

Mā tō tātou takiwā
For our District

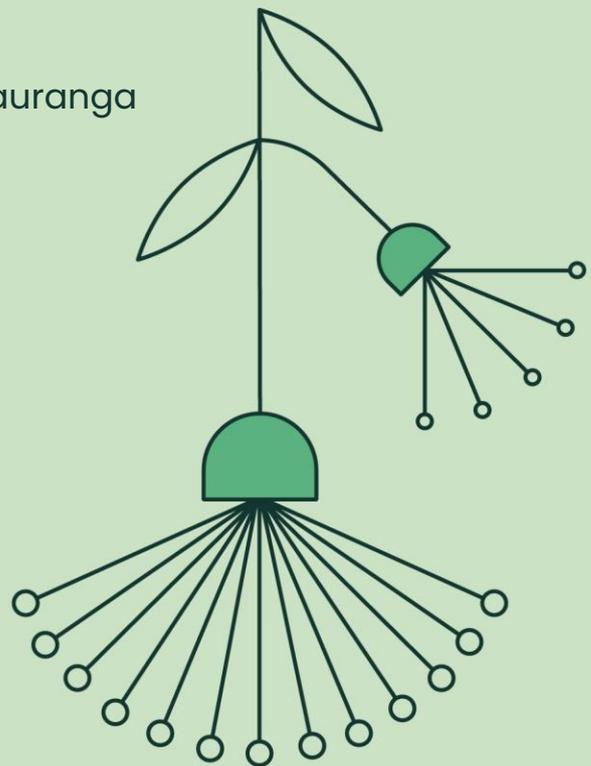
Council

Te Kaunihera

CO26-6

Tuesday, 24 March 2026, 2.00pm

Council Chambers, 1484 Cameron Road, Tauranga



Council

Membership:

Chairperson	Mayor James Denyer
Deputy Chairperson	Deputy Mayor Margaret Murray-Benge
Members	Councillor Shane Beech Councillor Tracey Coxhead Councillor Grant Dally Councillor Darlene Dinsdale Councillor Graeme Elvin Councillor Rodney Joyce Councillor Laura Rae Councillor Allan Sole
Quorum	Five (5)
Frequency	Monthly

Role:

The Council is responsible for:

- Ensuring the effective and efficient governance and leadership of the District.
- Ensuring that all functions and powers required of a local authority under legislation, and all decisions required by legislation to be made by local authority resolution, are carried out effectively and efficiently, either by the Council or through delegation.

Power to Act:

To exercise all non-delegable functions and powers of the Council including, but not limited to:

- The power to make a rate;
- The power to make a bylaw;
- The power to borrow money, purchase, or dispose of assets, other than in accordance with the Long Term Plan;
- The power to adopt a Long Term Plan, a Long Term Plan Amendment, Annual Plan or Annual Report and to receive any related audit report;
- The power to appoint a chief executive;

- The power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the Long Term Plan or developed for the purpose of the Local Governance Statement;
- The power to adopt a remuneration and employment policy;
- The power to approve or change the District Plan, or any part of that Plan, in accordance with the Resource Management Act 1991;
- The power to approve or amend the Council's Standing Orders;
- The power to approve or amend the Code of Conduct for Elected Members;
- The power to appoint and discharge members of committees;
- The power to establish a joint committee with another local authority or other public body;
- The power to make a final decision on a recommendation from the Parliamentary Ombudsman where it is proposed that Council not accept the recommendation.
- To exercise all functions, powers and duties of the Council that have not been delegated, including the power to compulsorily acquire land under the Public Works Act 1981.
- To make decisions which are required by legislation to be made by resolution of the local authority.
- To authorise all expenditure not delegated to officers, Committees or other subordinate decision-making bodies of Council, or included in Council's Long Term Plan or Annual Plan.
- To make appointments of members to Council Controlled Organisation Boards of Directors/ Trustees and representatives of Council to external organisations.
- To monitor the performance of and make decisions on any matters relating to Council Controlled Organisations (CCO), including recommendations for modifications to CCO or other entities' accountability documents (i.e. Letter of Expectation, Statement of Intent).
- To approve joint agreements and contractual arrangements between Western Bay of Plenty District Council and Tauranga City Council and/or any other local authority including the requirement to review the terms of any such agreements or contractual arrangements.
- To approve the triennial agreement.
- To approve the local governance statement required under the Local Government Act 2002.
- To approve any changes to the nature and delegations of Committees.
- To approve a proposal to the Remuneration Authority for the remuneration of Elected Members.
- To develop, review and approve policies, bylaws, strategies and plans in accordance with legislation including determination of the nature and extent of community engagement approaches to be deployed.
- To approve submissions on proposed legislation, plan changes or policy statements.

- To receive reports from Community Boards and resolve appropriate actions as necessary.

Procedural matters:

- Approval of elected member training/conference attendance.
- Receipt of minutes from Committees.

Power to sub-delegate:

- Council may delegate any of its functions, duties or powers to a subcommittee, working group or other subordinate decision – making body, subject to the restrictions on its delegations and any limitation imposed by Council.

Mayor's Delegation:

- Should there be insufficient time for Council to consider approval of elected member training/conference attendance, the Mayor (or Deputy Mayor in the Mayor's absence) is delegated authority to grant approval and report the decision back to the next scheduled meeting of Council.
- Should there be insufficient time for Council to consider approval for a final submission to an external body, the Mayor (or Deputy Mayor, in the Mayor's absence) has delegated authority to sign the submission on behalf of Council, provided that the final submission is reported to the next scheduled meeting of Council.

Notice is hereby given that a Meeting of Council will be held in the
Council Chambers, 1484 Cameron Road, Tauranga on:
Tuesday, 24 March 2026 at 2.00pm

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1 KARAKIA

Whakatau mai te wairua
Whakawātea mai te hinengaro
Whakarite mai te tinana
Kia ea ai ngā mahi

Āe

Settle the spirit
Clear the mind
Prepare the body
To achieve what needs to be
achieved.
Yes

2 PRESENT – NGĀ MEMA KEI KONEI**3 IN ATTENDANCE – I TAE AKE****4 APOLOGIES – NGĀ WHAKAPAHĀ****5 CONSIDERATION OF LATE ITEMS – NGĀ TAKE TŌMURI****6 DECLARATIONS OF INTEREST – NGĀ TUKITUKINGA****7 TRANSFER OF PUBLIC EXCLUDED ITEMS – TE WHITINGA O TE AO MĀRAMA KI NGĀ TAKE MUNA****8 PUBLIC FORUM – WĀHANGA TŪMATANUI**

9 REPORTS - NGĀ PŪRONGO

9.1 LOCAL WATER DONE WELL - PROJECT UPDATE

File Number: A7167939

Author: Ariell King, Programme Manager – Water Organisation Establishment

Authoriser: Adele Henderson, Programme Director – Water Organisation Establishment

EXECUTIVE SUMMARY

1. Western Bay of Plenty District Council (Council), in partnership with Tauranga City Council (TCC), is progressing the establishment of a multi-council Water Organisation (WO) as part of the Government's Local Water Done Well (LWDW) reform programme.
2. The WO is scheduled to 'go live' on 1 July 2027, and this report provides an update on key components required to support that transition. These include the establishment budget, progress of the digital programme, recruitment of the Establishment Chief Executive and Board, development of the organisation's name and identity, Tangata Whenua and key project milestones following April 2026.
3. This report is one of four reports being presented to Council on 24 March 2026 addressing Local Water Done Well matters and should be considered alongside the three companion reports addressing commercial terms, due diligence and the financial implications of establishing a WO.
4. The matters covered by this report are:
 - Establishment budget (the budget up until 1 July 2027)
 - Digital programme
 - Recruitment of a Chief Executive and partial Board of Directors
 - Name and identity development
 - Tangata Whenua
 - Key milestones for the project post-April 2026

RECOMMENDATION

1. That the Programme Manager – Water Organisation Establishment's report dated 24 March 2026 titled 'Local Water Done Well – Project Update' be received.
2. That the report relates to an issue that is considered to be of medium significance in terms of Council's Significance and Engagement Policy.

3. That Council notes that future project updates will be provided via the quarterly reporting against the Water Services Delivery Plan (beginning April 2026) to the Department of Internal Affairs.
4. That Council adopts the principle of maintaining Tangata Whenua participation, engagement and arrangements, with existing commitments and practices either retained or bettered during, and following, the transition to a Water Organisation.
5. That Council notes the future key milestones in this report, and the list of topics scheduled for consideration and further work post-April 2026 as provided by **Attachment 3**.
6. That Council notes that **Attachment 1** can be transferred into the open following negotiations with suppliers.

BACKGROUND

1. Council, in partnership with TCC, is progressing the establishment of a Multi-Council Water Organisation (WO) in response to the Government's Local Water Done Well (LWDW) reform programme. The WO has a 'go live' date of 1 July 2027.
2. Council endorsed the Multi-Council Water Organisation Summary Plan (including Due Diligence) on 14 November 2025. This plan sets out the approved approach to complete the necessary steps to establish the WO. It was prepared based on the Commitment Agreement between the two councils and the approved Water Service Delivery Plans (WSDP).
3. Since October Council has received the following reports progressing the establishment of the proposed WO
 - 16 December 2025 – Project Update and Recruitment
 - 16 December 2025 – Digital Programme
4. This project update is being presented to Council on 24 March 2026 alongside three additional Local Water Done Well reports covering the proposed commercial terms, the financial implications of establishing a WO, and the due diligence findings. These four reports, when considered holistically, progress establishment work and provide a comprehensive project update on the work completed to establish the WO.

SIGNIFICANCE AND ENGAGEMENT

5. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.

6. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
7. In terms of the Significance and Engagement Policy this decision is considered to be of medium significance. The recommendations are focused on providing an update on the overall budget, enabling participation of Tangata Whenua, and completing the actions in the approved project plan.
8. The decision of whether to proceed with establishment of a WO is of high significance. This decision will be brought to Council on 2 April 2026 but will not require further consultation prior to decision-making as the consultation required for this matter was undertaken in March/April 2025.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

9. As noted above the consultation on the proposed establishment of a multi-Council Water Organisation was undertaken in March/April 2025.

ESTABLISHMENT BUDGET (THE BUDGET UP UNTIL 1 JULY 2027)

10. The joint establishment budget for the WO (leading up until July 2027) is estimated as \$8.8m. Further details are provided by confidential **Attachment 1**.
11. Both Council and TCC are contributing to this budget via the cost sharing arrangement in the Commitment Agreement. Council's share is \$2.7m and TCC's share is \$6.1m. These figures exclude the costs for the digital programme, which are provided in the confidential **Attachment 1**.
12. Budget sharing arrangements between Council and TCC are set out by the Commitment Agreement.
13. People and workforce considerations are discussed in more detail in the companion Local Water Done Well – Due Diligence report. The two councils will work together with the WO to transfer staff to suitably similar roles in the WO. Overall, it will be important to the success of the WO to retain skilled staff and existing organisational knowledge.
14. All budgets, establishment and digital, are debt funded opex and will be transferred to the proposed WO.

DIGITAL PROGRAMME

15. Note: no financial detail for the Digital Project (approved budgets or future estimated funding requirements) is included in this section due to commercial sensitivity and to protect Council's negotiation position.

16. The Local Water Done Well Digital programme has two phases:
- Phase 1 – exit from Watercare by October 2026
 - Phase 2 – establish digital services for the proposed WO by on 1 July 2027

Phase 1 – exit from Watercare

17. Phase 1 was approved by Council in December 2026 and is being delivered in partnership with TCC and IAWAI, delivering significant cost savings for all three parties. Infor has been selected as the technology provider and costs are being shared by the three parties (IAWAI 50%, Council/TCC 35%, WBOPDC 15%). A Joint Project Agreement governs cost sharing, procurement and management of Phase 1.
18. Phase 1 will deliver standalone Asset and Work Order Management capabilities for all three organisations, alongside integration with Council's existing GIS capabilities. A new GIS capability will also be established for IAWAI as part of the programme.
19. Phase 1 is on track for completion by the end of October 2026. Contractual agreements with all key providers have been signed or are close to execution, including Infor, Ernst & Young (data migration), Watercare, and Downer.

Phase 2 – standing up of WO capabilities

20. Delivery of Phase 2 will commence following Council's decision whether to continue with the establishment of a WO (due 2 April 2026). The scope of Phase 2 will consider billing, finance, customer, regulatory, and HR & payroll systems and processes and full IT architecture requirements will be considered against what services will continue to be provided by Council in the short term.
21. If Council decides to proceed with establishment of a WO, commercial negotiations with delivery vendors will commence in April, and a business case will be presented for Council consideration in June 2026. The current partnership approach with WBOPDC, TCC and IAWAI is proposed to continue for Phase 2. An estimate of Council's share for the proposed investment in Phase 2 is included in the draft Annual Plan, and the Digital Business Case will be brought to Council for approval in June 2026.

RECRUITMENT OF A CHIEF EXECUTIVE AND BOARD OF DIRECTORS

22. On 16 December 2025 Council approved the recruitment and appointment of a WO Establishment Chief Executive.
23. There was a strong level of interest for the position. Shortlisting has been completed and the interview process took place on 13 March 2026. If Council decides to proceed with establishment of the WO on 2 April 2026, an accompanying 2 April Council report will seek approval to make a formal offer to the preferred candidate. This will initially be on a 2-year fixed term basis, with the potential for the appointment to become an ongoing arrangement.

24. The appointed Chief Executive will commence in the role depending on availability (mid-2026 at the latest).
25. Following the 2 April decision, it is recommended that recruitment commence for the Board of Directors of the WO. Recruitment will initially focus on appointing a Chair and two Board members, with the remainder of the Board to be appointed in advance of the 1 July 2027 'go live' date. A Council paper seeking approval to recruit the Board is scheduled for 21 April 2026.

DEVELOPING THE NAME AND IDENTITY FOR THE PROPOSED WATER ORGANISATION

26. A high-level project outlining the process for development of a name and identity for the proposed WO is provided as **Attachment 2**. The objective is to develop and adopt a name for the proposed WO ahead of incorporation, so that the chosen name is used in legal documentation establishing the WO.
27. The proposed name will be brought to Council for approval.
28. The recommended approach is to work with the members of the Joint Working Group to develop a proposed name. Council staff and wider Tangata Whenua involvement is also proposed. A full brand development process is not proposed, as this is intended to occur later to enable the participation of the WO Chair and Board, and the WO Chief Executive.
29. The following key requirements have been identified.
 - Clear connection to purpose – the name should make it apparent that the organisation is focussed on the delivery of water services and values environmental stewardship.
 - Geographic relevance and identity, whilst also future-proofed so that other councils can join later.
 - Memorable, simple and easy to use.
 - Offer longevity, flexibility and legal practicality.
 - Be culturally appropriate and recognise partnership (potentially bilingual).
 - Differentiation from competitors.
 - Trademarked, the identity/name/brand is owned by the WO.

TANGATA WHENUA

30. Council is working in partnership with Tangata Whenua on the establishment of the proposed WO, ensuring that Council's Te Ao Māori principles are considered and integrated into project work. Tangata Whenua were invited to select representatives to work alongside elected members to represent the interests of all Iwi, Hapū, Māori entities, tāngata whenua forums and whenua Māori trusts.
31. Tangata Whenua appointed the following representatives:

- Hakopa Tapiata
 - Kiritapu Allan
 - Kylie Smallman
 - Roana Bennett
 - Rohario Murray
 - Shadrach Rolleston
32. These representatives are members of the Joint Working Group, along with elected members from Council and TCC. The Joint Working Group has been considering a range of work related to the establishment of the proposed WO and making recommendations for decision-making by Council and TCC.
33. A stocktake of existing Tangata Whenua arrangements in place at Council and TCC was presented to the Joint Working Group on 23 February 2026 alongside a suggested approach for transitioning existing arrangements to the WO. In response, the Joint Working Group agreed to recommend to both Councils that they:
- *Adopt the principle of maintaining Tangata Whenua participation, engagement and arrangements, with existing commitments and practices either retained or bettered during, and following, the transition to a Water Organisation.*
 - *Agree that developing a Tangata Whenua Engagement Policy and a Tangata Whenua Remuneration Policy is to be a priority for the Water Organisation and note that this will be considered for inclusion in the Statement of Expectations.*
 - *Agree that the Water Organisation is to consider each existing arrangement (as identified in each Council's Tangata Whenua stocktake) and assess and identify how they will be transferred across to Water Organisation and note that this will be considered for inclusion in the Statement of Expectations.*
 - *Explore the development of an overarching Tangata Whenua Framework, including strategic guidance and input.*
34. This report presents the first recommendation above for Council consideration. The remaining recommendations relate to work intended to occur post-April, once Council has decided whether to proceed with establishment of a WO. These will be addressed by future project plans and work programmes (refer to **Attachment 3**).
35. The Council paper 'Local Water Done Well – Commercial Terms', a companion paper to this report, presents a suite of Commercial Terms for Council decision. In addition to various matters relating to the Shareholders, Shareholding and the Board, it also recommends forming a Joint Committee which includes Tangata Whenua, alongside elected members from Council and TCC.

36. The proposed Joint Committee will replace the Joint Working Group. Including Tangata Whenua representatives enables their continued involvement in governance discussions.

KEY MILESTONES FOR THE PROJECT POST-APRIL 2026

37. Work has commenced on developing a project plan for post-April, based on the assumption that Council will continue towards establishment of a multi-council WO. The following are high-level milestones.
- First report on implementation of the Water Services Delivery Plan due to the Department of Internal Affairs in April 2026
 - Appoint Chief Executive in April 2026 (subject to Council decision, 2 April 2026), commence recruitment of executive management roles following appointment of the Chief Executive
 - Commence recruitment of a Chair and partial Board in April 2026
 - Commence development of a Transfer Agreement in April 2026 (must be in place for 'go live' date of 2 July 2027).
 - Develop a Statement of Expectations, April to December 2026
 - Establish staff pathways for transition to the WO, commencing April 2026
 - Develop an operations focussed transition plan, commencing April 2026
 - Return to Council with a Phase 2 digital business case in June 2026
 - Commence development of a Water Services Strategy in July 2026
 - 'Go live' date for multi-council WO is 1 July 2027.
38. In addition to the high-level milestones above, the Joint Working Group has identified issues and work to be progressed post-April 2026. These are provided in **Attachment 3** and will be considered and incorporated into future work programmes as appropriate.

ISSUES AND OPTIONS ASSESSMENT

39. This report seeks approval of the overarching principle of maintaining Tangata Whenua participation, engagement and arrangements, with existing commitments and practices either retained or bettered during, and following, the transition to a WO, as recommended by the Joint Working Group.

40. **Option one:** approve the overarching principle that Tangata Whenua participation, engagement and arrangements will be maintained or bettered during, and following, transition to a WO (**RECOMMENDED**).

Advantages	Disadvantages
<ul style="list-style-type: none"> • Supports the agreed upon recommendation of the Joint Working Group. • Provides clarity for Tangata Whenua regarding continuation of existing arrangements (with opportunity to improve upon these over time). • Sets the WO up for organisational success by setting a baseline for Tangata Whenua which follows existing practices and arrangements. • Demonstrates Council compliance with s81 of the Local Government Act 2002 (Contributions to decision-making processes by Māori). 	<ul style="list-style-type: none"> • Sets the direction for the WO ahead of appointing a Chief Executive, Chair and Board.

41. **Option two:** Do not approve the overarching principle that Tangata Whenua participation, engagement and arrangements will be maintained or bettered during, and following, transition to a WO (**NOT RECOMMENDED**).

Advantages	Disadvantages
<ul style="list-style-type: none"> • Does not set direction for the WO ahead of appointing a Chief Executive, Chair and Board, retaining flexibility. 	<ul style="list-style-type: none"> • Does not support the agreed upon recommendations of the Joint Working Group. • Prolongs uncertainty for Tangata Whenua regarding the position of the WO. • May cause operational difficulties for the WO, if key practices, arrangements, agreements and policy positions are not maintained. • Requires alternative arrangements to ensure compliance with s81 of the Local Government Act 2002

Advantages	Disadvantages
	(Contributions to decision-making processes by Māori).

STATUTORY COMPLIANCE

42. The matters in this report form part of Council's overall response to the government's Local Water Done Well reform programme and associated legislation. There are no specific statutory compliance matters to be considered in respect of this report.

FUNDING/BUDGET IMPLICATIONS

43. The financial implications of establishing a WO are discussed in the accompanying 24 March 2026 Council report 'Local Water Done Well – Financial Matters'.

44. An update on establishment costs is provided in this report.

NEXT STEPS

45. The next steps for this project depend on Council decisions scheduled for 2 April 2026. If Council decides to continue to establish a WO with TCC, next steps will include:

- Seeking Council approval to appoint the preferred candidate as the Establishment Chief Executive for the WO.
- Seeking approval to initiate the initial Board appointments.
- Establishing the formal Joint Committee.
- Developing a work programme through to 1 July 2027 to establish the WO and set it up for success. This will include transition pathways for staff.
- Scoping Phase 2 of the digital programme, ahead of bringing a proposal to Council for consideration in June 2026.
- Commencing work to develop key policies, processes and plans for the WO, including a Tangata Whenua Engagement Policy and a Tangata Whenua Remuneration Policy, alongside development of other required policies and plans such as a Significance and Engagement Policy and the Water Services Strategy.

ATTACHMENTS

1. **LWDW Joint Water Organisation – Support Budget Details – Confidential**
2. **Water Organisation name and identity development** [↓](#) 

3. **Items for consideration & inclusion in forward work programme** [↓](#) 
4. **Council Workshop (25 February 2026) - Workshop Notes - LWDW** [↓](#) 
5. **Council Workshop (10 March 2026) - Workshop Notes - LWDW** [↓](#) 
6. **Council Workshop (17 March 2026) - Workshop Notes - LWDW** [↓](#) 

**Water
Services**



Project plan: Water Organisation name and identity development

March 2026

Purpose: The following project plan outlines a recommended approach to developing a name and identity for the new joint Water Organisation for Tauranga City Council and Western Bay District Council, noting that the name should be enduring and supports further councils to be part of the Water Organisation in the future.

Objective: To develop a name and identity for the Water Organisation which is culturally grounded, legally and practically sound, and reflects its purpose, and aspirations. Additionally, to ensure the name, and identity is flexible and future-proof, not requiring re-work in the future should additional councils join.

Outcomes: The requirements by 1 June 2026 (or in time for the company name to be incorporated on legal documents) are:

- A name for the Water Organisation – an identity that is meaningful, enduring, and trusted
- And later (deadline TBC) a logo supported by a brand – that is cohesive and confident that builds trust and clarity.

These outcomes would be supported by:

- Mini brand guidelines and tone of voice
- Key messages

Background:

Creating a brand is a process. Strong brand foundations are generally required before creating a new brand identity and include the purpose, vision, mission, values, and positioning. These foundations ensure the name and logo are not just attractive, but meaningful, enduring, and trusted. They give leadership confidence that every decision reflects the entity's identity and future direction.

From a communications perspective, we see this as an opportunity to create a name and brand that truly reflects and resonates with staff, the people of Western Bay, Tauranga City, elected members, Tangata Whenua, stakeholders and all those who will engage with the new entity. It will need to be sufficiently flexible to include other parties in the future.

For this reason, the process should ensure that the voices, values, and aspirations of our diverse communities, collective ratepayers and staff are woven into the brand.

Importantly, the brand would also need to reflect and embody what we understand our stakeholders care about; namely cost, control, ownership, quality, and cultural identity.

For these reasons, we recommend creating a brand personality and tone of voice that feels right for internal communications, customer service, water invoices, and every other public touchpoint.

By learning from other new water entities and established utility providers - and building on our own community strengths - we can position the new water entity as a strategic leader, not just another water organisation. With time, we would like it to become a trusted, recognisable, and respected brand, comparable to Mercury or PowerCo.

Key requirements - summary

The key requirements sought to be achieved in developing a name and brand for a Water Organisation are:

1. Clear connection to purpose;
The name should make it immediately obvious that the organisation is connected to water services, infrastructure (drinking water, wastewater, stormwater), and environmental stewardship.
2. Geographic relevance and identity
Needs to be future proofed for other Councils joining later.
3. Memorability, simplicity and ease of use
4. Longevity, flexibility and legal practicality
5. Cultural appropriateness and partnership¹
6. Differentiation from competitors
7. Trademarked, identity/name/brand is owned by the Water Organisation.

Recommended approach—After considering a range of options (see appendix 1 at end of document for the options) staff recommend undertaking a process involving the JWG and staff to develop a name which meets the identified key requirements. This process would be led by an internal creative design team with oversight from the respective council communications and engagement managers.

Noting: the identity/naming workshops could be used as the basis for later brand work when it is fully developed once a CE has been appointed.

Summary of recommended process:

- Waters staff workshops (two) – to create a mini identity blueprint
- Joint Working Group workshop – to discuss our foundations and identity
- Cultural workshop with Tangata Whenua – to discuss cultural values and narratives
- Close the loop session with JWG – share back what we heard
- Design phase (comms/design team) – develop and refine initial name/identity concepts
- Concept review with JWL representatives – review two name/identify concepts and provide feedback
- Council endorsement

¹ Consider bilingual name to be given

- Mini brand guidelines created

Risks and mitigations:

Creating a new entity, especially one formed through merging council operations, is a defining moment to establish identity, purpose, and trust. While the timeline to develop an identity or name quickly is understandable, we note there are some real risks in doing so without first establishing strong brand foundations.

Risk	Context	Mitigation
Limited foundation documents. Not limited to: <ul style="list-style-type: none"> • Purpose statement: Why the entity exists • Vision & Mission: Where we're heading and how we'll get there • Values: Principles that shape behavior and decisions • Positioning: How we want to be perceived by stakeholders 	Brand foundations are the blueprint for identity. They safeguard cultural integrity, strategic alignment, and public trust, making naming and design a powerful expression of who we are, how we are perceived and where we're going.	We do have a Water Services Delivery Plan and Waters Legislation. We also have the principles in the Commitment Agreement. See appendix 2. If CE is appointed and onboard in April / May that CE can participate to ensure they are comfortable with strategic positioning and can be involved in the naming and brand journey at the same time.
Short timeframe	A request to confirm the name by 1 June	Utilise time available until 1 June to best effect – beginning with some name identity work.
Strategic misalignment	A name chosen in isolation may fail to reflect the shared vision and values of all partners, leading to confusion about what the entity truly represents.	Targeted engagement with stakeholders, namely the Joint Working Group, to ensure cultural values and narratives are appropriately considered.
Cultural integrity	Overlooking cultural narratives damages our relationships and credibility.	Working with our Tangata Whenua representatives.
Reputation risked by not giving branding a strong focus	Reworking a name at a later date creates public confusion, erodes trust, and undermines the integrity of the brand story.	Initiating a focused process around brand development will create a body of data which will support decision making.

Risk of rework	Redesigning after launch would waste resources, and slow momentum.	Taking people on the journey to create a brand together will reduce this risk.
If a name is developed before the brand, the two may not be well aligned	Reverse engineering may be required to make the brand story fit the name.	Even with careful planning, this risk may be hard to completely overcome.

We acknowledge that with the absence of some of the strategic documents necessary to begin this process that we would want to work closely with our stakeholders to ensure strategic alignment, cultural integrity, and trust throughout the journey.

Proposed process

To support the development of this work, we will be running two workshops with the Waters project team and in-house design team to create a Mini identity blueprint. The workshops will be scheduled when the process has been agreed.

A well-crafted identity blueprint is critical to creating a name that commands trust and clarity. It ensures every design choice reflects our purpose and values, equipping our team with a shared framework to communicate consistently and meaningfully, while building an identity that resonates with and is understood by our audience.

Step 1: Develop Mini identity blueprint

Identity:

- **Purpose:** Why does the joint Waters Organisation exist in one sentence?
- **Vision:** What is the aspirational future (what does success look like)?
- **Brand essence/tagline:** One short phrase describing the heart of the brand.

Brand positioning: target audience/problem and need

- **Audience personas and target audiences:** Define a broad group of people that our product, and messages is intended to reach. It is usually defined by demographics, behaviours, needs, or interests. This is a high-level “who” you are speaking to.
- **Key insights/emotional drivers:** Why should audiences care? (What’s in it for me?) Not just about the problem, but what motivates them emotionally (pride, responsibility etc).
- **Brand promise:** This is the “why they should care.” Could include a measurable outcome if possible. This will give our promise credibility.

Key messaging and storytelling

- **Core messages:** Short, clear points everyone can communicate. We should include statistics, case studies, or examples to back each message. This builds credibility.
- **Tone of voice:** How does the organisation “speak”. Example: Approachable, expert, community focused.

Step 2: Brand/identity foundations/research

- Who: Joint Working Group representatives and communications and engagement leadership/design leads.
- Purpose: Go through any previous engagement, the mini identity blueprint (from step 1), gather input on values, vision, and attitudes to water.
- Activity: Workshop facilitated internally, with identification of next steps.
- **Duration: 2-3 hours**

Step 3: Cultural session

- Who: tangata whenua and communications and engagement leadership/design leads.
- Purpose: facilitator (to be confirmed) initiates workshop to integrate cultural perspectives alongside Joint Working Group representative insights.
- **Duration: 2 hours**

Step 4: Joint session to close the loop

- Who: Joint Governance Group and communications and engagement leadership/design leads.
- Purpose: facilitated session to bring the insights from the above two together to develop concepts and refine based on agreed foundations.
- **Duration: 1 hour**

Step 5: Design phase

- Who: Communications workstream.
- Purpose: Develop concepts and refine based on agreed foundations.
- **Duration: One month**

Step 6: Concept review

- Who: 1x Western Bay councillor 1x Tauranga City councillor and 1x Tangata Whenua representative and waters staff representation.
- Purpose: Review and discuss two design/name concepts; provide feedback and direction. Followed by selection and presentation to Joint Governance Group and Tangata Whenua representatives.
- **Duration: 90 min**

Step 7: Council endorsement

- Seek both Councils endorsement of name and identity work.

Step 8: Mini brand guidelines created

- Who: Council designers together with communications leads – lead delivery of mini brand guidelines and key messages.
- Purpose: Finalise guidelines.

Appendix 1 – Options for Name Development

Option	Pros	Considerations	Recommend
Brand consultant	A dedicated specialist to facilitate the naming/branding process	<ul style="list-style-type: none"> • Cost – would vary but budget approx. \$60,000 	No
Community consultation	Community can be taken on the journey and can own the name	<ul style="list-style-type: none"> • Can be a lengthy process • Requires financial investment to promote the consultation appropriately • Previous community consultation could inform thinking • Would not consider staff as a key stakeholder in the process • Scope of consultation needs to be clear • May be more difficult to secure a name that meets all the key requirements. 	No
Joint Working Group, Tangata Whenua and staff	<ul style="list-style-type: none"> • Tangata Whenua would be involved to work together on a name • Any previous community consultation could help inform workshops • It would reflect views of staff as staff have opportunity to be involved • Comms Teams (shared resources) have skills to lead the project 	<ul style="list-style-type: none"> • Risk of internal bias towards more 'acceptable' options and not challenging norms • Comms team staff juggling multiple priorities may create time pressures • External consultants can provide a level of neutrality that stakeholders value 	Yes

Appendix 2**Key Strategic Principles (Approved by Councils)**

- | | | |
|----|--------------------------------|---|
| 1. | Affordability | The WSO is operated in a way that ensures water services are affordability focused and equitable for all communities, balancing cost-effectiveness with long-term service quality and sustainability |
| 2. | Transparency | The WSO will operate with transparency and accountability to its shareholder councils and communities, ensuring clear, timely, and accessible information to build trust and support informed participation |
| 3. | Safe and resilient | The WSO will deliver water services that are safe, reliable, and resilient—protecting public health and adapting to changing environmental, infrastructure, and community needs over time |
| 4. | Environmental Wellbeing | The WSO has a kaitiaki role caring for the health and wellbeing of water for the benefit of the environment, communities, and future generations |
| 5. | WSO is set up to be successful | The shareholder councils are committed to establishing the joint waters WSO with the right governance, capabilities, and direction to enable long-term operational success and public value from day one |
| 6. | Iwi Hapū | The WSO will uphold Treaty of Waitangi obligations and commitments, existing formal relationships, and maintain open engagement through support of established Iwi and Hapū collectives. |

LIVE DOCUMENT: Last updated 6 March 2026

LWDW: Ongoing list of “Park and Return” items

Purpose

Tauranga City Council (“**TCC**”) and Western Bay of Plenty District Council (“**WBOPDC**”) are undertaking due diligence and establishment planning for a proposed joint Water Organisation (“**WO**”) under the Local Government (Water Services) Act 2025 (the “**Act**”) to deliver water services.

The JWG has met on numerous occasions to take reports from staff and to discuss matters relating to the establishment of the WO. Throughout those JWG meetings, a number of topics have arisen where staff and the JWG members have agreed to “park and return” to the issue at a later date. The purpose this document is to maintain a “live” list of such items, with an explanation and proposed timeframe / mechanism for closing out each issue. ¹

Parked item	Explanation / Description	Timeframe / Mechanism to close out item
Clarification of WO’s commitment to Treaty / Tiriti principles and Treaty / Tiriti settlement obligations. Also clarification on the Tangata Whenua Partnership approach with the WO	Tangata Whenua reps on the JWG have queried where and how the WO’s commitment to Treaty / Tiriti principles and Treaty / Tiriti settlement obligations will be recorded. A Tangata Whenua Partnership paper was included in the agenda of a JWG meeting and discussed. The paper information some of the conversations and direction. Further discussions required as and when the WO arrangements are put in place.	The intention is to address these topics initially within the Shareholders’ Agreement, Constitution and the Statement of Expectations. Beyond that, the WO may address these topics further within WO policies authored by the WO.
Tangata Whenua stocktake	Review of each element of the Tangata Whenua stocktake, ² and determine how each item will be addressed in the WO environment.	This topic will form part of the transitional workplan for the WO.
Dividends	Staff are instructed to reiterate in the Statement of Expectations that dividends not permitted unless there is unanimous shareholder approval plus approval from the WO’s Board of Directors (by ordinary Board resolution) subject to meeting any solvency and statutory tests (as per Companies Act). Staff are asked to emphasise that exceptional circumstances would need to be in place before any dividends would be permitted	This topic will be addressed in the Statement of Expectations (and also the Shareholders’ Agreement)

¹ Once an item has been revisited, and a consensus reached by the JWG, the item will be removed from this document.

² Which was presented to the JWG on 23 February 2026.

LIVE DOCUMENT: Last updated 6 March 2026

Parked item	Explanation / Description	Timeframe / Mechanism to close out item
Introduce flexibility re size of SRF	JWG members have requested that staff include flexibility for the number of members for each party to change (i.e. reduce) as more Councils become shareholders. So they may decide to have 3 members each initially while there are 3 parties on the SRF. But by the time additional Councils join as shareholders, it may be more appropriate for each party on the SRF to only have 2 reps on the Forum	This topic will be addressed in the SRF Terms of Reference (and as necessary, also within the Shareholders' Agreement).
Poll re prospect of privatisation	The JWG has reached a consensus ³ view to include anti-privatisation clauses within the WO's foundation documents that will preclude the sale of any shares in the WO to non-territorial authorities. This will be in addition to the statutory provisions that reflect the same. There has also been a discussion at JWG level about requiring a public poll (i.e. public referendum) to be conducted before the anti-privatisation position under the WO's foundation documents is revisited.	This topic can be considered in further detail when the WO's foundation documents are being drafted and presented for approval.
Dispute resolution: arbitrate in open forum	The JWG has reached a consensus that the dispute resolution process will reflect the following: Escalation process comprising: Negotiation → Mediation → Arbitration. There was additional discussion about arbitration being a private process. A query was made about whether arbitration could be undertaken in an open forum if the disputing parties each consented to do so.	This topic can be incorporated into WO's foundation documents are being drafted.
Treaty settlements and resource consents (such as water-take consents etc)	Tangata Whenua have queried how the establishment of the WO will impact existing resource consents (including water-take consents) relating to Treaty / Tiriti settlements. For example, Tangata Whenua are particularly concerned to ensure that local Marae will have ongoing access to the Waiari water supply	Work programmes moving forward will be updated to capture and incorporate consideration of this topic.
Query regarding Tangata Whenua representatives on SRF	At the 2 March JWG meeting, a query was raised regarding Tangata Whenua representatives on the SRF. The query reflected the fact that WBOPDC's boundaries do not align perfectly with the boundaries of	Documents such as the Shareholders Agreement and the SRF Terms of Reference will clarify the appointment process

³ Although the JWG itself reached a consensus (i.e. the majority within each party formed the same view) it is acknowledged that in some instances there was a minority dissenting view within each party.

LIVE DOCUMENT: Last updated 6 March 2026

Parked item	Explanation / Description	Timeframe / Mechanism to close out item
	<p>local Iwi / Hapu (representatives of which may ultimately be nominated to the SRF). To date the JWG has reached a consensus view that:</p> <ul style="list-style-type: none"> - TCC, WBOPDC and Tangata Whenua will have equal representation on the SRF (such as 3:3:3). - Tangata Whenua will nominate their own representatives to the SRF. - The SRF will take the form of a Joint Committee under the LGA. Accordingly, the Councils will need to ultimately appoint the Tangata Whenua representatives (i.e. confirm the nominations). - The parties do not currently view it as necessary to enter a side-agreement or MOU to confirm that the Councils will appoint the Tangata Whenua nominees (but this issue can be addressed in the future if situations arise that warrant it). 	(including the process for appointing Tangata Whenua reps to the SRF).
DC Policy / FINCO Policy / Development Levies Regime ⁴	<p>Proposed changes to the Resource Management Act and the Local Government Act require Councils (and the WO) to move away from a "Financial Contributions" model (most immediately) and away from a "Development Contributions" model (within a longer timeframe) and ultimately move to a brand new Development Levies regime. WBOPDC currently uses a FINCO model, so will be the first party to face change. TCC uses a DC model, so will have more time to prepare/adjust. The changes have not yet become law, and are only "proposed" at this stage.</p>	<p>WBOPDC to closely monitor the proposed legislative changes that will remove its ability to charge FINCOs. WBOPDC will need to adapt accordingly. Likewise, TCC will need to closely monitor the proposed changes to DCs, and adapt. Both shareholders (plus the WO, once incorporated) will need to consider how the WO will tackle this issue.</p>
Interaction between Water Services Strategy and Significance and Engagement Policy	<p>On 2 March the JWG reached a consensus view that the shareholders will provide comments on the WO's Water Services Strategy, but will not have the power to require changes or approve the final WSS document. There was discussion about the interaction between the Significance and Engagement Policy and the WSS, with the JWG members wanting to see the S&E Policy once drafted.</p>	Share draft S&E Policy with JWG once drafted.

⁴ This topic was addressed in the Legal Due Diligence Paper.

LIVE DOCUMENT: Last updated 6 March 2026

Parked item	Explanation / Description	Timeframe / Mechanism to close out item
Side agreement between Councils regarding indemnity with respect to LGFA joint and several guarantee	On 2 March the JWG reached a consensus view that each Council's guarantee to the LGFA will be joint and several for the WO's full debt, with an additional agreement between the Councils where each Council will indemnify the other to the extent of its ring fenced debt. This will necessitate the drafting of a relevant indemnity side-agreement.	Side agreement to be prepared following 2 April decision, and in conjunction with Councils setting up lines of credit with LGFA and the LGFA requiring joint and several guarantee as a condition of those credit lines.

COUNCIL WORKSHOP

DATE:	Wednesday 25, February 2026 at 10.14am
HELD:	Council Chambers
TOPICS:	1. Local Waters Done Well
GENERAL MANAGER RESPONSIBLE:	M Taris (Interim Chief Executive)
FORUM MEMBERS PRESENT:	Mayor J Denyer, Councillor S Beech, Councillor T Coxhead, Councillor G Dally, Councillor R Joyce, Councillor D Dinsdale, Councillor A Sole, Councillor G Elvin, Deputy Mayor M Murray-Benge and Councillor L Rae.
STAFF IN ATTENDANCE:	M Taris (Interim Chief Executive), A Curtis (General Manager Regulatory Services), M Potton (Acting General Manager Corporate Services), E Watton (Acting General Manager Strategy and Community), A Henderson (Programme Director – Water Organisation), A King (Programme Manager – Water Organisation Establishment), S Coles (GIS Analyst – Water Services), K Kruithoed (Infrastructure Engineer – Stormwater and Wastewater), R Garrett (Governance Manager), H Wi Repa (Governance Systems Advisor), P Osborne (Senior Governance Advisor).

Local Waters Done Well

The Programme Director – Water Organisation, supported by the Programme Manager – Water Organisation Establishment, provided an overview of the purpose of the workshop, which was to provide:

- Further information on the types of stormwater assets that were likely to transfer;
- Information on charging for stormwater under the Local Government (Water Services) Act (LGWSA); and
- An update on the Commercial Terms that had been discussed at the Joint Working Group.

SUMMARY OF KEY TOPICSTransfer of Stormwater Assets

Staff presented an interactive map of stormwater assets. While Council-owned land would remain with the Council, stormwater pipes, culverts, and pump stations would potentially transfer to the Water Organisation, with stormwater ponds depending on individual structures.

The workshop discussed the complexity of managing stormwater assets, particularly in areas like Waihi Beach, where Council-owned land intersects with stormwater infrastructure. There were questions regarding how existing stormwater plans would be affected by the potential transfer of assets, with clarification that the Water Organisation would focus on managing assets as they were at the time of transfer rather than seeking to re-evaluate or change everything from day one.

The workshop explored potential costs, land transfer complications, and the division of responsibilities between the council and the water organisation. They agreed that while day-to-day operations could be handled by the water organisation, strategic issues like flooding at Waihi Beach may require continued council involvement. The discussion highlighted concerns regarding who would pay for certain projects and the need for clear protocols between the council and the water organisation.

Concerns were expressed regarding the lack of dedicated stormwater staff and the financial challenges of maintaining and improving stormwater infrastructure. Staff provided historical context about Waihi Beach's stormwater issues, which had persisted for

over a decade. The discussion touched on the complexities of managing stormwater assets on council-owned land and private properties, as well as the need for service level agreements between the transport and water organisations. Staff explained various examples of stormwater assets and how they would be affected by the transfer, including open drains, and stormwater ponds. The conversation ended with a brief overview of how stormwater assets would be documented in the transfer agreement.

Stormwater Management Transfer Discussion

The discussion focused on the proposed transfer of stormwater management responsibilities to a new water organisation, with concerns raised regarding the implications for rural and urban areas, as well as the financial and operational aspects of the transition. There were concerns regarding potential issues between managing stormwater and roading, while the need for clarity on accountability for flooding issues was highlighted.

The workshop discussed the distinction between rural and urban stormwater management, with an explanation that the Local Government Water Services Act allowed for urban stormwater to be managed by the water organisation but not rural stormwater. There was also discussion about how stormwater charges would be calculated, with suggestions that a transition away from the sole use of a property value was required by the Act. The conversation ended with a call for more clarity on the benefits to ratepayers of different charging models and the potential for councils to retain some operational control over stormwater management.

