AGENDA

Ordinary Council Meeting
Tuesday, 22 July 2025

Date	**Tuesday, 22 July 2025**
Time	**1:00 pm**
Location	**Council Chamber** **District Council Building** **King George Place** **Timaru**
File Reference	**1773154**

Timaru District Council

Notice is hereby given that a meeting of the Ordinary Council will be held in the Council Chamber, District Council Building, King George Place, Timaru, on Tuesday 22 July 2025, at 1:00 pm.

Council Members

Mayor Nigel Bowen (Chairperson), Clrs Allan Booth, Peter Burt, Gavin Oliver, Sally Parker, Stu Piddington, Stacey Scott, Scott Shannon, Michelle Pye and Owen Jackson

Quorum – no less than 5 members

Local Authorities (Members' Interests) Act 1968

Councillors are reminded that if they have a pecuniary interest in any item on the agenda, then they must declare this interest and refrain from discussing or voting on this item and are advised to withdraw from the meeting table.

Nigel Trainor

Chief Executive

Order Of Business

1 Opening Prayer and Waiata

2 Apologies

3 Public Forum

4 Identification of Urgent Business

5 Identification of Matters of a Minor Nature

6 Declaration of Conflicts of Interest

7 Reports

7.1 Local Water Done Well - Deliberations

Author: **Andrew Lester, Drainage and Water Manager**
Stephen Doran, Group Manager Corporate and Communications
Andrew Dixon, Group Manager Infrastructure
Andrea Rankin, Chief Financial Officer

Authoriser: **Nigel Trainor, Chief Executive**

Recommendation

That Council

1. Receives and notes the report and officer commenting on the submission themes and points raised in written and oral submissions on the Local Water Done Well consultation.
2. Notes that Option 3 is the preferred option, but that TDC is unable to proceed with this option at this time due to a there being no other neighbouring councils to partner with.
3. Adopts Option 3B as the proposed model and implementation plan for delivering water services for inclusion in the Water Services Delivery Plan, which will come back to Council for final approval on 26 August 2025.
4. Confirms in principle support for the preliminary inhouse delivery model, with the intention of transitioning to a joint implementation of water services delivery pending due diligence and agreement from willing neighbouring Council/s.
5. Endorses the continuance of governance and officer engagement with neighbouring Councils to progress the possible future establishment and implementation of a joint Water Services Council Controlled Organisation, including possible governance structure.
6. Resolves to keep ownership of stormwater assets, and management of stormwater services, in house (including in the event of any current or subsequent joint Water Services Council Controlled Organisation).

Purpose of Report

1 This report requests several important decisions from Council to inform preparation of Timaru District's Water Services Delivery Plan in accordance with central government's Local Water Done Well policy programme.

2 Specific direction is required on;

2.1 the choice of delivery model;

2.2 next steps to progress a joint implementation approach to water services delivery, if desired;

2.3 the immediate implementation and funding approach to progress the chosen delivery model; and

2.4 the ownership and management of stormwater assets.

Assessment of Significance

3 The Water Services Delivery Plan (WSDP) is considered of high significance due to the actual or potential impacts on: levels of service; the number of people affected, levels of public interest; Council's long-term finances; control of a strategic asset(s); and other matters.

4 Accordingly, Council has consulted in accordance with the provisions set out in the Local Government (Water Services Preliminary Arrangements) Act 2024. Note that these are a different set of requirements to those stated in the Local Government Act 2002, which governs most of Council's consultations with the community.

Background

5 Local Water Done Well (LWDW) is the Government's policy programme to implement structural change to the delivery of water services. The reforms

5.1 introduce greater central government oversight including extensive economic regulation and increased quality standards,

5.2 require financially sustainable delivery, and

5.3 provide scope for alternative corporate delivery structures including, for example, the creation of a special purpose Water Services Council Controlled Organisation (WSCCO).

6 To prepare for LWDW on 19 November 2024 the Infrastructure Committee directed officer analysis of the different options for delivering water services for the Timaru District. The resolution was:

1. *Notes the overview and update on Local Water Done Well, the coalition Government's water services reform programme (Attachments 1 and 2).*
2. *Agrees that three delivery model options to be explored for the Timaru District:*
   - *In-house service delivery*
   - *Council-controlled organisation*
   - *Joint-owned CCO (partnership with other neighbouring Councils subject to agreement by them)*
3. *Agrees the considerations for options assessment:*
   - *Impact on revenue and expenses*
   - *Impact on debt and borrowing capacity*
   - *Impact on consumers e.g. % change in water charges*
   - *Impact of increased economic regulation o Impact on Council's asset portfolio, land holdings and related operations (including potential for stranded assets, stranded overheads, and dependencies on inputs from other Council Units)*
   - *Impact of transition - including impact on/disruption to operations*
   - *Impact on Council's risk profile*
4. *Endorses next steps/project plan for response to the reform programme including use of the consultation procedure outlined in the Local Government (Water Services Preliminary Arrangements) Act 2024.*
5. *"Committee Delegates Authority to the Local Water done Well Steering Group to engage External Expertise as they deem necessary"*[1]

[1] https://www.timaru.govt.nz/__data/assets/pdf_file/0010/988849/Infrastructure-Committee-MINUTES-19.11.24.pdf

7 In accordance with this resolution officers worked with consultancy Martin Jenkins to complete optioneering and prepared a corresponding consultation document for the community.

8 On 6 May 2025, Council further

8.1 Resolved “to take a Joint Council Controlled Water Services Organisation as the preferred option for public consultation” (Option Three in the consultation); and

8.2 Provided feedback on the draft consultation document (CD) and resolved to delegate authority for the Mayor and the Chair of the Infrastructure Committee to sign off the final version.

9 The consultation was open from 15 May 2025 to 6 June 2025 and the community was invited to provide feedback both online and in hard copy, with the opportunity promoted via a range of print and digital channels, as well as a number of public meetings, broadcasts and other individual engagements.

10 An eight page consultation document was included in The Courier newspaper, which is delivered to the majority of households in the district, with supporting information on the front page of the TDC website.

11 Online content had a greater than 40,000 reach on Facebook, defined as the number of unique users who saw the content at least once during over the course of the campaign.

12 Written submissions were presented and oral submissions made at the Hearing on 15 July 2025. The key themes identified in the written and oral submissions – and officer commenting on the same –are attached to this report at Attachment 1.

13 Subsequently to Timaru District’s consultation closing, the councils identified as possible partners in any joint WSCCO – namely Mackenzie, Waimate, and Waitaki District Councils – have decided to instruct their officers to submit WSDP indicating in-house delivery of services, in the case of Waitaki for at least the next two years.

14 Timaru District Council must now submit a Water Service Delivery Plan (WSDP) to the Secretary of Local Government by 3 September 2025 outlining our chosen local solution. This WSDP will be required to be approved by Council at their meeting on 26 August to meet this timeframe.

15 The WSDP must relate to all water services and must cover at least 10 financial years from the financial year ending 2025. It must explain how the delivery of these services will not only meet all regulatory requirements but will also support growth and urban development.

16 The WSDP must also contain information on the proposed model for delivering these services, the consultation undertaken on the proposed model, and an implementation plan for delivering the model.

17 Crucially, the WSDP must demonstrate that the approach will be “financially sustainable”[2] by 30 June 2028 notwithstanding the necessary increase in investment required for compliance and changes in demand.

[2] **financially sustainable** means, in relation to a territorial authority’s delivery of water services, that—

(a) the revenue applied to the authority’s delivery of those water services is sufficient to ensure the authority’s long-term investment in delivering water services; and

18 While there are significant unknowns due to the developing nature of the new regulatory regime, the timeframes, and the position of possible partner Councils, officers now require a number of decisions from Council in order to finalise this plan. Specific direction is required on;

18.1 the choice of delivery model;

18.2 next steps to progress a joint implementation approach to water services delivery, if desired;

18.3 the immediate implementation and funding approach to progress the chosen delivery model; and

18.4 the ownership and management of stormwater assets.

Discussion

Considerations for deliberations

19 While we are in a legislated process to deliver a WSDP, there remains a high degree of uncertainty in the Local Water Done Well process. The enduring settings for the water services system are yet to be enacted and detailed regulatory requirements are still to be developed.

20 While there is more certainty for an in house and single WSCCO model, there are still many unknowns because the model and future regulatory environment will be different to the status quo.

21 Neighbouring Councils have also been considering these uncertainties, and have all elected to keep services in house on an interim or permanent basis.

22 On 15 July 2025 it was confirmed that none of our neighbouring Councils will proceed with a joint WSCCO within the window required for inclusion in a WSDP.

23 Waitaki District Council has also not elected to proceed as part of their Southern Water Done Well grouping, keeping services in house for 'the next two years at least', while continuing discussions with Timaru District.

24 With no current willing partners available for a joint WSCCO, this means that Option 3 would be unable to proceed within the timeframes required for production of a WSDP by 3 September 2025.

25 It is clear that councils need to join together to create the scale needed to share operational costs and borrowing scale. A stand along CCO will not be financially viable, while an in house model in the short to medium term is most cost effective while work continue on a larger joint WSCCO.

26 Officers have elected to present an option 3b, which keeps services in house currently but sets out a pathway to a joint WSCCO at a future time.

<u>Evaluation of options</u>

27 While precision on every detail is still not possible, when evaluating remaining Options for the delivery and funding of water services in the Timaru District the key

(b) the authority is financially able to meet all regulatory standards and requirements for the authority's delivery of those water services considerations are Service Delivery/Compliance, Affordability of a WSCCO, Residual Affordability of the Council, the Customer Perspective, and the Governance Model.

28 For the purposes of this report, we have continued to include Option 3, as comparison to the other options.

29 For each of these considerations Council must balance the opportunities (financial and non-financial), risks (financial and non-financial) and possible response strategies to enhance/exploit our opportunities and to mitigate our risks.

