



**Western
Bay of Plenty**
District Council

MINUTES ATTACHMENTS

Council Meeting

Tuesday, 13 May 2025

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Tabled Item 1

Good morning

I wish to speak about my submission.

We have been supplied with some information via 2 background papers from Martin Jenkins.

At the time that I wrote my submission, and now, I have had better explanations as to some of the material and processes.

There are a couple of questions I wish to pose to the council first :

Page 30 overview of council water charges, water charges, why is there no income from the consumption charge? I believe that it is \$6.7m as per the Rate model?

Page 13 LGFA lending requirements paragraph lending criteria, regarding a WBOPC -only CCO.

Is this alternative scenario still relevant information?

Is there a report on the potential partners' good and bad points?

I will read only the headings, letting you sort out if there are any questions.

My main concern is the process of getting a *Statement of Expectations* and the process of selecting a CCO board.

The following is some of the information I have collected, relevant to this task.

This is the most critical task this council will ever undertake. There is no room for mistakes, and the process must be clear and transparent. It is about RISK, and the future of WBOPDC.

Below are some of the questions I would ask myself if I were in your place. Some of these questions may repeat, but they are important.

Is a CCO completely independent of councils?

Not entirely! A **Council-Controlled Organisation (CCO)** operates with a degree of independence but remains accountable to the councils that own it. Under the *Local Water Done Well* framework, a water services CCO must be owned by councils and/or consumer trusts and governed by an independent, competency-based board.

While councils do not directly manage day-to-day operations, they retain influence through:

- **Ownership Structure:** Councils (or consumer trusts) are shareholders, ensuring community interests are represented.
- **Governance Oversight:** The board cannot include elected council members or employees of shareholder councils, maintaining operational independence.
- **Strategic Direction:** Councils set expectations through a *Statement of Expectations*, and the CCO must prepare a *Water Services Strategy*, annual budget, and reports.
- **Performance Monitoring:** Councils review financials, service levels, and major projects to ensure alignment with community needs.

So, while a CCO has autonomy in its operations, councils still play a crucial role in shaping its direction and ensuring accountability.

What are some insights on how different councils approach this model?

Different councils in New Zealand approach the **Council-Controlled Organisation (CCO) model** for water services in various ways, depending on their priorities and community needs. Here are some examples:

- **Dunedin City Council** considered multiple models before consulting on the **in-house model** and the **CCO model**. Their preferred option was to retain direct management of water services within the council while ensuring compliance with the *Local Water Done Well* reform.

- **Regional CCO Model:** Some councils explore **multi-council CCOS**, where **three or more neighbouring** councils jointly own a standalone entity. This model allows access to **long-term borrowing** for infrastructure investment without affecting individual council balance sheets.
- **Watercare Services Limited:** This is an example of a **regional asset-owning water services CCO**, providing insights into governance, financial independence, and regulatory challenges.
- **Guidance for New Water Organisations:** The Department of Internal Affairs provides **templates and guidance** to help councils establish new water organisations, whether as single-council or multi-council CCOs.

Each approach has trade-offs in terms of **local control, financial sustainability, and operational efficiency**.

What insights can help councils evaluate these models before making a decision?

Councils in New Zealand evaluate **Council-Controlled Organisation (CCO) models** for water services based on several key factors:

1. Governance & Accountability

- Councils assess how much control they retain over decision-making.
- They review governance structures, ensuring **independent boards** align with community interests.
- The Department of Internal Affairs provides **guidance and templates** to help councils establish new water organisations.

2. Financial Sustainability

- Councils consider whether a CCO can access **long-term borrowing** without impacting council balance sheets.
- They evaluate funding models, including **Local Government Funding Agency (LGFA) loans**.

3. Operational Efficiency

- Councils compare **in-house models** vs. **regional CCOs** to determine which offers better service delivery.
- They assess whether a **multi-council CCO** would improve economies of scale and infrastructure investment.

4. Community & Environmental Impact

- Councils consult with communities to ensure water services align with local needs.
- They consider environmental resilience, flood management, and climate change adaptation.

What are some of the advantages and challenges of these models?

