and Horowhenua confirming (for each by Council resolution) that they intend to join a WS-CCO with Rangitikei.
- d) notes the continued work in preparing a joint water services plan containing an implementation plan for a joint WS-CCO to the Secretary for Local Government on or before the prescribed date, 3 September 2025, and
- e) resolves that the shareholding councils for the joint WS-CCO invite the participation of our iwi and hapū in the WS-CCO design process to the extent that the legislation allows.

Cr Raukawa/Cr Wilson.

Carried

Whanganui District Council

75. Whanganui District Council undertook community consultation between 17 March and 14 April 2025 on four options:
- a) Model 1: Development of a multi council-controlled organisation with Whanganui, Rangitikei and Ruapehu district councils (preferred option).
 - b) Model 2: Whanganui District Council – Council Controlled Organisation.
 - c) Model 3: A multi council-controlled organisation with as many councils in the Manawatū-Whanganui region as possible.
 - d) Model 4: Status Quo.
76. Whanganui District Council have delayed its decision to adopt a water services delivery model until early July 2025.

Tararua District Council

77. Tararua District Council undertook community consultation between 14 March 2025 and 22 April 2025 on two options:
- a) Option 1: Wairarapa and Tararua. A multi-council owned water organisation (CCO)
 - b) Option 2: Stand Alone. The existing approach for delivering water services.
78. In 2024, Tararua District Council considered models with the Manawatū-Whanganui councils. However, the decision was made to pursue a joint option with Wairarapa councils instead.

Options | Ngā Kōwhiringa

79. In light of the decisions made by Manawatū District Council and Kāpiti Coast District Council, the preferred option consulted on by Horowhenua District Council (being Option 1 in the Consultation Document, the joint four-council Water Services Organisation) is no longer available.
80. As a result, this report considers the other options available to the Council and makes a recommendation for the Council's future water services delivery model. As noted above, the

Council consulted on a Water Services Organisation jointly owned by all willing councils from the Manawatū-Whanganui and Kāpiti regions, and so this option was presented to the community through consultation (albeit it was not the Council's proposal at the time).

A joint Water Services Organisation: jointly owned by all willing councils from the Manawatū Whanganui and Kāpiti regions

Status of Potential Partners

81. While a formal decision has not yet been made, Palmerston North City Council has identified a preference for a jointly owned Water Services Organisation with one or more of the territorial authorities in the Horizons region. It is highly likely that this will include Horowhenua District Council. Palmerston North City Council is scheduled to make its delivery model decision on Wednesday 4 June 2025. Therefore, Palmerston North is one of the most likely willing partners, as is also the decision of Rangitīkei District Council.
82. At this time, it is uncertain whether this option could also include the Ruapehu and Whanganui District Councils. Ruapehu District Council plans to make a decision on 25 June 2025 if this is the model they are planning to adopt following a further two week community engagement period.
83. Based on current information, Manawatu District Council and Tararua District Council have adopted alternative service delivery models that do not include Horowhenua District Council. It is unknown whether Whanganui District Council will decide to adopt a service delivery model that includes Horowhenua District Council.

General Position of Council Officers

84. A joint Water Services Organisation is preferred over the status quo as it will allow for additional borrowing up to a level equivalent to 500% of operating revenue through the Local Government Funding Agency. This means they can borrow five times the amount they generate from water services charges. This is significantly more than the 2.8 times revenue limit of what existing councils can borrow and means that the cost of increased investment in water infrastructure can be spread across the lifetime of these assets.
85. This option also has the advantage of requiring expert governance from the Board Directors who must collectively have the appropriate mix of skills, knowledge, and experience in relation to providing water services.
86. A Water Services Organisation also allows for a dedicated focus on providing water services and greater independence from the operation of other activities.
87. A joint Water Services Organisation that manages in a greater number of water connections than the status quo is also likely to benefit from economies of scale. This will ultimately result in lower household water charges over time (financial analysis provided below). This structure also allows for the ability to amalgamate with other Water Service Organisations or for other Councils who have decided to continue with in-house business units to join the Water Service Organisation in the future.
88. It is currently difficult to provide a complete analysis of the financial impacts as there are multiple scenarios that are currently possible.
89. Please see Attachment B for financial modelling from Morrison Low on a two council model (Horowhenua District Council and Palmerston North City Council), a four council model (Horowhenua District Council, Palmerston North City Council, Rangitīkei District Council and Ruapehu District Council), and a five council model (Horowhenua District Council, Palmerston North City Council, Rangitīkei District Council, Ruapehu District Council, and Whanganui District Council).

Status Quo

90. This is the most financially constrained and expensive option for our community and is not currently financially sustainable as the revenue generated from water services is not

sufficient to cover all costs associated with delivering those services over the long term, including maintenance, capital investment, and regulatory compliance and it will be increasingly challenging to be financially sustainable as a council while trying to meet growing regulation. Within this current annual plan 85% of the 10.2% rates increase is due to the increasing costs of funding water and trying to balance out water's budget.

91. This is because we have a significant level of three waters debt (more than 50% of our total debt) and our three waters rates for the next five years are higher than the other councils. Our rates are higher because of our commitment in the financial strategy at the start of 2021, to try to achieve a fully balanced budget by 2027/28. This has meant we have been playing catch up for years where we were not fully funding our operating costs (including depreciation which is used to fund our debt repayments). This is before we start to pay for the additional regulatory requirements.
92. The average Horowhenua household would pay \$195 more per year for water services delivery by 2027/28 if we stay with the status quo, and will reach savings of \$431 by 2030/31. This is before the impacts of inflation are applied. The Council's debt headroom would be limited to a maximum of \$5m over the next 4-5 years compared to more than \$55m if water services and the associated debt were transferred to a water services organisation.

Stormwater

93. The transfer of stormwater assets to a potential Water Services Organisation has been further considered following community feedback through the consultation process.
94. Horowhenua District Council has a small reticulated stormwater network and a small number of assets that are defined as stormwater assets. This is in comparison to a larger number of assets that, while they also perform a role in stormwater management, are primarily considered to be a different type of asset e.g. they are part of the Parks and Property or Land Transport activities.
95. It is recommended that Horowhenua District Council transfer the reticulated stormwater network, including the underground network and pumps to the proposed Water Services Organisation. This would allow for effective and efficient management of this network. Inclusion of these assets in those transferred to the Water Services Organisation would also ensure that Horowhenua District Council is not required to engage an additional contractor to manage these assets separately. In addition, it is proposed that any new and growth-related stormwater assets such as the underground network, pumps, downstream defenders etc be delivered and maintained by the proposed Water Services Organisation.
96. Other above ground assets which serve stormwater functions, such as open drains, swales, ponds or runoff areas, would remain with Horowhenua District Council as the maintenance of these is included in both the Parks and Property and Land Transport activities and current contracts. As a result, it is possible to separate out these stormwater assets, and treat them in a different way from an asset management perspective. Following the establishment of a potential Water Services Organisation it is proposed that these types of stormwater solutions continue to be included in council-based objectives that are managed internally, but with appropriate interaction with the management of other related stormwater assets management by a new Water Services Organisation.
97. Before any assets are transferred to any potential Water Services Organisation, an internal review will occur to determine whether the asset is categorised as part of the dedicated stormwater network (and will be transferred) or if they part of another activity. Consideration will be given to what activity the asset was purchased or developed for, how it was funded, and its current or future primary use.

Advantages and Disadvantages of the options identified in this report

Options	Advantages	Disadvantages
<p>Option A (recommended)</p> <p>That Council adopt as its future Water Services Delivery Model a joint Water Services Organisation (in the form of a Water Services Council Controlled Organisation) with Palmerston North City Council and Rangitīkei District Council.</p> <p>While this option is recommended at this stage, it does remain possible that Ruapehu District Council and Whanganui District Council could decide that they want to join following their council decision making processes.</p> <p>If clarity is gained on whether other Councils are also willing partners, Council Officers will return to Council with further advice ahead of making any decision to modify any joint arrangement entered into with Palmerston North City Council. This further advice would need to address timing, process and matters of detail for the amended option.</p>	<p>A joint Water Services Organisation (WSO), will be able to provide the greatest number of possible water connections, and can therefore deliver the most benefits from economies of scale.</p> <p>The WSO would manage resources across the shared area of the two participating territorial authorities, which could improve staffing opportunities and will support the delivery of financial sustainability for the community without sacrificing the investment in other services the Council delivers.</p> <p>This is expected to result in increasing efficiencies for delivering services to all communities, reduced administrative costs, improved climate mitigation, and an increased ability to effectively navigate the proposed regulatory environment.</p> <p>The detailed modelling for this three Council option will be available for the Council meeting on 4 June. Under the two Council option with Palmerston North, the average Horowhenua household would pay \$195 less per year for water services delivery by 2027/28. The option with Horowhenua District Council, Palmerston North City Council, Rangitīkei District Council and Ruapehu District Council would see savings of \$146, and the addition of Whanganui District Council to that group would increase the savings to \$300. Under these options, indications are we would transfer \$119m of Council debt to the WSO to pay back. This</p>	<p>The community, including iwi and hapū, would possibly have less opportunity to feed into the decision-making processes of the new Water Services Organisation compared to the status quo.</p> <p>The needs of Horowhenua may be assessed against those in the joint service area and may at times be prioritised below the needs of other areas.</p> <p>Water services would be separated from other related activities (such as regulation of the Building Act and approval of new subdivisions under the Resource Management Act).</p>

	<p>would result in approximately \$55m in additional debt capacity for the Council. This would enable us to borrow more if needed in the future for other activities such as transport, rubbish and recycling, parks, and community facilities. It also provides for room if there were to be a natural disaster.</p> <p>A WSO be able to access higher levels of debt funding from the New Zealand Local Government Funding Agency and would therefore be able to spread the cost of capital expenditure over the lifetime of the assets.</p> <p>Meets legal requirements.</p> <p>This option is likely to allow more climate change mitigation actions than the Status Quo due to the advantages of scale, improved efficiencies and an increase in borrowing capacity.</p> <p>This option would provide for a better ability to prepare for and manage future growth needs than the Status Quo.</p> <p>Indications are the average Horowhenua household would pay \$2,134 (excluding inflation) per year for water services delivery by 2027/28 under a jointly owned Water Services Organisation with Palmerston North city council. This compares to \$2,329 (exclude inflation) under the status quo, a savings of \$195. This would be \$431 in savings by year 30.</p> <p>For an option with Horowhenua District Council, Palmerston North city Council, Rangitikei District Council, Ruapehu District Council and Whanganui District Council (5 Council Option) would see a</p>	
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	<p>household pay \$2,029 by 2027/28 and \$1,748 by 2030/31, which means savings of \$300 by 2027/28 and \$781 by 2030/3.</p> <p>The total revenue savings for a two Council option over the 30 years is estimated to be \$85m and for five Council Option is estimated to be \$369m.</p> <p>If additional partner councils were to seek to join, then this will further add to the scale of the new WSO. In general, the equivalent benefits will apply.</p>	
<p>Option B (status quo)</p> <p>That Council adopt a water services delivery model under which the Council continues to deliver water services for Horowhenua as a stand-alone business unit.</p>	<p>Council would continue to on all water, wastewater and stormwater assets.</p> <p>Council would continue to be responsible for the work programme and day to day management of all Local Waters Services.</p> <p>Council will continue to make decisions as they do now.</p> <p>The community would remain involved in decision making through the Long Term Plan process.</p> <p>There are less unknown elements as this is how Council is currently operating.</p>	<p>This is the most financially constrained and expensive option for our community and is challenged with being financially sustainable.</p> <p>The community are also currently already really struggling to pay for the increasing levels of water rates. Over the next four years our water rates are planned to increase by an average of 22%. This increase is because the revenue generated from water services is currently not sufficient to cover all costs associated with delivering those services over the long term. This includes maintenance, capital investment, and regulatory compliance.</p> <p>While under our current financial and infrastructure strategies, we are just able to deliver the growth infrastructure in time and maintaining our programme of renewing and maintaining our assets we are not yet balancing our budget or ensuring we have enough put aside for the increasing costs of regulation.</p>

		<p>The average Horowhenua household would pay \$195 more per year for water services delivery under a two council option by 2027/28 and \$431 more by 2030/31 if we stay with the status quo, while not balancing the budget and the Council's debt headroom would be limited to a maximum of \$5m over the next 4-5 years rather than more than \$55m if water services and the associated debt were transferred to a water services organisation.</p> <p>The addition of more Council's to a WSO will offer further financial benefits.</p> <p>In the longer term, Council would be likely be unable to demonstrate financial sustainability without a substantial reduction in capital programme or reduction in other Council services. This will be because of increasing regulatory requirements and likely pressure on capping the levels of rates which our Council needs be able to keep three waters debt under control.</p> <p>Reduced ability to financially prepare for and manage future growth needs.</p> <p>Council's decision-making for water services will likely not be as effective as a single-focus on water services.</p> <p>There would be reduced investment in other community assets as Council would need to focus on essential infrastructure.</p> <p>Horowhenua would likely be less attractive to</p>
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		<p>Government when considering the allocation of Regional Deals.</p> <p>The increased regulatory environment could prove challenging for stand-alone councils delivering water services due to the specialist expertise required to navigate these changes.</p>
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ENGAGING WITH MĀORI | TE MAHI TAHI KI TE MĀORI

98. For Māori, water is the essence of life, like the blood of Papatūānuku (Earth Mother) who supports all people, plants and wildlife. Enhancing the health and wellbeing of our waterways is a priority for many iwi.
99. It is acknowledged that mana whenua, and more broadly Māori with respect to Council's obligations under the Treaty of Waitangi – Te Tiriti o Waitangi, are concerned about the protection of environmental and cultural interests in Horowhenua. It is specifically acknowledged that this includes Horowhenua's water services. The decision currently being made is one component of a much wider conversation about how Horowhenua District Council partners with Māori and incorporates the Te Ao Māori world view into decision making and day-to-day ways of working.
100. Multiple mana whenua groups provided submissions to the Council as part of its consultation process. The details of these submissions have been discussed earlier in this report.
101. Subsequent to the decisions in front of Council today, one of the first steps of any formal collaboration will be to agree and identify a meaningful role for iwi/Māori within the legislative framework.

LEGAL AND RISK | TE TURE ME NGĀ MŌREAREATANGA

102. Council is required to decide which of the service delivery models that it consulted the community on will be adopted. The adopted water service delivery models will then inform the development of Council's Water Service Delivery Plan. The Council's Water Service Delivery Plan must be prepared, certified by the Chief Executive, and then submitted to the Secretary for Local Government by 3 September 2025.
103. The Secretary for Local Government has an approval role in relation to Water Service Delivery Plans, as well as intervention powers, which can be used in certain circumstances. This report outlines those powers at a high level below.
104. For the mandatory consultation on the water service delivery model options, Council was required to use and comply with the alternative requirements for decision making under the Local Government (Water Services Preliminary Arrangements) Act 2024. These alternative arrangements assist to streamline decision making and prescribe the content of the information that must be presented as part of public consultation.
105. The Local Government (Water Services Preliminary Arrangements) Act displaces some, but not all, of the decision-making requirements under the Local Government Act 2002. Where a requirement of the Local Government Act 2002 is not displaced, Council still needs to comply with that requirement.
106. Council is not required to consider any other option that may have been raised through the submissions received as part of the consultation process.

107. As the usual provisions of the Local Government Act 2002 continue to apply to decision making, unless expressly displaced, Council will still need to comply with the following requirements under the Local Government Act 2002:
- a) If any of the options involve a significant decision in relation to land or a body of water, it will need to consider the relation of Maori and their culture and traditions with their ancestral land, water, sites, waahi, tapu, valued flora and fauna, and other taonga (section 77(1)(c));
 - b) Consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter (section 78(1));
 - c) The principles of consultation contained in section 82, including that persons who are encourage to present their views should have been given clear information about the scope of the decisions to be taken following consultation (section 82(1)(c)), the obligation to consider the views presented during consultation with an open mind (section 82(1)(e)) and to provide clear reasons for its decisions (section 82(1)(f)); and
 - d) Where any decision is significantly inconsistent with, or anticipated to have consequences that will be significantly inconsistent with, any policy adopted by the Council or plan required by law, the Council is required to identify that inconsistency, the reasons for it and any intentions to amend the policy/plan to accommodate it (section 80).
108. It should be noted that the requirement to consider the views of those affected or interested in the decision, and to consider the views during consultation are related but separate matters. This recognises that there are valid community perspectives that can be elicited outside consultation and where Council or Councillors themselves have knowledge of these views they can and should also be considered. Examples include, views expressed during other consultations such as LTP or through Councillors own engagements with their communities (which may have occurred outside consultation or when discussing distinct but related issues). In this regard, all views of all parties must be considered such that the views expressed in consultation are only one consideration.
109. There are two other relevant points to decision-making in this context:
- a) Firstly, that Council will still need to make decisions in a way that aligns with its statutory role in section 12 of the Local Government Act 2002, and the principles in section 14 of the Local Government Act 2002; and
 - b) Secondly, that the Local Government (Water Services Preliminary Arrangements) Act requirements for a WSDP, of which the delivery model decision is a required input, requires the Council to demonstrate that water services will be delivered in a way that:
 - Will meet all relevant regulatory quality standards for its water services; and
 - Is financially sustainable for the Council; and
 - Ensures that the Council will meet all drinking water quality standards; and
 - Supports the Council's housing growth and urban development, as specified in the Council's long term plan.
110. These matters will need to be considered by Council when making its decisions on both the delivery model and adoption of the Water Services Delivery Plan.

NEXT STEPS | HEI MAHI

111. Once elected members make their delivery model decision, Council Officers will develop a Water Services Delivery Plan that reflects that decision, including as required a transitional/implementation plan for the adopted model, which will be presented to Council for adoption and approval before submission to the Secretary of Local Government before the due date of 3 September 2025.




112. Horowhenua District Council Officers will continue to work with Officers from the other relevant Councils to inform their decision-making, and will report back to the Council in relation to the decisions made by those other councils, namely whether there is any broader support for the establishment of a multi-council joint Water Services Organisation.

Confirmation of statutory compliance

In accordance with relevant provisions of the Local Government Act 2002 and the Local Government (Water Services Preliminary Arrangements) Act 2024, this report:

- a. containing information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. considers the views and preferences of affected and interested parties provided in relation to the delivery model options consulted on.

ATTACHMENTS | NGĀ TĀPIRINGA KŌRERO

No.	Title	Page
A 	LWDW - Correspondence from Minister of Local Government - 21 May 2025	28
B 	LWDW - Morrison Low Financial Modelling - 27 May 2025	31
C 	Local Water Done Well Analysis - 17 Jan 2025	57

Hon Simon Watts

Minister of Climate Change
Minister for Energy
Minister of Local Government
Minister of Revenue



MIN038

To: Mayors / Chair
cc: Chief executives

Dear Mayor / Chair

Financial sustainability of water services

I am writing to underline the importance of financial sustainability requirements and the new economic regulation regime under Local Water Done Well. I also want to take this opportunity to acknowledge the work you are doing to implement Local Water Done Well in your local area, and to set out our next steps in the months ahead.

I understand your council has indicated a preference in your consultation materials for a multi-council council-controlled organisation (CCO) model for delivering water services for your community.

Delivery of financially sustainable water services sits at the core of Local Water Done Well, and it will form the basis for how the Department of Internal Affairs will assess Water Services Delivery Plans (Plans).

As the economic regulator, the Commerce Commission will also play a key role in ensuring water services providers collect sufficient revenue and invest sufficiently in quality water infrastructure and services on an ongoing basis.

With the Local Water Done Well framework, tools and guidance largely in place, it is now up to you to consider your options, work with other councils, and make the decisions required to ensure clean, safe, reliable, and financially sustainable water services for your community.

I recognise these are challenging conversations, and I back the efforts you are making to get water services right for your community now and for future generations.

Assessing financial sustainability

Water Services Delivery Plans provide a framework for councils to assess the financial sustainability of their water services and chart a course for improvement.

The Local Government (Water Services Preliminary Arrangements) Act 2024 sets out the Plan requirements, including that Plans must explain what a council proposes to do to ensure that the delivery of water services will be financially sustainable from 1 June 2028.

While the Department will be providing further guidance to councils about the Plan assessment process later this month, there are a couple of key areas I wanted to emphasise in relation to financial sustainability at this stage in your Plan development:

- **Meeting financial sustainability requirements and working together.** The Act defines financial sustainability as ensuring revenues are sufficient to fund long-term investment in water services and meet all regulatory requirements.

I have been clear in my expectation that council should be working together to address financial sustainability challenges, as you are already actively doing.

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In particular, I expect councils to be actively considering working with and supporting their neighbouring councils, especially smaller and rural councils, particularly given there is no requirement for price harmonisation under Local Water Done Well.

As you'll be aware, collaboration enables resource sharing, efficiency gains, better access to financing, and lower costs for ratepayers. Having a pipeline of future work across a region also provides greater investment certainty, and the potential to build a strong future workforce.