30 Following the Council's decisions at this meeting, significant work must happen at pace including the delivery of the WSDP to meet legislative timeframes and to ensure that we have an effective delivery model in place from 1 July 2027.

31 As was indicated in our consultation document in May, even a Timaru-only water services delivery model will not be the same as the existing service provision by the Council. The purpose of the LWDW policy programme is to address widespread historic under-investment in water infrastructure and water services over several decades via increased economic, environmental and water quality regulation, and enhanced planning, and accountability reporting requirements.

32 Every delivery model will therefore require more resourcing and different ways of operating including full financial ring-fencing of revenue, and compliance with new statutory objectives and financial operating principles.

Service Delivery/Compliance

33 The increased central government oversight established by LWDW, particularly the increased economic regulation, will demand increased investment from our communities, and will require additional specialist skills and systems to ensure compliance whether services are provided in house or by an external entity, sole or joint.

34 Depending on whether an in-house model or an independent entity is selected, there will be a difference in the ability to share or to compete for specialist staff and contractors, together with some variation in how smoothly water services delivery is able to integrate with residual Council functions such as planning, or transport projects (noting that coordinated service planning and delivery with external partners is already an established practice for the Council (eg work with Alpine, NZTA, Chorus)).

35 While service delivery and compliance are therefore non-negotiable across all delivery models, there is a further nuance around stormwater management requiring separate Council consideration. This anomaly arises because stormwater management is primarily a land use activity with the management approach deeply embedded in both our resource and building consenting regimes.

36 A large portion of stormwater facilities are also multi-purpose, such as parks and reserves, providing significant community amenity in addition to stormwater management.

37 Analysis of options to exclude or include the provision of stormwater services in any WSCCO was prepared for the Timaru District LWDW Steering Group. These options included

37.1 Stormwater assets, management and service delivery retained by Council

37.2 Stormwater assets, management and service delivery transferred to a WSCCO

37.3 Stormwater assets and management retained by Council, service delivery transferred/contracted to WSCCO

38 While there is benefit to moving the two volumetric water services to a joint WSCCO, this analysis concluded that the retention of full stormwater service provision within council would reduce disruption to existing stormwater services and would best enable management of dependencies between stormwater services and other Council functions e.g. District Planning, Land Transport, multi-purpose facilities. It was noted that the dependencies with stormwater are much more significant than any dependencies with the drinking or wastewater.

39 There are also additional requirements for setting charges for stormwater, and it is noted that a Stormwater Network Risk Management Plan is required to be completed within three years of the commencement of the Local Government (Water Services) Bill.

40 Should Council choose to retain stormwater service delivery in house then this time horizon would provide a useful review point for whether stormwater should, at a later date, be transferred to an existing WSCCO.

41 Conversely, retaining stormwater in house will require Council to implement the required financial ring-fencing and reporting under the water reforms, as well as other regulatory standards.

42 Compliance with economic regulation requires a recommendation by the Commerce Commission, who at this stage have only designated Water Supply and Wastewater services or economic regulation. Stormwater is not currently designated.[3]

43 Officers recommend that stormwater is retained in house, regardless of the delivery model selected under the Options section below.

Affordability of a WSCCO

44 A primary objective of the LWDW policy programme is to establish a framework for local government to provide water services in a flexible, cost-effective, financially sustainable, and accountable manner. Pricing for water services takes place in this framework.

45 Martin Jenkins have confirmed that there is a path forward that would provide Council with assurance that:

45.1 price differentiation is possible.

45.2 shareholding can be determined on a basis that reflects Timaru's position relative to the region. Decision making can be structured in a way that promotes regional focus and recognises Timaru's position relative to the region at the current time

45.3 protections can be enshrined in the series of foundational documents required to establish and then control and govern the WSCCO.

46 A financial assessment of revenue and expenses, investment sufficiency, net debt to revenue, water rates per connection and affordability for a two waters services is attached as Attachment 2. This is presented on a similar basis to what was presented to council in the 5 March 2025 Martin Jenkins report on a joint WSCCO.

[3] Email from the Head of Water Regulation at the Commerce Commission on 2 July 2025

47 The underlying financial forecast based on current two waters services split out from council, and based on a combination of the 2025/26 Annual Plan, The 2024/34 Long Term plan is also attached as Attachment 3.

48 Some notes to this assessment financial forecast are as follows:

48.1 These are forecasts only based on current information. These could change based on policy decisions within council or an independent WSCCO.

48.2 This shows that under current LTP spending, water services alone are unable to break even operationally when fully funding depreciation, and would require increased revenue or decreased expenditure from year 1 to bring into surplus. When non-cash assets are accounted for the unit would be in a small surplus.

48.3 The overheads stated are based on current council provision of services, these overhead costs would have to be accounted for depending on how the WSCCO decided to arrange its corporate affairs. If the cost of running the organisation, including the board and corporate staff was higher than $3 million, this makes it a less cost effective option from this perspective.

48.4 Under the WSCCO the indicative LGFA borrowing against revenue is 500%, modelling suggests that it peaks at around 400% leaving approximately $45-65m worth of debt headroom across the initial 10 year period.

48.5 The investment sufficiency graph shows that if depreciation is fully funded it is not covering forecasted levels of renewals in two out of the ten years.

48.6 Modelling on affordability indicates that water services in Timaru District would remain under the 2.5% of median household income.

49 In the event that a WSCCO is established, the transfer of assets would occur following the negotiation of a transfer agreement between Council and the WSCCO board, which would define the assets and property being transferred, financial matters and staffing matters, which would be further detailed in the implementation plan

50 The Downlands joint committee has resolved that if TDC were to establish a WSCCO, then those councils that have opted to remain in house would then enter an agreement to contract the services of the Timaru water services CCO to continue to service their district's residents.

Affordability: Council

51 Moving water services to a WSCCO would also have an impact on Council's residual operations as a recalculation of overheads and debt position is required.

52 Timaru District Council is estimated to be of sufficient size that a fair and well managed transfer of water assets, income and operations does not call into question the viability of our residual work programmes and budgets.

53 However any delivery model which externalises the delivery of water services would result in a significant change with approximately a quarter of Council revenue and operations shifted to the new body.

54 From a debt perspective, Council would be overall in a slightly better position depending on what debt was transferred into the new body. With forecasts indicating that council's debt to revenue without water would be at 167%.

55 Water services currently contribute around $3 million in corporate overheads to the organisation, this would need to be met with a reduction in operational spend across council at the same time as reallocating remaining costs across a smaller number of services.

56 This change proposal being progress by council already made significant progress towards this.

57 There would be a level of stranded overhead under this model as many corporate functions are undertaken by a single staff member and are still required by other parts of the organisation.

Customer Perspective

58 Community feedback on alternative delivery models indicated a first preference for a joint WSCCO, a lesser level of support for retaining services in house, and minimal support for a CCO with Council as the sole shareholder.

59 Informing community responses, the Council consultation document also highlighted the per year estimated residential water price under the alternative delivery models and it must be assumed that optimising the service cost to the ratepayer was a factor informing community preferences.

60 Moving water services to a WSCCO would also not only require a different operating and financing model, but would shift the user experience away from the ratepayer/Council customer relationship and onto a utility provision with service/supply fees. With any option other than ongoing in house delivery there is therefore a potential for new billing arrangements and communication approaches which could impact customer satisfaction either positively, or negatively.

Governance Model

61 Should Council continue to deliver water services council would retain full control of local decision making and continue to be accountable to District ratepayers for all implications.

62 In the short term, this would be the case for either Option 1 or Option 3B below however the difference would be that in Option 1 the opportunity to explore a future transition pathway to a joint WSCCO would be deferred, whereas in Option 3B would provide a more formal approach to this opportunity with neighbouring Councils and some tolerances could be tested and priorities established for a possible joint WSCCO.

63 Option 3B also sends a clear signal to potential partners and the Department of Internal Affairs (DIA) that Timaru District Council is 'open for business'.

64 Should Council in fact select either Option 2 or Option 3B below, then the WSCCO to be subsequently established would be required to comply with both the statutory economic regulations and with any obligations and objectives set forth in agreed transition and foundational documents which could include provisions relevant to revenue policy and pricing decisions (ie non-standardisation of pricing and debt), share allocation and decision-making.

65 These documents would include:

65.1 Constitution*:* this sets out the rules and governance arrangements of the CCO, which must be a company incorporated under the Companies Act 1993. Shareholders may specify particular objectives, including about pricing, which the board of the CCO must consider.

65.2 Transfer agreement*:* Councils may transfer responsibility for providing water services to a CCO through a transfer agreement. Transfer agreements must set out arrangements to be put in place for charging and revenue collection for the water services that are being transferred. Council can specify matters that will impact pricing in the transfer agreement.

65.3 Statement of expectations*:* Shareholders must prepare a statement of expectations for the CCO, which the CCO must give effect to. The purpose of the Statement of Expectations is to:

65.3.1 set out the shareholders' expectations of the CCO;

65.3.2 inform and guide the decisions and actions of the CCO and their water services

65.4 Water Services Strategy: A CCO must prepare and adopt a water services strategy which gives effect to the Statement of Expectations. The water services strategy must include the CCOs proposed charges, service levels, financial forecasting information, and long-term infrastructure and investment plans.

65.5 Commitment Agreement: The commitment agreement provides certainty through the implementation phase, and parameters for officers to develop the enduring governance structure for a joint WSCCO – specifically the company's constitution, a shareholder's agreement, and terms of reference for the joint committee / shareholders forum. These would then be approved by Councils in early 2026. The commitment agreement expires at 1 July 2027, when the WSCCO is operational, or earlier if agreed.

66 In setting, reviewing and enforcing the terms of the above governance tools, Council as a shareholder would represent ratepayer interests and influence the Board's delivery of water services accordingly (as a sole shareholder under Option 2, with balanced interests under Option 3A).

