ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua

ATTACHMENTS

Council Meeting

Under Separate Cover

Wednesday, 23 September 2026

Table of Contents

10.1 Future Water Service Delivery Option for Consultation

Attachment 1 Joint WSCCO Investigation Report from WWG 4

Attachment 2 Financial Report Joint WSCCO....110

Attachment 3 Stormwater Joint WSCCO....171

Attachment 4 A3 diagram Org Arrangements Joint WSCCO (strawman)....214

Attachment 5 Communications and Engagement summary....215

10.4 Adoption of Facilities Policies & Strategy

Attachment 1 Draft Facilities Policy....218

Attachment 2 Draft Facilities Strategy....244

Attachment 3 Draft Facilities Divestment Policy....274

10.6 2025/2026 Year-end draft non-financial performance measures

Attachment 1 Draft Performance Measures - Statement of Performance 290



Joint WSCCO investigation

Rotorua Lakes Council, Whakatāne District Council, Kawerau District Council and Ōpōtiki District Council

Final Report

17 August 2026

Commercial in Confidence

Preface

This report has been prepared for Rotorua Lakes Council, Whakatāne District Council, Ōpōtiki District Council and Kawerau District Council by MartinJenkins.

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa. We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the New Zealand public, and to work on projects that make a difference.

Established in 1993, we are a privately owned New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of Executive Partners and Independent Directors. Our Independent Directors are Jenn Bestwick and Chair David Prentice. Our Executive Partners are Sarah Baddeley, Nick Carlaw, Allana Coulon, and Nick Davis.



Disclaimer

This report has been prepared solely for the purposes stated in it and should not be relied on for any other purpose.

We do not accept any liability if this report is used for any purpose other than that for which it is intended, nor do we accept any liability to any third party in respect of this report.

Information provided by the client or others for this assignment has not been independently verified or audited.

Any financial projections included in this document are prospective financial information. Those projections are based on information provided by our clients and are based on assumptions about future events and actions that are outside our control and that may or may not occur.

We have made reasonable efforts to ensure that the information contained in this report was up to date at the time the report was published. That information may quickly become out of date, including as a result of events outside our control.

MartinJenkins, and its directors, officers, employees, agents, consultants, and advisers, will not have any liability arising from or otherwise in connection with this report (or any omissions from it), whether in contract, tort (including for negligence, breach of statutory duty, or otherwise), or any other form of legal liability (except for any liability that by law may not be excluded). The clients irrevocably waive all claims against them in connection with any such liability.

This Disclaimer supplements and does not replace the Terms and Conditions of our engagement contained in the contract for this assignment.

Table of contents

Introduction	5
Context	8
Current water services delivery models	13
Assessing water services delivery options	35
Shortlisting the options	43
Considering stormwater	47
Key financial comparisons	53
Detailed options assessment	65
Design of the WSCCO	74
Next steps	86
Appendix: Individual council assessments	88

Introduction

Introduction

Background

Rotorua Lakes Council, Whakatāne District Council, Kawerau District Council, and Ōpōtiki District Council resolved to jointly explore the development of a multi-council Water Services Council Controlled Organisation (WSCCO) for Rotorua and Eastern Bay of Plenty.

Following consultation with their communities in 2025, each council submitted a Water Services Delivery Plan (WSDP) that set out a phased approach to service delivery, with in-house provision continuing until 1 July 2028 while the councils jointly investigated the feasibility of a shared WSCCO model. These WSDPs were approved by the Secretary for Local Government under the Local Governance (Water Services Preliminary Arrangements) Act 2024, noting the expectation that a joint service delivery option would be investigated.

The councils entered into a Heads of Agreement in December 2025 formalising their commitment to investigate the establishment of a joint WSCCO. It outlined the scope of the investigation, including governance arrangements, key activities, and each council's responsibilities. It established the Waters Working Group and Project Team to oversee and lead the work.