Under the *Local Water Done Well* framework, the responsibility for organizing the establishment of an independent board for a water services Council-Controlled Organisation (CCO) primarily falls to the shareholder councils (or consumer trusts). Here's how the process is generally structured:

1. Council-Led Process:

Councils set the governance framework and outline the criteria for board membership as required by legislation. They typically establish a board nomination or appointment committee that is tasked with finding individuals who meet the required independence and competency standards. **This committee operates independently of routine council operations to ensure that board members do not conflict with council interests.**

2. Use of Established Guidelines and Templates:

The Department of Internal Affairs provides detailed templates, guidelines, and tools that councils can use

to structure the board establishment process. These resources help ensure that the board is formed in line with statutory requirements, such as excluding elected council members and council employees to maintain genuine independence.

3. Collaborative and Transparent Recruitment:

Although the councils lead and organize this process, they often work in consultation with external advisors or use professional recruitment services to ensure that the selection process is thorough and that the appointed board members bring the necessary expertise in water services management, regulatory compliance, and financial oversight. See below

In summary, while the day-to-day operations of the water services CCO are managed independently, the councils are the key organisers behind the appointment of an independent board, ensuring that the governance structure remains robust, impartial, and aligned with community expectations.

Key Competency Areas for Board Members

- **Financial Management:**
Board members should understand financial oversight, including infrastructure finance, long-term borrowing, and cost control. This ensures that the CCO can manage its budgets responsibly and invest wisely in critical water infrastructure.
- **Regulatory and Legal Expertise:**
Familiarity with relevant legislation and regulatory requirements is vital. This expertise helps the board navigate the complex legal landscape of water services, ensuring compliance and mitigating legal risks.
- **Technical and Operational Knowledge:**
A strong background in water services is highly desirable. Candidates should have insights into water treatment, network management, and asset maintenance, enabling them to oversee the technical operations effectively.
- **Risk Management:**
Expertise in identifying, assessing, and mitigating risks—whether financial, operational, or environmental—is a key asset. This ensures that the board can steer the organization through uncertainties such as climate change or aging infrastructure issues.
- **Strategic Leadership and Governance:**
Experience in strategic planning, setting long-term objectives, and guiding organizational direction is important. Board members need to align the CCO's strategy with the community's interests and overarching regulations, fostering transparency and accountability.
- **Community Engagement and Stakeholder Management:**
Since water services directly impact the community, stakeholder engagement experience helps ensure that the board's decisions remain aligned with public needs and expectations.

The Recruitment Process

- **Council-Led Organization:**
The councils establish clear governance frameworks and use detailed statements of expectations to steer the board's activities. The independent nature of the board is maintained by prohibiting the inclusion of elected council members or council employees.
- **Transparent and Collaborative Approach:**
Often, councils consult with external advisors or engage professional recruitment services to identify candidates with the necessary expertise. This collaborative process is geared toward achieving a balanced board that brings multiple perspectives to the table.

By emphasizing these competency-based criteria, councils aim to build a board that not only provides impartial oversight but also drives strategic improvements in water services delivery under the CCO model.

Councils in New Zealand often work with specialized recruitment agencies and advisory firms to find candidates with the right expertise. Some notable recruitment services include:

- **Talent International** – An approved supplier to the All-of-Government (AoG) External Recruitment and Consultancy panels, specializing in tech, finance, HR, and government roles.
- **Consult Recruitment** – An award-winning recruitment agency based in Auckland, helping organizations hire top talent across various industries.
- **Beyond Recruitment** – A specialist agency covering government and policy roles, including policy advisors, governance managers, and regulatory experts.
- **Blomfield Recruitment** – Provides tailored recruitment solutions for permanent and contract roles across diverse industries.

These agencies help councils navigate hiring challenges and ensure they find the best professionals for their needs.

I wish to repeat, this is the most critical task this council will ever undertake. There is no room for mistakes, and the process must be clear and transparent. It is about RISK, and the future of WBOPDC. In my view, stay as you are and transfer to a single, standalone CCO, with the downsizing of the present council operation.

