



PAPAIOEA
PALMERSTON
NORTH
CITY

PALMERSTON NORTH CITY COUNCIL

AGENDA

COUNCIL LATE ITEM

9:00 AM, WEDNESDAY 12 FEBRUARY 2025

COUNCIL CHAMBER, FIRST FLOOR
CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH

MEMBERS

Grant Smith (Mayor)	
Debi Marshall-Lobb (Deputy Mayor)	
Mark Arnott	Leonie Hapeta
Brent Barrett	Lorna Johnson
Rachel Bowen	Billy Meehan
Vaughan Dennison	Orphée Mickalad
Lew Findlay (QSM)	Karen Naylor
Roly Fitzgerald	William Wood
Patrick Handcock (ONZM)	Kaydee Zabelin

AGENDA ITEMS, IF NOT ATTACHED, CAN BE VIEWED AT

pncc.govt.nz | Civic Administration Building, 32 The Square
City Library | Ashhurst Community Library | Linton Library

Waid Crockett

Chief Executive | PALMERSTON NORTH CITY COUNCIL

COUNCIL MEETING

12 February 2025

ORDER OF BUSINESS

Reason for lateness: Council sought changes to the draft consultation document one working day prior to the publishing of this agenda

Reason for urgency: To enable some separation between the Local Water Done Well and Annual Budget consultation rounds

- 222. Local Water Done Well- Approval of Consultation Document** Page 5
- Memorandum, presented by Julie Keane, Transition Manager Three Waters, Olivia Wix, Manager- Communications, Scott Mancer Manager - Finance.

MEMORANDUM

TO: Council

MEETING DATE: 12 February 2025

TITLE: Local Water Done Well- Approval of Consultation Document

PRESENTED BY: Julie Keane, Transition Manager, Olivia Wix, Communications Manager, Scott Mancer Manager Finance

APPROVED BY: Waid Crockett, Chief Executive

RECOMMENDATION TO COUNCIL

1. That Council adopt for consultation the Local Water Done Well Consultation Document (Attachment 1).

1. ISSUE AND BACKGROUND

- 1.1 Under the Local Government (Water Services Preliminary Arrangements) Act, Council is required to consult on options for the future delivery of Water Services.
- 1.2 At its meeting on 5 February 2025 Council directed officers to come back to this meeting with revisions to the consultation document incorporated.
- 1.3 The revised draft consultation document is attached for approval.

2. CHANGES MADE TO THE CONSULTATION DOCUMENT

- 2.1 The following tables explain the changes made to the document.

Council resolutions:	Changes:
show option of numbers plus inflation	Numbers now exclude inflation. The modelling reports showing inflation and deflation will be on our website as supporting information.
Option 2 – show which councils are possible for option 2 and effect of smaller group on costs; range of options – best vs worst matrix.	Option 2 now shows the two potential scenarios and a price range. The map has also been updated to include different council perspectives. There is not a full matrix as within this mix of 6 councils there are just under 75 potential variations. These will all be on our website.

Council resolutions:	Changes:
explain changes to national standards and likely changes to costs due to them.	Completed and added to section 'Some other points for you to consider' We also added reference to new wastewater standards and DIA comments in Nature Calls section.
whether Nature Calls costs are included or not - show consistently across all figures.	Now included in all options. However, when talking about debt, the IFF is not included. That's because in our LTP it was proposed to be externally funded.

Other changes made by staff:

Submission close date	Throughout the consultation document we have changed the consultation end date to 30 March. Consultation would start 27 February. We need some time between adoption and starting consultation so we can get information to properties.
Range of prices	Based on Elected Members feedback and guidance from our modeller, we have changed these to be scales and round numbers to make it easier for everyone to understand.
affordability	We have included a blurb about affordability and why we need to use that terminology. This is on page 5.
Other considerations for preferred options	Originally, we had a blurb about other things we considered when determining preferred options other than costs on page 34 under 'Other things to consider'. We have now moved that to the beginning where we detail the process of getting to an option.
Combined total cost for ratepayers in 24/25	These were split out. Now they are one main number with breakdowns.
Price Harmonisation	We have made this blurb easier to understand, and also demonstrated that councils have control about how it works as part of setting up an organisation.
New page about proposed investment	At last week's meeting there were questions about what work was still involved in Option 3 for water other than Nature Calls. We have highlighted the big capital projects. This is also helpful to reiterate to our community.

Potential pros/cons/other things	We need to be really clear on these as part of the legislative requirements. These were quite buried in the wording of the option, and some were also on the original infographic pages. We have broken these out into different categories. The ones in the table are ones that are facts that the community want to know but are not necessarily either a pro or con. We have also added a couple including scale/geography/governance and council involvement. These were in the option description, but we have made them more obvious as pros or cons.
Option 2, take 2.	We have re-written this to make it clearer what potential scenarios are under this option.
Iwi involvement	We have added a sentence under the 'we're keeping iwi informed' to include a sentence from Rangitāne. This explains that they expect to be involved.
Attributed diagram of proposed structure	We have mentioned that this diagram was provided by DIA but we have altered to show iwi and our expectation that they are involved- but that is still to be determined.
Spelling/Grammar/plain English changes	Throughout the document we have taken the opportunity to correct any spelling or grammar errors, but also taken a look at some of the wording to ensure it is as clear as possible and easy to understand for our community.
New question in submission form	<p>We have added a question to the submission form "Which councils would you like to see Palmerston North work with for water services? This could include councils named in this document, or others."</p> <p>This is a free text question and allows submitters to highlight any areas of strength or weaknesses we may not have considered/or detailed for any particular council. It also means if there is strong community opinion about the desire to work with a specific council, then elected members would know and have a public mandate to have those conversations with other councils. While we don't have a specific question about councils our community don't want us to work with, we expect this will come through in the answer.</p>

3. NEXT STEPS

3.1 The revised consultation period will now be from Thursday 27 February and Sunday 30 March 2025. Hearings will remain on 16 April at the Sustainability Committee followed by deliberation and decision at the Council meeting of 7 May.

4. COMPLIANCE AND ADMINISTRATION

Does Council have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these objectives?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to: Whāinga 4: He tāone toitū, he tāone manawaroa Goal 4: A sustainable and resilient city	
The recommendations contribute to this plan: 14. Mahere mana urungi, kirirarautanga hihiri 14. Governance and Active Citizenship Plan The objectives are: Provide information to communities in accordance with legislation and best practice. Engage and consult through a range of methods	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Seeking community feedback enables Council to advocate to Government and other decision-makers on issues and opportunities regarding water services.