Purpose of this report

This report responds to the commitment each council made in the Heads of Agreement to investigate a joint multi-council water service delivery entity. The Heads of Agreement set out four objectives for that investigation:

- to work closely and collaboratively to investigate a joint WSCCO that meets each council's long-term needs and objectives for their communities
- to enable timely decisions that can be incorporated into each council's 2027 to 2037 Long Term Plan and meet the commitments made through the Water Services Delivery Plans
- to consider how the councils would operate together in a way that supports effective and efficient use of council resources and long-term benefit for ratepayers
- to provide a strong evidence base for decisions on whether to establish a joint water organisation by 1 July 2028.

This report sets out the recommended water service delivery model for the four councils and is intended to support councils to make decisions about future service delivery arrangements.

Scope

In February 2026, MartinJenkins was engaged to support the councils' investigation by providing a comparative assessment of an agreed set of service delivery options:

- an in-house ring-fenced business unit, retained as the counterfactual
- an asset-owning water services council-controlled organisation (WSCCO)
- a service delivery WSCCO, where councils retain assets.

Stormwater was treated as a specific decision within that scope, given its different characteristics and its interface with other council functions.

The analysis does not revisit the in-house service delivery model adopted by each council in their Water Services Delivery Plans. It builds from those plans and tests whether a joint arrangement would deliver better outcomes for communities than continuing with an in-house service delivery model.

Introduction

Approach

The work has been led by the Waters Working Group (WWG), made up of representatives from the four councils, and a Steering Group of council officers has supported the process throughout.

Five packages of work have been delivered between February and June 2026:

- a strategic assessment of options against agreed objectives
- a financial assessment, including thirty-year modelling and cost-to-serve analysis
- a stormwater options paper
- ownership, representation and governance design options
- an indicative high-level implementation plan.

Supporting materials including decision making examples and advice on the treatment of regional council assets were also provided.

Each package was developed by the project team, refined with input from the Steering Group, then taken to the WWG for testing and direction.

The preferred option set out in this report reflects direction the WWG has provided through that process.

How to read this report

This report summarises the key findings, analysis and conclusions from the investigation undertaken by the Waters Working Group. It is intended to provide a concise account of the investigation and support council decision-making. It does not reproduce all of the detailed analysis completed during the investigation, which is contained within the papers discussed at each WWG meeting and two companion reports.

This report is organised into the following sections:

- **Context**: sets out the evolving legislative and regulatory context for the investigation.
- **Current water services delivery models**: describes the current state of water services across Rotorua Lakes, Whakatāne, Kawerau and Ōpōtiki, including service delivery, compliance, asset condition, financial sustainability and future challenges.
- **Assessing water services delivery options**: describes the delivery models considered during the investigation and the characteristics of each, and sets out the process used to assess the options and identify a preferred model, including:
  - shortlisting the options
  - consideration of stormwater
  - key financial comparisons
  - detailed options assessment
- **Design of the WSCCO**: sets out the indicative ownership, representation, governance and decision-making arrangements considered by the Waters Working Group for the preferred model. While this is not definitive, it provides a reasonable basis for councils to consult their communities on how a joint WSCCO could be structured.
- **Next steps**: summarises the key decisions and activities that would be required if councils decide to progress the preferred option.
- **Appendix**: provides council-specific assessments of the implications, opportunities, risks and trade-offs associated with each delivery model.

Readers seeking more detailed information on a particular topic should refer to the relevant WWG meeting papers or the relevant companion report:

- Financial Assessment
- Stormwater Options.

Context for this investigation

The water reform context
1 of 2

Evolving water services reforms

Since councils prepared and submitted their Water Services Delivery Plans (WSDPs) in mid-2025, the national legislative and regulatory environment for water services has continued to evolve:

- The **Local Government (Water Services) Act 2025** was enacted in August 2025, finalising the Government's "Local Water Done Well" reforms. This sets **new financial, planning and accountability obligations** for water services providers, including the financial principles that support the ringfencing objective of Local Water Done Well, financial sustainability requirements, and obligations to provide cost-effective services. New accountability requirements include preparation of a Water Services Strategy, annual budget and annual report. For new water organisations, there are requirements to report at least twice a year to shareholders. The new Act also requires a range of other **plans or activities that water services providers must complete** including, for example, in relation to development contributions, trade waste, and stormwater network management.
- The **Water Services (Wastewater Environmental Performance Standards) Regulations 2025** took effect on 19 December 2025. These set **uniform environmental discharge standards** for wastewater and streamline consenting under the RMA. Compliance will likely require significant infrastructure upgrades for many water services providers, as many treatment plants face consent renewals in the coming decade.
- Amendments to the **Commerce Act (August 2025)** confirmed the Commerce Commission as economic regulator for water services. In February 2026, the Commerce Commission finalised new **information disclosure requirements** for local water providers. These require water service providers to publicly disclose key information on charges, expenditure forecasts, financial planning, performance data, asset management, delivery and strategic planning information, improving transparency for consumers.

Potential for further changes

The legislative framework for water services provides for a range of other interventions that regulators may choose to introduce.

- Taumata Arowai has begun development of **National Engineering Design Standards** (NEDS). These standards will set consistent, performance-based requirements for the design, construction and operation of drinking water, wastewater and stormwater systems. Water services providers should anticipate the need to align local design practices and specifications with these national standards. Ultimately, these standards are expected to reduce the costs of infrastructure delivery.
- Taumata Arowai is also able to develop **national stormwater environmental performance standards** for urban stormwater to ensure consistent flood protection, network performance, and water quality outcomes across all councils. These standards would require local water providers to meet uniform benchmarks for stormwater infrastructure and environmental compliance.
- The Commerce Commission's powers also include the ability to impose **price-quality regulation, set revenue thresholds and performance requirements**, and **ring-fence investment for water infrastructure** where it determines stronger interventions are needed. The Commission also has the ability to introduce **customer protection** measures to address service quality issues, including standardised complaints processes and a service quality code.

The water reform context

2 of 2

The future direction for water services delivery is clear, with an expectation of standards for drinking water quality, environmental performance, financial sustainability and transparency, and stronger enforcement when standards are not met. The pace and detail of further change is less certain. Whatever delivery model is chosen will need to be able to absorb continued regulatory development and changes in the labour market and supply chains without losing focus on service delivery.

Implications for councils

For water services providers, including councils delivering services in-house, the context for decision-making has significantly shifted since the WSDPs were written.

Greater clarity about obligations

Some of the uncertainties present when the WSDPs were developed have been reduced. The core legislative framework is now in place, providing clearer expectations around governance, operational standards, and future planning. Councils can base their next steps on confirmed requirements, rather than assumptions. However, with this clarity comes a suite of new compliance obligations that all water service providers must meet, regardless of the delivery model.

Increased regulatory scrutiny

Regulatory scrutiny of water services is intensifying. The Water Services Authority (Taumata Arowai) is actively enforcing drinking water safety and environmental performance, and the Commerce Commission will be scrutinising financial and service performance through the economic regulation regime.

Non-compliance is likely to face stronger enforcement actions with new legislation including penalties and intervention powers to ensure standards are met. This means there is likely to be less latitude for service shortfalls or deferred investment. Proactive compliance, risk management, and timely infrastructure upgrades will be essential whether water services continue in-house or transition to a WSCCO.

Higher costs of compliance

Increased regulatory standards will require additional investment, staffing and capability to ensure compliance. Meeting national drinking water and wastewater standards, enhanced environmental regulations, and rigorous reporting duties will increase operating costs and necessitate ongoing capital upgrades (for example, to improve wastewater treatment to meet the new discharge standards). Even under the current in-house model, councils should anticipate higher costs to satisfy these regulatory standards and may need to allocate more funding for water infrastructure, monitoring, and compliance activities.

Ongoing change

Councils and any future water organisation will need the capacity to keep tracking and responding to changes to regulations, increased competition for scarce labour, and changes in the supply chain. This includes building flexibility into financial, asset and operating plans so the organisation can adjust as further standards, guidance and disclosure requirements are confirmed. Maintaining sustainability and resilience of water services, in the face of changes in the external operating and regulatory environment, will be challenging for councils that continue to manage services in-house.

Wider local government reform context

Alongside the Local Water Done Well reform, the Government has been progressing wider local government and resource management changes during the period this investigation has been underway.