Thank you for your patience. Questions

Tabled Item 2

SUBMISSION ON WBOPDC LWDW PROPOSAL

KEITH HAY

Council's decision on what option they choose for future water services will have a huge effect on ratepayers and on the future of Council itself. This decision will have a much greater impact than the recent decision on representation. Any bad representation decisions can be reversed in six years' time. It may never be possible to reverse any bad decision on what entity is chosen to provide water services. Despite this our council does not appear to have done any due diligence. They appear to be relying on analysis carried out by consultants Martin-Jenkins and by the Department of Internal Affairs (DIA). Martin-Jenkins was retained by the previous government to provide analysis in support of Three Waters. The quality of their work has been subject to much criticism.

The Martin-Jenkins report states: *"Further analysis of the value of a combined entity (with Tauranga) would require examination of Tauranga's financial position."*

We now know that our council's preferred option is to form a multi-council CCO with TCC. So, let's look at TCC's credentials. Would they be an honest, financially competent and technically proficient partner? What is their financial situation?

TCC'S COMPETENCE (Show Table)

This table compares some aspects of the two councils: TCC's population and number of rating units is about 2.5 times that of WB. That should provide them with economies of scale. TCC's population density is 35 times higher than WB's. But despite a much larger and much more dense population their average residential rates are higher than WB's.

TCC have a workforce of 1299 full time staff, 4.8 times as many as WB's 280 full time equivalent staff. TCC's employee cost is \$128 million, 3.6 times that of WB (\$36 million). These numbers suggest that TCC staff are not very efficient, a problem that will probably be carried over into any CCO that is formed. The perks enjoyed by TCC staff are legendary and have recently received adverse publicity. Those perks will almost certainly be carried over into any CCO that we are funding.

COMPARISON OF WBOPDC AND TCC			
PARAMETER	WBOPDC	TCC	DIFF
POPULATION	59,700	155,200	2.6
NUMBER OF RATEABLE UNITS	23,890	56,472	2.4
AVE RESIDENTIAL RATES	\$3,431	\$3,482	Similar
AVE COMMERCIAL RATES	\$3,527	13,119	3.7
FTE staff	284	1,118	3.9
FTE STAFF SALARIES > \$100,000	84	316	3.8
FTE MANAGEMENT STAFF	24	190	7.9
COMMS AND MARKETING STAFF	5	20	4.0
FTE CORE SERVICE % OF TOTAL	64	59	
AREA (sq km)	1915	135	0.1
POPULATION DENSITY (per sq km)	31	1092	35.2
BORROWINGS (million)	\$115	\$1,160	10.1
NET DEBT TO RATES INCOME	73%	321%	4.4
DEBT PER RATING UNIT	\$3,299	\$12,494	3.8
INTEREST PAID PER RATING UNIT	\$171	\$355	2.1

Source: Ratepayers Report

TCC's FINANCES

TCC has borrowings of \$1.16 billion which is ten times more than WB's \$115 million. TCC is one of New Zealand's "most indebted councils" according to ratings agency S & P. They projected TCC's gross debt to exceed 300% of operating revenues by fiscal 2025 and they will be paying interest of over 12% of operating revenue. LGFA has just increased TCC's borrowing limit to 350%.

We have been unable to find out what proportion of TCC's total debt is for water infrastructure. However their 2024 Pre-election Review states: *"Because the three waters activities have a high level of debt as a result of investment in facilities to support growth (such as the Waiāri Water Treatment Plant and Te Maunga Wastewater Treatment Plant) the ratio of debt-to-revenue for the three waters activities is 400%-500%. When this is included in council's total debt and revenue, it constrains our ability to borrow for other infrastructure projects needed across the city."*

WBOPDC website states: *"...reality is, staying with our current model isn't an option – even if we wanted to, we don't have the financial*

capacity to fund what's required on our own. This is where a potential multi council water organisation comes in. By working together with other councils, we can unlock greater financial capacity to invest in essential infrastructure, ensuring our water services remain strong and future-proofed."

WB has not provided any information on what constitutes a "financially sustainable model". How is it different to what council has been using the last ten years? It appears to us that TCC is already at its financial capacity so how are they going to help fund what is required?

BUSINESS ETHICS

But it is not just Tauranga's financial situation that should be cause for concern. During the time that the Commission was running Tauranga they sold the Marine Precinct at about \$5 million less than valuation. Although the injunction to stop the sale has been rejected by the court the deal could not have been completed without the assistance of some senior staff. But Mayor Drysdale is refusing to allow any investigation. Can we trust TCC to act honestly and with financial prudence if we are in a CCO with them?

