

Council Report

Committee:	Council	Date:	21 September 2017
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Position:	Executive Director Special Projects	Position:	Executive Director Special Projects
Report Name:	Waters Study (Water, Wastewater and Stormwater - Sub-regional Collaboration)		

Report Status	<i>Open</i>
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Purpose

1. To inform the Council on discussions about a Shared Waters Management Company (SWMC).
2. To seek approval for Hamilton City Council to collaborate with Waipa District Council and publicly consult on a SWMC prior to the end of this calendar year.
3. To recommend to the Council that Hamilton City Council Waters Governance Group members be authorised to approve consultation materials and a consultation process.

Staff Recommendation

4. That the Council:
 - a) receives the report; and
 - b) recommends:
 - i. that public consultation on the proposal to form a Shared Waters Management Company be undertaken; and
 - ii. that public consultation be undertaken in collaboration with Waipa District Council; and
 - iii. that the Hamilton City Council Waters Governance Group be delegated authority to liaise with Waipa District Council and approve consultation materials and a process for public engagement, with public engagement to occur prior to the end of 2017.

Executive Summary

5. On [4 May 2017](#) Hamilton City Council approved a shared service, non-asset-owning waters management company as its preferred model for collaborating with other local councils to best manage water.
6. That decision authorised Council's Water Governance Group members (His Worship the Mayor, Crs Macpherson and Mallett) to restart discussions with Waipa and Waikato Councils about a joint management approach, and after reaching mutual agreement with those councils, to jointly prepare public consultation materials for approval.

7. On 30 May 2017, Waipa District Council also agreed a non-asset owning, Council Controlled Organisation (a Shared Waters Management Company) was its preferred model. Waikato District Council has not yet reached this decision and continues to investigate other options. However Waikato District Council have previously resolved to support an asset owning CCO, and that position has not changed.
8. The essential elements of a Shared Waters Management Company are:
 - The company would be a CCO (a Council Controlled Organisation). It would employ staff who would manage water, waste water and storm water assets on behalf of the shareholding councils.
 - The company would be a not-for-profit entity. (By law, Councils cannot make money out of water. They can only cover the costs to supply, treat and dispose of water).
 - The company would not own any major water assets. Those assets would remain 100 per cent owned by each council. (The company might own some minor assets like cars and computers).
 - All major decisions would continue to be made by shareholding councils. The water company, as a 'specialist waters company' would provide advice to each Council on where and when to invest.
 - The water company would be responsible for maintenance of the waters networks.
 - Each shareholding council would continue to set the cost for water services (to be recovered through general rates, targeted rates, water meters, trade waste fees etc) – just as they do now.
 - The water company could not force Hamilton City to install residential water meters. Nor could the water company force any other shareholding Council to change the way it charges for water.
 - The water company would be jointly controlled by the shareholding councils through a Shareholders Forum.
 - The water company would be accountable to shareholding councils who would ensure it operated openly and transparently.
 - The water company would offer operational, environmental and financial benefits that could not be achieved by councils operating on their own.
9. Since the May 2017 meetings of both Councils, an independent report has been prepared by a consortium of Mott MacDonald and Scottish Water International to ensure the formation of a Shared Waters Management Company would be advantageous to ratepayers. The report (Attachment 1) concludes that:

“In summary, it is found that over the long-term, a SWMC will provide financial and non-financial benefits to the three councils and their ratepayers. An SWMC is a better model, both financially and non-financially, than the status quo (where each Council manages water, wastewater and stormwater activities independently).”
10. The Waters Governance Groups of both Councils are now recommending both Councils publicly consult on the proposal to form a SWMC prior to the end of 2017. Doing so now would allow both Councils to gauge public opinion and make a final decision before finalising draft 2018-28 10-Year Plans.
11. Staff consider the matters in this report have low significance and that the recommendations comply with the Council's legal requirements.