- **Long-term thinking and solutions.** While Plans must cover a 10-year period, they can also include information that covers a further 20 years if the information identifies investment requirements for water services infrastructure or to support future housing growth and urban development. Councils should be planning and making decisions with an enduring focus on financial sustainability, with these outcomes in mind.
- **Efficiency of water use and demand management through usage-based charging.** The Local Government (Water Services) Bill provides a five-year timeframe to transition away from using property values as a factor in setting water charges, to new charging mechanisms such as water metering and volumetric charging.

Water metering and volumetric charging can help reduce water consumption, assist in quick identification of leaks and help manage water losses, which supports the ongoing efficiency and effectiveness of water infrastructure. Councils should be considering these tools (where they are not already in place) as part of their future arrangements.

Under the economic regulation regime, over time the Commerce Commission will also be able to consider whether prices are efficient. Including, for example, whether prices reflect the cost of providing services and whether providers are using water resources efficiently.

Economic regulation regime for water services

As you progress your Plan, it is important to keep in mind that the entities that make core decisions on water supply and wastewater services will be subject to economic regulation under the Commerce Act 1986. These decisions include those relating to the level of charges or revenue recovery and/or capital and operating expenditure.

As a minimum, all regulated suppliers (councils and water organisations) that have responsibility for these core decisions will be subject to information disclosure. This means the Commerce Commission will require regulated suppliers to publish robust information about the planning, investment, and performance of their water supply and wastewater services.

The Commission will also publish a summary and analysis of that information, to promote greater understanding of the performance of individual regulated suppliers, including their relative performance compared with other providers, and changes in performance over time.

The Local Government (Water Services) Bill also gives the Commission other regulatory tools that they will be able to implement as needed. This includes the ability to set minimum and maximum revenue thresholds, providing a clear expectation to regulated suppliers about what level of revenue needs to be collected for investment in, and operation of, water infrastructure. The Commission will also monitor and enforce the requirement that revenue from regulated water services is spent on regulated water services (financial ringfence).

Where it is considered necessary, the Bill contains a designation process whereby the Commission may be given the power to implement quality regulation, performance requirement regulation, and price-quality regulation for specific suppliers.

I am encouraging all councils to consider the implications of the new economic regulation regime as you are making decisions on your future water services delivery arrangements. I have asked the Commission to engage closely with councils to provide information about the new regime. Please contact the Department if you would like them to facilitate a meeting if you have not done so already.

Next steps and support available

I want to maintain the momentum as we approach the 3 September deadline for submission of Plans. The Department will be ready to accept early submission of Plans by councils that are able to. Please keep this in mind in your planning.

I do not intend to grant extensions to the deadline for submitting Plans given the progress made so far, and various avenues of support that have been and continue to be available. Where a Plan is not submitted on time, I will be considering using my powers under legislation to intervene, such as by appointing a Crown water services specialist.

If you feel you may need additional support to enable you to resolve challenges and ensure progress with your Plan, Crown facilitators continue to be available. Crown facilitators are a key part of our approach and councils shouldn't be reluctant about requesting their support. A Crown facilitator can provide tailored guidance, facilitate collaboration among councils, or assist with joint planning efforts.

My officials also continue to be available to answer questions or provide technical support. I encourage you to get in touch with the Water Services Delivery Plan team at wsdp@dia.govt.nz if they can be of assistance to you.

I look forward to seeing continued progress on your plans for future delivery of water services and commend your efforts to support this critical future thinking while continuing to maintain your business-as-usual water services maintenance and ongoing activities.

Thank you for your continued engagement and support as we work to implement Local Water Done Well. You may wish to share this correspondence with your elected members.

Yours sincerely,



Hon Simon Watts
Minister of Local Government

Local Water Done Well Modelling

Horowhenua, Rangitikei, Ruapehu & Whanganui District and
Palmerston North City councils

27 May 2025



Contents

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- Debt
- Household costs
 - Local Price
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- Notes



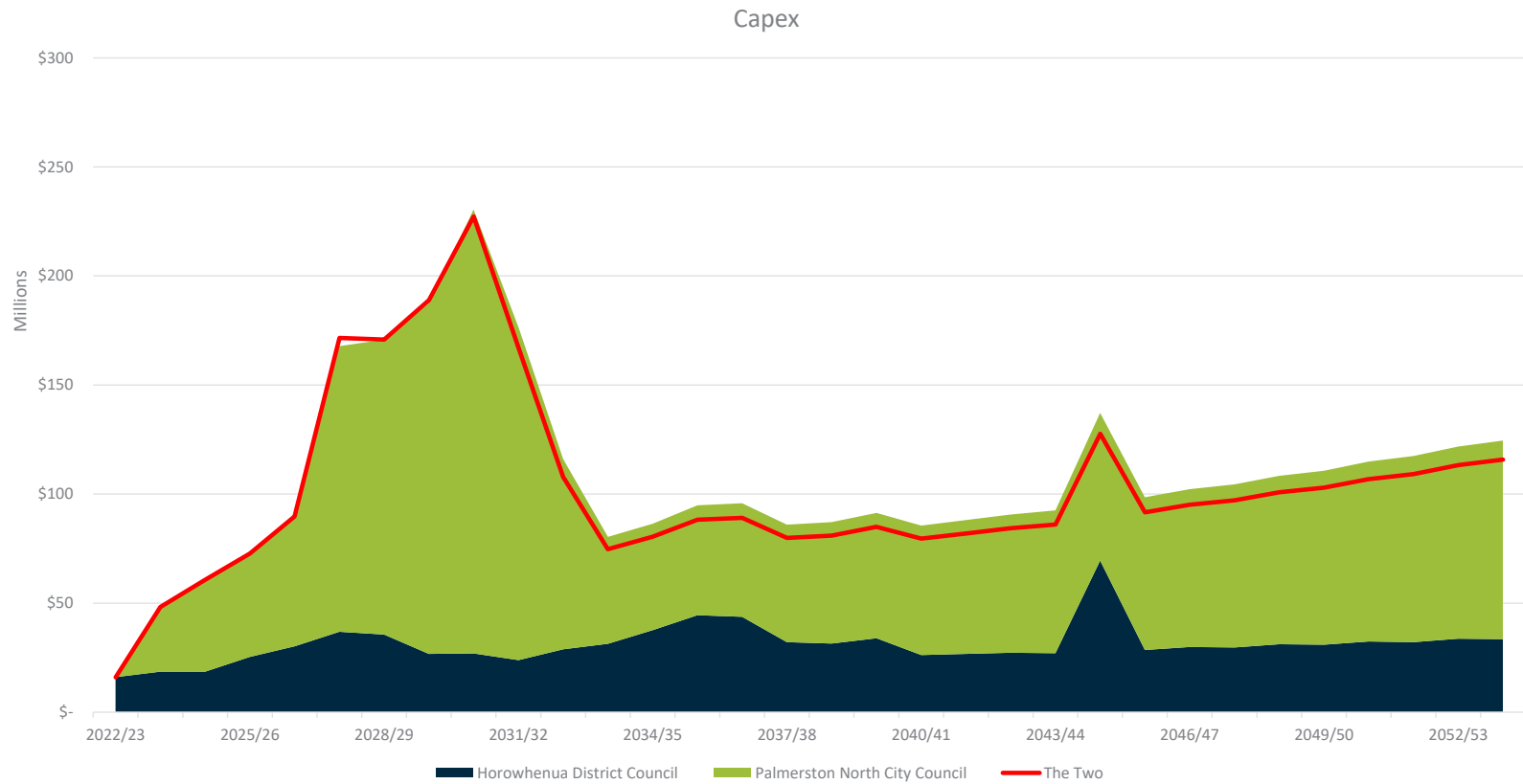
Capex



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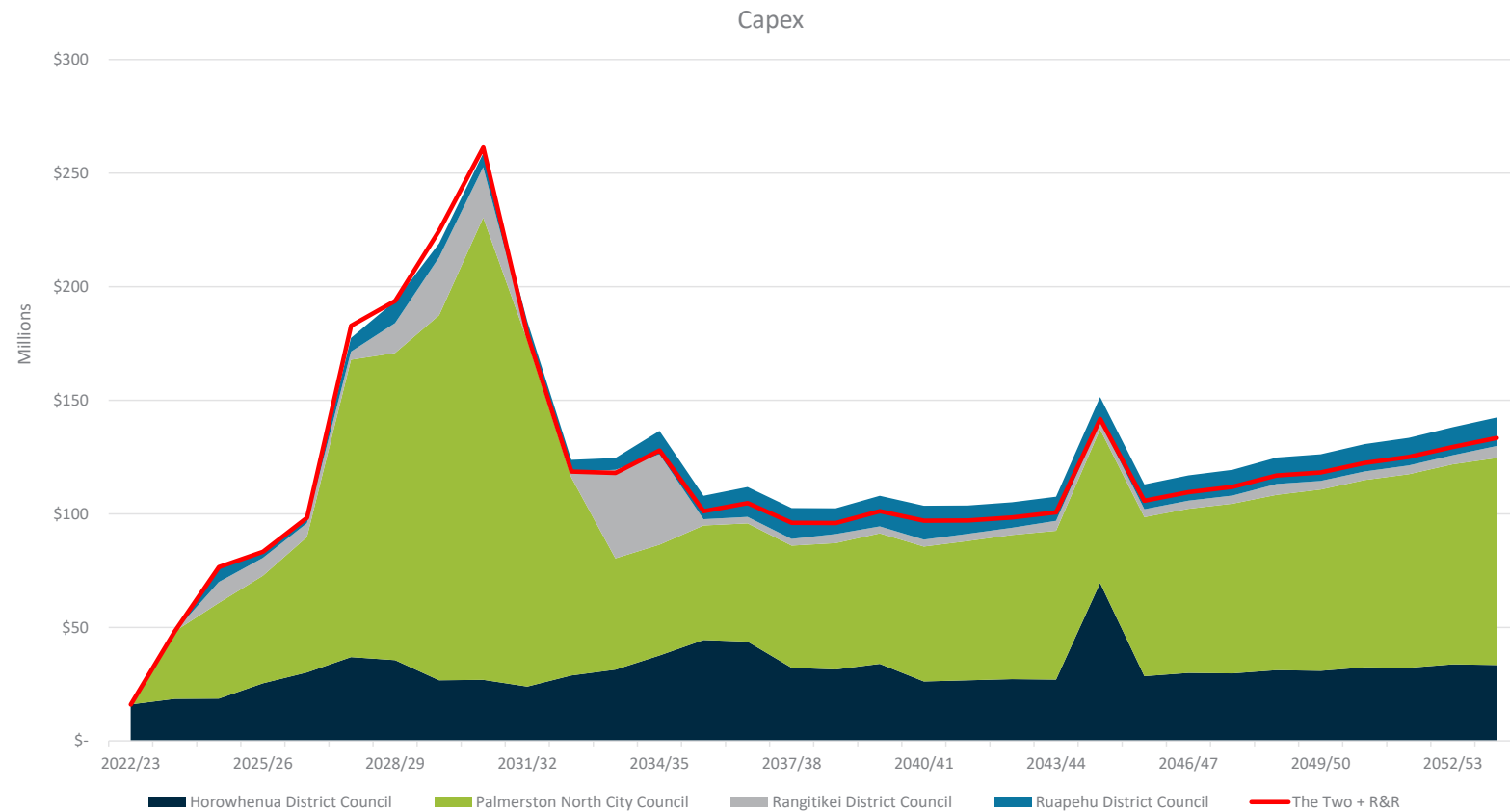
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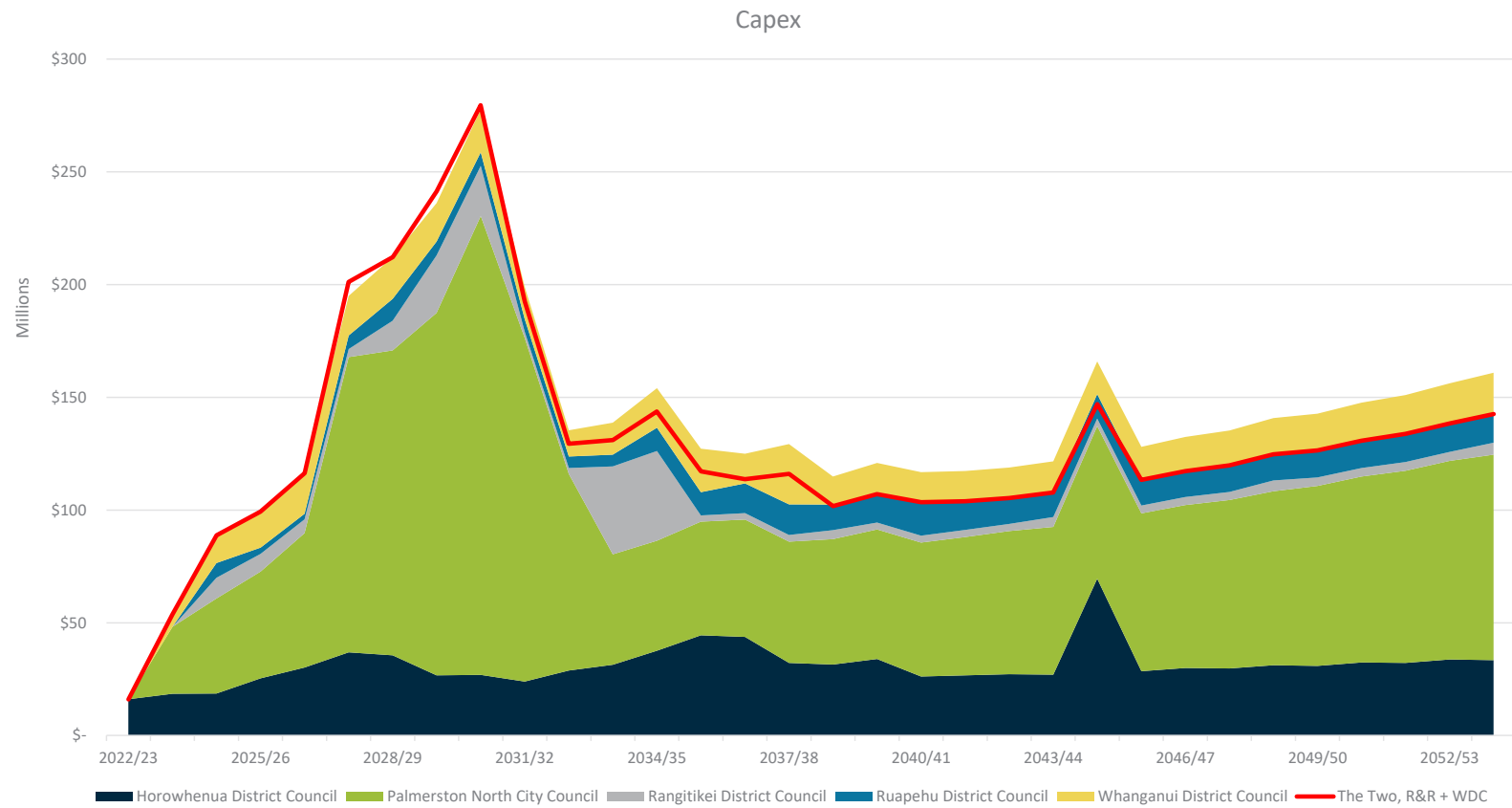
The Four



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The Five



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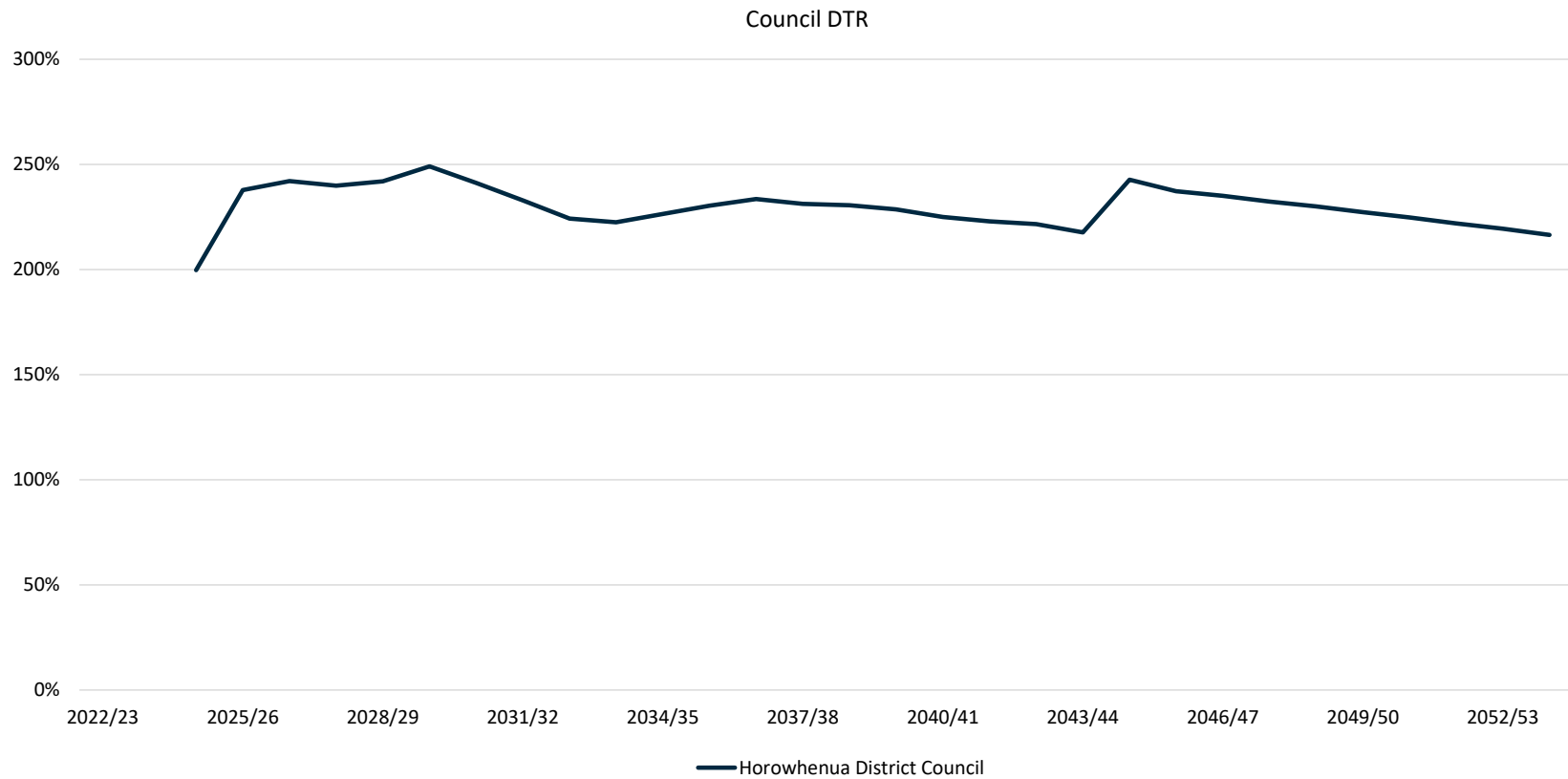
Debt



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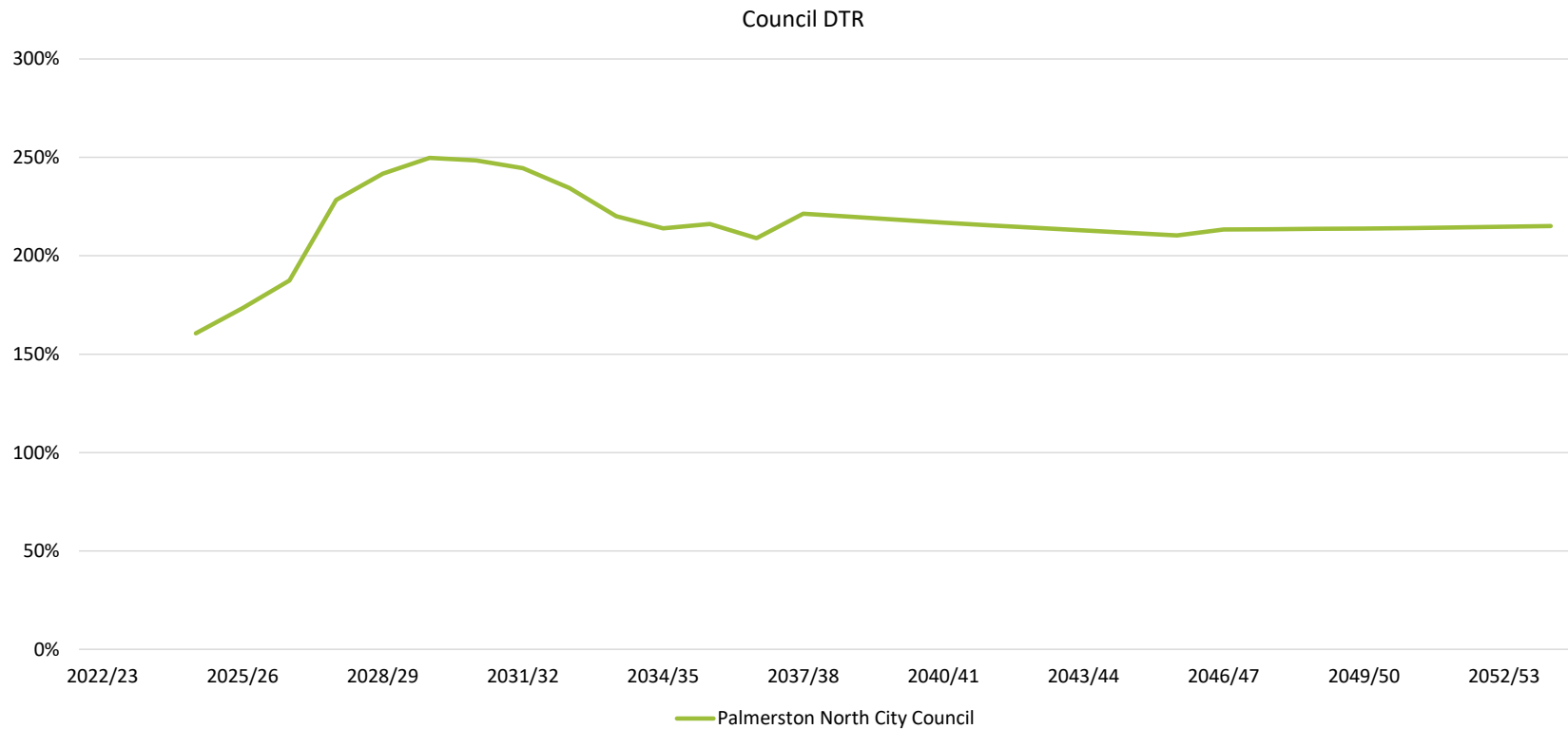
HDC Base Case