The workshop discussed the challenges and considerations around stormwater charging and development contributions, particularly in relation to the new Water Organisation's legislation and the Commerce Commission's role in pricing methodologies. Concerns were expressed regarding how socio-economic factors might be considered in stormwater charges, while others inquired about the classification and charging of specific areas. The discussion clarified that urban and rural classifications would align with district plan zones, and that rural landowners would need to manage runoff and obtain discharge consents if necessary.

11.29am Workshop adjourned.

11.48am Workshop reconvened.

Commercial Terms

Commercial terms for the proposed water organisation with Tauranga City Council (TCC) and Western Bay of Plenty District Council were discussed. The joint working group had recommended equal voting shares (Class A) for both councils, with a separate Class B for asset value distribution based on net assets. The councils would make a final decision on the Commercial Terms at a Council meeting on 24 March, with the 2 April decision seeking approval to proceed (or note) with the proposed water organisation. Several concerns were raised about the Class B shares and net asset valuation approach, with some participants expressing concerns regarding these terms potentially derailing the overall merger.

The discussion turned to the composition and role of a Shareholder Representative Forum (SRF), focusing on representation from different councils and communities. There were mixed points raised regarding the proposed 3-3-3 representation model, advocating for all members to be shareholders to ensure accountability to ratepayers. The need for an independent, rigorous oversight body, was suggested. Councillors agreed that at least one member of the SRF should be an elected official, leaving room for further discussion on the exact composition and responsibilities of the forum.

The structure and composition of the SRF was discussed, including the role of the shareholders' council and the involvement of Māori in decision-making processes. Though some members expressed importance of elected representatives, others highlighted the legal requirement to involve Māori in water-related decisions. Staff clarified the purpose of the SRF as a forum for efficiency and effectiveness between shareholder councils and the water organisation. The conversation ended with a discussion on matters requiring unanimous approval from shareholders.

The possibility of a Class A share for Tangata Whenua was considered but met little support. The group also discussed the joint and several requirements for the water organisation's debt under the LGFA. The establishment board would be in place by July, subject to council approval.

The group discussed ensuring that council representatives, including elected members, were clearly defined in the agreement, with a mandate for one independent member. They clarified the roles and responsibilities of the SRF and the Water Organisation Board, emphasising that the SRF would provide recommendations to Council, while the Water Organisation Board would be established by 1 July 2026. The meeting also addressed the potential inclusion of TCDC (Thames-Coromandel District Council) in the water organisation, with concerns raised about the timeline and process involved.

Direction and Actions	Responsible
<ul style="list-style-type: none"> • Clarification on who was responsible for flooding issues in subdivisions and downstream areas (Dunlop Road). • Provide percentage breakdown of rural versus urban stormwater assets in Western Bay district. • Circulate the list of 14 items that the SRF would be advising Council on. • Confirm in writing that at least one elected member was required on the SRF, but Council could appoint others. • Provide clarity on the role and function of the SRF at the next workshop. • Meet with iwi Chairs to discuss potential TCDC involvement. • Schedule at least two more workshop in advance of 2 April Council meeting. 	Programme Director – Water Organisation and Programme Manager – Water Organisation Establishment

This workshop discussion concluded at 1.05pm

COUNCIL WORKSHOP

DATE:	Tuesday 10, March 2026 at 9.30am
HELD:	Council Chambers
TOPICS:	1. Local Waters Done Well
GENERAL MANAGER RESPONSIBLE:	M Taris (Interim Chief Executive)
FORUM MEMBERS PRESENT:	Mayor J Denyer, Councillor S Beech, Councillor Coxhead, Councillor G Dally, Councillor R Joyce, Councillor D Dinsdale, Councillor A Sole, Deputy Mayor M Murray-Benge and Councillor L Rae.
VIA ZOOM:	Councillor G Elvin
STAFF IN ATTENDANCE:	M Taris (Interim Chief Executive), A Curtis (General Manager Regulatory Services), M Potton (Acting General Manager Corporate Services), A Henderson (Programme Director – Water Organisation), B Singh (General Manager Infrastructure Services), A King (Programme Manager – Water Organisation Establishment), E Wentzel (Chief Engineer), H Wi Repa (Governance Systems Advisor), P Osborne (Senior Governance Advisor).
OTHERS IN ATTENDANCE:	Sarah Baddeley (Partner – MartinJenkins)

Local Waters Done Well

The Programme Director – Water Organisation, supported by the Programme Manager – Water Organisation Establishment, provided an overview of the purpose of the workshop, which was going to be broken into two parts.

Sarah Baddeley from MartinJenkins, was in attendance via Zoom, to provide a recap of the work done to date, implications if Council did not proceed to with the establishment of a multi-council Water Organisation (WO) and alternative delivery options.

Following the presentation from Ms Baddeley, staff would provide Councillors with an overview of the Commercial Terms and provide an opportunity for discussion, noting that the commercial terms would be used to prepare the draft Constitution and Shareholder Agreement.

SUMMARY OF KEY TOPICS**MartinJenkins Presentation**Water Service Delivery Models Update

Ms Baddeley presented an update on water service delivery models across New Zealand, highlighting the national context and local options for council combinations. She noted that most councils were moving toward three-waters management, though some were prioritising drinking water and wastewater over stormwater. The discussion focused on the collaborative due diligence process being undertaken by the council, which Ms Baddeley characterised as appropriate for the partnership-based approach rather than a commercial transaction. The process included reviewing asset conditions, consent details, and contractual terms, with all information now available for council review ahead of the upcoming decision on 2 April 2026.

Joint Water Service Governance Structure

The council discussed the structure and governance of a potential joint water service organisation, focusing on shareholding, voting rights, and director appointments. Ms Baddeley clarified that while councils would retain control through Class A shares, Class B shares would represent economic value but not voting rights. The group agreed that the Stakeholder Representative Forum (SRF) would

recommend directors to councils, though final appointments would require council approval. Concerns were raised regarding director quality and reporting mechanisms, which were addressed by confirming that councils would maintain significant involvement in setting board expectations.

Water Services Organisation Structure Plan

The Water Services Delivery Plan and shareholding structure for a proposed water services organisation was discussed. Ms Baddeley explained that the Class A and Class B share structure provided equal control to Western Bay and Tauranga City Council (TCC), which was advantageous given they would not be paying dividends in the near future (and unlikely in the long-term) due to high debt levels and investment needs. The discussion also covered potential benefits of including additional councils, noting that scale would improve capital access and management capabilities. The working group had confirmed their recommendation for no dividends and equal voting rights between the councils on key decisions.

10.41am Cr Coxhead entered the workshop.

Water Service Delivery Options Discussion

The discussion focused on options for water service delivery, including a potential joint multi-council Council Controlled Organisation (CCO) and a standalone option. Ms Baddeley advised that while a joint CCO would be in the best interests of the community based on criteria such as cost, sustainability, and regulatory compliance, the council also had the option to proceed with a standalone CCO. She highlighted that this would require amending and resubmitting the Water Service Delivery Plan, consulting with the community, and potentially facing financial pressures. The group also discussed the possibility of including Thames-Coromandel District Council (TCDC) in the joint CCO, though timing and regulatory considerations were noted as challenges.

Multi-Council CCO Water Implementation

There was further discussion on the implementation of a multi-council CCO for water services. Ms Baddeley explained that while there was a regulatory requirement to reconsult with the public if the current WSDP was not implemented, the preferred option remained the multi-council CCO based on strategic objectives. The discussion addressed concerns regarding cost implications, with questions around the impact on ratepayers over the next five years. It was clarified that while costs would still increase, the multi-council approach would slow the rate of escalation compared to continuing as a standalone entity. The group also discussed governance considerations, with concerns expressed in relation to maintaining rigor in board control and corporate intent. Finally, there was discussion about asset management, particularly regarding grinder pumps in Maketū, and the need for clear plans to address these issues.

11.24am The workshop adjourned.

11.43am The workshop reconvened

Commercial Terms SheetDue Diligence Review

The workshop discussed due diligence items for a proposed multi-council CCO between two councils. The discussion centered primarily on stormwater services, with some members expressing strong opposition to transferring stormwater management to the new water organisation, citing concerns about coordination challenges and local control. The group clarified that the decision to transfer stormwater services had been made in August 2025 and was now part of the Water Services Delivery Plan. Changes would require consultation and potentially significant costs. The workshop agreed to continue reviewing the draft commercial terms, with plans to potentially break the discussion into smaller sections for the 24 March Council meeting.

Water Organisation Structure Review

Recommendations from a Joint Working Group regarding the structure and operations of a new water organisation were reviewed. Key discussions included stormwater asset allocation (4% rural, 96% urban), director appointments (up to five directors with a skills matrix), and the two-class share structure (Class A for voting rights, Class B for ownership). The group also reviewed the Stakeholder Representative Forum (SRF) composition, which would include three members from each council and three from Tangata Whenua, though concerns were raised about representing large water users and potential future council additions. Several items were identified for further discussion, including Tangata Whenua potential shareholding and specific consultation requirements with large water users through the statement of expectations.

12.29pm Deputy Mayor Murray-Benge left the workshop.

Stakeholder Representative Forum Structure Discussion

The group discussed options for the Stakeholder Representative Forum structure, agreeing to move toward option A which allowed for "one or more elected members" while ensuring at least one expert representative. They clarified that while an independent chair could be appointed in the future if needed, any such appointment would require council approval due to cost considerations and would be reserved for situations where mediation was not sufficient. The conversation ended with agreement to organise the upcoming debate on 24 March under the main headings rather than debating individual items separately, which would help streamline the discussion and allow for focused debate on any contentious points.

Water Organisation Governance Recommendations

Members focused on reviewing recommendations from the Joint Working Group regarding the structure and governance of a water organisation. Key decisions included maintaining joint and several liability for guarantees under Local Government Funding Agency (LGFA) arrangements, setting board meeting frequency at monthly with options for more frequent meetings, and establishing a bi-monthly representative forum. The group agreed on specific matters requiring unanimous shareholder approval, including adding

new shareholders, liquidation, amalgamations, and removal of anti-privatisation clauses. They also decided to keep the special resolution threshold at 75% and discussed the appropriateness of this threshold for director removal, ultimately concluding that the current 51% requirement under the Companies Act was sufficient.

12.58pm The workshop adjourned.

12.58pm Cr Dinsdale left the workshop.

1.33pm The workshop reconvened.

Water Organisation Governance Structure Review

The Councillors reviewed and discussed various options relating to the structure and governance of a water organisation, including the frequency of revisiting representative forum functions, ring-fencing considerations, and shareholding arrangements. Key decisions included removing an option to revisit the representative forum function during an election cycle and agreeing that only councils would hold Class A shares, though Tangata Whenua expressed disagreement with this decision. The group also discussed the need to revisit certain "park and return" items before the Council meeting scheduled 2 April and agreed to include additional anti-privatisation clauses in the shareholder agreement.

Direction and Actions	Responsible
The following changes were sought in relation to the Commercial Terms Sheet: <ul style="list-style-type: none"> • 17 - Could this be changed to Option (x) rather than Option (a) – want clarity that it was 1 or more EM and that this did not preclude appointing an expert advisor. • 20 - Needed to be clear that Council's made the final decisions. • 32 - Option (x) rather than Option (b). 	Programme Director – Water Organisation and Programme Manager – Water Organisation Establishment

- | | |
|---|--|
| <ul style="list-style-type: none">• 36 – Look at possibility of adding dividends to the list.• 37 – Reword consensus option to reflect actual wording used in Option a.• 41 – Check whether it should it be Option (a) instead of Option (c).• 42 – Suggested that (ii) was removed from the list as it removes crossover with election cycles.• 43 – Check whether it should Option (b) be Option (x).• 45 – Note that this was not a consensus decision but a majority.• Change heading of Schedule B to reflect content.• Check that it was a biannual revaluation of assets. | |
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This workshop discussion concluded at 3.05pm

COUNCIL WORKSHOP

DATE:	Tuesday 17, March 2026 at 12.55pm
HELD:	Council Chambers
TOPICS:	1. Local Waters Done Well
GENERAL MANAGER RESPONSIBLE:	M Taris (Interim Chief Executive)
FORUM MEMBERS PRESENT:	Mayor J Denyer, Councillor S Beech, Councillor Coxhead, Councillor G Dally, Councillor R Joyce, Councillor D Dinsdale, Councillor G Elvin, Councillor A Sole, Deputy Mayor M Murray-Benge and Councillor L Rae.
STAFF IN ATTENDANCE:	A Curtis (General Manager Regulatory Services), M Potton (Acting General Manager Corporate Services), A Henderson (Programme Director – Water Organisation), B Singh (General Manager Infrastructure Services), A King (Programme Manager – Water Organisation Establishment), E Wentzel (Chief Engineer), R Garrett (Governance Manager), H Wi Repa (Governance Systems Advisor) and R Leahy (Senior Governance Advisor).

Local Waters Done Well

The Programme Director – Water Organisation, supported by the Programme Manager – Water Organisation Establishment, provided an overview of the purpose of the workshop. The workshop primarily focused on negotiations between councils regarding water infrastructure and funding arrangements and reviewing the due diligence reports.

SUMMARY OF KEY TOPICS**Update on Joint Working Group discussions**

Mayor J Denyer provided an update to Council on the discussions between WBOPDC and TCC regarding water infrastructure and funding arrangements. The councils had agreed to go with net asset value on the Class B shares. The Commercial Terms sheet had been agreed. The main point of contention related to TCC's request to link access to water services with funding for non-water infrastructure projects, which WBOPDC was unlikely to agree to. Councillors agreed to maintain their position that water services should be handled separately from other infrastructure. A key meeting between the Mayor Denyer and Mayor Drysdale was scheduled to discuss these issues further.

1:10pm Mayor J Denyer left the workshop and Cr R Joyce assumed the role as Chairperson for the remainder of the workshop.

Water Organisation Proposal

The discussion focused on the water organisation and due diligence processes. An update was provided on the progress regarding a potential multi-council CCO, including meeting the expectations from the Minister of Local Government to look towards working with TCDC. The discussion highlighted ongoing negotiations about infrastructure planning and the importance of proper planning for future development.

Stormwater Service Transfer

The proposal includes stormwater services transferred from Council to the CCO. Concerns were raised about stormwater management, some Councillors questioned why stormwater services would be transferred and expressed concerns about coordination with roading projects. It was clarified that rural stormwater services and assets would be retained by Council. There was a need to determine the specific delineation point between Council and CCO responsibilities for stormwater management.

Due Diligence ReportsOverview of Due Diligence Reports for Asset Management, Operations and Stormwater (AMOS), Legal, and People and Workforce

They reviewed the due diligence findings regarding the proposal for joint water services organisation with TCC, which showed there were no material issues for the above reports preventing the partnership. Key risks identified included workforce capacity concerns, particularly regarding an aging workforce. The team also discussed the need for a prioritisation framework to address future project funding.

Emergency Preparedness and Planning

Discussion was held on emergency preparedness for the water organisation, with the importance of maintaining emergency management capabilities in the new organisation emphasised. It was clarified that during emergencies, the council would retain control of response operations (in accordance with the required legislation) while the water organisation would function as a utility's provider.

Legal Due Diligence

Legal due diligence revealed there were no material legal red flags for establishing the water organisation on the matters discussed, though there were some known risks around contract novation, property access, and development contributions. It was noted that

Council would need to transition from financial contributions (FinCOs) to development contributions and then potentially development levies as required by new legislation, with this change taking effect in July 2028.

2.29pm The workshop adjourned.

2.42pm The workshop reconvened.

3.00pm Cr Coxhead left the workshop.

CEO Selection Process/Joint Committee and Board Appointments

The process for selecting a new CEO for the water entity was explained. The selection panel interviewed four candidates from 50 applications and identified a preferred candidate, though specific details about the candidate were not disclosed due to privacy considerations.

A new joint committee structure had been confirmed, which would consist of 9 members (3 members from each council and 3 iwi representatives), the committee only had delegation to make recommendations to the Council. This includes matters such as the SOE, appointments to the Board, and review of the performance of the board.

Water Organisation Transition Timeline

Staff addressed the need for a temporary office space for 1-2 years while a longer-term solution was found. The transition timeline for the water organisation was clarified; the transfer agreement date was likely to be March 2027. Key staff to support the establishment would be appointed as a project team, with some key permanent appointments in advance of "go live", and general operational staff would not be transferred until the "go live".

Waiāri Discussion

Discussion was held on the Waiāri Stream consent, it was clarified that WBOPDC held a 25 per cent share of the joint consent with TCC. There were cross boundary issues between WBOPDC and TCC, particularly regarding infrastructure and costs. There was a desire

to separate the water discussions from other cross-boundary infrastructure related matters. The need for a framework that ensures joint planning and fair cost sharing was discussed.

Direction and Actions	Responsible
<p>The following actions were requested:</p> <ul style="list-style-type: none"> An options paper would be prepared for the Water CCO Board appointments that showed multiple candidates rather than a single recommendation. 	<p>Programme Director – Water Organisation and Programme Manager – Water Organisation Establishment</p>

This workshop discussion concluded at 4:23pm.

9.2 WATER ORGANISATION ESTABLISHMENT – DUE DILIGENCE

File Number: A7097881

Author: Ariell King, Programme Manager – Water Organisation Establishment

Authoriser: Adele Henderson, Programme Director – Water Organisation Establishment

EXECUTIVE SUMMARY

Western Bay of Plenty District Council (Council), in partnership with Tauranga City Council (TCC), is progressing work to establish a Multi-Council Water Organisation (WO) under the Government's Local Water Done Well (LWDW) reform programme. With a planned "go live" date of 1 July 2027, the programme aims to ensure sustainable, high-quality, and well-planned water services across the sub-region.

This report presents the findings from three key due diligence streams, legal, people and workforce, and asset management, operations and stormwater (AMOS), and recommends actions to support the transition to a joint Water Organisation.

RECOMMENDATION

1. That the Programme Manager – Water Organisation Establishment report dated 24 March 2026 titled 'Local Water Done Well – Due Diligence' be received.
2. That the report relates to an issue that is considered to be of medium significance in terms of Council's Significance and Engagement Policy.
3. That Council notes the contents of the due diligence reports for legal, people and workforce and AMOS (asset management, operations and stormwater).
4. That Council accepts that no issues or risks were identified in the above reports which jeopardise the feasibility of proceeding to establish a joint Water Organisation with Tauranga City Council.
5. That Council notes that implementation actions recommended by the due diligence reports will be incorporated into the forward work programme, if Council decides to proceed with establishing of a joint Water Organisation with Tauranga City Council.
6. That Council notes **Attachment 1** will not be transferred to the public, as it is legally privileged, however, also notes that a redacted version is available as **Attachment 2** to this Council report.
7. That Council approves for **Attachment 3** to be transferred into the open once workforce negotiations are completed.

BACKGROUND

1. Western Bay of Plenty District Council (Council), in partnership with Tauranga City Council (TCC), is progressing the establishment of a Multi-Council Water Organisation (WO) in response to the Government's Local Water Done Well (LWDW) reform programme. The WO has a 'go live' date of 1 July 2027.
2. Council endorsed the Multi-Council Water Organisation Summary Plan (including Due Diligence) on 14 November 2025. This plan sets out the approved approach to complete the necessary steps to establish the WO. It was prepared based on the Commitment Agreement between the two councils and the approved Water Service Delivery Plans (WSDP).
3. As part of completing work outlined by the Summary Plan, staff have completed due diligence work, looking at legal, people and workforce, AMOS (asset management, operations and stormwater) and finance matters relevant to the establishment of the proposed WO.
4. The focus of the due diligence process was to identify issues that would materially jeopardise the successful establishment of a joint WO. It was not intended to identify and capture all issues, only those which would impact on the successful establishment and operation of the proposed WO.
5. This paper presents the legal, people and workforce and AMOS due diligence reports (joint TCC and WBOPDC documents). It is on the Council agenda for 24 March 2026 alongside three additional Local Water Done Well reports which: provide a project update; present the proposed commercial terms; and present the financial implications of establishing a WO. The financial due diligence report is provided as part of the wider Council report addressing financial implications. These four reports, when considered holistically, progress establishment work and provide a comprehensive project update on the work completed to establish the WO.

SIGNIFICANCE AND ENGAGEMENT

6. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
7. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
8. In terms of the Significance and Engagement Policy this decision is considered to be of medium significance. This is because, although the decisions of this report have little direct impact on the delivery of services and Council budgets, passing

the recommendations of this report sends a strong message to the community that there are no fundamental legal, people and workforce or AMOS due diligence issues that would jeopardise the successful establishment of the proposed WO.

9. The decisions recommended by this report are the next step in progressing the establishment of the proposed WO, with the final decision regarding whether to proceed or not scheduled for 2 April 2026.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

10. Consultation on the decision to establish the proposed multi-Council Water Organisation was undertaken in March/April 2025. No further consultation is required on the decisions recommended in this report.

LEGAL DUE DILIGENCE

11. No significant issues were identified that would jeopardise the establishment of a joint WO with TCC.
12. The Legal Due Diligence Review Paper (Legal DD) is provided as confidential **Attachment 1** to this report, with a redacted public version provided as **Attachment 2**.
13. The purpose of the Legal DD was to identify and highlight any significant legal risks that may jeopardise the successful establishment of a joint WO with TCC. The Legal DD is separate to the proposed commercial terms, which will form the basis of the WO's founding documents (Shareholders' Agreement and Constitution) for the proposed WO. The proposed commercial terms are provided for consideration by a companion report also being presented at this 24 March 2026 Council meeting.
14. The Legal DD focussed on four key areas:
 - i. Water service and construction contracts: Whether key contracts could be transferred to the WO.
 - ii. Live or likely legal claims: Existing or emerging litigation risk tied to water assets.
 - iii. Water infrastructure property arrangements: Whether the WO can access and operate assets and land.
 - iv. Development and financial contributions: Alignment of Council practices with new legislative framework.
15. A transfer agreement will be developed to guide the transition of water services from Council to the proposed WO. This agreement will be the primary vehicle for managing the transfer of contracts, legal claims and property ownership from Council to the WO. TCC will also enter into a transfer agreement with the proposed WO.

Water service and construction contracts

16. Both Councils (WBOPDC and TCC) have a number of existing contracts which will likely need to transfer to the proposed WO. As part of the Legal DD, 12 existing contracts were reviewed (see Attachment 1, Schedule 1 for further detail). This was a random sample selection only, not all existing contracts.
17. No significant issues were identified. The contracts were generally based on industry standards (with special conditions as required). Many include clauses enabling Council to novate them to the WO without first needing the contractor or consultant's consent. Those contracts without an automatic right to novate, will still be able to be novated providing the relevant contractor or consultant agrees to the novation. It is recommended that for these contracts, early engagement occurs leading up to the 'go live' date of 1 July 2027.

Legal claims

18. Subject matter experts at WBOPDC and TCC completed a legal claims risk summary (see Attachment 1, Schedule 2).
 - Part A of Schedule 2 summarises the live or likely legal claims in relation to TCC water infrastructure.
 - Part B of Schedule 2 summarises the live or likely legal claims in relation to WBOPDC water infrastructure
19. Each Council identified one live or likely legal claim. If further claims (or risks of claims) arise before the 1 July 2027 'go live' date, staff at each council have been advised to disclose this.
20. Overall, it was determined that neither of the two identified legal claims poses a material risk to the establishment of the proposed WO.

Property arrangements

21. Review of the Local Government (Water Services) Act 2025 (the Act) provides WOs with extensive rights to access land not owned by the WO for the purpose of carrying out water services operations. This includes processes for providing owners with notice, accessing Māori land, and accessing land in an emergency.
22. Ownership of WBOPDC land used for water services purposes will be considered on a parcel-by-parcel basis as part of developing the transfer agreement. As a general principle, and as per Council resolution, the ownership of land used for stormwater purposes will remain with Council, although exceptions may be made on an individual basis. Council and TCC can give the WO a general right of access to land owned by the respective councils.
23. Regardless of where land ownership sits, with the WO, Council or a third party, the Act gives surety to WOs that they will be able to gain access for water services operations, and no property concerns were identified as part of the due diligence process.

Development and financial contributions

24. Both Council and TCC collect funds from developers to assist in meeting the costs of delivering water infrastructure for new developments. The Councils use different approaches to collecting funds.
- WBOPDC uses financial contributions, under the Resource Management Act 1991 (the RMA).
 - TCC uses development contributions, under the Local Government Act 2002 (the LGA).
25. There are three primary considerations, for WBOPDC, TCC, and the proposed WO.
- i. Replacement legislation for the RMA is currently at the Select Committee stage and is expected to become law later in 2026, meaning that councils which use financial contributions will need to transition to development contributions under the LGA. This primarily affects WBOPDC, who will need to move from a financial contributions policy to a development contributions policy regardless of whether the WO is established, or not.
 - ii. Longer-term, there is a proposal to replace the development contributions mechanism in the LGA with a new development levies mechanism, but this is not expected to become law in 2026 and is unlikely to become operative until 2028.
 - iii. WOs can only use development contributions. However, it is expected that WOs (along with councils) will need to transition to development levies upon this mechanism replacing development contributions around 2028.
26. In summary, based on the current proposals for replacement legislation, WBOPDC will need to transition to development contributions, and at a future point (possibly from 2028) both Councils and the WO will need to transition to development levies. However, this transition process is not considered to be a substantial issue from a due diligence perspective and is work that will likely need to be undertaken regardless of whether the WO is established, or not.

PEOPLE AND WORKFORCE DUE DILIGENCE

27. The People and Workforce Due Diligence Paper (People DD) provides a summary of current staff numbers within each organisation (TCC and WBOPDC), and outlines assumptions and considerations, risks and opportunities and next steps,
28. It is a confidential document as the information it contains refers to people's employment conditions and future employment opportunities. The full document is provided as Attachment 3 and access is restricted to authorised staff and elected members only, with this attachment to be circulated outside of the agenda system. The People DD paper does not consider individual roles or future organisational design.

29. Planning for a smooth transition for existing staff to the proposed WO will be an important part of ensuring its success for two reasons.
- Both Councils have water service workforces which hold significant intellectual property, due to low staff turnover rates and length of tenure. Providing a smooth transition for staff to the WO will assist the retention of this intellectual property and protect levels of service for the community.
 - The Local Water Done Well reform programme requires planning for sustainable water services and, given the growth projected for the sub-region, this is reflected in an ambitious capital programme for coming years. Delivering this successfully will require retention of business knowledge and current staffing levels.
30. No significant issues were identified that would prevent WBOPDC from progressing to establishment of the WO. Key takeaways:
- Estimated total number of staff for the proposed WO is 213.
 - Most staff impacted will be no worse off.
 - Further work is required to understand the final impacts on corporate and support services staff.

ASSET MANAGEMENT, OPERATIONS AND STORMWATER DUE DILIGENCE

31. The Asset Management, Operations and Stormwater Due Diligence report (AMOS DD) focussed on identifying any significant issues that may fundamentally jeopardise the successful establishment of a joint WO. The complete AMOS DD is provided as Attachment 4.
32. The DD exercise considered 10 areas, asking a series of questions under each. A traffic light system was used to highlight areas of concern (green = no concerns, orange = some concerns/uncertainty but a funded solution exist, red = further action required). The responses to these questions are presented at the traffic light level below, with Attachment 3 providing additional details and commentary for each question.

Asset management

33. Both Councils have a well-developed approach to asset management, and there is a reasonable level of confidence that long-term financial forecasts are robust. WBOPDC identified risk relating to project definition and scope, which may result in budget changes. TCC carries risk regarding funding for condition assessments on water supply infrastructure and the ability to fund the desired level of delivery for growth.
34. Critical assets which carry higher levels of risk are the Katikati Outfall Pipe (WBOPDC) which is failing prematurely and may need future budgeted expenditure to be brought forward, and the Chapel Street Wastewater Treatment

Plant which needs structural improvements (TCC). Both these risks are understood, documented and planned for.

Question	WBOPDC	TCC
1. Has the new dam safety legislation been complied with? Are there risks around dam safety?	Yellow	Green
2. Are all projects in the Asset Management Plan funded in the Long-Term Plan?	Yellow	Yellow
3. How often are Asset Management Plans updated and are they up to date?	Green	Green
4. What are the Asset Management Maturity levels? And what are the major improvements identified?	Green	Green
5. Is adequate provision made for the replacement of existing assets?	Green	Green
6. How well does the organisation measure and report on the condition and performance of its assets?	Yellow	Green
7. What is the situation with the Katikati Outfall failing and the plan to address the issue?	Yellow	N/A
8. What are the asset issues with the Chapel Street Wastewater Treatment Plant and does that hold any risk in delivering the services?	N/A	Yellow
9. Is industry best practise followed when compiling Asset Management Plans?	Green	Green

Operational performance

35. WBOPDC has issues relating to water loss and inflow and infiltration (I&I) but programmes are in place to address this over time. TCC has a high level of operational performance.

Question	WBOPDC	TCC
1. Are we meeting the level of service set out in our AMPS?	Yellow	Green
2. How does our performance compare to industry norms and best practice?	Yellow	Green

Compliance

36. Both Councils achieve high levels of compliance and no issues were identified.

Question	WBOPDC	TCC
1. Are we meeting regulatory compliance?		
2. Do we have the necessary consents in place to fulfil our mandate?		
3. Are there any consents that have been applied for but not granted?		
4. Do the new Wastewater standards raise any concerns?		
5. Has water safety been an issue over the last 3 years?		
6. Can we meet the sufficiency requirements for drinking water?		
7. Are we meeting the Drinking Water Standards Compliance criteria?		

Operational resilience / emergency management

37. Both Councils have current Emergency Response Plans but these will need to be aligned ahead of moving to a joint WO and, as part of this process, revisited to ensure they align with current risk appetite. Moving forward, emergency management processes, and linkages and relationships with the two councils, need to be clarified prior to the proposed 'go live' date of 1 July 2027.

Question	WBOPDC	TCC
1. What incident and emergency management plans do Councils have in place?		
2. How are the plans currently managed, and are they related to other processes?		

Capability to manage the impacts of growth

38. Growth is a major driver of investment for both Councils. An ongoing challenge for the WO will be to prioritise investment once its debt cap is reached and it is suggested that the two Councils work together to develop an investment framework.

39. There are issues emerging around access to infrastructure funded and constructed by the Councils. A separate paper is being presented to the Councils which considers how capital funding, debt and operational costs/funding may be

managed in these areas. This work is part of the Council paper 'Local Water Done Well – Financial Implications' which is a companion report to this paper.

Question	WBOPDC	TCC
1. Have we adequately made provision to meet growth expectations?	Yellow	Yellow
2. Are there any cross-boundary issues with services to support growth?	Yellow	Red
3. Does Council hold Environmental Bonds?	Green	Green
4. Does Council have any Specialised Development Projects?	Green	Green
5. Are there Development Agreements in place that need to be honoured by Council/the CCO?	Green	Green

Key relationships

40. Both Council and TCC have strong existing relationships with Iwi and Hapū and a comprehensive stocktake has been completed by each Council to identify and document these relationships. It is planned to complete further work on how these relationships will be managed by the WO, based on the principle of maintaining Tangata Whenua participation, engagement and arrangements, with existing commitments and practices either retained or bettered during, and following, the transition to a WO.

Question	WBOPDC	TCC
1. What are the current relationships arrangements with Iwi and Hapū in place in the 3 Waters environment?	Green	Green
2. What is the situation with Land Drainage?	Green	Green

People resourcing and capability

41. Recruitment is an issue in the water industry at a national level and new staff often need on-the-job training to meet skills requirements. It is vitally important for both Councils to retain their workforces over the transition period leading up to establishment of the proposed WO. This is discussed further in the People and Workforce Due Diligence paper (see Confidential Attachment 2).

Question	WBOPDC	TCC
1. Provide comment on our ability to deliver services in the short to medium term.	Yellow	Green
2. What are the staff pathways and or staff off-ramps?	Green	Green

Current service contracts

42. This area is identified as low risk with a joint (TCC and WBOPDC) long-term contract in place which has provisions to allow for novation to the proposed WO.

Question	WBOPDC	TCC
1. Do we have the necessary service contracts (Major O&M only) in place to fulfil our mandate?		

Land transfer

43. Council and TCC has decided that, as a general rule, the ownership of land used for stormwater purposes will remain with Council (with exceptions to be made on a case-by-case basis). There is significant work required to develop a transfer agreement which will, amongst other things, allow for the transfer of land ownership to the WO at the individual land parcel level.

Question	WBOPDC	TCC
1. Do we foresee any issues with land associated with stormwater, wastewater and water network?		

Risk assessment

44. A strategic level risk register was developed and is provided as Attachment 3, Appendix A. A key takeaway from this risk review is the importance of retaining competent staff to ensure maintenance of compliance, health and safety and programme delivery.

Question	WBOPDC	TCC
1. What are your key Water Services risks?		
2. What are the risks if the AMP's are not current?		
3. Can we deliver on our Capital programme?		

RECOMMENDED ACTIONS

Due diligence topic	Actions / points to note
Legal	<ul style="list-style-type: none"> • As part of developing the transfer agreement: <ul style="list-style-type: none"> ○ arrange for the direct novation of contracts to the WO where this is enabled. Identify contracts with no novation

Due diligence topic	Actions / points to note
	<p>clauses and commence early engagement with the relevant contractors/consultants.</p> <ul style="list-style-type: none"> ○ work with the WO and third party claimants to agree on which (if any) liabilities related to legal claims are transferred to the WO. ○ assess Council owned land parcels on an individual basis to consider whether ownership should transfer to the WO. <ul style="list-style-type: none"> ● Note that WBOPDC has work to complete to manage the transition from financial contributions to development contributions, ahead of the WO 'go live' date of 1 July 2027.
People and workforce	<ul style="list-style-type: none"> ● Appoint Chief Executive and commence recruitment of Chairperson and partial Board. ● Develop and confirm pathways for staff transfer to the proposed WO, including identifying transferring corporate/support staff roles. ● Develop and consult with staff on an organisational chart for the WO. ● Develop a change management and communications plan focussed on supporting staff through the establishment phase leading up to 1 July 2027. ● Engage with the Union regarding the current Collective Employment Agreements and an agreement for the WO. ● Decide which digital platform will be used as the Human Resource Information System (HRIS) to ensure operational readiness by 1 July 2027.
AMOS	<ul style="list-style-type: none"> ● It is recommended that the following are addressed in the Statement of Expectations for the WO: <ul style="list-style-type: none"> ○ Guidance on growth expectation to meet Councils growth expectations and ensure alignment between programmes ○ Direction to ensure that growth pays for growth ○ Set expectations around Council cross boundary arrangements, including funding and approvals required from the respective Councils.

Due diligence topic	Actions / points to note
	<ul style="list-style-type: none"> ○ Set expectations around emergency preparedness and involvement in emergency response ○ An investment prioritisation framework to ensure there is alignment on investment program. ○ Councils risk appetite for emergency response and climate change. ● Note that if, in the future, another organisation wishes to join the WO, it is recommended that they complete a similar AMOS due diligence report.

ISSUES AND OPTIONS ASSESSMENT

Option 1 (RECOMMENDED)

45. Approve the recommendations of this report, including:

- Accepting that no issues or risks were identified in the Legal, People and Workforce and AMOS Due Diligence papers which jeopardise the feasibility of proceeding to establish a joint Water Organisation with Tauranga City Council.
- Approving implementation of actions recommended by this report, subject to Council deciding to proceed with establishment of a joint Water Organisation with Tauranga City Council.

Advantages	Disadvantages
<ul style="list-style-type: none"> ● Allows for the project to progress to the next stage, the decision of whether to proceed with establishment of the proposed WO. ● Provides direction regarding next steps and actions, allowing staff to continue work, subject to the 2 April 2026 decision. ● Recognises the subject matter expertise of the staff and consultants who have prepared the due diligence reports. 	<ul style="list-style-type: none"> ● None identified.

Option 2 (Not recommended)

46. Do not approve the recommendations of this report. The advantages and disadvantages of this option are the converse to option 1.

STATUTORY COMPLIANCE

47. The matters in this report form part of Council's overall response to the government's Local Water Done Well reform programme and associated legislation. There are no specific statutory compliance matters to be considered in respect of this report.

FUNDING/BUDGET IMPLICATIONS

48. The financial implications of establishing a WO are discussed in the accompanying 24 March 2026 Council report 'Local Water Done Well – Financial Implications'. This report also includes consideration of a Financial Due Diligence paper.
49. An update on establishment costs is provided by the accompanying 24 March 2026 Council report 'Local Water Done Well – Project Update'.

ATTACHMENTS

1. **Local Water Done Well – Legal Due Diligence Report – Confidential**
2. **Local Water Done Well – Legal Due Diligence Report – Redacted** [↓](#) 
3. **Local Water Done Well – People and Workforce Due Diligence – Confidential**
4. **Local Water Done Well – AMOS Due Diligence Report** [↓](#) 

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REDACTED VERSION

LWDW Legal Due Diligence Review Paper

Background

1. Tauranga City Council (“**TCC**”) and Western Bay of Plenty District Council (“**WBOPDC**”) are undertaking due diligence and establishment planning for a proposed joint Water Organisation (“**WO**”) under the Local Government (Water Services) Act 2025 (the “**Act**”) to deliver water services (the “**Project**”).
2. To identify and understand any significant risks arising from the Project that either Council may face, staff have undertaken a due diligence process. This particular paper summarises the outcome of a legal due diligence review on the Project.
3. We emphasise upfront that staff have been instructed to take a light-touch approach to due diligence, with the mantra “do not over-cook but do not over-look” approach, focusing on major red flag issues. So, this has not been a fulsome “leave no stone unturned” due diligence exercise.
4. This paper summarises the following aspects of the Project:¹
 - a. Water service contracts / water construction contracts that TCC and WBOPDC respectively have entered into that may be “inherited” (in some way or another) by the WO.
 - b. Live or likely legal claims in relation to any water infrastructure.
 - c. Water infrastructure property arrangements.
 - d. Policies regarding development contributions or financial contributions.

Contracts Transferring from Councils to WO

5. This section considers water service contracts / water construction contracts that TCC and WBOPDC respectively have entered into that may be “inherited” (in some way or another) by the WO.
6. We reviewed a sample of water service / water construction contracts. The purpose of this review was to test whether there are likely to be any difficulties in novating or assigning the relevant contracts to the proposed WO, and also to identify any other “red flags”.

¹ Note that this paper does not address resource consents and other regulatory compliance matters for water infrastructure. These are not being addressed in this paper on the basis that the AMOS workstream’s due diligence will cover RMA abatement notices etc, and also in line with the “don’t over-cook” approach.

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7. A synopsis of our review is contained at Schedule 1. Based on the contracts we have reviewed (which is basically a random sampling), key points include:
- a. The significant water infrastructure construction contracts are generally on the industry standard NZS 3910:2013 terms, with amendments.
 - b. The water infrastructure service/consultant contracts are generally on industry standard CCCS (Fourth Edition) terms, with amendments.
 - c. Some framework agreements are in place (covering both construction and consultancy work). These framework agreements contain novation provisions enabling the Council to novate.
 - d. In terms of defects liability:
 - i. For construction contracts, the defects liability period is generally consistent with the industry standard 12 months from practical completion.
 - ii. Service / consultancy contracts do not generally have a defects liability period (which is consistent with industry standard). Instead, where there are design faults this would need to be addressed via legal claims (typically negligence and/or breach of contract).
 - e. Regarding the prospect of novating contracts:
 - i. The standard 3910 template terms and the standard CCCS template terms do not include an automatic right to novate (or assign). Therefore, if either Council has entered contracts without amending the relevant template terms (and there are a number of such contracts), then any novation or assignment will need to be negotiated. We do not expect any major issues in being able to negotiate any novation or assignment.²
 - ii. Some of the construction contracts entered by the Councils (particularly TCC) do permit TCC to assign / novate contracts "provided that such assignment or novation is not to the detriment of the Contractor". For those contracts, the contractor is obliged to execute a deed of novation / assignment on terms required by TCC.
 - f. Generally, the contracts define the relevant Council as including "executors, administrators, successors and assigns".³ However, the WO will not automatically qualify as the "successor" of the relevant Council merely because the WO is created. Instead, proactive steps will need to be taken to novate or assign the

² In a worse-case scenario, in the unlikely event that a novation cannot be negotiated, then it may require TCC / WBOPDC to remain involved as the point of contact with the contractor.

³ Or otherwise include a separate enurement clause.

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specific contract so that the WO legally assumes the Council's contractual position.

8. **Overall, our review of the sample contracts provided to us has not raised any significant due diligence “red flags”.**
9. The contracts reviewed are generally industry standard (with special conditions). Many include clauses that will enable Council to novate without needing to negotiate the terms of novation. Where the contracts do not include any such provision, we anticipate that the negotiation process can be managed through early engagement and communication with the relevant contractors / consultants during the “transfer agreement” phase of LWDW.

Live or Likely Legal Claims

10. Subject matter experts from TCC and WBOPDC have completed the legal claims risk summary enclosed at Schedule 2.
 - a. Part A of Schedule 2 summarises the live or likely legal claims in relation to TCC water infrastructure.
 - b. Part B of Schedule 2 summarises the live or likely legal claims in relation to WBOPDC water infrastructure.
11. TCC and WBOPDC's subject matter experts have identified one live or likely legal claim respectively, as set out within Schedule 2.⁴ We have requested that those experts advise if additional claims / risks arise before responsibility is transferred to the WO.
12. In due course (likely during the “transfer agreement phase” of the transition to a WO between June 2026 and June 2027) the parties will need to consider how responsibility for legal claims / legal risks are transferred out of the Councils and into the WO.⁵ During this phase, the parties can finalise whether liability for live / likely claims should remain with the relevant Council or whether it would be appropriate for any such claims to be transferred to the WO. Regarding the prospect of transferring responsibility for legal claims from a Council to the WO, it is worth noting the following:
 - a. The WO will be unable to “assume” responsibility for the Council in any claims without the third party claimant's agreement. In the absence of such agreement, liability to the third party remains with the Council. However, the Council and the WO may agree that, as between themselves, the WO will be liable to the Council for any liability the Council has to the third party.

⁴ Through the financial ring-fencing of both Councils, it is currently anticipated that the associated costs will still be the responsibility of each Council.

⁵ We note there is a real risk that the litigation claimants continue to claim against TCC / WBOPDC (as applicable) following the transfer of responsibility to the WO, particularly where an alleged cause of action (whether it be negligence or breach of contract etc) arose prior to the WO's assumption of responsibility.

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- b. In theory, the liability that could be transferred from the Council to the WO includes (1) known actual liability, (2) known potential liability (e.g. where a claim has been made but is disputed or where a claim is merely threatened), and (3) unknown potential liability (e.g. a future claim not presently known about).
- c. However, it seems to us that where the amount of liability is known or can be estimated with reasonable accuracy – likely to be categories (1) and (2) in the previous paragraph – then the liability could properly be transferred to the WO on the basis that the WO “knows what it is getting”. Where there is unknown potential liability – say category (3) – the parties could agree a mechanism to determine where liability should ultimately lie, depending on the nature of the claim if and when it arises, for example, whether the claim is connected with the WO’s ongoing operations (which would suggest WO liability) or purely historic (which may suggest Council liability).