67 The participating councils in a WSCCO, whether in South Canterbury or another region, may also decide to place restrictions on councils leaving or joining the WSCCO for a set number of years. This would be to enable the WSCCO to achieve a steady operating state or protect the investment of the original participating councils in the set up of the WSCCO.

68 It is noted that legislation precludes privatisation of water assets under any governance arrangements.

69 The establishment of a WSCCO is a complicated process and currently unbudgeted. Should Council at a future time be in a position to move through this process with any neighbouring Council then the Commitment Agreement would outline an agreed approach to cost sharing. The establishment governance would then see a scope and budget provided by the Joint Establishment Team (JET) for approval by the CEG.

70 Should Council select either Option 2 or Option 3A a scope and budget for required transition and establishment costs, to be met at this time solely by Timaru District

Council, would be presented for adoption at Council's next meeting on 26 August 2025, and actions would then be progressed in line with the steps outlined above.

Financial Considerations

71 Under current legislation water services provided by Council cannot make a surplus, it must cover the full costs of delivery, which includes depreciation, to enable the renewal of assets.

72 Currently TDC in house delivery is running an operational deficit, in the 2025/26 financial year this is budget at $662k, however when vested assets (non-cash) are removed from the revenue the deficit increases to $4.162m. This translates into a situation where the cash being generated is $4.162m short of covering depreciation of $14.558m.

73 The 2025/26 situation is partly created by the 9% rates increase versus the 12% planned plus the loss of industrial waste revenue.

74 The rates increase in future years will need to ensure that this operating loss is closed to enable the WSDP to pass the test of financial sustainability. The full review of revenue and costs of water delivery will need to be completed before the 1 July 2027 start date of the new water delivery model no matter which option is selected.

75 Current overheads charge to water total $2.9m which is only 8.6% of total expenditure, if this overhead level is insufficient to run a standalone WSCCO then again, the customer will need to cover this cost.

76 The cost structure of option 1, option 2 and option 3b will be similar in the short term, with option 2 being the higher of the three. If no other Council were to join TDC as option 3b progresses in the medium term, then it would revert to option 1 which has financial advantage over option 2. The main advantage between option 1 & 2 is the borrowing head room.

77 TDC in the 2025/26 financial year will have a debt to revenue ratio of 168%, giving the organisation $116m to $168m of head room that it can borrow to. If water was moved to a CCO the borrowing would be 371% and $42m headroom. Therefore the head room for an Option 2 would be too tight as it progresses over the 10 years to 400%.

78 A Multi Council WSCCO would need scale to achieve the operational efficiencies, revenue scale and therefore borrowing scale required to meet medium to long term infrastructure needs. The scale would potentially need to be more than just our immediate neighbours of Waimate, Mackenzie and Waitaki to sustainable.

79 To provide TDC with more certainty that we can become financially sustainable then we need to proceed with some additional caution. Option 3b provides a pathway that in the short term enables the council to concentrate on getting Timaru into a financially sustainable position while we also engage with larger partners and enhance our modelling of a larger scale Joint WSCCO.

Implementation Approach for the Chosen Delivery Model

80 Whichever Option is selected by Council, having balanced the above considerations, there will be considerable constraints around the staging of delivery in order to achieve statutory timeframes.

81 The Crown has several options in responding to proposed WSDPs.

81.1 A WSDP might not be accepted if the Secretary for Local Government is not “satisfied the plan complies with the LG (WSPA) Act.

81.2 A Crown Facilitator may be requested or appointed if “beneficial” due to difficulties in submitting plans, agreeing on joint terms, or if a WSDP is not being given effect.

81.3 A Crown Facilitator assists in developing WSDPs, and joint arrangements. The only directive power a Crown Facilitator has is to direct Councils to give effect to an accepted WSDP. Councils can request a Crown Facilitator to determine the terms of a joint arrangement.

81.4 A Crown water services specialist can be requested by Councils or a Crown Facilitator. The grounds for appointment are if there’s been a failure to submit a WSDP, update a submitted WSDP when required, or if a WSDP has not been given effect to.

81.5 A Crown water services specialist can prepare a WSDP, and has directive powers to require Councils to adopt, submit, or give effect to a WSDP.

81.6 There is a statutory obligation on Councils to co-operate with these ministerial appointees and comply with their requests.

81.7 Their costs are recoverable from the respective Councils.

82 Following the approval of the WSDP a full transition plan will have to be prepared to deliver any changes in line with statutory milestones.

83 No matter which option is chosen there will have to be a sufficiently resourced transition team in place to institute the required changes to the organisation.

<u>Advice on Crown’s ability to intervene</u>

84 It is important to note that the Preliminary Arrangements Act provides the Crown various abilities to intervene and require Council to do things.

85 The crown can intervene if:

85.1 Requested;

85.2 if TAs fail to submit a WSDP;

85.3 submit a WSDP and fail to respond to a DIA request to amend the plan; or

85.4 the TA “has not given effect to its [WSDP]”.

Options and Preferred Option

86 While Council and officers’ preferred option (Option 3) is for a Joint WSCCO, due to decisions made outside this district, this is no longer a feasible option due to the lack of other councils available to partner with.

87 Option 2 of a single WSCCO did not garner much public support compared to the other options, does not deliver many of the shared efficiencies of a larger organisation, and doesn’t provide significant financial benefit to council or the WSCCO, so it not the preferred option for officers.

88 Option 1 to keep operations permanently in house had the next largest level of support of the public.

89 Officers recommend that Option 1 is used as a starting point for our preferred Option 3b, which is to propose that services are to remain in house on a transitional basis with

work to continue at a governance and operational level to enable the possible future establishment and implementation of a joint Water Services Council Controlled Organisation with willing partner councils.

90 This approach is enabled under section 23 of the Preliminary Arrangements Act, which allows for the amendment of a WSDP under certain circumstances within 24 months of the acceptance of that WSDP.

91 The approach outlined in Option 3b reduces the risk of drafting a WSDP that is contingent on matters outside of this council's control, as failure to deliver on this would give the Crown power to intervene as noted in above and direct Council to take actions that it may to want to.

92 A high level risk analysis for each of the options is detailed below:

Options Summary

	Service Delivery/ Compliance	**Affordability: WSCCO**	**Affordability: Council**	**Customer Perspective**	**Governance Model**
Option 1 In House		**N/A**			
Option 2 WSCCO					
Option 3A Joint WSCCO					
Option 3B Transitional In House		**N/A**			

Key: ■ Positive / ■ Neutral / ■ Negative

Option 1 In House

Service Delivery/ Compliance	Affordability: WSCCO	Affordability: Council	Customer Perspective	Governance Model
Opportunities: Ringfenced and focused water services delivery init; Strong integration with other Council functions (eg planning, transport); Continued use of council corporate functions such as finance. **Risks:** Unforeseen natural events and hazards; Competition (ongoing) for staff and contractors.	N/A	**Opportunities:** Current or similar distribution of overheads; Transition costs and disruption present but minimised; There is more overall remaining debt headroom for council with water onboard. **Risks:** Ringfencing requirement could increase overhead cost burden for other internal units (eg planning, finance, customer services); Missed opportunity to leverage efficiencies;	**$1,900 per year estimated residential water price** **Opportunities:** Some support (consultation); Familiar billing approach and information. Single point of contact for all council services. **Risks:** Perceived loss of described efficiencies = perception of present inefficiency. Higher Cost Model	**Opportunities:** Internal Water Services Committee/ Advisory Group has full control of local decision making and is accountable to District ratepayers **Risks:** More work to do at a later date to enable transition to a WSCCO should the opportunity arise. Dissatisfaction with reduced governance input into financially regulated services.

Mitigations:

Comprehensive Water Services Delivery Plan

Ensuring that there is a comprehensive and properly resourced transition plan in place, this would have to be backed up by an education campaign for both current and future elected members detailing that while this is in house, there are some significant changes that mean it is not business as usual for the services.

Option 2 - WSCCO with Timaru District Council as sole shareholder

Service Delivery/ Compliance	Affordability: WSCCO	Affordability: Council	Customer Perspective	Governance Model
Opportunities: Specialist staff retained/ transferred; Reasonable coordination with other Council functions (eg planning, transport) **Risks:** Statutory compliance; Unforeseen natural events and hazards; Competition (ongoing) for staff and contractors	**Opportunities:** Borrowing capacity for water infrastructure of up to 500% of income. Ability to set costs at a level to ensure services that meet regulatory standards. **Risks:** Current revenue is too low to meet sustainability requirements and cover lending covenants. Higher short term costs would require funding by customers. Higher borrowing rates/ levels and finance costs would (still be borne by ratepayers.) Cost of replicating corporate functions such as a board, CEO, CFO and other positions already at Council shared over current population. Borrowing Capacity overall is reduced in dollar terms as it doesn't include council income.	**Opportunities:** Council could still provide core corporate services. **Risks:** Possibility of Increased overhead cost burden for other internal units (eg planning, customer services); Missed opportunity to leverage efficiencies enabled by a joint CCO covering more people.	**$1,860 per year estimated residential water price** **Opportunities:** Shift to direct billing by the new entity. Change of relationship with customers to that closer to a utility. **Risks:** : Very Low level of public support in (consultation); Unfamiliar billing model and communication. Modelled residential price insufficient to fully fund depreciation.	**Opportunities:** Council appointed board has full control of local decision making and is accountable to Council; Commercial and governance structure in place to enable other Councils to join at a later date **Risks:** Other Councils could join at a later date diluting TDC input.