ATTACHMENTS

1. Local Water Done Well_ Consultation Document [↓](#) and form 

DRAFT

Have your say
on who manages

Palmy's Water

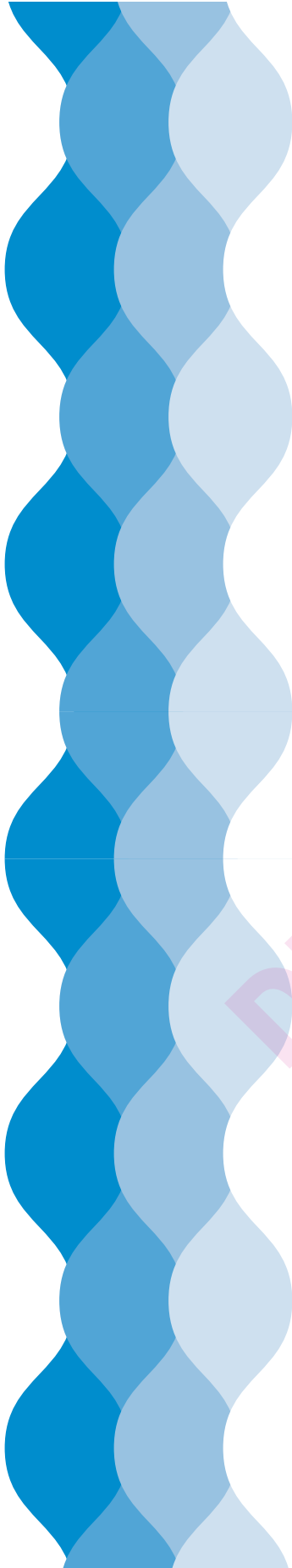
in the future

This is one of the most important decisions
we'll make for our city in decades.

Have your say before
4pm Sunday 30 March

Read the options, pros and
cons, and the potential costs
at pncc.govt.nz/localwater





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Water reforms have been a hot topic for successive governments for close to a decade

In 2016, the Havelock North water crisis raised concerns about water management in New Zealand and the high costs to communities to ensure all Kiwis had safe drinking water.

Water is going to cost all communities a lot more in the future – regardless of what option we proceed with. That's due to a range of things such as:

- Compliance with new standards and legislation e.g. drinking water and wastewater
- Government policy
- Mitigation for the impact of climate change
- Population and industrial growth
- Replacing or upgrading aging infrastructure
- Increasing health requirements

The previous Labour government proposed four large organisations to manage water across the country. Closer to the general election, that changed to a proposed model of ten entities. In Palmerston North, that would have seen one water organisation for councils in the Horizons region.

The current coalition government changed the water reforms. It introduced new legislation and called its version 'Local Water Done Well.' It keeps water assets council-owned and lets each council choose the best way to deliver water services for its community. The options under the legislation are bullet points below and in brackets we explain if it is now an option or if not, why it was ruled out.

- Status quo (Option 3)
- Council-controlled water organisation (Option 1 and 2)
- Independent consumer trust (this has not been selected as this option would have higher costs for our community than options 1 and 2)
- Single council-controlled organisation (this has not been selected as this option would have higher costs for our community than options 1 and 2)

If you want to know more about this process check out our website.

The government requires water services to be:

1. Fit for purpose,
2. Financially sustainable, and
3. Subject to more oversight and regulations regarding the quality and cost of water services. There is also legislation guiding how any future water organisation operates.

In the options within this consultation document, we refer to affordability.

The legislation requires us to consider affordability as one of the things that prove the financial sustainability of our options. We understand that affordability means different things to different people, and some may not see any of the options as affordable. In our explanations, we have outlined the cost differences between the options, showing that some are more affordable than others. Our goal is to provide clear information so you can understand the financial impact of each option.

While cost is a big driver, we considered several other aspects to help determine a preferred option. These include impact on other council services, innovation, the service you get, communities of interest, cultural input, your ability to have a say, growth, climate change and the environment. In your submission, we'll be asking you to have a say on these too, so we know what matters most to you.

Our proposal

We are proposing to create a water organisation jointly owned with other Councils. The water organisation would deliver water services to Palmerston North and this would be included in our water service delivery plan, which we submit to government before September. This proposal satisfies the requirements of the legislation. Option 1 and Option 2 explain potential arrangements for different council combinations. We believe these options have the best outcomes for our community. The impact of not proceeding with these options means we would not meet legal requirements. The full impacts of this are detailed in Option 3 which we are legally required to consult on.

For the past few years, council staff and elected members have worked hard to understand the reforms to ensure our community is well taken care of in the future. In Palmerston North, we think there would be advantages to working together in collaboration with others, and we started talking to other councils about this some time ago.

We've looked at everything from our assets, proposed work, structures of organisations, impact on existing staff, iwi involvement, business growth, community involvement, legal aspects, digital and software needs, and of course the financial implications.

We've looked after our city's water needs.

We're proud to have taken good care of Palmy's water, meaning you have safe and resilient water infrastructure.

Drinking water



We supply 10 billion litres of safe drinking water each year	We have one treatment plant	We have 3296 hydrants	We have 586km of pipes - enough to stretch from Palmy to Auckland
We have the Turitea dams in the Tararua ranges	We have 12 bores (wells) across the city to supply communities	We have 7 reservoirs to hold your treated water and handle emergencies	We have 5167 valves