13. Overall, the live and likely legal claims information provided to us has not raised any significant due diligence “red flags”.

Water Infrastructure Property Arrangements

- 14. Before the Government released the draft legislation that became the Act, there was some speculation about how the WO would be able to access land owned by the Councils in order to undertake water service operations. There had been discussion about whether it would be necessary to subdivide relevant parcels of land; grant extensive leases to enable the WO to occupy land; remove “Reserves Act” status from land; novate to the WO all easements in gross in favour of Council across private land (where water infrastructure is located); and grant the WO an extensive network of easements across Council-owned land.
- 15. However, upon review of the Act, it became clear that the above steps would not be necessary to enable the WO to undertake water operations. Instead:
 - a. The Act provides WOs⁶ with extensive rights to enter land (i.e. land that is not owned by the WO) to carry out work.⁷ This includes detailed processes for providing owners with notice (and giving owners a chance to set reasonable conditions); accessing Māori land; and accessing land in an emergency. It also includes a process for escalating to the District Court any refusals to grant access, or unreasonable conditions for access.
 - b. In addition to the Act’s processes, the Councils will also have a wide discretion to enter any of the agreements mentioned at paragraph 14 above as the Councils deem appropriate.

⁶ As well as Territorial Authorities.

⁷ See sections 159 to 182 of the Local Government (Water Services) Act 2025.

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16. In light of the above:

- a. **Whatever property arrangements exist for waters infrastructure, we are confident that the WO will be able to gain necessary access to the relevant property in order to undertake water service operations.**
- b. Consistent with the light-touch “don’t over-cook” approach to due diligence, we have not undertaken any substantive review of the property arrangements for waters infrastructure as part of this due diligence process. During the “transfer agreement” phase of establishing the WO, the Councils can consider what (if any) parcels of water-infrastructure land they wish to transfer to the WO.
- c. All parcels of waters-related land⁸ will be put under the microscope during the “transfer agreement” phase (between mid-2026 and mid-2027) to assess whether it is best for the Council to transfer or retain the land (and if the decision is to retain the land, what arrangements will need to be put in place). An example of land that a Council might wish to transfer to the WO could be a parcel of land upon which a pump station is located, and which is used for no other purpose than waste-water treatment.

Policies regarding development contributions or financial contributions

17. TCC and WBOPDC use different mechanisms to claim funds from developers in relation to their developments:

- a. WBOPDC uses financial contributions under the Resource Management Act 1991 (“RMA”).⁹
- b. TCC uses development contributions under the Local Government Act 2002 (“LGA”).¹⁰

18. The RMA is in the process of being replaced by two Bills that were introduced to Parliament in December 2025 and are expected to become law prior to November 2026.¹¹ Based on those Bills, Councils (including WBOPDC) will no longer be able to use financial contributions. Instead, WBOPDC¹² will be required to use development contributions under the LGA. It is worth noting that the “RMA replacement” Bills are at

⁸ Along with buildings located on the relevant parcels of land.

⁹ These contributions are a planning tool used to offset or mitigate specific environmental or community impacts of a development, often through money or land where effects cannot be fully addressed on site.

¹⁰ These are re charges used by councils to ensure new development pays for the additional infrastructure it requires, rather than those costs falling on existing ratepayers.

¹¹ Known as the Planning Bill and the Natural Environment Bill.

¹² And any other Councils that currently use financial contributions.

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the “Select Committee” stage¹³ and may change prior to becoming law. But based on the current Bills, there is no transition or replacement regime for financial contributions.

19. Looking further ahead, the Government has also proposed to replace the development contributions mechanism under the LGA with a new development levies mechanism. This proposal is captured in an exposure draft of the Local Government (Infrastructure Funding) Amendment Bill that was released in November 2025. Further information on this proposal will become clear in due course (specifically when this Bill is introduced to Parliament, which has not yet occurred). But this proposal is unlikely to become law in 2026.
20. Regarding WOs and the topic of development contributions, the Act (that is, the Local Government (Water Services) Act 2025) only allows WOs to use development contributions and not financial contributions. In due course, when development contributions are phased out of the LGA and replaced by development levies, we anticipate that WOs will also need to move to a development levy system.
21. Based on what we know at this point in time (acknowledging the uncertainty of future legislation and any future changes) the upshot is that:
 - a. After the RMA is replaced (later in 2026), WBOPDC will need to move from financial contributions under the RMA to development contributions under the LGA.
 - b. Thereafter, at an unknown point in the future, both TCC and WBOPDC will need to move from development contributions under the LGA to development levies under the relevant replacement legislation.

We note that the above will apply regardless of whether or not the councils decide to proceed with the establishment of WO.

 - c. WOs will have no ability to use financial contributions. Instead, WOs can use development contributions and (in due course, when development contributions are phased out for Councils) we expect WOs to have an ability to use development levies.

22. In summary, for WBOPDC there will be some work to manage the transition from financial contributions to development contributions. In due course, for both Councils (plus the WO) there will be some work to transition from development contributions to development levies. However, **we do not consider this future transition process raises any significant “red flags” from a due diligence perspective.**
23. In the event further information is required on the topic of financial contributions and development contributions, reference can be made to the financial due diligence report.

¹³ After which the Bills will proceed for a second reading, third reading and royal assent.

Schedule 1: Water Related Contract Review

Schedule 1, Part A: TCC Contract Review

Contract overview [REDACTED]	Agreement date [REDACTED]	Defects liability period	Novation clause in favour of TCC	Other comments
		N/A	Yes: - Clause of the Framework Agreement 8.5 enables Council to novate the Framework Agreement to “any council-controlled organisation of the Tauranga City Council or to any other publicly-owned entity appointed from time to time during the Contract term”. - Clause 12.9 of the CCCS forming part of the Framework Agreement allows Council to assign or novate “provided that such assignment or novation is not to the detriment of the Consultant”.	This is a framework agreement, so not only would this need to be novated, but in addition any work orders / specific contracts entered under the framework would also need to be novated.
		12 months from the date of Practical Completion (this is contained within the 3910 forming part of the Framework Agreement	Yes: - Clause of the Framework Agreement 8.5 enables Council to novate the Framework Agreement to “any council-controlled organisation of the Tauranga City Council or to any other publicly-owned entity appointed from time to time during the Contract term”. - Clause 2.8.1 of the 3910 forming part of the Framework Agreement enables Council novate “provided that such assignment or novation	This is a framework agreement, so not only would this need to be novated, but in addition any work orders / specific contracts entered under the framework would also need to be novated.

Contract overview [REDACTED]	Agreement date [REDACTED]	Defects liability period	Novation clause in favour of TCC	Other comments
			is not to the detriment of the Contractor..." - Clause 28 of the ECI terms within the Framework Agreement enables Council to novate.	
		12 months from the date of Practical Completion.	Yes. Clause 2.9.1 states: "... The Principal may assign or novate all or any part of its rights and/or obligations under the Contract provided that such assignment or novation is not to the detriment of the Contractor. The Contractor must, within 10 Working Days of request by the Principal, duly execute, in triplicate, a deed of novation or assignment in the form required by the Principal."	NZS 3910 form of construction contract (TCC template, with contractor negotiations)
		12 months from the date of Practical Completion.	Yes. Clause 2.9.1 states: "... The Principal may assign or novate all or any part of its rights and/or obligations under the Contract provided that such assignment or novation is not to the detriment of the Contractor. The Contractor must, within 10 Working Days of request by the Principal, duly execute, in triplicate, a deed of novation or assignment in the form required by the Principal."	NZS 3910 form of construction contract (TCC template, with contractor negotiations)
		12 months from the date of Practical Completion.	No. Only standard assignment clause 2.9.1 (TCC template amendment not included) that reads "Neither party shall assign the whole or any part of	NZS 3910 form of construction contract (TCC template, with contractor negotiations)

Contract overview [REDACTED]	Agreement date [REDACTED]	Defects liability period	Novation clause in favour of TCC	Other comments
			the Contract without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed".	
		12 months from the date of Practical Completion.	Yes. Clause 2.9.1 states: "... The Principal may assign or novate all or any part of its rights and/or obligations under the Contract provided that such assignment or novation is not to the detriment of the Contractor. The Contractor must, within 10 Working Days of request by the Principal, duly execute, in triplicate, a deed of novation or assignment in the form required by the Principal."	NZS 3910 form of construction contract (TCC template, with contractor negotiations)
		N/A (this is a consultant contract not a construction contract)	No. As far as I can see, neither the Framework Agreement, nor the Services Order contained a clause enabling TCC to novate. Instead, the CCCS 2009 would apply (and these do not contain a novation or assignment right either). However, it is noteworthy that in 2021 the parties did novate the Framework Agreement (in favour of Beca, from one Beca company to another).	This is a Consultancy Services Order under a Framework Agreement (12 June 2014) CCCS Consultancy Contract (TCC template, with consultant negotiations)

Schedule 1, Part B: WBOPDC Contract Review

Contract overview [REDACTED]	Agreement date [REDACTED]	Defects liability period	Novation clause in favour of TCC	Other comments
		52 weeks from practical completion	No. Only standard assignment clause 2.9.1 that reads "Neither party shall assign the whole or any part of the Contract without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed".	NZS 3910:2013 form of construction contract (with contractor negotiations)
		52 weeks from practical completion	No. Only standard assignment clause 2.8.1 that reads "Neither party shall assign the whole or any part of the Contract without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed".	NZS 3916:2013 form of construction contract (with special conditions and contractor negotiations)
		52 weeks from practical completion (for each separable portion)	No. Only standard assignment clause 2.9.1 that reads "Neither party shall assign the whole or any part of the Contract without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed".	NZS 3910:2013 form of construction contract (with special conditions and contractor negotiations)
		52 weeks from practical completion	No. Only standard assignment clause 2.9.1 that reads "Neither party shall assign the whole or any part of the Contract without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed".	NZS 3910:2013 form of construction contract (with special conditions and contractor negotiations)
		52 weeks from practical completion	No. Only standard assignment clause 2.9.1 that reads "Neither party shall assign the whole or any part of the Contract without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed".	NZS 3910:2013 form of construction contract (with special conditions and contractor negotiations)

Schedule 2: Legal Claims Risk Summary - REDACTED

Schedule 2, Part B: WBOPDC live or likely legal claims in relation to any water infrastructure - REDACTED



AMOS Workstream

Due Diligence Report

Final

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Executive Summary

This report presents the findings of the Asset Management, Operations and Stormwater (AMOS) due diligence undertaken by **Tauranga City Council (TCC)** and **Western Bay of Plenty District Council (WBOPDC)** to support the establishment of a proposed joint Water Services Organisation (WSO) under the Local Government (Water Services) Act 2025. The due diligence was intentionally light-touch, focused on identifying material risks or “red flags” at a governance and strategic level rather than operational detail.

Overall Conclusion

No material issues were identified that would prevent a successful transition to a WSO. Both Councils have mature systems, processes, and plans in place to manage water services and are broadly meeting statutory, regulatory, and service-level obligations. Key risks are well understood, documented in Asset Management Plans (AMPs), and largely covered by existing or planned mitigation measures.

While both councils have mature, functional asset management in place, the risk appetite that drives asset management, and the asset management methodology are different. No assessment has been made on the impact of applying each system to the other organisations’ assets. Alignment in the methodology will be recommended to the Water Organisation.

Asset Management

Both Councils commissioned external reviews of their Asset Management Plans and practices. These reviews focused on different elements and are therefore not comparable. Both reviews achieved a high score. Both Councils also had an external review completed to assess if it passes the investment sufficiency test and the outcome of that informed the Water Services Delivery Plan. Long-term financial forecasts are considered robust, and renewal strategies are generally appropriate given the relatively young age of most assets.

Key issues identified include:

- Budget sufficiency risks, particularly for condition assessments and investigation work.
- Some critical asset risks, notably the Katikati outfall pipeline (WBOPDC) and structural/seismic risks at the Chapel Street Wastewater Treatment Plant (TCC). These asset risks were identified through interviews, and a specific asset register has not been compiled that identifies this risk.
- The AMPs are a response to the individual Council’s risk appetite. No work was done to understand the impact of a change in risk appetite.

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- Although all new infrastructure is designed with climate change and resilience in mind more work needs to be done to understand the WBOPDC risk.

Operational Performance

Service levels are largely being met across water supply, wastewater, and stormwater, with non-performance generally limited to isolated events or non-urgent response times.

- WBOPDC faces challenges with water loss, infiltration and inflow, and wastewater compliance at specific plants, with upgrade programmes already in place.
- TCC demonstrates strong operational performance with high compliance and comparatively low water losses.

Compliance and Regulatory Matters

Both Councils maintain a high level of compliance with drinking water and wastewater standards. Known non-compliances are actively managed and funded through current or planned capital programmes. No imminent consent expiry risks were identified that would materially affect service delivery, and upcoming network consent requirements (including wastewater overflows) are considered achievable within required timeframes.

Resilience and Emergency Management

Emergency response and business continuity plans are in place for both Councils, with staff trained to support Civil Defence and Emergency Operations Centres. Alignment of plans, roles, and responsibilities will be required for the WSO, and service-level agreements with the Councils are recommended to ensure continuity from day one.

Growth, People, and Delivery Capability

Growth is a significant driver of investment, particularly for TCC. While funding constraints limit the timing of some growth areas, both Councils have planning frameworks and collaborative workstreams in place to manage cross-boundary growth pressures. Given the significance of the investment in growth, it is essential that appropriate cost-recovery models are established to ensure growth is ring-fenced.

Currently the Councils are in discussions on access arrangements for water infrastructure in the eastern corridor related to the Bell Road Fast Track proposal, and at Waikite Road. There are philosophical differences in the positions of the Councils. Given the timelines of the Fast Track it is likely that in respect of the Bell Road

development, this will have reached some conclusion by the time the WO is established. Given that the matter may occur in other locations the Councils may want to provide direction, particularly with respect to funding for ring fenced assets, through the SOE.

Resourcing pressures exist across the sector, but current teams are considered capable of delivering business-as-usual services and capital programmes in the short to medium term, subject to careful workforce planning during transition.

Key Takeaway

The AMOS due diligence provides confidence that asset management, operational performance, compliance, and resilience arrangements are fit for purpose, with no material barriers to establishing a Water Services Organisation (WSO). The primary risks relate to workforce capacity, funding alignment with growth expectations, and ongoing asset data and condition improvements—all of which are known, manageable, and already being addressed.

It is recommended that Council consider similar parameters when assessing future partners for a CCO.

Issues to consider in SOE

It is suggested that Council consider giving direction to the Water Organisation on the following through the Statement of Expectation (SOE):

- Guidance on growth expectation to meet Councils growth expectations and ensure alignment between programmes
- Direction to ensure that growth pays for growth
- Set expectations around Council cross boundary arrangements, including funding and approvals required from the respective Councils.
- Set expectations around emergency preparedness and involvement in emergency response
- An investment prioritisation framework to ensure there is alignment on investment program.
- Councils risk appetite for emergency response and climate change.

Background

1. Tauranga City Council (“**TCC**”) and Western Bay of Plenty District Council (“**WBOPDC**”) are undertaking due diligence and establishment planning for a proposed joint Water Services Organisation (“**WSO**”) under the Local Government (Water Services) Act 2025 (the “**Act**”) to deliver water services (the “**Project**”).
2. To identify and understand any significant risks arising from the Project that either Council may face, staff have undertaken a due diligence process. This paper summarises the outcome of due diligence in the Asset Management, Operations and Stormwater (“**AMOS**”) technical environment review on the Project.
3. We emphasise upfront that staff have been instructed to take a light-touch approach to due diligence, with the mantra “do not over-cook but do not over-look” approach, focusing on major red flag issues. So, this has not been a fulsome “leave no stone unturned” due diligence exercise.
4. This paper summarises the following aspects of the Project
 1. Asset Management
 2. Operational Performance
 3. Compliance Matters
 4. Operational Resilience / Emergency Management
 5. Capability to manage Growth Impacts
 6. Key Relationships
 7. People Resourcing and Capability
 8. Current Service Contracts
 9. Known Legal Issues
 10. Risk assessment

Purpose

The purpose of the due diligence phase of this project is intended to:

- Ensure that there are no material surprises that could adversely affect the WOs financial position or service levels, especially across districts.
- Establish a common base of evidence for establishment activities to progress.
- Provide decision makers (Councillors) with confidence by providing transparency.
- The focus of due diligence is on Governance and strategic risk and not operational matters.

Exclusions

The purpose of this document is not to cover establishment matters and therefore excludes implementation risks. In some cases, risks were identified as part of this due diligence that need to be mitigated during establishment, and those have been covered in the report.

It is noted that the water Industry will have to transform over time to improve efficiencies and resilience, this report does not consider that as it will be a challenge for all delivery options.

Approach

The approach was to utilise existing information and reports to do a self-assessment. Council's subject matter experts have reviewed the self-assessment and have raised concerns where appropriate. The status was agreed upon by reaching consensus between the project team members that had representation from both Councils. A summary is provided for the respective focus areas with detailed responses to questions after that.

The following traffic light system was utilised to highlight areas of performance or concern.

Traffic light	Status
	No concerns have been identified
	There are some concerns or uncertainty but regarded immaterial / or there are adequate mitigation plans and strategies in place to deal with this concern
	Concerns have been identified that need further action. This may need a decision at due diligence, or it will be considered during the establishment phase

Key Links / Documents

Appendix A - AMOS Due Diligence Risk Register

Appendix B - WBOPDC Major Resource Consents

Appendix C - TCC Major Resource Consents

1. Asset Management

Both Councils have Asset Management Plans in place that scored an “Intermediate” score which is indicative that there are a clear articulation of most asset management practices and a reasonable confidence that long term financial forecasts are robust and that decision making is sound. Concerns were raised by both Councils on budget sufficiency. For WBOPDC the risk is around project definition and scope that may lead to budget changes. For TCC the risk is around funding for condition assessments on water network infrastructure and the desire to grow faster than budget allows.

Some concerns were raised about critical assets, and these concerns are well documented and planned for in the AMP’s. The Katikati Outfall Pipe is failing prematurely and there is a strong likelihood that expenditure in the WBOPDC LTP needs to be accelerated. Structural concerns were raised with the Chapel Street Wastewater Treatment Plant and work is ongoing to understand the risk and costs for mitigation.

Both Councils have ongoing projects around dam safety. WBOPDC has raised concerns around the Waihi Beach and Raymond Dams and the cost to mitigate the risks for these assets.

Question 1: Has the new dam safety legislation been complied with? Are there risks around dam safety?			
<p>Western Bay</p> <p>Design is underway for decommissioning of the Waihi Beach Earth Dam to meet new dam safety legislation. It has been identified that more funds will be required than that budgeted in the LTP to complete this project. Confirmation of required budget is expected mid 2026 calendar year. Project is expected to take 24 months to complete.</p> <p>Other Dam structures have been assessed and are compliant. Silt and debris need to be removed from the Raymond Dam and work is underway to design an alternative methodology to drain the dam.</p>		<p>Tauranga City Council</p> <p>TCC identified and reported to BOPRC all classifiable dams under the new dam legislation and is now in the process of putting the ongoing management procedures in place.</p> <p>There were no immediate actions identified to improve dam safety.</p> <p>In addition, TCC is following up with dams, which are not classifiable dams, but inadvertent dams (e.g. road embankments) and could have similar risks.</p>	

		Responsibility for these will sit with the respective asset owner (e.g. Transport).	
Question 2: Are all projects in the AMP funded in the LTP?			
<p>Western Bay</p> <p>A portion of lower-risk capital projects included in the LTP are currently not supported by formal business cases or equivalent scoping support documentation. Without clearly defined scope, objectives, and cost assumptions, these projects carry a higher likelihood of:</p> <ul style="list-style-type: none"> • Under- or over-budgeting, due to insufficient early analysis • Scope creep or delivery challenges, stemming from unclear problem definition • Inconsistent prioritisation <p>Strengthening scope documentation for all projects—regardless of size—would improve cost confidence and programme planning.</p> <p>It is the Asset Management Team’s view that the budgets allocated for condition assessments, network investigations, and performance monitoring are below what is required to support proactive asset management. Limited funding in this area can lead to:</p> <ul style="list-style-type: none"> • Reactive decision-making, as assets are not routinely monitored 		<p>Tauranga City Council</p> <p>When the last LTP was prepared it was financially not feasible to service all desired growth areas within the 10-year horizon (e.g. Te Tumu and Keenan Road UGA). However, there is an ongoing desire to look at opportunities to find funding for the servicing of these UGAs. There is a general mismatch between desired growth and what is expected under the urban Development Policy and what can realistically be afforded.</p> <p>There are areas for TCC Waters assets where funding for condition assessments are not at an acceptable level. These are especially for water supply pressurised trunk main pipe network assets (steel, PVC and AC material types). Investigations are underway to determine the level of budget required to perform these specialised condition assessment investigations.</p>	

<ul style="list-style-type: none"> • Reduced accuracy in renewal forecasting, increasing the risk of premature failure or inefficient renewals • Inability to build a long-term evidence base, which weakens future LTP and AMP inputs <p>Recently, Council has taken positive steps by increasing capacity to improve asset data and service-level monitoring. However, additional budget will be required to enable this role to be fully effective and to deliver a more proactive and data-driven asset management approach.</p> <p>The recent establishment of the Capital Investment Committee (CIC) will address some of these gaps by improving front-end shortfalls, alignment, and financial confidence. It is expected that this will be addressed this calendar year however until the committee's processes are fully embedded, some variability in project quality and cost confidence is expected.</p>			
<p>Question 3: How often are Asset Management Plans updated and are they up to date?</p>			
<p>Western Bay</p> <p>Asset Management Plans are formally reviewed on a three-yearly cycle, aligned to Council's Long-Term Plan (LTP) process. This ensures that every LTP is supported by a refreshed set of AMPs containing updated levels of service, demand forecasts, asset condition data, and financial projections.</p> <p>In addition to the three-yearly review, asset managers also undertake annual reviews through the Annual Plan</p>		<p>Tauranga City Council</p> <p>The AMPs are published every 3 years in alignment with the LTP. The review of the AMPs starts after publication and signoff of the AMP version. All the sections of the AMPs are reviewed to align with updated assumptions, renewals and development planning and budget forecasts. After consultation with stakeholders and the community, Council take decisions on what projects and strategies should be implemented for the next ten years</p>	

<p>process. These annual reviews primarily focus on identifying new or emerging issues—such as regulatory changes, unexpected asset failures, or shifts in growth patterns—and adjusting budgets where necessary. However, while budgets may be amended annually, the AMPs themselves are not typically updated to incorporate all these changes. This results in a gap between operational realities and documented asset information until the next full three-year review.</p> <p>The main reason AMPs are not refreshed annually is resourcing constraints. Asset management teams often operate with limited capacity while carrying a wide range of operational and strategic responsibilities. These typically include:</p> <ul style="list-style-type: none"> • Managing growth and development inputs • Supporting and managing consent requirements • Coordinating with finance and planning teams • Project management of key renewals or upgrades • Responding to operational issues or emerging risks • Preparing LTP, AMP, and audit documentation • Supporting strategic planning and policy development <p>Because of this broad workload, annual AMP updates often cannot be prioritised. In many councils, it would not be unreasonable to say that the bulk of structured asset management effort occurs in the 12–18 months leading up to the LTP</p>		<p>(LTP). The AMP are part of the LTP audit, and an audit opinion is provided on the total AMP and LTP process. After signoff and publication of the AMP document, a working copy of the AMPs are regularly updated with development and decisions where practically possible.</p> <p>The AMP documents are current and contain the 2023 Waters Valuation figures and estimates and budgets changes by Council up to March 2024. Some changes to budgets have occurred since then were not significant and were not captured in the AMP documents.</p>	
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<p>This means that the AMPs are not under a state of continued improvement and progress of the asset improvement plans can at times be an afterthought especially for lower risk items identified in those plans.</p>			
<p>Question 4: What are the Asset Management Maturity levels? And what are the major improvements identified?</p>			
<p>Western Bay</p> <p>The following maturity levels have been assigned based on the asset management improvement assessment undertaken in accordance with the maturity criteria outlined in Section 4 of the 2020 International Infrastructure Management Manual (IIMM).</p> <p>Water Supply – 70 – Intermediate</p> <p>Wastewater – 70 – Intermediate</p> <p>Stormwater – 68 – Intermediate</p> <p>Common Improvements identified across AMPs include:</p> <ul style="list-style-type: none"> • Levels of Service (LoS) gap analysis and improvement actions All three reviews highlight the absence of clear variance explanations between current and target LoS and call for options, costs and risk trade-offs to close any gaps. This creates risk that budgets and programmes aren't aligned to agreed service outcomes. • Asset data quality & AMIS (Infor) integration Data quality and confidence are inconsistent including duplicate/missing assets. Improvement programmes to address data gaps and 		<p>Tauranga City Council</p> <p>The TCC 3Waters activities scored a score of 70 (Optimising level) in the 2022 ISO55000 Maturity assessment performed by Morison Low Ltd. That is just below the Excellent ISO maturity level.</p> <p>The AMP Improvement Plan is based on the asset management plan development, peer review and maturity assessment exercises. The improvement plan is focused on the improvement of AM systems, processes and practises. The progress with improvement plan projects and tasks is reported to the AM Steering Group.</p> <p>The Strategic Asset Management Plan (SAMP) is currently part of each AMP document but a Draft SAMP was developed for implementation with the next AMP version.</p>	

<p>inconsistencies have been a continued work in progress however weak data increases renewal/opex forecasting risk.</p>			
<p>Question 5: Is adequate provision made for the replacement of existing assets?</p>			
<p>Western Bay</p> <p>Council is making adequate provision for replacing existing assets. The peer reviews do highlight data quality issues and the need to improve how information is stored in Infor, but these gaps don't currently pose a major risk to renewal budgets as staff also rely on real-world evidence like service requests, asset failures, and industry-standard lifecycles when planning renewals.</p> <p>Most stormwater and wastewater assets are still relatively young—on average under 40 years old well under the industry standard for renewal —so there is no sign of a large “bow wave” of renewals coming soon. This gives Council time to keep improving data quality while still being confident that current renewal funding is generally appropriate.</p>		<p>Tauranga City Council</p> <p>The renewals budgets and forecasts are reviewed every 3 Years as part of the AMP review and development. The budgets are based on asset information in the Asset Management Information system IPS (Infor) and the renewals strategies in the Powerplan AIO renewals modelling software. The knowledge and experience of the operations and asset delivery teams are also incorporated in this budget development and review process. The AMPs form the business case for the renewal budgets and forecasts.</p> <p>TCC has been replacing assets in line with knowledge and performance of assets as captured in the Powerplan AIO system. Tauranga is a fairly young city and therefore the average asset age is quite young compared to other NZ cities and towns. The average weighted age for pipe networks is 25.4 years for water supply pipes, 30.4 years for wastewater pipes and 26.4 for stormwater pipes. The renewals expenditure ratio against depreciation is therefore quite low at this stage but that is currently changing due to the older pipe material types reaching the end of their expected life and the early deterioration experienced with some assets. The capacity upgrading of some assets due to growth requirements also play a</p>	

		<p>role in the early replacement of some assets e.g. pump stations and trunk main replacements.</p> <p>The data quality and confidence of asset information are assessed as part of AMP development and as part of the valuation exercise. For valuation purposes (2025) all reticulation and plant asset information were assessed as highly reliable with some buildings assets rated as reliable. WSP performed a data confidence assessment on TCC pipe assets and results for the 3 Waters are between 95.5% and 98.4% for the 3 Waters pipes assets.</p>	
<p>Question 6: How well does the organisation measure and report on the condition and performance of its assets?</p>			
<p>Western Bay</p> <p>WBOPDC measures and reports on asset condition and performance to a basic but workable standard, though improvements are clearly needed. The peer & internal reviews show that while some condition information is collected through operations, contractors, failures, and service requests, the formal reporting of condition and performance is limited, inconsistent across activities, and often based on incomplete data. Stormwater, Wastewater, and Water AMPs all note gaps in condition data, inconsistent or contradictory data confidence ratings, and limited performance analysis, including missing tables on non-performing assets and little explanation of trends or changes over time.</p> <p>As previously mentioned WBoPDC have recently hired staff to fill this gap however additional budget is required, to support that roles activities, and WBoPDC are currently working on an asset failure dashboard using</p>		<p>Tauranga City Council</p> <p>TCC annually perform a desktop condition assessment exercise to determine the condition of the 3Waters pipelines in terms of the remaining life for the pipes and networks. The Powerplan modelling and adjustment factors are incorporated in this exercise. CCTV condition assessments for the wastewater pipes and stormwater pipes are also performed to determine the condition of individual assets. 18% of wastewater mains and 13% of stormwater mains have had CCTV condition assessments performed. For water supply pressure mains and rising mains pipe samples are extracted and sent for testing by the WSP facility to facilitate renewals decision making. Work order data are captured in the Powerplan system and is part of the decision when renewals are considered.</p> <p>Performance data is also considered for assets like water meters, backflows, membrane filters and other</p>	

<p>real-time information from Downer, this is expected to be implemented this March and gaps if any can be identified prior to the next LTP.</p> <p>Despite these gaps, the organisation still maintains a practical understanding of asset performance through day-to-day operations, customer feedback, and staff knowledge, which helps guide renewals and maintenance. However, to reach best practice, improvements in data quality, system integration, and more structured condition and performance reporting are needed and are already included in the AMP improvement plans. Overall, current measurement and reporting are adequate for present needs but require continued improvement to support future decision-making with higher confidence.</p>		<p>mechanical and electrical assets e.g. pumps, motors etc. A condition assessment exercise to determine the condition of structural civil assets e.g. concrete structures, tanks and wet wells at treatment plants are also underway. Building assets are condition assessed as part of a rolling condition assessment programme and renewal programmes and budgets are developed based on this information.</p>	
<p>Question 7: What is the situation with the Katikati Outfall failing and the plan to address the issue?</p>			
<p>Western Bay</p> <p>The Katikati Wastewater Treatment Plant disposes of treated effluent through a +- 12km pipeline into the ocean east of Matakana Island. The original pipeline was installed by a local dairy company in 1978 and later vested to WBOPDC in 1986, who subsequently tied in a connection from the new Katikati WWTP in 1999. Since 2018 six leaks have occurred on the pipeline, with two of those occurring in the last 6 months. Recent consultation with community working groups have confirmed a replacement pipeline to be the preferred disposal option. While the solution will be consulted on through the upcoming LTP, works have begun on design and</p>		<p>Tauranga City Council</p> <p>NA</p>	

<p>consenting of a new pipeline and funds are already included in the current LTP budget.</p> <p>Ongoing communication with the Regional Council has indicated they are satisfied that WBOPDC is taking all reasonable steps to repair breaks as quickly as possible, while prioritising the replacement of the pipeline.</p>			
<p>Question 8: What are the asset issues with the Chapel Street Wastewater Treatment Plant and does that hold any risk in delivering the services?</p>			
<p>Western Bay</p> <p>NA</p>		<p>Tauranga City Council</p> <p>Chapel Street Wastewater Plant Building resilience issue:</p> <p>The Chapel ST WWTP was investigated initially due to concerns with water ingress in the wet well area. On investigation the study was expanded to include a geotechnical and structural/seismic assessment of the treatment plant buildings. The result of the investigations required the remediation of weather tightness on both the buildings. The geotechnical study found possible lateral displacements of one metre and that may result in the wet well uplifting or tilting with severe consequences to the buildings. The detailed seismic investigation recommended significant strengthening to the buildings and structures. The concept cost estimation amounted to \$9.6 to \$10.1 million. The report was delivered late in 2023. An amount in excess of \$11 million was included in the AMP and LTP budgets from 2026/27 onwards. The project scope will be refined and provide better clarity around budget requirements. This project is very likely to require additional budget.</p>	

Question 9: Is industry best practise followed when compiling Asset Management Plans?			
<p>Western Bay</p> <p>Yes, our Asset Management Plans (AMPs) are developed in alignment with recognized best practice standards. Specifically:</p> <ul style="list-style-type: none"> • Standards and Guidelines: The AMPs are prepared in accordance with the ISO 55000 Asset Management Standard and the International Infrastructure Management Manual (IIMM). • Audit and Peer Review: The AMPs are reviewed by the Office of the Auditor-General (OAG) as part of the Long-Term Plan (LTP) audit process. <p>Continuous Improvement: The AMPs were last peer reviewed in 2023, recommendations from the peer review have been partially implemented, with others in progress. These actions are documented in the AMP Improvement Plans to ensure continuous improvement.</p>		<p>Tauranga City Council</p> <p>The AMP documents are developed in alignment with the ISO55000 AM Standard and the International Infrastructure Management Manual (IIMM) which are replaced by the Apopo Guidelines for a New Zealand context. The AMP documents are reviewed by OAG as part of the LTP Audit and have received positive feedback as part of this process during November 2023. Most of the improvements proposed during the previous Peer Reviews conducted in 2019 have been implemented in the 2024 –34 AMP documents. It was decided not to perform a peer review on the 2024 AMPs due to developments with the Waters CCO and the changing legislative landscape around asset management in the Local Government Waters industry e.g. the requirements of the Commerce Commission and the Water Services Act, 2025. The Value for Money approach of the new TCC Council was also considered in the decision not to perform peer reviews.</p>	

2. Operational Performance

Water loss and I&l is a problem on some of the Western Bay networks, but programmes are in place to address that in the long run. Missed performance targets were mostly related to non-urgent water related activities. The non-performance in the Wastewater area has been addressed by infrastructure upgrades and an improvement in the current year is foreseen.

TCC has achieved a high level of compliance and non-performance is related to a low number of events.

Question 1: Are we meeting the level of service set out in our AMPS?			
<p>Western Bay</p> <p><u>Water Supply</u> For the 2024/25 financial year, 4 of the 8 performance measures were not achieved. Missed resolution targets for non-urgent water jobs were primarily due to increased weekend workloads. To manage workforce fatigue and maintain safety standards, non-urgent tasks were deferred to normal working hours, which contributed to not meeting the annual target. This operational approach, agreed with the contractor, will be reviewed and monitored to better support future performance outcomes. Commentary on drinking water losses, consumption and compliance are provided separately in relevant sections of this report.</p> <p><u>Wastewater</u> For the 2024/25 financial year, 2 of the 5 performance measures were not achieved. Katikati Wastewater Treatment Plant continues to experience non-compliance with the Total Nitrogen 12-month rolling mean and the Ammoniacal Nitrogen 12-month rolling 90th percentile. A Moving Bed Biofilm Reactor (MBBR) has been constructed</p>		<p>Tauranga City Council</p> <p><u>Water Supply</u> – nine of the eleven performance measures for customer levels of service in the AMP and LTP were achieved – 2024/25 Annual Report.</p> <p>Not achieved are:</p> <ul style="list-style-type: none"> - Percentage of residents who are aware of ways they can conserve water and have taken steps to do so – bar is set quite high at 85% - Total number of complaints about drinking water clarity, taste odour etc. – due to specific incident that triggered a high number of complaints <p><u>Wastewater</u> – All the performance measures for customer LOS were achieved (2024/25 Annual Report)</p> <p><u>Stormwater</u> – One of five performance measures not achieved. Council received one abatement notice due to a contractor maintenance activity. A new process has been put in place and cancellation of the abatement notice has been made by BOPRC.</p>	

<p>to address these issues. An abatement notice was also issued for the disposal field at the Maketu Wastewater Treatment Plant. Remediation work is underway.</p> <p><u>Stormwater</u> All customer level-of-service performance measures for stormwater were achieved for the 2024/25 financial year (as reported in the Annual Report)</p>			
<p>Question 2: How does our performance compare to industry norms and best practice?</p>			
<p>Western Bay</p> <p>Te Puke, Omokoroa, Katikati and Waihi Beach each experience peaking factors of between three and five times average dry weather flow, which is within design tolerances. As with any network, extreme events can still overload the system. Katikati shows a stronger response to infiltration, and work is currently underway to investigate the cause. Waihi Beach presents a more complex situation, with low-lying areas that can become fully inundated during heavy rainfall, making prevention of direct inflow difficult and costly to address. Omokoroa is generally a well-performing network. Te Puke can experience inflow-type responses to rainfall, but not to an extent that has caused issues in the past.</p> <p>In 2024/25, reported water losses increased to 35.9% a similar result was recorded in 2023/24 FY, well above the five-year average of 22.6%, raising concerns that the increase may reflect data quality and process issues as much as actual physical losses in the network. In response, Council is taking a structured approach aligned with Water</p>		<p>Tauranga City Council</p> <p>The level of leakage for Tauranga City water supply network is extremely low in comparison to other water supply networks. The total non-revenue water loss result reported for 2024/25 was 15.1% (this is calculated from the difference between the total supplied water and the billed water as a % of the total supplied water). Total water loss includes losses—such as leaks, meter inaccuracies, and unbilled consumption. The real loss was 12.6%. This is the measure of the physical water losses due to pipe leakage; pipe breaks or reservoir overflows.</p> <p>There are areas in the network that do not conform to the minimum pressure level required – approximately 113 properties are below the pressure reference level (Taumata Arowai reporting) of 300kPa. This is based on hydraulic modelling which models the water supply under peak maximum demand summer flow conditions which does not reflect normal operating conditions.</p>	

<p>New Zealand’s Water Loss Guidelines, with an initial focus on improving the accuracy and reliability of water loss data. By strengthening metering, bulk flow measurement, and the recording of legitimate non-revenue water, Council aims to better understand the true drivers of water loss before implementing targeted demand management and loss-reduction initiatives, ensuring actions and investment are evidence-based and proportionate.</p> <p>Taumata Arowai reported in the 2023/24 National Environmental Performance Report that residential consumption data showed a national average of 614 L/connection/day. WBOPDC reported 374 L/connection/day. For water loss, Current Annual Real Loss (CARL) results showed a national average of 174 L/connection/day, and WBOPDC reported a CARL of 136 L/connection/day.</p>		<p>While not officially reported, TCC has very low inflow and infiltration in its wastewater network.</p>	
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3. Compliance Matters

A high level of compliance is being achieved by both Councils. Western Bay DC has had non-compliances for protozoa and has invested in treatment plant upgrades that will enable compliance in this year for all plants bar one. No significant non-compliances have been identified that are not already allowed for in future programs. Wastewater network consents will be required for both Councils, and the implementation date of December 2028 is achievable. The Katikati Outfall Pipe performance is of concern.

Consents are currently owned by the respective Councils and consideration should be given on how these consents will be transferred to the entity.

For more detailed information refer to the following questions raised during the assessment.