And Tauranga's member of Parliament recently claimed that TCC was spending money like a drunken sailor.

THE INFRASTRUCTURE

The WB website tells us that Council's three waters infrastructure is in good condition. WB Council's potable water supply is good but there is problems with waste water and with storm water in Waihi Beach. Why would TCC's representatives on the board of the CCO want to fix these problems when they have so many of their own?

CONFUSING INFORMATION

WBOPDC again: *"We understand concerns about losing local control. That's why this kōrero is so important. Under a multi council model, our community will still have a voice. We would be a shareholder, involved in setting priorities, selecting leadership, directing priorities, and ensuring our local needs are met."*

"... our community will still have a voice." Like we had on Maori wards when 78% of residents were opposed but nine out of twelve councillors decided they knew best and voted for Maori Wards. Like the last-minute

decision to have community boards that cover the whole of the ward, left to the last minute so the community would not have a voice?

When the consultation document was approved by Council it contained three options:

- 1 Status Quo
- 2 Single council CCO
- 3 Multi council CCO

Despite the Government requiring that the status quo must be one of the options Council's Questionnaire does not even mention the status quo as an option. If this "korero is so important", who decided, without any consultation, that the status quo is not an option. When did the community have a voice on this? It should remain an option to be considered in the consultation.

Over the last ten years we have been frequently told that the reason our rates have been among the highest in New Zealand was because our three waters infrastructure has been maintained in excellent condition. While I have not been able to access historic average rates for three waters in WB, I have been able to access how much my personal rates for water have increased over the last ten years. Just a bit less than 20%.

But Council is claiming that unless we form a CCO our water rates will double over the next ten years. I don't accept that we will be better off in a CCO with Tauranga.

Thank You

Tabled Item 3

SUBMISSION ON WBOPDC LOCAL WATER DONE WELL PROPOSAL
KATIKATI – WAIHI BEACH RESIDENTS AND RATEPAYERS
ASSOCIATION

In Council's media releases, brochures and on their website they state: "Under the current model, average household water charges are projected to exceed \$4300 per connection annually over the next ten years." The literal meaning of this sentence is that charges for each connection are projected to exceed \$4300 every year over the next ten years. That is very scary stuff. But it is misleading. We hope it wasn't deliberately misleading in order to scare people into thinking that a multi-council CCO is the best option.

The real situation is that charges are projected to exceed \$4300 per connection in year ten of the LTP. Big difference.

The DIA report has a graph (Item 9.2 – Attachment 8) of Bay of Plenty councils' average water services bill per connection which shows clearly that the average bill in Western Bay will be \$7000 in 2033-34. This is a very serious error.

THE DIA REPORT

The fine print of the DIA report "*Bay of Plenty Water Done Well - Investigating the viability of a Bay of Plenty Water CCO dated 24 January 2025 states that the document has been prepared to provide information to all the Bay of Plenty councils on the financial viability of a Bay of Plenty Water CCO.*

The Department of Internal Affairs has relied on information provided by councils in the development of the analysis and guidance included in this report, including publicly available information from long-term plans and other council accountability documents. It is intended to support council decision-making requirements under Local Water Done Well."

Table 1 uses data interpolated from graphs of the average water services bill per connection for each district in the Bay of Plenty for the next ten years. It shows that if the status quo is maintained Tauranga water rates will increase by 150% and WBOPDC water rates by 141% over the next nine years. These are much bigger increases than any of

the other councils in the region, but we can find no explanation of why there is such a big difference

The table also shows that if Western Bay water services were in a CCO, water rates would be \$3000 less in 2033-34 than if the status quo was maintained. This compares to \$500 less for Tauranga, \$300 less for Rotorua, \$100 less for Kawerau, and no difference in Opotiki and Whakatane. We contend that the LTP data provided to DIA by WBOPDC is not credible.