Wastewater

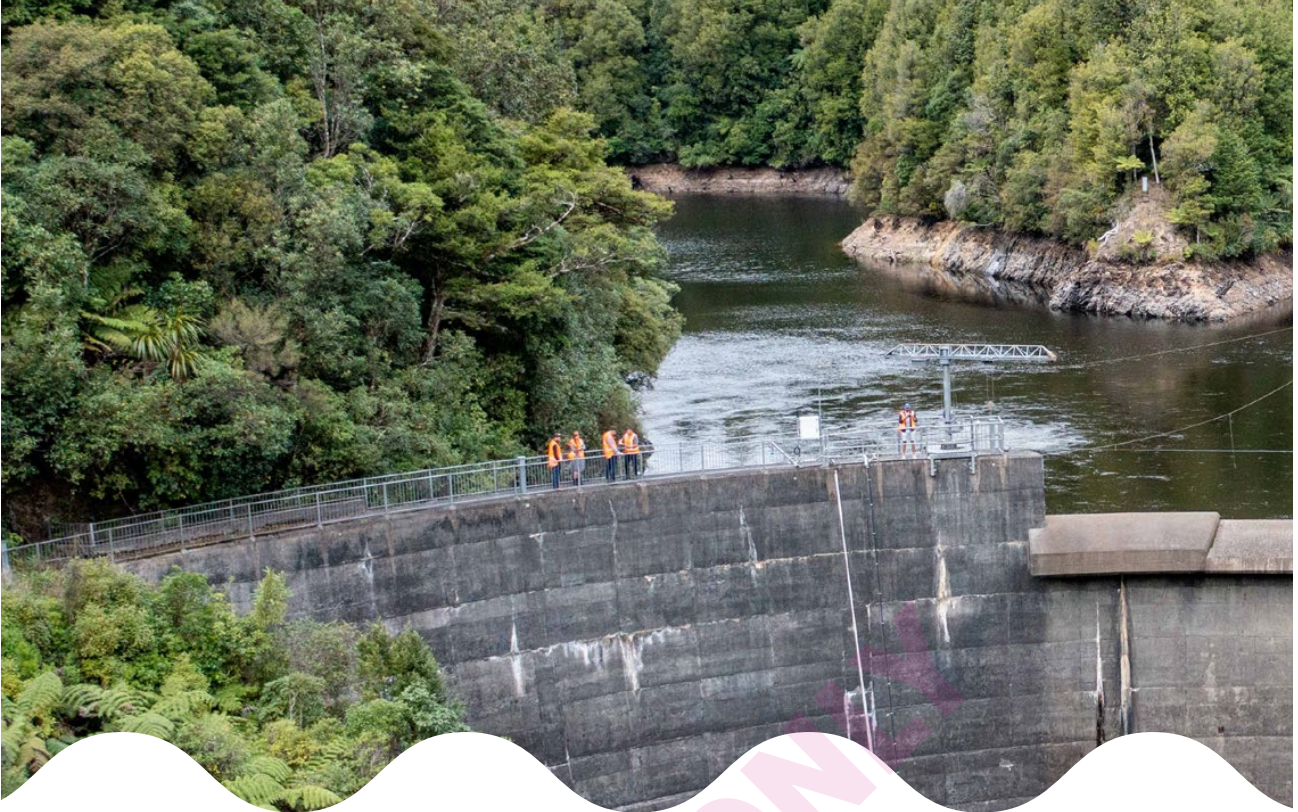


We treat 12.9 billion litres of wastewater each year from your kitchen, bathrooms and laundry	We have 441km of pipes - enough to stretch to Hamilton	We have 52 wastewater pump stations to help move wastewater to the treatment plant	We have a treatment plant and several oxidation ponds to help treat your wastewater
Due to rain water entering wastewater pipes, we treat more water than we supply	We have 6129 manholes to access your wastewater pipes		

Stormwater



We help to reduce the impacts of heavy rain	We have 6146 manholes to access pipes	We have 20km of open drains	We have 8.3 hectares of drainage reserves
We have 18 pump stations to help move rainfall after it reaches the ground	We have 310km of underground pipes	We have 14km of stopbanks along drains and streams that we maintain	



Our water situation today:

- City water assets are compliant.
- Water assets make up about 34% of Council assets.
- Day to day water costs are about 13% of Council's operating costs.
- Water projects make up half of our proposed capital work in the next ten years. For many of our larger construction projects, we use loans to fund them and then pay back over time like a mortgage.
- For our Nature Calls wastewater project, we've also looked at external financing known as the Infrastructure Funding and Financing Act (IFF) to help fund this project.
- Some businesses who use a lot of water also pay for their water consumption and wastewater treatment separately – this is called trade waste. When new development in the city occurs, the developers are also required to contribute to the costs of infrastructure through development contributions.

➤ We're planning on spending **\$900M on water projects over the next 10 years.** Then in the following 20 years we're expecting to invest an additional \$600M.

➤ We expect to spend **\$432M for day-to-day maintenance and supply** over the next 10 years.



In 2024/25, residential ratepayers pay around:

\$957

This includes:

\$415

for drinking water

a fixed charge

\$375

for wastewater

a fixed charge

\$167

for stormwater

As part of the general rate. The exact amount per property depends on the land value of the property.

Our city has historically had far lower water rates than many of those around us.

Homeowners connected to our water network pay the same for these 'fixed charges'.

They're the day-to-day costs of looking after your water needs, including the replacement of the assets we currently own. Your rates also help cover the cost of repaying the debt for large construction projects. In our Long Term Plan we have explained that within ten years there could also be an additional levy of at least \$1000 per connection for Nature Calls.

Did you know that water pipes only need to be replaced around every 80 years?

What we build in large water construction projects will last many decades. This means the investment helps our community now, and for generations to come.

That's why this decision is so important

Have your say on the future of Palmy's water 9

Some important things to know before you see the options.

Soon we'll be showing you the options we're proposing, but there's some things you need to know first.

The Government legislation has clear rules for borrowing money depending on whether councils keep their water services in-house or join up to form a multi-council water organisation.

If water is managed under jointly owned organisations: (Option 1 and 2)

The new legislation allows new water organisations to borrow more money to fund infrastructure projects than what councils can now. Currently we can borrow 2.8 times our revenue (or up to 280% debt to revenue ratio). Our council has chosen a lower limit of 250%. Water organisations will be able to borrow up to five times its revenue (up to 500% debt to revenue ratio) for water construction projects.

If water remains in-house: (Option 3)

This option is not financially sustainable. This means it doesn't meet legal requirements. The Government would require that any assets, revenue, expenses and debt associated with water services need to be kept separate or 'ring-fenced' from the wider services of council. Customers connected to the water services, or able to be, will pay for the services. Council will not be able to increase its current self-imposed funding cap for investing in water projects.

We've modelled a range of different scenarios to determine potential costs for you.

The legislation requires us to have a Water Services Delivery Plan. That plan will include the option we adopt following public consultation. As part of our plan we will need to be able to prove that the model we choose is financially sustainable and provide transparent modelling that demonstrates long-term affordability and resilience. This includes clear projections of revenue and expenditure, plans for maintaining infrastructure, and mechanisms to manage debt and responded to emergencies. Modelling for the next ten years is likely to be more accurate because it is based on Councils' Long Term Plans (also known as 10-year plans). Thirty years is more difficult to forecast due to changing needs/legislation/population etc.

We have conducted a range of different modelling scenarios, which is how we've been able to tell you potential costs for the options. The independent modelling report is available on our website. To be able to model potential costs we have had to make a range of assumptions. These include things like projects after 2034, interest rates, size of organisation, revenue etc. You can read the assumptions in that report on our website too.

It's important to note that the costs we refer to are very high-level because of those assumptions.