Mitigations:

The direct appointment of the Board of Directors

Full control of Statement of Expectations

Future partnerships and updates to commercial documentation (including any transition arrangements) at the sole discretion of the original shareholding Council

Option 3A Combined WSCCO with one or more neighbouring Councils

Service Delivery/ Compliance	Affordability: WSCCO	Affordability: Council	Customer Perspective	Governance Model
Opportunities: Sharing (not competition) for specialist staff and contractors **Risks:** Statutory compliance; Unforeseen natural events and hazards; Coordination with other Council functions (eg planning, transport) potentially less streamlined	**Opportunities:** Increased borrowing capacity for water infrastructure; Share fixed costs eg compliance; Create efficiencies through shared overheads, economies of scale **Risks:** Risk of partnering with organisations of insufficient scale to provide the revenue and borrowing capacity to meet joint needs.	**Opportunities:** Increased debt headroom; Transition costs and disruption significant **Risks:** Increased overhead cost burden for other internal units (eg planning, customer services)	**$1,640 – 1,670 per year estimated residential water price** **Opportunities:** Preferred approach (consultation); Shift to direct billing by the new entity **Risks:** Price harmonisation; Unfamiliar billing model and communication	**Opportunities:** Choice of partners discretionary **Risks:** Pressure from central government to support less viable neighbours; Shared local control and decision making **Issues: No partners currently proceedable**

Mitigations:

Terms of transition and commercial documentation (Commitment Agreement, Joint Implementation Plan, Shareholder Agreement, Statement of Expectations)

Appointment of board of directors.

Due to other council decision making there is currently no mitigation for other partners to form a joint WSCCO with.

Option 3B – Transitional In House

Service Delivery/ Compliance	Affordability: WSCCO	Affordability: Council	Customer Perspective	Governance Model
Opportunities: Discrete Water Services Delivery Unit is transition ready; Strong integration with other Council functions (eg planning, transport); opportunities to leverage the best of all the partners over an extended period. **Risks:** Unforeseen natural events and hazards; Competition (short term) for staff and contractors; lack of engagement from other councils.	**Opportunities:** (Long term) Additional time to undertake full due diligence regarding any partnerships that are formed. Creation of a larger scale Joint WSCCO provides increased revenue and borrowing capacity for water infrastructure; Share fixed costs eg compliance; Create efficiencies through shared overheads, economies of scale **Risks:** Lack of willing partners to provide the scale of revenue and borrowing required to meet the joint needs of the partners.	**Opportunities:** (Short Term) Current or similar distribution of overheads; Transition costs and disruption present but minimised; **Risks:** (Short Term) Ringfencing requirement could increase overhead cost burden for other internal units (eg planning, customer services); Missed opportunity to leverage efficiencies; Missed opportunity to increase debt headroom; incorrectly handled, transition costs could be high for council.	**$1,900 per year estimated residential water price but opportunity for future reductions through a future Joint WSCCO to around $1,640-$1,670 per year.** **Opportunities:** Aligns with both preferred and second preferred approach (consultation); Allows for later integration. **Risks:** May appear to that change is occurring slowly.	**Opportunities:** Clear signal to potential partners and DIA that Council is 'open for business' **Risks:** Shared local control and decision making in regard to any sharing of services; **Issues:** Confirmation of willing partners is outside of the control of the Timaru District Council

Mitigations:

Terms of reference for the establishment of any collaborative working groups between councils.

A Crown facilitator could be engaged to work with partner councils on a joint WSCCO.

Careful framing of the present WSDP to ensure that the approach outlined lies entirely within the control of Council to execute, in order to protect against the risk of central government intervention.

Proactive communication with community stakeholders outlines the context, rationale and advantages for the Option selected.

Consultation

93 No further consultation is required at this stage however it will be important to provide an information only update for our community outlining the decisions made, the context and constraints (particularly the now confirmed position taken by each of our neighbouring Councils), the rationale for the decision, and proposed next steps towards realising the community's priorities for water services delivery in the Timaru District.

Relevant Legislation, Council Policy and Plans

94 Local Government (Water Services Preliminary Arrangements) Act 2024

95 Local Government (Water Services) Bill, as reported back from Select Committee on 3 July 2025

96 Timaru District Council's Significance and Engagement Policy

97 The following table identifies officers' assessment of the impact of the options before Council on relevant Council plans, strategies and policies.

	Option 1 (and 3b in short term)	**Option 2**	**Option 3 (and 3b in longer term)**	**Comments**
Long Term Plan 2024-2034 (2024)	Relatively minimal impact on the LTP. Work programmes not envisaged to be affected. The requirements of a stand-alone business unit within Council (e.g. ring-fenced financing, separate corporate reporting) will be an additional cost to Council that was not envisaged in the 2024-34 LTP.	As per Option 3, however the establishment costs would likely be less and not shared with other councils.	Moderate impact. Establishment costs would be incurred that were not envisaged in the current LTP (but could, to an undetermined extent, be shared with other councils). Work programmes: consistent with LTP. Any WSCCO would either not be stood up as of 1 July 2027, when the next LTP would come into effect or - if set up prior - it would give effect to the 24-34 LTP as the Water Services Strategy would not be in effect	The LWDW reforms and associated regulatory model (e.g. Commerce Commission pricing regime) had not been developed at the time of the development of the current LTP. The LTP assumed that water services would remain in-house (given a prospective alternative of Entity D/ Entity I under the previous government's 3 Waters reforms. The start of a new water model coincides with

			until the 2027-37 LTP is in effect. For future LTPs, stormwater would remain as part of the LTP. Water supply and wastewater budgets, work programmes etc would be contained in the Water Services Strategy.	the next LTP 2027/37
Wastewater Strategy (2005)	Potential impact. Council is required to produced a Trade Waste Plan under the LWDW reforms. These could be assessed by Taumata Arowhai, and may lead to a recommendation for a new bylaw or other bylaw amendments. Council must consider any recommendations, but they are not binding (Council needs to be satisfied than any arrangements are consistent with the Local Government (Water Services) Bill 2025 (which is not yet enacted).	As per Option 1.	As per Option 1.	
Timaru District Stormwater Strategy 2018-48 (2017)	Potential impact. Council is required to produced a Stormwater Risk Management Plan under the LWDW reforms. These could	As per Option 1.	As per Option 1.	

	be assessed by Taumata Arowhai, and may lead to a recommendation for a new bylaw or other bylaw amendments. Council must consider any recommendations, but they are not binding (Council needs to be satisfied than any arrangements are consistent with the Local Government (Water Services) Bill 2025 (which is not yet enacted).			
Geraldine Water Supply Strategy (2025)	No impact envisaged as all funding is managed under the current LTP.	As per Option 1.	As per Option 1.	
Seadown Water Supply Scheme Water Allocation Procedure (2025)	No impact envisaged.	As per Option 1.	As per Option 1.	
Discounted Sale Price of Water Sold Between Council Owned Water Supply Schemes Policy	No impact within Council's control. Separately, the Commerce Commission may determine that water should not be sold at a discounted price between schemes. Note: assumes that the Downlands ownership arrangement remains as per the status quo.	As per Option 1, however the Downlands scheme may be affected depending on any changes to the ownership arrangement.	As per Option 2.	
Downlands Water Supply Policy	No change, assuming that the Downlands ownership	Potential impact as the Downlands scheme may be affected depending	As per Option 2.	

	arrangement remains as per the status quo.	on any changes to the ownership arrangement.		
Te Moana Downs and Orari Water Supply Schemes Policy	No impact envisaged.	As per Option 1.	As per Option 1.	

Attachments

1. **LWDW Officer Commenting** ⇩
2. **Two Waters Financial Sustainability Assessment** ⇩
3. **Two Waters Nine Year Financial Forecast** ⇩

Local Water Done Well Consultation: key themes and officer commenting

Submission point/ theme	**Officer comment (and recommended amendment if applicable)**
Accountability and influence	
Remaining accountable and responsive to Timaru District residents must be Council's primary consideration - "if we pay, we must retain our say" - community assets = the community should have a direct say - a CCO will reduce the influence of and accountability to Timaru residents, especially if multiple councils are involved	A Water Services Organization (WSCCO) is directed via legislation and a locally agreed Statement of Expectation creates accountability to Council and the community as the entity must give effect to the terms agreed. The regulations surrounding Water Services narrowly define what any water services provider can and cannot do, whether that is a Council or a WSCCO. Central Government is enacting a number of customer protections via both the Commerce Commission and Taumata Arowai.
A well-performing and affordable water service (safe drinking water and safely disposed of wastewater) is a greater priority than any notions of "localism" and "community influence"	Noted
Option 1 best represents local communities in a transparent manner, and is more valuable than achieving access to greater debt or "theoretical efficiencies"	A Water Services Organization (WCCSO) is directed via legislation and a locally agreed Statement of Expectation which creates accountability to Council and community as the entity must give effect to the terms agreed.
Privatisation - Water services should not be privatised at any time	The Government legislation does not enable privatisation even when a WSCCO is formed.

- A separate CCO (Option 2 or 3) makes future privatisation more likely - The legislation does not allow for privatisation	
Rural water schemes should be managed locally given both the importance of local knowledge to its success	The importance of local knowledge as a key ingredient for the success of any entity is noted. Successful combined management of the Beautiful Valley, Te Moana, Seadown, Downlands, and Rangitata-Orari water schemes show that they can be managed centrally by leveraging local people and local knowledge. The significant investment in these schemes required for compliance has been achieved through central management.
If a multi-council CCO proceeds, how can this council ensure that Timaru District residents are prioritised to get the water services we need, rather than focus and investment occurring in other districts to our detriment? An example is Timaru's "unique wet industrial base", which Waimate and Mackenzie do not share and therefore may not focus on	A WSCCO will need to give effect to Statement of Expectations, these along with shareholders agreements will be the tools that Council can use. A combined entity is only viable for all partners where win:win outcomes can be demonstrated and foundational documents will establish parameters that are collectively agreed as equitable and not detrimental for any member Council or its ratepayers.
Costs, scale and projected efficiencies	
Timaru should only join with other councils if this will reduce costs for Timaru District ratepayers; Timaru District should not be paying for/ subsidising other districts	Financial modelling shows that a multi council WSCCO has lower long term costs for Timaru customers when compared to standalone/inhouse. There would also be efficiencies for ratepayers of other Councils as a combined entity is only viable for all partners where win:win outcomes can be demonstrated.
Size of a combined CCO - only worth joining if there are "four-plus Councils" or "at least the Central South Island"	Modelling shows that there are still some efficiencies from creating a smaller combined WSCCO when compared to a standalone/inhouse.

