



Notice of Meeting

An Extraordinary Meeting of the Tararua District Council will be held in the Council Chamber, 156 High Street, Dannevirke on **Wednesday 11 June 2025** commencing at **9:30 am**.

Bryan Nicholson
Chief Executive

Agenda

- 1. Welcome and Meeting Opening**
- 2. Apologies**
- 3. Reports**
 - 3.1 Local Water Done Well - The Future of Water Services for Tararua District**
- 4. Closure**

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Report

Date : 5 June 2025

To : Mayor and Councillors
Tararua District Council

From : Peter Wimsett
Chief Advisor

Subject : **Local Water Done Well - The Future of Water Services for Tararua District**

Item No : **3.1**

1. Recommendation

- 1.1** *That the report from the Chief Advisor dated 24 May 2025 concerning the Local Water Done Well - The Future of Water Services for Tararua District be received.*
- 1.2** *That Tararua District Council proceeds with the proposed joint water services model by establishing a joint council-controlled organisation (joint-CCO) with the district councils of Masterton, Carterton and South Wairarapa, and Tararua as participating councils, the “Wairarapa – Tararua Model”.*
- 1.3** *That the Chief Executive be delegated authority to enter into a Commitment Agreement with the participating councils and commence developing the Water Services Delivery Plan and to negotiate the key principles, terms and conditions of a Joint Wairarapa-Tararua Council controlled Organisation with Masterton, Carterton and Wairarapa District Councils and report this back to a future meeting of the Tararua District Council.*
- 1.4** *That the Tararua District Council note that should any of the Wairarapa Councils subsequently decide to exit from the proposed Joint Wairarapa-Tararua Council Controlled Organisation, then a report outlining next steps would be brought to the Council for consideration at that time.*

2. Reason for the Report

- 2.1** This report concludes the consultation process on Local Water Done Well.
- 2.2** It recommends the preferred option, to form a joint water services organisation the Wairarapa District Councils of Masterton, Carterton and South Wairarapa.
- 2.3** It seeks delegation for the Chief Executive to progress negotiations with the three Wairarapa Councils.

3. Background

- 3.1** Council has carried out consultation under sections 61 to 64 of the Local Government (Water Services Preliminary Arrangements) Act 2024 on our proposed model for delivering water services.
- 3.2** Deliberation on matters raised through Local Water Done Well consultation was held at the council meeting of 28 May 2025. The Tararua District Council made the following resolution:

“That Option 1, the Joint Wairarapa Tararua Council Controlled Organisation option, be submitted to Council for adoption on 11 June 2025 for the delivery of Water Services in the Tararua District.”
- 3.3** This report presents Option 1 for adoption.
- 3.4** The Council must prepare and adopt a Water Services Delivery Plan by Council resolution. The timing for this would likely be at a meeting to be set in August 2025.

4. Discussion

- 4.1** The Tararua District Council is the last of four councils to vote to form a joint water services organisation with the three Wairarapa Councils.
- 4.2** All three Wairarapa Councils have now voted to proceed with a joint Wairarapa-Tararua CCO for delivery of water services, with Masterton and Carterton making this conditional and subject to further resolution of their respective councils.

5. Next Stage

- 5.1** The next step will then be submitting a joint Water Services Delivery Plan (WSDP) to the Secretary for Local Government (Department of Internal Affairs) by 3 September 2025, as required under the Local Governance (Water Services Preliminary Arrangements) Act 2024.
- 5.2** The Local Government (Water Services Preliminary Arrangements) Act 2024 sets out the requirements of the next stage of Local Water Done Well, which is to develop a Water Services Delivery Plan.

5.3 To achieve this, the Tararua and Wairarapa Councils need to work together in a structured way to determine how the requirements will be met.

5.4 The Department of Internal Affairs has developed templates and guidelines to do this. These cover the following:

- Water service delivery models: Guidance for local authorities
- Templates and guidance on establishing a water CCO or consumer trust
- Share allocation options for multi-council owned water CCOs
- Price differentiation protections for multi-council owned water CCOs
- Financing water services delivery through establishing new water council-controlled organisations
- Pricing and debt considerations for multi-council owned water council-controlled organisations
- Ensuring compliance with financial principles for water services providers
- Transforming water services into utility businesses
- Planning for future water services delivery (2025-2028)
- Local Water Done Well implementation roadmap

5.5 The Minister of Local Government noted in his recent letter of May 2025:

“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.”

