

ORDER PAPER

ORDINARY COUNCIL MEETING

Date: Thursday, 14 August 2025

Time: 9.30am

Venue: Council Chamber
Rangitikei District Council
46 High Street
Marton

Chair: HWTM Andy Watson

Deputy Chair: Cr Dave Wilson

Membership: Cr Brian Carter
Cr Gill Duncan
Cr Richard Lambert
Cr Piki Te Ora Hiroa
Cr Coral Raukawa
Cr Jeff Wong
Cr Simon Loudon
Cr Greg Maughan
Cr Fi Dalgety
Cr Paul Sharland

For any enquiries regarding this agenda, please contact:

Kezia Spence, Governance Advisor, 0800 422 522 (ext. 917), or via email

kezia.spence@rangitikei.govt.nz

Contact:	0800 422 522 (06) 327 0099	info@rangitikei.govt.nz	www.rangitikei.govt.nz
Locations:	<u>Marton</u> Head Office 46 High Street Marton	<u>Bulls</u> Bulls Information Centre Te Matapihi 4 Criterion Street Bulls	<u>Taihape</u> Taihape Information Centre 102 Hautapu Street (SH1) Taihape
Postal Address:	Private Bag 1102, Marton 4741		
Fax:	(06) 327 6970		

Notice is hereby given that an Ordinary Meeting of Council of the Rangitīkei District Council will be held in the Council Chamber, Rangitīkei District Council, 46 High Street, Marton on Thursday, 14 August 2025 at 9.30am.

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AGENDA

1 Welcome / Prayer

2 Apologies

3 Public Forum

No Public Forum

4 Conflict of Interest Declarations

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

5 Confirmation of Order of Business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, [enter item number](#) be dealt with as a late item at this meeting.

6 Reports for Decision

6.1 Local Water Done Well: Adoption of the Joint Water Services Delivery Plan

Author: Arno Benadie, Deputy Chief Executive

Authoriser: Carol Gordon, Chief Executive

1. Reason for Report

- 1.1 The purpose of this report is for Rangitikei District Council to adopt the joint Water Services Delivery Plan (WSDP), ahead of certification and submission to the Secretary for Local Government, developed in accordance with the Local Government (Water Services Preliminary Arrangements) Act 2024. The Plan must be submitted to the Secretary for Local Government by 3 September 2025.
- 1.2 The joint WSDP has been prepared with Horowhenua District Council and Palmerston North City Council. Each Council must separately resolve to adopt the joint WSDP before it is submitted. Horowhenua District Council met on 6 August 2025 and Palmerston North City Council will meet on 13 August 2025 to similarly adopt this joint WSDP so their decisions should be known by the time Rangitikei District Council considers the matter.

2. Context

- 2.1 At its meeting on 22 May 2025, Rangitikei District Council resolved (25/RDC/108) that, having regard for sections 61 and 62 of the Local Government (Water Services Preliminary Arrangements) Act 2024, Rangitikei District Council -
 - a. agrees to continue discussions with Ruapehu and Whanganui District Councils in establishing a WS-CCO [Water Services Council-Controlled Organisation],
 - b. agrees to continue discussion with Palmerston North City Council and Horowhenua District Council about establishing a WS-CCO with them and other councils,
 - c. Council has a preferred position to work with Palmerston North City, Horowhenua, Ruapehu and Whanganui district councils to establish a WS-CCO subject to -
 - meeting the Government's requirements for financial sustainability,
 - delivering savings compared with the in-house model for Rangitikei, and
 - Palmerston North and Horowhenua confirming (for each by Council resolution) that they intend to join a WS-CCO with Rangitikei,
 - d. notes the continued work in preparing a joint water services plan containing an implementation plan for a joint WS-CCO to the Secretary for Local Government on or before the prescribed date, 3 September 2025, and
 - e. resolves that the shareholding councils for the joint WS-CCO invite the participation of our iwi and hapū in the WS-CCO design process to the extent that the legislation allows.

2.2 Following this meeting, Ruapehu and Whanganui District Councils worked with Horowhenua District Council, Palmerston North City Council and Rangitikei District Council in developing a joint WSDP for the five councils. However, that wider collaboration ceased when Ruapehu and Whanganui District Councils resolved (9 July 2025 and 15 July 2025 respectively) to establish a WS-CCO for themselves. The joint WSDP proposed for adoption is for Horowhenua District Council, Palmerston North City Council and Rangitikei District Council.

2.3 The 'subject to' conditions for (c) have been met:

- The joint WSDP meets the Government's requirements for financial sustainability (confirmed through a review by the Department of Internal Affairs of the draft joint WSDP).
- Modelling for the joint WSDP confirms savings compared with the in-house model for Rangitikei:

	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rangitikei - in-house	3,493	3,777	4,057	4,305	4,546	4,802	5,071
Rangitikei - local pricing in WS-CCO	3,049	3,331	3,510	3,668	3,955	3,876	4,134
Difference %	13%	12%	13%	15%	13%	19%	18%
Difference \$	444	446	547	637	591	926	937

- Horowhenua District Council (on 4 June 2025) and Palmerston North City Council (also on 4 June 2025) resolved by resolution to establish a WS-CCO with Rangitikei District Council, allowing also for Ruapehu and Whanganui District Councils to participate.
- 2.4 At its meeting on 22 May 2025, the Council also resolved (25/RDC/110) that the recommendation for transferring stormwater assets to the WS-CCO lie on the table, considering it best to wait and see what recommendations were made in the report from Parliament's Finance and Expenditure Committee on this provision in the Local Government (Water Services) Bill.
- 2.5 The Committee published its report on 3 July 2025. Rangitikei District Council considered the question again at its meeting on 31 July 2025 and resolved (25/RDC/206) that the Council:
- a. notes the recommendations made by Parliament's Finance and Expenditure Committee to the Local Government (Water Services) Bill, specifically definition of 'water services provider' in clause 4, the deletion of clause 10(2)(b) concerning obligations over stormwater infrastructure in the transport corridor, and more precision over service agreements for stormwater networks in clause 176, and
 - b. resolves, subject to the Government accepting these recommendations, to transfer to the joint water services CCO being established with Horowhenua District Council and Palmerston North City Council:
 - i. responsibility for all its stormwater services (including that in the transport corridor), and
 - ii. all legally permitted stormwater infrastructure (i.e. excluding that in the transport corridor).