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Pricing over time

Right now, different communities pay different amounts for water. Under Option 1 or 2, a new water organisation may decide to make water charges the same for everyone in the future. This is known as 'price harmonisation.' It hasn't yet been decided when this would happen. The Department of Internal Affairs (DIA) has indicated that councils involved in a new water organisation could agree on this as part of their setup arrangements. This agreement would mean councils could have some influence over that decision. For us to be able to give you potential costs for Option 1 and 2, we've had to assume when price harmonisation would occur. For ease, we've given you the costs as if it were to happen in the first year of the water organisation operating.



Have your say on the future of Palmy's water 11

Our proposed water investment over the next decade.

Our Long Term Plan (2024-2034) outlines our proposed projects, and costs, for our water services over the next decade. Our plan shows we’re proposing to spend \$900M on water services over this time period. The bulk of this (around half) is for our Nature Calls wastewater project, which you can read about on the next page.

Our major projects include:

Up to \$480M	on Nature Calls*	\$18M	on stormwater work for growth in Aokautere
\$28M	on drinking water standard upgrades	\$23M	on stormwater upgrades across the city
\$23M	on stormwater work to support growth at Kākātangiata	\$14M	to reduce the chance of flooding across the city
\$8M	on drinking water needs to support growth at Kākātangiata	\$10M	to replace key water mains for your drinking water
\$9M	water supply growth for Whakarongo	\$8M	water supply growth for North East Industrial Zone

*The Department of Internal Affairs has indicated costs could reduce with incoming government changes to wastewater treatment standards.

New drinking water quality assurance rules

Our water comes from both the Turitea Dam in the Tararua Ranges and a number of bores around the city. New drinking water quality assurance rules will require us to add reservoirs or ultraviolet (UV) treatment to some of our bores.

Growth areas need water

As our city grows with more homes and businesses, we need to make sure we have enough water to meet demand. This will require us to install pipes to areas of development, pump stations to move the drinking or waste water around our city from homes and businesses, stormwater management for heavy rain, and in some instances we will need to build new water bores to supply growing areas like Milson and Kelvin Grove/Whakarongo.

Mitigating climate change

Doing everything we can to reduce the impact of large rainfall events for our city is essential. Over the coming decade, we will be doing more work on this front. This will include things like installing larger underground pipes, creating wetland type environments and maintaining our streams. We’ll also be working closely with developers to ensure new developments are well-designed to cope with more intense rainfall events in the future.

All of these projects, costs and timeframes are included in the options we’re consulting on. **We think these projects need to happen**, and some are legally required, however if Option 1 or 2 is chosen, then it would be up to the water organisation to determine the timing of this work.

Nature Calls remains a major project included in all our options.

Our long-term resource consents for treating and discharging wastewater (all the water that goes down a drain inside your home and business) will be expiring in the next few years. Legally we need to apply for new consents for the future treatment and discharge of wastewater.

Projects of this scale only come up every few decades, and when they do, they're expensive. People sometimes think this project is occurring because we're doing something wrong, or we haven't taken good care of our city's wastewater previously. That's not the case. Our consents are expiring soon, which means it's affecting us now. But every community has resource consents for their wastewater treatment and discharge too, and when it's their turn to renew consents they will also face large costs. Other communities are also anticipating large projects for drinking water. This is where more people paying for water helps because we can all help each other.

During our Long-Term Plan consultation, our community told us that the cost we'd projected for Nature Calls was too much. Our Elected Members agreed and asked staff to take another look at the options for treatment and discharge in the future to see if there are more affordable options. We're doing that now.

The proposed cost at present in our Long-Term Plan is now \$480M excluding inflation. We have explained that this will be externally financed through the IFF Act. The costs are still high level, and you can be assured that we have affordability in our mind as we continue to look at potential options over the coming year. We're also awaiting new government guidance on wastewater standards, the Department of Internal Affairs (DIA) has stated that this will bring costs down. We'll be keeping you updated as we continue to work on this, and we will get more feedback from you before we consider any change of our currently proposed option.

The audit of our Long Term Plan identified a concern about what would happen if we didn't get the external finance, and the impact that this could have on other council services. You can be assured we take this seriously. We understand that risk and we're having conversations with external financiers to ensure that doesn't happen.

Nature Calls is included in all the options we're consulting on.

When you read about all the options in this document, you can be assured that the cost of Nature Calls is included. In fact, all water projects councils have in their Long-Term Plans are included in the costings, as all of them could move to another organisation if we proceed with Option 1 or 2.

While Nature Calls is a big project for our city, in the future other councils will also have big projects that will need to be funded and form part of the work of any future joint water organisation if we proceed with Option 1 or 2. This would be able to occur more easily in Option 1 and 2 due to scale and combined ability to increase borrowing limits.

Did you know that across New Zealand, 70% of wastewater treatment plants need to be reconsigned in the next decade?

15% are still operating despite their consents already being expired.



Option 1

**Preferred
option**

‘The Four’ – A water organisation jointly owned by Palmerston North City Council, Horowhenua, Manawatū, and Kāpiti Coast District Councils.

We would create a joint council controlled organisation to manage water services in these areas.

We already have council owned organisations in our city, so this model is familiar to us and our community. We manage the Airport, Te Manawa Museum, The Globe Theatre and The Regent Theatre in this way. The Central Economic Development Agency is most like what’s being proposed, as it is jointly owned with Manawatū District Council.

This option is our council’s preferred option, for several reasons.

The main reason this is our preferred option is that it’s the most affordable for our community. Together, our four councils serve 223,000 people, and we’re all within around an hour of each other. Our communities have strong links, and being close together, with a number of dense urban areas, means more connections per kilometre of pipe, which helps keep costs down.

Working together also helps reduce costs over time. A joint water organisation could save money by buying supplies like pipes and treatment chemicals in bulk, using shared software and vehicles, and streamlining decision-making since it would focus only on water services.

Because this option is relatively local, it would also make it easier to attract and keep skilled staff compared to some of the variations in Option 2 and allow for extra staff cover in the case of sickness/leave etc.



The councils would work together to set up the organisation.

If this option is selected, the four councils would work together on a transition plan. It would appoint representatives to a joint committee known as a Shareholder Council. This group would then set up the new organisation by appointing a skills-based board of directors.

The shareholding council committee would also create a 'Statement of Expectations'. That would outline Councils expectations, determine priorities, and set the strategic direction that would inform the decisions and actions of the organisation. Legislation also requires that the new water organisation prepares a water services strategy which would detail its approach to water management. That strategy would be reviewed every three years and relates to a period of at least 10 financial years, so it would act like a Council long-term plan.