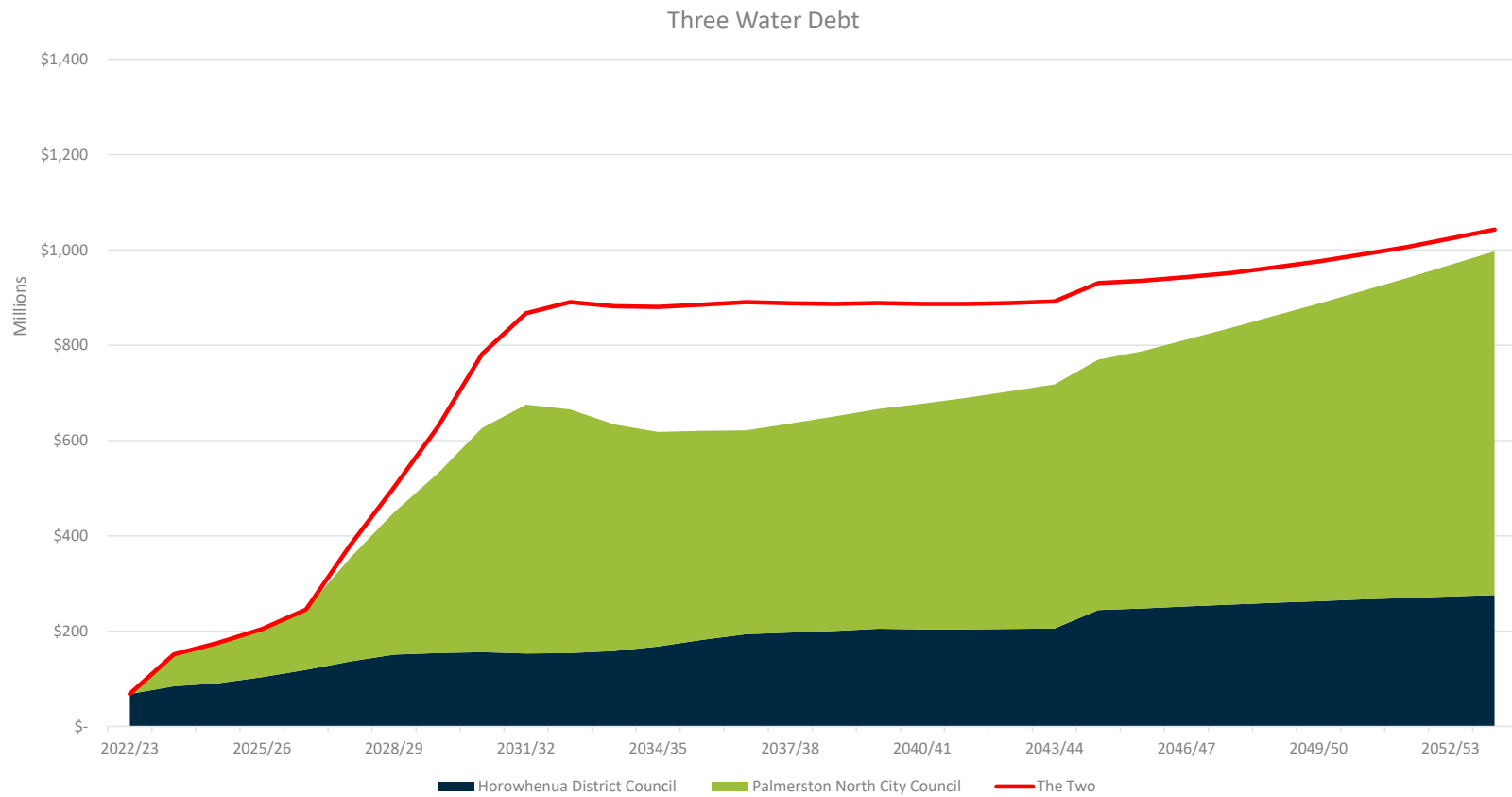
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PNCC Base Case



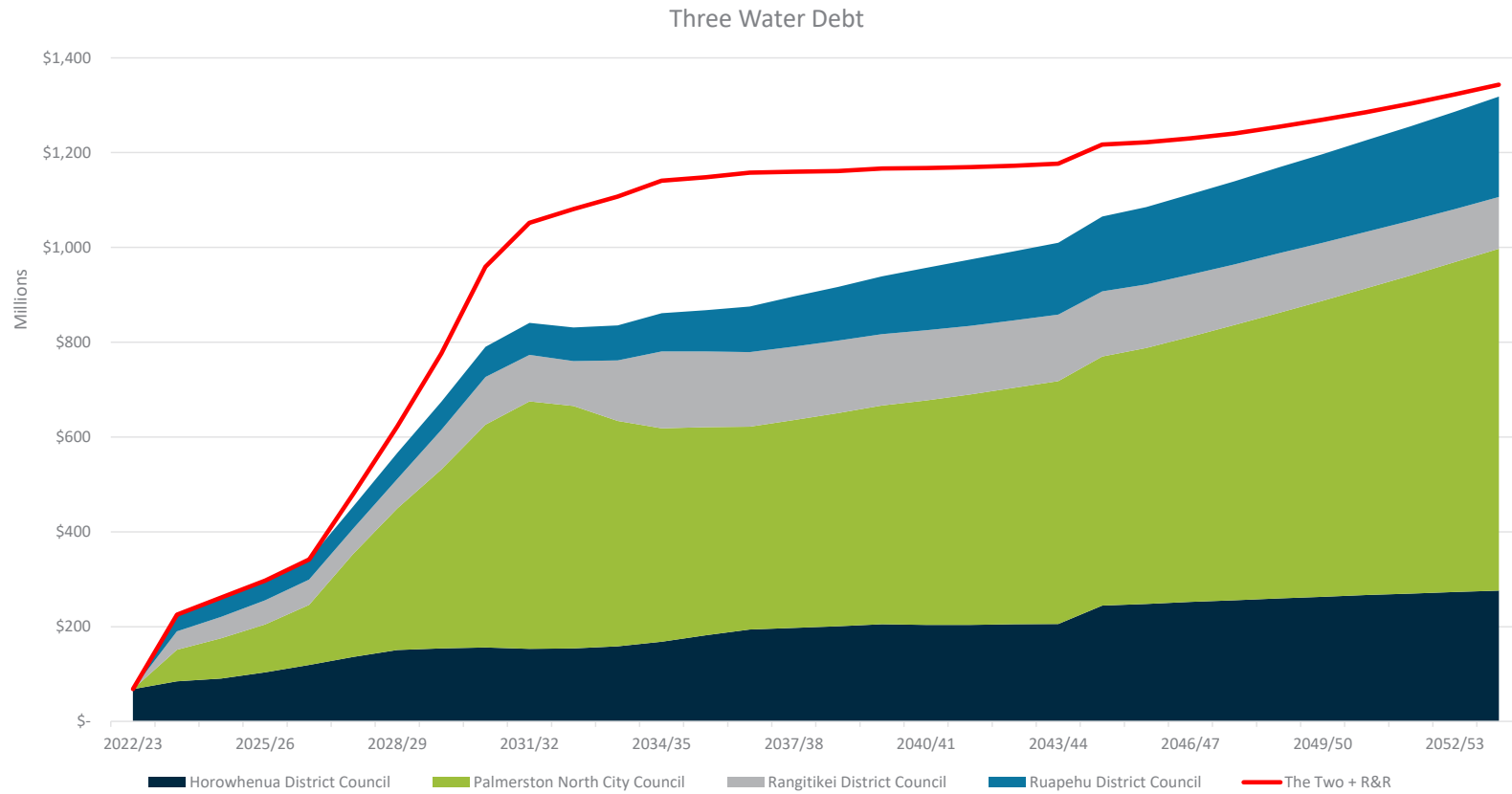
The Two



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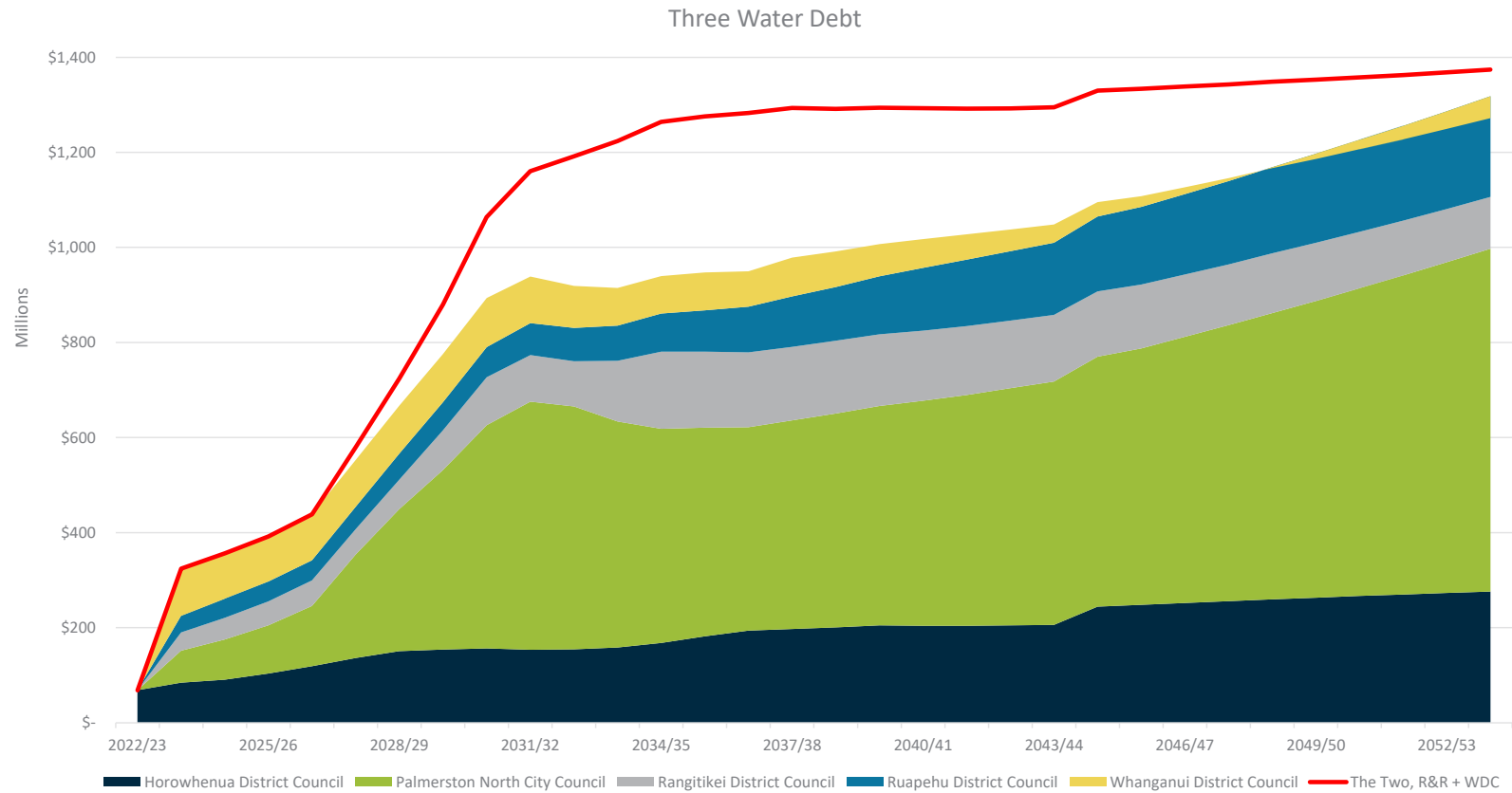
The Four



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The Five



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Local price



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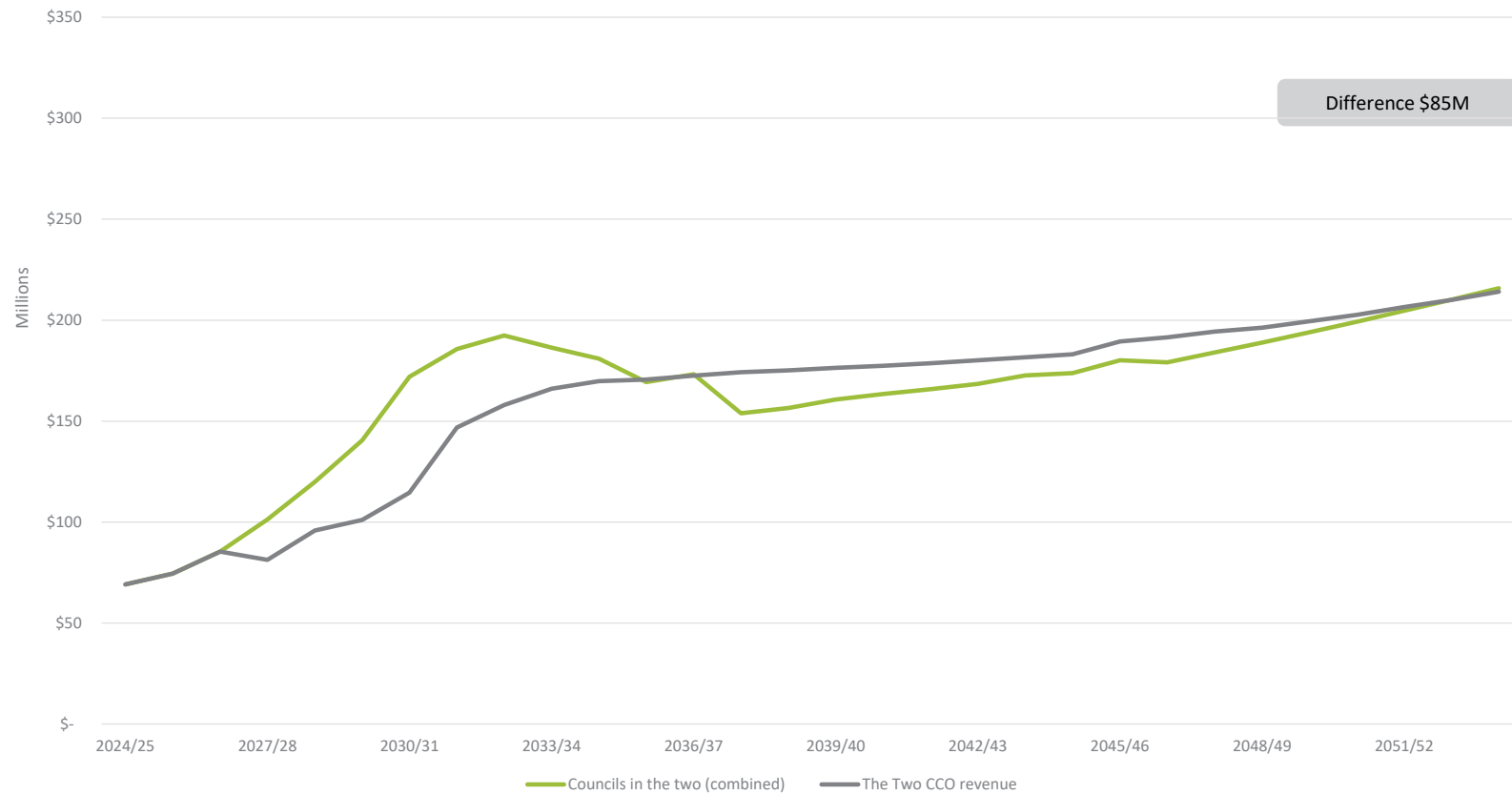
Local Pricing

Scenario	Financial benefits under CCO model (Less revenue required over 30 years)
The Two	\$85M
The Two + R & R	\$99M
The Two + R, R & WDC	\$369M

Local Pricing

All customers pay no more than they otherwise would, where savings realised, these can be shared and all customers can pay less than they otherwise would

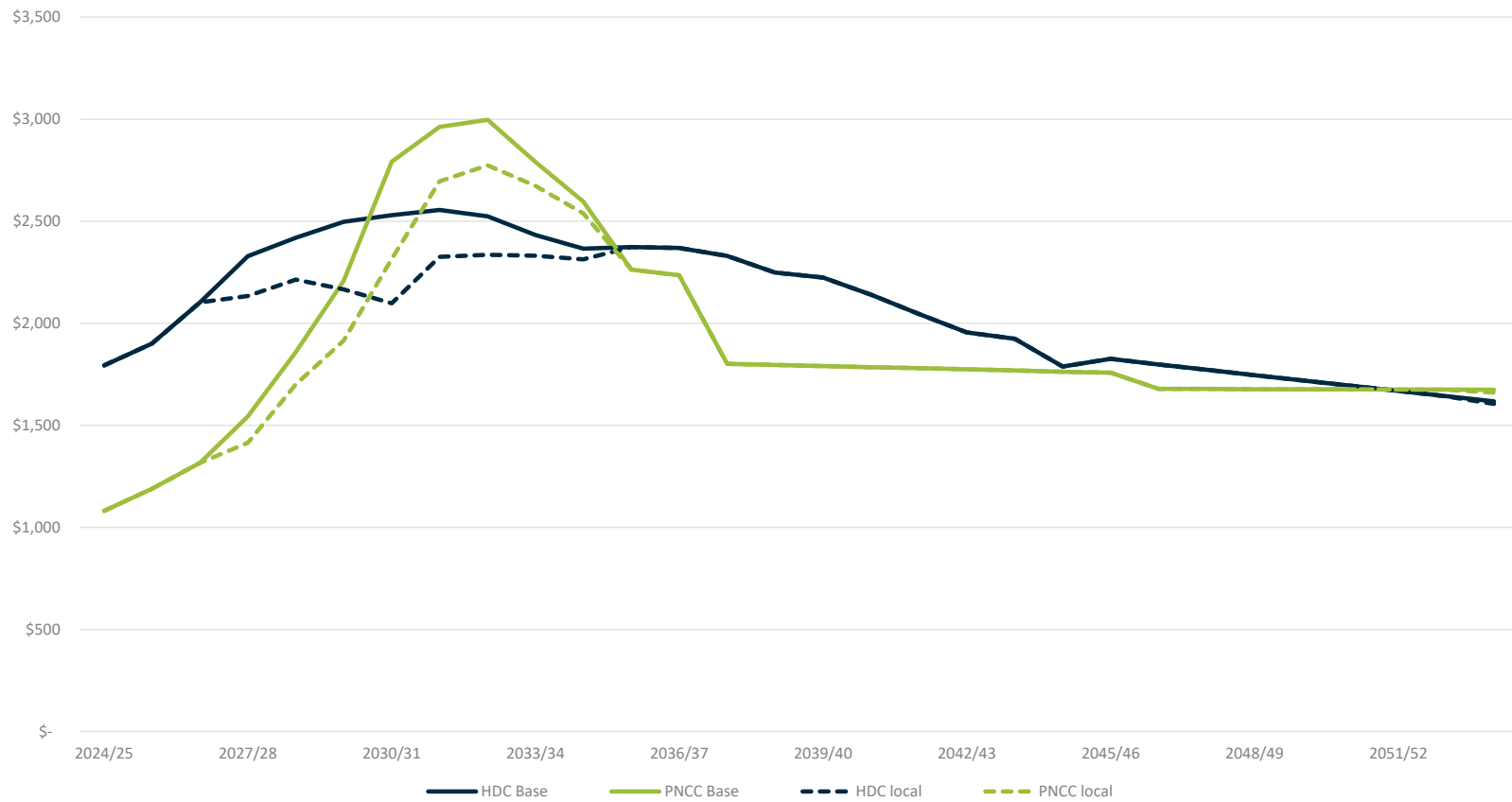
Local pricing – source of financial benefits