- 2.6 At its meeting on 22 May 2025, as a preliminary to resolution 25/RDC/108(e) noted above, Council resolved (25/RDC/107) to continue discussion with the District's iwi and hapū, in collaboration with our Region's councils, on how best to combine iwi and hapū responsibilities as kaitiaki of the waterways and land with the Council's responsibilities for a safe and efficient provision of water services. Relevant actions since then are noted in section 4 of this report.
- 2.7 The Local Government (Water Services) Bill was introduced into Parliament on 17 December 2024 and referred to Parliament's Finance and Expenditure Committee, which published its consideration of submissions and its recommendations for amendments to the Bill on 3 July 2025. The Bill is currently being considered by the Parliament's Committee of the Whole House, to which the Minister of Local Government has presented Amendment Paper 346. This considers the recommendations from Parliament's Finance and Expenditure Committee and proposes further changes. Further debate will occur during Parliament's sitting week from 12 August 2025.

3. The Joint Water Services Delivery Plan (WSDP)

- 3.1 The purpose of the WSDP is to meet the requirement for councils to include baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements, as a first step towards future economic regulation by the Commerce Commission. This joint WSDP brings together the individual requirements completed by each Council to create a combined baseline for the new joint WS-CCO.
- 3.2 The completion of a WSDP is a requirement under the Local Government (Water Services Preliminary Arrangements) Act 2024. It is intended to be the mechanism for Horowhenua District Council, Palmerston North City Council and Rangitikei District Council to demonstrate the joint commitment to delivering water services that meet regulatory requirements, support growth and urban development, and outline the actions that will be taken to ensure the new entity is financially sustainable by 30 June 2028.
- 3.3 The joint WSDP uses the template published by the Department of Internal Affairs along with associated guidance and financial spreadsheets which provided an overview of each Council's financial sustainability. The joint WSDP has been prepared on the basis of the previous resolutions by the three Councils, using previously approved documentation including each Council's Long-Term Plan (including infrastructure strategies) and their Asset Management Plans, as underlying information, and building on this to meet the legislative requirements.
- 3.4 The joint WSDP outlines the intended delivery models and investment requirements for drinking water, wastewater and stormwater. It describes the current state and future arrangements for delivering these water services. The joint WSDP aligns with the Government's expectations under the 'Local Water Done Well' policy, which emphasise financial sustainability, regulatory compliance, and local decision making.
- 3.5 The joint WSDP is a one-off requirement, giving effect to the three Councils' delivery model decision for water services. The Local Government (Water Services Preliminary Arrangements) Act requires the Councils to give effect to the proposals and undertakings in the joint WSDP. The Secretary for Local Government may require the Councils to provide information to enable the Secretary to monitor compliance with the

ITEM 6.1

joint WSDP. Further planning will be undertaken through water services strategies to be prepared three-yearly by the new joint WS-CCO.

- 3.6 Morrison Low was contracted on behalf of all three Councils to complete the combined financial modelling for the joint WS-CCO. It is the basis for parts D and E of the joint WSDP. While this combination is being presented for the first time in the joint WSDP, the trends show that the proposed delivery model will deliver the greatest scale of benefit for the community in terms of three waters services.
- 3.7 The joint WSDP outlines the proposed delivery model for the joint WS-CCO and includes a transition period and phased implementation with a transition date of 1 July 2027 when the three councils will transfer ownership for the waters assets and responsibility for delivering water services to the joint WS-CCO. Between 1 July 2027 and 30 June 2032 the joint WS-CCO will complete the transition to direct billing, determine the pricing structure, and ensure revenue sufficiency and cost coverage to cover operational costs, capital expenditure, debt servicing and financial obligations, together with support mechanisms such as the Government rebate programme.
- 3.8 The joint WSDP will promote a coordinated approach to support and improve the quality and health of the water resources within the WS-CCO area, recognising the statutory protections over the Whangaehu River and obligations from present and future Treaty settlements. It will also put customers at the centre of its operations through a sole focus on waters across the joint area, and (in time) will deliver consistent levels of service for all customers.
- 3.9 The draft joint WSDP has been reviewed by both the Department of Internal Affairs and Simpson Grierson and any relevant feedback incorporated. In July, the Department of Internal Affairs undertook a high-level review of the draft WSDP focusing on identifying possible areas of improvement needed to increase the certainty the report will be accepted by the Secretary for Local Government. Subsequently, Simpson Grierson and has provided a letter of compliance that the WSDP should meet the relevant legal requirements. This gives confidence to the three Council Chief Executives to certify that the information relating to their respective in the WSDP complies with the Local Government (Water Services Preliminary Arrangements) Act 2024 and that the information contained in the WSDP pertaining to their respective Councils is true and accurate. That letter is attached to this report.
- 3.10 Each Council (Horowhenua District Council, Palmerston North City Council and Rangitīkei District Council) is separately being asked to adopt the joint WSDP. This is required before the joint WSDP is certified by the Chief Executives and submitted to the Secretary for Local Government. If either Horowhenua District Council and/or Palmerston North City Council request changes that are considered to be minor it is proposed that the Chief Executive be authorised to make these changes before certification and submission without returning to Council for further endorsement.
- 3.11 An earlier draft of this proposed joint WSDP has been discussed with Elected Members of Horowhenua District Council, Palmerston North City Council and Rangitīkei District Council on the following dates:
 - Horowhenua District Council at a workshop held on 23 July 2025,
 - Rangitīkei District Council at a workshop held on 30 July 2025, and
 - Palmerston North City Council at a workshop held on 6 August 2025.