Question 1: Are we meeting regulatory compliance?			
<p>Western Bay</p> <p>In general, we are meeting regulatory compliance, however, we would like to highlight the following compliance challenges:</p> <p>Katikati WWTP - The 12-month rolling mean for Total Nitrogen and the 12-month rolling 90th percentile for Ammoniacal Nitrogen have been non-compliant since June 2023 and March 2024 respectively. An MBBR was commissioned in August 2025 to address these issues, and the plant is currently undergoing optimisation to resolve maintenance and operational challenges.</p> <p>Katikati WWTP outfall pipeline breakages are of concern as the discharge consent does not allow any treated effluent to be disposed of in the harbour as is the case in a pipe break. The pipe condition is discussed in more detail as part of question 7 under the Asset Management section.</p>		<p>Tauranga City Council</p> <p>For TCC water supply, we have been fully compliant across all resource consents, where reported data has been sent to Regional Council that has been non-compliant this has been evidenced as needed. TCC have not had any abatement notices for any of the water consents.</p> <p>TCC maintains a high level of compliance for stormwater and wastewater discharge consents issued by Bay of Plenty Regional Council (BoPRC).</p> <p>RC66823, RC63636, and RC65714 are the three Comprehensive Stormwater Consents (CSCs) that authorise the discharge of stormwater to the receiving environment. All three consents are currently compliant.</p> <p>In addition to the CSCs, TCC holds a number of smaller stormwater discharge consents that sit outside the CSC framework. These generally relate to smaller stormwater</p>	

<p>Maketu WWTP disposal field – persistent operational issues with the drip lines have led to an abatement notice being issued in 2024 and have contributed to continued non-compliance. Work to resolve these issues continues, with open communication maintained with the Regional Council. A project is underway to address the infrastructure challenges and is expected to be complete by Q3 2026</p> <p>Raymond Dam scour valve blockage – a result of cyclone Gabrielle, the scour valve is inaccessible as it is buried in 6m of soil sediment and tree branches. Work is ongoing to develop a methodology to remove the silt and debris safely, and an issues and options paper recommending approval of funding through the 2026–27 Annual Plan has been submitted.</p> <p>Comprehensive Stormwater Consents - repeated exceedances are being recorded across the district, primarily for <i>E. coli</i>, zinc, and copper, which are triggering ongoing investigations. Ambiguously worded consent conditions and, in some cases, impractical or difficult-to-achieve requirements are contributing to challenges in demonstrating compliance. We are working with Regional Council to overcome these issues.</p> <p>Pongakawa WTP – Plant has no protozoa barrier and does not achieve chlorine contact time. Upgrade to remedy this is scheduled to start in July 2026. Source is a deep bore / confined aquifer with very low risk of contamination.</p> <p>Discharge of the backwash filter water exceeds allowable limit. This is being addressed with retention tanks that will be part of the upgrades.</p>		<p>ponds that discharge directly to the receiving environment. With the exception of RC65958, which received a moderate non-compliance, all of these consents are compliant. A full list of these consents can be provided if required, or alternatively the annual CSC report, which contains further detail.</p> <p>TCC – Wastewater Consents</p> <p>Similar to stormwater, TCC has a high level of compliance across all wastewater consents.</p> <p>As a condition of consent for the Comprehensive Wastewater Consent (RC62878), TCC has recently completed a Monitoring Upgrade and Technological Review (MUTR). This is a substantial report, and the compliance section is detailed. A copy can be provided if required, as it addresses compliance matters in depth.</p> <p>The outcome of this report will be considered by the Wastewater Management Review committee and Council to consider the recommendations.</p>	
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Question 2: Do we have the necessary consents in place to fulfil our mandate?			
<p>Western Bay</p> <p>All activities are consented and there are no water take or wastewater discharge consents expiring in the near future.</p> <p>Water take consents are valid for the next 10 years or longer, and wastewater discharge consents for the next 20 years or longer</p> <p>The Ōmokoroa Comprehensive Stormwater Consent is due to expire in December 2027. A replacement consent application was lodged with BOPRC in 2023 and is currently under consideration. Both councils are working collaboratively to progress the application, and staff are not aware of any matters that would delay or jeopardise its approval.</p> <p>See Appendix B for consent expiry date list.</p>		<p>Tauranga City Council</p> <p>Water Supply – Water Take Consents – the existing water take consents and associated structures / discharge consents for the Tautau and Waiorohi streams are currently being applied for with a lodgement date in March 2026 to ensure the right to continue to take water until new consents are granted. The current water take consents expire in October 2026.</p> <p>Assessment of environmental effects confirms that amount of water, which can be taken from the stream is lower than currently consented, however the application for a re-consented amount for the Tautau will align with the maximum operational capacity of the Joyce Road plant and will be higher than the current maximum operational capacity at the Waiorohi. All the other activities for the water supply operation are covered by either individual consents or the global scour discharge consent.</p> <p>We have the required consents in place for both Stormwater and Wastewater activities. The Tauriko West Comprehensive stormwater consent was recently granted.</p>	

Question 3: Are there any consents that have been applied for but not granted?			
<p>Western Bay</p> <p>The Ōmokoroa Comprehensive Stormwater Consent is due to expire in December 2027. A replacement consent application was lodged with BOPRC in 2023 and is currently under consideration. Both councils are working collaboratively to progress the application, and staff are not aware of any matters that would delay or jeopardise its approval.</p>		<p>Tauranga City Council</p> <p>There are no consents that are currently being assessed.</p> <p>An application will be lodged for water takes. The early indication is that the new application will be to a similar volume of take and no significant problems are foreseen at this stage.</p>	
Question 4: Do the new Wastewater standards raise any concerns?			
<p>Western Bay</p> <p>A gap analysis has been completed comparing the new wastewater discharge standards against current wastewater treatment plant (WWTP) discharge consents and the quality currently being achieved (including planned upgrades). No material concerns were identified for treatment plants. WBOPDC current wastewater discharge consents are not expiring for another 14-28 years.</p> <p>For the network, Western Bay of Plenty District Council currently has no consented wastewater overflow points; however, Council will need to undertake a risk assessment and consent process to comply with the new standards by the required 2028 implementation date.</p> <p>Dry weather overflows are usually caused by fat or wipes blockages, not capacity issues.</p> <p>The January 2026 weather event caused multiple wastewater wet weather overflows across the network.</p>		<p>Tauranga City Council</p> <p>The TCC Biosolids Strategy is under review based on the requirements of the new Wastewater standards.</p> <p>There is no wastewater network discharge consent in place. Besides an overflow discharge location at each WWTP there are no open engineered discharge points.</p> <p>Inflow and infiltration are low across the TCC ww network. Overflows are usually caused by blockages caused by tree roots, fat build up and similar.</p> <p>The January 2026 weather event caused multiple wastewater wet weather overflows across the network.</p>	

Question 5: Has water safety been an issue over the last 3 years?			
<p>Western Bay</p> <p>No boil water notices or advisories have been issued over the past 3 years.</p> <p>Up until last year, none of the water treatment plants were achieving compliance for protozoa treatment or chlorine contact time. However, Taumata Arowai were satisfied with the risk management, and considered the supplies low safety risk. Plant upgrades completed at Waihi Beach, Athenree, Wharawhara, Muttons, Ohourere and Youngson Rd will enable protozoa compliance for the 2025/26 period. The Pongakawa WTP is still non-compliant for protozoa and upgrades are planned for Q3 2026 to make it compliant.</p>		<p>Tauranga City Council</p> <p>No water quality issues have been identified over the past three years. All compliance reports have been submitted to Taumata Arowai with full compliance for treatment and reticulation.</p> <p>Taumata Arowai have reviewed the Water Safety Plan for Tauranga City Council and notified opportunities for improvement were implemented.</p>	
Question 6: Can we meet the sufficiency requirements for drinking water?			
<p>Western Bay</p> <p>There have been no water restrictions put in place in recent years, and sufficient volume of water is available to supply existing customers and future growth.</p> <p>A new bore has recently come into production for Youngson WTP feeding Omokoroa. This has increased capacity by 45% in the central zone and secures demand requirements until 2038.</p> <p>Exploration is currently taking place for further ground water sources in Te Puke to expand production capacity by 45-50%. An outcome of the exploration is expected by 2027. On top of the exploration work, Council has unused consented take for 100% of our existing capacity.</p>		<p>Tauranga City Council</p> <p>TCC implemented the Water Watchers Plan, which was a proactive year round water restriction / conservation plan in November 2021 in response to a particularly dry three year period during 2019-2021. Since this time the Waiāri Water Supply Scheme was brought online and has been operating since December 2022. This provided additional resilience and once the reticulation network was upgraded and tested to supply additional water into the system, the need to continue restriction was lessened. Restrictions were kept in place until October 2025 after which they were lifted.</p>	

<p>In Katikati we are planning to expand our water source from a consented take in the mid 2030s. This will expand production 25–30%.</p> <p>Our current water sources provide sufficient capacity over and above current demand and allow for future growth.</p> <p>The supplies are also connected, which enables water to be transferred between neighbouring supplies and adds a layer of resilience.</p>		<p>The proposed take volumes in the new consent does make allowance for future growth and will cover the duration of the consent.</p>																	
<p>Question 7: Are we meeting the Drinking Water Standards Compliance criteria?</p>																			
<p>Western Bay</p> <p>Water Safety Plans are in place, however they are currently undergoing a major update following the upgrade of all WTPs late last year providing UV treatment along with fluoride for two of the plants.</p> <p>Protozoal and Bacterial Treatment Compliance for the 2025 FY are as follows:</p> <table border="1" data-bbox="353 895 1025 1233"> <thead> <tr> <th>Zone</th> <th>Protozoa</th> <th>Bacterial</th> <th>Distribution</th> </tr> </thead> <tbody> <tr> <td>Athenree</td> <td>None Met (0%)</td> <td>Partially met (42%)</td> <td>All met (100%)</td> </tr> <tr> <td>Katikati</td> <td>None Met (0%)</td> <td>Almost met (99.7%)</td> <td>All met (100%)</td> </tr> <tr> <td>Omokoroa-Minden</td> <td>None Met (0%)</td> <td>Partially met (15%)</td> <td>All met (100%)</td> </tr> </tbody> </table>	Zone	Protozoa	Bacterial	Distribution	Athenree	None Met (0%)	Partially met (42%)	All met (100%)	Katikati	None Met (0%)	Almost met (99.7%)	All met (100%)	Omokoroa-Minden	None Met (0%)	Partially met (15%)	All met (100%)		<p>Tauranga City Council</p> <p>TCC have a living Water Safety Plan that has been reviewed by the Regulator. TCC operates with a high level of compliance in all areas from catchment to reticulation. The plants run with full protozoal and bacterial compliance and the reticulation meets all of the DWQAR's requirements. TCC has a strong quality management approach that has the treatment system and Water Safety Plan audited against ISO9001 for Quality Management.</p>	
Zone	Protozoa	Bacterial	Distribution																
Athenree	None Met (0%)	Partially met (42%)	All met (100%)																
Katikati	None Met (0%)	Almost met (99.7%)	All met (100%)																
Omokoroa-Minden	None Met (0%)	Partially met (15%)	All met (100%)																

Pongakawa	None Met (0%)	Partially met (15%)	All met (100%)			
Te Puke	Partially met (25%)	Partially met (25%)	All met (100%)			
<p>Bacterial Compliance</p> <p><i>Athenree Zone:</i></p> <ul style="list-style-type: none"> Athenree WTP achieved 98% compliance rate, 2% non-compliance is attributable to data gaps. Waihi Beach and Tahawai WTPs did not achieve chlorine contact time due to the reservoir size. This risk is mitigated with the recent installation of UV. <p><i>Katikati Zone:</i></p> <ul style="list-style-type: none"> Wharawhara WTP achieved 99.7% compliance rate. 0.3% non-compliance is attributable to data gaps <p><i>Omokoroa-Minden Zone:</i></p> <ul style="list-style-type: none"> Youngson and Ohourere WTPs did not achieve chlorine contact time due to reservoir size. This risk is mitigated with the recent installation of UV. <p><i>Pongakawa Zone:</i></p> <ul style="list-style-type: none"> Pongakawa WTP did not achieve chlorine contact time due to reservoir size. This is an ongoing risk that will only be mitigated with the installation a UV later this year. <p><i>Te Puke Zone:</i></p>						

<ul style="list-style-type: none"> Muttons WTP did not achieve chlorine contact time due to reservoir size. This risk is mitigated with the installation of UV. <p>Protozoal Compliance</p> <ul style="list-style-type: none"> Muttons WTP achieved 25% compliance with UV treatment in place for a small time period. No other WTP had UV treatment installed, therefore achieved no protozoal compliance. <p>In the second half of 2025, UV was installed in Athenree zone, Katikati zone, Omokoroa-Minden zone and Te Puke zone, making all these zones now fully compliant for bacteria and protozoa treatment. Data gaps in the required continuous monitoring, as a result of comms issues related to the rural nature of the treatment plants, would be the only factor that may prevent 100% compliance at this stage.</p>			
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4. Operational Resilience / Emergency Management

Various plans are in place to ensure that the respective Councils can respond to emergencies. The plans cover a range of BAU operational events to declared emergencies. Both Councils have current Emergency Response Plans but there will be a need to align these plans for the new WSO. The recent events have highlighted the importance of these plans, and it is recommended that these plans be revisited to ensure that they are current and aligned with the current risk appetite. This work should form part of the establishment runway to ensure that the WO can respond to emergencies from day 1.

Both Councils have staff in place that are trained in Civil Defence and assist in EOC operations. It will be crucial that the new WO maintain this skillset, linkages and relationship with the respective Civil Defence groupings. Roles and responsibilities need to be clarified between the TA's and the WO.

The Governance and Administration Select Committee of Parliament is also proposing changes to the Emergency Management Bill. It is possible that relationships and responsibilities will be clarified through the proposed Act. It is recommended that a Service Level Agreement be entered into between the TA's and the WO to ensure that the Emergency Management skillset is maintained and that roles and responsibilities be clarified.

Question 1: What incident and emergency management plans do Councils have in place?			
<p>Western Bay</p> <p>Council has a range of incident and emergency management plans in place to ensure they can continue operating and keep communities safe during disruptive events. These typically include Emergency Response Plans, which outline how Council manages and coordinates its response to natural hazards and other emergencies; Business Continuity Plans, which ensure essential services can continue or be quickly restored; and Standard Operating Procedures (SOPs) that guide staff actions during specific incidents. These plans are reviewed</p>		<p>Tauranga City Council</p> <p>A City Waters Incident Response Plan in conjunction with Downer Ltd was developed (revised Sep 2025) and is activated when an emergency or similar event occurs.</p> <p>TCC also has a Business Continuity Plan in place if an event occur that trigger the need for business continuity e.g. a pandemic.</p> <p>The TCC Emergency Management Team will coordinate any emergency event if the TCC Emergency Management</p>	

<p>regularly and are closely linked to wider organisational processes, including Civil Defence arrangements, asset management, and operational risk management.</p> <p>A Waters Incident Response Plan in conjunction with Downer Ltd was developed (revised Sep 2025) and is activated when an emergency or similar event occurs.</p> <p>Water Services staff are trained to assist in an EOC to ensure that essential services are maintained and information flow between Operations and the EOC is maintained.</p>		<p>Team is activated by the Regional Emergency Management team.</p> <p>Following the recent event improvement opportunities have been identified that need incorporation in future plan updates.</p>	
<p>Question 2: How are the plans currently managed, and are they related to other processes?</p>			
<p>Western Bay</p> <p>The Water Services Emergency Response Plan was last updated in April 2025. Next scheduled update is April 2026. This plan covers all emergencies, but it should be noted that once a Civil Defence Emergency is declared the Emergency Management legislation is activated and the EOC Controller leads the response.</p>		<p>Tauranga City Council</p> <p>The Incident Response Plan is managed by TCC in conjunction with Downer Ltd. The Emergency response is managed by the TCC Emergency Management Team when they are activated to address an emergency event. The Incident Response Plan clearly identifies roles and responsibilities for the various incidents.</p>	

5. Capability to Manage Growth Impacts

Growth is a major driver in both Councils investment programme. Forty five percent of TCC capital investment over the next ten years will be on growth projects and for WBOPDC it is in the order of 25%. There is variability in the growth projections for both areas and that might impact on the growth pressures and or alter budget requirements. The challenge for the WO will be to prioritise investment once its debt cap has been reached and it is suggested that an investment framework be developed by the two Councils to direct the WSO in this regard. It should be noted that the WSO will be the plan taker and Councils the plan makers and the WSO will have to respond to the expectations sets by the Councils.

The TCC growth is mostly on the fringes of its area/ WBOPDC and there is an opportunity for regional planning and asset optimisation as agreed to in the Water Services Delivery Plan. Work is also underway to formalise a Regional Deal that will also provide direction on future growth and investment priorities. Agreement needs to be reached on a funding mechanism should WBOPDC need access to water from the Waiari scheme.

Question 1: Have we adequately made provision to meet growth expectations?			
<p>Western Bay</p> <p>Yes – we have made adequate provision to meet growth expectations. The LTP includes funding for all planned growth areas, delivered through a combination of AMP-identified capital projects (to meet increases in demand on the existing networks) and structure plan projects required to service specific greenfield growth nodes identified in the District Plan. These structure-planned areas, such as the Rangiuru Business Park, have defined infrastructure requirements in the District Plan, ensuring that the necessary water, wastewater and stormwater upgrades are planned and funded to support development progression.</p>		<p>Tauranga City Council</p> <p>There is sufficient budget in the LTP to service all zoned growth areas like Wairakei and Tauriko West and infill and intensification.</p> <p>However, when the last LTP was prepared it was financially not feasible to service all desired growth areas within the 10-year horizon (e.g. Te Tumu and Keenan Road Urban Growth Area). This included the cost for all services (Waters, Transport, and other Community facilities). However, there is an ongoing desire to look at opportunities to find funding for the servicing of these UGAs. There is a general mismatch between desired growth and what is expected under the</p>	

		Urban Development Policy and what can realistically be afforded.	
Question 2: Are there any cross-boundary issues with services to support growth?			
<p>Western Bay</p> <p>TCC and WBOPDC are already working together on the long term wastewater servicing of the Eastern Corridor. This includes the Te Tumu and Wairakei South fast-tracking UGAs and considers additional growth in Wairakei as well as Te Puke and potentially the eastern town of Paengaroa. Objective of the high-level alternative servicing strategy is to identify, if standalone servicing of growth areas or a potential joint new wastewater treatment plant would provide advantages over the current servicing model.</p> <p>The cross-boundary supply of water to developments in the Western Bay area from the Waiari water treatment plant is being worked through. Western Bay did not buy into the treatment plant, and a funding mechanism needs to be agreed should Western Bay need water from the Waiari scheme in future.</p>		<p>Tauranga City Council</p> <p>Most TCC greenfield development is at the city fringes, e.g. close to Te Tumu, Welcome Bay/Ohauti, and areas outside Pyes Pa/Tauriko. Having “artificial” boundaries removed will provide wider opportunities to identify the most efficient servicing strategy for any developments near the TCC boundary.</p> <p>There is potential for initial issues as councils might have different standards for development, which should be aligned over time.</p> <p>TCC and WBOPDC are already working together on the wastewater servicing of the Eastern Corridor. This includes the Te Tumu and Wairakei South fast-tracking UGAs and considers additional growth in Wairakei as well as Te Puke and potentially the eastern town of Paengaroa. Objective of the high-level alternative servicing strategy is to identify, if standalone servicing of growth areas or a potential joint new wastewater treatment plant would provide advantages over the current servicing model.</p> <p>There are issues emerging around access to infrastructure funded and constructed by Tauranga City Council, requested to be utilised by urban growth on the boundary in WBOPDC jurisdiction. The issues relate to reaching</p>	

		agreement between the Councils on how capital funding, debt and operational costs/funding is to be managed.	
<i>As indicated above there are cross boundary infrastructure asset access issues and cross boundary funding issues. There will a separate report that deals with these issues to seek direction.</i>			

Question 3: Does Council hold Environmental Bonds?			
<p>Western Bay</p> <p>No</p>		<p>Tauranga City Council</p> <p>Council holds two environmental bonds to the value of \$175 000.</p>	
Question 4: Does Council have any Specialised Development Projects?			
<p>Western Bay</p> <p>N/A</p>		<p>Tauranga City Council</p> <p>No, the SDP for the Western Corridor is no longer supported despite previous support from Kainga Ora, who were willing to implement it. TCC also conditionally supported the implementation. However, the conditions suggested by TCC were fairly long and arduous. The Minister of Housing and Finance decided to reject the proposal in December 2024. Formal notification of the rejection is available here.</p>	
Question 5: Are there Development Agreements in place that need to be honoured by Council/the CCO?			
<p>Western Bay</p> <p>WBOPDC does have obligations under the Operative District Plan to enable and deliver structure-plan infrastructure in identified growth areas, and some of this may still be a Council function depending on delivery model.</p>		<p>Tauranga City Council</p> <p>A range of development agreements are in place. A list of these is called "3 Waters – primary development agreements (Jan 26 Update)".</p>	

<p>A key example is the Rangiora Business Park structure plan, where the District Plan provides for delivery and cost-recovery settings (including financial contributions) and anticipates that some bulk infrastructure is constructed and funded by developers with Council refunding via contributions, though the precise constructor can vary by stage and asset class (i.e., developer, Council, or CCO). Practically, Rangiora is advancing under the District Plan and related plan changes, with staged bulk infrastructure (e.g., interchange, wastewater, stormwater) already committed; the developer (Quayside) is progressing Stage 1 while Council retains statutory responsibilities for vesting/operation of public assets as they come on-stream. This is also applicable to all other growth nodes in the district identified in the District Plan, including but not limited to, Te Puke, Omokoroa, Te Puna, Katikati, & Waihi Beach</p>		<p>Any funding agreements between developers and TCC are reflected in the current LTP.</p>	
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6. Key Relationships

The forums mentioned below are very important channels for Councils to inform and consult iwi and hapu. The majority were formed as consent conditions and should be kept operational. It is foreseen that the WO will take over these relationships.

The Waiari Kaitiaki Advisory Group (WKAG) has a list of cultural recognition projects that span across various functions between the two Councils. This will need to be workshopped to understand the roles and responsibilities going forward. It is suggested that the WKAG transfer to the WO as they will be the consent holder but that an SLA be entered into with the two Councils to ensure the successful delivery of the cultural recognition projects.

WBOPDC will have to provide direction on how it sees the future of the Waihi Drainage scheme. There are fundamentally 3 options i.e.:

- Western Bay DC keeps administering the scheme
- An SLA between WBOPDC and the WO to administer the scheme on their behalf
- The Bay of Plenty Regional Council take over the administration of the scheme.

A legal review is required to fully understand these options, and this will be dealt with in a separate report to the WBOPDC.

Question 1: What are the current relationships arrangements with iwi and hapu in place in the 3 Waters environment?			
<p>Western Bay</p> <p>Council has the following water specific forums in place with local iwi and hapu.</p> <ul style="list-style-type: none"> • Te Ohu Parawai o te Waiari – matters relating to the Te Puke WWTP • Te Ohu Waiora – matters relating to the coastal discharge for the Katikati WWTP • Waiari Kaitiaki Advisory Group (WKAG) 		<p>Tauranga City Council</p> <p>Council has the following water specific governance groups in place with local iwi and hapu.</p> <ul style="list-style-type: none"> • Te Rangapu • Wastewater Management Review Committee • Regular project update meetings with iwi/hapu partners in Eastern corridor (Papamoa/ coastal area) 	

<p>These groups were established in order to comply with consent conditions and will have to be maintained. The membership of these groups will have to be reconsidered after establishment.</p>		<ul style="list-style-type: none"> • Working group for Re-consenting of existing water takes • Waiari Kaitiaki Advisory Group (WKAG) • Matapihi Southern Pipeline Advisory Group <p>These relationships are underpinned by various arrangements, policies, protocols and agreements.</p> <p>For more detail see the “Stocktake of existing arrangements, policies and agreements with and impacting Tangata Whenua”</p>	
<p>Question 2: What is the situation with Land Drainage?</p>			
<p>Western Bay</p> <p>Council has a long-term contract in place with the Waihi Drainage Society to operate, administer and maintain the Waihi Land Drainage scheme. The assets are owned by the Society. Council is the rating agency for this scheme.</p> <p>It is envisaged that Council will keep this function in house and not transfer it to the WSO. If Council wishes to contract this function out to the WSO in future it can do so with a service level agreement. More work is required to fully understand the legal context and will be addressed in a separate report to the WBOPDC to consider the future arrangements with this scheme.</p>		<p>Tauranga City Council</p> <p>TCC does not have any land drainage schemes</p>	

7. People Resourcing and Capability

Recruitment is an issue in the Water Industry on a national level and new recruits often need on the job training to meet the skills requirements of the role. Positions are often vacant for an extended period if a closely matched skillset cannot be found. It will therefore be vitally important for both Councils to retain its workforce and keep staff informed and engaged during the transition period to ensure that skills are retained.

An ageing workforce is a risk for both organisations with a measurable percentage of staff that is at or near retirement age. These staff members hold significant intellectual knowledge and hold specific skillsets. This matter will be discussed in more detail in the People and Workforce Due Diligence Plan.

The transition to a WO will create additional workload for already stretched teams. A workforce plan therefore needs to be developed to manage resources during the transition period.

Question 1: Provide comment on our ability to deliver services in the short to medium term.		
<p>Western Bay</p> <p>Western Bay DC has vacancies in the project management and maintenance planning teams. Recruitment of these roles is underway.</p> <p>It is not anticipated that these vacancies will have an impact on maintaining normal operations.</p> <p>The additional workload created by the Digital transformation and the creation of the CCO will stretch existing capacity. This has been identified as a risk and will need further evaluation to ensure workforce capability and capacity is developed to ensure business as usual is not materially impacted, or staff wellbeing is compromised.</p>		<p>Tauranga City Council</p> <p>TCC has a settled workforce supported by mature operations and maintenance contracts. There are no current identified risk relating to capacity and capability of staff.</p> <p>The establishment will strain the current team in terms of workload, but TCC does have the capability to backfill staff from other teams in the organisation.</p>

Question 3: What are the staff pathways and or staff off-ramps			
<p>Western Bay</p> <p>There is a growing need for staff to get certainty about their future. Staff have been operating in a state of uncertainty since the announcement of the 3 Waters programme by Government in July 2020. Job security is probably the biggest concern with certainty about remuneration and benefits also front of mind. There is a risk that staff will migrate to job opportunities where they do have certainty and understand how they can benefit from the changes in the Water Industry.</p> <p>These issues will be addressed in the People and Workforce DD plan. It is however important that staff be kept informed and engaged and that programmes be put in place to lead the workforce through the change.</p>		<p>Tauranga City Council</p> <p>There is a growing need for staff to get certainty about their future. Job security is probably the biggest concern. There is a risk that staff will migrate to job opportunities where they do have certainty and understand how they can benefit from the changes in the Water Industry. These issues will be addressed in the People and Workforce DD plan. It is however important that staff be kept informed and engaged and that programmes be put in place to lead the workforce through the change.</p>	

8. Current Service Contracts

A long-term contract is in place that is currently meeting KPI's. It is deemed low risk that maintenance will be impacted negatively by the creation of the WSO. Customer satisfaction scores of more than 90% have been consistently achieved throughout the contract against a performance target of 85%. There is provision in the contract to novate the agreement to the CCO.

Question 1: Do we have the necessary service contracts (Major O&M only) in place to fulfil our mandate?			
<p>Western Bay</p> <p>Western Bay DC and TCC has entered a long-term Maintenance contract with a Tier one contractor. The contract is a multi-year contract with a renewal option that is linked to performance. The contractor is meeting the contract key performance indicators, and an extension was recently granted to 2027/28 with the option to extend it till 2031.</p> <p>There is therefore low risk that maintenance will be impacted negatively by the creation of the WSO.</p>		<p>Tauranga City Council</p> <p>Western Bay DC and TCC has entered a long-term Maintenance contract with a Tier one contractor. The contract is a multi-year contract with a renewal option that is linked to performance. The contractor is meeting the Contract key performance Indicators, and an extension was recently granted to 2027/28 with the option to extend it till 2031.</p> <p>There is therefore low risk that maintenance will be impacted negatively by the creation of the WSO.</p>	

9. Land Transfer

There is a fair amount of complexity around stormwater land. Stormwater land is normally used for multiple functions ie. stormwater (pipes, ponds, overland flow paths etc.), recreations, parks, reserves, cycle and walkways etc. A decision needs to be taken in future to clarify which properties with transfer to the WO. It is suggested that only properties with a Waters function is transferred.

It is foreseen that this will create a significant workload and cost to identify the properties and define the legal pathways for transfer.

Question 1: Do we foresee any issues with land associated with stormwater, wastewater and water network?		
<p>Western Bay</p> <p>No formal decisions have been taken around land transfer. Any land that needs to transfer to WSO will have to be included in an asset transfer agreement. As a general approach the intention is that the land should stay with Council unless it has a specific and Waters only purpose i.e. treatment plants.</p> <p>There is a fair amount of complexity around stormwater land. Stormwater land is normally used for multiple functions i.e. stormwater (pipes, ponds, overland flow paths etc.), recreations, parks, reserves, cycle and walkways etc.</p> <p>More work is required to agree on the transfer principles for land.</p>		<p>Tauranga City Council</p> <p>Drinking water catchments will stay with Council and management of those will be by way of service level agreement.</p> <p>TCC owns in the order of 46 properties that are required to manage water services across the district.</p> <p>More work is required to agree on the transfer principles for land.</p>

10. Risk Assessment

A strategic level risk register was developed. For the detailed risk register see Appendix A. The purpose of this review was not to develop a complete risk register, but to emphasise Governance level strategic risks and risk due to the amalgamation. Both Councils have detailed risk registers in their Asset Management Plans that captures the operational risks.

The risk register has highlighted risk that can be expected in an organisation of this size and complexity. Pathways for risk mitigation have been developed and will inform the project risk register and future work packages.

One of the key takeaways from the risk review was the importance of maintaining competent staff to ensure compliance, health and safety, productivity and programme delivery is maintained.

Alignment with growth expectations has also been highlighted as a risk. This is not a new risk and will be an issue for all delivery options. It is however important to be aware of this risk and to set and manage expectations.

Question 1: What are your key Water Services risks?			
<p>Western Bay</p> <p>There are known risks associated with water services, in addition to the typical risks that are common across the New Zealand water industry. These are documented in the AMP risk register. It is recommend reviewing this response alongside that register for full context. Current key risks include:</p> <p>1. Unplanned Growth</p> <p>a. Rapid development through fast-track applications can require a sudden shift in resources towards service provision for these areas.</p>		<p>Tauranga City Council</p> <p>The Risk analysis and risk register in the AMPs cover tactical level asset management risks in general. Specific risks e.g. early deterioration of some pipe material types e.g. concrete and AC are covered in the individual sections of the AMPs.</p> <p>The most significant are:</p> <ul style="list-style-type: none"> - Early deterioration of concrete and AC pipelines in the wastewater and water supply networks (renewals budgets in place) - Early deterioration of bigger diameter uPVC and mPVC material pipes in the reticulation networks (renewals budget in place) 	

<p>b. Example: Wairakei South development and surrounding eastern areas.</p> <p>2. Unexpected Asset Failure</p> <p>a. Assets failing before the end of their expected life, particularly critical assets.</p> <p>b. Examples: Katikati outfall failure and recent issues on Youngson Road.</p> <p>3. Cost Escalation and Market Reliance</p> <p>a. Nationwide demand for new consents, treatment plants, and growth-related infrastructure is high.</p> <p>b. This has led to significant cost escalation since COVID-19, and competitive rates are increasingly difficult to secure.</p> <p>4. Misalignment of Expectations</p> <p>a. Changing climate and recent storm events have heightened customer expectations for property safety and flood protection.</p> <p>b. These expectations are not always aligned with Council’s agreed levels of service.</p> <p>c. Tangata Whenua Relationships: Expectations from mana whenua can differ from what Council is willing or able to fund. In some cases, Council adopts higher standards of infrastructure or treatment than regulatory requirements (e.g., new wastewater discharge standards). If not</p>		<ul style="list-style-type: none"> - Deterioration and defects with membrane components and filters (upgrade programmes scheduled) - Availability of water due to renewal of the water take consents and the threat of drought and climate change conditions (renewal consent to be lodged in March 2026 which will seek allocation from existing takes to last for potential another 100 years with demand management in place) - Providing infrastructure for growth due to funding constraints and under capacity infrastructure e.g. the Ocean outfall and Te Maunga treatment plant upgrades. - Stormwater capacity constraints in the network due to growth and possible climate change affected rainfall levels (Stormwater capacity development programme, protection of secondary flow paths) <p>Some individual risks are also covered in the Corporate Risk Register namely:</p> <ul style="list-style-type: none"> - Overload of the wastewater network, - Loss of drinking water supply, - Flooding of private property, - Capacity issues at Chapel Street Wastewater Plant, 	
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<p>managed carefully, this can create tension and risk relationship breakdown.</p>		<ul style="list-style-type: none"> - Significant non-compliance with resource consents or permits authorising TCC’s key activities, - Reduction to water supply due to the review of the Water Take consents, - Seismic failure of the Chapel Street Wastewater Treatment Building - A recent survey identified seismic risks at Oropi and Joyce Rd Water Treatment Plants and further work is required to quantify remedial work <p>These risks are regularly reviewed as part of the corporate risk management process, and control processes are implemented for mitigation.</p> <p>Climate change and asset resilience related risks are a significant threat as well. Damage to infrastructure due to storm events, slips and poor ground conditions were identified through the city via the 2017 Resilience Project.</p> <p>Some differing expectations between council and tangata whenua on critical infrastructure (eg how much flows are being sent to Te Maunga WWTP and coastal outfall). Ongoing dialogue has been established to work through these matters.</p>	
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Question 2: What are the risks if the AMP's are not current?			
<p>Western Bay</p> <p>Current Status of Asset Management Plans (AMPs)</p> <ul style="list-style-type: none"> The AMPs were last updated in 2024, based on 2023 revaluation figures. They do not yet include any major decision changes since that update. Any changes to budget decisions agreed by Council have been captured through the last two Annual Plan updates. <p>Future Updates</p> <ul style="list-style-type: none"> Work has commenced on drafting updated AMPs for the 2027 Long-Term Plan (LTP). These updated AMPs are not expected to be completed until the end of 2026. It is the intention that this work continues as planned. 		<p>Tauranga City Council</p> <p>The AMP documents are current and contain the 2023 Waters Valuation figures and estimates and budgets changes by Council up to March 2024. Some changes to budgets have occurred since then were not significant and were not captured in the AMP documents. AMPs were approved as part of the LTP process. Presentations were done to the Council on Asset Management and Depreciation. The Annual Plan is in process to be approved by Council. That will contain budget changes.</p> <p>Update of the 2027 AMPs is in progress in alignment with the LTP 2027 process.</p>	
Question 3: Can we deliver on our Capital programme?			
<p>Western Bay</p> <p>Council has a comprehensive suite of controls in place to manage and monitor the delivery of capital programmes. Through project control groups these controls include structured programme reporting, regular performance reviews, and established processes for identifying risks early</p>		<p>Tauranga City Council</p> <p>There may be slippage on some projects target dates due to project risks, construction risks, external funding decisions (NZTA) and availability of resources (staff, funding, construction team availability). The risk is mitigated by utilizing delivery partners e.g. procurement panels,</p>	

<p>and implementing appropriate mitigation strategies. Since these controls were introduced, Council's performance over the past several years demonstrates consistent achievement of capital delivery targets, indicating that there is currently low risk of under-delivery.</p> <p>To further strengthen governance and long-term capital planning, Council is also establishing a Capital Investment Committee (CIC). The CIC will provide an additional assurance layer by reviewing not only delivery performance but also the quality and strategic alignment of capital proposals before they are included in the Long-Term Plan (LTP).</p> <p>A 100% capital spent was achieved for the last financial year.</p> <p>Structure plan projects form a significant part of the Waters capital investment. These projects are re-phased to align with actual growth that is determined by the market conditions and developers.</p> <p>Western Bay DC has vacancies in the project management team. Recruitment of these roles are underway. Council will be more reliant on external resources if these roles cannot be filled.</p>		<p>consultants and contractors. TCC is also currently busy with a recruitment drive to fill vacant project management positions in the project delivery team.</p> <p>TCC's transport team has a range of large projects along key transport corridors in the city (Cameron Road Stage 2, Fifteenth Ave, to Welcome Bay, Connecting Mount Maunganui (Hewletts Road), in addition to the current projects underway for the Tauriko Enabling Works and Papamoa East Interchange). Key Water projects along these corridors have funding in the LTP, but timing will have to be adjusted to fit in with the timing of these projects, which need to be carefully timed to avoid significant traffic interruptions. This also applies to waters projects in the road corridor independent of transport projects.</p>	
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Appendix B

WBOPDC Major Resource Consents (water take and discharge) Expiry Dates

Location	Type of Consent	Consent Number	Expiry Date
Omokoroa comprehensive	Stormwater	61768	31/12/2027
Athenree	Discharge to land	24995	31/10/2032
Youngson Road	Water take	61431	30/11/2036
Ohourere	Water take	61527	31/03/2037
Muttons (Te Puke)	Water take	RM21-0054	30/06/2037
Waihi Beach	Water take	62045	31/12/2038
Tahawai	Water take	62428	31/01/2039
Wharawhara	Water take	62621	30/03/2040
Waihi Beach WWTP Biosolids	Discharge to land	RM25-0154	31/08/2040
Maketu WWTP Vermicomposting	Discharge to land	RM21-0712	11/08/2045
Maketu WWTP	Discharge to land	65977	11/08/2045
Maketu WWTP	Discharge to air	66314	19/08/2045
Athenree	Water take	66439	30/09/2045
Waihi Beach WWTP	Discharge to water	66950.00	31/05/2047
Waihi Beach WWTP	Discharge to air	RM21-0712	31/05/2047
Ongare Point WWTP	Discharge to land, discharge to air	RM17-0362	31/03/2053
Katikati WWTP	Coastal discharge, air discharge	RM16-0206	31/05/2053
Te Puke WWTP	Discharge to land, discharge to air	RM16-0204	30/04/2054
Western comprehensive	Stormwater	67093	31/11/2054
Central comprehensive	Stormwater	RM17-0121	30/05/2055
Eastern comprehensive	Stormwater	67481	31/05/2055
Pongakawa	Water take	RM24-0653	31/01/2060

Appendix C

TCC Major Resource Consents (water take and discharge) Expiry Dates

Location / Description	Type of Consent	Consent Number	Expiry Date
Discharge Water from the Joyce Road WTP to a Tributary of the Waiorohi Stream	Discharge to Water	20002	1/10/2026
Emergency Discharge of Raw Sewage to Sea Water (Mount Maunganui)	Discharge to Water	20296+	1/10/2026
Waiorohi Stream Water Take	Surface Water Take	20202.2.02-WT+	1/10/2026
Southern Pipeline Matapihi Archael. Site Reclamation Space	Reclaim Sea Bed	65228.0.02-CC+	31/10/2026
Beaumaris Boulevard Bethlehem – Stormwater discharge	Discharge to Land	RM21-0210-DC.01	31/12/2027
Discharge to Land – Remove and Install Stormwater Device – Omanu Drain and Aerodrome Road	Discharge to Land	RM22-0167-DC.01	31/12/2027
Five Culvert Crossings – Tara Road	River Structure	63625	31/12/2027
Oropi Gorge Reservoir Discharge	Discharge to Water	64862	31/12/2027
Remove and Install Stormwater Device to take ground water – Omanu Drain and Aerodrome Road –	Ground Water Take	RM22-0167-WT.01	31/12/2027
Earthworks to Replace 55 Metres of Wastewater Pipe at 21A Sharyn Place and 29 Kingswood Road, Brookfield – Permitted Activity	Earthworks or Excavation	RM25-0067	3/03/2028
Aerodrome Bridge Water and Wastewater Pipeline	Coastal Permit	40070	31/03/2028
Waitao Stream Watermain (Welcome Bay/Rangataua Bay)	River Structure	50217	8/04/2028
Wastewater Pipeline Wairakei Stream – Earthworks	Earthworks or Excavation	RM18-0116.LC.01	9/04/2028
Wastewater Pipeline Wairakei Stream – Stormwater Discharge	Discharge to Land	RM18-0116.DC.01	9/04/2028
Kairua Rd SH2 Twin Culverts	River Structure	50332	31/01/2029

Golden Sands, Papamoa - Discharge Contaminants and Bore Drilling	Discharge to Land	RM23-0398-DC.01	28/02/2029
44 Golden Sands Drive, Papamoa - Drilling for Ground Improvement Trials and Bore Installation	Drill Land	RM23-0398-LC.01	28/02/2029
Oropi Intake Works - Temporary diversion of Waiorohi during upgrade of Oropi Water Treatment Plant's water intake structure	Beds Damming & Diversion	RM18-0210-BC.02	28/02/2029
Disturb Contaminated Land Associated with Opal Drive Wastewater Pumpstation	Discharge to Land	RM24-0518	30/04/2029
Opal Drive, Papamoa - Discharge to Land During Earthworks	Drill Land	RM23-0179-DC.01	30/04/2029
Opal Drive, Papamoa - Drilling of land	Drill Land	RM23-0179-LC.02	30/04/2029
Opal Drive, Papamoa - Replacement of Wastewater Pumping Station	Discharge to Land	RM23-0179-LC.01	30/04/2029
Kopurererua Valley - Geotechnical Investigations in Kopurererua Valley for Corridor C Watermain Upgrade	Earthworks or Excavation	RM24-0501	30/11/2029
Cambridge Reservoir Trunk Mains water pipeline network upgrades	Earthworks or Excavation	RM25-0648-LC.01	31/01/2030
Opal Drive Wastewater Pump Station - Temporarily Discharge PFAS Contaminated Groundwater to Land	Discharge to Land	RM24-0583-DC.01	31/01/2030
Opal Drive Wastewater Pump Station - Temporarily Take Groundwater for Dewatering Contaminated Site	Ground Water Take	RM24-0583-WT.01	31/01/2030
Kopurererua Stream Watermain (Wylie St)	Land Use	50514.0.01-BC	23/02/2030
Construct a Wastewater Pipeline at Merivale and Mansels Road, Gate Pa	Earthworks or Excavation	RM24-0534-LC.01	1/05/2030
Construct a Wastewater Pipeline at Merivale and Mansels Road, Gate Pa	Discharge to Water	RM24-0534-DC.01	1/05/2030
Te Maunga WWTP - Bioreactor, flow splitter and clarifier - Earthworks	Land Use	RM20-0269-LC.01	30/06/2030
Te Maunga WWTP - Bioreactor, flow splitter and clarifier - Groundwater Take for dewatering purposes	Ground Water Take	RM20-0269-WT.01	30/06/2030
Te Maunga WWTP - Bioreactor, flow splitter and clarifier - Temporary discharge of stormwater	Discharge of Stormwater	RM20-0269-DC.01	30/06/2030

Te Maunga WWTP – Temporarily Discharge Dewatered Groundwater to Land	Discharge to Land	RM21-0733-DC.01	30/06/2030
Te Maunga WWTP : Final Effluent Line and Bypass Pipeline : Bore Installation : Ground Water Take	Install a Bore	RM20-0275-WT.01	10/10/2030
Glasgow Street Esplanade Reserve and Third Avenue – Coastal Discharge	Coastal Discharge	RM25-0662-DC.01	30/11/2030
Glasgow Street Esplanade Reserve and Third Avenue – Earthworks or Excavation	Earthworks or Excavation	RM25-0662-LC.01	30/11/2030
Judea Pumpstation – Coastal Discharge	Coastal Discharge	RM25-0659-DC.01	30/11/2030
Judea Pumpstation – Earthworks or Excavation	Earthworks or Excavation	RM25-0659-LC.01	30/11/2030
Pond 25 Basin – Kennedy Road Dam : Earthworks or Excavation	Earthworks or Excavation	RM20-0444-LC.01	30/11/2030
Pond 25 Basin – Kennedy Road Dam : Temporary Stormwater discharge	Discharge to Land	RM20-0444-DC.01	30/11/2030
Waiorohi Stream Weir	Land Use	50784	30/11/2030
Welcome Bay Estuary Sewer Main	Coastal Permit	40210	30/11/2030
Waimapu Stream Tributary Pipe Bridge	Land Use	50863	30/11/2031
Waiorohi Stream Pipe Bridge (Oropi Road)	Land Use	50864	30/11/2031
Kennedy Road Dam 5/Wetland 5 – Earthworks	Earthworks or Excavation	RM20-0854-LC.01	31/03/2032
Kennedy Road Dam 5/Wetland 5 – Stormwater Discharge	Discharge to Land	RM20-0854-DC.01	31/03/2032
Kennedy Road Dam5/Wetland 5 – Construct Stormwater Infrastructure	Earthworks or Excavation Lake or River	RM20-0854-BC.01	31/03/2032
Waioraki Stream Wastewater Pipe Crossing	Land Use	50898	30/04/2032
Otumanga Stream Wastewater Main	Land Use	50980	30/06/2032
Earthworks – Pukepoto Dam and Awaiti Place Stormwater Improvements	Earthworks or Excavation	RM20-0763-LC.01	1/10/2032
Discharge to Land – Pukepoto Dam and Awaiti Place Stormwater Improvements – Ohauti Reserve	Discharge to Land	RM20-0763-DC.02	1/10/2032
Temporary Discharge to Land – Pukepoto Dam and Awaiti Place Stormwater Improvements	Discharge to Land	RM20-0763-DC.01	1/10/2032

Waiorohi Stream Pipe Bridge (Oropi Rd)	Land Use	60039	28/02/2034
Kopurererua Stream Floodwater Diversion	Beds Damming & Diversion	60550.0.02-BC+	30/04/2035
Te Maunga WWTP – Bioreactor, Disturbance of Contaminated Land	Earthworks or Excavation	RM20-0386-LC.03	30/11/2035
Oropi Water Treatment Plant – Discharge Water and Stormwater to Waiorohi Stream	Discharge to Water	61555	31/08/2037
Sewage Pipe Bridge over the Bed of a Tributary of Tauranga Harbour	Land Use	62503.0.01-BC	28/02/2039
Wairakei Stream Wastewater Rising Main (Parton Road)	Land Use	62591	31/03/2039
Discharge Stormwater from Detention Lake to Kopurererua Stream	Discharge to Water	63310.0.01-DC	31/05/2039
Nanako Stream – Dam	Beds Damming & Diversion	62392.0.04-BC+	31/05/2039
Nanako Stream – Disturb the bed and deposit substance	Earthworks or Excavation Lake or River	62392.0.03-BC	31/05/2039
Stormwater Detention Ponds & Nanako and Kopurererua Stream	Discharge to Water	62388.0.01-DC	31/05/2039
Stormwater Discharge to Stormwater Pond then to Nanako & Kopurererua Stream	Discharge to Water	RM17-0399-DC.01	31/05/2039
Eastern Reservoir Construction and Discharge	Earthworks or Excavation	67899	30/08/2039
Kopurererua Stream : Dam 21 – Nanako Stream Diversion	Beds Damming & Diversion	65222.0.07-BC	31/01/2040
Nanako Stream – Dam 21 & Diversion – River Structure	River Structure	65222.0.01-BC+	31/01/2040
Nanako Stream – Dam 21- Deposit Substance	Earthworks or Excavation Lake or River	65222.0.08-BC	31/01/2040
Nanako Stream Diversion	Beds Damming & Diversion	65222.0.06-BC	31/01/2040
Oropi WTP Intake Erosion Protection	River Structure	62129	31/01/2040
Chapel St and Te Maunga WWTP Wastewater Discharge	Discharge to Water	62878	30/04/2040
Chapel St WWTP Overflow Structure	Coastal Permit	62883	30/04/2040
Chapel Street WWTP Secondary Treated Wastewater Overflow	Discharge to Water	62882	30/04/2040
Discharge Fluorescein Dye to Pacific Ocean Outfall	Discharge to Water	67202	30/04/2040
Discharge Odorous Gases Chapel St WWTP	Discharge to Air	62722	30/04/2040