- with 3 or fewer councils, the scale will not be significant enough (cost savings, attractive to quality employees) to achieve benefit to Timaru - with 3 or fewer councils, Timaru would only subsidise the smaller councils and it would be more advantageous to have an in-house model or Timaru-only CCO - Do 65,000 people (Timaru, Waimate and Mackenzie) generate sufficient economies of scale to make the establishment and ongoing costs of a CCO worthwhile?	
CCO overheads either make it financially unviable or more expensive than the status quo, unless levels of service decrease	There are already significant corporate overheads that the inhouse unit has to cover including the cost of democracy. Modelling shows that this will reduce with increased efficiencies with more councils joining. Efficiencies modelled do not reflect a reduction in level of service.
The relatively minimal savings per year projected are not worth the transition risk and loss of control	Noted
Whatever option Council resolves, rural ratepayers should get certainty that they are “not carrying the financial burden” for schemes/ upgrades in other parts of the district or other districts	This would be managed via shareholder agreements, the constitution and Statemnet of Expectation of any new entity. If water services stay inhouse this would be managed via Council’s rating and revenue policies.
If a multi-council CCO proceeds, how can this council ensure that Timaru District residents are not subsidising other councils’ activities, which are either performing worse than ours and/or have different priorities? e.g. Waimate’s nitrate levels and Mackenzie’s planned upgrades due to high levels of tourism	This would be managed via shareholder agreements, the constitution, and the Statement of Expectations. Council’s decision to enter into any WSCCO would be informed by the terms of these foundational documents which would be negotiated with any partners.
In plain English, what are the specific probable efficiencies and savings under a CCO compared to the in-house option?	To meet the new regulatory requirements, both operational and financing reporting/planning there is the need to expand the resources that are required whether in house or through a CCO.

	Economies of scale and the ability to distribute total cost across a wider area/number of ratepayers would decrease the amount payable by the individual. In the case of either a standalone CCO or an inhouse unit there will now be a streamlined focus on water services delivery.
If a joint CCO under option 3 did not perform as expected, what is the ability for Timaru to return water services in-house? What might this cost?	This would be subject to the constitution of the WSCCO.
What is the cost of a Timaru and Mackenzie combined CCO only, given that Waimate and Waitaki appear to prefer not to combine with Timaru? How does this option compare to the other options presented in the consultation document?	The updated modelling is being undertaken at present.
What controls are in place to stop a CCO charging whatever it wishes for water?	The legislation provides regulatory overview of pricing by the Commerce Commission.
Will the LGFA only lend to a CCO if it maintains an operating profit of 9% of its total debt?	LGFA has indicated that for WSOs that have between 20,000 to 50,000 connections the two covenants will be • Funds from Operation (FFO) to Gross Debt ratio of 9% • Funds from Operation (FFO) to Cash Interest Coverage of 1.50 times
How can a four-council CCO be a more expensive option than a three-council CCO, as stated in the consultation document?	In the example given, the modelling shows that the costs of maintenance and capital upgrades required for one Council are higher than the other Councils. Actual costs and cost sharing would depend on the specific partner Councils.
Impact on levels of service and finances (water and other Council activities)	
A CCO will deliver better water levels of service because it will remove direct political influence on decisions and allow them to	Noted

deliver services with greater funding stability/ without having to compete with other council activities for funding	
CCOs are more likely to prioritise short term financial returns over necessary long term investment, leading to decreased levels of service over the long-run	A WSCCO has the requirement to operate in alignment with an agreed Statement of Expectations and the prioritised strategic goals. The need to provide a financial return over any given timeframe is a decision for council but will be subject to Commerce Commission oversight and balanced against the requirement to comply with regulatory standards for investment in performance of existing assets together with growth and development costs
It is desirable that water service planning is integrated with other council activity planning, e.g. roading; Option 1 and, to some extent, Option 2 are preferable to Option 3 in this respect	Correct. In house alignment does facilitate this however Timaru District Council has some existing maturity in integrated water service planning with external/internal services and existing mechanisms (eg those we currently follow to ensure alignment with NZTA, Alpine, Chorus etc) and these would be refined in the event of any WSCCO to ensure ongoing coordination.
Option 1 minimises operational risk to Council by preventing exposure to what other districts may decide or wish to prioritise	If a WSCCO was to be established, operational risk to Council/the Timaru District would be managed via the Statement of Expectation.
The Timaru District has had good water services for many years – affordable, well maintained, clean and potable. “If it ain’t broke, don’t fix it.”	Status quo is not an option under the legislation. An in house unit would still require some significant operational changes due to regulatory requirements including financial ring fencing, however these are designed to protect and enhance existing consumer outcomes.
The duplication of governance and management structures under a CCO will be costly to ratepayers and not add value; this should be spent on the infrastructure instead	Financial modelling shows that a combined WSCCO provides a lower cost to meet water regulation than an inhouse option. The costs of a standalone CCO are slightly higher.

Under option 3, how might a significant change within one district e.g. in its population or a natural disaster impact other the parent councils and residents of other districts? How might any flow-on effects be mitigated?	This would be managed via the constitution and Statement Of Expectations of any WSCCO.
A multi-council CCO for water could create opportunities for greater co-operation and efficiency with those councils in other activities, e.g. social housing and tourism promotion	Noted
Just moving debt off Council's books to a CCO does not change the overall, collective liability to ratepayers	Noted
More access to finance under a CCO will inevitably result in relatively unnecessary projects proceeding, resulting in more debt being incurred by ratepayers than would otherwise be the case	There are regulatory measures proposed to ensure projects have robust business cases for any WSCCO. Decision making for projects internal to the Council is at the discretion of the elected members.
Stormwater should be retained by council and decided on separately to drinking water and wastewater – "it should be 2 waters"	This is noted and will be a decision of Council as part of putting together its water services delivery plan.
Will water quality be a priority for any CCO?	Yes. This is a key objective of the proposed water reform and under every scenario an enhanced water standards enforced by the Water Standards Authority Taumata Arowai will be in place.
A "Statement of Expectations" for a CCO is not sufficient; Council should issue a "Statement of Requirements" to ensure they adhere to what Council seeks from them.	Legislation requires a Statement of Expectations. A WSCCO must give effect to a SOE.
Governance matters	
CCO Board - How will the composition of a CCO board be determined?	It is intended that a shareholder's forum would be established as a joint committee of the shareholding councils. A joint committee may

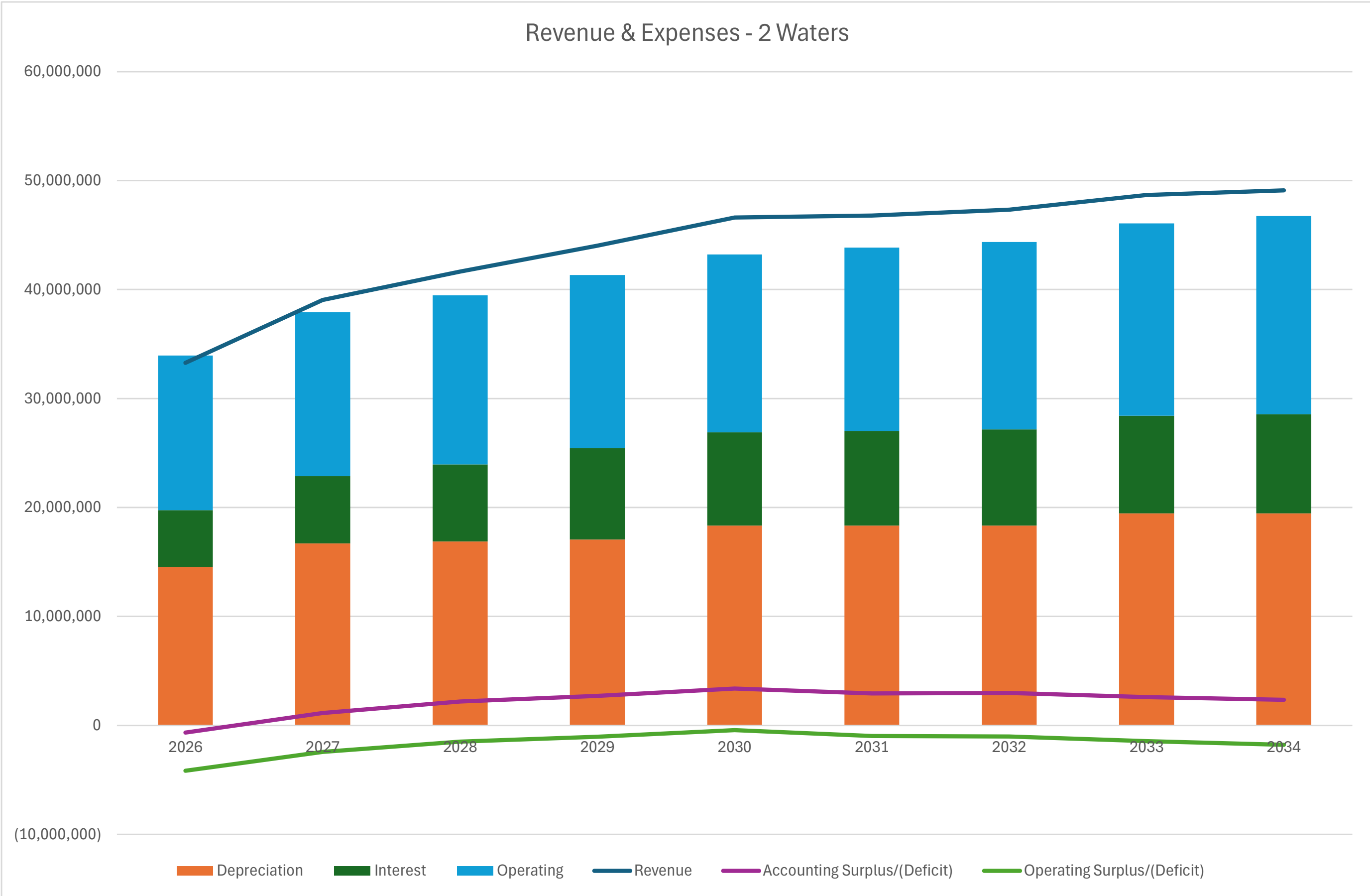
- How will Timaru ensure that any CCO Board has the relevant skills, knowledge and experience to be beneficial to the district? - What role would iwi have in any CCO board, and why? - Board appointment should be based on merit and holding empirically based skills - Are there sufficient people with the requisite skills for a Board given that other councils will be setting up CCOs and looking for similar people?	have non-elected members if they bring specific skills, attributes, or knowledge that will assist the committee's work. This is a matter for that committee. This group would be responsible for the appointment of the board that must be appointed on the basis of their competency to perform the role. Elected Councillors are not eligible to be Board members. Iwi representation is a decision for the intended joint council committee. The process for identification and recruitment of board members will identify any skill gaps in our local area.
Any CCO should be managed via TDHL to avoid additional layers of governance (and the costs associated with this)	The proposed legislation (the Local Government (Water Services) Bill will impose specific requirements on a WSCCO, which would require significant changes to TDHL. It is not reasonably practicable for TDHL to undertake the WSCCO function under the proposed regime.
This is a step towards local government amalgamation	There is not a pathway to Local Government Amalgamation featured in this legislation, current procedures for amalgamation via the Local Government Commission are still in place.
Timaru should enter into a shared services arrangement with Waimate and Mackenzie, rather than a CCO. This would lower costs for Timaru residents.	Shared services have been entered into in the past with varying levels of success. In many cases this has been of higher benefit to smaller partners than Timaru District residents.
Has Council considered a joint CCO with districts that do not geographically border it?	Yes, this was considered.
How is it envisaged that rural volunteer scheme committees will interact with a CCO board?	Timaru does not have any such schemes. Should any such schemes be created in the future then local Councils could, as shareholders to any WSCCO, represent the interests of these and any other community