Relevant feedback from Horowhenua District Council's workshop has been included in the WSDP attached to this report; feedback from Palmerston North will be noted at the meeting.

- 3.12 The proposed joint WSDP is attached, along with the modelling assumptions used by Morrison Low.
- 3.13 The joint WSDP includes an Implementation Plan (as legally required) which proposes:
 - an establishment date for the WS-CCO as a legal entity by 1 July 2026, and
 - the WS-CCO to be fully operational from 1 July 2027.

4. Mana Whenua (including the Rātana Community)

- 4.1 Section 81 of the Local Government Act 2002 requires the Council to facilitate participation by Māori in its decision-making processes, to consider ways in which it may foster the development of Māori capacity to participate, and to provide relevant information. That obligation remains irrespective of what water services delivery model is adopted.
- 4.2 For Māori, water is the essence of life, like the blood of Papatūānuku (Earth Mother) who supports all people, plants and wildlife. Enhancing the health and wellbeing of our waterways is a priority for many iwi.
- 4.3 Mana whenua, and more broadly Māori with respect to Council's obligations under the Treaty of Waitangi - Te Tiriti o Waitangi, are concerned about the protection of the environment and cultural interests in their rohe within the area covered by the new WS-CCO. The Māori principle of kaitiakitanga, meaning guardianship, protection, and care is relevant to water services across the three council areas: kaitiakitanga expresses the inter-generational responsibility to protect and sustain the natural world land, water, and the eco-system in accordance with tikanga Māori.
- 4.4 An extended hui for iwi/hapū and the Rātana community was held on 30 July 2025 to present an early draft of the joint WSDP as the basis for discussing how they saw iwi/Māori being involved, both during the establishment of the new WS-CCO and when the new WS-CCO became fully operational. A further hui has been scheduled for 11 August 2025 ahead of a wider engagement of mana whenua across the three council areas on 19 August 2025.
- 4.5 Subsequent to the decisions by the three councils to adopt the joint WSDP, one of the first steps of formal collaboration during the set-up of the new WS-CCO will be to agree and identify meaningful roles at all levels for iwi/Māori within the legislative framework. The joint WSDP has this comment:

The shareholders will require the CCO to honour Te Tiriti o Waitangi – the Treaty of Waitangi, the Treaty Settlements within its area of operation and ongoing relationships with Mana Whenua and will give effect to the statutory recognition of Te Waiū o te Ika (Whangaehu River).

The commitments made by individual Councils to Mana Whenua arising from Treaty settlements include protection of specific water resources. The Councils collectively are committed to ensuring that through the development of a CCO those commitments are honoured.

The proposed governance and oversight arrangements for the CCO are intended to promote participation by Mana Whenua, through membership either on or alongside the Shareholders' Committee and/or through a Kaitiakitanga Water Services Advisory Group. Where other mechanisms are identified by Mana Whenua to give effect to their Kaitiaki responsibilities, the CCO will work in good faith to accommodate these aspirations. Finalising these structures is noted in the Implementation Plan.

5. Options considered

5.1 There are three options for the Council:

Option A: Adopt the Water Services Delivery Plan

5.2 This option aligns with the previous decision (on 22 May 2025) of Council to adopt as its future Water Services Delivery Model a WS-CCO with Horowhenua District Council and Palmerston North City Council. It would enable a joint WSDP to be submitted to the Secretary for Local Government on or before the due date of 3 September 2025.

5.3 Either Horowhenua District Council or Palmerston North City Council may require changes to be made to the document when their Councils consider it. This risk of late changes has been reduced by holding workshops with each Council and requesting that the Chief Executives of each Council are authorised to make minor changes to the document without returning to their Council for endorsement of these changes.

5.4 At its meeting on 6 August 2025, in adopting the joint WSDP, Horowhenua District Council resolved to make one change, on page 4, to reflect the possibility of Ruapehu District Council (and Whanganui District Council) opting to join:

While the plan has been developed as a joint WS-CCO for the 3 Councils mentioned above, all of the Councils consulted on various joint WSCCO options, and remain open to allowing other councils to join, subject to necessary due diligence and approval processes. All Councils consider that increasing the scale of the CCO will likely deliver increased benefits, as outlined in this WSDP.

5.5 Option A is the recommended option.

Option B: Adopt the Joint Water Services Delivery Plan, subject to specified changes

5.6 This option would be required if Council determines that specified changes are to be made to the joint WSDP before it is adopted. Such changes would need to be discussed with and agreed by Horowhenua District Council and Palmerston North City Council, given that both these Councils will have already considered the joint WSDP before Rangitikei District Council.

5.7 If the specified changes are more than minor and agreed with Horowhenua District Council and Palmerston North City Council, the amended joint WSDP may need to return to each Council for adoption of the changes (by resolution) before being certified and submitted to the Secretary for Local Government. This may cause the joint WSDP to be submitted late, after the deadline of 3 September 2025.

5.8 Option B carries some risks as noted above.

Option C: Do not adopt the Joint Water Services Delivery Plan

5.9 This option would not meet legal requirements to submit a compliant joint WSDP to the Secretary for Local Government. It may result in the appointment of a Crown facilitator

or Crown water services specialist, at a cost to the three Councils. Such an appointment would have powers to direct the Councils to take specified actions to achieve a compliant joint WSDP. This would result in the three Councils having less or no say in how the joint WSDP is developed and how the new WS-CCO is set up and run.

5.10 Option C is not recommended.

6. Financial implications

- 6.1 Horowhenua District Council, Palmerston North City Council and Rangitikei District Council have been working closely together to develop the joint WSDP. To date, internal costs have been met by each Council.
- 6.2 Funding has been received from the Department of Internal Affairs for initiation activities. As the Lead Council, Horowhenua District Council has responsibility for managing and reporting back to the Department of Internal Affairs on how these funds are used.
- 6.3 It is anticipated that the Collaboration Agreement now being drafted by the three Council Chief Executives will provide that any internal costs relating to the transition will be debt funded, with the debt being transferred to the new WS-CCO once established. The same will apply to any external costs committed by the three Chief Executives. The Executive Director for the project is working with the Chief Financial Officers of the three Councils to develop a draft budget for discussion with the three Council Chief Executives.