Discharge Odorous Gases Te Maunga WWTP	Discharge to Air	62723	30/04/2040
Spray Irrigation with Reclaimed Water	Discharge to Land	62886	30/04/2040
Te Maunga WWTP Oxidation Pond Discharge	Discharge to Water	62881	30/04/2040
Te Maunga WWTP Treated Wastewater & Overflow Discharge	Discharge to Water	62885	30/04/2040
Kopurererua Stream Wastewater Pipeline (Waihi Road Bridge)	Land Use	60298	31/05/2040
Stormwater Discharge to Kopurererua Stream (IMF Backstop Ltd Subdivision)	Discharge to Water	63703	31/05/2041
Waiorohi Stream Pipe Bridge (Joyce Rd)	Land Use	63680	31/05/2041
Waioraka Stream Wastewater Pipeline (Owens Park)	Land Use	63944	31/08/2041
Kopurererua Stream Wastewater Pipeline (Takitimu Drive)	Land Use	64209	31/10/2041
Nanako Stream Bridge and Service Pipe - Removal and Replacement (Grasshopper Farms)	Land use - Discretionary	63443	31/12/2041
Comprehensive Stormwater - Coastal Marine Area	Discharge to Land	63636.0.06-DC	21/07/2043
Comprehensive Stormwater - Culverts - Wairakei Stream	River Structure	63636.0.02-BC	31/07/2043
Comprehensive Stormwater - Dam and/or divert water in stormwater ponds, swales and wetlands	Beds Damming & Diversion	63636.0.12-LC	31/07/2043
Comprehensive Stormwater - Discharge stormwater to land soakage	Discharge to Land	63636.0.13-DC	31/07/2043
Comprehensive Stormwater - Discharge stormwater to wetlands	Discharge to Water	63636.0.10-DC	31/07/2043
Comprehensive Stormwater - Discharge to Wairakei Stream and Kaituna River	Discharge of Stormwater	63636.0.05-DC+	31/07/2043
Comprehensive Stormwater - Earthworks associated with installation of culverts - Wairakei Stream	Earthworks or Excavation	63636.0.11-LC	31/07/2043
Comprehensive Stormwater - Temporarily discharge sediment to the Wairakei Stream	Discharge to Water	63636.0.09-DC	31/07/2043
Comprehensive Stormwater Consent - Papamoa	Discharge to Water	63636	31/07/2043
Wairakei Urban Growth Area Pond G and H Stormwater Discharge	Discharge to Water	65120	31/07/2043

Wairakei Urban Growth Area Pump Station	Discharge to Water	65119	31/07/2043
Kaitemako Stream - Welcome Bay Wastewater Pipeline	Coastal Permit	65607	31/01/2044
Waiari Water Treatment Plant : Emergency Discharge	Discharge to Land	65640.0.03-DC	30/06/2044
Comprehensive Consent - Occupation of Space by Wastewater Infrastructure in Tauranga Harbour	Coastal Permit	RC65178	31/07/2044
Discharge Treated Stormwater to Land at the Water Treatment Plant Site	Discharge to Land	65640.0.02-DC	31/07/2044
Waiari Stream Water Take	Surface Water Take	65637	31/07/2044
Waiari WTP Stormwater and Contingency Discharge	Discharge to Water	65640.0.01-DC+	31/07/2044
Tara Road Stormwater Discharge	Discharge to Water	65958	31/10/2044
Comprehensive Stormwater Consent - Maranui	Discharge to Water	65714	30/11/2044
Southern Pipeline Submarine Harbour Crossing Occupation of Space	Coastal Permit	65218	3/03/2045
Southern Pipeline Matapihi Archaeological Site Seawall	Coastal Structure	65155	3/03/2045
Southern Pipeline Railway Bridge Harbour Crossing Option	Coastal Permit	65151	3/03/2045
Joyce Road, Pyes Pa - Replace Existing Twin Outlet Water Supply Mains Along Joyce Road	Earthworks or Excavation	RM25-0214	30/06/2045
Waimapu Estuary Stormwater Structures	River Structure	66453	30/09/2045
Lagoon Place Reserve Wastewater Main	Land Use	66856	31/10/2046
Stormwater Pond and Drain Cleaning Citywide	Earthworks or Excavation	66920	31/10/2046
Comprehensive Stormwater - City Wide	River Structure	66823.0.05-BC	31/10/2047
140 State Highway 29A - Discharge to Water	Discharge to Water	RM18-0054-DC.01+	31/10/2047
Comprehensive Stormwater - City Wide - Occupy Coastal Space	Occupy Coastal Space	66823.0.13-CC	31/10/2047
Comprehensive Stormwater - City Wide - Discharge to Land	Discharge to Land	66823.0.04-DC	31/10/2047
Comprehensive Stormwater - City Wide - Discharge to Land	Discharge to Land	66823.0.02-DC	31/10/2047
Comprehensive Stormwater - City Wide - Discharge to Water	Discharge to Water	66823.0.03-DC	31/10/2047
Comprehensive Stormwater - City Wide - Discharge to Water	Discharge to Water	66823.0.09-DC	31/10/2047

Comprehensive Stormwater - City Wide - Disturb Coastal Habitat or Plants	Disturb Coastal Habitat or Plants	66823.0.10-CC	31/10/2047
Comprehensive Stormwater - City Wide - To use and replace structures	Coastal Structure	66823.0.11-CC	31/10/2047
Comprehensive Stormwater - Citywide - Temporarily Divert Water and/or Dam Water in Various Waterbodies within the Tauranga District	Damming and Diversion	66823.0.15-BC	31/10/2047
Comprehensive Stormwater - Citywide - Disturb the Bed and/or Deposit Material on the Bed of the Coastal Marine Environment in the Port Zone	Disturb Coastal Habitat or Plants	66823.0.19-CC	31/10/2047
Comprehensive Stormwater - Citywide - Earthworks or Excavation	Earthworks or Excavation	66823.0.06-LC	31/10/2047
Comprehensive Stormwater - Citywide - Reconstruct, Demolish or Remove Structures associated with Network Utilities within the Coastal Habitat Preservation Zones	Coastal Structure	66823.0.18	31/10/2047
Comprehensive Stormwater - Citywide - Reconstruct, Demolish or Remove Structures within the Coastal Marine Area	Coastal Structure	66823.0.17-CC	31/10/2047
Comprehensive Stormwater - Citywide - Temporarily Discharge Sediment Contaminated Stormwater to Land	Discharge to Land	66823.0.16-DC	31/10/2047
Comprehensive Stormwater Consent - Citywide	Discharge to Water	66823	31/10/2047
Comprehensive Stormwater Consent - Citywide - Discharge to Water	Discharge to Water	66823.0.01-DC+	31/10/2047
Comprehensive Stormwater Consent - Discharge to land in Coastal Marine Area	Discharge to Land	66823.0.14	31/10/2047
Construct Stormwater Pipeline & Outlet in Coastal Marine Area - Port	Coastal Structure	RM16-0453-CC.01	31/10/2047
Kennedy Road Dam 5/Wetland 5 - Discharge to Water	Discharge to Water	RM20-0854-DC.02	31/10/2047
Occupation of Coastal Marine Area for Stormwater Pipeline & Outlet - Port	Coastal Structure	RM16-0453-CC.02	31/10/2047
Pond 25 Basin - Kennedy Road Dam : Permanent Stormwater discharge	Discharge to Water	RM20-0444-DC.02	31/10/2047
Mount Maunganui Industrial Area Stormwater Discharge and Earthworks	Discharge to Water	67348	1/06/2048
Ila Park Wastewater Pipeline	River Structure	67683	30/11/2048

Waimapu Estuary Wastewater Rising Main	Occupy Coastal Space	67715	31/12/2048
Matua Peninsula Stormwater Outlets	Earthworks or Excavation	68006	31/03/2050
Southern Pipeline Harbour Crossing - Drilling & Occupation of Space	Occupy Coastal Space	68291	31/08/2050
Adler Drive, Ohauti - Creation of Freehold Allotments	Discharge of Stormwater	RC68454	31/01/2051
Tauranga Marine Precinct - Relocate and Upgrade Stormwater Pipes and Outlets	Coastal Structure	RM15-0036	30/06/2051
Joyce Rd Reservoir Stormwater Discharge	Discharge to Land	RM16-0259-DC.01	30/09/2051
Construct Pond 11A - Earthworks Associated with Construction	Earthworks or Excavation	RM16-0316-LC.01	17/03/2052
Stormwater Discharge to Land - Associated with Construction of Pond 11A	Discharge to Land	RM16-0316-DC.01	17/03/2052
Stormwater Discharge to Nanako Stream - Associated with Construction Pond 11A	Discharge to Water	RM16-0316-DC.02	17/03/2052
Upgrade of Lower Seventeenth Avenue Stopbanks - Damming of Surface Water	Land Damming & Diversion	RM17-0146-LC.03	31/07/2052
Groundwater piezos (Investigation bores various locations)	Install a Bore	RM18-0675-LC.01	31/10/2053
Oropi Intake Works - Discharge of contaminants to land where it may enter the Waiorohi and discharge to water	Discharge to Land	RM18-0210-DC.01	31/10/2053
Oropi Intake Works - For the use, alteration and maintenance of Oropi Water Treatment Plant's water intake structure	Land Use	RM18-0210-BC.01	31/10/2053
Pond 7 - Installation and use of erosion protection structure	River Structure	RM18-0665-BC.01	31/12/2053
Global Scour Discharge	Discharge to Water	RM17-0674-DC.01	29/05/2054
Pond 25 Basin - Kennedy Road Dam : Flood Storage	Beds Damming & Diversion	RM20-0444-BC.02	30/11/2055
Pond 25 Basin - Kennedy Road Dam : Structure in the Nanako Stream	Beds Damming & Diversion	RM20-0444-BC.01	30/11/2055
Rip Rap Erosion Protection Structure - Waioraka Stream	River Structure	RM20-0816-BC.02	1/02/2056
Kennedy Road Dam 5/Wetland 5 - Stormwater Infrastructure - Damming of Water	Beds Damming & Diversion	RM20-0854-BC.03	31/03/2057

Kennedy Road Dam 5/Wetland 5 - Stormwater Infrastructure - River Structure	River Structure	RM20-0854-BC.02	31/03/2057
Waiari - Discharge of scour water for Commissioning and Maintenance	Discharge to Water	RM20-0381-DC.01	30/06/2057
Pukepoto Dam Stormwater Structures - Ohaiti Stream, Awaiti Sub-Catchment	River Structure	RM20-0763-BC.01	1/10/2057
Dam & Divert - Pukepoto Dam and Awaiti Place Stormwater Improvements	Beds Damming & Diversion	RM20-0763-BC.03	20/10/2057
Hammond Reserve - Retrospective Earthworks Within Wetland	Earthworks or Excavation	RM23-0298-BC.01	30/09/2058
Construct a Wastewater Pipeline at Merivale and Mansels Road, Gate Pa	River Structure	RM24-0534-BC.01	1/05/2060
Discharge Stormwater from Tauriko West Urban Growth Area	Discharge to Water	RM24-0289	13/06/2060
Oropi WTP , Joyce, Wood Road - Upgrade water trunk main - Discharge to Water	Discharge to Water	RM25-0656-DC.01	31/12/2060
Oropi WTP , Joyce, Wood Road - Upgrade water trunk main - Disturb Lake or River	Disturb Lake or River	RM25-0656-BC.01	31/12/2060
Oropi WTP , Joyce, Wood Road - Upgrade water trunk main - Earthworks or Excavation	Earthworks or Excavation	RM25-0656-LC.02	31/12/2060
Oropi WTP , Joyce, Wood Road - Upgrade water trunk main - Earthworks or Excavation Wetland	Earthworks or Excavation Lake or River	RM25-0656-LC.01	31/12/2060
Oropi WTP , Joyce, Wood Road - Upgrade water trunk main - Wetland Activity	Wetland Activity	RM25-0656-BC.02	31/12/2060
Stormwater Device Installation - Aerodrome Road	Land use - Restricted/Discretionary	RM22-0168-AP	1/01/2099

9.3 LOCAL WATER DONE WELL – DUE DILIGENCE – FINANCIAL MATTERS

File Number: A7187537

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EXECUTIVE SUMMARY

Western Bay of Plenty District Council (Council), in partnership with Tauranga City Council (TCC) are jointly considering the establishment of a sub-regional Water Organisation (WO) that would assume responsibility for water supply, wastewater and stormwater services. Following significant due diligence and financial analysis, this report presents the outcomes of these reports to Council.

This report is one of four Local Water Done Well reports being presented to Council on 24 March 2026. When considered together these reports form a comprehensive package of work updating Council and seeking key decisions regarding due diligence matters, ahead of the final decision of whether to progress establishment of a WO, scheduled for 2 April 2026.

RECOMMENDATION

1. That the Programme Manager – Water Organisation Establishment report dated 24 March 2026 titled 'Local Water Done Well – Due Diligence – Financial Matters' be received.
2. That the report relates to an issue that is considered to be of high significance in terms of Council's Significance and Engagement Policy.

Cross-boundary

3. That Council notes the cross-boundary access to, and funding of, infrastructure is being addressed as a separate issue¹.

Financial Due Diligence Report

4. That Council accepts, noting (3) above, that the financial due diligence report (**Attachment 1**) identified no issues which would jeopardise the successful establishment and operation of the proposed Water Organisation.
5. That Council notes that implementation of next steps recommended by the financial due diligence report will be incorporated into the forward work

¹ Recommendations regarding cross-boundary access to, and funding of, infrastructure to be circulated separately, see Attachment 4 (Placeholder)

programme if Council decides to proceed with establishing a joint Water Organisation with Tauranga City Council.

Cost Impacts of Establishing a Water Entity

6. That Council notes there are likely to be an estimated \$1 million per annum of costs remaining in Council, which are currently costs aligned to the water services activity, which will need to be managed downwards as part of the transition to a Water Organisation and right sizing of Council.
7. That Council approves the following principles to guide the exit of water services from Council and the right sizing of the remaining corporate functions at Council:
 - a. Set the Water Organisation up for success.
 - b. De-risk the transfer of functions.
 - c. Ensure the costs of set-up for the organisation, and reset for the remaining Councils, are minimised.
 - d. Follow a process that is fair to staff affected by the change (as outlined in the establishment principles).
 - e. Have a medium-term view that the water organisation will be an efficient standalone Organisation.
8. That Council approves for **Attachment 3** to be reviewed for potential transfer into public after 12 months.

BACKGROUND

1. Council, in partnership with Tauranga City Council (TCC), is working to establish a multi-Council Water Organisation, which will have responsibility for, and management and delivery of, water supply, wastewater and stormwater (water services) for the sub-region. Both councils will make a final decision as to whether to proceed with establishment on 2 April 2026.
2. This paper is being presented to Council on 24 March 2026, ahead of the 2 April 2026 decision date, along with three companion papers which provide a project update, present due diligence findings for Asset Management Operations and Stormwater (AMOS), Legal, and People and Workforce, and seek approve of proposed commercial terms.
3. This combined package of work responds to the due diligence commitments outlined in the Council endorsed 'Multi-Council Water Organisation Summary Plan (Including Due Diligence)'.
4. The focus of the due diligence process was to identify issues that would materially jeopardise the successful establishment of a joint WO. It was not intended to identify and capture all issues, only those which would impact on the successful establishment and operation of the proposed WO.

5. The intent of this work package is to close out the due diligence process ahead of Council's 2 April 2026 decision of whether to continue with establishment of a WO.
6. This report is focussed on financial considerations for Council, including:
 - Financial due diligence
 - Cost implications for Council from establishing a Water Organisation
 - Cross-boundary infrastructure access and funding

SIGNIFICANCE AND ENGAGEMENT

7. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
8. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.
9. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decisions are of high significance overall.
10. The decision to accept the findings of the Finance DD is assessed as of medium significance. It is a key step in progressing towards the decision to establish a WO but carries no direct financial implications.
11. The decision to adopt principles to guide the exit of water services from the organisation is assessed as of medium significance. No engagement is required, and it is not recommended as these principles are focused on managing the internal impacts of establishing a WO and have a logical flow from previous decisions (such as the principles in the Commitment Agreement with TCC).
12. Recommendations regarding cross-boundary infrastructure will be circulated separately, with a separate significance assessment.
13. The decision of whether to proceed with establishment of a WO is of high significance. This decision will be brought to Council on 2 April 2026 but will not require further consultation prior to decision-making as the consultation required for this matter was undertaken in March/April 2025.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

14. Engagement regarding the establishing a multi-council WO occurred alongside Council's 2025/2026 Annual Plan consultation process.

FINANCE DUE DILIGENCE REPORT

15. The Finance Due Diligence report (Finance DD) was prepared jointly by Council and TCC staff, with an independent desk-top review of the approach taken towards assessing and confirming debt. The high-level findings from the Finance DD are presented below, please refer to **Attachment 1** for further detail.
16. The due diligence approach focussed on identifying those issues which would materially jeopardise the establishment and operation of a Council and TCC WO, and if needed, identify areas where further work will be required during the establishment phase of the WO (the period leading up to 'go live' on 1 July 2027).
17. Both councils have agreed for no price harmonisation (ring-fencing) for an initial period of at least three years before this decision is revisited. This means that the Tauranga and Western Bay communities will not be subject to cross-subsidisation. This has been a key consideration when assessing risk as part of the Finance DD process, as it has resulted in a focus on identifying only those financial issues which would jeopardise the establishment and operation of the WO as a whole.

Confirmation of debt

18. No debt related issues were discovered which would materially jeopardise the establishment and operations of the proposed WO.
19. Table 1 below sets out each council's debt position, as at 30 June 2025. Council's water related debt was \$151.3m. The combined water related debt for Council and TCC is \$640.6m and will require ongoing management and monitoring by the proposed WO. However, the ability to hold higher levels of debt than councils, combined with the forecast revenue and capital expenditure programme, provides assurance that the WO will be able to maintain the Local Government Funding Agency's (LGFA's) 8% Free Funds from Operations (FFO) requirement and meet financial sufficiency requirements.

Table 1 shows that Councils water related debt is 86% of our total debt, with TCC being at 35%. External expert advice provided assurance that this is not unexpected for Council to have this level of water related debt and this is comparable to other councils with similar geographic and demographic characteristics, and with a capital expenditure programme often driven by transport and water service activities, with the transport activity predominantly funded from government subsidies.

Table 1: Water debt summary

Water Debt Summary as at 30 June 2025		
Description	TCC	WBOPDC
Water Related Net Debt (\$m)	489.3	151.3
Total Council Debt (\$m)	1,407.7	176.3
Proportion water debt to total debt	34.8%	85.8%
Total Water Assets (\$m)	2,864.1	514.1
Proportion water debt to total water assets	17.1%	29.4%

20. Due to the impact of transferred debt on the future delivery programme of the WO, Council and TCC contracted independent expert Mafic to complete a review of the methodology and findings of the councils' debt identification. This review was completed at the end of February 2026 and is provided as **Attachment 2**. Overall, Mafic assessed the approach used by the councils to assess debt as reasonable and that the proportion of total debt attributed to the water activities to be accurately derived.
21. Next steps will include finalising the WO's debt transfer position as at 1 July 2027.

Treasury management

22. The treasury function includes managing borrowing, debt levels and hedging of debt, and ensuring sufficient liquidity for unplanned funding needs.
23. No treasury management concerns were identified which would impede the establishment and operation of the proposed WO.
24. The due diligence for this included engaging with the LGFA, which has confirmed that it is willing to provide lending to water entities (i.e. the proposed WO). This provides the WO with access to the LGFA's competitive borrowing rates. It also de-risks the process of transitioning Council debt and associated hedging to the new WO.
25. The WO's borrowing capacity will be limited by the 8% Free Funds Operating (FFO) to debt ratio (as mentioned above). The LGFA will provide five years for the WO to reach compliance with the FFO to debt ratio. In year one the WO is forecast to sit outside of the 8% ratio, but it is expected to be compliant for the remaining 10 years forecast by the Water Services Delivery Plan.
26. If the two councils decide to continue with the establishment of a joint WO, the next steps will include appointment of treasury advisors to support the transfer of debt and associated hedging, and on setting the WO up as a borrower with the LGFA and novating across existing debt.

Assets and valuation

27. Most of the asset related due diligence has occurred as part of the AMOS (asset management, operations and stormwater) workstream. The Finance DD has focussed specifically on the financial implications relating to the transfer of assets to the proposed WO.

28. The primary consideration is ensuring that the methodology applied to asset valuations is consistent across the two councils.
29. A further significant consideration is the impact of asset condition on the financial position of the proposed WO. This is one driver for the 'ring-fencing' approach, which ensures that the cost of any asset failures will essentially be borne by the relevant community (i.e. failure of Council's assets will be met by the Western Bay community and vice versa). However, there may still be an impact on organisational resources.
30. To address these two concerns, Council and TCC have agreed to:
 - A joint valuation exercise in the first half of 2027, prior to 'go live' date of 1 July 2027. This will ensure that the assets transferred to the WO are valued on a consistent, transparent and accurate basis.
 - Further analysis during the establishment period to determine the financial impacts of asset condition and further work on assessing asset condition to ensure current assumptions are correct.
31. The Joint Working Group have also requested that each Council engages a peer review of the valuation. A further review on whether this will be required will be assessed next financial year.
32. This proposed work means that there are no anticipated asset valuation issues which would jeopardise the establishment and operations of the proposed WO.

Deliverability of forecast capital expenditure

33. The Water Services Delivery Plan (WSDP) sets out a significant capital programme for both councils. This is a key part of ensuring the WO meets the sustainability requirements put in place by the Local Water Done Well reform programme.
34. The deliverability and affordability of these capex programmes was assessed for each council as part of the Finance DD process.
35. No issues were identified which would significantly impact the establishment and operation of the proposed WO. Both councils have consistently achieved high levels of capital project delivery in recent years, providing confidence in the ability of the WO to deliver the combined forward capital works programme. Where risks were identified, these largely related to timing of delivery rather than the cost of delivery.

Stormwater assets

36. Both councils have confirmed that the responsibility for stormwater will transfer to the proposed WO, along with stormwater assets (excluding land, with exceptions to this on a case-by-case basis).
37. Work is needed to confirm which stormwater assets will transfer and the value of these assets, and consideration will need to be given to maintenance contracts to

ensure future maintenance and renewal costs are allocated equitably. These tasks will form part of the establishment work programme leading up to 1 July 2027.

38. No issues were identified which would jeopardise the successful establishment and operation of the proposed WO.

Depreciation

39. Depreciation refers to the financial approach adopted to manage the wearing out of assets over time. Currently the two councils take different approaches to funding depreciation.
40. TCC charges rates based on depreciation calculations and then use this to fund the capital expenditure for renewals (the replacement of existing assets). Council charges rates for debt retirement and renewals.
41. The WO will need to adopt a consistent methodology for meeting the costs of depreciation, ideally before establishment or agree when this will be achieved. Non price harmonisation will not be able to be removed until a consistent methodology is developed. This work will commence as part of the establishment work programme, prior to the 'go-live' date of 1 July 2027. This is not assessed as a significant issue.

Growth funding

42. Council currently uses financial contributions under the Resource Management Act 1991 (RMA) but will need to transition in the short-term to development contributions due to the replacement of the RMA. TCC uses development contributions as a method to fund growth (under the Local Government Act 2002).
43. Ultimately, new legislation is expected to replace development contributions with development levies, however the timing of this is uncertain. More detail regarding this is provided by the Legal Due Diligence paper. Refer to the companion Council report 'Local Water Done Well – Due Diligence' which is also on the agenda for 24 March 2026.
44. In the short-term, Council will need to develop new policies to enable collection of development contributions/levies.
45. It is recommended that growth funding mechanisms for the WO are addressed prior to the 'go live' date. However, this is not anticipated to substantially impact on the viability of the proposed WO.
46. Additionally, there are decisions to be made regarding cross-boundary access to infrastructure funded by each council. This is discussed in more detail later in this report.

Price paths

47. The councils have agreed to an initial non-harmonisation approach ('ring-fencing'), which will apply to debt, operational expenditure and revenue. This approach recognises that the two councils are transferring different levels of debt/assets and revenue charges and avoids cross-subsidisation.
48. It has been discussed, in principle, that ring fencing will be revisited three years following the 'go live' date, with a formal review required within six years. Metrics that would enable price harmonisation (the removal of ring fencing) have yet to be developed, however they may include:
- Comparable price per connection
 - Comparable individual FFO to debt ratios (on Waters related debt)
 - Comparable level of assessment and reliability of asset condition ratings
 - Consistent basis for funding of depreciation and renewals
 - Ability of the Board to deliver the most efficient service delivery.
49. The ring-fencing approach has been adopted as an enabler for the establishment of a joint WO, and the proposed review is not considered a significant issue which would jeopardise the WO.

Next steps

50. The Finance DD identified no issues which would jeopardise the successful establishment and operation of the proposed WO, however it did identify matters which need further attention and management prior to the 'go live' date of 1 July 2027. If Council decides to proceed with the establishment of the WO, the following next steps are recommended by the Finance DD.
- Continued updates to each council's water activity debt through to the transfer date
 - Confirmation of any adjustments arising from local council decisions, and agreement on transfer of assets and other liabilities that may impact debt balances
 - Ongoing monitoring of capital programme delivery impacts on debt levels, validating any changes to revenue or depreciation treatment that influence debt movements
 - Appointment of treasury advisers to support the transfer of debt and associated hedging
 - Treasury management setup activities will continue to be progressed collaboratively and will include:
 - preparing and documenting the novation of debt by each council;
 - preparing and documenting the novation of interest rate hedging;

- developing a treasury policy and draft treasury strategy;
- determining and establishing LGFA and/or other borrowing facilities and operational banking requirements; and
- Establishing transactional banking arrangements and Day 1 working capital facilities, informed by the WO CEO or CFO once appointed
- A co-ordinated 2027 revaluation using a single independent valuer - to ensure that all asset transfers are fair, reasonable, and based on a fully consistent and transparent valuation approach.
- Agreement, as part of the revaluation, how asset condition will be considered.
- Confirm if any further work is required to understand each Council's asset condition prior to the revaluation process.
- Confirm which assets are to be transferred and ensure that the same classes of assets are transferred by both councils, and an agreed approach if there are differences.
- Confirm treatment of any investment properties, Intangible assets or forestry assets that may need to be transferred
- Ongoing monitoring of project timing, costs, and any unplanned capital requirements through to 1 July 2027
- Confirm which land assets within the wider water activities will be retained by the councils and identify any associated debt (mainly stormwater).
- As part of the asset revaluation process, compare and match the useful lives of each asset type for consistency.

COST IMPACTS OF ESTABLISHING A WATER ORGANISATION

51. A comprehensive discussion of the expected costs of establishing a WO is provided as **Attachment 3**.
52. As with the other sections of this report, this is a high-level summary only, focussed on overarching considerations, and the detailed discussion is provided by the Attachments.

Transitioning to a Water Organisation

53. If Council decides to continue with establishing a WO, the transition is proposed to be guided by the following principles:
 - i. The water organisation is set up for success.
 - ii. De-risk the transfer of functions.
 - iii. Ensure the costs of set-up for the organisation and reset for the remaining Councils are minimised.

- iv. Follow a process that is fair to staff affected by the change.
 - v. Have a medium-term view that the water organisation will be an efficient standalone Organisation.
54. Three stages are involved in setting up the WO and transitioning to a largely in-house corporate services model.
- i. Establishment stage prior to 1 July 2027,
 - ii. Go-live with Councils supporting the WO through transition,
 - iii. Independent standalone WO and reset plan for both Council and TCC to resize activities and functions impacted by the establishment of the new water entity.
55. The comprehensive discussion of the expected costs of establishing a WO is provided as **Attachment 3**. The cost impacts of establishing a WO have been analysed as part of this report to assist the successful transition of water services to a standalone external organisation. This process has also been undertaken by TCC and provided confidentially to their Elected Members due to the potential impact on staff.

Stage 1: Establishment

56. This period runs from April 2026 to 1 July 2027 (the 'go-live' date). A transfer agreement will be developed which will manage the transfer of assets, staff and contracts to the WO. Water service support costs will be further considered during this period, and there will be a focus on standing up those services which need to be in place from day 1 of operations, such as accommodation and access to business systems.

Stage 2: Go-live

57. This is the period directly following 1 July 2027. The WO, Council and TCC will work together to collectively support the successful operation of the WO and the areas of both councils affected by the transition. The focus will be providing a smooth transition experience for customers/the community, suppliers and staff.
58. Service level agreements will be put in place for a number of activities. However, most of these arrangements will be transitional, as the WO establishes itself and looks for efficiency gains.
59. The report noted some areas where services may be directly charged, which services may be transferred (staff and systems) during the establishment and transition periods, and the remaining costs to be managed through a Council reset post-transition.
60. There are some allocated costs across Council that may not form part of transfer of staff or SLAs. These costs are estimated to total about \$1m for Council.

61. The WO will also have additional corporate costs which will not be covered by service level agreements with the two councils, or by transfer/transitional arrangements. These are estimated to cost \$3.6m pa and are summarised as follows:

- Water organisation Board (estimate \$440k pa)
- Water organisation executive (estimate \$1.8m pa)
- Digital system operational costs not part of SLA (note licencing SCADA, Lutra, and Watercare already in place- estimate \$850k)
- Additional compliance stakeholder and capital delivery related costs (\$500k).

Stage 3: Reset and right-size existing Council operations post-transition

62. Both Council and TCC are anticipated to require a reset and right-size of existing operations once the WO has transitioned to being a largely independent organisation. Changes are be expected to be signalled through the 2027-37 Long-term Plan and the subsequent annual plan for 2028/29.

63. Consideration will be given to working with the WO to ensure that impacted staff have access to opportunities at the WO where suitable (ahead of the wider employment market).

Next steps

64. If Council decides to proceed with establishing a joint WO, upcoming work will include:

- Decisions around accommodation, customer services and digital service level agreements, and arrangements with the two councils and the WO.
- Consideration of options for transferring to the WO - services and opportunities for relevant staff
- Consideration of transitional requirements on the two councils and preparation for reset and right sizing
- Consideration of new support costs, including the Board, executive, digital and other support requirements.
- Representation of these changes through the LTP process.

OPTIONS ANALYSIS – FINANCIAL IMPLICATIONS

Financial Due Diligence report

65. **Option 1** – accept that no financial due diligence issues were identified that would jeopardise the successful establishment and operation of the proposed Water Organisation and approve the next steps outlined in the financial due diligence report. (Noting that cross-boundary access to, and funding of, infrastructure is being managed separately).

Advantages	Disadvantages
<ul style="list-style-type: none"> Allows for the project to progress to the next stage, the decision of whether to proceed with establishment of the proposed WO. Provides direction regarding next steps and actions, allowing staff to continue work, subject to the 2 April 2026 decision. Recognises the subject matter expertise of the staff and consultants who have prepared the due diligence reports. 	<ul style="list-style-type: none"> None identified.

66. **Option 2** – do not accept that no financial due diligence issues were identified that would jeopardise the successful establishment and operation of the proposed Water Organisation and do not approve the next steps outlined in the financial due diligence report.

Advantages	Disadvantages
<ul style="list-style-type: none"> None identified. 	<ul style="list-style-type: none"> The disadvantages of option 2 are converse of the advantages of option 1. Increases the risk of needing to revise Council’s preferred option for water delivery (a joint WO). This in turn would trigger consultation and the need to revise the Water Services Delivery Plan by 3 September 2026.

Cost impacts of establishing a Water Organisation

67. **Option 1** – Approve the following principles to guide the exit of water services from Council and the right sizing of the remaining corporate functions at Council.
- i. The water organisation is set up for success.
 - ii. De-risk the transfer of functions.

- iii. Ensure the costs of set-up for the organisation and reset for the remaining Councils are minimised.
- iv. Follow a process that is fair to staff affected by the change.
- v. Have a medium-term view that the water organisation will be an efficient standalone entity.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Sets clear direction for managing the exit of water services from Council. • Provides a focus on enabling the Water Organisation to be successful and largely independent. • Recognises there may be staff impacts and that these need to be managed fairly. • Prioritises cost-minimisation. 	<ul style="list-style-type: none"> • May make it more difficult to prioritise outcomes which are not envisaged by the principles above.

68. **Option 2** – do not approve the following principles to guide the exit of water services from Council and the right sizing of the remaining corporate functions at Council.

- i. The water organisation is set up for success.
- ii. De-risk the transfer of functions.
- iii. Ensure the costs of set-up for the organisation and reset for the remaining Councils are minimised.
- iv. Follow a process that is fair to staff affected by the change.
- v. Have a medium-term view that the water organisation will be an efficient standalone entity.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Preserves flexibility of outcomes, ensuring that outcomes not envisaged by the principles above can still be prioritised. 	<ul style="list-style-type: none"> • Does not provide clarity regarding Council’s priorities and preferred transition principles. • May mean that important principles, such as minimising costs whilst still treating staff fairly are not managed from a balanced perspective.

	<ul style="list-style-type: none"> • May mean that outcomes for the Water Organisation are overlooked in favour of achieving positive Council outcomes.
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CROSS BOUNDARY INFRASTRUCTURE ACCESS AND FUNDING

69. *An issues and options paper addressing cross-boundary infrastructure access and funding, providing further information and options, and making a recommendation, will be circulated separately to this Council report as Attachment 4 (see Placeholder).*
70. The discussion regarding cross-boundary infrastructure access and funding has been prompted by instances where development is planned adjacent, or in proximity, to the boundary line between two Councils. In these instances, developments in one council's area often seek to access infrastructure in the neighbouring council area. This is generally because the neighbouring council infrastructure provides the closest connection (and therefore costs less to connect to).
71. The concern with this approach is that each council can only collect funding for growth from within their boundaries. If development outside of a council's area connects into that council's infrastructure, contributing to the cost of that infrastructure can currently only be secured by agreement and not legally required. Water infrastructure is extremely expensive to deliver, and the development contributions collected to pay for that infrastructure can be millions to tens of millions of dollars for medium to large scale developments.

STATUTORY COMPLIANCE

72. The matters in this report form part of Council's overall response to the government's Local Water Done Well reform programme and associated legislation. There are no specific statutory compliance matters to be considered in respect of this report.

NEXT STEPS

73. Progress the next steps as outlined by the Finance DD and contained within this report (subject to the decision of whether to proceed with establishing a WO, due 2 April 2026).

ATTACHMENTS

1. **Finance Due Diligence Report** [↓](#) 
2. **Independent Water Debt Review** [↓](#) 
3. **WBOPDC Finance Costs of Start Up Report - Confidential**
4. **Late Item - Cross-Boundary Issues and Options Paper** [↓](#) 



Joint Water Services Organisation

Finance Due Diligence Report

24 March 2026

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Status	<ul style="list-style-type: none"> • Final 		

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Executive Summary

This report presents the findings of the finance due diligence undertaken by TCC (TCC) and Western Bay of Plenty District Council (WBOPDC) to support the establishment of a proposed joint Water Services Organisation (WO) under the Local Government (Water Services) Act 2025. The due diligence was, focused on identifying material risks or “red flags” at a governance and strategic level rather than operational detail. The due diligence scope includes areas considered as key to further understand and confirm by both Councils. This report does not seek to resolve differences and identifies as next steps areas which will need to be addressed as part of establishing a combined WO.

Debt confirmation work has provided assurance over the accuracy and completeness of the debt to be transferred to the WO. Both Councils undertook detailed multiyear reconciliations of their waters’ debt, supported by benchmarking to DIA’s 2022 baseline debt figures and an independent review by Mafic Partners Limited. Mafic confirmed that each Council’s internal loan movements closely matched waters-related capital expenditure, revenue, and operating flows over the past decade, with only immaterial unexplained variances (TCC: 1.32%, WBOPDC: nil). The amount of debt reviewed and confirmed during the years reviewed was 58% of total debt for TCC and 23% for WBOPDC.

These findings validate that the combined net waters debt of \$640.6m (June 2025) fairly represents actual investment in water services and provides a sound basis for the WO’s opening balance sheet. Debt levels remain sustainable over the 10-year planning horizon, with LGFA covenant compliance expected and ringfenced pricing mechanisms in place to manage differences between the Councils.

The asset valuation due diligence has identified no significant issues that would impede WO establishment. Both Councils are progressing their normal valuation cycles ahead of a coordinated 30 June 2027 revaluation by a single independent valuer. This approach will ensure asset values are consistent, transparent, and fully aligned at transfer. While some variations exist in the depth and reliability of asset condition information, these are well understood and will be addressed through additional pre-establishment work, including confirming the valuation methodology and how condition assessments will be incorporated.

Analysis of the future capital programme indicates a high level of confidence in the achievability of planned investment under the Water Services Delivery Plan (WSDP). Both Councils have demonstrated strong capital delivery performance in recent years, and the review of major projects shows that identified risks relate primarily to timing rather than cost escalation. For WBOPDC, past performance—including full delivery of its 2025 major programme—supports the feasibility of the forward works, while TCC’s current delivery rates and the improved focus afforded by the WO structure further reinforce confidence. Continued monitoring of capital delivery, cost pressures, and unplanned requirements will remain essential through to 1 July 2027 and into the early years of the new entity.

Across the remaining areas of financial due diligence—including treasury management, stormwater assets, depreciation, liabilities, growth funding, insurance arrangements, revenue and expenditure ringfencing, and agreements with external parties—no significant issues have been identified that would prevent the establishment of the WO.

Most matters fall into the category of normal pre-establishment activity, such as confirming asset transfer boundaries, finalising reserve and liability treatment, documenting debt and hedging novation, and responding to changes in national growth funding legislation once enacted. The work completed to date indicates that all identified issues are manageable, well understood, and able to be addressed through planned Stage 2 workstreams. Overall, no “showstoppers” have emerged through the due diligence review, and the remaining tasks are operational in nature and consistent with the expected establishment pathway for the WO.

Matters associated with cross-boundary funding of infrastructure and services is addressed in a separate paper and is not part of this due diligence report.

Overall Conclusion

No material issues were identified that would prevent a successful transition to a WO. Both Councils have established finance systems, processes, supported by good financial knowledge through each organisation. Key financial risks and areas of concern were identified in conjunction with the wider project team, and individual Council finance teams and executive. These have been collaboratively worked through with support and assurance sought from external advisors as deemed necessary. Conclusions and agreed next steps are documented in this combined Council report.

The only issues identified that must be worked through before confirming the development of a combined CCO are the agreement to complete a joint asset revaluation by 30 June 2027 and establishing agreement on the principle of how the use of cross boundary assets will be paid for.

The finance due diligence provides confidence that the assumptions underpinning the WSDPs are materially accurate and suitable as a foundation for establishing the WO. No significant barriers to the formation of the WO were identified through this process. The key risks to progress relate to decisions on how asset and liability transfers will occur in practice.

Next steps

Next steps for each key section of this report have been recorded in the report. They are summarised in Attachment 2. These have also been transferred to a master list of pre-establishment tasks for the wider project working group.

The contributors to this report look forward to continuing to work collaboratively to support the setup of the new entity.

Background

TCC and WBOPDC have undertaken a collaborative and combined due diligence process, including establishment planning for a joint WO under the Local Government (Water Services) Act 2025 (the “**Act**”) to deliver water services (the “**Project**”).

Driven by direction from both Councils staff have undertaken to identify and understand any significant risks arising from the Project that either Council may face through a due diligence process. This paper summarises the areas of focus and outcomes from completion of the finance due diligence review on the Project.

It is emphasised that staff have been instructed to take a light-touch approach to due diligence, with the mantra of a “do not over-cook but do not over-look” approach, focusing on major red flag issues and to identify areas where further work will be required during a possible establishment phase of this Project. This has not been a fulsome “leave no stone unturned” due diligence exercise, however external experts have been engaged, commonly by both Councils, to support evidence on identified key areas.

This paper summarises the following financial due diligence aspects of the project as per the approved scope of stage 1 of the due diligence workstream.

The key aspects of due diligence discussed are as follows:

- Confirmation of Debt
- Treasury Management
- Assets and Valuation
- Achievability of Future Capex
- Stormwater Assets
- Depreciation
- Liabilities
- Growth Funding
- Other Reserves
- Revenue for sustainability of WO under ring-fencing
- Arrangements with external parties
- Insurance Arrangements
- Model Identified Financial Impacts

Confirmation of Debt

The level of debt each Council will transfer to the WO is a critical part of the financial due diligence process. Based on the most recent Annual Reports, the combined net waters debt position across the Councils is \$640.6m. This will form a significant opening balance sheet position for the WO, noting that two further years of water activity results will occur before the final transfer amount is confirmed. A summary of this debt position is provided in Table 1 below.

Council Debt on 30 June 2025 (Table 1)

Description	TCC	WBOPDC
Water Related Net Debt (\$m)	489.3	151.3
Total Council Debt (\$m)	1,407.7	176.3
Proportion water debt to total debt	35%	86%
Water Debt per connection (\$)	7,230	7,856

The WO will be able to sustain a proportionally higher level of debt than the originating Councils; however, ongoing monitoring of these levels will be a key KPI for the new entity. As debt is influenced by the timing of capital programmes, the combined WSDP debt profile supports compliant financing sufficiency across the full 10-year period. The Local Government Funding Agency’s (LGFA) 8% Free Funds from Operations (FFO) requirement is also maintained under the planned capital and revenue settings.

The level of debt transferred by each Council will also influence the WO’s shareholding structure—particularly the allocation of Class B shares—as well as each Council’s share of interest costs and debt repayment obligations arising from non-harmonised revenue calculations, and the overall borrowing capacity of the WO.

The due diligence process to confirm debt, began with each Council undertaking a detailed review and reconciliation of its waters-related debt. This analysis was then shared and discussed by the respective finance teams. The purpose of this work was to confirm the accuracy of the debt each Council will transfer to the WO, including an assessment of whether the water debt represents a fair and accurate proportion of the Council’s total debt. Council debt for waters includes current accounts, internal loans and growth debt, all separately identifiable by each water type.

This review included analysing each Council’s capital expenditure as reported in the Annual Report Activity Funding Impact Statements, and considering the treatment of relevant revenue streams, such as development and financial contributions, and that of depreciation charges to reconcile movements in the waters activity debt. These reconciliations were then confirmed against the recorded debt balances and the corresponding internal loan book movements. It was agreed that this process would cover a minimum of five years to substantiate the total debt attributable to the activity.