The board of directors would be 'skills based', meaning a mix of people with the experience and skills in managing large organisations, various stakeholders and may have utility experience.

The transition plan would include topics such as the expected start date, iwi involvement, scope of delivery services, location, customer experience and staff transitions.

You can see a **potential structure for a water organisation** on page 35.

*Read more on page 29

Councils wouldn't be involved in day-to-day decisions

Unlike Council management, no Council staff or Elected Members would be involved in the organisations' daily decisions. It would be independent of Council.

The organisation is responsible for its own funding and for charging customers

The legislation requires that the new organisation must determine the funding needed for water services.

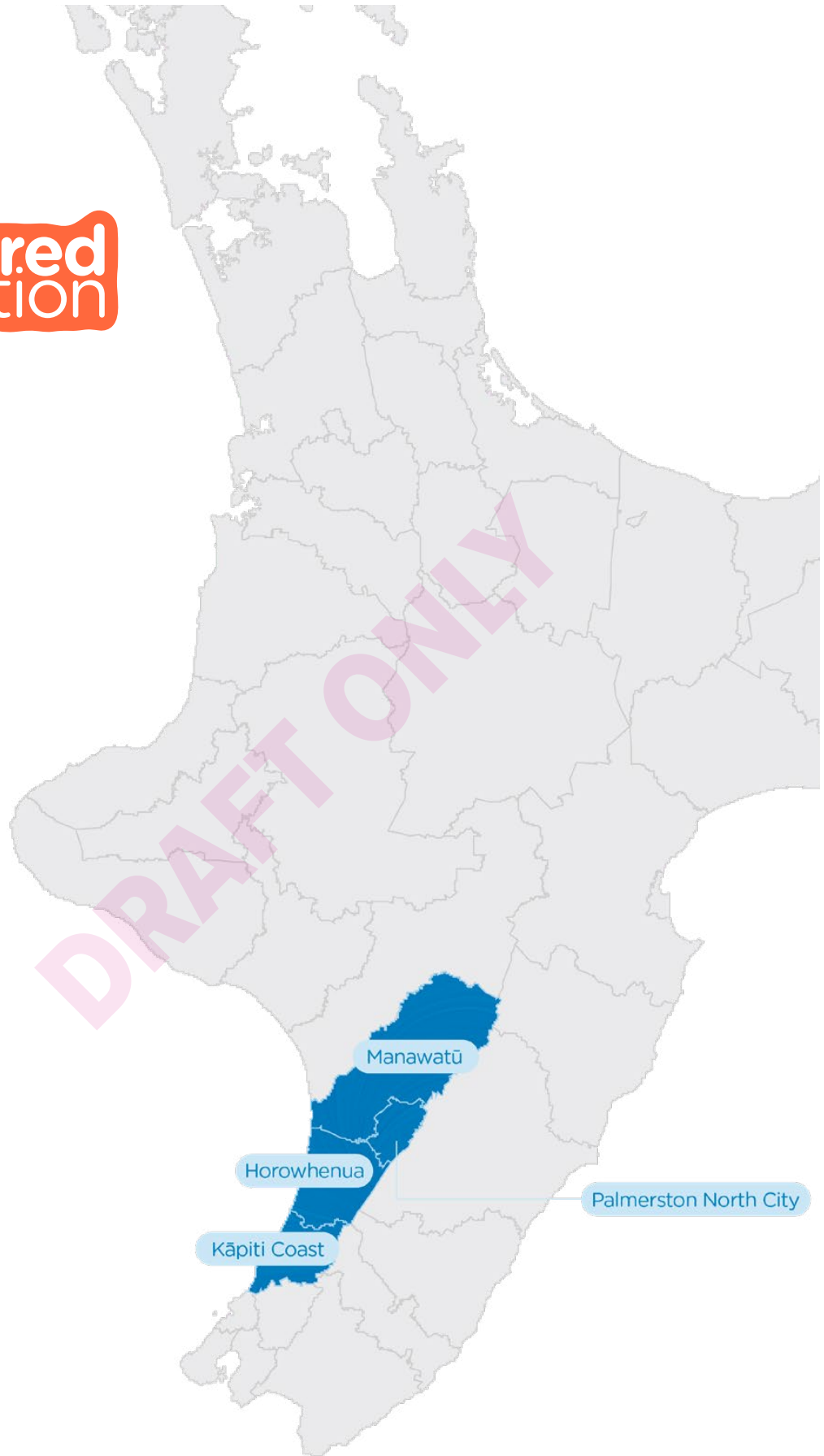
It would be responsible for all levels of service. This includes sourcing, treating, and discharging water, planning for future repairs and upgrades, charging for water, and keeping you, our community informed and involved.

As the water assets transfer to the water organisation, it takes on our 'water-related' debt*. It can also borrow money for water construction (capital costs), separate from council borrowing. Currently, councils must balance water spending with other services they manage.

This also means that councils can keep investing in other services, like transport, rubbish, recycling, and key community facilities. Councils would still consult and seek feedback on these other services through their long-term plans and other community consultations.

Have your say on the future of Palmy's water 15

Option
1
**Preferred
option**



The financials:

Within ten years, residential ratepayers could be paying around **\$2,100** per year for water under this option. This figure drops to \$1,400 in 30 years. These numbers are in today's dollars and don't include inflation.





The potential cost in ten years is more realistic than the 30 years. That's because councils are using their Long Term Plans to determine the work. It's hard to know what may change in 30 years so that number has more uncertainty.

As the water organisation would be responsible for water services and the funding of those services, it would also be responsible for the water assets. Currently we have \$66M of debt related to those assets, which we would transfer to the water organisation to pay back. All the councils in the option would do this too. We would also be able to remove all proposed water debt from our current Long Term Plan. This is approx. \$340M over the current Long Term Plan. While Nature Calls is included in the costs for this option, it's not included in the debt as we explained in our Long Term Plan that it would need to be financed externally through the IFF Act.

Removing the spending and forecast revenue from water services from our current Long-Term Plan results in a \$577M reduction of available debt headroom over the 10 years of our plan. We will still be able to invest in our other infrastructure areas such as transport, rubbish and recycling, parks, community facilities and our venue and event facilities. But, the timing of these proposed projects may need to change. This means we still have capacity to do major infrastructure projects, but we would need to have a look at the timing of our planned projects – just like we did in our Long-Term Plan.

The rating impact of removing water from Council is a bit more unclear. Fixed charges for water would no longer be billed to ratepayers as the new water organisation would be responsible for charging for this.