Three government policy announcements made since this investigation commenced are relevant to how a joint WSCCO is designed and how councils work with iwi and hapū.

Reorganisation of local government - Head Start process

On 5 May 2026, the Government announced a voluntary "Head Start" pathway for reorganising local government. Councils have until 9 August 2026 to submit proposals to form larger unitary authorities that combine regional and territorial functions. Proposals must come from groups of two or more territorial authorities representing a majority of the affected councils or population.

Cabinet is expected to make in-principle decisions on shortlisted proposals in September 2026, with detailed proposals confirmed in 2027 for implementation ahead of the 2028 local elections. Councils that do not opt in to this process face government-led reform after 2028 via a backstop mechanism to enable central intervention where voluntary proposals have not been advanced.

Council Head Start resolutions

- WDC, ŌDC (4 August 2026), and KDC (5 August 2026) have resolved to support submitting a joint proposal for the Eastern Bay of Plenty unitary authority.
- RLC (29 July 2026) have resolved to support submitting a proposal that would see RLC become a unitary authority.

Voting rights on council committees

On 2 June 2026, the Government announced it will amend the Local Government Act 2002, through the Local Government (System Improvements) Amendment Bill, so only elected members hold voting rights at council committee meetings.

Unelected appointees, including iwi and hapū representatives, would no longer vote or count towards a quorum. Councils could still appoint unelected members in an advisory or representative capacity, without voting rights. Statutory committees and appointments agreed as part of Treaty settlements would be excluded. Councils would have six months to implement the change once the Bill passes.

Iwi participation in the resource management system - Mana Whakahono ā Rohe

On 20 July 2026, the Government announced that existing and initiated Mana Whakahono ā Rohe agreements will not carry over into the new resource management system replacing the RMA (the Planning Bill and Natural Environment Bill).

These agreements, introduced in 2017, set out how councils and iwi authorities work together on resource management decisions.

Councils will instead be able to enter new, narrowly scoped iwi participation agreements recording how iwi authorities take part in statutory planning processes and give effect to Treaty settlement redress, with legislative guardrails to limit their scope.

The context for this investigation

The Water Services Delivery Plans submitted by the four councils in 2025 each committed to investigate a joint multi-council WSCCO, with in-house delivery continuing until 1 July 2028.

The Heads of Agreement signed in December 2025 gave that commitment a formal shape and confirmed the principles for working together.

The investigation has been carried out against a shifting regulatory backdrop. The core legislative framework is now in place, the wastewater standards are in force, and economic regulation is taking shape, but further change is still to come.

At the same time, multi-council WSCCOs are at various stages of establishment across the country. This gives the four councils a growing body of experience and lessons to draw on for the design choices set out later in this report.

Against this backdrop, this investigation tests whether a joint water services CCO would deliver better outcomes for communities than continuing with in-house service delivery for each of the four councils.

Implications of wider local government reform

The local government reforms noted on the previous page were announced after the four councils had committed to investigate a joint WSCCO, so their detailed implications sit outside the scope of this investigation.

They may, however, bear on how councils consider its findings, including the decision about whether to proceed with a joint WSCCO and how ownership and representative arrangements are designed.

The Head Start and backstop processes could change the group of councils involved over time. Irrespective of the process, the WSCCO's design should allow for the possibility that the group of shareholding councils changes over time, particularly via the entry, exit and adjustment provisions in the Constitution and Shareholders' Agreement. It is possible that different local government configurations or boundary changes could affect the financial and other implications of progressing a joint WSCCO.

The proposed changes to committee voting rights and to Mana Whakahono ā Rohe would affect some of the mechanisms available to involve iwi and hapū in the representative and governance arrangements for a joint WSCCO. Treaty settlement obligations endure regardless.

The exact details of these proposals, and their implications, are not yet clear as the Planning, Natural Environment and Local Government (System Improvements) Amendment Bills are yet to progress into law.

Key dates to the end of 2026

Key dates for decisions in relation to this WSCCO investigation and Head Start process overlap:

- 9 August 2026: Headstart proposals due.
- 17 August 2026: WSCCO technical investigation report confirmed by WWG.
- September 2026: Councils decide on progressing with consultation on joint WSCCO.
- September 2026: Cabinet decision in principle on Head Start proposals.
- December 2026: Councils decide if they want to progress with joint WSCCO.