Table 1

WATER CHARGES					
COMPARISON OF CCOs TO STATUS QUO					
COUNCIL	STATUS QUO			DIFFERENCE FROM STATUS QUO	
	2024-25	2033-34	CHANGE	SINGLE COUNCIL	MULTI COUNCIL
	(\$)	(\$)		(\$)	(\$)
OPOTIKI	2000	4250	112%	0	0
WHAKATANE	1700	2700	59%	100	0
KAWERAU	1300	2000	54%	0	-100
ROTORUA	2000	2800	16%	-200	-300
TAURANGA	1800	4500	150%	-400	-500
WESTERN BAY	2900	7000	141%	-3000	-3000

Data: Interpolated from graphs in DIA report reproduced in Council Meeting Agenda, 3.3.2025

Hauraki District Council's preferred option is to join six other Waikato councils in a CCO. The estimated cost to ratepayers in the CCO will be around \$4361 per annum. This is \$41 less than the annual cost over the LTP for the status quo of \$4402.

Table 2 shows Western Bay Total Operating Funding for each of the three waters for the 2024-34 LTP. The average yearly increase for the first four years is 6.6%. It then almost triples to 17.9% for the final five years of the plan. There is no explanation for this huge increase. The graphs showing rates for water for all the other district councils are flatter over the last five years of the LTP.

Table 2 also shows that total water rates in 2033-34 are \$104,372. If average water rates are really \$7000 in the last year of this LTP, this

means that there are only 14,900 connections in the district. The 2023-24 WBOPDC Annual Report states there are 18,651 connections in the district. What number did DIA use?

Table 2

2024-34 LONG TERM PLAN - THREE WATERS					
	STORM WATER	WASTE WATER	WATER SUPPLY	TOTAL	INCREASE
YEAR	\$x1000	\$x1000	\$x1000	\$x1000	%
2024-25	7,488	16,047	12,143	35,678	
2025-26	7,870	18,307	13,284	39,461	10.6
2026-27	8,758	19,785	14,057	42,600	8.0
2027-28	7,909	22,082	12,442	42,433	-0.4
2028-29	8,343	24,641	12,902	45,886	8.1
2029-30	10,746	28,239	15,398	54,383	18.5
2030-31	14,245	32,647	18,945	65,837	21.1
2031-32	18,466	36,447	23,346	78,259	18.9
2032-33	22,579	40,407	27,842	90,828	16.1
2033-34	27,026	44,893	32,453	104,372	14.9
Average increase 2025-26 to 2028-29 is 6.6%					
Average increase 2029-30 to 2033-34 is 17.9%					
Data from Funding Impact Statements 2024-34 LTP					

HOW MANY COUNCILS ARE REQUIRED

Tauranga appear to want more councils than just WB to join them. One WB councillor suggested to us that it would be safer if there were more councils in the CCO than just TCC and WB so that TCC did not have a majority of votes on the board. This would require at least Western Bay, Rotorua and Whakatane to join because their combined household numbers are 67,341 compared to Tauranga's 56,472 (the ratepayers report provides household numbers which we assume are a reasonable approximation to rating units). Opotiki and Kawerau would not be required. But Rotorua appears to be quite happy to go it alone for at least the next three years.

Table 3

HOUSEHOLD NUMBERS VERSUS DEBT PER RATING UNIT FOR BAY OF PLENTY COUNCILS		
COUNCIL	HOUSEHOLDS	DEBT / R UNIT (\$)
Kawerau	2,742	2
Opotiki	4,323	1,285
Whakatane	14,505	5,473
Western Bay	23,890	3,299
Rotorua	28,946	9,365
Tauranga	56,472	12,494
Data:Taxpayers. Union		

Table 3 also shows that the smaller councils generally have the lowest debt per rating unit. This is contrary to Council's claim that bigger is better when it comes to Local Water Done Well

ROTORUA'S PREFERRED OPTION

Rotorua's calculations show there is very little difference between in-house, a single council CCO and a multi-council CCO even after thirty years. Their preferred option is that *"water services would be delivered by an in-house Council water services division until July 2028. During the 2025-2028 triennium, Council would undertake a detailed study of a multi-council water organisation. In late 2026/early 2027 Council would decide whether it wants to join the multi-council WSCCO or, if not, to transfer water assets and operations to a Rotorua-Lakes Council WSCCO. This would enable a higher borrowing limit for water services and free balance sheet capacity for other council services."*

That appears to be a much more sensible approach than jumping into either type of CCO at this time. We urge Western Bay of Plenty District Council to do the same.

Keith Hay

Chairman KKWBRRA