Below is a summary of each Council’s analysis and results:

Summary of TCC results (Table 2)

Summary of Errors		
(A) Closing Net Debt	2017	204,438,159
(B) Closing Net Debt	2025	489,278,512
(C)=(A-B) Increase in Net Debt over period		284,840,353
(D) Total change unexplained over period		(3,761,436)
(D)-(C) Unexplained debt movement as a % of Total		-1.3%
(C)/(B) Proportion of debt verified		58.2%

	Totals above (\$000)	
	2024 Actual	2025 Actual
Water Supply	238,685	247,546
Wastewater	178,873	201,996
Stormwater	153,383	158,628
(A) Total Waters Debt	570,941	608,171
Water Supply	33,343	38,689
Wastewater	41,423	37,385
Stormwater	36,831	42,818
(B) Total Waters Net Investment Balance	111,596	118,892
(A)-(B) Net Debt	459,345	489,279

This shows that, for TCC debt, we have been able to confirm that the increased waters debt from 2018 to 2025 was supported by the work we undertook.

Further assurance of the debt position was obtained by benchmarking it against the 2022 Water Service Entity baseline debt figures previously agreed with the Department of Internal Affairs as part of the water services reform programme. During the reconciliation process outlined above, TCC was able to match these figures precisely to the individual water activity debt amounts, providing strong validation of the accuracy and completeness of the debt position.

Summary of WBOPDC results (Table 3)

		Three Waters
Opening Activity Debt	2015	\$111,134,937
Closing Activity Debt	2025	\$151,316,401
Change in Activity Debt over 10 years		\$40,181,464
Debt change reconciliation 10-year variance		\$0
10-year change variance over total 2025 debt		0%
Proportion of 2025 debt verified		27%

2025	
Debt by Activity	
Water supply	\$64,555,922
Wastewater	\$54,966,508
Stormwater	\$31,793,971
Total Waters	\$151,316,401

For WBOPDC, the analysis was completed for a 10-year period from 2015 to 2025. Over this timeframe, waters debt increased by \$40m.

The reconciliation and underlying analysis identified nil variance across the decade, with 100% of the \$40m movement able to be reconciled and fully verified.

Further assurance was obtained by benchmarking the reconciled debt position against the 2022 Water Services Entity baseline debt figures previously agreed with the Department of Internal Affairs as part of the water services reform programme.

WBOPDC was able to match these baseline figures exactly to the individual water activity debt amounts, providing strong validation of the accuracy and completeness of its debt position.

A notable difference emerging through the process of debt confirmation was the higher proportion of waters debt to total external public debt for WBOPDC when compared with TCC, as reflected in Table 1. The analysis confirmed that this ratio is consistent with WBOPDC's

historical trend, and does not represent a recent shift, noting that 73% of WBOPDC's 2025 debt was incurred before 2015.

External expert advice also confirmed that this position is not unusual for councils with similar geographic and demographic characteristics. In many rural councils, capital expenditure is driven predominantly by waters and transport activities. Transport costs are largely funded through rates revenue and subsidies, so that waters activities naturally comprise most of Council's external debt. WBOPDC's position aligns with this pattern.

Based on the completed analysis and external validation received, the high proportion of WBOPDC's total debt attributable to waters activities is assessed as reasonable and accurate, and supported by the average age of the infrastructure being low (discussed in the AMOS due diligence report).

While WBOPDC debt as a proportion of total council debt is significantly higher than TCC's debt, WBOPDC debt per connection is close to TCC debt per connection.

Independent Water Debt Review

The intent of the WO is to ringfence pricing to its Water customers. This is in part because of the differing levels of debt being introduced by each Council.

Due to the significant impact of these debt balances on the opening positions, the WO's shareholding positions, and the impact debt will have on the WOs ability to deliver intended capital works, it was agreed to engage Mafic Partners Limited to provide independent assurance of the accuracy of the debt reconciliations outlined above.

The assurance work focused on evaluating the methodologies used to allocate debt to waters activities and the amount of debt in 2025 traced back to movements in capital expenditure revenue and debt repayment since 2015. The objective was to validate the reasonableness of the debt amounts proposed for transfer to the WO, and to identify any issues and recommend actions where required.

The "Water Debt Identification Review" by Mafic was completed at the end of February 2026. The summary of findings includes the following key points from Mafic:

- TCC and WBOPDC maintain internal borrowings to record borrowing arrangements between water services and other council business
- With fully separate accounts for water services within council accounts, debt and reserves related to water supply, wastewater and stormwater services is clearly identifiable
- The ability to explain the movements in the internal loan accounts through cash flows related to water services provides reassurance that movements over the past ~10 years are reflective of the debt requirements of water services
- TCC debt as recorded in internal loan and reserve accounts increased \$285m from FY17 to FY25. Movements in capex, capital revenue, operational rates and capitalised interest related to water services equals \$281m for the same period.

The difference (or unexplained portion) is \$3.8m or 1.32% of the total movement

- WBOPDC debt as recorded in internal loans, current accounts and financial contributions debt increased \$39m from FY14 to FY25. Movements in cash flows

(capex, capital revenue, operational rates and capitalised interest) related to water services equals \$39m for the same period.

- **The difference (or unexplained portion) is nil.**
- The approach used by TCC and WBOPDC is consistent with the approach and values agreed with the NTU for the FY22 value of debt and reserves - Differences are considered immaterial.
- **Unexplained differences in movements are considered immaterial.**

A copy of the report by Mafic is attached (**Attachment 1 - Independent Water Debt Review.pdf**).

Debt Changes Before Transfer

As noted above, the debt positions confirmed through this process reflect each Council's position as of 30 June 2025. These positions will continue to change, with the final transfer amounts to be formally agreed at the date of transfer on 1 July 2027.

TCC has indicated that its debt position may be affected by future Council decisions that are yet to be made. Potential adjustments may include:

- Potential retention of reserves within TCC (see reserves section below)
- Potential transfer of part of current digital debt (outlined in cost of transfer report)

However, as outlined below, this is not expected to have a material impact on the WO's overall debt position, as demonstrated in Table 4. There is also no immediate impact for WBOPDC, as each Council's debt position will remain ringfenced.

For full disclosure WBOPDC has subsidised waters over the last ten years by \$15.4m, through general rates. WBOPDC are currently not proposing to transfer this across to the WO as this would not be in the best interest of the WO or its customers.

Debt summary showing potential adjustments (Table 4)

Description	TCC	WBOPDC
	\$m	\$m
Water Related Net Debt - Base	489.3	151.3
Adjustment for Reserves retained within Council	15.3	-
Adjustment for water related digital debt	15.0	-
Water related debt - Amended	519.6	151.3
Proportion water debt to total debt	1,407.7	176.3
Proportion water debt to total	37%	86%
Water Debt per connection (\$)	7,678	7,856

As noted above in the debt confirmation process a difference emerged through that process that there is a higher proportion of waters debt to total external public debt for WBOPDC when

compared with TCC, as reflected in Table 1. The debt confirmation process analysis confirmed that this ratio is consistent with WBOPDC's historical trend, and does not represent a recent shift, noting that 73% of WBOPDC's 2025 debt was incurred before 2015. WBOPDC capital expenditure is driven predominantly by waters and transport activities. Transport costs are largely funded through rates revenue and subsidies, so that waters activities naturally comprise most of Council's external debt.

Also reflecting on the higher debt per connection for WBOPDC serves a geographically more dispersed district with lower density settlements, which generally requires more network length per connection resulting in higher renewal costs leading to higher capital cost per household particularly when compared to TCC geographically. The WBOPDC geography also impacts on the need for multiple water treatment plants spread across the water service networks.

Tauranga City Council has a substantially larger population with rapid growth which has required the introduction of large, stepped infrastructure. This infrastructure has been debt funded in recent years which relates to the large amount of debt being incurred in recent years, most of which is growth funded. Future growth is also becoming much more expensive as it is located further away from key processing plants.

As a further comparison, examination of a geographically proximate third party council similar in both size and geographic characteristics to WBOPDC shows that total water debt, and water debt on a per connection basis, diverges due to differences in each council's position within its investment cycle, historic levels of asset maintenance, the specific assets required to deliver services, and the scale of investment needed to meet growth and emerging regulatory requirements. These factors collectively result in the third party council holding lower water debt per connection than WBOPDC, despite the surface level similarities between the two organisations.

Debt Retirement

Within TCC debt retirement is paid for out of depreciation reserves (not rated for separately). For water supply and stormwater this is based on 2% of the amount of debt and 4% for Wastewater.

Repayment of waters debt by is completed annually by WBOPDC as part of its normal targeted rate and activity funding process. An average annual repayment percentage cannot be accurately provided as new loans being added and older loans being fully repaid can impact this calculation.

It is also important to recognise that the waters debt held by councils includes a significant growth related component, reflecting the investment required to service expanding communities and to ensure network capacity keeps pace with future demand. Consistent with standard local government funding principles, these assets are financed on an intergenerational basis, ensuring that the costs of long lived water infrastructure are shared fairly between current and future users who benefit from the service. This intergenerational funding approach underpins the rating and charging models historically applied by councils,

where debt is used as a tool to smooth the financial impact of major capital investment over the life of the assets, rather than placing the full cost burden on today's ratepayers.

Internal loans in Waters for WBOPDC are typically over a 25 to 30-year term, with some specific wastewater loan terms over a 50-year term. Interest and repayment of this debt is calculated and processed annually. The option of repayment through accumulated depreciation reserves is not available as WBOPDC does not fund depreciation for this activity.

In Summary

The debt confirmation due diligence process has provided strong assurance over the debt positions to be transferred to the WO, with both Councils completing detailed multi-year reconciliations of their water debt, supported by benchmarking to the DIA's 2022 baseline figures and independent verification from Mafic Partners Limited.

The combined waters debt of \$640.6m at 30 June 2025 will be part of a significant opening balance sheet position for the WO, and the analysis confirms that these amounts are fair, reasonable, and accurately reflect each Council's water activity investment.

The WO's financing position remains robust, with debt levels supportable over the 10-year planning horizon, compliance with LGFA requirements maintained, and clear mechanisms in place to manage differences in each council's debt levels through ringfenced pricing and the shareholding structure.

While debt adjustments will occur before the final transfer on 1 July 2027 because of capital investment and activity through to 1 July 2027 and decisions on reserves and digital, these adjustments are known and not expected to materially affect the overall WO debt position.

Further Work Before Establishment

Further work is required before establishment to finalise the WO's opening debt position and ensure a smooth transition at 1 July 2027. This will include continued updates to each Council's water activity debt through to the transfer date, confirmation of any adjustments arising from local Council decisions, and agreement on transfer of assets and other liabilities that may impact debt balances. This additional work will involve the ongoing monitoring of capital programme delivery impacts on debt levels, validating any changes to revenue or depreciation treatment that influence debt movements.

Treasury Management

The treasury management function was assessed as part of the debt related finance due diligence work, with specific consideration given to:

- the ability to borrow to fund the planned capital programme;
- managing WO debt levels within LGFA covenant requirements and future WO treasury policies
- the hedging of debt, including interest rate risk management and the timing of debt maturities; and
- the establishment of undrawn standby facilities to ensure adequate liquidity for unplanned funding needs.

Staff have engaged with the LGFA, which has confirmed that it is willing to provide lending to the water entities. The LGFA Board will assess and approve borrowing applications directly with the WO at the time funding is sought.

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Borrowing through the LGFA is available at highly competitive rates, largely due to the strength of central government support. It is expected that the WO's initial borrowings will be sourced through the LGFA, given this favourable pricing. Over time, the WO is likely to regularly review its borrowing strategy and lending partners to ensure it maintains access to competitively priced funding.

It has been confirmed that the key measure limiting the WO's borrowing capacity is the FFO to Debt ratio. As a combined TCC/WBOPDC entity, the WO will fall into the largest LGFA size category, which requires a minimum FFO to Gross Debt ratio of 8.0%.

LGFA Benchmark (Table 5)

Water Connections	FFO to Cash Interest Coverage Ratio (times)	FFO to Gross Debt Ratio	Percentage of Development Contributions recognised in operating revenue
Less than 5,000	2.00	12%	0%
5,000 - 10,000	2.00	11%	25%
10,000 - 20,000	1.75	10%	50%
20,000 - 50,000	1.50	9%	50%
Greater than 50,000	1.50	8%	75%

To provide all WOs with a reasonable transition timeframe, the LGFA allows a five-year period to reach full compliance with covenant requirements. Initial modelling indicates that the WO will be outside the 8% FFO to Gross Debt threshold in year one, as a result of WBOPDC being noncompliant for that year. However, this has been accepted by the DIA through approval of the WSDP and the WO remains compliant for the remaining nine years of the planning period.

Both Councils have agreed in principle to novate the relevant debt and associated interest rate swaps to the WO. This approach is supported by the LGFA, and work will continue towards achieving this by 1 July 2027, guided by advice from both Councils' mutual treasury advisor, Bancorp, who have been engaged throughout this due diligence process.

Options for novation include either partial novation of all loans based on the proportion of waters debt, or full novation of selected loans. The agreed objective is to ensure the WO inherits a fair and equitable debt position—particularly in relation to average cost of funds and maturity profile. At this time both TCC and WBOPDC have similar average cost of funds and similar maturity profiles, which will simplify novation decision principles. At this stage, proportional novation is considered the likely approach, with further detailed work to be completed in the next stage.

Staff also sought Bancorp's advice on debt issuance and hedging during the pre-establishment period. Both Councils will continue issuing debt and undertaking hedging in line with their existing strategies and policies, with no joint hedging arrangements to be established at this time. A fair and transparent hedging novation process will be developed and agreed with both Councils prior to 1 July 2027, and this position will be revisited with the WO's CEO and CFO when appropriate.

Both Councils currently maintain sufficient bank facilities to meet urgent or unexpected borrowing needs; however, these facilities will need to be reviewed once the final debt transfer positions are confirmed.

It is anticipated that treasury services for the WO will initially be delivered through a shared services model during establishment and early operations, with more permanent arrangements to be considered once the entity becomes fully operational.

Treasury Summary

Based on the investigations undertaken jointly and individually by Council staff, no significant treasury management concerns have been identified that would impede the establishment of the WO.

Further Treasury Work

The next stage of the finance workstream includes the appointment of treasury advisers to support the transfer of debt and associated hedging. Both Councils currently use Bancorp as their treasury adviser, and initial discussions have been held with Bancorp, who are already advising seven councils on similar transitions. Advice has also been received from the LGFA, which has confirmed that it will enable either partial or full novation of debt tranches at no cost.

Both Bancorp and the LGFA have noted that the WO will benefit from the experience and learnings of early CCO transitions, meaning our processes are expected to be significantly streamlined.

If the establishment of a separate WO is confirmed in April, the pre-establishment phase will focus on setting up the entity as a borrower with the LGFA and completing the novation of debt. Treasury management setup activities will continue to be progressed collaboratively, and will include:

- preparing and documenting the novation of debt by each Council;
- preparing and documenting the novation of interest rate hedging;
- developing a treasury policy and draft treasury strategy;
- determining and establishing LGFA and/or other borrowing facilities and operational banking requirements; and
- establishing transactional banking arrangements and Day 1 working capital facilities, informed by the WO CEO or CFO once appointed.

Assets and Valuation

Most of the analysis for this area of the due diligence programme has been undertaken by the AMOS (Asset Management, Operations and Stormwater) workstream. The financial due diligence workstream has focused specifically on considering the financial implications arising from this work.

Asset Values

The value of the assets transferred to the WO is the single largest part of the investment by the Councils. The basis for this value requires a sustainable level of rigour that can stand up over time. An independent valuation is essential to ensure that this investment fairly represents the investment by the ratepayers, stands up to the regulatory environment and provides a robust basis for admitting any other business (other Council WOs). An estimate of asset values (including potential transfers) is included in Table 6 below. Note that these figures are expected

to change considerably through a mixture of updated transactions and revaluations (two for WBOPDC).

Summary of Asset Values (Table 6)

Asset Summary (est 30 June 2027) (\$m)	TCC	WBOPDC	Total
Total Assets	3,302	654	3,956
Total Liabilities	806	244	1,051
Debt as a % of Assets	24%	37%	27%

In commercial sectors such as energy, asset values are typically based on discounted future cashflows and an assumption of maximising returns. This approach is not appropriate for the WO, whose primary purpose is the delivery of high-quality public services rather than profit maximisation, and would require a range of speculative assumptions that are not suitable for establishment.

For Councils, asset valuations are more appropriately determined using Optimised Depreciated Replacement Cost (ODRC), which reflects:

- the cost of replacing assets in their actual locations;
- remaining useful life adjusted for condition; and
- optimisation to exclude assets that would not be rebuilt today.

This approach is well understood, widely applied, and based on detailed information from each Council's asset management systems.

The main consideration for due diligence is ensuring that valuations are applied consistently across the Councils joining the WO.

TCC completed its latest revaluation at 30 June 2025, and WBOPDC is currently undertaking its revaluation as part of its normal cycle (due 9 March 2026). Once WBOPDC's work is completed by its independent valuer, the two sets of valuations will be more directly comparable, and work is underway to review comparative unit rates to confirm the basis is equitable.

Most importantly, a further revaluation by both Councils will be undertaken in advance as of 30 June 2027, with both Councils completing a water asset revaluation at the same time and using the same independent valuer. This final step will ensure the assets transferred to the new entity are valued on a fully consistent, transparent, and accurate basis for establishment of the WO.

Asset Value Summary

Staff are satisfied that there are no significant asset valuation issues that would impact the establishment of the WO. However, there remain important steps to be completed—including the coordinated 2027 revaluation using a single independent valuer—to ensure that all asset transfers are fair, reasonable, and based on a fully consistent and transparent valuation approach.

Further Asset Value Work

The further work to be completed prior to establishment will include:

- Agreement on timing and basis for 'transfer revaluations', including how asset condition will be considered.
- Confirm if any further work is required to understand each Council's asset condition prior to the revaluation process.
- Confirm which assets are to be transferred and ensure that the same classes of assets are transferred by both Councils.

Asset Condition

The AMOS due diligence includes consideration of the condition of assets of each Council. The available data raises some concerns around each Council's knowledge and understanding of the condition of some water assets. From a finance perspective however, it is noted that this is part of the reasoning for non-price harmonisation in the early years of the WO.

While non price harmonisation is in place, any asset failures will effectively be the responsibility of the ratepayers in the assets 'area of benefit'. However, it should be noted that this analysis excludes the impact on organisational resources and debt capacity which would need to be considered as capital needs are identified.

Further analysis will be completed during the pre-establishment stage to understand if there is any financial impact arising from the condition of assets, which will form part of the common asset valuation process at transfer.

Work will be undertaken to determine the financial consequences of asset condition, where the further work on asset condition identifies that the remaining useful life of the asset significantly different to that currently assumed. This will include financial implications for the asset valuation at transfer and projected renewal investment.

Other Assets

As part of the finance due diligence other assets have been considered and discussed,

Derivative Financial Instruments: These will transfer to the WO as part of the interest rate hedging novation process, which is planned to be completed proportionately to the new entity. This is also noted under the Treasury section above.

Investment properties: These properties (along with their associated debt) will be individually reviewed, with their original investment rationale determining whether they will stay within the respective Councils or be transferred.

Intangible assets: There are TCC intangible assets that relate to developed software applications and will likely be written off prior to transfer.

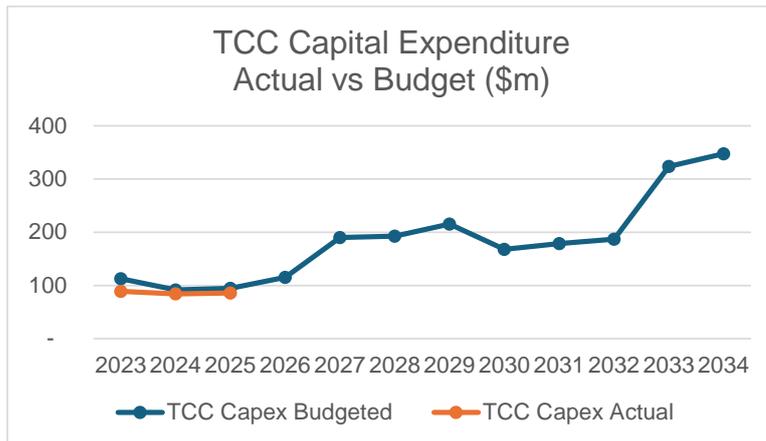
Forestry Assets: At this stage it is anticipated that these assets would remain within the respective Councils. Where these forestry assets' carbon credits and revenue streams sit remains to be resolved.

Further work required during the pre-establishment phase includes finalising which property assets will remain with the Councils and determining the appropriate treatment of any associated rental income. Clarity is also needed on whether forestry assets will be retained by the Councils, along with decisions regarding the allocation of rental income and carbon- credit revenue. In addition, the treatment and potential -write-off of- any intangible assets will need to be confirmed.

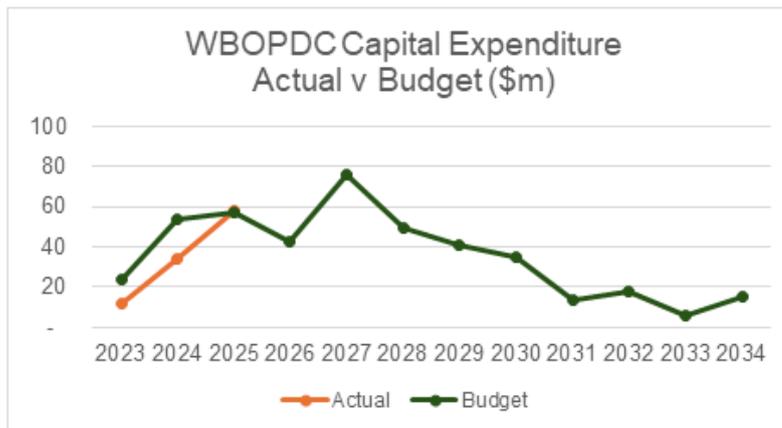
Achievability of future Capex

The WSDP sets out a significant capital programme for both Councils. To provide assurance that this programme is achievable for the WO, the capital expenditure delivered over the past three years was analysed and compared with the levels of investment outlined in the WSDPs.

Budgeted Capex showing completion to date for TCC (Table 7)



Budgeted Capex showing completion to date for WBOPDC (Table 8)



Further analysis was completed in relation to the larger projects (\$50m for TCC and \$25m for WBOPDC) within the WSDP (2027 to 2034). These (and the balance in total) were specifically reviewed with asset managers to determine if there were any currently identified risks around delivery.

Achievability of Key projects for TCC (Table 9)

	Project Cost 2027-2034 \$m	Risks to delivery (H/M/L)	
		Timing	Costs
STORMWATER			
Te Papa Inten SW Upg Priority Dev Areas	105.4	M	L
Te Papa SW Nwk Upg & Land acquisition	75.3	M	L
Balance of Stormwater Supply programme	285.6	L	L
WASTEWATER			
Te Maunga WW Treatment Plant	228.6	L	L
Balance of Wastewater Supply programme	547.6	L	L
WATER SUPPLY			
Te Papa Intensification - Cameron Road	66.8	L	L
Cambridge Rsvr trunk main relocations	78.3	L	L
Balance of Water Supply programme	414.9	L	L

While there is a considerable increase in the level of capital expenditure over the WSDP period, projects in TCC are currently being completed to a significant degree. This, coupled with the increased focus of the new entity provides assurance that this programme of works is achievable. However, the WO debt levels will need to be closely monitored to ensure continued affordability for the WO and water customers.

Achievability of Key projects for WBOPDC (Table 10)

	Project Cost Per WSDP	Risk to delivery (H/M/L)	
		Timing Risk	Cost Risk
Te Puke Wastewater Treatment Plant	\$77.6m	H	L
Katikati Ocean Outfall or Alternative discharge	\$68.1m	M	M
Balance of Waters programme	\$214.2m		
Total projected investment in water services	\$359.9m		

Two major projects over \$25m were identified for WBOPDC. The replacement of the Te Puke wastewater treatment plant and the replacement of Katikati Ocean Outfall (or an alternative discharge).

The Te Puke wastewater treatment plant project is required to meet environmental standards and support growth in Te Puke and for the Rangiuru Business Park. The high timing risk indicator reflects that the project is likely to be brought forward earlier than currently shown in the WSDP.

The Katikati Ocean Outfall project is currently on a trajectory to spend the money later in the WSDP period. A potential change to this timing could be to mitigate the operational costs to repair for breaks. This project has recently been included in an application to Central Government as a flood damage and resilience project, seeking an interest free loan to support the project.

The future expenditure profile in the WBOPDC graph aligns with levels the Council has previously achieved, with the significant peak in 2027 reflecting the planned timing of the Te Puke wastewater treatment plant upgrade. WBOPDC's 100% delivery of its larger capital programme in 2025 provides further evidence that the future programme outlined in the WSDP is achievable.

Summary

Both Councils have consistently achieved a high level of capital project delivery in recent years, providing confidence in the ability of the WO to deliver the combined forward capital works programme. Where risks have been identified for larger future projects, these relate primarily to the timing of delivery rather than the underlying costs.

In the current financial year to December 2025, WBOPDC has completed a combined Waters capital programme of \$19.4m, against a budget year to date of \$18.6m (104%). The full year capital spend is currently forecast to be \$50.9m, being \$7.3m above full year budget, primarily because of earlier stage completion of Te Puke Wastewater treatment plant. This provides further support for the assumption of capital delivery achievement.

The position to December 2025 for TCC is a combined waters spend of \$54.4m against a budget year to date of \$54.6m (99.6%). The full year programme is expected to be completed.

Ongoing monitoring of project timing, costs, and any unplanned capital requirements will be important through to 1 July 2027 and will continue thereafter under the WO.

Stormwater assets

The AMOS workstream has completed an analysis in this area and the financial considerations are set out below.

Both Councils have confirmed that stormwater assets (excluding land) will be included in the WO, with TCC resolving this at its 10 February 2026 Council meeting and WBOPDC having previously made the same decision on 5 August 2025.

While most stormwater assets will transfer, both Councils have determined that land serving dual purposes, particularly where stormwater functions co-exist with recreational uses, will remain in Council ownership.

Stormwater systems are closely integrated with transportation networks, especially in managing road runoff. A high-level review was undertaken to ensure consistent treatment of assets between the Councils. Transportation related assets will likely remain with the Councils, while some stormwater assets may transfer to the WO.

Further pre-establishment work is required to confirm which stormwater assets within the wider water activities will be retained by the Councils and to identify any associated debt, noting that much of this debt is expected to be minimal due to the age of the assets.

The WO will also require appropriate rights of access to stormwater assets located on Council retained land. In addition, maintenance contracts will need to be designed to ensure that future maintenance and renewal costs can be allocated equitably between the Councils and the WO.

Depreciation

Depreciation being the financial recognition of the wearing out of assets over time. It is normally a nonfinancial cost, however for Local Authorities it is required to be funded from revenue (LGA s100 (1)). Depreciation charges are based on the useful lives of the relevant assets.

As part of the asset valuation work being undertaken there will be a comparison of the useful lives for each asset type to ensure that these are comparable between Councils. This will ensure that future depreciation charges will be consistent.

As assets will be identified by Council, the resulting depreciation charge will be able to be split between Councils for the purpose of ringfenced cost allocations. Further work will need to be done, as part of the asset revaluation process to compare and match the useful lives of each asset type for consistency.

Currently TCC and WBOPDC have a different approach to funding depreciation. TCC specifically fund (charge rates) based on the depreciation expense within the accounts. This is used to fund renewal capital expenditure (replacing existing assets) and debt retirement. WBOPDC do not specifically fund depreciation but do charge rates for debt retirement and renewals. While, in theory, these approaches should generate a similar long term average rates charge, the WO will need to adopt a consistent methodology. This will need to be developed before the WO starts operations.

Liabilities

Derivative Financial Instruments will be novated proportionately to the new entity. This is covered under the Treasury section above.

Payables and accruals: The Council's will pay any invoices billed or accrued as at 30 June 2027. Therefore, any balances will remain within the respective Council's.

Deposits Held: Deposits and bonds held will be transferred to the new entity as appropriate. This will be on a case-by-case basis,

Revenue in Advance: This will be transferred to the new entity.

Employee entitlements: These will likely be transferred to the WO at the time a Council employee is recruited by the WO, however, this will be on a case-by-case basis and driven by the people and workforce workstream.

Retentions: The current intention is to transfer these to the WO; however, this depends on our ability to novate the underlying contracts to the WO. This will be on a contract-by-contract basis.

Provisions: These are intended to be transferred to the new entity.

In summary liabilities to be transferred to the WO will be calculated and transferred on a consistent basis at 30 June 2027.

Further work will be required to ensure that each capital contract and its retentions can be novated to the new water entity, and to understand what employee entitlements will transfer to the new entity in conjunction with the People and Workforce workstream.

Growth funding

Growth is currently funded through different mechanisms across the two Councils. TCC predominantly uses Development Contributions (DCs), while WBOPDC relies mainly on Financial Contributions (FCs). New legislation—expected to introduce Development Levies (DLs)—is anticipated to replace the existing frameworks, although it has not yet been passed. Development Levies are expected to take effect from 1 July 2028, one year after WO establishment, with early adoption permitted.

The position regarding FCs at WBOPDC remains uncertain, as the RMA (the legislative basis for FCs) may be repealed prior to WO establishment. It is not yet clear whether transitional provisions for FCs will be introduced, although existing lawful conditions would continue to apply.

Given the timing and complexity of the policy changes for DCs, FCs, and the incoming levy regime, it is recommended that growth funding policy development be treated as a separate pre-establishment workstream. In the early stages, the WO is likely to rely on Council guidance for both policy settings and the charging of contributions.

Another option to consider is the approach taken by IAWAI. They have adopted a growth charge (\$500pa for 25 years for standard residential) to cover the historical shortfall in DC funding. This charge would be incurred by any new developments.

In summary, there remains a high level of uncertainty regarding future growth funding arrangements until the new legislation is enacted in the 2026 calendar year. Both Councils will be required to redevelop their policies under the new framework. Establishing a dedicated workstream will support this transition, and there may be advantages in a joint working group developing consistent policies across the Councils and for the WO once the legislative requirements are confirmed.

Other reserves

There are a number of reserves that have been set up within TCC for which a decision has not been made as to whether they will transfer to the WO. These are shown in Table 11 below. These reserves are currently included within the net debt to be transferred to the water entity. Therefore, if they are retained within Council this will increase the debt to be transferred to the new entity.

Other TCC Reserves (Table 11)

Reserve	Balance 2025 \$m
Stormwater Reactive Reserve	14.5
Biosolids Reserve	5.8
Wastewater Enhancement Reserve	0.8

The Wastewater Biosolids Reserve is used to streamline the removal of biosolids from detention ponds.

This is a high value expenditure item that is only incurred periodically (normally 3 years). As it is operational it is proposed to transfer this reserve to the new entity.

The Stormwater Reactive Reserve is derived from a specific targeted rate and will be used to support Council in managing storm events. As it is anticipated that Council will still manage these events going forward it is proposed that this reserve would stay within TCC and a targeted rate would continue to be levied.

The Wastewater Enhancement Reserve is provided for the purpose of mitigating the cultural and environmental impacts of the wastewater scheme. It is proposed that this reserve would be reviewed to determine whether it should transfer to the WO which will likely be responsible for the wastewater consent associated with this reserve, or whether it should be retained with Council.

In summary TCC will need to decide what reserves (if any) should be retained within TCC. This will affect the amount of debt to be transferred as outlined in the debt section above.

Price Paths

Currently the revenue streams included in the combined WSDP are sufficient to keep the key ratios over the minimums required. These are a FFO to debt ratio higher than 8% and a debt to interest ratio of over 1.5. As discussed above in the debt section a 5-year period to meet these covenants is permitted.

The DIA approved the FFO to debt ratio being below 8% in 2027/28 as:

- It was only just below the minimum
- The level improved after 2027/28
- The level continued to improve going forward

WBOPDC has a changed revenue path in the WSDP compared to the LTP24-34. The outcome of the change resulted in the 2027/28 financials in the WSDP year having a non-compliant FFO ratio of 5.8%. The DIA permits a five-year transition to a compliant position. While the opportunity to improve this ratio is possible, through a further change in the revenue path, no changes are considered necessary at this stage as the DIA has approved the WSDP and the related financials.

The Councils have agreed that revenue within the new water WO will be ringfenced for a period. This means that revenue collected from each Council area will be kept separate and matched against a portion of expenses related to each Council area to generate separate shares of income.

As part of the preparation of the 2026/27 Annual Plan, TCC is proposing to make some adjustments to the waters revenue. This has not yet been formally approved by TCC Elected Members. This adjustment is summarised in Table 12 below. The impact of the adjustment reverses in the subsequent year.

Summary of adjustments to TCC water revenue compared to the WSDP (Table 12)

Table 1: Approved WSDP

Business	Desc	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30
3 Waters	Total Operating revenue (\$000)	142,222	158,837	152,146	178,084	197,738
3 Waters	Total Operating revenue inc(%)		11.68%	-4.21%	17.05%	11.04%
	FFO Ratio	10.61%	11.21%	7.98%	8.70%	9.07%
	Cash interest coverage ratio	1.93	2.19	1.58	1.70	1.71

Revenue Adjustment	-8,128	8,128	-	-
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Table 2: Proposed Revenue Pathway

Business	Desc	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30
3 Waters	Total Operating revenue (\$000)	140,603	150,708	160,274	178,083	197,738
3 Waters	Total Operating revenue inc(%)		7.19%	6.35%	11.11%	11.04%
	FFO Ratio	10.61%	9.69%	9.13%	8.70%	9.07%
	Cash interest coverage ratio	1.93	1.89	1.83	1.70	1.71

The TCC adjustment has the effect of smoothing the proposed price increases from 2026/27 to 2028/29. Because of the non harmonisation of pricing, this adjustment has no impact on WBOPDC water users.

TCC has sought feedback from the Department of Internal Affairs (DIA) in relation to this amendment to the WSDP. The feedback from DIA is that this amendment is not significant enough to require submission to amend the WSDP.

Revenue for sustainability of WO under ring-fencing

The ringfencing recognises that the two Councils are transferring different levels of relative debt/assets and revenue charges. In time the WO, in conjunction with both Councils, will consider adjusting relative revenue streams so that the WO can move towards full price harmonisation (same base charges for all consumers) should it wish.

Table 13 shows how each major component is ring fenced or split is shown below.

Breakdown of how revenue and costs are impacted by ringfencing (Table 13)

Revenue/ Cost Source	Basis for split (TCC vs WBOPDC)
Operating Revenue	Direct charge for each property/ Council area
Capital Revenue (FC's DC's)	Direct charge for each property/ Council area
Direct Operating Costs	Direct charge based on asset location * Includes <ul style="list-style-type: none"> • Downer maintenance contracts • Reserve mowing contracts
Operating Costs	To be determined **
Shared Services from Council's	Based on SLA's
Depreciation	Split based on asset location
Interest Costs	Split based on debt transferred

* No change from current joint contract with Downers

** The Councils will need to determine the basis for splitting indirect costs. Noting the current assumption is that the basis is likely to be based on Class B shareholding ratios.

The key aspects to be achieved to enable price harmonisation need to be established for the WO and associated Councils to work towards this. It would also inform any future partners what the WO is working towards.

While the key metrics to enable price harmonisation need to be worked on and established, they might include:

- Comparable price per connection
- Similar individual FFO to debt ratio's
- Comparable level of assessment and reliability of asset condition ratings
- Consistent basis for funding of depreciation and renewals

In summary both Councils have agreed to ringfencing and the removal of non-price harmonisation, a list of triggers have been compiled as part of the due diligence phase. It has been discussed in principle, subject to Council approval, that ringfencing will be revisited three years post establishment, with a formal review required within six years.

Both Councils also need to confirm the accounting basis for incorporating the financial results of the WO within their individual Council Annual reports.

Arrangements with external parties

Operational services are currently provided by a private sector contractor. The principal operating contract that currently exists is the Downers operational maintenance contract.

Other contracts in general are covered in the legal due diligence review, and these include a number of agreements between the two Council's that will be reviewed as part of the setup of the WO. While this workstream will be driven by the legal workstream, finance will need to consider implications of changes.

In summary both Councils need to determine the ongoing basis for access to infrastructure used by both Councils. With further work being needed to determine which agreements may be required between the two Councils and confirm the basis for sharing these costs. A separate paper on growth relating to cross-boundary matters has been developed to provide further context and discussion on this.

Insurance Arrangements

Currently both TCC and WBOPDC obtain their insurance through a joint arrangement headed by BOPLASS. This is then grouped with other similar Local Government groups to arrange cover. Aon acts or broker for all these entities to arrange insurance on the best terms possible. Considerable benefits are obtained through using this large collective grouping. Key insurances include:

- Above ground assets
- Below ground assets (pipe infrastructure)
- Loss of profits/ Increased costs of working
- Public Liability and Professional Indemnity.

It is anticipated that this process for securing insurance will continue for all parties (WO, other Councils and insurers), particularly for the cover for above ground and below ground assets. While the policies are obtained on a joint basis premiums are generated based on the specific assets (and their values) covered.

We have discussed this with Aon who has confirmed this would not be a problem for our insurers. For the first year (insurance year from 1 November 2026 to 31 October 2027) we may need to have both Council and the WO named in the policy to avoid ownership related matters associated with insurance.

As insurance is an annual contract the WO could reconsider this arrangement from 1 November 2027 if they so wished.

The BOPLASS board considered this arrangement on 20 February 2026 and confirmed that they are comfortable to pursue this option.

In summary both BOPLASS and our insurers are comfortable that the current collective process for obtaining insurance can be continued. Further considerations of the most appropriate public liability and professional indemnity cover (and other minor policies) need to be made, along with the WBOPDC and TCC waters assets for insurance purposes.

Model identified financial impacts

The work completed and noted above in this due diligence process has not raised any significant areas of concern where financial modelling or re-modelling has been required to support the decision of the WO establishment.

Attachment 2: Next Steps Identified within this report

The following is a summary of the further work required that was identified as part of this report.

- Continued updates to each Council's water activity debt through to the transfer date
- Confirmation of any adjustments arising from local Council decisions, and agreement on transfer of assets and other liabilities that may impact debt balances
- Ongoing monitoring of capital programme delivery impacts on debt levels, validating any changes to revenue or depreciation treatment that influence debt movements
- Appointment of treasury advisers to support the transfer of debt and associated hedging
- Treasury management setup activities will continue to be progressed collaboratively and will include:
 - preparing and documenting the novation of debt by each Council;
 - preparing and documenting the novation of interest rate hedging;
 - developing a treasury policy and draft treasury strategy;
 - determining and establishing LGFA and/or other borrowing facilities and operational banking requirements; and
 - establishing transactional banking arrangements and Day1 working capital facilities, informed by the WO CEO or CFO once appointed
- A co-ordinated 2027 revaluation using a single independent valuer - to ensure that all asset transfers are fair, reasonable, and based on a fully consistent and transparent valuation approach
- Agreement, as part of the revaluation, how asset condition will be considered.
- Confirm if any further work is required to understand each Council's asset condition prior to the revaluation process.
- Confirm which assets are to be transferred and ensure that the same classes of assets are transferred by both Councils
- Confirm treatment of any investment properties, Intangible assets or forestry assets that may need to be transferred
- Ongoing monitoring of project timing, costs, and any unplanned capital requirements through to 1 July 2027
- Confirm which land assets within the wider water activities will be retained by the Councils and identify any associated debt.
- As part of the asset revaluation process, compare and match the useful lives of each asset type for consistency.

- Ensure that each capital contract and its retentions can be novated to the new water entity, and understand what employee entitlements will transfer to the new entity in conjunction with the People and Workforce workstream
- Develop a consistent methodology for funding depreciation costs and the resulting renewal capital expenditure and debt retirement.
- Consider establishing a joint working group to develop consistent Development Levy policies across the Councils and for the WO once the legislative requirements are confirmed.
- TCC will need to decide what reserves (if any) should be retained within TCC
- Ensure any changes in water revenue are approved by the DIA if they represent deviations from the WSPD
- Determine how key costs within the WO will be split for the purposes of establishing water revenue requirements within a nonprice harmonised environment.
- Determine key aspects to be achieved in order to enable price harmonisation.
- Establish the basis for incorporating the financial results of the WO within their Annual reports
- Establish a basis for access to cross boundary infrastructure (separate workstream created for this)
- Resolve the basis for the establishment of suitable insurance cover
- Update financial models for any significant changes in financial assumptions.

Water Debt Identification Review

Tauranga City Council & Western Bay of
Plenty District Council

March 2026



Partners in infrastructure

Disclaimer



- The information in this report has been prepared by Mafic Partners Limited (**Mafic**), for Tauranga City Council (**TCC**) and Western Bay of Plenty District Council (**WBOPDC**) for the purpose of reviewing the approach used to determine the value of each council's respective water services debt and reserves proposed to transfer to the shared Water Services Organisation (**WSO**) (the **Purpose**).
- The review is based on financial information and assumptions received from TCC and WBOPDC. This report does not purport to be comprehensive or to contain all of the information that a recipient may need for the Purpose.
- The services provided under the Contract have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.
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Introduction

Tauranga City Council and Western Bay of Plenty District Council have identified the debt and reserves related to water services that will transfer to the Water Services Organisation

Background

- Tauranga City Council (**TCC**) and Western Bay of Plenty District Council (**WBOPDC**) are forming a multi-council Water Services Organisation (**WSO**)
- Transition of assets, debt and services to the WSO is intended to occur by 1 July 2027, with the WSO being responsible for water, wastewater and certain stormwater related services¹
- To support the transition, TCC and WBOPDC have determined the value of water-related debt and reserves for transfer to the WSO
 - TCC and WBOPDC both use internal loans to allocate and track funds between council activities - these accounts are the basis of the value for debt and reserves attributed to water services
 - TCC and WBOPDC have verified the accuracy of the internal loans by comparing historical movements in the accounts to cash flows related to water services over the past 8 and 11 years respectively
- Mafic has been engaged to provide an independent review of the methodology applied and workings undertaken by TCC and WBOPDC to assess the reasonableness of the approach applied

Scope of review

This review is intended to provide a high-level desktop review assessing the reasonableness of the financial components to be transferred to the WSO, identify any potential issues arising from the approach taken and recommend options to negotiate any required changes

The review specifically considers each of the following:

- The reasonableness of the methodology used for determining the value of debt and reserves
- The reasonableness of key assumptions
- Consistency of inputs with published financials

Based on the above, the review:

- Considers the impact of the proposed debt and reserves on the financial sustainability of the WSO, including:
 - pricing pathways
 - debt capacity of the WSO
 - consistency of approach across customers
- If any material financial sustainability concerns are identified, recommended options to improve outcomes for the WSO are outlined

1. Reserves and land used for stormwater purposed will reman in council ownership (on a case-by-case basis), however "hard" stormwater infrastructure (pipes, pumps, inlets and outlets) will be transferred to the WSO



Overview of methodology applied

TCC and WBOPDC both use internal loans to allocate and track funds between activities - these accounts form the basis for the value for debt and reserves attributed to water services

Methodology

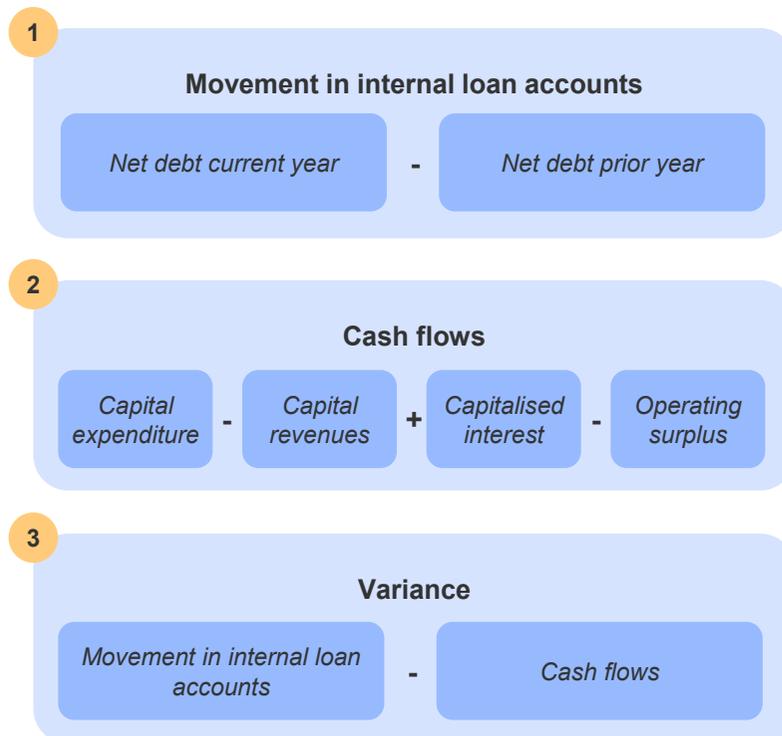
Debt identification

- TCC and WBOPDC maintain internal borrowings to record borrowing arrangements between water services and other council business
- With fully separate accounts for water services within council accounts, debt and reserves related to water supply, wastewater and stormwater services is clearly identifiable
 - Revenues, expenditure and borrowings for water services operate in a ring-fenced environment
 - This approach has been applied by TCC and WBOPDC for many years
- These internal loan accounts are the basis of the value for debt and reserves attributed to water services

Reconciliation

- TCC and WBOPDC have verified the accuracy of the internal loans by comparing historical movements in the accounts to cash flows related to water services over the past 8 and 11 years respectively

Reconciliation





Summary of approach - TCC

For FY17-FY25, the movement in TCC's internal loan and reserve accounts can be explained by movements in water services related revenue and expenditure to within 1.32%

Debt identified – TCC water services

Nominal \$m	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Debt (internal loan)	260.3	277.7	343.0	393.1	447.9	496.5	524.3	570.9	608.2
Less reserves	(55.9)	(70.2)	(75.8)	(86.2)	(94.4)	(97.4)	(102.1)	(111.6)	(118.9)
Net debt	204.4	207.5	267.2	306.9	353.5	399.1	422.2	459.3	489.3
Movement in net debt	n/a	3.1	59.7	39.7	46.6	45.6	23.0	37.2	29.9

Reconciliation of change in debt – TCC water services

Nominal \$m	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Capital expenditure		49.9	90.7	85.9	90.1	109.0	89.0	84.1	85.8
Less capital revenue		(45.8)	(40.8)	(42.5)	(48.1)	(64.4)	(69.9)	(57.8)	(67.1)
Plus capitalised interest		0.9	1.7	1.1	5.6	7.7	9.7	9.3	13.3
Less operating surplus		(2.5)	(1.2)	(1.6)	(3.9)	(2.1)	(3.0)	(1.0)	(1.1)
Movement in net debt		2.5	50.4	42.9	43.8	50.2	25.7	34.6	31.0
Variance to debt identified		0.6	9.3	(3.2)	2.8	(4.6)	(2.7)	2.6	(1.1)

Proportion of movement explained by reconciliation

Nominal \$m	FY17-FY25 change
Change in net debt identified	284.8
Reconciliation of change in debt	281.1
Difference	3.8 / 1.32%

- Net debt as recorded in TCC's internal loan and reserve accounts increased \$285m from FY17 to FY25
- Movements in capex, capital revenue, operational rates and capitalised interest related to water services equals \$281m for the same period
- The difference (or unexplained portion) is \$3.8m or 1.32% of the total movement



Summary of approach - WBOPDC

For FY14-FY25, the movement in WBOPDC's internal loan and current accounts can be explained by movements in water services related revenue and expenditure to within 0.5%

Debt identified – WBOPDC water services

Nominal \$m	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Internal loan	92.0	89.7	87.8	87.3	86.9	88.3	88.3	86.5	86.2	89.0	41.1	65.3
Current account	20.6	21.4	19.4	14.9	16.1	6.7	5.2	0.9	3.0	(1.9)	(15.4)	(19.1)
FINCO	-	-	-	-	-	-	-	-	-	-	82.4	105.1
Net debt	112.6	111.1	107.2	102.2	103.1	94.9	93.5	87.4	89.2	87.1	108.1	151.3
Movement in net debt	N/A	(1.5)	(4.0)	(4.9)	0.8	(8.1)	(1.4)	(6.1)	1.8	(2.1)	21.0	43.2

Reconciliation of change in debt – WBOPDC water services

Nominal \$m	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Capital expenditure	2.7	5.8	7.5	14.2	9.7	6.0	9.3	14.1	10.4	28.7	51.8
Less capital revenue	(0.7)	(3.4)	(5.1)	(5.4)	(10.1)	(2.6)	(4.8)	(8.5)	(4.3)	(3.6)	(6.9)
Less operating surplus ¹	(3.5)	(6.4)	(7.3)	(8.0)	(7.7)	(4.8)	(10.5)	(3.8)	(8.3)	(4.1)	(1.7)
Movement in net debt	(1.5)	(4.0)	(4.9)	0.8	(8.1)	(1.4)	(6.1)	1.8	(2.1)	21.0	43.2
Variance to debt identified	(0.0)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0

Proportion of movement explained by reconciliation

Nominal \$m	FY14-FY25 change
Change in net debt identified	38.7
Reconciliation of change in debt	38.7
Difference	0.0 / 0.0%

- Net debt as recorded in WBOPDC's internal loans, current accounts and FINCOs increased \$39m from FY14 to FY25
- Movements in cash flows (capex, capital revenue, operational rates and capitalised interest) related to water services equals \$39m for the same period
- The difference (or unexplained portion) is nil

1. Includes capitalised interest



National Transition Unit (NTU) assessment

The approach used by TCC and WBOPDC is consistent with the approach and values agreed with the NTU for the FY22 value of debt and reserves - Differences are considered immaterial

TCC debt and reserves as at 30 June 2022

Nominal \$m	Water	Wastewater	Stormwater	Total
TCC approach				
Debt	210.1	147.6	138.7	496.5
Reserves	(29.6)	(38.8)	(29.0)	(97.4)
Net debt	180.6	108.8	109.7	399.1
NTU assessment				
Debt	213.6	147.6	138.7	500.0
Reserves	(29.6)	(37.5)	(29.0)	(96.1)
Net debt	184.0	110.2	109.7	403.9
Difference				
Debt	(3.5)	(0.0)	0.0	(3.5)
Reserves	0.0	(1.3)	(0.0)	(1.3)
Net debt	(3.4)	(1.3)	0.0	(4.8)

WBOPDC debt and reserves as at 30 June 2022

Nominal \$m	Water	Wastewater	Stormwater	Total
WBOPDC approach				
Debt	28.9	42.8	17.6	89.2
Reserves	-	-	-	-
Net debt	28.9	42.8	17.6	89.3
NTU assessment				
Debt	28.9	42.8	17.6	89.3
Reserves	-	-	-	-
Net debt	28.9	42.8	17.6	89.3
Difference				
Debt	(0.0)	(0.0)	(0.0)	(0.1)
Reserves	-	-	-	-
Net debt	(0.0)	(0.0)	(0.0)	(0.1)

The values above formed the baseline debt and reserve balances that were agreed with the NTU following the NTU's due diligence process



WSO considerations

The value of the debt and reserves identified are similar to the values assumed in the Water Services Delivery Plans for TCC and WBOPDC

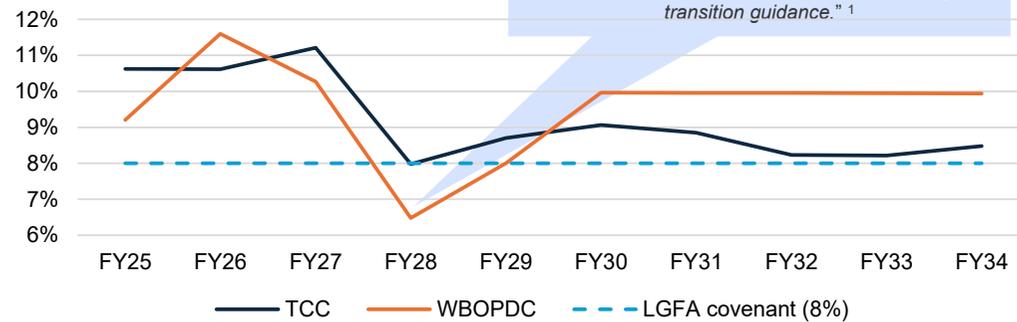
- Debt identified by TCC is \$17m (3.6%) higher than the WSDP assumption as at FY25
- Debt identified by WBOPDC is \$10m (6.2%) lower than the WSDP assumption as at FY25
- These differences are not likely to materially change the assessment and key outputs from the WSDP (including the WSO's projected FFO to debt, affordability ratios or the consistency of approach across customers)
- Material capital investment for both TCC and WBOPDC results in an FFO/debt ratio at or below the LGFA covenant in FY28

— A transition period to meet LGFA's covenants has been agreed - however further changes in net debt should be monitored closely to ensure covenants are achieved

Net debt (FY25 closing balance)

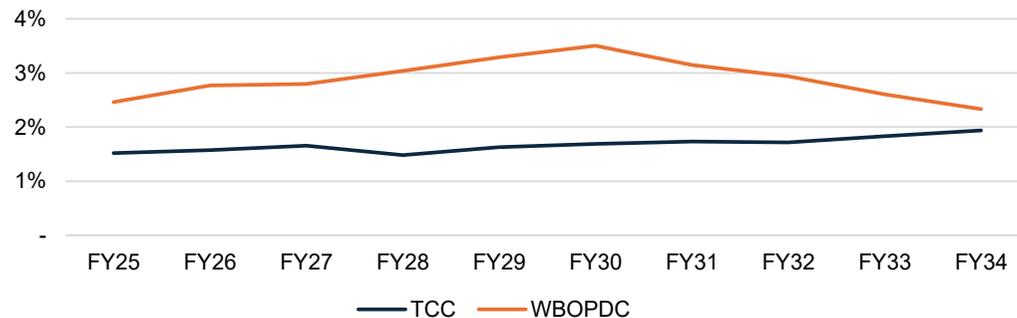
Nominal \$m	TCC	WBOPDC
WSDP	472 ³	161 ⁴
Debt identified	489	151
Difference	17	(10)
Difference (%)	3.6%	(6.2%)

Water services FFO / debt (WSDP)



"Given the front-loaded CAPEX in the early years, ... WBOP water services are not expected to meet the covenant in FY28 (the transition year) but are forecast to do so from FY29, consistent with LGFA five-year transition guidance." ¹

Water average charge as a percentage of income (WSDP)²



1. WBOPDC WSDP page 3. 2. TCC values are based on mean household income, WBOPDC values are based on median household income. 3. TCC WSDP page 64. 4. WBOPDC WSDP page 63.



Summary of findings

The use of ring-fenced internal loan accounts for identifying debt related to water services is considered a reasonable approach

Reasonableness of approach and assumptions

- A key challenge to the identification of debt is the availability of information, which is exacerbated by historical changes to service provision / ownership, information / accounting systems and reporting
 - It is not possible to track the value of debt and reserves back to a “day 1” or zero balance (as there is no defined day 1 to start from)
- The approach is also consistent with the methodology applied by TCC and WBOPDC throughout the water reform process and was agreed with the NTU as the basis for setting the baseline debt and reserve values following its due diligence process
- The ability to explain the movements in the internal loan accounts through cash flows related to water services provides reassurance that movements over the past ~10 years are reflective of the debt requirements of water services
 - Unexplained differences in movements are considered immaterial
- A key risk to the approach applied relates to historical council funding decisions where increases in water services charges, allocation of overheads and the proportion of capex that was debt funded are key determinants in the quantum of water related debt / reserves
 - The approach applied does not reconsider these decisions
 - Re-evaluating historical council funding decisions is outside the scope of this review
- Our review identified minor discrepancies in the reconciliation calculation for TCC and WBOPDC (detailed in Appendices A and B) - the point raise have all been resolved

Alternative approaches

- Although there are alternative approaches that could be applied to identify debt related to water services, the use of internal loans is considered a more robust approach
- Potential alternative approaches include for example:
 1. Determining an opening debt balance at a certain date (e.g. FY12) and rolling this forward using cash flows related to water services
 2. Recalculating the roll forward using standardised assumptions to allocate council cash flows to activities (e.g. interest costs, proportion of capex that is debt funded, overhead allocations etc)
 3. Allocating a portion of council debt to water services based on financial ratios (e.g. debt to revenue, total capex or asset values)
 - However, these approaches have material limitations, are sensitive to assumptions applied and re-open previous council decisions regarding how activities have been funded historically
- We note that assessing the potential difference in outcome under these alternative approaches is outside the scope of this review

Other considerations

- Ongoing movements in accounts should be monitored to ensure the WSO continues to meet the financial sustainability assessment
- Any cash or other working capital balances related to water activities at the date of transfer should be considered in addition to internal loans / reserves
- Where certain subsets of activities ultimately remain with council and do not transfer to the WSO, the related net debt and reserves should also remain with council - for example TCC’s stormwater reserve related to flooding



A

APPENDIX
TCC review comments

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TCC review comments (1 of 3)

Review finding	Sheet name	Cell	Status
TCC – Modelling comments			
Various cells in each trial balance are blank. An example of this is D19-D20, G142-H149, H31-H35 on the SW SAP sheet.	All trial balance sheets	Various	Closed
Row 116 is not included in the total in row 119.	SW Financials - SAP	Row 116	Closed
The total is missing for 2021 causing cell D244 to pull a blank cell	SW Financials - SAP	Row 119	Closed
Other activities include the transfers out of the reserve in this row (ie this sheet appears to be missing 'Funding from Stormwater Reactive Reserve' in Row 246)	SW Financials - SAP	Row 264	Closed
Total variance includes 2018 movement, however the comparison is to the movement from the end of FY18 (ie the 'opening debt' in row 49 is as at 30 June FY18)	Summary	K42:K45	Closed
These rows are linked to blank cells	WS Financials - Oz	Row 1147 and 1146	Closed
This row subtracts capitalised interest, but should be adding it	WS Financials - Oz	E1155	Closed
Label to be updated to refer to Biosolids reserve	WW Financials - Oz	C1254 and C1255	Closed
Formula is linked to blank cells	WW Financials - Oz	Row 1255	Closed
Formula adds funding from Stormwater Reactive Reserve whereas other columns are subtracting it	SW Financials - Oz	G863	Closed
The Council Reserves numbers should be accounted for in the same way as they are in Wastewater and Stormwater (biosolids etc.)	Water Supply		Closed



TCC review comments (2 of 3)

Review finding	Sheet / cell	Report / page	Status
TCC – Consistency with published financial reports			
2025 WW: Biosolids operational rates spent of 863,000 in financial statements; inconsistent to 1,166,807 in Excel	WW Financials - SAP / H236	Annual Report FY25 / p92	Closed
2024 WS: Revenue - capital grants subsidies should be zero as per financial statements	WS Financials - SAP / F252	Annual Report FY24 / p18	Closed
2024 WW: Biosolids & Wastewater Enhancement Reserve operational rates spent of 4,532,000 in financial statements if include all council reserves; inconsistent to 4,792,942 in Excel	WW Financials - SAP / G255	Annual Report FY24 / p90	Closed
2023 WW: Biosolids & Wastewater Enhancement Reserve operational rates revenue / spent of 2,382,000 / 331,000 in financial statements if include all council reserves; inconsistent to 1,500,000 / 490,259 in Excel	WW Financials - SAP / F254:F255	Annual Report FY23 / p95	Closed
2022 WW: Biosolids & Wastewater Enhancement Reserve operational rates spent of 430,000 in financial statements if include all council reserves; inconsistent to 436,191 in Excel	WW Financials - SAP / E236	Annual Report FY22 / p115	Closed
2021 WS: Revenue - capital grants subsidies of 659,000 in financial statements; inconsistent to 647,625 in Excel	WS Financials - SAP / C252	Annual Report FY21 / p145	Closed
2021 WW: Biosolids & Wastewater Enhancement Reserve operational rates spent of 11,000 in financial statements; zero in Excel	WW Financials - SAP / D255	Annual Report FY21 / p121	Closed
2021 SW: Stormwater Reactive Reserve operational rates revenue of 2,300,000 in financial statements; zero in Excel	SW Financials - SAP / D264	Annual Report FY21 / p121	Closed
2020 WW: Biosolids & Wastewater Enhancement Reserve operational rates revenue of 754,000 in financial statements; zero in Excel (and labelling in Excel incorrect)	WW Financials - Oz / H1255	Annual Report FY20 / p118	Closed



TCC review comments (3 of 3)

Review finding	Sheet / cell	Report / page	Status
TCC – Consistency with published financial reports			
2019 SW: Stormwater Reactive Reserve operational rates spent of 1,430,000 in financial statements; inconsistent to 1,596,137 in Excel	SW Financials - Oz / G855	Annual Report FY19 / p111	Closed
2019 WW: Biosolids & Wastewater Enhancement Reserve operational rates spent of 1,119,000 in financial statements; zero in Excel (and labelling in Excel incorrect)	WW Financials - Oz / G1255	Annual Report FY20 / p111	Closed



B

APPENDIX
WBOPDC review comments

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WBOPDC review comments

Review finding	Sheet	Cell	Status
WBOPDC – Modelling comments			
Cell H109 in the WS/WW/SW sheets is missing cell H82 (columns I onwards include this row)	WS / WW / SW	H82	Closed
Water supply sheet - the differences appear to be driven by rows 66, 76 and a sum error <ul style="list-style-type: none"> • H101 reconciliation difference aligns to cell H76 (noting cells H76 and G76 are the same value) • Copying the reconciliation check into cell G101 gives \$275,700 which aligns to the sum of cell G66 and G76 • M101 reconciliation difference aligns to cell M66 • P101 reconciliation difference aligns to cell P66 and the sum error in cell P39 (P39 does not equal P37 minus P24) 	WS	H101 / H76 / G101 / M101 / P101	Closed
Water supply sheet - Q101 reconciliation difference is the same value as the revaluation increase (cell Q65) and gain on sale (cell Q67) - is the gain on sale a duplicate?	WS	Q101 / W65 / Q67	Closed
Wastewater reconciliation differences align to row 66 in 2015 and 2018 <ul style="list-style-type: none"> • J102 aligns to cell J66 - why is there an increase and decrease? • Copying the reconciliation check into cell G101 gives \$522,000 which aligns to cell G66 • Wastewater cell Q39 does not equal Q37 minus Q24. The difference is \$670,277 which aligns to the value in cell Q66 	WW	Row 66 / J102 / G101 / Q39	Closed

Attachment 6: LATE ITEM

Cross-boundary access to, and funding of, infrastructure

This issues and options paper will be circulated prior to the Council meeting of 24 March 2026

9.4 LOCAL WATER DONE WELL – COMMERCIAL TERMS

File Number: A7097932

Author: Ariell King, Programme Manager – Water Organisation Establishment

Authoriser: Adele Henderson, Programme Director – Water Organisation Establishment

EXECUTIVE SUMMARY

1. Western Bay of Plenty District Council (Council) and Tauranga City Council (TCC) are considering whether to establish a multi-Council Water Organisation (WO) under the Local Government (Water Services) Act 2025 (Act). If established, the WO will be responsible for managing and delivering drinking water, wastewater and stormwater within the Council and TCC boundaries.
2. In terms of timing, Council and TCC will decide whether to establish the WO on 2 April 2026; and, if Council and TCC decide to proceed with the WO's establishment, the intention is to incorporate that WO around July 2026. The WO would then have a one-year establishment phase before a "go-live" date of 1 July 2027.
3. This report presents the Commercial Term Sheet (CTS), which outlines the key commercial terms that will underpin the WO's foundation documents (the Constitution and Shareholders' Agreement). The CTS has been developed through a robust due diligence process and extensive engagement with the Joint Working Group (JWG), comprising representatives from Council, TCC and Tangata Whenua. The JWG has reached consensus on all but one of the commercial terms, and this paper seeks Council's endorsement of the CTS and direction on the outstanding matter.
4. Endorsing the CTS will enable staff to begin drafting the WO's foundation documents following the decisions of Council and TCC on 2 April 2026. It will also provide clarity on the governance, ownership and operational arrangements of the proposed WO, including the establishment of a Joint Committee (JC) to support strategic alignment between the shareholders, Tangata Whenua and the WO Board. The JC will initially have a recommendatory / advisory role only and will sit between the shareholders and the WO Board, helping to ensure effective governance and oversight during the WO's establishment and beyond.

RECOMMENDATION

1. That the Programme Manager – Water Organisation Establishment report dated 24 March 2026 titled ‘Local Water Done Well – Commercial Terms’ be received.
2. That the report relates to an issue that is considered to be of **medium** significance in terms of Council’s Significance and Engagement Policy.
3. That Council approves and endorses the Commercial Term Sheet (**Attachment 1** of this report):
 - a. With no exceptions; or
 - b. With the exception of commercial term(s):
 1. [insert commercial term #]
 2. [insert commercial term #]
4. That subject to a decision by both Western Bay of Plenty District Council and Tauranga City Council to approve the Local Water Done Well due diligence (proposed for 24 March 2026), and a decision by both Western Bay of Plenty District Council and Tauranga City Council to establish the Water Organisation (proposed for 2 April 2026):
 - a. Western Bay of Plenty District Council and Tauranga City Council shall work together in good faith to resolve any outstanding commercial terms not yet approved by both Western Bay of Plenty District Council and Tauranga City Council.
 - b. Notes that staff will prepare the Water Organisation’s Shareholders’ Agreement and Company Constitution:
 1. In a manner that is consistent with the approved Commercial Term Sheet and any additional commercial terms subsequently agreed by Western Bay of Plenty District Council and Tauranga City Council; and
 2. To enable incorporation of the Water Organisation by approximately 1 July 2026, with operations commencing on 1 July 2027.
5. That Council, in relation to whether Tangata Whenua may hold Class A (voting) shares in the Water Organisation, confirms that Class A (voting) shares in the Water Organisation may:
 - a. be held by Tangata Whenua; or
 - b. be held only by shareholding councils.
6. That Council notes that all parties on the Joint Working Group have reached a consensus on all terms within the Commercial Term Sheet (**Attachment 1**), with

the exception of whether Tangata Whenua should hold Class A (voting) shares in the Water Organisation.

7. That Council notes staff will report back to Western Bay of Plenty District Council and Tauranga City Council in relation to the draft Shareholders' Agreement and Company Constitution for the Water Organisation for endorsement and approval prior to execution by the Mayor and Chief Executive.

BACKGROUND

1. Council, in partnership with TCC, is progressing the establishment of a Multi-Council Water Organisation (WO) in response to the Government's Local Water Done Well (LWDW) reform programme. The WO has a 'go live' date of 1 July 2027.
2. Council endorsed the Multi-Council Water Organisation Summary Plan (including Due Diligence) on 14 November 2025. This plan sets out the approved approach to complete the necessary steps to establish the WO. It was prepared based on the Commitment Agreement between the two councils and the approved Water Service Delivery Plans (WSDP).
3. Since October Council has received the following reports progressing the establishment of the proposed WO
 - 16 December 2025 – Project Update and Recruitment
 - 16 December 2025 – Digital Programme
4. This Commercial Terms paper is being presented to Council on 24 March 2026 alongside three additional Local Water Done Well reports providing a project update, the financial implications of establishing a WO, and the due diligence findings. These four reports, when considered holistically, progress establishment work and provide a comprehensive project update on the work completed to establish the WO.

SIGNIFICANCE AND ENGAGEMENT

5. The Local Government Act 2002 requires a formal assessment of the significance of matters and decision in this report against Council's Significance and Engagement Policy. In making this formal assessment there is no intention to assess the importance of this item to individuals, groups, or agencies within the community and it is acknowledged that all reports have a high degree of importance to those affected by Council decisions.
6. The Policy requires Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions, and activities.

7. In terms of the Significance and Engagement Policy this decision is considered to be of medium significance because the proposed commercial terms will be used to develop the foundation documents of the proposed WO. The decision to approve the commercial terms does not require further consultation. These terms are a consequence of the decision to establish a proposed a multi-Council WO (which forms the basis of the approved Water Service Delivery Plan) and the required consultation on that decision was undertaken in March/April 2025.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

8. As noted above the consultation on the proposed establishment of a multi-Council Water Organisation was undertaken in March/April 2025.

BACKGROUND TO THE JOINT WORKING GROUP (JWG) AND JOINT WORKING GROUP RECOMMENDATIONS WITHIN THIS PAPER

9. In September 2025, Council and TCC entered a Commitment Agreement to explore the establishment of a WO. Between late 2025 and early 2026, Council and TCC have been undertaking an establishment planning and due diligence process for the proposed WO.
10. As anticipated under the Commitment Agreement, the JWG was formed with representatives from Council, TCC, and Tangata Whenua. Part of the JWG's role has been to receive presentations and Issues & Options papers from staff regarding the structure of the WO's foundation documents (being the WO's company Constitution and the Shareholders' Agreement) so that if Council and TCC decide to proceed with the establishment of the WO on 2 April 2026, the foundation documents can be promptly prepared, and that key matters underpinning the establishment were agreed in advance of the final decision.
11. The JWG's Terms of Reference require the JWG to form a consensus view on each matter (where possible) and then present that consensus view as a recommendation to the respective councils for final decision making. Where a consensus view cannot be reached, the matter is reported to the respective councils with an outline of each party's position and associated rationale.
12. To date, staff have met with the JWG on 10 separate occasions (each JWG meeting has run for approximately 2 -3 hours) to work through the detail of each Issues & Options Paper. The JWG meetings (and accompanying papers) have provided an opportunity for the JWG members to undertake detailed consideration of each matter presented to them.
13. In addition to the JWG meetings outlined above, the representatives for each council have attended weekly meetings with staff (each internal meeting has run for approximately 2 to 3 hours) where the Issues & Options Papers for the upcoming JWG meeting have also been introduced.

14. Elected Members from outside of each council's working group members have been invited to attend the JWG meetings. Many Elected Members have taken up that invitation and have often attended the JWG meetings under a watching brief, with speaking rights extended to non JWG members on certain occasions.
15. In summary, the JWG members have worked diligently to understand the issues presented to them. Each meeting involved robust discussion, and significant thought and analysis underpin the JWG's recommendations set out in this paper.

EXPLANATION OF THE COMMERCIAL TERM SHEET

16. As noted above, part of the JWG's role has been to form recommendations regarding the structure of the WO's foundation documents. On that basis, staff prepared and presented the CTS to the JWG. The CTS covers off all the key details that will need to be included within the WO's founding documents, being the Constitution and Shareholders' Agreement. The CTS ensures that the agreed positions of Council, TCC and Tangata Whenua are accurately reflected in the WO's founding documents.
17. The CTS contains 46 different topics. Each CTS item was presented to the JWG with an explanation and different options to choose:
 - a. Where the CTS item was classified as "political" the options were presented with advantages and disadvantages - 37 out of 46 items were political.
 - b. Where the CTS item was classified as "commercial" the options were presented with a staff recommendation only (i.e. without advantages and disadvantages). Nine out of 46 items were commercial.
18. Each of these topics were explained in writing to the JWG members within an Issues & Options Paper (all of which are contained within in a link on Council's and TCC's respective LWDW webpages). The topics were then presented in person by staff to the JWG members. All JWG parties received the written documents and attended the presentations.
19. The final version of the CTS, including the JWG's recommendations is found in **Attachment 1**. This is presented for approval and endorsement by both Council and TCC. For ease of reference, the CTS includes footnotes that identify when each topic was presented to the JWG (including references to the relevant Issues & Options paper). The material that underlies the CTS (including Issues & Options Papers, Fact Sheets, question responses etc.) is extensive and can be found on Council's and TCC's respective LWDW webpages.
20. The following sections set out the JWG's consensus recommendations on the CTS items. For the purposes of this paper, the CTS has been organised into the following subject areas:
 - a. JWG recommendations on WO ownership and voting rights.

- b. JWG recommendations on WO shareholder decision making.
- c. JWG recommendations on shareholder influence on the WO.
- d. JWG recommendations on the Joint Committee.
- e. JWG recommendations on WO's Board.
- f. JWG recommendations on LGFA guarantees.
- g. JWG recommendations on financial ring-fencing.

JOINT WORKING GROUP RECOMMENDATIONS ON WATER ORGANISATION OWNERSHIP AND VOTING RIGHTS

Commercial terms where the JWG reached a consensus view

21. The following is an overview of the JWG's consensus on items relating to the ownership and voting right in relation to the WO:
- a. **Class A and Class B shares:** Shares in the WO will be divided into two classes:
 - i. Class A shares will relate to shareholder voting rights only (rather than ownership of the WO). These shares will be issued on incorporation of the WO and will be divided evenly across council shareholders. At the WO's commencement, WBOPDC and TCC will own Class A shares on a 1:1 basis. When a third shareholder is added, Class A shares will be owned on a 1:1:1 basis (and so on). It is important to note that these voting rights relate to a relatively small subset of shareholder decisions, albeit the most significant ones. All day-to-day operational decisions will be the responsibility of the WO, giving effect to the Statement of Expectations and implementing the Water Services Strategy.
 - ii. Class B shares will relate to ownership of the WO. These shares will entitle the holder to a proportionate share of any dividends or other distributions but would not carry voting rights. These shares will be issued based on the net assets (assets less debt) being transferred to the WO by each shareholding council and will be issued following completion of the transfer agreement between each respective council and the WO. To ensure a fair process, it is recommended that Council and TCC engage a single independent valuer to value the water assets of both councils using the same valuation methodology, and the same key input assumptions. The valuations will be as at 1 July 2027, being the date the WO will become operational, and will be confirmed as part of the year end audit process.

- b. **Review and adjustment of Class B shares:** The allocation of Class B shares will be reviewed and adjusted on a regular basis. For clarity, the methodology of allocating Class B shares will not change whenever a review occurs. The triggers for undertaking reviews are set out directly below:
- i. The addition of a Council shareholder to the WO.
 - ii. The departure of a Council shareholder from the WO.
 - iii. Any reorganisation of local government structures (such as amalgamation or otherwise) that directly impacts any of the Council shareholders.
 - iv. An end (or substantial change) to the WO's financial ring-fencing arrangements.
 - v. Any periodic re-valuation of the water-related assets transferred to the WO by all of the shareholding Councils.
 - vi. A material change to the value of the water-related assets transferred to the WO by any one of the shareholding Councils which would result in more than a 5% change in the shareholding allocation.
 - vii. If the methodology for allocating shares includes a basis in addition to net assets (such as connections or population), a material change in that basis which would result in more than a 5% change in the shareholding allocation.
 - viii. In the absence of any other "trigger-event" occurring, once every 6 years.
- c. **Anti-privatisation:** Specific anti-privatisation clauses will be added to the WO's foundation document (over and above the anti-privatisation provisions in the Act). Unanimous shareholder approval will be required for the anti-privatisation clauses within the foundation documents to be amended.
- d. **Dividends:** Dividends will not be payable from the WO to shareholders unless there is unanimous shareholder approval plus approval from the WO's Board of Directors (by ordinary Board resolution) subject to meeting any solvency and statutory tests (as per Companies Act). All parties accepted that the WO's financial operating model is very unlikely to support the regular distribution of substantial dividends to the shareholders.

Commercial terms where the JWG were unable to reach a consensus view: Class A (voting) shares

22. There was one CTS item relating to WO ownership and voting rights where the parties were unable to reach a consensus. Specifically, the topic of whether or not Tangata Whenua will hold Class A shares (voting rights, rather than ownership). This is a summary of each party's position:
23. TCC's representatives on the JWG formed a view that only shareholding councils will hold shares (whether it be Class A shares or Class B shares) in the WO. This view is based on several factors: The legislation does not anticipate share ownership by parties other than councils; Tangata Whenua is not a shareholder in any other Water Organisation across New Zealand; external legal advice from Simpson Grierson, and advice from DIA, has suggested there are more appropriate forums to capture Tangata Whenua's input, including the JC; and, it is unclear what legal entity would hold the Class A shares on behalf of Tangata Whenua, or what the governance arrangements would look like for that legal entity.
 - b. WBOPDC's representatives on the JWG formed a view that only shareholding councils will hold shares (whether it be Class A shares or Class B shares) in the WO. In addition to the points noted above, WBOPDC's rationale is that Tangata Whenua will be equally represented on the JC, which it considers to be the appropriate forum and one that provides sufficient opportunity for Tangata Whenua to have a say on matters related to the WO.
 - c. Tangata Whenua's representatives on the JWG formed a view that that if it is legally possible for Tangata Whenua to hold Class A shares, then Tangata Whenua wishes to do so.
24. The JWG's Terms of Reference require that where the JWG is unable to reach a consensus recommendation for the councils, the matter will be escalated to the full councils, together with an explanation of the different positions and associated rationale. On that basis, it is for Council and TCC to make a final decision regarding the prospect of Tangata Whenua holding Class A shares, after considering the viewpoints above.

JOINT WORKING GROUP RECOMMENDATIONS ON WATER ORGANISATION SHAREHOLDER DECISION MAKING PROCESSES

25. The following is an overview of WO shareholder decision-making processes, based on the consensus view of the JWG:
 - a. **Class A (voting) shares:** As mentioned above, shares in the WO will be divided into two classes. Class A shares (voting rights) will be divided equally between

the shareholding councils. In other words, each shareholder will have equal voting rights (regardless of ownership shareholding percentage).

- b. **Decisions reserved for unanimous approval:** Where it is for the shareholders to make decisions, some matters will require unanimous shareholder approval. The matters that will require unanimity are outlined directly below:
 - i. Adding new shareholding councils to the WO.
 - ii. Liquidation or winding up of WO.
 - iii. Amending the WO's constitution or SHA.
 - iv. Approving an amalgamation, merger or major restructure of WO.
 - v. The future addition of any further decisions that will require unanimous approval.
 - vi. Removal of anti-privatisation clauses within foundation documents.
 - vii. Payment of dividends by the WO.
- c. **Decisions reserved for special resolution:** There is a list of topics within the Companies Act that require a "special resolution" of shareholders. The special resolution threshold under the Companies Act is 75%, although it is possible to have a higher threshold. The JWG has recommended this threshold remain at 75%. For the WO, additional matters over and above those set out in the Companies Act will be added to the list of special resolution topics. The list of additional matters requiring a special resolution are outlined directly below:
 - i. Issue of, or changes to rights attaching to, or buy-backs of, shares.
 - ii. A material change to the nature of the WO's business.
 - iii. Approving any shareholder funding and/or shareholder guarantee obligations.
 - iv. Giving financial assistance for the purposes of purchasing shares.
 - v. The future addition of any further matters that will require special resolution approval.
- d. **Ordinary resolution:** Any matter not reserved for unanimous approval, or special resolution, can be made by an ordinary resolution which requires a majority vote, being greater than 50%.
- e. **Shareholder Meetings:** Shareholder meetings will occur annually, with a right for any shareholder to call a meeting at any time.

- f. **Quorum:** At shareholder meetings, a quorum will be formed by two representatives from each shareholding council.

JOINT WORKING GROUP RECOMMENDATIONS ON SHAREHOLDER INFLUENCE ON WATER ORGANISATION

26. The shareholding councils will have access to a range of tools to influence the WO, provide high level strategic direction, and request information and assurance, supporting effective shareholder oversight. The WO and the JC will remain subject to the Local Government Official Information and Meetings Act 1987 (**LGOIMA**). However, WO Board meetings themselves will not be subject to LGOIMA. Notwithstanding this, shareholders may, through the Statement of Expectations (**SOE**), set clear expectations regarding transparency and openness in the WO's operations and decision-making. For example, the WO Board could elect to hold one or more public board meetings each year, similar to the approach taken by Watercare.
27. Set out below is an overview of the mechanisms the shareholders could use to influence the WO, along with the relevant JWG recommendation:
- a. **Statement of Expectations:** The Act requires the shareholders to prepare one joint SOE every three years. This is the shareholders primary mechanism to provide high-level guidance and direction to the WO. The WO is required to give effect to the SOE. The Act anticipates that the SOE will address relatively high-level strategic matters only (with operational details being left to the WO itself). However, there is an ability for the SOE to go into some operational detail if a "carve-out" is introduced within the WO's foundation documents. The JWG has reached a consensus that the shareholders may have some ability to provide operational direction with respect to stormwater charging only (and pending further direction, a carve-out can be introduced to reflect this).
- b. **Water Services Strategy:** The Act requires the WO to prepare a Water Services Strategy ("**WSS**") in response to a SOE. The WSS sets out how the WO will deliver water services and achieve its objectives over the medium to long term, including how it intends to respond to shareholder expectations. It explains the WO's planned approach to service levels, investment, financial sustainability, and performance, while preserving the independence of the WO Board. In accordance with the Act, and the recommendation from the JWG, the shareholders will receive each WSS in draft from the WO, and will have an ability to provide comments on the draft WSS (the shareholders will not be able to require the WO to amend the draft WSS; nor will the shareholders have the ability to "approve" the final WSS). The WO may also be asked to undertake

- public consultation on the WSS, subject to direction from the shareholders and the requirements of the WO's Significance and Engagement Policy.
- c. **Reporting by the WO:** The WO will be required to meet various reporting obligations to the shareholders (including a WSS, water services annual report, water services half-yearly report etc). In addition to the strict reporting obligations, the Act enables shareholders to impose additional reporting obligations on the WO. Instead of specifying any additional obligations at the formation of the WO, the shareholders will rely on the flexibility of section 249 and require additional documents to be provided by the WO as and when the councils see fit.
 - d. **WO's debt levels, and LGFA:** Shareholders will rely on the in-built statutory mechanisms to influence the WO's level of debt to the Local Government Funding Agency (**LGFA**). Those mechanisms include the ability to include strategic direction within the SOE (which the WO must give effect to), and the ability to comment on the WO's WSS. The topic of the LGFA is covered in greater detail later in this paper.
 - e. **Dispute Resolution:** The WO's foundation documents will include an escalation process for disputes between shareholders and the WO. Any dispute will seek to be resolved through negotiation in the first instance. If the matter is not resolved through that process, then it will proceed to mediation. Again, if the matter is not resolved at mediation the final avenue will be arbitration.

JOINT WORKING GROUP RECOMMENDATIONS REGARDING THE JOINT COMMITTEE

28. The JC will sit between the shareholding Councils and the WO Board and will act as the primary conduit between those two governance layers. The JC will be established under the Local Government Act 2002 (**LGA**) and will include representatives from Council, TCC, and Tangata Whenua. At inception, the JC will have a recommendatory and advisory role only, with final decision-making authority retained by the shareholding Councils.
29. The JC will consider a range of strategic and accountability matters and provide recommendations back to the shareholders, including on the preparation of the SOE, providing feedback on draft WSS, recommending appointments to the WO Board, and reviewing the performance of the WO Board. Over time, it is envisaged that the JC may transition from a purely recommendatory and advisory body to one with delegated decision-making powers. The JWG has made a recommendation on when the functions of the JC should be formally reviewed.
30. In relation to the JC, the JWG reached a consensus on the following recommendations:

- a. **JC representation:** The stakeholders that will be represented on the JC are each shareholder (i.e. WBOPDC and TCC) and Tangata Whenua. Each party will have an equal number of representatives. The JC will commence with a total of nine members (three TCC representatives; three WBOPDC representatives; three Tangata Whenua representatives). Over time that number may change if more councils join the WO, for example. Changes to the number of members of the committee will be provided for in a new Shareholder Agreement when a new council joins.
- b. **WBOPDC and TCC representatives on the JC:** As noted above, both Council and TCC will each have three representatives on the JC. At least one representative must be an elected member. The second and third representatives may be an elected member, a senior council officer, or an independent expert.
- c. **JC to be a recommendatory and advisory body initially:** At its outset, the Joint Committee will be an advisory and recommendatory body only, with no delegated decision-making authority. All final decisions will remain with the shareholding Councils. On this basis, all parties represented on the JC, including Tangata Whenua, will hold an equivalent formal position.
- d. **Recommendations by the JC:** The JC will seek to make recommendations to the shareholding Councils on a consensus basis wherever possible. Consensus refers to agreement between the parties (WBOPDC, TCC, and Tangata Whenua), rather than unanimity among all individual members on the JC. Where consensus is achieved, the consensus recommendation will be presented to the shareholding councils as the decision-making body. Where consensus cannot be reached, the differing positions of the parties will be recorded and presented for decision. The role of the JC may evolve over time, subject to the direction of the shareholding councils.
- e. **Tangata Whenua:** As noted above, Tangata Whenua will have the same number of representatives on the JC as each shareholding council. Tangata Whenua will nominate members to be appointed to the JC, and it will be for the shareholding councils to formally appoint those nominees.
- f. **Independent Chair:** Following a recommendation from the JC, the shareholding councils reserve the right to decide whether or not to appoint or remove an Independent Chair to the JC. If an Independent Chair

is appointed to the JC, he or she will not have a vote on any matter (in the event that matters arise that require a vote within the JC).

- g. **Appointments to the JC:** TCC and WBOPDC will individually appoint its own representatives to the JC and, TCC and WBOPDC will jointly appoint:
 - i. Any Tangata Whenua representatives (if approved).
 - ii. An Independent Chair (if approved).
- h. **JC Meetings:** The JC will meet bi-monthly or as otherwise determined by the JC or by the shareholding Councils.
- i. **Responsibilities of the JC:** Acknowledging that at its inception the JC will be a recommendatory and advisory body only (without delegated decision-making authority) the responsibilities of the JC will be reflected in a "JC Responsibility Subject Matter List", and the councils can collectively choose to make any amendments to that list moving forward. The list is set out at Schedule A of the CTS.
- j. **Joint Committee established under the LGA:** For the purposes of meeting the relevant legislative requirements, the JC will be formally established under the Local Government Act 2002.
- k. **Review of the JC's functions and responsibilities:** The shareholders will revisit the JC's functions and responsibilities at the earlier of:
 - i. another shareholder joining the WO; or,
 - ii. at the beginning of the triennium for any new incoming council, at which point the JC will prepare a report for consideration by the incoming council."; or,
 - iii. otherwise as determined by a majority of the WO's shareholders; or
 - iv. any substantive legislative change or other significant matter impacting Treaty / Tiriti settlements.

JOINT WORKING GROUP RECOMMENDATIONS REGARDING WATER ORGANISATION'S BOARD

- 31. In relation to the WO's Board, the JWG reached a consensus on the following recommendations:
 - a. **Size of the Board:** The Board will comprise up to five directors. At commencement, fewer than five directors may be appointed, with the Board

growing to its full size over time. For succession planning purposes, there may be periods where more than five directors are appointed concurrently to enable a smooth transition between an outgoing and incoming director.

- b. **Appointment of Directors:** All directors will be jointly appointed by the shareholders (directly or via a recommendation from the JC although for clarity, the JC at its inception will only have the ability to make recommendations). All directors will be jointly appointed in a manner consistent with Director Skills Matrix and each Council's policy for appointing CCO directors.
- c. **Term of Appointment:** A director's term of appointment will be up to 3 years, and a maximum of 3 terms (if elected for re-appointment on each occasion). No director will be able to serve more than a 9-year maximum total duration.
- d. **Director Remuneration:** The JC will be tasked with making recommendations (that take into account each shareholder's policy, and market benchmarking data). It will then be for the Councils to make a decision taking into account the JC's recommendation.
- e. **Director interests / conflicts:** Where a director has an interest (conflict) in a particular matter that is put to the Board for a vote, the interested director will not be able to vote. The only exceptions are where all directors have an interest (being, any payment or other benefit under s 161 of the Companies Act; and the entry into an indemnity or insurance arrangement).
- f. **Board Meetings:** Board meetings will occur monthly or otherwise as determined by the Board.
- g. **Chair of the Board:** The Chair of the Board will not have a casting vote. The Chair of the Board will be selected and appointed by the Board.

JOINT WORKING GROUP RECOMMENDATIONS REGARDING LGFA LENDING TO THE WATER ORGANISATION, AND SHAREHOLDER GUARANTEES

- 32. The Local Government Funding Agency (LGFA) is a CCO borrowing vehicle that enables local authorities and eligible Council-controlled organisations to access debt funding at a lower cost and on longer terms than would typically be available individually.
- 33. For WOs established under the Act, the LGFA is relevant as a potential primary source of debt finance, supporting large-scale, long-term investment in water infrastructure. The LGFA has made it clear that access to its lending is conditional

on shareholder Council support, typically through the provision of Council guarantees. The LGFA has stated that for multi-Council WOs, each Council shareholder will need to provide a joint and several guarantee of the WO's full LGFA debt, meaning that each council is individually liable for the entire amount of the WO's debt if the WO is unable to meet its obligations, regardless of each council's shareholding proportion or contribution to the WO's debt.

34. The JWG has reached a consensus to recommend the following:
 - a. Each Council's guarantee to the LGFA will be joint and several for the WO's full debt, with an additional agreement between the Councils where each Council will indemnify the other to the extent of its ring-fenced debt.
 - b. If the shareholders wish to change the approach to the LGFA guarantee, that will require greater than 75% of shareholders to agree (i.e. special resolution threshold).

JOINT WORKING GROUP RECOMMENDATIONS REGARDING FINANCIAL RINGFENCING

35. Council and TCC have agreed that, upon forming the WO, each party's finances will be "ring-fenced" for an initial period of time. This point is reflected in each party's Water Services Delivery Plan ("**WSDP**") and also reflected in the Commitment Agreement between the parties dated 1 September 2025.
36. For clarity, this issue does not seek to establish the date on which ring-fencing will come to an end. Instead, this issue is merely concerned with setting a timeframe for the shareholders to put the topic of ring-fencing under the microscope. And when the ring-fencing topic is re-visited, all options will remain on the table for the shareholders to consider – on one hand they may decide to set a fixed date for harmonisation of finances (and commence the transitional process from ring-fencing to harmonisation), but on the other hand they may decide to retain ring-fencing and simply set another duration of time before re-visiting the issue again.
37. The JWG has reached a consensus to recommend that no later than three years after the incorporation of the WO, the shareholders must consider whether to require the WO to provide a full report to the shareholders on the issue of revisiting the financial ring-fencing arrangement. The shareholders may decide not to require that report at the three-year point, but in that case the requirement to obtain a full report must not be deferred beyond six years after the incorporation of the WO and may be undertaken in the intervening years. If the shareholders have not required the WO to provide a full report before the date that is six years after the incorporation of the WO, the WO must, at that time, provide a full report to the shareholders on the issue of revisiting the financial ring-fencing arrangement.

ISSUES AND OPTIONS ASSESSMENT

Acceptance of Joint Working Group recommendations on Commercial Term Sheet

38. The JWG has reached a consensus on the CTS and recommends the CTS at **Attachment 1** be approved and endorsed by the councils (WBOPDC and TCC). This report seeks approval of these recommendations.

Option One: Approves and endorses the Commercial Term Sheet at Attachment 1 with no exceptions.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides clear and timely direction to proceed with implementation. • Signals alignment and support for the negotiated commercial terms. • Avoids delays and maintains momentum in the workstream. 	<ul style="list-style-type: none"> • Commits to all terms as recommended, with limited opportunity for further refinement. • May lock in terms that some stakeholders have concerns about.

Option Two: Approves and endorses the Commercial Term Sheet at Attachment 1, with the exception of specific commercial terms [to be listed, if any].

Advantages	Disadvantages
<ul style="list-style-type: none"> • Allows for targeted refinement of specific terms that may require further negotiation or clarification. • Demonstrates responsiveness to concerns while maintaining overall progress. 	<ul style="list-style-type: none"> • May delay finalisation of the Commercial Term Sheet and associated workstreams. • Could introduce uncertainty or require re-engagement with other parties to renegotiate excluded terms.

Tangata Whenua and Class A shares

39. The JWG was unable to reach a consensus view on whether Tangata Whenua should hold Class A (voting) shares. It is for the councils to decide this matter.

Option One: Tangata Whenua may hold Class A (voting) shares in the Water Organisation

Advantages	Disadvantages
<ul style="list-style-type: none"> • Strengthens partnership and trust between councils and iwi/Māori. • Enables direct input from Tangata Whenua into strategic governance decisions. 	<ul style="list-style-type: none"> • Does not necessarily align with legislative intent. • May require more complex governance arrangements and legal frameworks. • Potential for differing views among shareholders could complicate decision-making. • Could raise concerns among some councils or stakeholders about dilution of council control.

Option Two: No entity other than shareholding councils may hold Class A (voting) shares in the Water Organisation

Advantages	Disadvantages
<ul style="list-style-type: none"> • Maintains clear and consistent governance structure with councils as sole voting shareholders. • Simplifies decision-making and accountability lines. • More straightforward to implement under current legislative settings. 	<ul style="list-style-type: none"> • Limits formal governance participation of Tangata Whenua. • May be perceived by Tangata Whenua inconsistent with the partnership approach. • Could reduce the support of the Water Organisation among iwi / Māori stakeholders.

STATUTORY COMPLIANCE

40. The matters in this report form part of Council's overall response to the government's Local Water Done Well reform programme and associated legislation. There are no specific statutory compliance matters to be considered in respect of this report.

NEXT STEPS

41. The next steps for this project depend on Council decisions scheduled for 2 April 2026. If Council decides to continue to establish a WO with TCC, next steps will include:

- Drafting the Shareholders' Agreement and Constitution.
- Seeking Council approval to appoint the preferred candidate as the Establishment Chief Executive for the WO.
- Recruitment and appointment of a Chair and two members of the Board.
- Scoping Phase 2 of the digital programme, ahead of bringing a proposal to Council for consideration in June 2026.
- Commencing work to develop key policies, processes and plans for the WO, alongside development of other required policies and plans such as a Significance and Engagement Policy and the Water Services Strategy.

LINKS

[Here](#) you will find all the Joint Working Group's underlying information regarding the Commercial Term Sheet.

ATTACHMENTS

1. **Local Water Done Well Consensus Record – Commercial Term Sheet – Final** [↓](#) 

17 March 2026

LWDW: TCC & WBOPDC

Commercial Term Sheet: Water Organisation Foundation Documents

Term		Options for consideration	Political or commercial decision ¹	JWG CONSENSUS
Constitution				
Foundational information				
1.	<i>Name of Water Organisation</i>	[TBC]	Political	This is covered under a separate workstream, and is being addressed separately.
2.	<i>TCC stormwater: Should TCC or the WO be responsible for stormwater services within the TCC region?²</i>	(a) Council transfers responsibility for stormwater services to the WO (b) Council retains responsibility for stormwater services	Political	Option (a). JWG consensus view was for TCC to transfer responsibility for stormwater services to the WO. Subsequently (and consistent with the JWG consensus) on 10 February 2026, TCC's full Council resolved that responsibility for stormwater services will be transferred to the WO. ³
3.	<i>TCC stormwater: In the event TCC retains responsibility for stormwater services, who delivers the service?⁴</i>	(a) TCC delivers stormwater services in-house (b) TCC outsources stormwater delivery to the WO	Political	Not applicable because TCC did not decide to retain stormwater responsibility.
4.	<i>Stormwater charging: In the event WO assumes responsibility for stormwater (either for WBOPDC only, or both WBOPDC and</i>	(a) The WOs operational matters (including charging) are set by the WO Board with some operational direction from the shareholders (b) The WOs operational matters (including charging) are set by the WO Board	Political	Option (a). The shareholders may have some ability to provide operational direction with respect to stormwater charging only. TCC's full Council has requested further advice on this prospect, which may result in TCC being more directive on stormwater charging. ⁶

¹ Political decisions were covered in presented within issues & options papers have advantages and disadvantages. Whereas commercial decisions received a recommendation only.

² Option Paper #3, issue 1. Presented on 22 December 2025. JWG consensus formed on 22 December 2025

³ Subsequently, on 10 February 2026 TCC's Council resolved to transfer stormwater to the WO along with drinking water and wastewater (subject to 2 April decision).

⁴ Option Paper #3, issue 2. Presented on 22 December 2025. No consensus formed as this issue was not applicable because TCC did not decide to retain stormwater responsibility.

⁶ TCC's full Council resolved on 10 February to support an ability for the shareholders to provide operational direction on stormwater charging, and also resolved to request further information from staff about the prospect of providing operational input to the WO on the topic of stormwater charging, including the option of "pass-through" charging.

17 March 2026

Term		Options for consideration	Political or commercial decision ¹	JWG CONSENSUS
	<i>TCC), do the shareholders want to be providing direction on operational matters?⁵</i>			
Ownership and control, and governance structure				
5.	<i>Number of directors⁷</i>	(a) Up to 5 directors (b) Different number of directors	Political	Option (x). Up to 5 directors. However, for the express purpose of succession of the Board, from time to time, there may be more than 5 directors to facilitate a smooth transition from an existing director and a new director joining the WO's Board. At commencement, there may well be less than 5 directors appointed, with the Board only growing to its full size in due course.
6.	<i>Director appointment⁸</i>	(a) Each shareholder will have a right to appoint one or more directors (as specified), with additional directors appointed by agreement (but noting all directors must be independent once the Water Organisation takes on the Water Services obligations) (b) Shareholders (directly or via Joint Committee) will jointly appoint all directors	Political	Option (b). Shareholders (directly or via Joint Committee) will jointly appoint all directors. For clarity, the Joint Committee at its inception will only have the ability to make recommendations. All directors jointly appointed in a manner consistent with Director Skills Matrix and each Council's policy for appointing CCO directors.
7.	<i>Director Term of appointment⁹</i>	(a) Specified appointment term (eg 3 years), with a requirement to retire (but option to be re-elected) up to a maximum term (eg 9 years (3 x 3)) (b) Unspecified appointment term, with no requirement to retire unless removed/replaced	Commercial	Option (a). A term of up to 3 years, and a maximum of 3 terms (if re-elected). Provides a 9 year maximum total duration.
8.	<i>Director Remuneration¹⁰</i>	(a) Determined by shareholders by ordinary resolution (ie >50% vote) (b) Determined by shareholders by unanimous resolution (c) Determined by the Joint Committee	Political	Option (x ¹¹). Joint Committee to make a recommendation (taking into account each shareholder's policy, and market benchmarking data) for the full Councils to decide.

⁵ Option Paper #3, issue 3. Presented on 22 December 2025. JWG consensus formed on 22 December 2025.

⁷ Issue & Option Paper #5, issue 6. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

⁸ Issue & Option Paper #5, issue 7. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

⁹ Issue & Option Paper #6, issue 1. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

¹⁰ Issue & Option Paper #6, issue 2. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

¹¹ In this paper, where "Option (x)" is mentioned, this reflects the fact that the JWG reached a consensus on an option that was not presented to them in the Issues & Options papers (instead, the Option (x) was raised and a consensus formed at the relevant JWG meeting).

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Term		Options for consideration	Political or commercial decision ¹	JWG CONSENSUS
9.	<i>Interested directors allowed to vote on remuneration or other matters?</i> ¹²	(a) Yes (b) No (c) No, except for specified circumstances.	Commercial	Option (c). No, except for the following specified circumstances (being, any payment or other benefit under s 161 of the Companies Act; and the entry into an indemnity or insurance arrangement).
10.	<i>Whether dividends permitted?</i> ¹³	(a) No dividend permitted (b) Dividend permitted with board approval (c) Dividend permitted with unanimous shareholder approval	Political	Option (x). Dividends not permitted unless there is unanimous shareholder approval plus approval from the WO's Board of Directors (by ordinary Board resolution) subject to meeting any solvency and statutory tests (as per Companies Act).
11.	<i>Additional reporting obligations of the Water Organisation to each Council?</i> ¹⁴	(a) Include explicit additional reporting requirements upfront. (b) Do not specify additional reporting requirements and instead rely on the flexibility of section 249 and require additional documents as and when the Councils see fit.	Commercial	Option (b). Do not specify additional reporting requirements and instead rely on the flexibility of section 249 and require additional documents as and when the Councils see fit.
12.	<i>Scope and nature of shareholders involvement in preparing, amending and finalising the WSS.</i> ¹⁵	(a) Shareholders can provide comments on the draft WSS, but cannot: i. require the WO to amend the draft WSS; or, ii. approve the final WSS (b) Shareholders can: i. provide comments on the draft WSS; ii. require the WO to amend the draft WSS; iii. approve the final WSS. (c) For the first WSS, shareholders can i. provide comments on the draft WSS; ii. require the WO to amend the draft WSS; iii. approve the final WSS. However, for the second and subsequent WSS, the shareholders can only provide comments	Political	Option (a). Shareholders can provide comments on the draft WSS only (and cannot require the WO to amend the draft WSS; or approve the final WSS)
Shareholders' Agreement				
Foundational information				

¹² Issue & Option Paper #6, issue 3. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

¹³ Issue & Option Paper #6, issue 4. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

¹⁴ Issue & Option Paper #6, issue 5. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

¹⁵ Issue & Option Paper #8, issue 5. Presented on 2 March 2026. JWG consensus formed on 2 March 2026.

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Term		Options for consideration	Political or commercial decision ¹	JWG CONSENSUS
13.	<i>Shareholding Sub-part A: methodology of allocating shares</i> ¹⁶	(a) Proportionate to the net assets each shareholding council transfers to the Water Organisation (and not subsequently adjusted) (b) Proportionate to the population or number of water connections each shareholding council has at the transfer date (and not subsequently adjusted) (c) A hybrid model comprised of one or more of a range of metrics (net assets, population, connections etc.) (d) One of the above options, with a subsequent review and adjustment (eg annually) to water connections	Political	Option (x). Shares to be divided into 2 classes: <ul style="list-style-type: none"> Class A shares (voting rights only): Split evenly across shareholders. Class B shares (ownership): Proportionate to the net assets each shareholding council transfers to the Water Organisation.¹⁷
14.	<i>Shareholding Sub-part B: ongoing review and adjustment of shares</i> ¹⁸	(a) Review and adjust shareholding on a regular basis . (b) Do not review and adjust shareholding	Political	Option (a). Regular review and adjustment of shares. The triggers for reviewing and adjusting shares is discussed further below at issue 37 (discussed at JWG meeting on 2 March)
Voting rights and decision making				
15.	<i>Rights attaching to shares</i> ¹⁹	(a) The number of shares (however the split of shareholdings may be determined) will then determine the voting rights of a shareholder (b) Each shareholder has equal voting rights (regardless of shareholding percentage)	Political	Option (b). Each shareholder has equal voting rights (regardless of ownership shareholding percentage).
16.	<i>Size of Joint Committee</i> ²⁰	No options provided as the size of the Joint Committee was to be informed by the JWG's view on the number of Elected Member representatives (CTS item 17), the number of Tangata Whenua representatives (CTS items 18 and 19), whether an independent chair will be appointed to the Joint Committee (CTS item 20) and what the JWG viewed as right-sizing for the Joint Committee.	Political	Option (x). Joint Committee will comprise 3 representatives per party. So at commencement there will be a total of 9 members (3 TCC / 3 WBOPDC / 3 Tangata Whenua).
17.	<i>Joint Committee Membership – Elected Members.</i> ²¹	(a) One or more elected member[s] of each shareholding council. (b) At least one elected member, and one or more other person[s] (senior council	Political	Option (x): For TCC & WB: <ul style="list-style-type: none"> Representative 1: Must be an EM.

¹⁶ Issue & Option Paper #4, issue 1, subpart A. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

¹⁷ It has been recommended that a single independent valuer be engaged to value the water assets of both councils using the same valuation methodology and the same key input assumptions and the valuations will be as at 1 July 2027 (being the date on which the WO will become operational).

¹⁸ Issue & Option Paper #4, issue 1, subpart B. Presented on 29 January 2026. JWG consensus formed on 13 February 2026. See the range of triggers at Schedule B (and item 45) of this document.

¹⁹ Issue & Option Paper #4, issue 2. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

²⁰ Issue & Option Paper #5, issue 1. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

²¹ Issue & Option Paper #5, issue 2. Presented on 2 February 2026. JWG consensus formed on 13 February 2026. JWG also provided direction to staff to include flexibility for the number of members for each party to change (i.e. reduce) as more Councils become shareholders. So they may decide to have 4 members each while there are 3 parties. But by the time an additional 4 Councils join, it may be more appropriate for each party to only have 2 reps on the Forum.

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		officer, or an independent expert or specialist) appointed by either individually by each shareholding council, or collectively by all shareholding councils.		<ul style="list-style-type: none"> Representatives 2 and 3: Can be an EM, Independent Expert or Senior Council Officer. TCC & WB will each appoint their own representatives. <p>For TW: TW nominate 3 Representatives and TCC/WB will confirm and appoint.</p>
18.	<i>Joint Committee Tangata Whenua (Sub-part 1): The role of Tangata Whenua on the Joint Committee²²</i>	(a) TW has no position on the Joint Committee, and instead TW has an advisory role to the Joint Committee (via an 'Advisory Board' type arrangement which links directly into the Joint Committee). (b) TW has a position on the Joint Committee but with no voting rights. (c) TW has a position on the Joint Committee but with limited voting rights (such as no right to vote on financial matters). (d) TW has a position on the Joint Committee with full voting rights.	Political	Option (x). The JWG reached a consensus that: <ul style="list-style-type: none"> The Joint Committee will be recommendatory / advisory only, with shareholding Councils making the final decisions on all matters. Tangata Whenua will have a position on the Joint Committee. The Joint Committee will endeavour to make recommendations by consensus (see CTS 32). In light of the above consensus, this CTS item 18 is no longer directly applicable.
19.	<i>Joint Committee Tangata Whenua (Sub-part 2): The number of Tangata Whenua representatives on the Joint Committee²³</i>	(a) One Tangata Whenua representative. (b) The same number of representatives as each shareholding council. For example, if each shareholder has two representatives on the Joint Committee, Tangata Whenua will also have two representatives on the Joint Committee.	Political	Option (b). Tangata Whenua will have the same number of representatives as each shareholding council. For example, if each shareholder has two representatives on the Joint Committee, Tangata Whenua will also have two representatives on the Joint Committee.
20.	<i>Joint Committee independent chair (Sub-part 1): Whether to appoint an independent chair²⁴</i>	(a) Yes, Joint Committee has an independent chair. (b) No, Joint Committee has no independent chair	Political	Option (x). The Joint Committee may make a recommendation to the shareholding councils to appoint or remove an independent chair to the Joint Committee. However, it will be for the shareholding councils to make this decision.
21.	<i>Joint Committee independent chair (Sub-part 2): Whether independent chair will have a vote²⁵</i>	(a) An independent chair with no voting rights. (b) An independent chair with limited voting rights. For example, only as a casting vote or only a vote on defined topics. (c) An independent chair with full voting rights.	Political	Option (a). Independent chair (if appointed) will have no voting rights.

²² Issue & Option Paper #5, issue 3, subpart 1. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

²³ Issue & Option Paper #5, issue 3, subpart 2. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

²⁴ Issue & Option Paper #5, issue 4, subpart 1. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

²⁵ Issue & Option Paper #5, issue 4, subpart 2. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

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Term		Options for consideration	Political or commercial decision ¹	JWG CONSENSUS
22.	<i>Joint Committee nominations: (Sub-part 1) Nomination of Tangata Whenua representatives to the Joint Committee²⁶</i>	(a) Tangata Whenua representatives are appointed by shareholding councils, following a nomination from Tangata Whenua. (b) Tangata Whenua representatives are appointed by shareholding councils, without a nomination from Tangata Whenua.	Political	Option (a). Tangata Whenua representatives are appointed by shareholding councils, following a nomination from Tangata Whenua <i>(Note – Usual exemption from eligibility on conflicts of interests ground applies).</i>
23.	<i>Joint Committeemom nominations: (Sub-part 2) Nomination of all members of the Joint Committee²⁷</i>	(a) Each council individually appoints its own representatives to the Joint Committee; and, all shareholders jointly appoint: i. Any Tangata Whenua representatives (if approved). ii. An independent chair (if approved). (b) The shareholders jointly appoint all representatives to the Joint Committee, including: i. Its own representatives. ii. Any Tangata Whenua representatives (if approved). iii. An independent chair (if approved).	Political	Option (a). Each council individually appoints its own representatives to the Joint Committee; and, all shareholders jointly appoint: i. Any Tangata Whenua representatives (if approved). ii. An independent chair (if approved).
24.	<i>Extent of shareholding council's guarantee to Water Organisation's under LGFA arrangements²⁸</i>	(a) Each Council's guarantee to the LGFA will be joint and several for the WO's full debt (b) Each Council's guarantee to the LGFA will be joint and several for the WO's full debt, with additional agreement where each Council will indemnify the other to the extent of its ring fenced debt.	Political	Option (b). Each Council's guarantee to the LGFA will be joint and several for the WO's full debt, with an additional agreement between the Councils where each Council will indemnify the other to the extent of its ring fenced debt
25.	<i>Threshold for changing approach to LGFA guarantee²⁹</i>	(a) Greater than 75% of shareholders (i.e. special resolution threshold) (c) Unanimous shareholders	Political	Option (a). Greater than 75% of shareholders (i.e. special resolution threshold)
26.	<i>Council shareholders' ability to influence level of debt from WO to LGFA³⁰</i>	(a) Use of Statement of Expectations with carve-out in foundation documents (b) Comment on, or approval of, water services strategy, with carve-out in foundation documents (c) Constrain WO's debt as guarantor via side-agreement	Political	Option (d). Rely on in-built statutory provisions (i.e. ability to comment on WSS and include general requirements in SOE).

²⁶ Issue & Option Paper #5, issue 5, subpart 1. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

²⁷ Issue & Option Paper #5, issue 5, subpart 2. Presented on 2 February 2026. JWG consensus formed on 13 February 2026.

²⁸ Issue & Option Paper #8, issue 1. Presented on 2 March 2026. JWG consensus formed on 2 March 2026.

²⁹ Issue & Option Paper #8, issue 2. Presented on 2 March 2026. JWG consensus formed on 2 March 2026.

³⁰ Issue & Option Paper #8, issue 3. Presented on 2 March 2026. JWG consensus formed on 2 March 2026. Specifically, do not introduce "carve-outs" in the foundation documents to enable the shareholders to require more specificity in SOE, or require changes to WSS, or approve WSS. Similarly, no desire to constrain WO's debt as guarantor via side-agreement.

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		(d) Do not use any of A, B or C and rely only the in-built statutory provisions		
Board meetings				
27.	<i>Frequency of board meetings</i> ³¹	(a) Strict: "Monthly". (b) Flexible: "As determined by the Board". (c) Hybrid: "Monthly or as otherwise determined by the Board".	Commercial	Option (c). Monthly or otherwise as determined by the Board.
28.	<i>Will the chair of a board have a casting vote?</i> ³²	(a) Yes – Chair has a casting vote. (b) No – Chair does not have a casting vote.	Political	Option (b). No – Chair does not have a casting vote.
Shareholder meetings				
29.	<i>Frequency of Joint Committee meetings</i> ³³	(a) Strict: "Bi-monthly". (b) Flexible: "As determined by the Joint Committee". (c) Hybrid: "Bi-monthly or as otherwise determined by the Joint Committee".	Commercial	Option (c). Hybrid: Bi-monthly or as otherwise determined by the Joint Committee or Councils
30.	<i>Frequency of shareholder meetings</i> ³⁴	(a) "Annually". (b) Annually, with a right for either shareholder to call a meeting at any time. (c) Every 6 months, with a right for any shareholder to call a meeting at any time	Commercial	Option (b). Annually, with a right for any shareholder to call a meeting at any time
31.	<i>What constitutes a quorum at a shareholders meeting</i> ³⁵	(a) One representative from each shareholding Council. (b) Two representatives from each shareholding Council. (c) More than two representatives from each shareholding Council (please specify number).	Commercial	Option (b). Two representatives from each shareholding Council
Decision-making by Joint Committee				
32.	<i>Decision-making of Joint Committee</i> ³⁶	(a) Simple majority (b) Consensus	Commercial	Option (x). The Joint Committee is an advisory / recommendation body only. Where possible, the Joint Committee will make recommendations to the shareholding Councils on a consensus basis. For clarity, consensus is where all parties on the Joint Committee agree on the same

³¹ Issue & Option Paper #6, issue 6. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

³² Issue & Option Paper #6, issue 7. Presented on 16 February 2026. JWG consensus formed on 16 February 2026.

³³ Issue & Option Paper #7, issue 3. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

³⁴ Issue & Option Paper #7, issue 5. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

³⁵ Issue & Option Paper #7, issue 6. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

³⁶ Issue & Option Paper #7, issue 2. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

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Term		Options for consideration	Political or commercial decision ¹	JWG CONSENSUS
				<p>recommendation. The consensus recommendation will be recorded and presented to the shareholding Councils for a decision.</p> <p>Where a consensus is not possible, the respective positions of each party on the Joint Committee will be recorded and presented to the shareholding Councils for a decision.</p> <p>When we refer to consensus, it refers to a consensus of parties (TCC WB and TW), rather than a consensus of each individual member of the Joint Committee. In other words, there can still be a consensus of the parties with a minority dissenting view within one or more parties. Nevertheless, should any individual wish to formally note their disagreement, even when the parties have reached a consensus, they retain the right to have their dissenting perspective recorded.³⁷</p>
33.	<i>Responsibilities of Joint Committee</i> ³⁸	<p>(a) Specify a list of subject matter to reflect the list (see Schedule A) with any amendments the Councils may choose to make.</p> <p>(b) Do not specify a list of subject matter, and instead wait for issues to arise that the Councils feel ought to be tasked to the Joint Committee, and have both Councils issue resolutions assigning the issues to the Joint Committees and when they arise</p>	Political	<p>Option (a). Specify a list of subject matter to reflect the list above (with any amendments the Councils may choose to make)</p> <p>See Schedule A for complete list to go into terms of reference.</p>
34.	<i>Form of Joint Committee (under LGA)</i> ³⁹	<p>(a) Joint committee.</p> <p>(b) Other subordinate decision-making body ("SDMB").</p> <p>(c) Contractual (non-LGA) arrangement</p>	Political	Option (a). Joint committee under LGA
Reserved or other matters				
35.	<i>Decisions requiring unanimous shareholder approval (Sub-part A): Whether to define matters requiring unanimous</i>	<p>Are there defined material decisions which require unanimous approval:</p> <p>(a) Yes, some matters will require unanimous shareholder approval</p> <p>(b) No matters will require unanimous shareholder approval</p>	Political	Option (a). Yes, some matters will require unanimous shareholder approval (itemised in next topic CTS item 36).

³⁷ It was noted that the LGA does not explicitly mandate the recording of individual votes for joint committees. This can be managed through the Joint Committee's governance agreement and terms of reference.

³⁸ Issue & Option Paper #7, issue 1. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

³⁹ Issue & Option Paper #8, issue 4. Presented on 2 March 2026. JWG consensus formed on 2 March 2026.

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	<i>approval of shareholders⁴⁰</i>			
36.	<i>Decisions requiring unanimous shareholder (Sub-part B): Matters requiring unanimous approval of shareholders⁴¹</i>	<p>If yes, what are the matters that will require unanimous approval? Examples proposed included:</p> <ul style="list-style-type: none"> (a) The addition of new shareholder; (b) Liquidation or winding up of WO; (c) Amending the WO's constitution or SHA; (d) Approving an amalgamation, merger or major restructure of WO; and (e) The future addition of any further decisions that will require unanimous approval. 	Political	<p>The following matters will require unanimous shareholder approval:</p> <ul style="list-style-type: none"> (a) Adding new shareholders (b) Liquidation or winding up of WO (c) Amending the WO's constitution or SHA (d) Approving an amalgamation, merger or major restructure of WO. (e) The future addition of any further decisions that will require unanimous approval. (f) Removal of anti-privatisation clauses within foundation documents.⁴² (g) Payment of dividends by the WO (this will also be subject to additional approval from the WO's Board of Directors by ordinary Board resolution and subject to meeting any solvency and statutory tests (as per Companies Act).⁴³
37.	<i>Shareholder special resolutions (Sub-part A): Whether to add topics to the statutory list requiring special resolution⁴⁴</i>	<p>Should any matters be added to the statutory list of special resolution topics</p> <ul style="list-style-type: none"> (a) Yes, matters will be added to the statutory list of special resolution topics (b) No, matters should not be added to the statutory list of special resolution topics 	Political	Option (a). Yes matters will be added to the statutory list of special resolution topics.
38.	<i>Shareholder special resolutions (Sub-part B): Matters requiring 75+% approval of shareholders' votes⁴⁵</i>	<p>If yes, what are the additional matters that will require special resolution? Examples proposed included:</p> <ul style="list-style-type: none"> (a) Issue of, or changes to rights attaching to, or buy-backs of, shares. (b) A material change to the nature of the WO's business. (c) Approving any shareholder funding and/or shareholder guarantee obligations. (d) Giving financial assistance for the purposes of purchasing shares. 	Political	<p>In addition to any statutory matters requiring special resolution, the following matters will also require special resolution threshold:</p> <ul style="list-style-type: none"> (a) Issue of, or changes to rights attaching to, or buy-backs of, shares. (b) A material change to the nature of the WO's business. (c) Approving any shareholder funding and/or shareholder guarantee obligations. (d) Giving financial assistance for the purposes of purchasing shares.

⁴⁰ Issue & Option Paper #4, issue 3, subpart A. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

⁴¹ Issue & Option Paper #4, issue 3, subpart B. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

⁴² This item was added at a subsequent JWG meeting, namely 16 February 2026 in the context of discussing anti-privatisation.

⁴³ This item was added consistent with CTS item 10.

⁴⁴ Issue & Option Paper #4, issue 4, subpart A. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

⁴⁵ Issue & Option Paper #4, issue 4, subpart B. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

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		(e) The future addition of any further matters that will require special resolution approval.		(e) The future addition of any further matters that will require special resolution approval.
39.	<i>Shareholder special resolutions (Sub-part C): Whether to increase special resolution voting threshold above 75+%</i> ⁴⁶	Should the threshold for special resolutions be increased above 75% and above the major shareholder's shareholding? (a) No. Leave the special resolution threshold at the statutory default 75% (b) Yes. Increase the special resolution threshold above 75% and above the major shareholders shareholding.	Political	Option (a). No. Leave the threshold for special resolutions would remain at 75%
40.	<i>Protection against privatisation</i> ⁴⁷	(a) Include additional anti-privatisation clauses within the foundation documents (over and above what is provided in the Act), and require unanimous shareholder approval before such clauses can be amended. (b) Do not include anti-privatisation clauses within the foundation documents over and above what is provided in the Act	Political	Option (a). Include additional anti-privatisation clauses within the foundation documents (over and above what is provided in the Act) and require unanimous shareholder approval before such clauses can be amended.
Dispute resolution				
41.	<i>Dispute resolution regime</i> ⁴⁸	(a) Escalation process comprising: Negotiation → Mediation → Arbitration. (b) Mediation then Court	Commercial	Option (a). Escalation process comprising: Negotiation → Mediation → Arbitration.
42.	<i>Frequency of re-visiting Joint Committee functions</i> ⁴⁹	(a) Do not specify a frequency for revisiting the Joint Committee's function, and instead rely on the ability to vary the Shareholders' Agreement (if all shareholders agree) to amend the Joint Committee's function. (b) At the beginning of the triennium for any new incoming Council, the Joint Committee will prepare a report for consideration by the incoming Council. (c) Revisit at the earlier of either:	Political	Option (x ⁵⁰). Revisit at the earlier of either: a) another shareholder joining the WO; or, b) at the beginning of the triennium for any new incoming Council, at which point the Joint Committee will prepare a report ⁵¹ for consideration by the incoming Council; or c) otherwise as determined by a majority of the WO's shareholders, or

⁴⁶ Issue & Option Paper #4, issue 4, subpart C. Presented on 29 January 2026. JWG consensus formed on 13 February 2026.

⁴⁷ Issue & Option Paper #6, issue 8. Presented on 16 February 2026. JWG consensus formed on 16 February 2026. There was discussion about requiring a poll/referendum before any privatisation, which will be investigated further.

⁴⁸ Issue & Option Paper #6, issue 9. Presented on 16 February 2026. JWG consensus formed on 16 February 2026. There was discussion about the possibility of conducting some arbitrations in an open forum in the interests of transparency if all parties to the arbitration agree. The parties reserve the position to seek urgent interlocutory relief from the Court system without going through the escalation process.

⁴⁹ Issue & Option Paper #7, issue 4. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

⁵⁰ The JWG formed a consensus on option (c) with additional sub-item (iv).

⁵¹ The report and review shall focus solely on the function of the Joint Committee (including whether the Joint Committee should in time be delegated some decision making authority, or not), rather than the form of the Joint Committee (specifically, whether Tangata Whenua should have a position on the Joint Committee, or not).

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	i. another shareholder joining the WO; or, ii. towards the end of the triennium with a recommendatory report to be considered by the incoming Councils; or, iii. otherwise as determined by a majority of the WO's shareholders.		d) any substantive legislative change or other significant matter impacting treaty settlements
43.	<i>Period of time before topic of ring-fencing is revisited</i> ⁵² (a) No later than three years after the incorporation of the WO. (b) No later than six years after the incorporation of the WO	Political	Option (b): No later than three years after the incorporation of the WO, the shareholders must consider whether to require the WO to provide a full report to the shareholders on the issue of revisiting the financial ring-fencing arrangement. The shareholders may decide not to require that report at the three-year point, but in that case the requirement to obtain a full report must not be deferred beyond six years after the incorporation of the WO. If the shareholders have not required the WO to provide a full report before the date that is six years after the incorporation of the WO, the WO must, at that time, provide a full report to the shareholders on the issue of revisiting the financial ring-fencing arrangement.
44.	<i>Selection of Chair of Board of Directors</i> ⁵³ (a) Board selects and appoints the Chair (b) Councils select and appoint the Chair	Political	Option (a). Board selects and appoints the Chair
45.	<i>Will Tangata Whenua hold Class A (voting right) shares?</i> ⁵⁴ (a) Yes (b) No	Political	No consensus reached. TCC & WB's view is Option (b) that only Councils will hold Class A shares. Tangata Whenua's view is Option (a) that if it is possible for Tangata Whenua to hold Class A shares, then Tangata Whenua wishes to do so. Because the JWG was unable to reach a consensus on this point, then as per the JWG's Terms of Reference, both options will be put to the full Councils, with an explanation of each party's preferred position.
46.	<i>Triggers to re-assess Class B shares</i> ⁵⁵ (a) Agree to the list of proposed triggers as set out at Schedule B.	Political	Option (a). The list of proposed triggers as set out at Schedule B of this CTS document

⁵² Issue & Option Paper #7, issue 7. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

⁵³ Issue & Option Paper #7, issue 8. Presented on 23 February 2026. JWG consensus formed on 23 February 2026.

⁵⁴ This topic was initially raised on 13 February as a prospect by Tangata Whenua. The topic was thereafter discussed at the JWG meetings on 13 February, 23 February, 2 March and 9 March (with research undertaken prior to the 23 February and 2 March meetings to establish whether it was a legal possibility for Tangata Whenua to own Class A voting shares). On 9 March Tangata Whenua clarified that no consensus was formed on this issue.

⁵⁵ Issue & Option Paper #8, issue 6. Presented on 2 March 2026. JWG consensus formed on 2 March 2026.

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		(b) Do not define a particular list of triggers and instead deal with circumstances as and when they arise		

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SCHEDULE A: JOINT COMMITTEE RESPONSIBILITY SUBJECT MATTER LIST

1. Acknowledging that at the outset of its existence the Joint Committee will not be delegated any final decision-making authority from the councils, the shareholders will assign the following subject matters to the Joint Committee (and that in due course the following list – amended as the Councils see fit – will be captured within a schedule the Joint Committee’s Terms of Reference):
 - a. Statement of Expectations (“SOE”). Responsibilities to include:
 - i. Review draft SOE prepared by staff.
 - ii. Provide feedback and comments on draft documents to staff and require amendments to achieve a version of the SOE that the Joint Committee is content to endorse to the Councils.
 - iii. Present SOE to both Councils for recommendation.
 - b. Director remuneration. Responsibilities to include:
 - i. Review remuneration policies.
 - ii. Review market data benchmarking information.
 - iii. Prepare recommendations and present to both Councils for recommendation.
 - c. Service Level Agreements.⁵⁶ Responsibilities to include:
 - i. Review draft agreements prepared by staff (and potentially negotiated with the WO).
 - ii. Provide feedback and comments on draft documents to staff and request negotiated changes to draft documents to achieve a version of each agreements that the Joint Committee is content to endorse to the Councils.
 - iii. Present agreements to Councils for recommendation.
 - d. Significant contracts.⁵⁷ Responsibilities to include:
 - i. Review WO’s proposal for a significant contract, and WO’s assessment of options.
 - ii. Form a recommendation for the Councils to consider, and present to Councils.
 - e. Appointment of Board of Directors. Responsibilities to include:
 - i. Review candidates against Director Skills Matrix and any policies of the respective Councils.
 - ii. Form a view on proposed Director appointment roles that the Joint Committee is content to endorse to the Councils.
 - iii. Consideration of succession planning, rotation and future skill requirements.

⁵⁶ That is, those agreements between the WO and the relevant Council that address the management of mixed use assets, or services shared across both organisations (as examples).

⁵⁷ As captured by sections 23 and 24 of the Local Government (Water Services) Act 2025. This will capture public-private partnerships as defined within the Act.

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- iv. Oversee Board performance review.
- v. Present recommendation to both Councils.
- f. Any WO policies that require shareholder input (such as significance and engagement policy or director appointment policy). Responsibilities to include:
 - i. Review draft policy prepared by WO (or prepared by Council staff if relevant).
 - ii. Provide feedback and comments on draft documents to WO / to staff and require amendments to achieve a version of the relevant policy that the Joint Committee is content to endorse to the Councils.
 - iii. Present policies to Council(s) for recommendation.
- g. Director Skills Matrix. Responsibilities to include:
 - i. Review Director Skills Matrix periodically to align term of appointment to Board.
 - ii. As the Joint Committee sees fit, prepare amendments of the Matrix and present to both Councils for recommendation.
- h. WO's Water Services Strategy ("WSS"). Responsibilities to include:
 - i. Review draft WSS provided by WO.
 - ii. Prepare proposed comments on the WSS for the Councils to raise with the WO.
 - iii. Present the proposed comments to Councils for recommendation.
- i. Annual review of the WO in accordance with s 250 of the Act.⁵⁸
Responsibilities to include:
 - i. Prepare an annual report with the Joint Committee's perspective on the performance of the WO including the WO's performance in giving effect to the SOE and WSS.
 - ii. Present annual report to both Councils for recommendation.
- j. WO's Water services annual report. Responsibilities to include:
 - i. Review WO's annual report.
 - ii. Prepare comments on the WO's annual report
 - iii. Provide comments to Councils for recommendation.
- k. WO's half-yearly water services report.⁵⁹ Responsibilities to include:
 - i. Review WO's half-yearly report.
 - ii. Prepare comments on the report
 - iii. Provide comments to Councils for recommendation.
- l. WO's annual budget. Responsibilities to include:
 - i. Review WO's annual budget.
 - ii. Prepare comments the WO's annual report
 - iii. Provide comments to Councils for recommendation.

⁵⁸ Section 250 requires shareholders to "regularly monitor the performance of the water organisation [including] an annual review of the organisation's performance in giving effect to" the SOE and WSS.

⁵⁹ Section 248 Local Government (Water Services) Act 2025.

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- m. Any other plans or reports that the shareholders require from the WO under section 249 of the Act. Responsibilities to include:
 - i. Review WO's plans or reports.
 - ii. Prepare comments and provide to Councils for recommendation.
- n. Any other functions (and responsibilities related to such functions) assigned to the Joint Committee by the shareholders in writing over time (whether those functions are initially raised by the Councils, or initially raised by the Joint Committee for recommendation and approved by the Councils).

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Schedule B: Triggers to re-assess Class B shares

1. Staff have proposed the following triggers could initiate a review and (where appropriate) an adjustment of Class B shareholding:
 - a. The addition of a Council shareholder to the WO.
 - b. The departure of a Council shareholder from the WO.
 - c. Any reorganisation of local government structures (such as amalgamation or otherwise)⁶⁰ that directly impacts any of the Council shareholders.
 - d. An end (or substantial change) to the WO's financial ring-fencing arrangements.
 - e. Any periodic re-valuation of the water-related assets transferred to the WO by *all of* the shareholding Councils.⁶¹
 - f. A material change to the value of the water-related assets transferred to the WO by *any one* of the shareholding Councils which would result in more than a 5% change in the shareholding allocation⁶²
 - g. If the methodology for allocating shares includes a basis in addition to net assets (such as connections or population), a material change in that basis which would result in more than a 5% change in the shareholding allocation⁶³
 - h. In the absence of any other "trigger-event" occurring, once every 6 years.

⁶⁰ At the time of writing, we note that within the current proposed reform of Local Government arrangements (and we acknowledge this is subject to feedback and potential change) the "Combined Territories Board" (comprising the Mayors residing within Bay of Plenty Regional Council's borders) will be required to generate "Regional Reorganisation Plans" within 2 years of the replacement of Regional Councillors.

⁶¹ For clarity, to ensure fairness to all parties, we recommend that any such periodic revaluation be conducted by a single valuer for both sets of assets with a common valuation date, valuation methodology and key input assumptions.

⁶² We anticipate this option (f) would likely only be relevant during the ring-fencing period.
We are seeking the JWG's direction on the methodology for issuing the Class B (ownership) shares at the JWG meeting on 9 March 2026.

10 INFORMATION FOR RECEIPT – KŌRERO TE WHIWHIA