7. Impact on strategic risks

- 7.1 The infrastructure strategy in Rangitikei's 2024-34 Long Term Plan comments on risks associated with climate change and notes the need to appropriately invest in infrastructure in order to mitigate against future climate impacts. The new WS-CCO allows increased funding (through increased borrowing and on improved terms) while leaving sufficient debt headroom within Council borrowing to fund the other activities of Council.
- 7.2 While the decision on whether to adopt the proposed joint WSDP before Council has limited impact on consideration of climate change matters, they remain an important component of the sustainable management of water services infrastructure and will need to be an ongoing consideration for the new WS-CCO.
- 7.3 In addition, one of the benefits noted in the joint WSDP for the new WS-CCO is co-ordinated emergency management and response: adopting standard response protocols and actions for water services across the entire WS-CCO area will provide for improved co-ordination and effectiveness in emergencies.

8. Decision-making process

- 8.1 As the recommended decision to adopt the joint WSDP is giving effect to earlier decisions by the three Councils to establish a WS-CCO, the decision is not a significant decision in terms of the Councils' significance and engagement policies.
- 8.2 Section 60 of the Local Government (Water Services Preliminary Arrangements) Act 2024 specifies optional alternatives to requirements in the Local Government Act 2002 for decision-making and consultation. All three Councils have used these alternatives, which simplify the normal processes. In particular, the decision-making requirements prescribed in section 76 of the Local Government Act 2002 do not apply.

8.3 However, there are two other relevant points to decision-making in this context:

- a. firstly, that Council will still need to make decisions in a way that aligns with its statutory role in section 12 of the Local Government Act 2002, and the principles in section 14 of the Local Government Act 2002; and
- b. secondly, that the Local Government (Water Services Preliminary Arrangements) Act (Section 8) requirements for a WSDP requires the Council to demonstrate that water services will be delivered in a way that:
 - will meet all relevant regulatory quality standards for its water services; and
 - is financially sustainable; and
 - ensures that all drinking water quality standards will be met; and
 - supports housing growth and urban development, as specified in the Council's Long-Term Plan.

8.4 Section 12 of the Local Government Act 2002 (Status and powers) requires that a territorial authority 'must exercise its powers under this section wholly or principally for the benefit of its district'. The benefits of the proposed new WS-CCO outlined above (paragraph 2.3) confirm that.

8.5 Section 8 of the Local Government (Water Services Preliminary Arrangements) Act outlines the required scope of all WSDPs, and section 14 prescribes the content for a joint WSDP. The compliance letter from Simpson Grierson will confirm that the joint WSDP meets these statutory requirements.

8.6 While the Local Government (Water Services) Bill may not have been enacted by the date of Council's meeting, nothing in the Bill or in the recommended changes by the Finance and Expenditure Committee or by the Minister of Local Government changes the requirements for the joint WSDP. (The Minister is recommending that a territorial authority which has not transferred responsibility for providing water supply services and wastewater services in its district to a water organisation under a transfer agreement will be required to submit a further WSDP every five years.)

9. Communications and engagement

9.1 Once the joint WSDP has been accepted by the Secretary for Local Government, the Local Government (Water Services Preliminary Arrangements) Act requires it to be published on each Council's website 'as soon as reasonably practicable'. The Department of Internal Affairs will provide a link to each plan on its website and also link the Department's assessment that supported the decision to accept the plan.

10. Possible enlargement of the joint WS-CCO

10.1 On 5 August 2025, the three Council Chief Executives received a Notice of Motion to be considered by Ruapehu District Council at a meeting scheduled for 13 August 2025. This recommends:

- revoking the resolution (made on 9 July 2025) to partner with Whanganui District Council in a two-council joint WS-CCO and
- partnering with Horowhenua District Council, Palmerston North City Council and Rangitikei District Council to form a four-council WS-CCO (or a five-council WS-CCO if Whanganui District Council opts to join).

- 10.2 The prompt for this Notice of Motion is that the financial modelling for the two-council WS-CCO modelling shows that some Ruapehu communities would face water costs up to 5.9% of median household income, more than double the benchmark of 2.5% in guidance from the Department of Internal Affairs. The Notice of Motion considers that these costs would be reduced by joining a larger grouping of councils, with its associated economies of scale.
- 10.3 Horowhenua District Council, Palmerston North City Council and Rangitikei District Council remain open to allowing other councils to join, subject to necessary diligence and approval processes. All three Councils consider that increasing the scale of the joint WS-CCO will likely deliver increased benefits, as outlined in this joint WSDP.
- 10.4 The final two recommendations to this report formalise this view, allowing consideration of including Ruapehu District Council (if that Council resolves in accordance with the Notice of Motion on 13 August 2025) and Whanganui District Council (if that Council subsequently resolves to join). That consideration would have regard for the 'Next steps' outlined in the next section of this report and be discussed and agreed with the Department of Internal Affairs.

11. Next steps

Submission of the joint WSDP

- 11.1 Once each Council has adopted the proposed joint WSDP the Chief Executives of each Council will certify the plan before jointly submitting to the Secretary of Local Government on or before 3 September 2025.
- 11.2 If required, due to the need to coordinate the decision-making processes of each Council, it is recommended that the Chief Executives are authorised to make minor amendments to the WSDP before submitting to the Secretary of Local Government.
- 11.3 Before acceptance, the Department of Internal Affairs may make minor comments about the joint WSDP, and it is recommended that the Chief Executives are authorised to address those comments without referring back to each Council.

Continuing collaboration by the three Councils

- 11.4 In order to progress the joint work programme outlined in the Implementation Plan included in the joint WSDP, the three Councils will need to enter into a Collaboration Agreement. This Agreement (based on a template provided by the Department of Internal Affairs) outlines how the three Councils will work together during the period leading up to the establishment of the new WS-CCO: this will include a list of key activities and programmes, allocation of roles and sharing of resources, accountability measures and the governance structure.
- 11.5 Council staff from Horowhenua District Council, Palmerston North City Council and Rangitikei District Council, under the direction of the jointly appointed Executive Director, will continue to work together to progress the Collaboration Agreement and the set-up of the new WS-CCO in line with the Implementation Plan outlined in the joint WSDP. As noted above (section 4), this includes discussions with mana whenua about their involvement.
- 11.6 Staff from the three Councils will return to their respective Councils as required for future guidance, advice and decision making to support the development of further documents such as the Transfer Agreement, Shareholders' Agreement, and the

Constitution for the WS-CCO. For all of these, the Department of Internal Affairs has provided templates to guide the process.

Attachments:

1. **Horowhenua District Council, Palmerston North City Council, Rangitikei District Council: Water Services Delivery Plan, August 2025 (under separate cover)**
2. **Morrison Low Advisory: Water Service Delivery Plan Modelling Assumptions - Palmerston North City, Horowhenua and Rangitikei District Councils, 21 July 2025** [↓](#)
3. **Simpson Grierson: Horowhenua/Palmerston North/Rangitikei Joint Water Services Delivery Plan: Compliance with Local Government (Water Services Preliminary Arrangements) Act 2024** [↓](#)

Recommendation 1

That Rangitikei District Council **receives** the report 'Local Water Done Well: Adoption of the joint Water Services Delivery Plan

Recommendation 2

That Rangitikei District Council **notes** that Horowhenua District Council and Palmerston North City Council are both expected to have made their decisions on the joint Water Services Delivery Plan by 14 August 2025.

Recommendation 3

That Rangitikei District Council **adopts** the joint Water Services Delivery Plan, attached to this report.

Recommendation 4

That Rangitikei District Council **authorises** the Chief Executive to make minor changes (if required, and in conjunction with Horowhenua District Council and Palmerston North City Council) to the joint Water Services Delivery Plan to allow for certification and joint submission prior to 3 September, and (in conjunction with the Chief Executives of Horowhenua District Council and Palmerston North City Council), to make changes to address any minor comments from the Department of Internal Affairs following submission of the Plan.

Recommendation 5

That Rangitikei District Council **directs** the Chief Executive to certify the joint Water Services Delivery Plan, allowing for any minor changes to be made, before jointly submitting the Water Services Delivery Plan with the Chief Executives of Horowhenua District Council and Palmerston North City Council to the Secretary for Local Government on or before 3 September 2025.

Recommendation 6

That Rangitikei District Council **delegates** to the Chief Executive the authority to enter into and sign, on behalf of the Council, the Collaboration Agreement with Horowhenua District Council and Palmerston North City Council that will provide for the operational guidelines and individual Council commitments on how the decision to establish the joint WS-CCO will be enacted, noting that there will be a Council workshop before the Collaboration Agreement is signed.

Recommendation 7

That Rangitikei District Council **notes** that there remains the potential that Ruapehu District Council and Whanganui District Council could be willing to partner as shareholders in the Joint WSCCO, but

that this is subject to those Councils making formal decisions to endorse that form of Joint WSCCO (involving up to 5 councils), as well as the necessary due diligence and approvals required by the current partner Councils (HDC, PNCC, RDC).

Recommendation 8

That Rangitikei District Council **encourages** Ruapehu District Council and Whanganui District Council to continue constructive discussions with the Project Executive Director and the three Council Chief Executives, and with the Department of Internal Affairs, to determine the pathway that would provide for them to become shareholders in the Joint WS-CCO, including clarifying what that would require for the current partner Councils and their joint WSDP (assuming it is accepted by the Secretary for Local Government on its current terms).



Water Service Delivery Plan Modelling Assumptions

Palmerston North City, Horowhenua and Rangitikei District Councils

July 25





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Modelling assumptions for 'Three C' CCO

Assumptions applied to 'Base Case' scenarios

In order to enable a like for like comparison between regional delivery options and the existing delivery model, we have made adjustments to financial and capital investment programmes provided by each council as the 'status quo'. These adjustments ensure that differences between regional delivery models are not purely the result of a different approach to managing revenue, debt and expenditure, or differences to underlying assumptions across the individual models.

It is also important to note that this means that the comparator scenarios presented in our modelling may not mirror an individual councils' current long term plan projections, and some changes in household costs may solely be the result of the changes we have made to standardise the models.

We have endeavoured to ensure that our approach aligns with the requirements of a water services delivery plan. This means that some councils may wish to use the comparator case from this modelling as a starting point for a water services delivery plan (WSDP) for in-house delivery. This is however a "best endeavours" approach, and councils may further refine capital programmes before preparing their WSDP.

Where councils are undertaking detailed asset and investment planning work this should then be used to inform their WSDP.

To assist councils in understanding the alignment of our comparator case with their own WSDP or LTP work, we have outlined the key adjustments and changes we have made below.

Operating expenditure

Our modelling of the comparator case scenarios for operating expenditure predominantly relies on each council's own operating budgets, as provided through our information request. Adjustments have been made to:

- Reverse the impact of any internal transfers or overhead activities that occur between water, wastewater and stormwater activities. We have retained overhead allocations from other council activities to/from each of the waters activities.
- Recalculate interest costs based on any amendments made to the capital works programme (refer below) and any additional revenue generated in order to stay within borrowing limits.
- Recalculate interest rates using a common interest rate across all councils. We have applied an interest rate of 5% in our modelling. Interest is calculated off the previous year's closing balance, meaning the effective interest rate is slightly lower than this when current year movements are considered.
- Recalculate depreciation based on any amendments made to the capital works programme. The depreciation rate applied to the recalculation is based on each council's average depreciation rate. Depreciation rates are set at 1.42% for water supply, 1.25% for wastewater, and 0.75% for stormwater.
- Assets are revalued at 2% per annum and depreciation recalculated based off revalued asset base (including additions).
- Inflation is modelled at 2% per annum for years 11 – 30.



Capital expenditure

Our modelling of the base case scenarios for capital expenditure focuses on ensuring that each council's comparator case is able to meet the requirements of a water services delivery plan, being:

- The requirement to meet all relevant regulatory quality standards for its water services.
- The requirement to meet all drinking water quality standards.
- Supports the territorial authority's housing growth and urban development, as specified in the territorial authority's long-term plan.
- The need to demonstrate financial sustainability through:
 - Generating sufficient revenue to ensure long term investment in delivering water services.
 - Being financially able to meet all regulatory standards and requirements for the delivery of water services.

All councils have reviewed the capital programmes and made adjustments from the initial LTP and Infrastructure Strategy programmes.

Renewals

Water Services Delivery Plan templates indicate some of the key measures that the Department of Internal Affairs (DIA / Department) expect to be reported in relation to these tests, and therefore what may be expected by the Department. In particular:

- The need to report on combined capital expenditure versus depreciation, indicating a desire from the Department for capex to exceed depreciation. We don't anticipate this being an issue for any councils over the ten year period.
- The need to report on an "asset sustainability index" which compares renewals expenditure with depreciation, and notably, where renewals expenditure is not equal to depreciation, why that approach is appropriate.
- The need to report on an asset consumption ratio, and note why that ratio may deteriorate over time (if it does). This is unlikely to be a problem for councils that are spending more than their depreciation on capital investment each year. This ratio again is intended to ensure their adequacy of a renewals programme.

All Councils have reviewed the renewal programmes and confirmed them as appropriate.

No other changes have been made to renewals programmes in our base case other than changes applied through sensitivity testing.

Upgrades

Councils are also required to demonstrate and assert that their WSDPs contain sufficient investment to meet regulatory requirements and respond to growth.

For all councils our approach to reviewing this and making revisions to the status quo was to check with each council that:

- Investment is provided for any drinking water treatment plants that are not currently compliant with Drinking water standards. We did not identify any significant missing expenditure through this process.
- Investment is provided for any wastewater treatment plants that have consents expiring during the period. We did not identify any significant missing expenditure through this process.



- Any upgrade projects that have been deferred beyond the 10 year LTP period. Where these are identified, we will confirm whether these should be moved back into the 10 year planning period.

Growth

For all councils:

- We sought confirmation that the growth investment proposed in the LTP responds to the WSDP requirements, and for any significant projects to be identified if they are not already identified in AMPs/LTPs.
- We have not included any sensitivity testing on increased/decreased growth rates, however our model does allow for this to be completed if needed. In our model, sensitivity testing of growth assumes planned capex scales proportionally to the change in the number of new properties being connected.
- Scaling is applied to original growth capital expenditure forecasts at the same rate as the uplift or decrease in connections on an annual basis. The cumulative impact of this is that if sensitivity testing results in 20% more properties over 10 years, the total capital expenditure will have been increased by 10%.
- It is recognised that growth projects do not neatly scale in real life. The scaling recognises that there is likely to be some uplift, or advancement of timing, and that, at the least, increased or decreased rates of growth impact the capacity life of infrastructure.

Revenue

Water Services Delivery Plan templates indicate some of the key measures that DIA expect to be reported in relation to these tests, and therefore what may be expected by the Department. In particular:

- A chart demonstrating projected revenue versus projected costs including depreciation, and net operating surplus or loss. We anticipate that DIA are expecting revenue to at least equal total expenditure including depreciation based on the examples provided.
- An operating surplus ratio. DIA guidance notes that “Where this ratio percentage is negative, this represents the percentage increase required for revenues to cover costs”. Costs in this ratio include depreciation.

Based on these questions, and additional commentary within the WSDP templates, we intend to model status quo arrangements to be fully funding depreciation from the 2028 financial year onwards. Councils that are not currently fully funding depreciation will be modelled to move to a fully funded scenario evenly over the remaining years.

In addition, from 2028 and beyond:

- Revenue has been modelled to “break even” before accounting for development contributions, vested assets and grants and subsidies.
- Additional revenue has been calculated to ensure that the council remains in borrowing limits. This revenue line is recovered through water/wastewater/stormwater charges and is calculated to be no more than the amount needed to remain within agreed debt caps.
- The additional debt repayment/control revenue is modelled to ensure that debt caps are not breached over the life of the modelling period, however the additional revenue is modelled over the entire modelling period, meaning revenue is collected in anticipation of debt otherwise exceeding limits. This will impact price paths, where councils may have otherwise



deferred increases in revenue to a later year than our modelling. Our modelling smooths the impact of this increase.

- Development contribution revenue has been modelled to scale proportionally with changes in growth capital expenditure. Scaling is completed annually.

Debt and borrowing costs

Revisions to capital works programmes, revenue, and expenditure all impact the amount of debt required by councils to fund their three waters activity. Our modelling recalculates three waters debt under the base case scenarios to ensure comparability with regional delivery models.

To calculate debt, we have:

- Assumed each councils' starting debt position is correct.
- Identified the cash surplus available from operations, development contribution receipts, and capital and operating subsidies.
- Subtracted the cost of capital works from the cash surplus.
- Identified ongoing working capital requirements and any shortfalls in cash balances to meet those requirements.
- Where this value is negative, we have increased borrowings to fund the difference.
- Where this value is positive, we have modelled a debt repayment.

We have not assumed any "regular" debt repayments under a table loan facility. Council's typically borrow through bond issues that are repaid on maturity date. Our modelling effectively assumes that these bonds are renewed if needed. Our modelling also assumes that in any given year there will be sufficient bonds expiring that council will have the opportunity to repay debt if it holds surplus cash.

Assumptions applied to base data

We've also made the following minor additional assumptions to base data provided by Councils. These adjustments impact projections in the "status quo" modelling.

- The percentage of water, wastewater and stormwater revenue received from residential customers is assumed to be consistent with the percentage split across these activities as provided to WICS in their RFI of 2021.
- Where specific projections of the number of connections has not been provided, we've assumed connection growth continues at the rate of growth in rateable units.
- We've assumed the proportion of residential to non-residential customers is consistent with WICS RFI where detailed breakdown of these projections has not been provided.
- In all models, we have assumed that council revenue and debt relating to non-three waters activities is unchanged under all investment scenarios. That is, even where three waters investment, charges, or debt increase, we have assumed that there is no consequential or offsetting reduction in the corresponding expenditure/charge for non-three waters activities.
- In 30 years modelling, we have relied on capital programmes from infrastructure strategies or long term capital works plans provided to us by participating councils as the initial base. Each Council has reviewed and adjusted those based on changes since those estimates were made or confirmed them as still valid. In the case of Horowhenua District Council (HDC) the 30 year projections showed a considerable drop off in investment beyond year 10. Years 11 – 20 contain a total investment of 20% less than the first 10, and years 21 -30 represented a further 30% drop. To mitigate this we have modelled HDC annual capital investment over years 11 – 30



based on the mid-point between the original projections (low) and the average annual investment over years 1 – 10 (high).

- Corporate costs, as provided, have been retained in the base case. Some of these costs may represent “stranded overhead” in individual councils, however we note that the amount of cost allocated varies greatly across councils, and assessment of the amount of stranded overhead in each council would not be possible without a detailed assessment of the cost allocation and apportionment approaches used by each council.

‘Three C’ CCO assumptions

To create the CCO Options we have modelled transitional and organisational costs based on a ground up approach. The full details of costs included in our model are outlined below.

Operating and capital efficiencies

Table 1 ‘Three C’ CCO efficiencies

Capital efficiencies	Operational efficiencies
6%	6%

- Over a 30 year period **\$90M** of financial savings are created under the three council CCO option (**or \$149M if Nature Calls was IFF Funded**) when compared to each of the three councils continuing to provide services individually under an inhouse business unit option.
- We’ve assumed that these commence two years after the establishment of the entity and arise over a 6 year period.
- Efficiencies are assumed to arise from:
 - The ability to employ specialists that are otherwise contracted out at an individual level
 - Limited opportunities to combine networks
 - Spend to save investment due to increased borrowing capacity and improved asset management focus
 - Bundled procurement and panel arrangements. We have examples of where this approach has resulted in significant reduction of costs
 - Decreased competition for resources between councils
 - Increased market attractiveness
 - Reduction of duplicated systems, processes and roles
 - Streamlined investment decision making due to dedicated focus on three waters services.
- Efficiencies are less than the rate of inflation. Inflation (2%) is applied to all costs before any efficiencies are applied in the modelling.
- Efficiencies are applied at a compounding .91% capex and 1.02 opex until they reach the maximum.

Borrowing

The Government and the Local Government Funding Agency (LGFA) jointly announced that water entities would be able to borrow up to a 500% debt to revenue ratio. The fine print of that announcement noted that entities will actually be measured based on an FFO to debt ratio, with the



intention that lending covenants would be set at such a level that the entity could maintain an “investor grade” credit rating.

Our modelling adopts the Moody’s credit rating approach, with non-financial components being set based on Moody’s assessment of water entities in the United Kingdom, and based on their published guidance.

Our modelling of the Three C CCO option assumes an 8% minimum thresholds, the number of connections exceeds 50,000 and includes additional modelled revenue, where necessary, to support that.

Costs of change

Corporate overhead from each council have been replaced with costs for the CCO, and transition costs have been included as follow:

- Transitional costs of **\$4.25M** to establish the CCO (assumed to be borne by the CCO).
- Ongoing costs of **\$11M** have been included for:
 - Board, CEO and new executive team costs
 - Rent, overheads
 - Additional resources
 - Additional IT expenditure (capex for Transformation Change & Opex)
 - Council rates
 - Increased compliance costs associated with regulatory reforms (recognising the role and requirements to report to both a service and economic regulator) has been applied to base cases and any options modelled.
- Any change is assumed for modelling purposes to take place on 1 July 2027.

Costs have been indexed using BERL inflation rates for water services through 2034, and 2% per annum thereafter.

ITEM 6.1 ATTACHMENT 2



Document Status

Job #	Version	Written	Reviewed	Approved	Report Date
2941	1	Dan Bonifant	Stu Cross	Dan Bonifant	21 July 2025



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6 August 2025

Partner Reference

P McNamara - Auckland

Monique Davidson
Chief Executive
Horowhenua District Council
Private Bag 4002
Levin Manawatu-Wanganui 5540

Writer's Details

Direct Dial: +64-9-977 5095
Email: padraig.mcnamara@simpsongrierson.com

Waid Crockett
Chief Executive
Palmerston North City Council
Private Bag 11034
The Square
Palmerston North 4442

Carol Gordon
Chief Executive
Rangitikei District Council
Private Bag 1102
Marton 4741

Sent by Email

Horowhenua/Palmerston North/Rangitikei Joint Water Services Delivery Plan: Compliance with Local Government (Water Services Preliminary Arrangements) Act 2024

1. On 6 August 2025 we completed our review of the final draft of the Horowhenua/Palmerston North/Rangitikei Joint Water Services Delivery Plan (**Joint WSDP**) for compliance with the relevant requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024 (**Act**).¹
2. Subject to our comments in paragraphs 3 and 4 below, we consider the Joint WSDP meets the Act's content requirements and that (while identifying appropriate assumptions and uncertainties) the information contained in the plan can be certified by council chief executives as true and accurate. The schedule **attached** to this letter identifies where the relevant content requirements under the Act are addressed in the WSDP.
3. Section 13(1)(a) of the Act requires a water services delivery plan to contain a description of the current state of the water services network. Section 13(1)(h) also requires a plan to contain an assessment of the current condition, lifespan, and value of the water services networks. Due to a lack of condition assessments for certain Horowhenua District Council and Rangitikei District Council assets, there is arguably a technical (albeit relatively minor) non-compliance with sections 13(1)(a) and 13(1)(h). Equally, we note that this was not identified as a concern (or more specifically an area of non-compliance) by the Department of Internal Affairs in its review of the draft Joint WSDP in July 2025.