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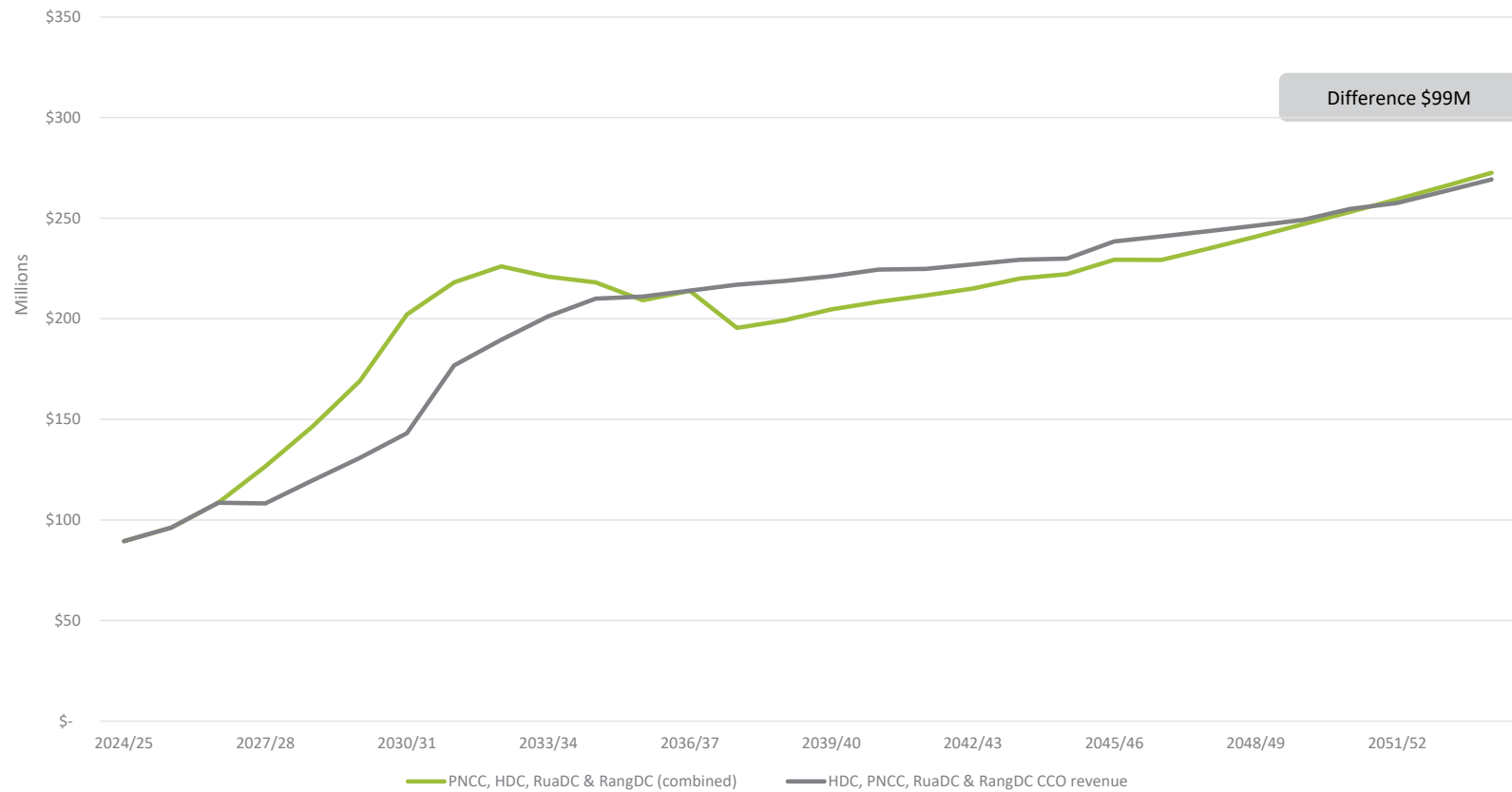
Local pricing – The Two



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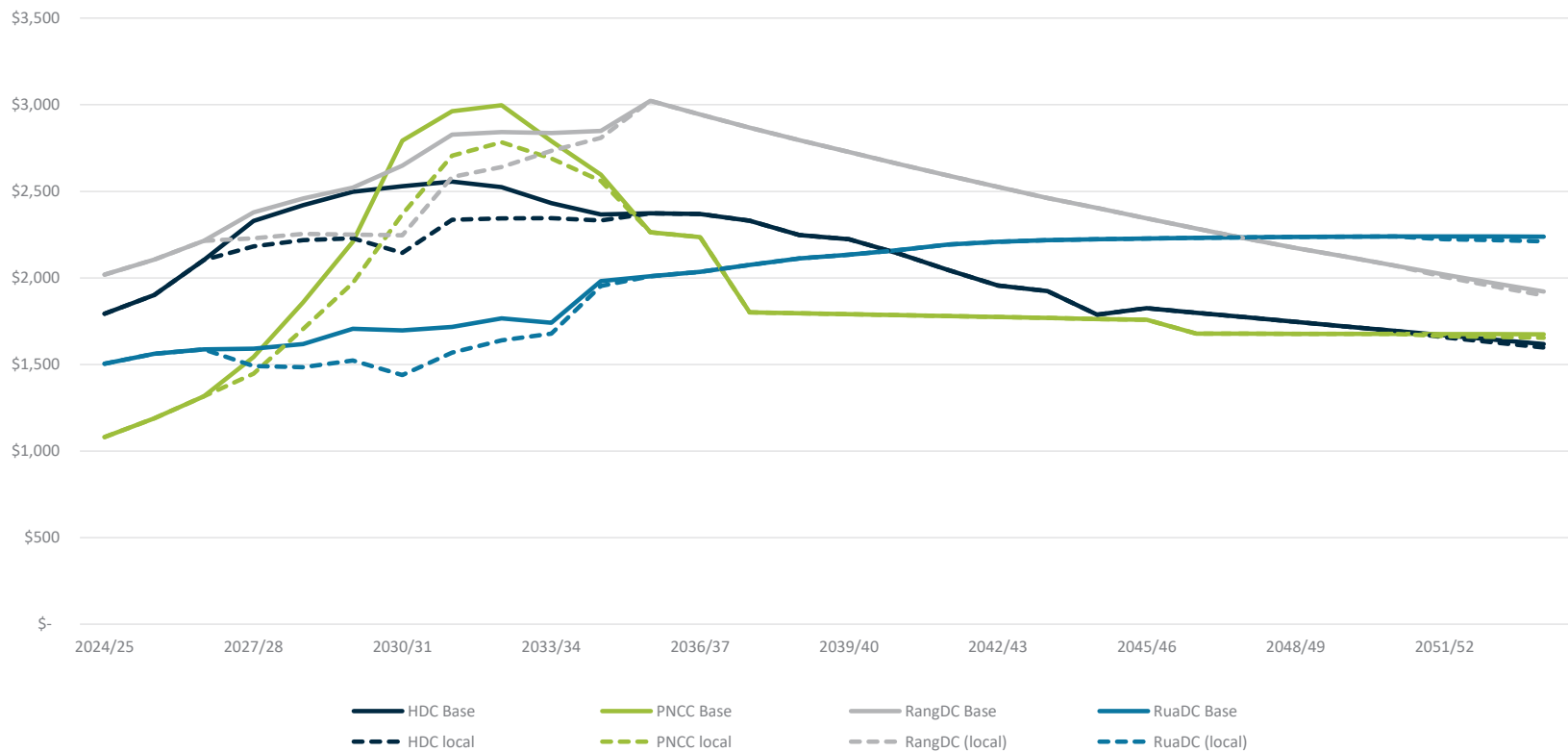
Local pricing – source of financial benefits



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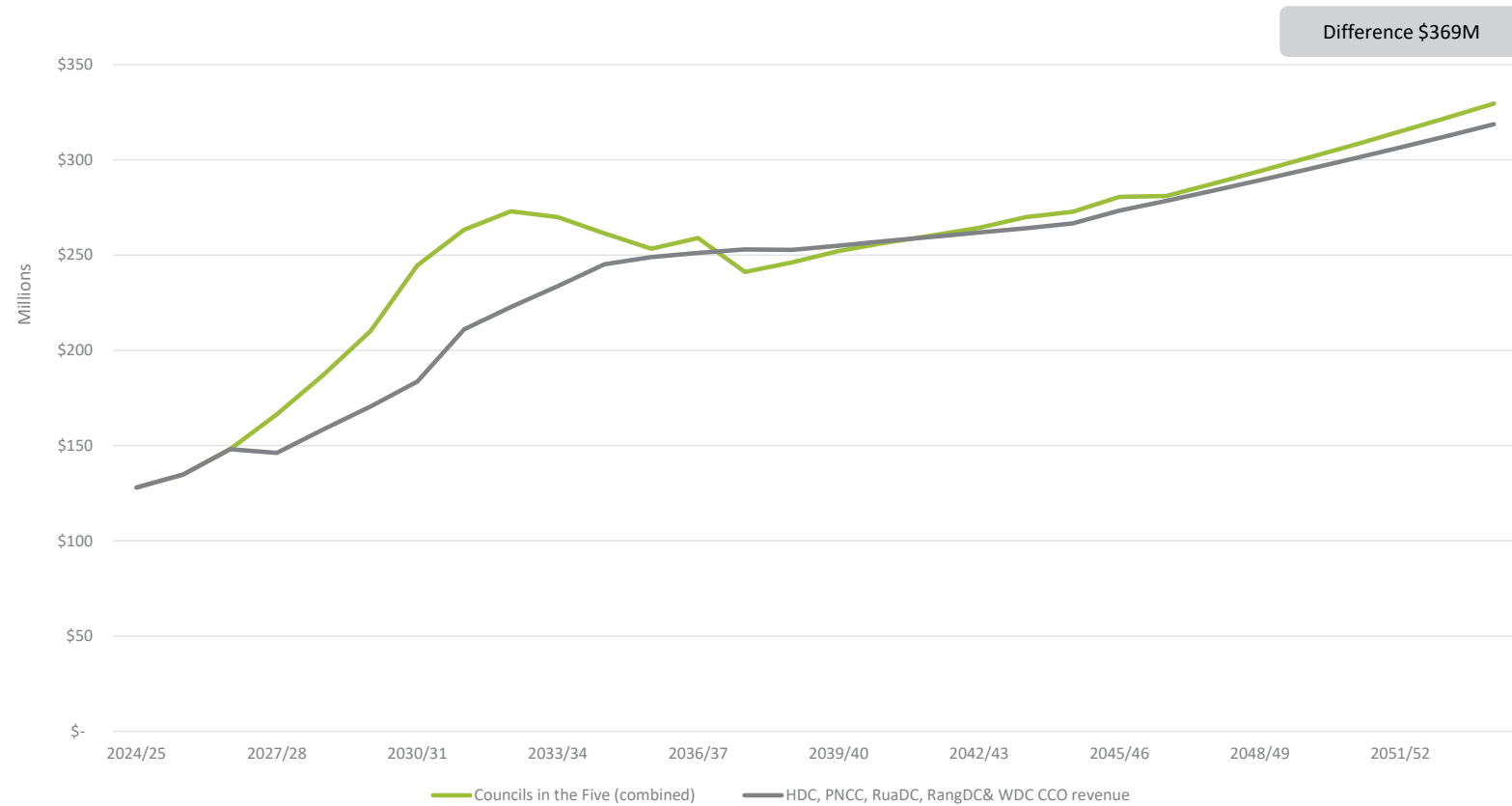
Local pricing – PNCC, HDC, RuaDC & RangDC



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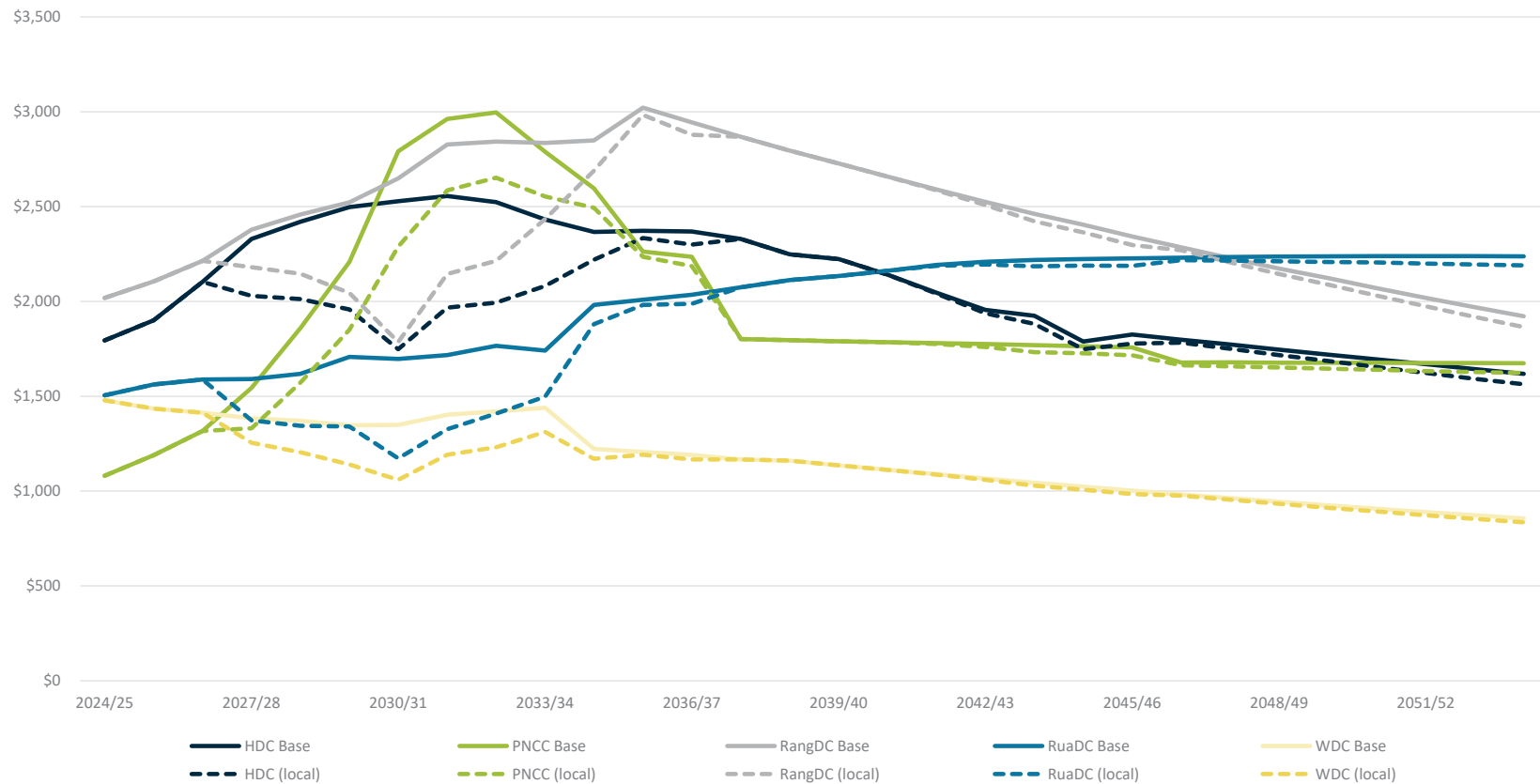
Local pricing – source of financial benefits



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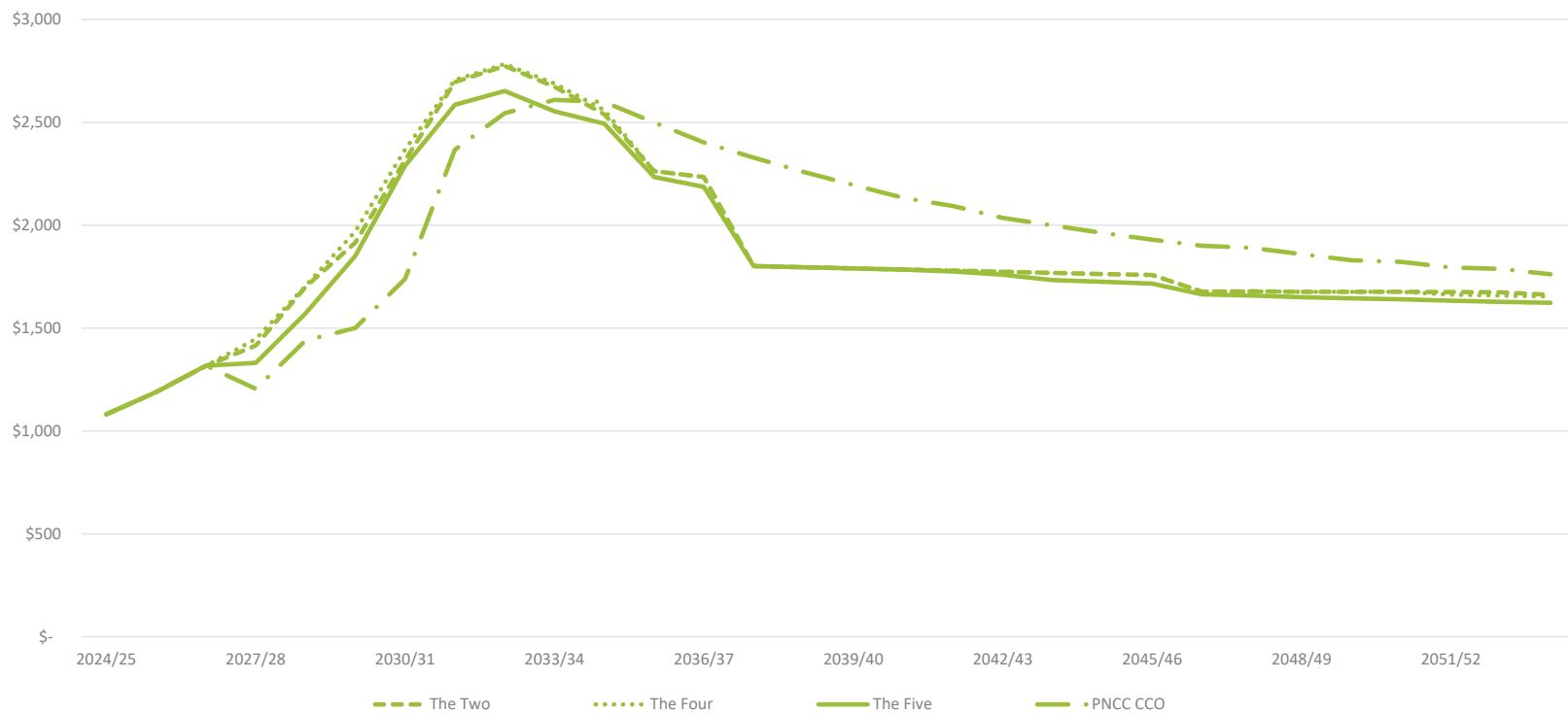
Local pricing – PNCC, HDC, RuaDC, RangDC & WDC



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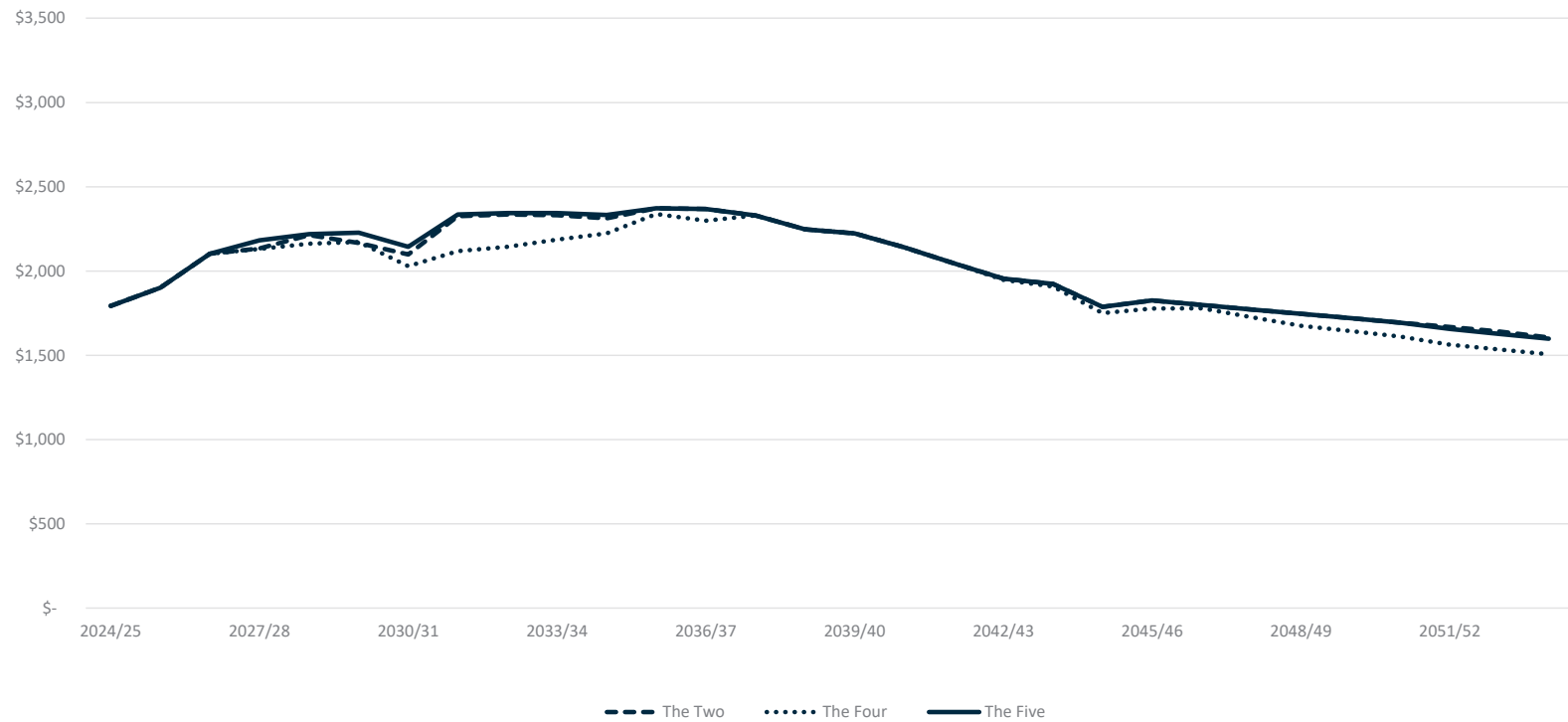
Local price comparison – PNCC with PNCC CCO