5.6 Price harmonisation is a major concern for those councils who are currently in a lower cost structure. This is true for every council as to where they sit now from the “average” (above or below), but this is just as true as it will change over time.

5.7 However, there is a clear indication from the Minister that harmonisation need not be on the table:

*“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.”*

- 5.8** The local government sector have been allowed to determine how we work together. More clarity could have been achieved if the Local Government Water Services Bill had been finalised by Parliament in time for this decision-making.

6. Description – Tararua Position

6.1 The following steps are currently underway:

- Review and approve a new Project Steering Group (PSG) terms of reference
- Prepare indicative PSG forward programme
- Review and approve draft Commitment Agreement
- Approach to Water Services Delivery Plan and agreeing key commercial terms
- External advice – legal and commercial resourcing

6.2 Timeline

6.2.1 The following suggested timeline has been developed:

Step	Description	Target Date
1	Council forms a project group (including CE, GM Infrastructure and Assets, Director - Commercial, and external experts). No governance representation.	May 2025
2	Councils sign a Commitment Agreement (similar to previous MoU).	June 2025
3	Workshop with Council to develop “bottom lines” (e.g. pricing, debt, shareholding, decision-making).	June 2025
4	Project group negotiates foundation principles with other councils.	June 2025
5	Workshop with Council on negotiation outcomes.	June 2025
6	Further negotiation if needed.	June 2025
7	Council agrees to foundation principles and to progress the WSDP (Carterton Masterton conditional Off-Ramps).	June/July 2025
8	Project group completes WSDP drafting.	July 2025
9	Council agrees to the WSDP (All councils Off Ramp).	August 2025
10	WSDP submitted to the Department of Internal	September 2025

Step	Description	Target Date
	Affairs and accepted.	
11	Foundation documents developed and CCO incorporated.	By 1 July 2026
12	CCO becomes operational.	By 1 July 2027

7. Significance Assessment

7.1 The Council's three waters assets are considered strategic assets under the Significance and Engagement Policy.

These consist of:

- Wastewater reticulation and treatment network.
- Water supply reticulation and treatment network
- Storm water collection and disposal network.

Council needs to retain these assets to maintain its capacity to achieve or promote outcomes that it determines to be important to the well-being of the community. However, the Government requires that this be done in a sustainable way – for quality of service, asset management and financially.

Under our Policy, decisions on transferring the ownership or control of strategic assets required the use of the Special Consultative Procedure under the Local Government Act 2002.

8. Options

8.1 The two options were consulted on:

Option 1 – Wairarapa – Tararua Joint Council Controlled Organisation

Option 2 – Tararua Stand-alone Water Services Business Unit

9. Risk Assessment

9.1 Two successive governments have invested in water reform in the light of increasing costs to consumers, and clear failures in compliant delivery of water services and planning for renewals.

9.2 The first reform was to take water services off councils, the second gave the industry a chance to reform itself. The current reform is challenged by a reality check that loss of control may result in savings being shared unequally.

- 9.3** The Government expects and requires that our sector to work together but there is clear evidence showing that the structure of the reform and uncertainty of outcomes are causing difficulties for the sector to reach agreement.
- 9.4** Continuing to align with the Wairarapa councils will provide the right signal to Government that we are able to work together and mitigate the perceived and actual risks.
- 9.5** There are significant powers available to the Minister to intervene, appoint water experts and commissioners should we not met the legislative expectations. The removal of choice is also an option with the final Bill still not reported back to Parliament allowing the Government the opportunity to legislate their own “offramp”.
- 9.6** Modelling has indicated that savings can be achieved for our consumers through a consolidated delivery model.
- 9.7** The current Strategic Risk Register shows why councils feel at risk when discussing water reform and the moving state-of-affairs.
- 9.8** There is a natural tension that exists between fulfilling our responsibilities under the Local Government Act and the Government Local Water Done Well legislative framework. Councils are required to act in the best interests of their communities, residents and ratepayers.
- 9.9** Local Water Done Well modelling indicates that there are efficiencies to be had from scaling up the business model with a focussed water services organisation.
- 9.10** However, loss of control, capacity and knowledge will frame future councils own operations.
- 9.11** Mitigations do exist to keep oversight of this risk over the short to medium term and potentially longer, primarily through key legal documents governing entities. These foundational documents are introduced in this report below.
- 9.12** There is now a short timeframe to establish these foundational documents. The likelihood of being granted an extension upon application to the 3 September 2025 deadline to deliver the water services delivery plan is considered very low.
- 9.13** South Wairarapa has significantly reduced its estimates for capital investment from its recent draft Long Term Plan. This has reduced capital expenditure by 45%, bring it back in line with its estimates last year, when it received advice from DIA and financial modelling. This will go some way to allaying concerns that South Wairarapa ring fenced, would be difficult to fund.
- 9.14** Extract of Council Strategic Risk Register

