



ORDINARY MEETING OF COUNCIL

Open Minutes

Meeting Date: Thursday 17 April 2025

Time: 9.30am – 10.52am

Venue Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

Livestreamed via Council's Facebook page

Present **Chair:** Mayor Wise
Members: Deputy Mayor Brosnan, Councillors Browne, Chrystal,
Crown, Greig, Mawson, McGrath, Price, Simpson,
Tareha and Taylor

In Attendance Chief Executive (Louise Miller)
Chief Financial Officer / Acting Executive Director Corporate
Services (Caroline Thomson)
Executive Director Infrastructure Services (Russell Bond)
Manager Water Reforms Transition (Andrew Lebioda)
Communications Manager (Jess Soutar-Barron)
Financial Analyst (Dirk Steyn)

Administration Governance Advisors (Carolyn Hunt and Jemma McDade)

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ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

COUNCIL RESOLUTION

Councillors Price / Mawson

That the apology for absence from Councillor Boag and apology for lateness from Councillor Simpson be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the management

Nil

Confirmation of minutes

There were no minutes to confirm.

AGENDA ITEMS

1. LOCAL WATER DONE WELL - CONSULTATION OPTIONS

Type of Report: Procedural

Legal Reference: N/A

Document ID: 1845529

Reporting Officer/s & Unit: Andrew Lebioda, Manager Water Reforms Transition

1.1 Purpose of Report

The purpose of this report is to seek Council's approval of the water service delivery model options to be included in formal consultation required under the Local Government (Water Services Preliminary Arrangements) Act 2024. The options being proposed for consultation are;

- 1) Internal Business Unit.
- 2) Single-council Water Organisation (WO).
- 3) Regional, Hawke's Bay WO.

With the Regional, Hawke's Bay WO being the preferred option.

Approval of the officer's recommendation will enable development of the consultation document and material, proposed for adoption at the 29 April Council meeting with consultation to run from 12 May through to 15 June.

At the meeting

The Manager Water Reforms Transition, Mr Lebioda provided a comprehensive summary of the report and water service delivery options to be included in the formal consultation.

Tabled at the meeting was updated Financial Modelling (Doc Id 1847355).

Councillor Simpson joined the meeting at 9.40am

In response to questions the following was clarified:

- The first step in a credit rating process, which takes 3-4 months, would be to tender for a credit rating agency through a procurement process. Once a credit rating agency is appointed, they will go through Council's accounts and financials. This process has not yet commenced but is imminent. On reaching \$100m worth of debt it becomes feasible to go through this process, with the advantageous interests that are attained, versus the cost to be reviewed by a credit rating agency every few years.
 - As detailed analysis has been completed on three delivery models 1) In-House/Council Delivered Service, 2) NCC WO, 3) Joint Hawke's Bay WO - it is recommended that all three delivery models are included in consultation materials.
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- The Local Voice would be heard through the shareholding and Statement of Expectation. Within the Local Government Act, shareholders do not have the same level of influence over a Council Controlled Organisation (CCO) as they do under the Local Government (Water Services) Bill.
- At this stage all the financial modelling that has been undertaken has been based on all four member councils (Wairoa District Council, Central Hawke's Bay District Council, Hastings District Council, and Napier City Council). Mr Lebioda's recommendation was consulting on the Regional option however, if there was not agreement further financial modelling would be required to see what the impacts would be.
- Work will need to be undertaken at the implementation phase to determine the level of shareholding of each council and consider current debt positions, levels of revenue, asset valuation, and project capital investment.
- No Council should have more than 50% to maintain the balance sheet separation. Prioritising Council's strategic values and principles that are important to Napier residents would be through the Statement of Expectation, and being prescriptive around what is expected for the community and the Board agreeing to the prescriptive nature of prioritisation.
- In terms of capital efficiencies, financial modelling has a 1% capital efficiency starting in year 3 and growing by 1% to 5% in financial year 34, and for operational efficiencies 2% commencing in year 3 and growing to 12% in year 34. These were conservative numbers erring on the side of caution.
- Stranded costs were modelled through the previous Morrison Lowe work and has been highlighted as a risk and would have to be a dedicated workstream through the implementation phase.
- If a Council decides to maintain in-house delivery of water services through a new business unit, their existing water debt will remain on the Council's balance sheet, despite the ringfencing provisions in the Local Waters Done Well (LWDW) legislation. This will mean considerably less debt headroom for Councils against their Local Government Funding Agency(LGFA) limits from both an LGFA and rating agency perspectives.
- Napier has an in-house service delivery team at the depot rather than a contractor delivery team, and in the new entity the decision on operationalisation of its delivery would sit with governance, the shareholders Statement of Expectation and at Board level. The Board would make a recommendation to the governors on what the operating model could look like. There is strong support of the internal business model with operational cost savings for delivery compared to using a contractor. As internal delivery is Napier's current model it can be a strong advocate of that model in a regional Water Organisation and highlight the cost benefits and institutional knowledge that comes with it.
- Napier and counterparts have been very clear from the beginning what is important to their Council, strengths and centre of excellence with non-negotiables.
- Central Government has dictated the timeline and in order to meet the September deadline for Council's Water Services Delivery Plan, community consultation must happen now, despite the uncertainty with legislation.
- Napier will work towards an implementation date of 1 July 2028 and agree on key things required to meet this date. Approximate establishment costs for a regional entity would be \$8m, which is built into the financial modelling e.g. new premises, use of existing buildings