Key points:

	Who owns the water assets?	Under this option, the assets for water and wastewater would be owned by the water organisation, but council remains a shareholder. It is likely Council continues to own all stormwater assets and be responsible for the work programme, but contract the day-to-day management to a water organisation. See page 35.
	Who makes decisions?	The board of the water organisation. But, this would be informed by Statement of Expectation from the shareholding Councils.
	Iwi involvement:	Needs to be confirmed but we expect this to be discussed prior to setting up the organisation. We believe iwi should play a strong role in water management and our Council would expect similar involvement to what Rangitāne have with us at the moment.
	Civil defence response:	Councils and water organisations would work this out during the setting up of the organisation. Based on how civil defence works with other vital services, we expect the organisation would look after the water and we'd look after you our community. You can be assured looking after our community will always be a top priority for Councils.



Potential pros

Legal compliance:

Meets legal requirements.

Community affordability:

A more affordable option for our community than Option 3.

Interest by other Councils:

At the time of this document being adopted, all Council's listed are intending to consult on this option.

Scale:

A population base of 223,000 people means there are more people to pay for water than our current population. This option could also create efficiencies through things like procurement e.g. buying pipes and treatment chemicals, software, vehicles etc. We would also be able to attract and retain specialist staff.

Geography:

We're all located together which means we can be more efficient in responding to our communities. For example: operational centres, vehicles and people are closer together, which means there could be faster responses. This would also be beneficial in a civil defence response. This option has more dense urban areas across the council boundaries, which means there are more water connections per km of pipe – this can help keep costs down. There are also no major geographical challenges e.g. ranges or mountains, for us to work around.

Governance:

Councils within this option already have established relationships. This means the setting up of an organisation and the ongoing governance of water organisation could be easier.

Water service:

Would meet legal requirements. It's also likely that water services could improve, as with more people able to pay, and an increased ability to borrow, the water organisation could invest in this work sooner than what councils could.

Impact on other council services:

It's unlikely to have the negative outcomes on all other council services, that Option 3 has. Council also may still choose to look at services we provide through subsequent Long-Term Plans and seek public feedback.

Growth and development:

Again, the scale means the water organisation would have a better ability to prepare for and manage future growth needs for water.

Climate change mitigation:

With the advantage of scale, improved efficiencies and an increase in borrowing capacity, more climate change mitigation could be likely.

Environmental outcomes:

With the advantage of scale, improved efficiencies and an increase in borrowing capacity, better environmental outcomes could occur.

Social impact:

Better social impacts than Option 3, as council can continue to invest in other areas and help create connectedness.

Potential cons

Community involvement in decision-making:

There is unlikely to be opportunities for the community to be involved in decision making. There could be consultations from time to time. The community would need to advocate for services if they had concerns. However, Councils can also influence the organisation as shareholders.

Council's role:

Councils would have no day to day involvement in water service delivery. But, the shareholding councils would be creating a 'Statement of Expectations', which would be monitored closely.



Have your say on the future of Palmy's water 19



Option 2

‘The up to 6’: A water organisation jointly owned by Palmerston North City Council and one or more other councils within the Horizons Regional Council boundary.

This option is the same as Option 1, except for which councils would be involved in the water organisation. We believe this option is less likely to occur, and depending on which councils are involved, there could potentially be some risks.

Councils in this area already work closely with each other due to us all being within the Horizons Regional Council boundary. Councils have been working together on the water reforms for the past few years. While we’re in a wider region, our communities do differ from each other. Palmerston North is the main urban area. Most other communities are rural and/or coastal.

We believe there are two potential groupings under this option.

Palmerston North City Council, Whanganui District Council, Ruapehu District Council and Rangitikei District Council

Whanganui, Ruapehu, and Rangitikei District Councils are looking at forming a water organisation together. As of the date this consultation document was adopted, all three had stated on their websites that they would also consult on an option that includes working with other councils within the Horizons Regional Council area. We haven’t had specific discussions about a water organisation involving all four of us, but since we are all considering a regional model as an option, it remains a possibility. There has been some indicative modelling of potential costs for all councils within this wider region.

Whanganui has a larger population and well-established water infrastructure, meaning this option could include two major urban areas. This can help manage costs by having more water connections per km of pipe.



This grouping does, however, present some challenges due to the distance between our councils. This could make it harder to create efficiencies in areas like operational centres, staff coverage, and equipment storage.

While we're all within the Horizons Regional Council boundary, Palmerston North aren't neighbours with the other three councils. This means we don't know each other as well as Horowhenua and Manawatū District Councils. Not sharing a boundary between us could provide a challenge in an emergency response. If there was a need for a particular piece of equipment or specialist staff member, the response could be delayed due to travel times between boundaries.

Under this grouping, there are a number of combinations that could work to meet the government requirements.

Palmerston North City Council, Horowhenua District Council and Manawatū District Council

Our three councils are part of Option 1, along with Kāpiti, showing that we're open to working together in the future. Manawatū and Horowhenua have decided not to join a full regional model but are still considering smaller partnerships, as seen in Option 1.

Under this option, we could collaborate with all three councils, just one other council – or together join with some of the other councils in the cluster above.

An advantage to working with Manawatū and Horowhenua is that our councils and communities are closely connected—people often cross boundaries for work, visiting family and friends, or leisure. In a civil defence response, we have alternate routes to access each other too. Being geographically close means we could achieve some efficiencies, but the savings wouldn't be as significant as if we partnered with a council that had a larger population to help share costs.

You can see a **potential structure for a water organisation** on page 35.



A couple of councils are not included in potential combinations.

Option 1 includes Kāpiti Coast District Council. As they're not in the Horizons Regional Council boundary we haven't included them in this option.

Tararua District Council sits within the Horizons Regional Council boundary. However, in December it voted to exit any further discussions regarding a regional water organisation. It is only consulting on its status quo, and a collaboration with Wairarapa Councils. As it has not signalled an interest in working with any councils in the regional boundary, they're not included in this option.

If either council (Kāpiti or Tararua) had a desire to join a water organisation with councils named in this option, we would be open to that.

We also haven't looked at the two mini clusters combined. That's because Horowhenua and Manawātū District Councils ruled out a full regional model, so we don't know what their appetite may be for joining with Whanganui, Rangitīkei or Ruapehu. We would be open to working with all five of these councils if they desired.

If you're wondering why some councils in the region have signalled they don't want a full regional model, the main reasons are a desire to work with their immediate neighbours, within a catchment, or may be considering a single council water organisation.