Current water services delivery models

Understanding the current delivery model

Understanding the current state

Understanding the current state of water services in each district, and the pressures councils face, is central to assessing whether a different delivery model is worth pursuing.

This section sets out the 'current state' across Rotorua Lakes, Whakatāne, Kawerau and Ōpōtiki, based on available information. It covers the scale of services, the condition of assets, performance against compliance requirements, and the financial position of water services in each district.

The picture set out here also reflects, in substance, what an in-house delivery model would continue to deliver. It therefore serves as the baseline against which alternative delivery models are compared later in the report.

This context establishes the basis for considering whether a joint delivery model could better position the four councils to respond to these challenges.

How this section is structured

The material in this section provides an overview of the services delivered by each council and how those services are performing. The section ends with a summary of the pressures shaping the case for change.

- **Snapshot of water services:** the scale of services, connections and assets across the four councils.
- **Services and assets by council:** how each district differs in size, network composition and growth outlook.
- **Treaty settlement obligations and iwi and hapū engagement:** the Treaty landscape councils operate within.
- **Asset condition and renewals:** areas of network pressure and planned investment.
- **Compliance:** performance against drinking water, environmental and service level requirements.
- **Financial position:** planned capex, debt levels, and affordability of water charges in the current WSDPs.
- **Risks and challenges:** common pressures across the four councils and issues specific to each.

Information sources for this section

This section draws on the four councils' Water Services Delivery Plans, Annual Reports and supporting information provided by councils.

We note that the financial and asset information in this report is drawn from WSDPs that represent a point in time snapshot. There are some inconsistencies in the way each council reported information in WSDPs and in a number of places we have updated that information to provide for greater consistency.

The information in this section provides important context for council decisions to investigate a joint WSCCO, but the detailed financial modelling later in this report is based on a more consistent methodology than used in WSDPs and draws on more up to date information and projections provided by councils. This explains some differences in the information in this section and later sections of the report.

Readers seeking the underlying material should refer to the WSDPs and WWG meeting papers.

Snapshot of water services across the four councils

	Water supply	Wastewater	Stormwater
Services	**46,136** drinking water connections	**42,977** wastewater connections	**40,436** stormwater connections
Serviced population*	**119,737** 89% of total population	**110,937** 82% of total population	**117,937** 87% of total population
Schemes/ catchments	24 water supply schemes	23 wastewater schemes	25 stormwater schemes/catchments
Above ground assets	24 Treatment plants 82 reservoirs 24 pump stations • 91 % of assets have a condition rating • **13%** of assets are in poor or very poor condition	10 treatment plants 128 pump stations • 91 % of assets have a condition rating • **13%** of assets are in poor or very poor condition	34 pump stations • 89 % of assets have a condition rating • **5%** of assets are in poor or very poor condition
Below ground assets	1,555 km of pipes • 76% of assets have a condition rating • **12%** of assets are in poor or very poor condition	1,086 km of pipes • 81% of assets have a condition rating • **31%** of assets are in poor or very poor condition	581km of pipes • 75% of assets have a condition rating • **16%** of assets are in poor or very poor condition
Total replacement asset value**	**$2.4b**		

* An overall connection number has been applied across the three waters for RLC.

Summary of services by council

	Rotorua Lakes	Whakatāne	Kawerau	Ōpōtiki
Drinking water connections	27,185	13,200	2,917	2,834
Wastewater connections	25,964	12,240	2,922	1,851
Stormwater connections*	24,989	10,674	2,920	1,851
Networks/ catchments	RLC has 10 defined water supply areas, 13 wastewater areas and 14 stormwater catchments.	WDC has nine water supply schemes, six wastewater schemes, and eight stormwater catchments.	KDC has one drinking water and one wastewater scheme. Stormwater only comprises road run-off as all properties dispose of stormwater to soakage on-property.	ŌDC has three drinking water schemes, two wastewater schemes and one stormwater scheme.
Serviced population	73,373 (96% of the population have at least one water connection) Connected properties • DW – 87% • WW – 83% • SW – 80%	DW – 30,145 (76%) WW – 24,196 (61%) SW – 30,939 (78%)	8,000 (all)	DW – 8,219 (79%) WW – 5,368 (48%) SW – 5,368 (48%)
Anticipated growth in connections (10 years)	9%	7%	4%	10%

* Represents rating units and may not be the same as the number of direct physical connections from properties to the stormwater network.

Summary of assets by council

		Rotorua Lakes	Whakatāne	Kawerau	Ōpōtiki
Drinking water	Above ground	9 Treatment plants 50 reservoirs 17 pump stations	11 treatment plants 23 reservoirs 5 pump stations	1 treatment plant 2 pump stations	3 treatment plants 9 reservoirs 4 pump stations
	Below ground	761 kms of reticulation	609 kms of reticulation	73 kms of reticulation	112km of reticulation
Wastewater	Above ground	2 treatment plants 79 pump stations	6 treatment plants 49 pump stations	1 treatment plant 6 pumping stations	1 treatment plant
	Below ground	574 kms of reticulation	246 kms of reticulation	56 kms of reticulation	46 kms of reticulation
Stormwater	Above ground	2 pump stations	20 pump stations		12 pump stations
	Below ground	416 kms of reticulation	94kms of reticulation	42 kms of reticulation	20 kms of reticulation
Total replacement asset value		**$1,349.7m**	**$765.9m**	**$120.5m**	**$136.6m**

Treaty settlement obligations and iwi/hapū engagement context

Strategic context and key features

Across Rotorua Lakes, Whakatāne, Kawerau and Ōpōtiki, councils operate within a complex and enduring Treaty settlement landscape, shaped by a mix of settled and pre-settlement iwi and hapū interests. Several iwi have overlapping interests across multiple council areas, particularly in relation to shared catchments, affected environments and regionally significant water bodies.

Treaty settlement obligations arise from a range of statutory and non-statutory instruments, including settlement legislation, deeds of settlement, statutory acknowledgements, co-governance and joint management arrangements, and iwi management plans.

Collectively, these instruments establish enduring relationships, responsibilities and expectations for councils. The way these obligations apply to water services varies by place and context, and may be strategic, operational, or specific to particular sites, assets or decisions.

Council engagement with hapū and iwi is undertaken through a mix of formal and informal approaches, reflecting differences in settlement history, rohe, capacity and local relationships. In some areas, engagement is supported by well-established statutory co-governance and partnership arrangements, while in others it is more relationship-led and place-based, supported by council-iwi forums, project-specific engagement and site-specific arrangements. The maturity of these arrangements varies across the four districts.

A shifting statutory environment

As noted on page 11, two current reforms will change some of the statutory mechanisms for iwi participation.

Existing and initiated Mana Whakahono ā Rohe agreements will not carry into the new resource management system. Councils will instead be able to enter narrower iwi participation agreements at their discretion.

Proposed changes to the Local Government Act would remove voting rights for unelected members on council committees, including iwi and hapū representatives. Councils could still appoint unelected members in an advisory or representative capacity, without voting rights. Statutory committees and appointments agreed as part of Treaty settlements would be excluded.

Final details of these policy announcements are not yet clear and are still to move through Parliament and are not yet law.

Treaty settlement obligations endure regardless of these changes, and these and other instruments will continue to exist and shape relationships and responsibilities between councils, iwi and hapū. In practice, relationship-led and place-based approaches are likely to remain prominent in the Treaty landscape.

Snapshot: Treaty instruments and engagement approaches

Council	# iwi entities	Iwi entities *overlapping		Range of Treaty instruments in play (as an initial baseline)	Current formal and informal engagement approaches
Rotorua Lakes	21	Ngāti Kearoa-Ngāti Tuara Ngāti Mākino* Ngāti Pikiao Ngāti Rangiteaorere Ngāti Rangitihi* Ngāti Rangiwewehi Ngāti Rongomai Ngāti Tahu-Ngāti Whaoa Ngāti Tarāwhai Ngāti Tūwharetoa mai Kawerau ki te Tai* (Bay of Plenty)	Ngāti Uenukukōpako Ngāti Whakaue Tapuika Tūhoe* Tūhourangi* Raukawa Ngāti Awa* Ngāti Manawa* Ngāti Whare* Ngāti Tūwharetoa* Ngāti Hineuru	Settlement legislation and statutory co governance arrangements, supported by protocol committees and site-specific agreements. Engagement reflects a mix of lake, river and catchment-based governance bodies established through Treaty settlements and related instruments.	Engagement occurs primarily through settlement based statutory cogovernance and partnership bodies, supported by protocol committees and council–iwi relationship forums (such as the iwi leaders' forum) and largely structured around lake, river and catchment systems.
Whakatāne	8	Ngāti Awa* Ngāti Mākino* Ngāti Manawa Ngāti Rangitihi* Tūhoe* Tūwharetoa ki Kawerau* Te Whakatōhea Ngāti Whare		Treaty settlement legislation and iwi participation mechanisms, including Mana Whakahono ā Rohe (agreed and under development) and multiple iwi management plans. These provide the baseline framework for iwi involvement in planning, consenting and ongoing relationship management	Engagement is through iwi leadership and relationship forums, supported by Treaty settlement arrangements, iwi management plans and Mana Whakahono ā Rohe, alongside catchment-based engagement mechanisms.
Kawerau	4	Ngāti Awa* Ngāti Rangitihi* Tūhourangi* Ngāti Tūwharetoa (Bay of Plenty)*		River linked statutory rights and Treaty settlement mechanisms, complemented by landowner and site-specific arrangements where water assets or sources are located on Māori land (Māori Investment Ltd).	Primary relationship with Ngāti Tūwharetoa ki Kawerau. Council commits to ongoing dialogue and relationships with tangata whenua/iwi, including via Rautahi Marae and partners like Tūwharetoa ki Kawerau Hauora and Putauaki Trust.
Ōpōtiki	4	Ngāitai (Tōrere) Te Whānau ā Apanui Whakatōhea Tūhoe*		Treaty settlement and deed-based arrangements, including both settled and pre settlement iwi, alongside emerging statutory and co-governance mechanisms and hapū management plans.	Occurs through settlement and deed-based arrangements, and emerging partnership forums (Whakatōhea Kaitiaki Forum), harbour and catchment based relationships.

Asset condition

Asset age

The table to the right shows the average age of piped assets reported in WSDPs (comparability of reporting methods by each council has not been confirmed, so these are indicative only).

These age profiles highlight differing renewal profiles and potential investment needs across the councils.

Asset condition ratings

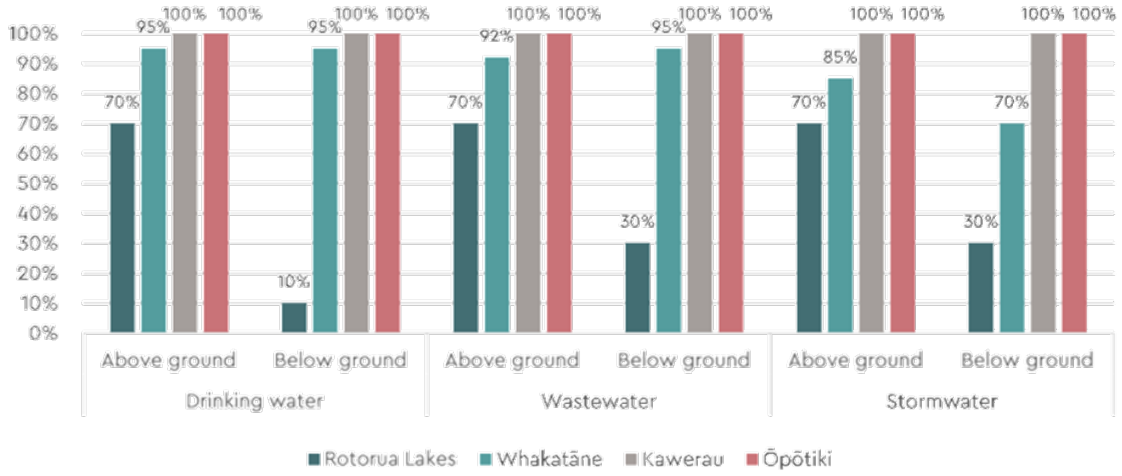
According to WSDPs, 100% of water assets in Kawerau and Ōpōtiki districts have condition ratings. Whakatāne has a very high proportion of its water supply and wastewater assets with a condition rating (92% to 95%), and the proportion of stormwater assets having a condition rating is also relatively high (70% to 85%).