	groups. Exact mechanisms would be identified at the time with regard to the objectives to be achieved.
Consultation, process and information	
Why was a binding referendum not held on this topic?	Consultation was undertaken in accordance with the statutory requirements of the Local Government (Water Services Preliminary Arrangements) Act 2025, and as directed by Council. This legislation does not provide for or envisage a binding referendum.
The information provided during the consultation was deficient; it should be provided to the public as it may influence their views, and the consultation period extended to allow people to factor this extra information into their submissions - Did not provide information about legal requirements of CCOs - A CCO under options 2 or 3 would be legally required to consider the views of Māori when making any significant decisions about water	As noted above the consultation was taken undertaken in accordance with the legislative requirements in the Local Government (Water Services Preliminary Arrangements) act 2024, and Council direction. The consultation provided information on the implications of establishing a WSCCO, as legislatively required. Information about the legal requirements of CCOs was provided on the DIA website which was linked to via timaru.govt.nz/water Local authorities in New Zealand are legally required to consider the views of Māori in their decision-making processes, particularly regarding matters that affect Māori, as outlined in the Local Government Act 2002 and other legislation. This is done in recognition of Te Tiriti o Waitangi and the Crown's obligations to Māori. Councils must establish processes for consulting with Māori and consider how to enhance Māori capacity to contribute to decision-making. This is not a unique requirement of a WSCCO. At p3 of our consultation document it was explicitly noted that 'As we develop our Water Services Delivery Plan we will also make sure we... Honour our Treaty of Waitangi commitments'.

Are the costs of establishing and overseeing a CCO (for either option 2 or 3) included in the financial modelling outlined in the consultation document?	These costs are included.
Other	
Will water meters be introduced?	This decision has not yet been made however the current Timaru Long Term Plan has partial funding for water metering in future years.
The government's water reforms adds greater bureaucratic layers that does not add value e.g. increased planning requirements and audits	Noted however Council and/or a WSCCO must comply with legislation.
Fluoride - Should not be added to the district's water supply - The fluoride chemical used in New Zealand is a harmful poison	Fluoridation is not a matter for this reform. Fluoridation is a decision for the Director General of Health and not Council or a WSCCO Board.
The area around Orari requires more stormwater catchment areas to prevent flooding issues	This is a project matter and outside the scope of this consultation.
Water quality can only be truly achieved via UV treatment at the user end; the government's water quality regulations will be ineffective	This is a project matter and outside the scope of this consultation.
If a CCO is such a good idea, why has Council not pursued this option already?	Establishment of a CCO is a complex matter and time has been required to gather necessary information to inform the decision.
Council should continue to advocate for cheaper funding from central government, quite apart from any decisions made under Local Water Done Well	Noted

Council should not have opposed the previous Labour government's "Three Waters reforms". It would have delivered improved outcomes at lower cost.	Noted.