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Local price comparison - HDC



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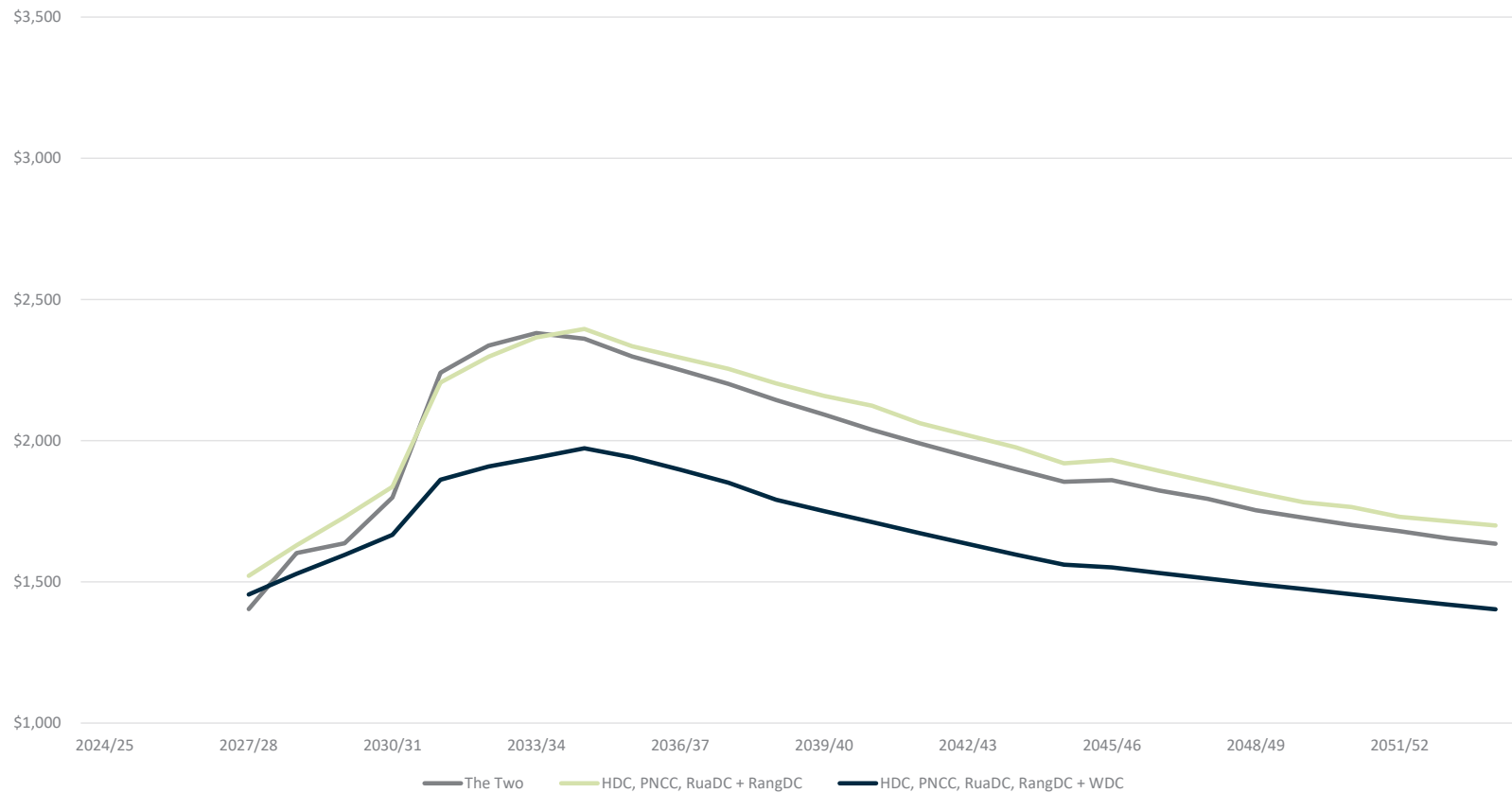
Harmonised price



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Harmonised price – average three water household costs



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Notes

- All costs are uninflated and exclude GST
- Nature calls is modelled at both \$285M & \$480M (today's \$) and we have assumed that the amount of nature calls that is non-depreciable remains the same under both scenarios
- Modelling remains the same as described in the appendices to previous Morrison Low reports. Updates to specific assumptions are detailed below with an explanation of transition cost changes on the following page

Scenario	FFO & DCs in FFO calculation	Transition costs current (former)	Efficiencies (capex/opex)
PNCC CCO (PNCC)	9%, 50% DCs allowed for	\$2.3M (\$8.9M)	4%, 4%
The Two (PNCC & HDC)	9%, 50% DCs allowed for	\$3.5M (\$9.2M)	7%, 7%
The Four (PNCC, HDC, RuaDC & Rang DC)	8%, 75% allowed for	\$4.9M (\$13.1M)	7%, 8%
The Five (PNCC & HDC, RuaDC, Rang DC & WDC)	8%, 75% allowed for	\$5.6M (\$14.2M)	11%, 10%

Transition cost changes

- The table below describes the changes in transition costs by reference to Group of Four Local Water Done Well report, dated 25 Feb 2025 page 34

Item	Previous approach	Change
Transition team	6 workstream leads, plus TM full time for 1 year, part time for 6 months	6 workstream leads, plus TM full time but reduce to fulltime for 6 months Responsibility shifted to incoming exec team appointed 6 months prior to start date
ICT systems, process & data migration	50% of new ERP included in transition, rest in year 1	All costs of a new ERP shifted to CCO (Years 1 & 2)
Restructure costs & office set up	Office set up and restructure costs are a function of headcount	No change
All other line items	Allowances for funding internal or external resources to complete work on line items	NO Change for the Four or the Five Scaled by 75% to reflect the reduced timeframe for transition team for PNCC CCO and the Two

Local Water Done Well

Analysis of water services delivery options to demonstrate the financing efficiency of a regional water CCO

17 January 2025

This document has been prepared to provide information to Horowhenua District Council, Kapiti Coast District Council, Manawatu District Council, and Palmerston North City Council on the financial sustainability requirements of water services provision, and to demonstrate the financing efficiency of a regional water CCO.

The Department of Internal Affairs has relied on information provided by councils in the development of the analysis and guidance included in this report, including publicly available information from long-term plans and other council accountability documents.

This guidance is not legal advice; and is intended to support council decision-making requirements under Local Water Done Well.

Te Kāwanatanga o Aotearoa
New Zealand Government



Te Tari Taiwhenua
Internal Affairs

DRAFT

Request for analysis from the Department

- Officials from the Department met with officers from Horowhenua District Council, Kapiti Coast District Council, Manawatu District Council, and Palmerston North City Council on 18 December 2024, to discuss reports developed for these councils on Local Water Done Well options, prepared by Morrison Low.
- In this discussion, council officers requested the Department to provide guidance and analysis on how a regional water CCO might provide a more effective financing vehicle for water services delivery – compared to individual council delivery of water services – and how this could consequently result in lower charges to consumers against other financially sustainable delivery models.
- In this report, we provide further guidance on Local Water Done Well to complement councils' current advice and understanding. This report sets out:
 - High level analysis on a hypothetical joint water CCO consisting of the councils' water services.
 - High level analysis on each council's water services, to demonstrate the difference in average projected charges for consumers between:
 - 2024-34 long-term plan projections;
 - 2024-34 long-term plan projections, modified to meet the financial sustainability requirements for Water Services Delivery Plans; and
 - 2024-34 long-term plan projections; modified to demonstrate lower revenue requirements for a regional CCO, whilst meeting the financial sustainability requirements for a Joint Water Services Delivery Plan.
 - Benefits that accrue to owning councils who establish a water CCO, through increased borrowing headroom.
- Annex 1 sets out further guidance on:
 - Financial sustainability requirements under Local Water Done Well;
 - Guidance issued to councils by the New Zealand Local Government Funding Agency on lending requirements for water CCOs;
 - A description of the 'FFO to debt' measure and why it is critical to the financial sustainability of water services provision; and
 - Assumptions and limitations of analysis completed in this guidance.

IN CONFIDENCE

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Key insights on a potential regional Water CCO

- Each council would benefit from the establishment of regional Water CCO:
 - **Horowhenua District Council (HDC)** - Establishing a regional Water CCO would enable water services charges for consumers to reduce by approximately 16% against LTP projections over ten years. The separation of water services into a Water CCO (whether that be a regional CCO or an HDC owned CCO) would create approximately \$40 million of new borrowing headroom for HDC's non-water services, due to water services being more highly leveraged than non-water services.
 - **Kapiti Coast District Council (KCDC)** - Establishing a regional Water CCO would not materially impact the projected charges and revenues needed to be financially sustainable against in-house delivery. Separating water services into a Water CCO (whether that be a regional CCO or an KCDC owned CCO) would create approximately \$100 million of new borrowing headroom for KCDC's non-water services initially (increasing to \$188m by FY33/34), due to water services being more highly leveraged than non-water services.
 - **Manawatu District Council (MDC)** - Establishing a regional Water CCO would not materially impact the projected charges and revenues needed to be financially sustainable against in-house delivery. Separating water services into a Water CCO (whether that be a regional CCO or an MDC owned CCO) would create approximately \$40 million of new borrowing headroom for MDC's non-water services initially (increasing to \$95m by FY33/34). This would effectively mean MDC has no net debt from FY31/32 at LTP projected revenues.
 - **Palmerston North City Council (PNCC)** - Establishing a regional Water CCO would enable water services charges for PNCC consumers to reduce by approximately 8% against LTP projections over ten years. The separation of water services into a Water CCO (whether that be a regional CCO or an PNCC owned CCO) would create approximately \$40 million of new borrowing headroom for PNCC's non-water services initially (increasing to \$74m by FY33/34).
- Each council has different investment requirements and costs of service. Our analysis retains regional differences as this ensures that prices that different communities pay (as modelled) would reflect the direct costs of service to each community. It is important to note that there is **no requirement to harmonise prices across communities under Local Water Done Well**.
- This analysis demonstrates that **a more affordable price path for water charges could be realised for individual councils**, than equivalent charges for financially sustainable operations delivered by individual councils.
- The additional borrowing headroom that can be accessed by establishing a Water CCO would create additional flexibility to efficiently deliver water services to communities.
- Establishing **a regional Water CCO will deliver significant financial benefits to all owning councils**, through the establishment of new borrowing headroom, due to water services being higher leveraged than other council activities. Significant financial benefits of establishing a Water CCO accrue to owning councils themselves.
- The benefits for each council, when compared to status quo delivery, vary by council based on the initial starting point, projected investment requirements and costs of service. Each council should consider **trade-offs between levels of water services revenues, investment and debt financing to realise the full benefits of Local Water Done Well**.

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Analysis completed on service delivery options

Scenarios

- For each council we have developed three scenarios:
 - 2024-34 LTP financial information for water services under status quo arrangements;
 - Amending LTP financial information for water services to ensure that revenue and financing requirements are set to the assumed minimum 'FFO to debt' ratio requirement for the individual council; and
 - Amending LTP financial information for water services to represent the council's 'share' of a regional Water CCO, with a lower 'FFO to debt' ratio requirement of 8%.
- Our analysis does not assume any harmonisation of prices across the four councils under a regional Water CCO. Instead, regional differences are retained as this ensures that prices that different communities pay reflect the direct costs of service to each community.

Horowhenua District Council (HDC)
<p>HDC's 2024-34 LTP shows water charges increasing by approximately 148% per connection over ten years.</p> <p>Water services net debt peaks in FY24/25 (at a net debt to revenue of 438%), with projected revenue increases used to fund capital investment and pay down debt (with debt to revenue decreasing to 247% in FY33/34).</p> <p>At an all-council level, HDC's debt to revenue peaks at approximately 254% in FY25/26 (against a limit of 280%), reducing to 200% by FY33/34.</p> <p>The are no material financial sustainability issues for water services in HDC's LTP; however the projected revenue increases required in LTP require material increases in charges for consumers over ten years.</p> <p>Scenarios run:</p> <ul style="list-style-type: none"> 2024-34 LTP projections; 2024-34 LTP projections, modified to reduce projected revenue increases to maintain FFO to debt of 11%; 2024-34 LTP projections, modified to maintain FFO to debt of 8% in a regional Water CCO. <p>Benefits of a regional Water CCO</p> <p>Establishing a regional Water CCO would enable water services charges for HDC consumers to reduce by approximately 16% against LTP projections over ten years.</p> <p>The separation of water services into a Water CCO (whether that be a regional CCO or an HDC owned CCO) would create approximately \$40 million of new borrowing headroom for HDC's non-water services, due to water services being more highly leveraged than non-water services.</p>

Manawatu District Council (MDC)
<p>MDC's 2024-34 LTP shows water charges increasing by approximately 56% per connection over ten years.</p> <p>Water services net debt peaks in FY28/29 (at a net debt to revenue of 487%), with projected revenue increases enabling debt to revenue to reduce to 422% in FY33/34.</p> <p>At an all-council level, MDC's debt to revenue peaks at approximately 166% in FY25/26 (against a limit of 175%), reducing to 75% by FY33/34.</p> <p>The are no material financial sustainability issues for water services in MDC's LTP; however MDC would benefit from significant additional borrowing headroom from separating water services into a CCO structure.</p> <p>Scenarios run:</p> <ul style="list-style-type: none"> 2024-34 LTP projections; 2024-34 LTP projections, modified to reduce projected revenue increases to maintain FFO to debt of 12%; 2024-34 LTP projections, modified to maintain FFO to debt of 8% in a regional Water CCO. <p>Benefits of a regional Water CCO</p> <p>Establishing a regional Water CCO would not materially impact the projected charges and revenues needed to be financially sustainable against in-house delivery.</p> <p>Separating water services into a Water CCO (whether that be a regional CCO or an MDC owned CCO) would create approximately \$40 million of new borrowing headroom for MDC's non-water services initially (increasing to \$95m by FY33/34). This would effectively mean MDC has no net debt from FY31/32 at LTP projected revenues.</p>

Kapiti Coast District Council (KCDC)
<p>KCDC's 2024-34 LTP shows water charges increasing by approximately 116% per connection over ten years.</p> <p>Water services net debt peaks in FY24/25 (at a net debt to revenue of 581%), with projected revenue increases enabling debt to revenue to reduce to 464% in FY33/34.</p> <p>At an all-council level, KCDC's debt to revenue peaks at approximately 210% in FY25/26 (against a limit of 280%), reducing to 118% by FY33/34.</p> <p>The are no material financial sustainability issues for water services in KCDC's LTP; however the projected revenue increases required in LTP require material increases in charges for consumers over ten years.</p> <p>Scenarios run:</p> <ul style="list-style-type: none"> 2024-34 LTP projections; 2024-34 LTP projections, modified to reduce projected revenue increases to maintain FFO to debt of 11%; 2024-34 LTP projections, modified to maintain FFO to debt of 8% in a regional Water CCO. <p>Benefits of a regional Water CCO</p> <p>Establishing a regional Water CCO would not materially impact the projected charges and revenues needed to be financially sustainable against in-house delivery.</p> <p>Separating water services into a Water CCO (whether that be a regional CCO or an KCDC owned CCO) would create approximately \$100 million of new borrowing headroom for KCDC's non-water services initially (increasing to \$188m by FY33/34), due to water services being more highly leveraged than non-water services.</p>

Palmerston North City Council (PNCC)
<p>PNCC's 2024-34 LTP shows water charges increasing by approximately 146% per connection over ten years. This increase excludes the impact of levies to be charged to households for IFF funded infrastructure.</p> <p>Water services net debt peaks in FY29/30 (net debt to revenue of 395%), with projected revenue increases enabling debt to revenue to reduce to 270% in FY33/34.</p> <p>At an all-council level, PNCC's debt to revenue peaks at approximately 230% in FY27/28 (against a limit of 280%), reducing to 178% by FY33/34.</p> <p>Financial sustainability considerations: IFF funding for the WWTP project is required to be able to deliver the necessary investment set out in the 2024-34 LTP. Projected revenue increases required in LTP lead to material increases in charges for consumers over ten years.</p> <p>Scenarios run:</p> <ul style="list-style-type: none"> 2024-34 LTP projections; 2024-34 LTP projections, modified to reduce projected revenue increases to maintain FFO to debt of 10%; 2024-34 LTP projections, modified to maintain FFO to debt of 8% in a regional Water CCO. <p>Benefits of a regional Water CCO</p> <p>Establishing a regional Water CCO would enable water services charges for PNCC consumers to reduce by approximately 8% against LTP projections over ten years.</p> <p>The separation of water services into a Water CCO (whether that be a regional CCO or an PNCC owned CCO) would create approximately \$40 million of new borrowing headroom for PNCC's non-water services initially (increasing to \$74m by FY33/34).</p>

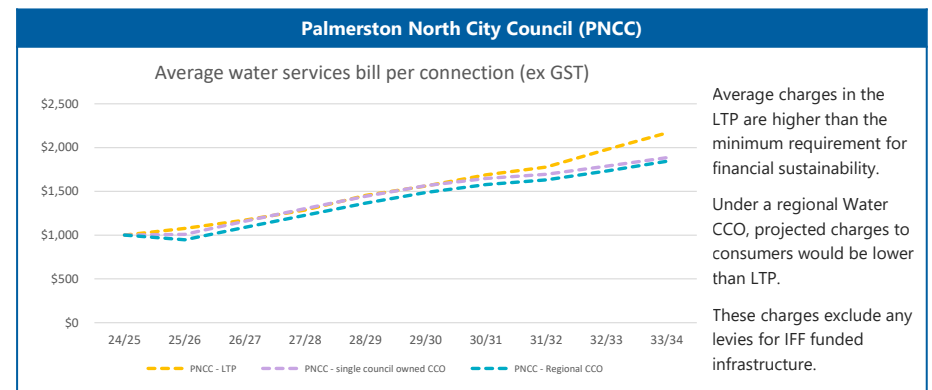
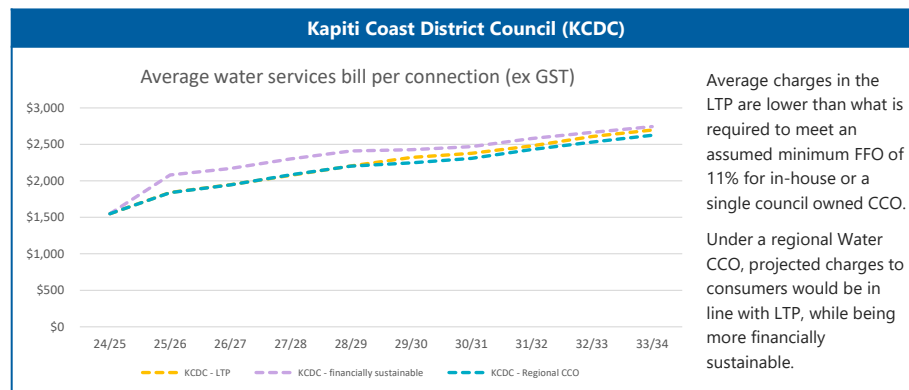
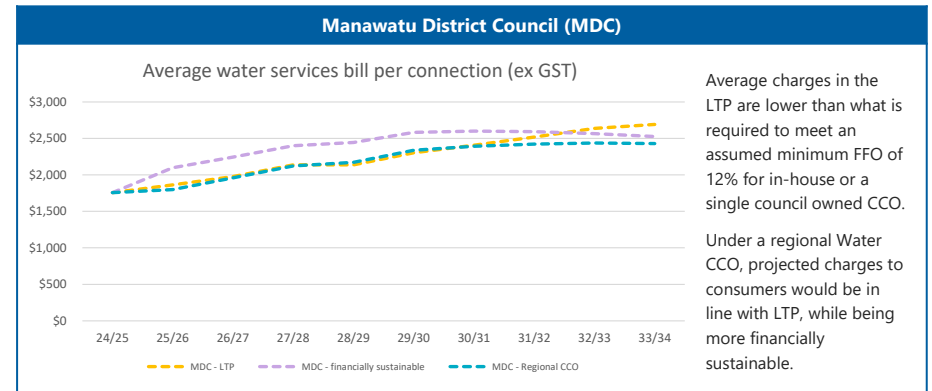
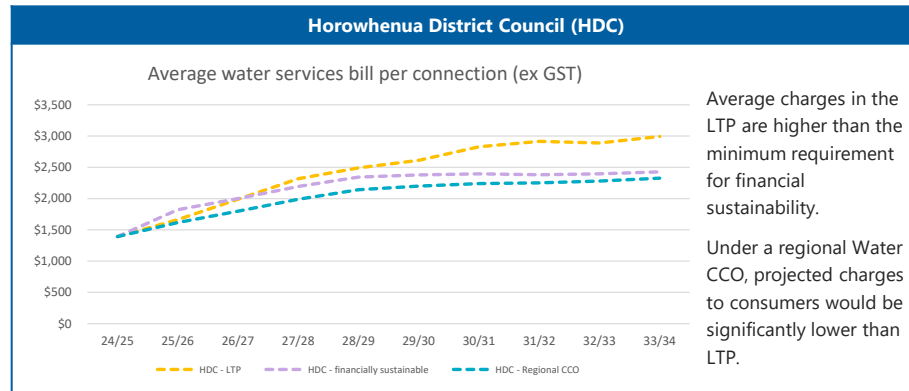
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A regional Water CCO would deliver lower charges to consumers than financially sustainable water services delivered by councils individually

The following charts set out projected average costs per connection under the three scenarios for each council. Further detail on the impact of each council is set out on the following slides.



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Horowhenua District Council

HDC's 2024-34 LTP shows water charges increasing by approximately 148% per connection over ten years.

Water services net debt peaks in FY24/25 (at a net debt to revenue of 438%), with projected revenue increases used to fund capital investment and pay down debt (with debt to revenue decreasing to 247% in FY33/34).

At an all-council level, HDC's debt to revenue peaks at approximately 254% in FY25/26 (against a limit of 280%), reducing to 200% by FY33/34.

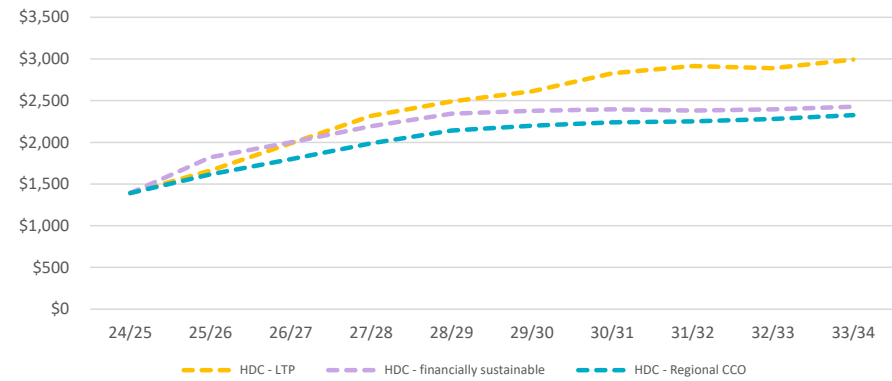
There are no material financial sustainability issues for water services in HDC's LTP; however the projected revenue increases required in LTP require material increases in charges for consumers over ten years.

Benefits of a regional Water CCO

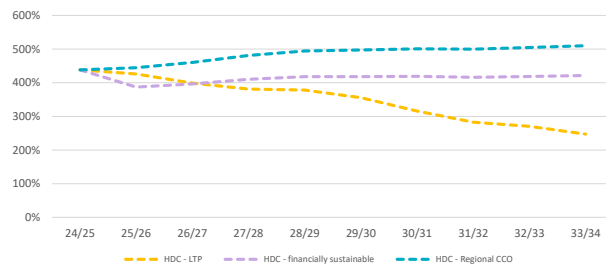
Establishing a regional Water CCO would enable water services charges for HDC consumers to reduce by approximately 16% against LTP projections over ten years.

The separation of water services into a Water CCO (whether that be a regional CCO or an HDC owned CCO) would create approximately \$40 million of new borrowing headroom for HDC's non-water services, due to water services being more highly leveraged than non-water services

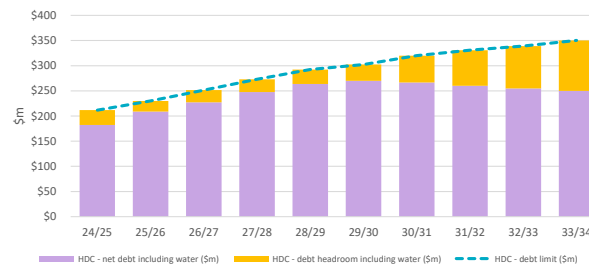
Average water services bill per connection (ex GST)



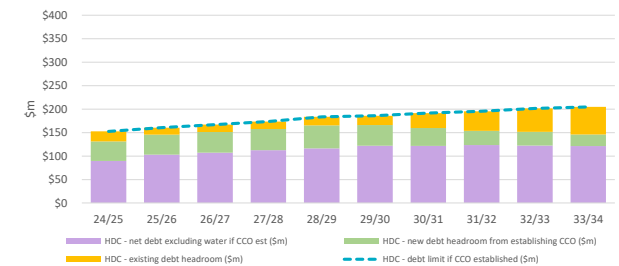
Water net debt to operating revenue



Council net debt including water



Council net debt excluding water if CCO established



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Kapiti Coast District Council

KCDC's 2024-34 LTP shows water charges increasing by approximately 116% per connection over ten years.

Water services net debt peaks in FY24/25 (at a net debt to revenue of 581%), with projected revenue increases enabling debt to revenue to reduce to 464% in FY33/34.

At an all-council level, KCDC's debt to revenue peaks at approximately 210% in FY25/26 (against a limit of 280%), reducing to 118% by FY33/34.

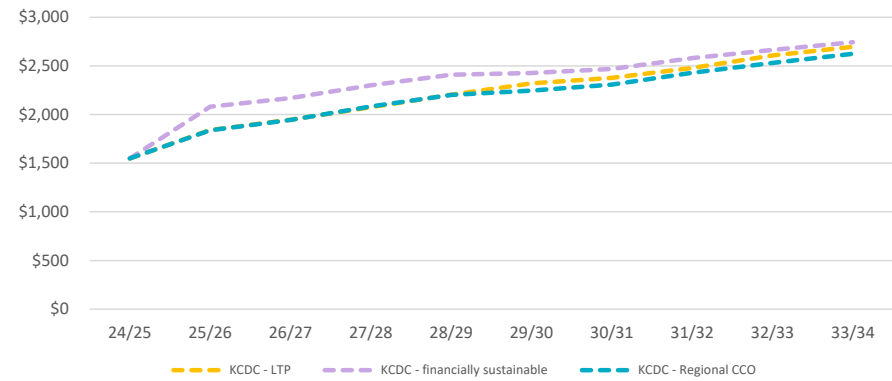
There are no material financial sustainability issues for water services in KCDC's LTP; however the projected revenue increases required in LTP require material increases in charges for consumers over ten years.

Benefits of a regional Water CCO

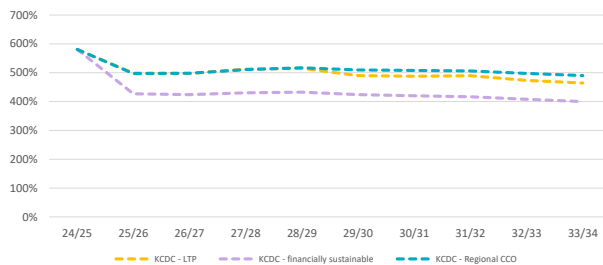
Establishing a regional Water CCO would not materially impact the projected charges and revenues needed to be financially sustainable against in-house delivery.

Separating water services into a Water CCO (whether that be a regional CCO or an KCDC owned CCO) would create approximately \$100 million of new borrowing headroom for KCDC's non-water services initially (increasing to \$188m by FY33/34), due to water services being more highly leveraged than non-water services.

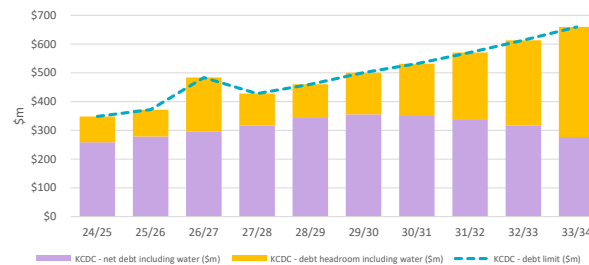
Average water services bill per connection (ex GST)



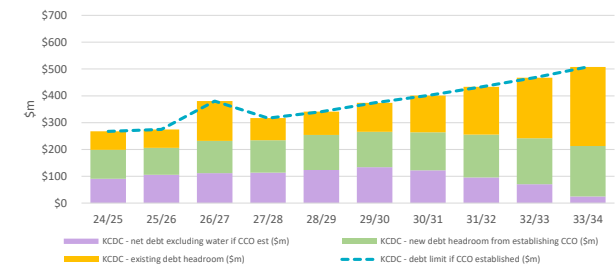
Water net debt to operating revenue



Council net debt including water



Council net debt excluding water if CCO established



IN CONFIDENCE

7

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Manawatu District Council

MDC's 2024-34 LTP shows water charges increasing by approximately 56% per connection over ten years.

Water services net debt peaks in FY28/29 (at a net debt to revenue of 487%), with projected revenue increases enabling debt to revenue to reduce to 422% in FY33/34.

At an all-council level, MDC's debt to revenue peaks at approximately 166% in FY25/26 (against a limit of 175%), reducing to 75% by FY33/34.

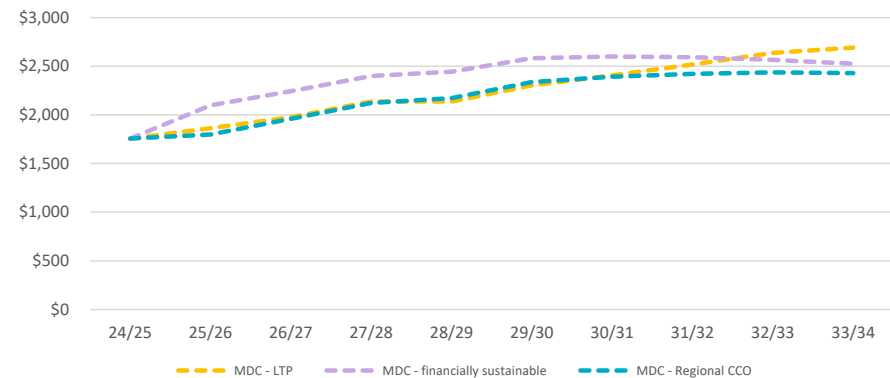
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Benefits of a regional Water CCO

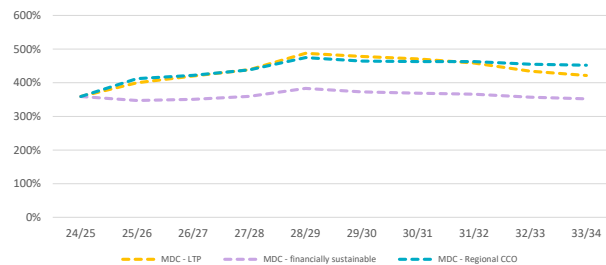
Establishing a regional Water CCO would not materially impact the projected charges and revenues needed to be financially sustainable against in-house delivery.

Separating water services into a Water CCO (whether that be a regional CCO or an MDC owned CCO) would create approximately \$40 million of new borrowing headroom for MDC's non-water services initially (increasing to \$95m by FY33/34). This would effectively mean MDC has no net debt from FY31/32 at LTP projected revenues.

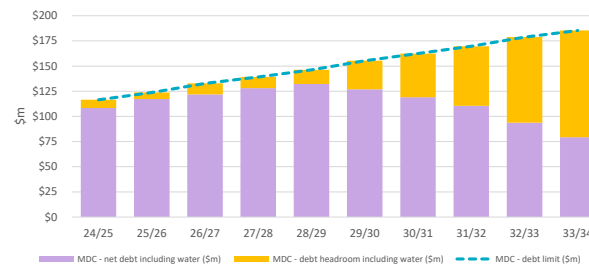
Average water services bill per connection (ex GST)



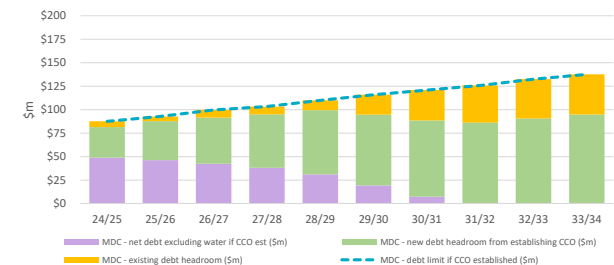
Water net debt to operating revenue



Council net debt including water



Council net debt excluding water if CCO established



IN CONFIDENCE

8

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Palmerston North District Council

PNCC's 2024-34 LTP shows water charges increasing by approximately 146% per connection over ten years. This increase excludes the impact of levies to be charged to households for IFF funded infrastructure.

Water services net debt peaks in FY29/30 (net debt to revenue of 395%), with projected revenue increases enabling debt to revenue to reduce to 270% in FY33/34.

At an all-council level, PNCC's debt to revenue peaks at approximately 230% in FY27/28 (against a limit of 280%), reducing to 178% by FY33/34.

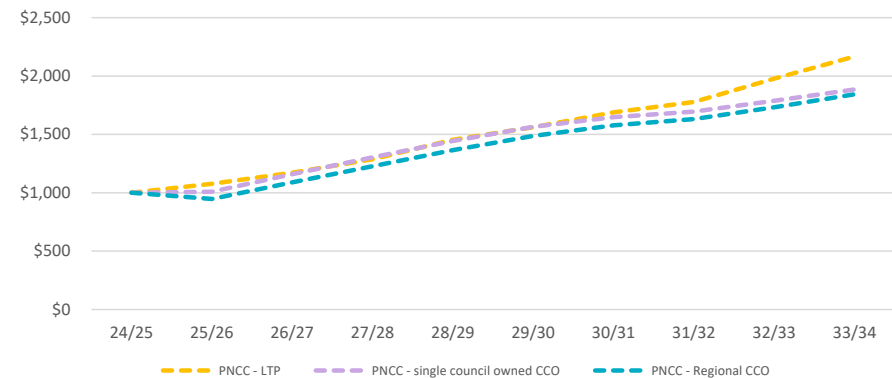
Financial sustainability considerations: IFF funding for the WWTP project is required to be able to deliver the necessary investment set out in the 2024-34 LTP. Projected revenue increases required in LTP lead to material increases in charges for consumers over ten years.

Benefits of a regional Water CCO

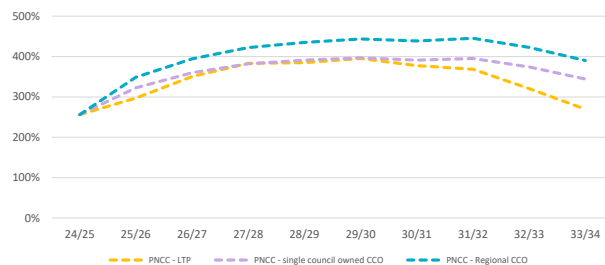
Establishing a regional Water CCO would enable water services charges for PNCC consumers to reduce by approximately 8% against LTP projections over ten years.

The separation of water services into a Water CCO (whether that be a regional CCO or an PNCC owned CCO) would create approximately \$40 million of new borrowing headroom for PNCC's non-water services initially (increasing to \$74m by FY33/34).

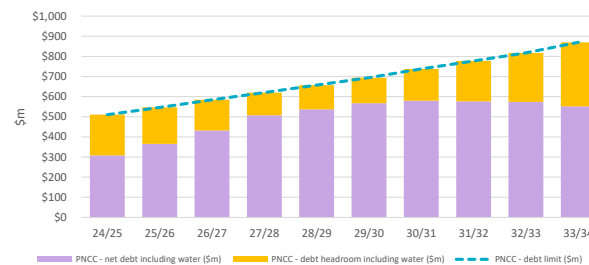
Average water services bill per connection (ex GST)



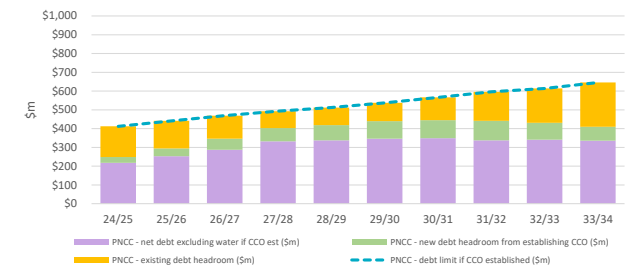
Water net debt to operating revenue



Council net debt including water



Council net debt excluding water if CCO established



IN CONFIDENCE

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Prices, operating costs and investment for a regional Water CCO

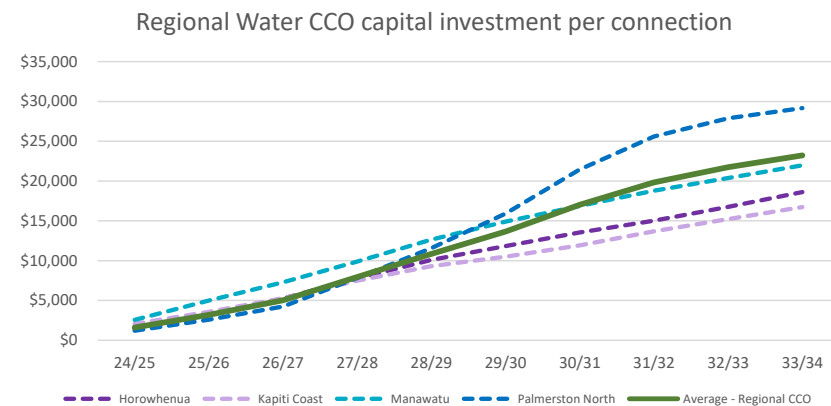
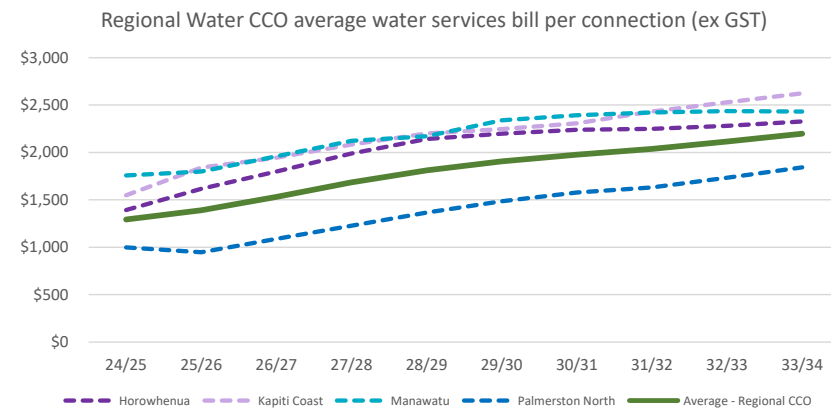
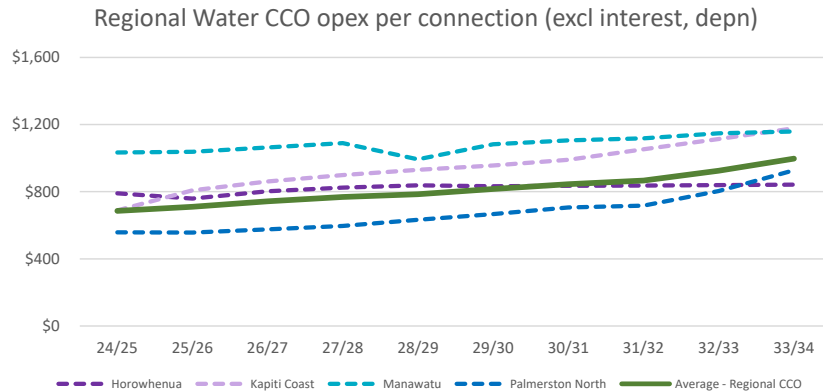
Household water charges are directly determined by proposed levels of investment, operating expenses and the utilisation of debt versus revenue funding of investment. Each council is facing trade-off decisions on these factors.

The charts on this slide show projected water services bills, operating costs and investment per connection, for councils under a Regional CCO. Revenues and debt financing have been set to maintain a minimum 8% FFO to debt ratio.

Higher water bills are due to higher operating costs and/or higher borrowings per connection (and vice versa for lower water bills).