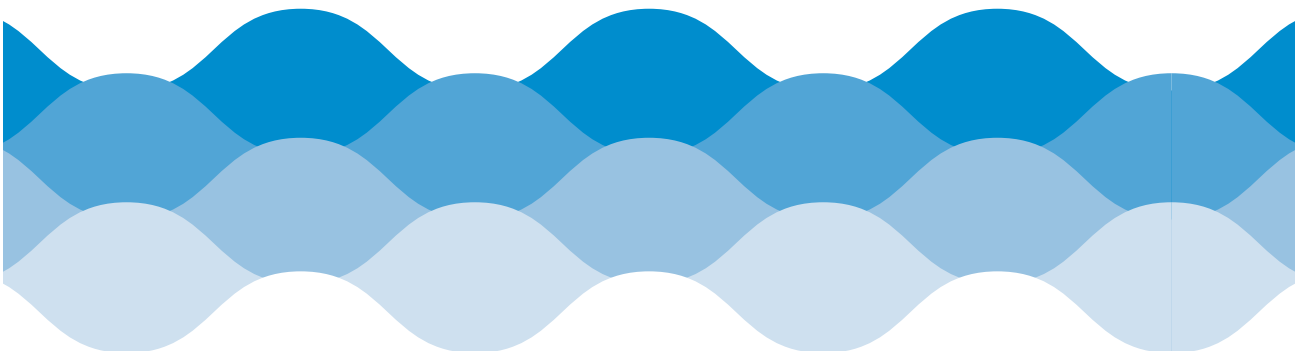
This option is not our preferred option for a couple of reasons.

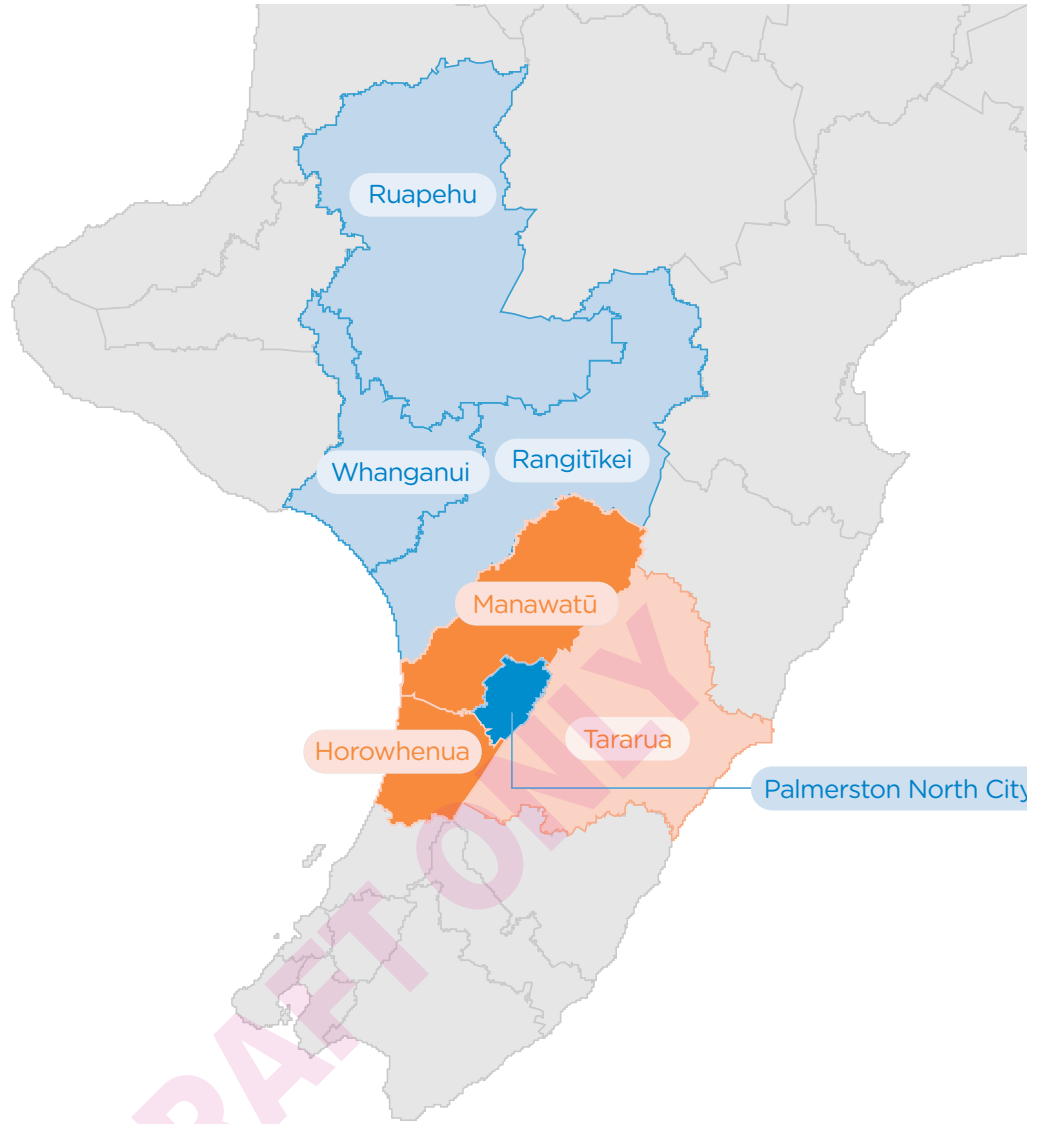
This isn't our preferred option as there is too much uncertainty. None of the councils involved have any of the groupings we have discussed as preferred options at this stage. That doesn't mean they're out of the question, but they're just more unlikely to occur than Option 1.

With this level of uncertainty proposed costs could change significantly. If some councils aren't part of the organisation, it affects the number of water connections, the scale, and therefore the number of people paying.

Despite the current uncertainty regarding how many councils could be involved, we think it's important to present this option to you in its entirety showing you potential scenarios. All councils will consult with their communities at slightly different times. But we wanted to ensure you have an option that might involve some or all of these councils in case their communities have different views, or those councils choose to extend discussions.

Every other aspect of this option is the same as Option 1.





Key:



Palmerston North City Council

Open to collaborating with other Councils



Horowhenua District Council and Manawatū District Council

Aren't consulting on a full regional model but through option 1 have indicated an interest in working with us and some other Councils



Whanganui District Council, Ruapehu District Council and Rangitīkei District Council

These Councils websites show they're likely to consult on working with Councils in this region. However it's not their preferred option.