etc. At this stage there has been no indication from Central Government of funding being available and this would need to be budgeted into the regional model.

- Regionally a lot of work has been co-ordinated by the Regional Recovery Agency with regular meetings of officers and briefings with Mayors and Chief Executives.
- Decisions on the preferred option for consultation were being held as follows:
 - Central Hawke's Bay District Council meeting 24 April 2025
 - Wairoa District Council and Hastings District Council meeting 29 April 2025.
- For the Internal Business Unit resilience one of the key limiting factors would be the debt capacity. In another significant weather event that requires a lot of capital investment, Council would not have access to funding under the Council delivered service.
- Rates will increase significantly under any model, however under the Regional Model will increase less than they will under any other model.
- Mr Lebioda summarised the change in recommendation from a Single Water Based Organisation to a Regional Hawke's Bay WO is due to changes and announcements by the LGFA in regard to how different debt covenants would be treated at a Regional WO level versus at a CCO level, which shifted some of the financial modelling in favour of the Regional WO.

Standing Order 21.6 *Mayor Wise advised that she would suspend Standing Order 21.6 to enable all elected members to speak on this item.*

The following elected members spoke in support of the preferred Regional WO: Deputy Mayor Brosnan, Councillors, Browne, Chrystal, Crown, Greig, Mawson, Price, Simpson, Tareha and Taylor.

Councillor McGrath spoke against the Motion for the preferred option for consultation of Regional, Hawke's Bay Multi-owned Water Organisation (HBWO), with the reason being related to the history of regional collaboration to date.

COUNCIL RESOLUTION

Mayor Wise / Deputy Mayor Brosnan

That Council:

- a) **Note** the Local Government (Water Services Preliminary Arrangements) Act 2024 requires Councils to produce a Water Services Delivery Plan by 3 September 2025
- b) **Note** that Council is required by Government to:
 - i. Consider and consult with community on at least two options for future delivery of water services.
 - ii. Demonstrate compliance with financial sustainability tests by 30 June 2028.
 - iii. Ring-fence revenue for three waters activities so these operations are separate from other Council activities from 30 June 2028.
- c) **Approve** that Council consult on

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- i. Option 1 – Internal Business Unit (also referred to as In-House and Council Delivered Services), the current delivery model with needed changes to meet legislation; and
 - ii. Option 2 – a Single-council Water Organisation (WO), also known as Napier Water Services Council Controlled Organisation (NCCWSCCO); and
 - iii. Option 3 – a Regional, Hawke's Bay Multi-owned Water Organisation (HBWO). This would include Central Hawke's Bay District Council (CHBDC), Hastings District Council (HDC), Napier City Council (NCC) and Wairoa District Council (WDC).
- d) **Agrees** to identify that Option 3 – a Regional, Hawke's Bay WO as the preferred option for public consultation, pending approval of the other member councils of CHBDC, HDC, and WDC.
- e) **Endorse** that officers will prepare a Consultation Document and present to Council on 29 April 2025 for approval.
- f) **Note** that officers will summarise the outcomes of consultation considering community feedback, submissions, and hearings and provide a final advice via a report to Council on 31 July 2025 to confirm the delivery model to be identified in the Water Service Delivery Plan.

Carried

Councillor McGrath voted AGAINST this Motion

Attachments

- 1 Tabled at the meeting updated Financial Modelling (Doc Id 1847355)
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Minor matters

There were no minor matters to discuss.

The meeting closed with a karakia at 10.52am

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval