
To: The Chairperson and Members of the Strategic Planning and Policy Committee

From: Group Manager Planning and Community Relations

Subject: **Waikato Water Study**

Meeting Date: Tuesday, 6 December 2016

File Reference: 200-04-01/6

1 EXECUTIVE SUMMARY

At the July 2016 Strategic Policy and Planning Committee meeting, Waipa District Council adopted the attached (Appendix A) 'Record of Agreement' (RoA) negotiated between Hamilton City Council, Waikato District Council and Waipa District Council.

The purpose of the RoA was to reach agreement on the essential elements that would determine how a waters CCO would operate, if formed, and provide clarity for the public during consultation.

In adopting the RoA each Council noted that:

"Should the Record of Agreement and supporting document be adopted by all three Councils, post the October 2016 local body elections the newly elected Councils would be required to further consider and support, or not, the proposed Record of Agreement."

Therefore it is now appropriate for the Committee to further consider the Record of Agreement.

2 RECOMMENDATION

That

- a) *The report of David Hall, Group Manager Planning and Community Relations, be received;*
- b) *The Strategic Planning and Policy Committee resolve to request that Hamilton City Council and Waikato District Council consider amending the "Transition and Establishment Processes Options" section of the Record of Agreement and other consequential amendments;*

- c) *The Strategic Planning and Policy Committee recommend to Council the reformation of the Waters Governance Group to allow discussion with Hamilton City Council and Waikato District Council about amendments to the Record of Agreement and a coordinated approach to public consultation.*

3 OPTIONS AND ASSESSMENT

The three Councils are now in receipt of a number of independent reports which each advise that sub-regional cooperation would have significant financial and non-financial advantages for ratepayers and communities. In addition, many of New Zealand's relevant professional bodies (NZCID, IPENZ, Waters NZ, Ingenium, NIU...) also support the benefits of scale in the reticulation of water services.

Water is an essential service and the treatment of waste water has substantial public health and environmental implications. Any changes to how these services are delivered demands careful consideration and a risk-averse approach.

For these reasons, and other more technical reasons noted in the attached Morrison Low report (Appendix B), Waipa has consistently advocated for a cautious, prudent approach to the potential development of a Waters CCO. Waipa's concerns are partially reflected in the final, "Transition and Establishment Processes Options", section of the RoA.

As noted above, all three Councils have provided for aspects of the RoA to be revisited following the recent local body elections and prior to formal public consultation. The need for a cautious approach to the development of a Waters CCO is still of concern to Waipa. Now is the time for Waipa to formally raise any concerns and to formally recommend, if appropriate, any changes to the RoA.

The attached Morrison Low report expands on the desirability of a more cautious approach and how it might work in practice. The essential elements are as follows:

- Subject to public consultation, all operational water activities would transfer to the Waters CCO. This would include plant operations, reticulation services, laboratory services, environmental education, regional (and local) asset management planning, project planning etc... The Waters CCO would continue to be directly funded by the three Councils. Each Council would therefore be responsible for approving its own programme of works, levels of service and funding for water and waste water services through the normal LTP and annual plan processes.
- When the CCO was in a position to demonstrate that the establishment phase had been completed, that a stable organisation had been created and that other key elements had been achieved, it would be provided with the authority, and responsibility, for determining its own work programme and funding (both within the limits outlined in the Record of Agreement). Infrastructural assets would remain vested in shareholding Councils.

To ensure clarity, specific elements would need to be agreed with our partners. They are likely to include targets such as ensuring a stable workforce; the development of a regional asset management plan and schedule of capital works and the adoption of an agreed tariff policy (as contemplated in the RoA).

- The decision to vest infrastructural assets with the CCO would remain discretionary to each shareholding Council. If the CCO was performing to expectations, and there were clear benefits to residents and ratepayers, one or all of the Councils may resolve to approve a transfer. It is however noted that this would require a new public consultation process, as the transfer of assets can only be undertaken if it is clearly signalled in a Council's Long Term Plan.

As noted in the Morrison Low report, this prudent approach will allow the vast majority of the financial and non-financial advantages contemplated in the Cranleigh report to be realised. It does so however in a much more risk averse, precautionary manner.

The adoption of a prudent approach to the development of a Waters CCO will require a number of alterations to the Record of Agreement, particularly in relation to the initial, Council-funded phase. The Waters Governance Group (WGG) has previously been a useful mechanism to ensure that each Council's perspectives are catered for and it is therefore recommended that the WGG be reconvened.

The proposed prudent approach will result in an organisation that is very similar to the full, asset owning CCO as proposed in the Cranleigh business case. It will provide residents and ratepayers with the vast majority of the projected financial and non-financial benefits. Nonetheless it follows a different and more risk averse pathway. It is therefore suggested that there may be benefit in consulting on it as a third alternative, alongside the status quo and full asset owning options (which Council has already largely committed to consulting on).



David Hall

GROUP MANAGER - PLANNING & COMMUNITY RELATIONSHIPS

APPENDIX 1: MORRISON LOW: WAIKATO SUB-REGIONAL WATERS CCO