These charges exclude any levies for IFF funded infrastructure.

High level financial viability assessments for a regional Water CCO are included at Annex 3, which **demonstrate that a regional Water CCO would be financially viable.**



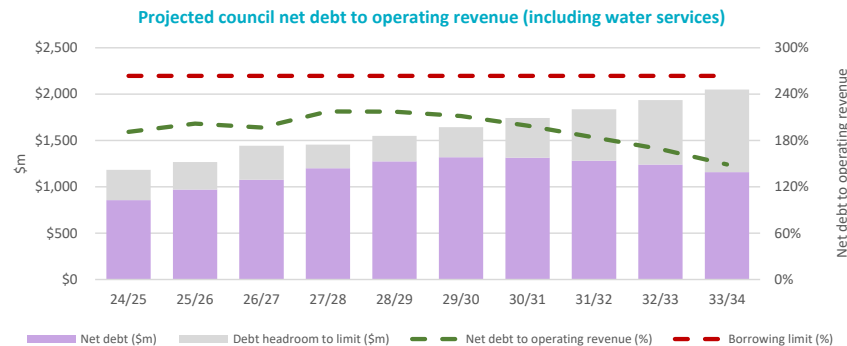
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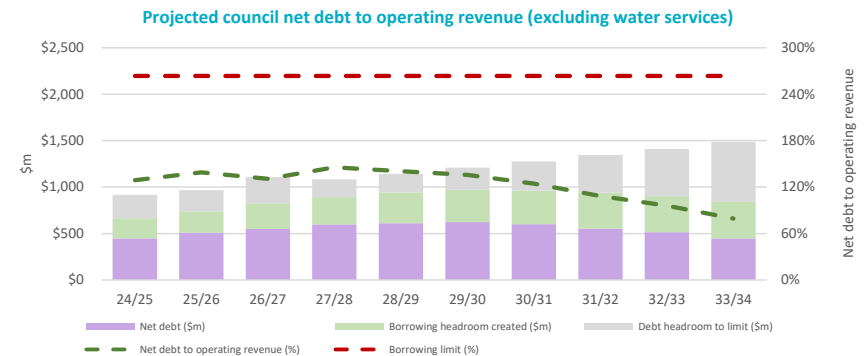
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Establishing a water CCO will allow water revenues to directly support all water services borrowing requirements and create new borrowing headroom for owning councils

LGFA has committed to lend to water CCOs and treat their debt as separate to owning councils' debt, where there is a guarantee or uncalled capital from owning councils in place, and adherence to prudent credit criteria. This means that LGFA would exclude a water CCO's water services debts from owning council's borrowing covenants (e.g., in debt to revenue calculations). This creates new borrowing headroom for owning councils, as water services are higher leveraged than other council business. This slide shows notional headroom created if water is treated separately.



Note: debt limit is set at approximately 265% which is the weighted average of the councils' credit limits (a mix of 175% and 280%)



Note: debt limit is set at approximately 265% which is the weighted average of the councils' credit limits (a mix of 175% and 280%)

New debt headroom for owning councils (\$000)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Horowhenua District Council	41,686	42,679	43,893	45,107	49,006	43,860	37,851	30,265	29,373	24,741
Kapiti Coast District Council	107,705	100,233	120,701	121,185	130,624	131,583	141,650	159,278	170,956	188,104
Manawatu District Council	32,551	41,511	49,143	56,989	68,310	75,458	81,211	86,209	90,699	94,803
Palmerston North City Council	30,600	41,408	58,979	70,206	80,756	92,947	96,056	104,108	90,077	73,617
Total - Regional CCO	212,542	225,831	272,716	293,487	328,696	343,848	356,768	379,860	381,106	381,265

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Financial sustainability considerations, assumptions and limitations of analysis

ANNEX 1

IN CONFIDENCE

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Financial sustainability requirements for water services provision

- The Local Government (Water Services Preliminary Arrangements) Act 2024 defines 'financially sustainable', in relation to a council's delivery of water services, as:
 - The revenue applied to the council's delivery of those water services is sufficient to ensure the council's long-term investment in delivering water services; and
 - The council is financially able to meet all regulatory standards and requirements for the council's delivery of those water services.
- Each council is required to prepare a Water Services Delivery Plan that demonstrates financially sustainable water services provision.
- Under Local Water Done Well, there are minimum requirements that must be met by all water services providers, irrespective of the delivery model. These relate to financial sustainability, ringfencing, a new economic regulation regime, and new planning and accountability requirements, which require the corporatisation of water services and ensuring of appropriate revenues for water services at a minimum.
- To assist with an assessment of whether a council's water services delivery is financially sustainable, the Department has developed the Water Services Delivery Plan template which asks councils to provide information about three components:
 - Revenue sufficiency – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
 - Investment sufficiency – is the projected level of investment sufficient to meet regulatory requirements and provide for growth?
 - Financing sufficiency – are funding and finance arrangements sufficient to meet investment requirements?

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Update on LGFA requirements and 'prudent credit criteria'

- On 20 December 2024, the New Zealand Local Government Funding Agency ('LGFA') updated councils on LGFA requirements for Water CCO lending.
- This update included further information on components for the 'prudent credit criteria' that LGFA proposes to have in place to enable water CCOs to borrow from LGFA.
- A critical component of the 'prudent credit criteria' is that a 'funds from operations' ('FFO') to debt covenant would be required, with an expected minimum 'FFO to debt' ratio of between 8% and 12%, depending on a credit risk assessment to be undertaken by LGFA.
- The Department views the FFO to debt measure as the most critical component of assessing the financial sustainability of water services provision, as it:
 - Provides a benchmark for ensuring that operating revenues are set to an appropriate level to cover the costs of service (i.e., to meet the 'revenue sufficiency test'); and
 - Provides a benchmark for ensuring that financing can be secured to deliver investment requirements, as it is a critical covenant for accessing LGFA financing for a stand-alone water services provider.
- Irrespective of a council's preferred delivery model, the Department's view on financial sustainability will be anchored around ensuring that water services financial projections include sufficient operating revenues to meet a minimum 'FFO to debt' ratio, based on our expectation of what LGFA's covenant requirement would be for direct financing a Water CCO consisting of that council's water services.

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The 'FFO to debt' ratio is key to financial sustainability

What is the 'FFO to debt' ratio?

- The FFO to debt ratio is a leverage ratio that a credit rating agency, investor or lender can use to evaluate an organisation's financial risk. The ratio compares the cash generated from an organisation's operations to its total borrowings, and represents this as a percentage ratio.
- For example, for an organisation that has an FFO to debt ratio of 10%, this means that operating cash margins generated in one year are equal to 10% of the organisation's borrowings. This also means that ten years of operations would be required to fully pay down existing borrowings (being the inverse of the ratio, $1 / 10\%$).

What are funds from operations?

- FFO can also be defined as 'free operating cash flow' and represents the amount of cash that is generated by operating revenues in any year, after cash operating costs have been paid.
- For Water Services Delivery Plans, the Department suggests that FFO is calculated as: *operating revenue minus operating expenses plus depreciation and other non-cash expenses, less interest revenue*. It is important to note that non-cash items such as depreciation are excluded, and that capital revenues such as development contributions are also excluded, from this calculation.

Why is FFO to debt the key financial sustainability measure?

- This measure provides a clear picture of an organisation's ability to generate cash solely from its core operations, excluding financing and investing activities. FFO is considered a reliable indicator of a company's financial performance because it focuses on the cash flows directly related to the organisation's primary business activities.
- FFO plays a significant role in evaluating an organisation's creditworthiness, and for determining expected returns for lenders (where a more 'risky' lend commands higher premiums to compensate lenders for that risk).
- LGFA (and ultimately credit rating agencies) will assess a Water CCO's FFO to form a view on its ability to generate sufficient cash flow to service its debt obligations.

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Considering the 'FFO to debt' ratio under Local Water Done Well

How does the setting of minimum FFO to debt requirements impact revenue requirements and prices paid by consumers?

- The minimum FFO to debt ratio requirement directly determines the minimum amount of operating cash margins required to be generated, in order to comply with the covenant. In turn, this impacts the minimum operating revenue and maximum cash operating costs that are tolerable, as they determine the 'funds from operations'.
- A higher minimum FFO to debt ratio requirement (of, say, 12% at the upper limit of LGFA's reported band) would require higher operating revenues (and consumer charges) than a lower minimum FFO to debt ratio requirement (of, say, 8%) for any given level of operating expenses and borrowings.

What minimum FFO to debt ratio assumption should be used for assessing different delivery models?

- The Department has assumed minimum FFO to debt ratio requirements for this analysis, which councils can rely on for decisions on delivery models and for confirming the financial sustainability of water services delivery in Water Services Delivery Plans. Where a new Water CCO is established and seeks to borrow from LGFA, LGFA would determine in its discretion the minimum requirements.
- The Department's assumptions for minimum FFO requirements are set out on the following slide, and represent an indicative assessment of the creditworthiness of various delivery model options.
- Factors that have been considered in determining these assumed minimum requirements are serviced population (as a measure of scale); geographical diversification of consumers and infrastructure assets; investment and borrowing requirements; and the ability to identify and deliver capital and operating efficiencies to manage costs and/or comply with direction from the Economic Regulator.

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Key assumptions underpinning analysis

- The analysis included in this guidance is primarily based on financial information included in council's 2024-34 long-term plans, specifically the funding impact statements for the water services. The Department has sought further input assumptions from councils where this data is not readily available in LTPs (including opening asset, debt and cash balances).
- The analysis assumed that the level of proposed investment in each council's LTP is adequate to meet the 'investment sufficiency test' for Water Services Delivery Plans. The level of projected investment is kept constant across presented options.
- Operating costs (except for interest costs) are kept in line with LTP information under all scenarios. Similarly, capital revenues and non-rates sources of operating revenues are held constant against LTP.
- Minimum 'FFO to debt' ratio assumptions utilised for this analysis are as follows. The largest driver of determining assumed minimum requirements is serviced population, with a further discount applied for a regional Water CCO to reflect a larger geographical spread of consumers and infrastructure assets:
 - For a regional Water CCO comprising the water services of the four councils – 8% (set to the lower end of LGFA's reported band);
 - For water services provision undertaken by Manawatu District Council – 12% (set to the upper end of LGFA's reported band);
 - For water services provision undertaken by Horowhenua District Council and Kapiti Coast District Council – 11% (assumed 1% discount against the band maximum due to serviced population);
 - For water services provision undertaken by Palmerston North City Council – 10% (assumed 2% discount against the band maximum due to serviced population).
- Under each scenario run, we have calculated the revenue and borrowings required to deliver LTP proposed levels of investment, by determining the appropriate mix of revenues and debt financing needed for the 'FFO to debt' ratio to remain at the assumed minimum requirement above each year.
- For comparison purposes, FY2024/25 financials are not adjusted under scenarios. Financial projections from FY2025/26 are adjusted to demonstrate the different average charges required.

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Limitations and exclusions of analysis

The analysis underpinning this guidance has been completed to demonstrate the revenue and financing sufficiency requirements, and differences in financing 'efficiency', under different delivery models. To enable direct comparison of the impact of financing efficiency and minimum revenue requirements for each council, we have excluded from this analysis:

- Any new establishment or operating costs under any delivery model;
- Any new costs relating to the requirement to comply with new requirements under Local Water Done Well, such as economic regulation and the new Planning & Accountability framework, which would apply under all delivery models.
- Any reduction in operating resources and costs that could be achieved under a consolidated regional Water CCO, where duplicated effort and resourcing could be identified.
- Any operating and capital efficiencies that could be generated from the establishment of new Water CCOs, and/or from compliance with future directives from the Economic Regulator.
- Any reduction to investment requirements that could be achieved due to announced future regulatory changes, including a single wastewater standard and National Engineering Design Standards.

The Department's view is that the above items are immaterial to an assessment of the relative financial sustainability and benefits of various delivery model options, but that they should form a critical part of implementation planning for a council's proposed delivery model.

Levy requirements for IFF delivered infrastructure are excluded from projected household charges (i.e., PNCC's WWTP project that is proposed to be IFF funded). Any levy requirement would need to be added to PNCC charges under all delivery options to show the 'full cost' of water services provision to households.

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Assessing the financial viability of a regional Water CCO

ANNEX 2

IN CONFIDENCE

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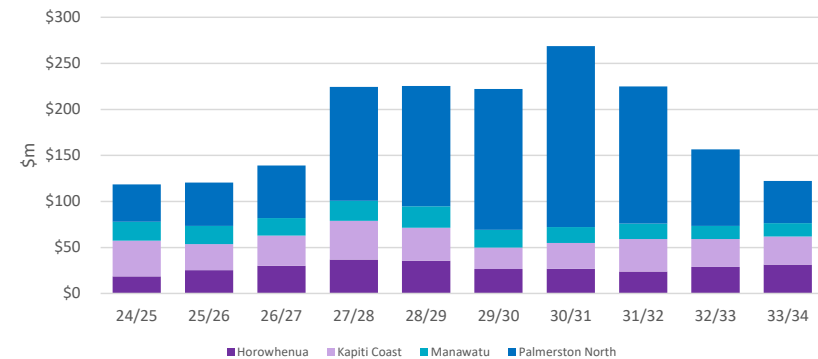
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Regional Water CCO combined water services capital investment

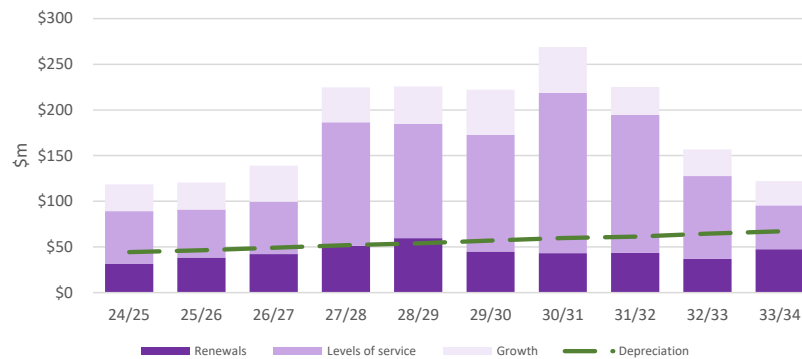
Overview of regional water services capital investment requirements

The four councils are cumulatively projecting \$1.823 billion of capital investment into water services infrastructure over ten years. This proposed level of investment is substantial –approximately triple projected depreciation charges over ten years. While this capital programme is fundable for a Regional Water CCO, there would be merit in the councils working together on a joint investment programme to determine the most efficient and deliverable phasing of investment, and to identify opportunities to reduce costs. Consideration should also be given to any reduction to investment requirements that could be achieved due to announced future regulatory changes, including a single wastewater standard and National Engineering Design Standards.

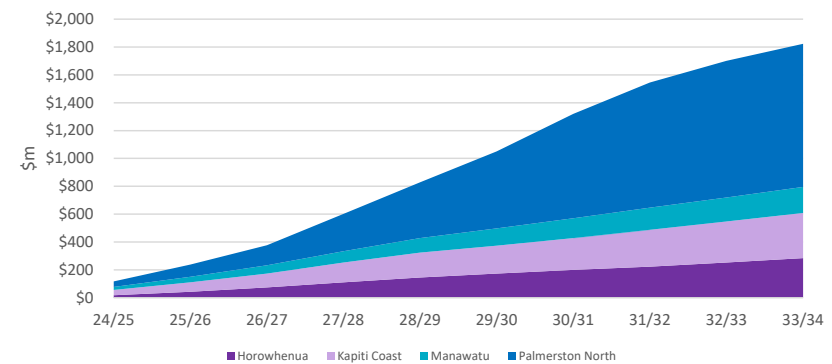
Regional Water CCO capital investment by council



Regional Water CCO capital investment



Cumulative regional Water CCO capital investment



IN CONFIDENCE

Regional Water CCO financial viability – LTP projected revenues and debt financing

Overview of water services revenues and debt financing at LTP projected levels

The projected levels of water services revenues are sufficient for the level of investment and expenditure proposed, and fully cover all operating costs including depreciation from FY27/28.

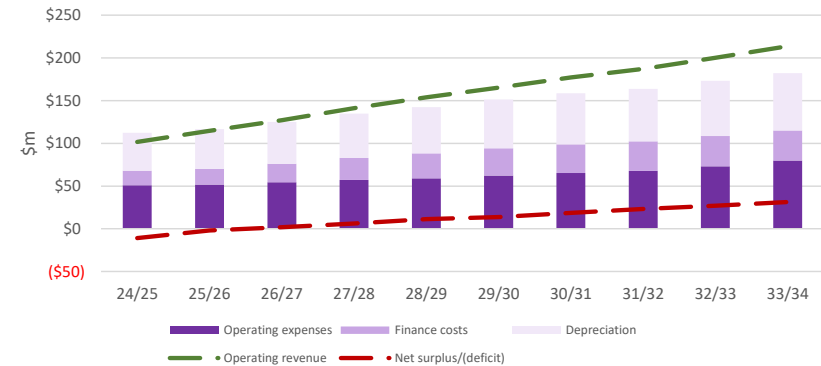
At a consolidated level, there is significant borrowing headroom against a 5x operating revenue debt limit. Based on projected levels of investment and revenues, a Regional Water CCO would retain unutilised borrowing capacity across the entire LTP period, with this capacity increasing over the last five years due to projected revenue increases.

Each council has trade-off decisions to make between levels of revenue, investment and debt financing to strike an appropriate balance for consumers, as part of a regional Water CCO.

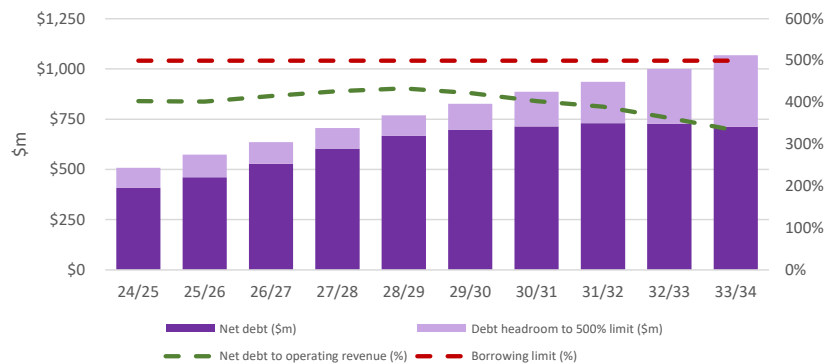
There is scope for councils to reevaluate the level of water services revenues required, for the level of investment proposed, to potentially pass on savings to consumers. Effectively utilising debt financing is the key to unlocking this.

On the following slide we have reset the revenue and debt financing, anchored to an FFO to debt ratio of 8% to demonstrate this.

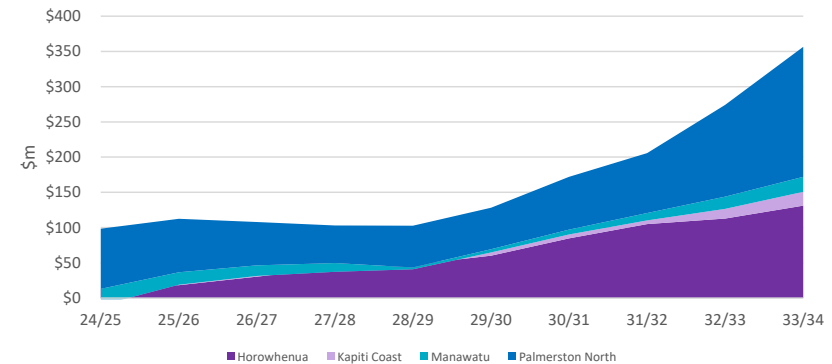
Regional Water CCO operating revenues and expenses



Regional Water CCO net debt to operating revenue



Regional Water CCO borrowing headroom to 500% operating revenues



IN CONFIDENCE

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Regional Water CCO financial viability – updated revenue and financing to meet minimum FFO requirement

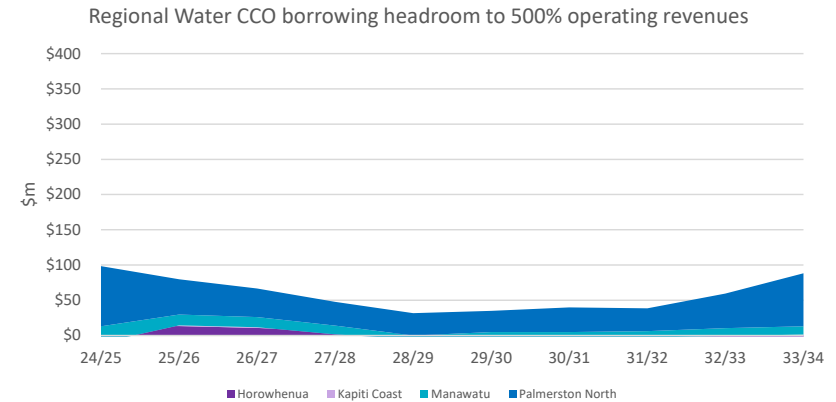
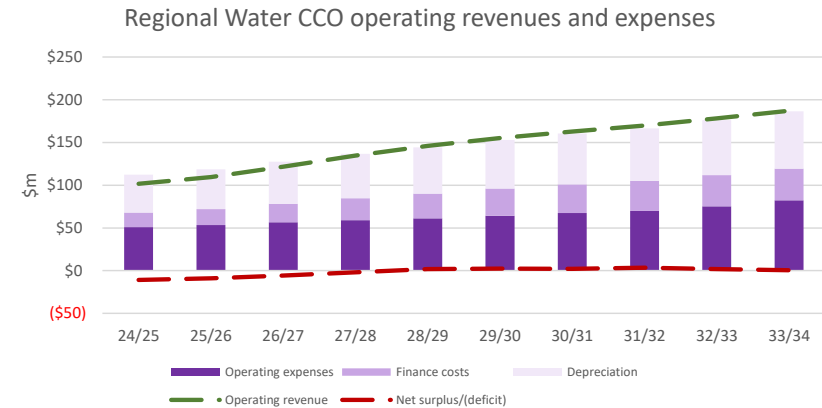
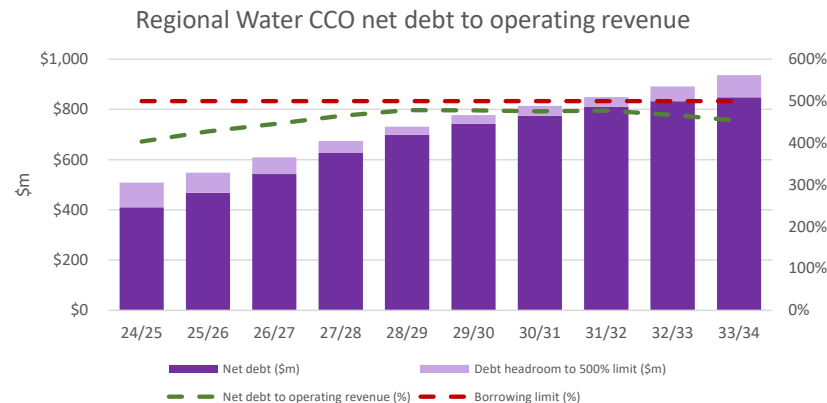
Overview of water services revenues and debt financing at minimum FFO levels

The 2024-34 LTP projected levels of water services revenues are sufficient in aggregate across the Bay of Plenty councils to form a viable Bay of Plenty Water CCO.