Background

12. On 4 May 2017 Hamilton City Council agreed to form a shared service, non-asset owning waters management company (Shared Waters Management Company) as its preferred model for collaborating with local councils to best manage water services. The decision authorised the Council's Water Governance Group to restart discussions with Waipa and Waikato Councils about a joint management approach and to jointly prepare a public consultation document for approval. The formal resolution was:
 - a) *That council receives this report.*
 - b) *That Council:*
 - (i) *receives the information on the Enhanced Shared Services, Shared Waters Management Company and Asset Owning Company as contained in Attachment 2: Waters Study – Overview of Governance Structure Options;*
 - (ii) *agrees to the Shared Waters Management Company as the preferred model for Hamilton City Council to continue discussions on waters sub-regional collaboration;*
 - (iii) *authorises the Hamilton City Council Waters Governance Group members to reconvene discussions with Waikato and Waipa District Councils on a mutually preferred waters sub-regional collaboration model; and*
 - (iv) *authorises the Hamilton City Council Waters Governance Group members, upon reaching mutual agreement with Waipa and Waikato District Councils to obtain information necessary for public consultation and prepare the Consultation Document for Hamilton City Council approval.*
13. On 30 May 2017, Waipa District Council also agreed that a non-asset owning CCO (a Shared Waters Management Company) was its preferred model.
14. In a media release dated 12 June 2017 Waikato District Council advised it was considering further options for managing water services (including a closer association with Waikato-Tainui and Auckland Council's waters CCO, (Watercare Services Ltd) but that the "Hamilton, Waipa, Waikato CCO option is still very much on the table". Waikato District Council advise these investigations are ongoing and a decision, also pending public consultation, is expected close to Christmas.
15. There is an open dialogue between the three Councils. Waikato District continues to participate in the Waters Project Group and through that forum is aware of the positions reached by both Waipa District and Hamilton City.
16. Following decisions by Hamilton City and Waipa District Councils, a high level review of the SWMC has been undertaken to ensure any transition from the status quo to a SWMC will be advantageous to ratepayers.
17. Mott MacDonald was commissioned to undertake the review due to their familiarity with the Cranleigh business case (they were a member of the Cranleigh consortium) and their knowledge of Wellington Water, an existing Shared Waters Management Company on which the Waikato SWMC is closely modelled
18. The executive summary in the Mott MacDonald report provides a good summary of the non-financial and financial benefits provided by a SWMC. The report also outlines the anticipated establishment costs for a SWMC.

Public Consultation

19. Hamilton's Water Governance Group met on 11 September 2017 to discuss a range of issues related to the Shared Waters Management Company. Governance Group members agreed

Hamilton City Council should join Waipa District Council in publicly consulting on the SWMC proposal before the end of the calendar year.

20. Doing so would help inform the Council's 2018-28 10-Year Plan and provide a greater level of certainty to Hamilton City Council waters staff.
21. Any final decisions on establishing a SWMC, 2018-28 10-Year Plan budget implications and transition timeframes, the final terms of the Record of Agreement would be considered once public consultation and the consideration of submissions was completed.
22. Consultation will be based around Hamilton City and Waipa District being 'foundation' members of a Shared Waters Management Company. However, the door would be held open to other Councils, including Waikato District Council, joining the SWMC at a later date.
23. Consultation would make it clear a SWMC does not involve any transfer of either assets or debt. Decision-making, including all decisions around the cost of water and major capital investments in water and wastewater would continue to be made by elected members at shareholding Councils.
24. The consultation would meet the requirements of Section 56 of the Local Government Act which requires Councils to consult on the formation of any Council Controlled Organisation, irrespective of scale. Further details would be determined by elected members, following any decision to form a SWMC, should that decision be made.
25. It is not proposed that a Special Consultative Procedure (SCP) be followed; a SCP is not required for this issue. Nor, given the relatively benign nature of what is being proposed, does this issue trigger any requirements under Council's Significance and Engagement Policy.
26. Recognising the need for ongoing liaison between Waipa and Hamilton Councils, to ensure consistency between consultation processes and communications to the community, and the need for an efficient joint council decision making process, it is proposed that the sign-off on consultation materials, and the consultation process, be delegated to Governance Group members to finalise.

Financial Considerations

27. There is no specific budgetary provision for the proposed consultation process. The consultation costs are expected to be minimal apart from staff time, and any external costs will be met from the Executive Director Special Projects budget.

Legal and Policy Considerations

28. The creation of a Council Controlled Organisation requires public consultation (s.56 Local Government Act 2002) but does not require use of Special Consultative Procedures.

Cultural Considerations

29. The project team have maintained regular contact with local Iwi as the SWMC proposed has been developed. Iwi have shown significant interest in the SWMC proposal.

Risks

30. There are no significant risks associated with the decisions required for this matter, as primarily the recommended resolutions create an opportunity to test the SWMC with the public. Any decision to formally commit to a SWMC will occur subsequent to public consultation and the consideration of submissions.

Significance & Engagement Policy

Significance

31. Staff considered the following factors under the Significance and Engagement Policy:
There's a legal requirement to engage with the community.
32. Based on this factor and the plan to undertake public consultation, staff have assessed that the recommendations in this report have low significance.

Attachments

Attachment 1 - Mott MacDonald - Shared Waters Discussion Report .