Financial sustainability assessment		**1 - In house**	**3b - Transitional in house working towards WSCCO**	**Mitigation to meeting the requirements**
Revenue sufficiency				
Is the projected revenue sufficient to cover the costs of water services delivery?	Cash operating surplus (deficit)			- Increase targeted rates - Increase fees and charges/other revenue - Decrease expenditure - or a combination of the above
Investment sufficiency				
Is the projected level of investment sufficient to maintain assets, meet regulatory requirements and provide for growth?	Assets sustainability			- Review renewal programme to bring within depreciation limits
	Capital delivery			- Within current borrowing limits
Financing sufficiency				
Can the council raise the borrowing required to finance investment while remaining within financial limits?	Net debts to operating ratio			- Yes
Affordability				
Is the projected increase in water charges affordable for the community?	Average charge per connection			- If indicative levels remain at 2.5% of median household income
	Water charges as % of median household income			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Depreciation
Interest
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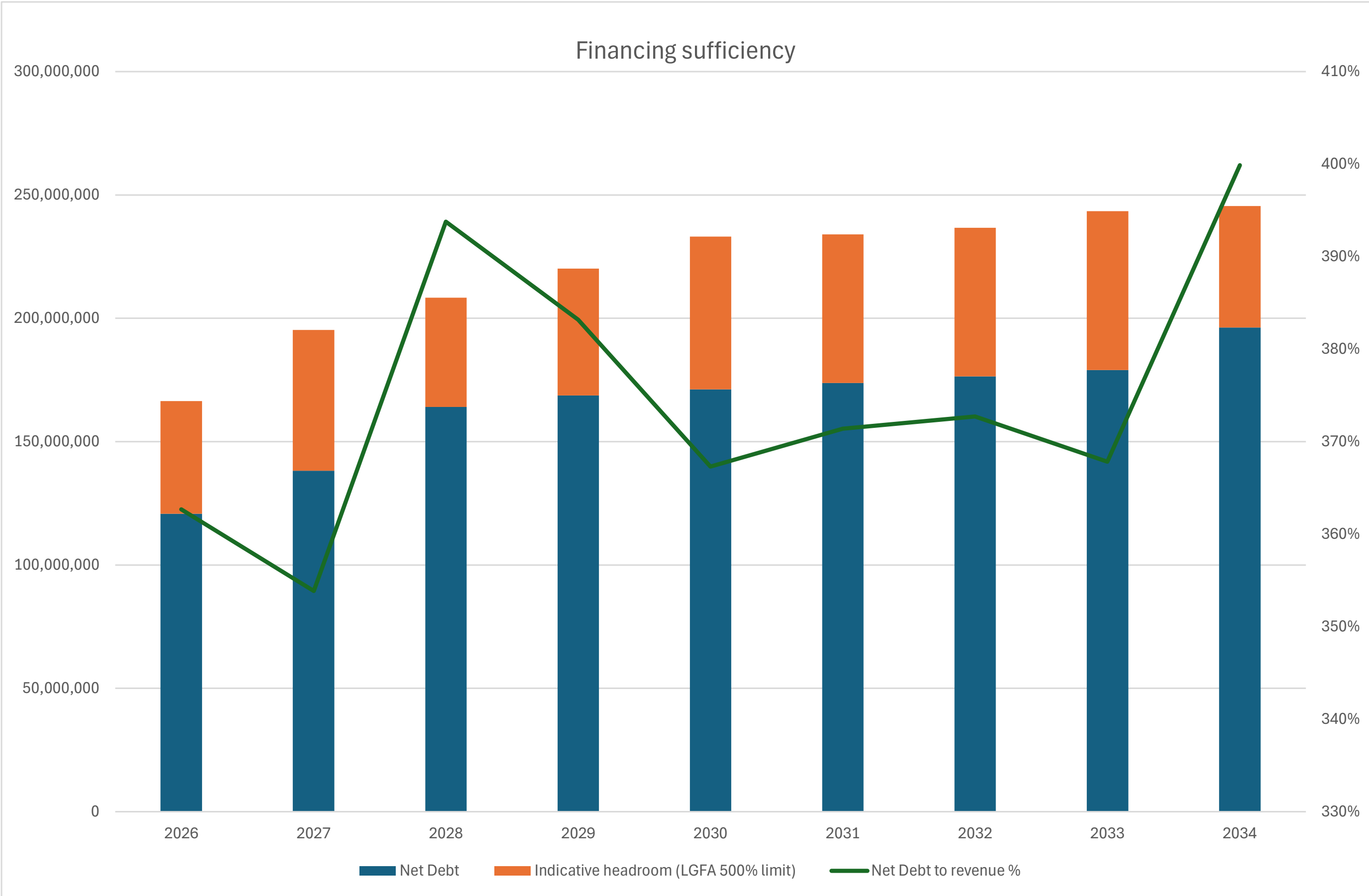
Revenue
Accounting Surplus/(Deficit)
Operating Surplus/(Deficit)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350%
340%
330%
2026
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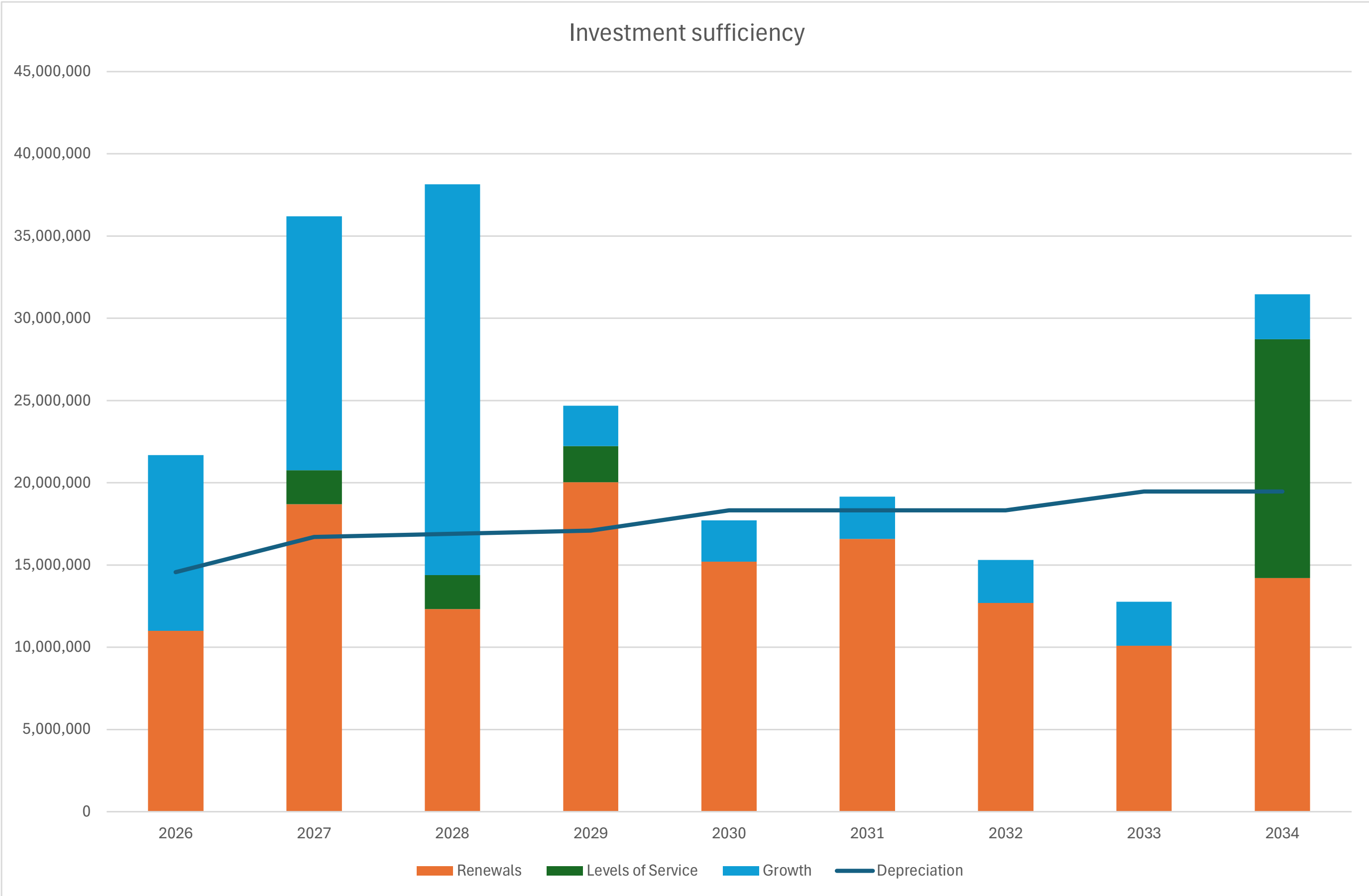
Net Debt
Indicative headroom (LGFA 500% limit)
Net Debt to revenue %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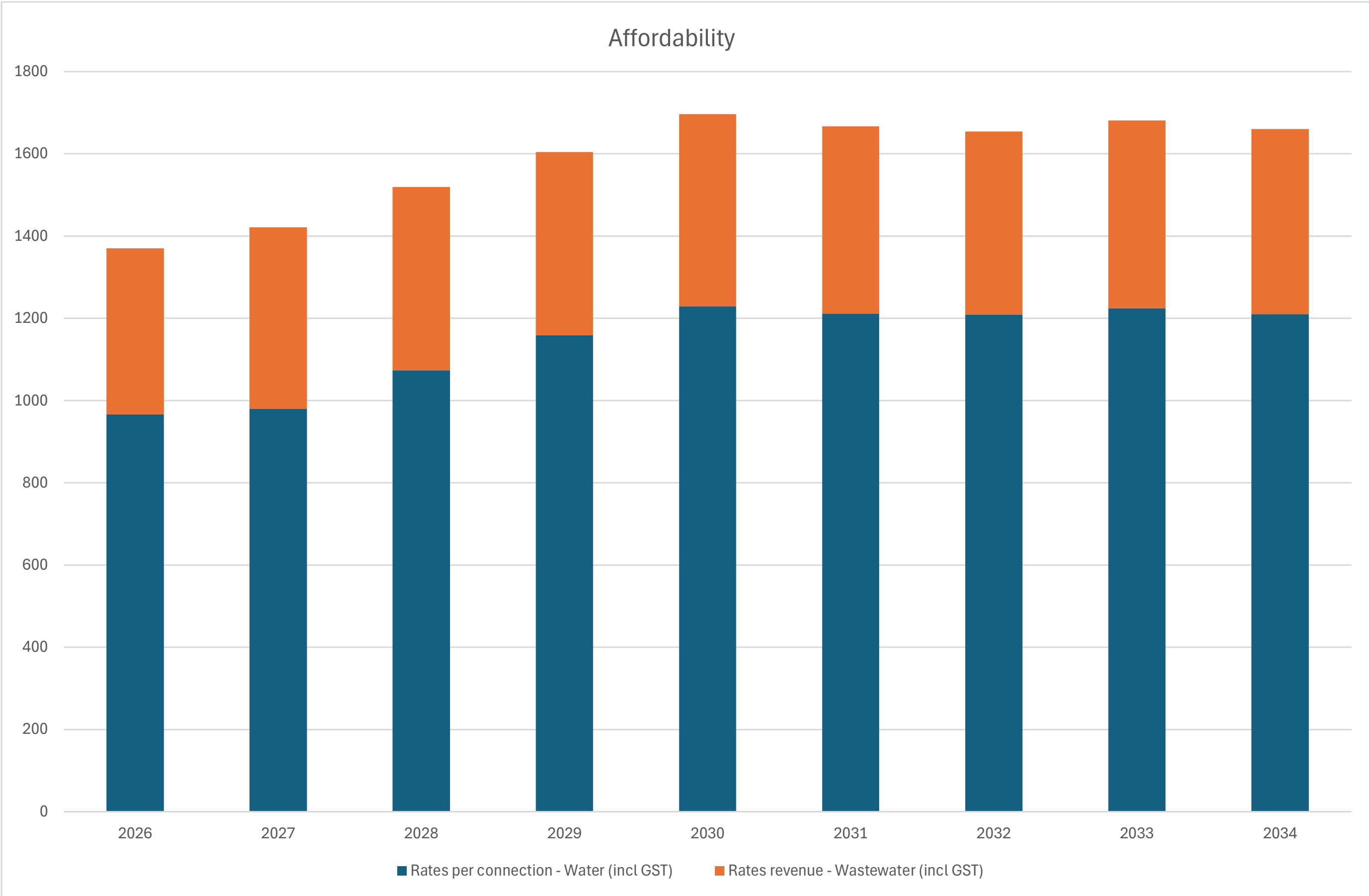
Renewals
Levels of Service
Growth
Depreciation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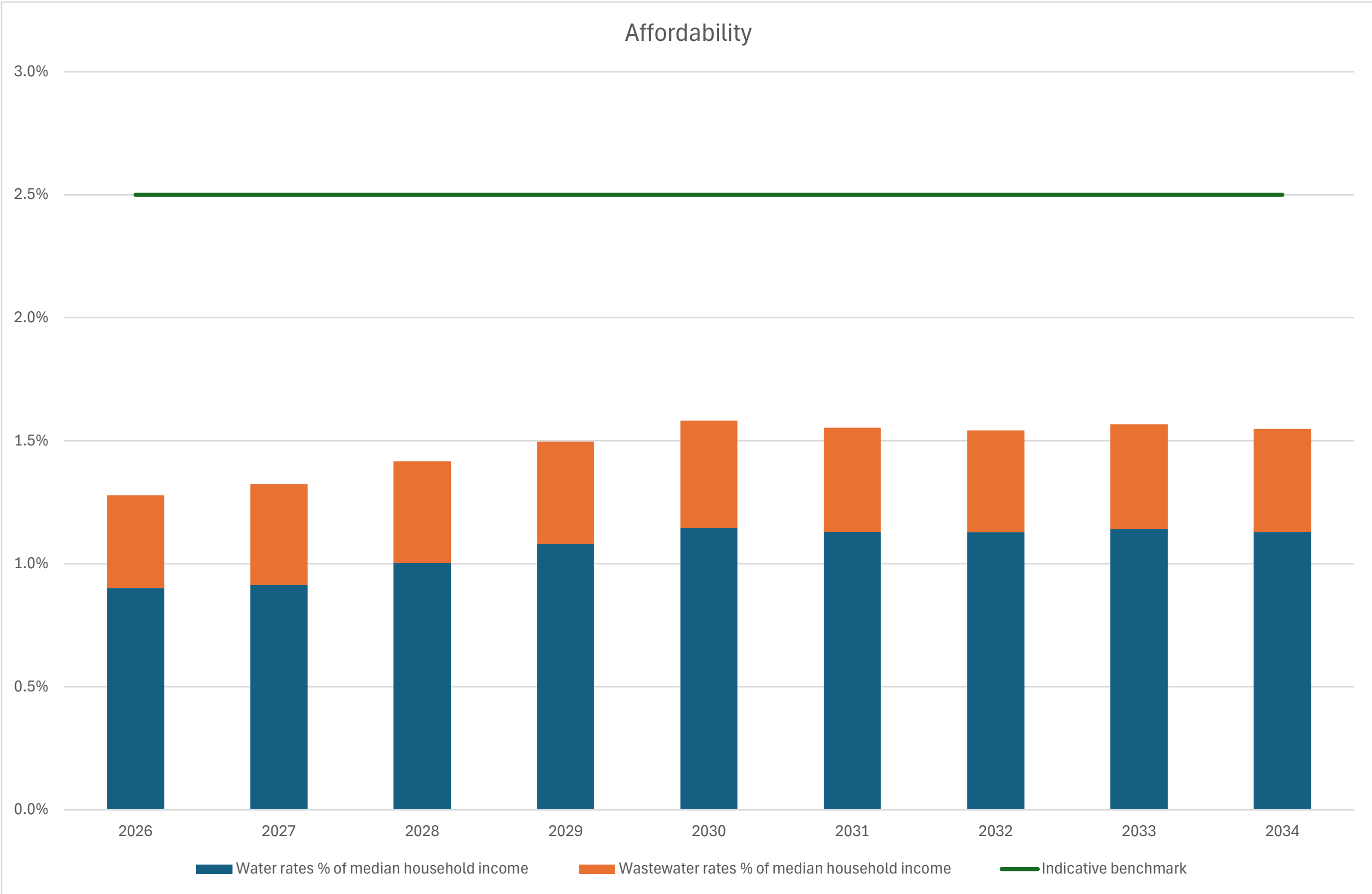
Rates per connection - Water (incl GST)
Rates revenue - Wastewater (incl GST)