Tararua District Council

Are not consulting on an option involving Councils in this region

The financials:

Depending on the combination of councils, within ten years residents could be paying up to **\$2700**. There is a very small chance it could cost less than that but that would rely on a number of councils being involved (at least 4 or 5) and at this stage we think that is highly unlikely. Within 30 years residents could be paying up to \$1800.

With more councils involved, the cost is lower. We have modelling on our website that shows you a range of potential cost scenarios if some councils were involved, and some weren't.

These numbers are in today's dollars and don't include inflation.

These costs assume all councils named are involved. If there were fewer councils, that would impact cost.





The potential cost in ten years is more realistic than the 30 years. That's because councils are using their Long Term Plans to determine the work. It's hard to know what may change in 30 years so that number has more uncertainty.

As the water organisation would be responsible for water services and the funding of those services, it would also be responsible for the water assets. Currently we have \$66M of debt related to those assets, which we would transfer to the water organisation. All the councils in the option would do this too. We would also be able to remove all proposed water debt from our current Long Term Plan. This is approx. \$340M over the current Long Term Plan. While Nature Calls is included in the costs for this option, it's not included in the debt as we explained in our Long Term Plan that it would need to be financed externally through the IFF Act.

Removing the spending and forecast revenue from water services from our current Long-Term Plan results in a \$577M reduction of available debt headroom over the 10 years of our plan. We will still be able to invest in our other infrastructure areas such as transport, rubbish and recycling, parks, community facilities and our venue and event facilities. But, the timing of these proposed projects may need to change. This means we still have capacity to do major infrastructure projects, but we would need to look at the timing of our planned projects – just like we did in our Long-Term Plan.

The rating impact of removing water from Council is a bit more unclear. Fixed charges for water would no longer be billed to ratepayers as the new water organisation would be responsible for charging for this.

Key points:

	Who owns the water assets?	Under this option, the assets for water and wastewater would be owned by the water organisation but Council remains a shareholder. It is likely Council continues to own all stormwater assets and be responsible for the work programme, but contract the day-to-day management to a water organisation. See page 35.
	Who makes decisions?	The board of the water organisation. However, this would be informed by a Statement of Expectation from the shareholding Councils.
	Iwi involvement:	Needs to be confirmed, but we expect it would be discussed prior to setting up the organisation. We believe iwi should play a role in water management and our Council would expect similar involvement to what Rangitāne have with us at the moment.
	Civil defence response:	Councils and water organisations would work this out during the setting up of the water organisation. Based on how civil defence works with other vital services, we expect the organisation would look after the water, and we'd look after our community. You can be assured looking after our community will always be a top priority for Councils.



Potential pros

Legal Compliance:

Meets legal requirements.

Community affordability:

Affordability will depend on the number of councils involved. The fewer councils there are, the more the costs are likely to increase.

Scale:

Depending on how many councils are involved, there could be improved scale. However, if there are few councils, we may not have the scale needed to achieve as many positive benefits.

This option could create efficiencies through things like procurement e.g. buying pipes and treatment chemicals, software, vehicles etc.

Water service:

Would meet legal requirements. It's also likely that water services could improve, as there is a larger customer base, and an increased ability to borrow, the water organisation could invest in this work sooner than what councils can.

Potential cons

Interest by other councils:

This option is not any council's preferred option, which means it comes with risk as it may not eventuate.

Horowhenua District Council and Manawatū District Council (and Tararua District Council) have ruled out a regional model including all 7 councils in the Horizons Regional Council boundary. However, both Horowhenua & Manawatū District councils have showed they're open to working with us.

Ruapehu, Rangitikei and Whanganui District Councils are consulting on a potential regional model, however it is not their preferred choice.

This uncertainty means a version of this option could be less likely to occur than Option 1. We're open to having conversations with councils in our region about how we could work together and get the best outcomes for our communities.

Geography:

This varies depending on which councils are involved. It's easier the closer we are all together. With the potential for such a large area this could create operational challenges which could impact on the cost of these services for our community.

Impact on other council services:

It's unlikely to have the negative impacts on all other council services, that Option 3 has. Council also may still choose to look at services we provide through subsequent Long-Term Plans and seek public feedback.

Growth and development:

Again, the scale means the water organisation would have a better ability to prepare for and manage future growth needs for water.

Climate change mitigation:

With the advantage of scale, improved efficiencies and an increase in borrowing capacity, more climate change mitigation could be likely.

Environmental outcomes:

With the advantage of scale, improved efficiencies and an increase in borrowing capacity, better environmental outcomes could occur.

Social impact:

Improved social impacts compared to Option 3, as council can continue to invest in other areas and help create connectedness.

Governance:

This also varies depending on how many councils are involved, and what our existing relationships are like with those communities. With councils closer to us it's easier as we know each other well already. It could be more complex with more councils to reach consensus on the governance structure of the organisation.

Community involvement in decision-making:

There is unlikely to be direct involvement in decision making. There could be consultations from time to time. The community would need to advocate for services if they had concerns like they do now with power and phone services etc. However, Councils can also influence the organisation as shareholders.

Council's role:

Councils would have no day-to-day involvement in water service delivery. But the shareholding councils would be creating a 'Statement of Expectations', which would give them the ability to add specific details.



Option 3

Status quo with changes

(not financially sustainable and therefore it's not legally compliant).

This option would see Council continuing to manage and deliver the city's water services. However, for the reasons outlined below, this option is not feasible. That is because it will not meet legal requirements due to the need for financial sustainability.

We wouldn't typically consult on an option that doesn't meet legal requirements. However, the Government requires all councils in New Zealand to consult on its 'status quo'.

The need to ring-fence water would cost you more.

The new government legislation requires us to 'ringfence' all money spent on water services. Ring-fencing water finances means separating all water-related revenue and costs from other council services. This helps to ensure the community understands the true cost of their three water services.

Currently, different council services indirectly help fund others. For water services we rely on revenue from other areas of council to meet the legal requirements for borrowing money for large construction projects.

If we had to ring-fence this money, the cost for water would need to increase significantly for our community as the entirety of our water services would need to be funded by users.

Limited borrowing would restrict investment in other council areas too.

The new legislation won't allow us to borrow any additional money for water projects if we keep water services in-house. This means we have to work within our existing borrowing restrictions, which will be tough when there will be so many pressures and regulatory requirements to meet. In Option 1 and 2, the legislation allows a water organisation to borrow far more money than we currently can to maintain and upgrade infrastructure. Under this option we can't borrow more, see page 10. The new legislation does not allow that if it remains as part of an in-house Council services.