RESIDUAL
25.0
SEVERE RISK

INHERENT
25.0

R00049

GM INFRASTRUCTURE, STRATEGIC RISK

3Waters Reform and Subsidies for
Water and Wastewater Upgrades

2024-34 LTP and 2025-26 AP

The risk is that Council is not able to sustainably fund resilient and reliable infrastructure when faced with changes in legislative standards, growth, and climate change. Asset renewals and resource consents currently require substantial investment to meet consents conditions.

New government legislation mandate requirements for higher service levels.

There is an opportunity if grant funding is available as any variation to this assumption will be financially positive to Council.

There are transition risks associated with moving to a new 3waters delivery business model that is driving a higher regulatory framework and funding model away from funded depreciation with significant Financial Impact either directly to Council or to a new Water Organisation.
Joint water organisation / council controlled organisation are undermined by the certain tension between councils and their different states of play (asset condition, debt, funding etc), future funding needs, how and who pays, versus uncertainty about how actual efficiencies will be delivered with known model efficiencies, offset by new costs and stranded overhead and council loss of capacity.

The Local Waters Done Well will leave connected customers with higher costs and debt and targeted rates unless they can be offset by new efficiencies, fit-for-purpose compliance and standardisation.

There will be direct costs associated with any change in ownership or structure that may not be funded by government.
Any government subsidies will reduce the rate requirements and debt levels.

Consequences from the 2024-34 3Waters Asset Management Plan

The consequences are that it is difficult to plan and make decisions about the timing of expenditure etc.

10. Commitment Agreement – Joint Water Services Delivery Plan

- 10.1** The Chief Executives of the four Wairarapa - Tararua councils have met to determine their Terms of Reference as the Project Steering Group. They are developing a Commitment Agreement to guide the process.
- 10.2** The purpose of the commitment agreement is to meet the Government's deadline, the Councils are signing this agreement to allow work to continue on:
- Preparing the WSDP, and
 - Defining key commercial terms for the joint operating model.
 - This work will happen alongside each Council's decision-making process to keep the project on track.
- 10.3** Under the commitment agreement the Councils agree to work together to:
- Develop a joint operating model for delivering water services to their communities, and
 - Prepare a joint WSDP for submission by 3 September 2025.
- 10.4** Each Council agrees to carry out the tasks and responsibilities assigned to it under this agreement to help achieve the shared goals.
- 10.5** This agreement records the Councils' commitment to developing a joint operating model and achieving the objectives of the WSDP.

11. Conclusion

- 11.1** Consultation of all four Councils in the Wairarapa and Tararua has concluded. Masterton, Carterton and South Wairarapa have confirmed their decision to proceed to develop a joint water services delivery plan as their preferred option.
- 11.2** To progress the Tararua District Council is asked to resolve to adopt option 1 joint council-controlled organisation (joint-CCO) with the district councils of Masterton, Carterton and South Wairarapa, and Tararua as participating councils, the "Wairarapa – Tararua Model and to delegate authority to the Chief Executive to enter into a commitment agreement with the participating councils and commence developing the Water Services Delivery Plan and to negotiate the key principles, terms and conditions of a Joint Wairarapa-Tararua Council controlled Organisation with Masterton, Carterton and Wairarapa District Councils and report this back to a future meeting of the Tararua District Council.

Attachments

Nil.