¹ We understand this version of the Joint WSDP is to be presented to the Horowhenua District Council for approval on 6 August 2025, Palmerston North City Council on 13 August 2025 and Rangitikei District Council on 14 August 2025.

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Auckland: **Mail** Private Bag 92518, Auckland 1141, New Zealand | **Visit** L27, 88 Shortland Street, Auckland 1010 (deliveries to L8) | **Call** +64 9 358 2222
Wellington: **Mail** PO Box 2402, Wellington 6140, New Zealand | **Visit** L5, 40 Bowen Street, Wellington 6011 | **Call** +64 4 499 4599
Christchurch: **Mail** PO Box 874, Christchurch 8140, New Zealand | **Visit** L1, 151 Cambridge Terrace, Christchurch 8013 | **Call** +64 3 365 9914
www.simpsongrierson.com



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4. We have not been involved in the collation of information for the Joint WSDP or other key aspects of its preparation such as financial modelling, and to that extent are unable to offer our own independent assessment of the accuracy of the information it contains. Indeed, as legal advisors we are not qualified to make such an assessment. However, we understand that the Joint WSDP has been prepared by qualified staff within the three councils, and we have no reason to doubt the accuracy of the information it contains.
5. Subject to paragraphs 3 and 4 above, for the purposes of section 18 of the Act, we consider the chief executives of the participating territorial authorities can properly certify that:
- (a) the Joint WSDP complies with the Act; and
 - (b) the information contained in the Joint WSDP provided by their local authority is true and accurate.

Yours faithfully
SIMPSON GRIERSON

A handwritten signature in blue ink, appearing to read 'Padraig McNamara', with a long horizontal flourish extending to the right.

Padraig McNamara | Partner
Mike Wakefield | Partner

Schedule

CONTENT REQUIREMENT UNDER PRELIMINARY ARRANGEMENTS ACT	JOINT WSDP REFERENCE
13(1)(a) – current state of water services network	Part B, pages 69 – 76
13(1)(b) – current levels of service	Part B, pages 33 – 68 and 85 – 89
13(1)(c)(i) – areas in the district that do and do not receive water services	Part B, pages 33 – 35, 50 – 52, and 56 – 58
13(1)(c)(ii) – water services infrastructure associated with providing for population growth and development capacity	Part B, pages 49 – 50, 55 – 56, and 67 – 68
13(1)(d) – whether/to what extent water services comply with current and anticipated regulatory requirements	Part B, pages 85 – 110
13(1)(e)(i) – description of any non-compliance with current and anticipated regulatory requirements	Part B, pages 85 – 110
13(1)(e)(ii) – how the proposed delivery model will assist to ensure water services will comply with regulatory requirements	Part B, pages 13 – 15
13(1)(f)(i) – capex and opex required to deliver water services	Part B, pages 111 – 116 (capex); Part E, pages 162 – 179 (opex)
13(1)(f)(ii) – capex and opex required to ensure water services comply with regulatory requirements	Part B, pages 111 – 116 (capex); Part E, pages 162 – 179 (opex)
13(1)(g)(i) – operating costs and revenue required to deliver water services over plan period	Part E, pages 162 – 179
13(1)(g)(ii) – projected capex on water services infrastructure	Part B, pages 111 – 116
13(1)(g)(iii) – projected borrowing to deliver water services	Part D, pages 152 – 158
13(1)(h) – current condition, lifespan, and value of the water services networks	Part B, pages 69 – 76
13(1)(i) – asset management approach for delivering water services	Part B, pages 76 – 84
13(1)(j) – issues, constraints, and risks that impact on delivering water services	Additional Information, pages 186 – 198
13(1)(k) – anticipated or proposed model for delivering water services	Part A, pages 13 – 17
13(1)(l) – how revenue from, and delivery of, water services will be separated from territorial authority's other functions and activities	Part A, pages 15 – 16

Schedule

13(1)(m) – consultation undertaken on proposed model	Part A, pages 21 – 25
13(1)(n) – what the territorial authorities propose to do to ensure delivery of water services will be financially sustainable by 30 June 2028	Part A, pages 7 – 12; Part D, pages 142 – 158
13(1)(o)(i) – implementation plan for delivering proposed model	Part A, pages 18 – 20
13(1)(o)(ii) – implementation plan setting out the actions that the territorial authorities will take to ensure delivery of services it will be providing will be financially sustainable by 30 June 2028	Part A, pages 7 – 12 and 18 – 20; Part D, pages 142 – 158
13(2)(a) – process for delivering the proposed model	Part A, pages 18 – 20
13(2)(b) – commitment by each territorial authority to give effect to the proposed model once plan accepted	Part A, page 4, page 18, page 26
13(2)(c) – name of territorial authority committing to model	Part A, page 4, page 18, page 26
13(2)(d) – timeframes and milestones for delivering proposed model	Part A, pages 19 – 20
14(1)(a) – which territorial authorities will be parties to proposed model	Part A, page 4, page 18, page 26
14(1)(b) – water services to be delivered under proposed model	Part A, page 9
14(1)(d) – likely form of the joint arrangement e.g. joint WSCCO	Part A, pages 13 – 20
14(2)(a), (b) and (c) – to the extent that information is available, the ownership structure, governance structure and rights under proposed model	Part A, pages 18 – 19
15(1)(a) – plan must cover at least 10 financial years starting from 2024-25	Parts A – E
15(2) – plan must provide the required information in detail for the first 3 financial years covered by the plan and outline in relation to subsequent years covered by the plan	Parts B – E
18(2) and (3) – plan must include certification from each chief executive of each territorial authority that the plan complies with the Act and the information in the plan is true and accurate	Part A, page 27

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7 Meeting Closed