The financing efficiency of a regional CCO could be utilised to reset revenues to the minimum requirement to meet borrowing covenants – primarily on an FFO to net debt basis (assumed 8%).

We have modelled a Regional Water CCO, amending the borrowing profile and revenue requirements to prudently utilise borrowing capacity and minimise revenue requirements, against the assumed minimum FFO requirement.

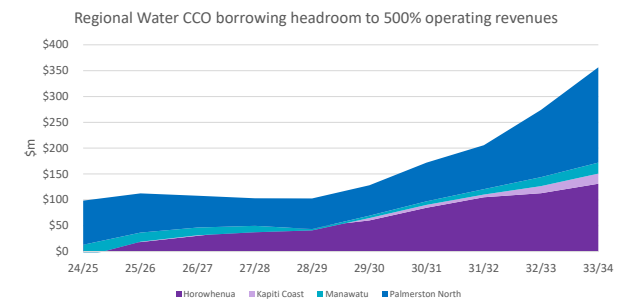
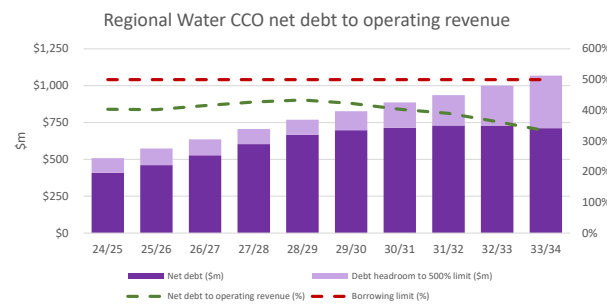
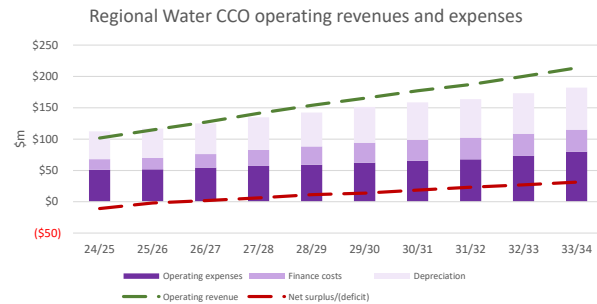
Each council has trade-off decisions to make between levels of revenue, investment and debt financing to strike an appropriate balance for consumers, as part of a regional Water CCO, which could unlock more efficient utilisation of financing and lower charges for consumers.



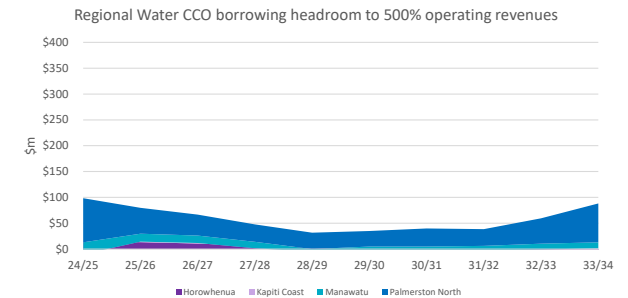
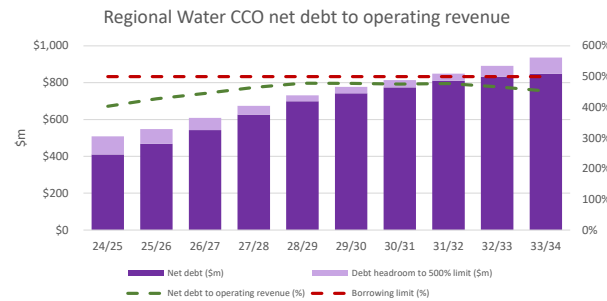
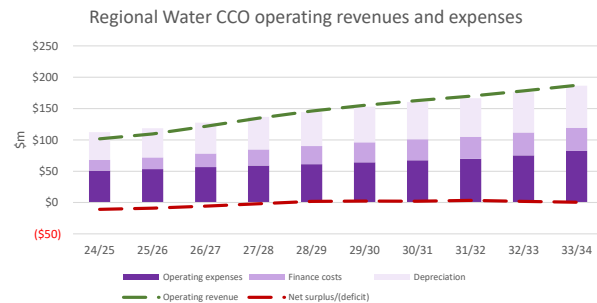
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Comparing LTP projections to regional Water CCO projections that more effectively use debt financing

LTP projected revenues and debt financing



Regional Water CCO projections at minimum FFO requirements (assumed FFO to debt of 8%)



Comment on operating revenues and expenses

LTP projections show revenues increasing significantly above operating costs (including depreciation) in the last five years of LTP.

These operating revenue increases generate substantial operating cash margins, as depreciation is a non-cash item, which are used to pay down debt.

A regional Water CCO would not need to meet a 'balanced budget' requirement, so depreciation charges would not necessarily need to be covered by operating revenues, if that was inefficient from a financing perspective.

For a regional Water CCO, if target FFO to debt was set to 8% of borrowings, this would mean significantly lower revenues are required, and consequently lower charges to consumers on average against LTP projections.

Comment on net debt to operating revenue

LGFA will treat the borrowings of a water CCO as separate to owning councils.

In LTPs water borrowing requirements are substantial and take councils up close to borrowing limits, meaning that revenue increases are required to pay down debt to more manageable levels over the ten-year LTP period.

With a Water CCO, this constraint is removed, replaced by a shareholding council guarantee or uncalled capital. This means that substantial projected revenue increases could be avoided, if a Water CCO maintained its leverage position towards its borrowing limit, while prudently ensuring that a minimum FFO to debt ratio is maintained.

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Comment on net debt to operating revenue

Due to LTP projected revenue increases and debt repayments in the last 5 years of the LTP period, a regional Water CCO that adopted those baseline projections would result in significant underutilisation of borrowing capacity from FY29/30, paid for by increases in revenues and charges to households.

Setting revenues to a target FFO to debt ratio means that debt is prudently managed by generating the amount of operating cashflow that is needed to service and pay down the debt over a reasonable time period.

Utilisation of borrowing capacity, for any given level of capital investment over time, results in lower revenue requirements and lower charges to consumers.

A regional Water CCO would need to determine an appropriate level of borrowing headroom to prudently manage risk and maintain an ability to respond to shocks or urgent investment requirements.

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File No.: 25/279

5.2 Western Park Baseball Fencing

Author(s)	Lacey Winiata Parks & Property Manager Tumu Rawa, Papa Rēhia
Approved by	Brent Harvey Group Manager - Community Experience & Services Tumu Rangapū, Wheako Hapori, Ratonga
	Monique Davidson Chief Executive Officer Tumuaki

PURPOSE | TE PŪTAKE

1. This report outlines challenges at Western Park for neighbours and the Levin Hustle Baseball Club and requests use of renewal Capital Expenditure (CAPEX) to install a new fence to address those challenges.

This matter does not relate to a current Council priority.

EXECUTIVE SUMMARY | TE WHAKARĀPOPOTOTANGA MATUA

2. Western Park in Levin has been home to the Levin Hustle Baseball Club for five years, with the sport growing significantly in popularity and the club now hosting tournaments and camps which attract people from all across Aotearoa.
3. However, foul balls escaping the existing six meter high netting have increasingly impacted neighbouring properties, culminating in property damage during a January 2025 tournament exacerbated by high winds.
4. Officers have worked with affected neighbours and the baseball club to explore possible solutions and now present three options: a professionally engineered net extension (recommended), maintaining the status quo, or a lower-cost, non-engineered solution.
5. The recommended option, while the most expensive at \$77,315.70, is expected to best mitigate the risk to neighbours and enhance the experience for players and supporters.
6. Officers are suggesting utilising renewal CAPEX budgets for this purpose.
7. The situation has attracted local media attention, with recent negative coverage highlighting community concern about Council's perceived inaction. Officers are also aware of multiple complaints received from residents, primarily citing health and safety concerns. The issue has caused significant stress to the most affected resident, who requested for Council to act decisively to ensure the safety and enjoyment of their home is not continually disrupted.

DELEGATION OR AUTHORITY TO ACT | TE MANA WHAKATAU I NGĀ KAWENGA

8. Council has the authority to decide to utilise CAPEX budget for a purpose outside that of which it was originally set out for.

SIGNIFICANCE ASSESSMENT | HE AROMATAWAI MATUA

9. This matter is assessed as having low significance according to the Significance and Engagement Policy because it affects a limited number of individuals, has limited public interest and has low to no impact on Council's ability to perform its role.
10. Council has engaged with the affected parties throughout the process as we have explored different options.

RECOMMENDATION | NGĀ TAUNAKITANGA

- A. That Report 25/279 Western Park Baseball Fencing be received.
- B. That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- C. That Council extends the foul ball netting at Western Park with a structurally engineered extension utilising the Sportsground renewal budget.

OR

- D. That Council extends the foul ball netting at Western Park with a structurally engineered extension, seeking external funding to pay for this. However, if unable to source external funding by 30 June 2025, will utilise the Sportsground renewal budget.

OR

- E. That Council co-funds an extension of the foul ball net, for it to be managed and implemented by Levin Hustle utilising the Sportsground renewal budget.

BACKGROUND | HE KŌRERO TŪĀPAPA

- 11. Western Park is located at 143-145 Tiro Tiro Road Levin. It is zoned open space and designated as a reserve. For the past five years it has been the home to the Levin Hustle Baseball Club, and where Horowhenua has seen the game grow and thrive.
- 12. The baseball season typically runs from October to March with games being played at Western Park usually every second Sunday (depending on scheduling). Annually on the first week of January, a four day tournament takes place at Western Park with the main diamond in use for players aged 15-16 years old. The quality of the players at this tournament is high.
- 13. Western Park currently has a six meter high foul ball netting. Obviously, the aim of the game is to hit the ball forward and not let it go towards the foul ball line. However, foul balls do occur and in most cases the high netting contains them.



- 14. However, over the past 18 months officers have had an increasing number of complaints due to baseballs going over the fence of mainly two neighbouring properties. This escalated when a window of a vehicle parked in the driveway of the property was broken, and peaked during the Mid-Summer Blast baseball tournament in January 2025.
- 15. The Mid-Summer Blast baseball tournament has been held in Levin over the past couple of years and attracts more than 100 young people and their families to the district.
- 16. Unfortunately, this year the tournament coincided with extremely high winds. As a result, there were an uncharacteristically high number of baseballs, over the course of the

tournament that not only went over the foul ball netting but into the neighbouring properties and even broke a window.

17. Officers have also fielded a number of direct complaints citing safety concerns for children and visitors to the neighbouring properties. These complaints have been logged over an extended period and have increased in frequency following the January 2025 tournament incident.
18. Since the initial discussion with the neighbours, officers have been working with the Levin Hustle Baseball Club and neighbours exploring different options for a solution.

DISCUSSION | HE MATAPAKINGA

19. The land for Western Park was purchased in 1994 from Landcorp as part of a recreation reserve.
20. As previously mentioned Western Park is zoned an open space and is designated a reserve. Within the District Plan, sporting activity at Western Park is a permitted activity.
21. Western Park has been identified as non-core by Council, although when and how it might be disposed of is still being researched due to the zoning and designation.
22. Prior to the baseball diamonds being created, the rear section of the reserve had limited use with some football games being played, or general recreation use.
23. There are two baseball diamonds; a junior diamond on the west side of the park and a senior on the east.
24. It is the neighbours on Ryder Crescent, to the north east, that have been impacted by foul balls.



25. All except one complaint has been brought by two neighbours, and even then the vast majority are by one. The main complainant has spoken with officers on several occasions, including during onsite visits, and has conveyed a growing sense of frustration and emotional distress. They feel their concerns have not been taken seriously, particularly considering what they describe as a 'near miss' involving a child and a foul ball. Their plea

for Council to resolve the matter reflects a deeply personal impact and underscores the importance of a solution that prioritises safety and peace of mind for residents.

26. When officers have spoken with the main complainant it has been conveyed that the issue has become heightened as the children have grown and become better players. They believe the players are now much stronger and able to hit harder and further.
27. Over the past 15 months officers have explored different solutions, including a batting turtle, extending the foul ball fencing and extending the neighbours fence.
28. Since the Mid-Summer Blast tournament a number of other baseball clubs have been assisting in finding a solution, offering insight into what they have, so as to improve the experience at Western Park.
29. Officers note that the proposed structurally engineered extension has been designed in a manner that allows for it to be removed and potentially relocated, should future decisions about the long term use or disposal of Western Park require it.
30. There are current resolutions which allows Council to rezone Western Park from Open Space to Residential housing, however Council has yet to progress this option.
31. Council also decided not to include the rezoning within Plan Change 6a. This Plan change does mention Western Park however this is to indicate an access link for the development to open space reserve. The proposed fence does not make this access difficult. It should also be noted that with the plan change, there would be more neighbours and therefore risk will grow higher of baseballs damaging neighbouring properties.
32. Officers now have two options for Council to consider, alongside the status quo.

Options | Ngā Kōwhiringa

Options Ngā Kōwhiringa	Benefits Ngā Whiwhinga	Risks Ngā Mōrearea
Option A (recommended) Structurally engineered and reinforced extension to the existing net which would take the height of the foul ball net to a suitable height. It is thought this will achieve the objective of significantly minimising the number of balls entering the neighbouring properties.	It is thought this will provide the best cover for the neighbours. With this option in place it is thought it would provide a better experience for baseball players and supporters attending games and tournaments at Western Park. Part of the ECCT funding, applied for by Levin Hustle could be used for this option, however the amount is likely to be around \$2-\$3k. Can be relocated to another park or site should the need arise.	This is the highest cost option at \$77,315.70. There may still be some balls that make it over the net, however this should capture the majority.
Option B (status quo) No further money should be spent on increasing or installing a new fence.	No money is spent.	Officers and Elected Members would continue receiving complaints.

		There would be a risk that baseball players and supporters attending games and tournaments at Western Park would continue to be harassed by neighbours.
Option C (not recommended) Installation of a non-engineered solution provided by Levin Hustle after working with another baseball club. This would see an additional 5.5m to the current foul ball netting and would be managed and installed by the club. This option is not recommended due to the potential liability if something goes wrong.	This is the most cost effective solution at \$15,471.65. Levin Hustle have applied for funding from ECCT to cover half the cost.	It is not engineered and carries an element of risk. There may be some balls that make it over the net, however this should capture the majority.

33. Council may wish to consider the longer term viability of retaining baseball at Western Park. Given the site's designation as non-core and the ongoing concerns raised by neighbours, it may be prudent to investigate the potential relocation of baseball activity to another park or reserve that is better suited to the scale and growth of the sport. While not an immediate solution, this option could reduce ongoing tension and ensure that any future investment aligns with long term land use decisions. Should Council wish to pursue this, Officers could be directed to undertake an initial feasibility assessment and engage with Levin Hustle on potential alternative sites.
34. Council may also wish to consider this matter in the context of the Recreational Strategic Investment Framework. The Framework provides a structured approach to guide investment decisions across the district's open spaces and recreation facilities, ensuring alignment with community need, future growth, and optimal asset utilisation. Given Western Park's classification as non-core and the scale of investment proposed, it would be appropriate to assess how this site fits within broader recreational priorities before committing significant funding. The Framework could also support future consideration of whether Western Park remains the most suitable location for baseball activity over the medium to long term.
35. Officers also explored the option of a batting turtle. This is a portable batting cage used during baseball or softball batting practice. It is designed to contain foul balls and batted balls during practice, preventing them from flying into the stands or other areas. However, this would only be a practicable solution during trainings as they cannot be used for a game.
36. Officers also discussed extending the neighbours fence, but this was not a preferred option of the neighbours. The club was also not confident it would contain the number of balls we wanted it to.

ENGAGING WITH MĀORI | TE MAHI TAHI KI TE MĀORI

37. Māori are not thought to be impacted with the recommendation.

FINANCIAL AND RESOURCING | TE TAHUA PŪTEA ME NGĀ RAUEMI

38. Should Council request officers to pursue Option A or C, this could be funded from the Sportsground Renewal budget.

39. The purpose of this budget is to renew assets as highlighted through the Parks and Property Asset Management System, SPM.
40. Officers have followed a thorough process, after receiving direction from Councillors during the Long Term Plan process, to renew assets that are higher risk of failing or are in high demand areas. Therefore, officers are confident that the items outlined to be renewed in SPM can be safely deferred should Council prefer to utilise the budget for one of these options.
41. There would be a slight overspend of this CAPEX however that would be balanced with an underspend in the reserves renewal CAPEX line.

LEGAL AND RISK | TE TURE ME NGĀ MŌREAREATANGA

42. There is limited legal and risk considerations with Option A.
43. Should Council stay with the status quo there is minimal legal risk which can be managed by keeping the neighbours up to date with the playing schedule.
44. There is a level of risk with Option C, as highlighted in the Options section. This option was brought to Council from Levin Hustle after liaising with other baseball clubs across the country on solutions they have. It would be managed and implemented by the club and is an option that is not structurally engineered.

POLICY IMPACT | NGĀ PĀTANGA I NGĀ KAUPAPA HERE

45. There are no impacts to current or future Council policies.

COMMUNICATIONS AND ENGAGEMENT | TE WHAKAWHITI PĀRONGO ME TE MAHI

46. Officers have been working with the Levin Hustle Baseball Club. Should Council decide to proceed with either Option A or C, it would be best for works to take place now, during the off-season.
47. In communication with the neighbours, they are wanting to see a solution that reduces the number of baseballs going over the fence.
48. Following a decision of Council, officers will continue to liaise with both parties and keep them up to date with any upcoming works and the expected outcome of the works.
49. The matter has also attracted negative media coverage, which has amplified public awareness and reputational risk for Council. Officers recommend that a proactive communications approach be taken to accompany any decision, including clear messaging on the rationale, community safety considerations, and timeframes for implementation.

Communicating with our Community | Te Whakawhiti Pārongo ki te Hapori

50. This kaupapa has received local media interest in the past. Therefore, it is likely to gain interest again. Council will use its established communications channels to inform the community of this decision and to explain the rationale for why it made this decision.

NEXT STEPS | HEI MAHI

51. Should Council decide to proceed with either Option A or C, officers will work with contractors to implement their plan and liaise with Levin Hustle and the neighbours. The preferred solution will ideally be installed by the start of the next season.
52. Should status quo remain, officers will liaise with Levin Hustle and the neighbours on the rationale of the decision.

Confirmation of statutory compliance

In accordance with sections 76–79 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

ATTACHMENTS | NGĀ TĀPIRINGA KŌRERO

There are no appendices for this report

Exclusion of the Public : Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Reappointment of Independent Members of Risk and Audit Committee

Reason:	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Interests:	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.
Grounds:	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Plain English Reason:	This report contains personal employment history of two individuals who have an expectation of privacy which is not outweighed by the public interest in this matter..