Affordability
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2026
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2033
2034
Water rates % of median household income
Wastewater rates % of median household income
Indicative benchmark

2 Waters

Average rate change		*5%*	*8%*	*6%*	*7%*	*-1%*	*0%*	*3%*	*0%*
	2026	2027	2028	2029	2030	2031	2032	2033	2034
Resource	**Total Water**	**Total Water**	**Total Water**	**Total Water**	**Total Water**	**Total Water**	**Total Water**	**Total Water**	**Total Water**
Accounting (Surplus)/Deficit	**662,597**	**(1,145,385)**	**(2,195,343)**	**(2,707,683)**	**(3,389,759)**	**(2,946,826)**	**(2,974,742)**	**(2,614,730)**	**(2,360,780)**
Comprehensive Revenue and Expense	**662,597**	**(1,145,385)**	**(2,195,343)**	**(2,707,683)**	**(3,389,759)**	**(2,946,826)**	**(2,974,742)**	**(2,614,730)**	**(2,360,780)**
Revenue	**(33,284,539)**	**(39,060,424)**	**(41,663,254)**	**(44,027,335)**	**(46,618,121)**	**(46,795,809)**	**(47,333,291)**	**(48,688,341)**	**(49,097,227)**
Rates revenue	(26,223,694)	(27,460,751)	(29,604,000)	(31,500,628)	(33,616,216)	(33,315,686)	(33,352,004)	(34,203,259)	(34,084,646)
Subsidies and grants	0	0	0	0	0	0	0	0	0
Fees & charges	(3,303,450)	(7,728,202)	(8,098,912)	(8,479,343)	(8,869,373)	(9,265,015)	(9,681,751)	(10,103,709)	(10,547,891)
Other revenue	(3,757,395)	(3,871,471)	(3,960,343)	(4,047,363)	(4,132,532)	(4,215,108)	(4,299,536)	(4,381,372)	(4,464,690)
Expenditure	**33,947,136**	**37,915,039**	**39,467,911**	**41,319,652**	**43,228,361**	**43,848,984**	**44,358,550**	**46,073,610**	**46,736,447**
Personnel costs	2,428,634	3,061,647	3,184,113	3,311,478	3,443,937	3,581,694	3,724,962	3,873,960	4,028,919
Depreciation expense	14,558,380	16,697,907	16,889,574	17,081,241	18,326,513	18,326,513	18,326,513	19,462,756	19,462,756
Finance costs	5,194,537	6,185,865	7,061,027	8,352,984	8,585,668	8,711,522	8,840,024	8,971,094	9,104,789
Other expenses	8,834,175	9,037,361	9,245,220	9,448,615	9,647,036	9,839,977	10,036,776	10,227,475	10,421,797
Overheads	2,931,410	2,932,258	3,087,976	3,125,334	3,225,208	3,389,277	3,430,274	3,538,324	3,718,185
Vested assets									
0854 - Water Assets - Free of Charge	(2,710,182)	(2,772,500)	(2,836,145)	(2,898,463)	(2,959,455)	(3,018,591)	(3,079,053)	(3,137,659)	(3,197,325)
0855 - Sewer Assets - Free of Charge	(792,043)	(810,255)	(828,855)	(847,068)	(864,892)	(882,175)	(899,845)	(916,972)	(934,409)
	(3,502,225)	(3,582,756)	(3,665,000)	(3,745,530)	(3,824,348)	(3,900,766)	(3,978,898)	(4,054,631)	(4,131,735)
Operating (surplus)/deficit	**4,164,822**	**2,437,371**	**1,469,656**	**1,037,848**	**434,589**	**953,941**	**1,004,156**	**1,439,901**	**1,770,955**
CAPEX									
Water incl DWS	15,768,031	28,943,536	34,692,031	21,105,832	13,399,968	14,622,872	8,010,911	8,171,036	23,750,283
Wastewater	5,908,580	7,254,931	3,456,027	3,583,498	4,317,970	4,534,275	7,300,955	4,598,842	7,697,186
	21,676,611	**36,198,467**	**38,148,059**	**24,689,330**	**17,717,939**	**19,157,146**	**15,311,866**	**12,769,878**	**31,447,470**
CAPEX funding									
Loan funded	10,675,201	17,503,245	25,839,137	4,653,669	2,517,089	2,570,035	2,621,404	2,673,900	17,236,193
Reserve - depreciation funded	11,001,410	18,695,222	12,308,922	20,035,660	15,200,850	16,587,111	12,690,461	10,095,978	14,211,276
	21,676,611	**36,198,467**	**38,148,059**	**24,689,330**	**17,717,939**	**19,157,146**	**15,311,866**	**12,769,878**	**31,447,470**
Depreciation	14,558,380	16,697,907	16,889,574	17,081,241	18,326,513	18,326,513	18,326,513	19,462,756	19,462,756
Capex spend - reserve funded	11,001,410	18,695,222	12,308,922	20,035,660	15,200,850	16,587,111	12,690,461	10,095,978	14,211,276
	3,556,970	**(1,997,315)**	**4,580,652**	**(2,954,420)**	**3,125,664**	**1,739,402**	**5,636,052**	**9,366,779**	**5,251,480**
Debt									
Loan funded	10,675,201	17,503,245	25,839,137	4,653,669	2,517,089	2,570,035	2,621,404	2,673,900	17,236,193
Opening balance	113,042,103	123,717,304	141,220,549	167,059,686	171,713,355	174,230,444	176,800,479	179,421,884	182,095,784
Closing balance	**123,717,304**	**141,220,549**	**167,059,686**	**171,713,355**	**174,230,444**	**176,800,479**	**179,421,884**	**182,095,784**	**199,331,977**
Cash & investments	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Net Debt	**120,717,304**	**138,220,549**	**164,059,686**	**168,713,355**	**171,230,444**	**173,800,479**	**176,421,884**	**179,095,784**	**196,331,977**
	363%	**354%**	**394%**	**383%**	**367%**	**371%**	**373%**	**368%**	**400%**
Revenue * 250%	83,211,348	97,651,060	104,158,136	110,068,336	116,545,301	116,989,523	118,333,228	121,720,852	122,743,067
Headroom to 250%	(37,505,956)	(40,569,489)	(59,901,550)	(58,645,019)	(54,685,143)	(56,810,956)	(58,088,655)	(57,374,932)	(73,588,910)
	0	0	0	0	0	0	0	0	0
Revenue * 280%	93,196,709	109,369,187	116,657,112	123,276,537	130,530,737	131,028,266	132,533,216	136,327,354	137,472,235
Headroom to 280%	(27,520,595)	(28,851,362)	(47,402,573)	(45,436,818)	(40,699,706)	(42,772,213)	(43,888,668)	(42,768,430)	(58,859,742)
Revenue * 500%	166,422,695	195,302,121	208,316,272	220,136,673	233,090,603	233,979,046	236,666,457	243,441,704	245,486,134
Headroom to 500%	45,705,391	57,081,571	44,256,586	51,423,318	61,860,159	60,178,567	60,244,573	64,345,920	49,154,156

*Report Contains Filters

8 Consideration of Urgent Business Items

9 Consideration of Minor Nature Matters

10 Public Forum Items Requiring Consideration