Rotorua Lakes has condition ratings for more of its above ground assets (70%) than its below ground assets (10% to 30%). The council notes that it has information on the age and remaining useful life of 100% of its water services assets, with condition grades applied where physical inspections or robust modelled assessments have been completed.

Average age of network assets in years (pipes)

	Drinking water	Wastewater	Stormwater
Rotorua Lakes	34	35	33
Whakatāne	35	49	43
Kawerau	20	51	56
Ōpōtiki	41	62	53

Percentage of assets with a condition rating



Asset condition

Condition of assets

The condition of three waters infrastructure assets varies significantly across the four councils, reflecting differences in asset age, historical investment levels, and data confidence.

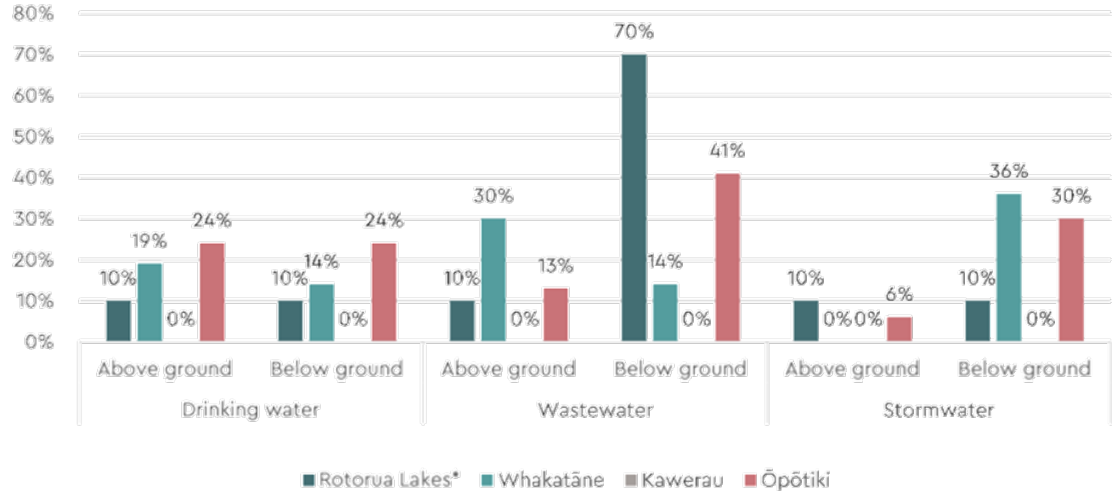
Ōpōtiki District Council reports the highest proportion of assets in poor or very poor condition across all three waters, with 24% of drinking water, 41% of wastewater, and 30% of stormwater assets requiring attention. This reflects a legacy of underinvestment and the age of the network, particularly in wastewater infrastructure.

Whakatāne District Council also faces notable challenges, particularly in its stormwater network, where 36% of assets are in poor or very poor condition. Drinking water and wastewater assets are in comparatively better shape, though 14% of each are still rated as poor or very poor.

Rotorua Lakes Council presents a mixed picture. While drinking water and stormwater assets have relatively low proportions in poor condition (both under 10%), approximately 70% of wastewater gravity mains are assessed as being in poor or very poor condition. This figure is based on age-based assessments.

Kawerau District Council reports no assets in poor or very poor condition. The council has acknowledged accelerated deterioration in geothermal zones, particularly affecting asbestos cement and steel pipes, which are scheduled for replacement by 2029.

Percentage of assets in poor or very poor condition



*The percentage of assets in poor or very poor conditions is calculated based on average- weighted-percent of remaining useful life .

Asset renewals

Asset renewals

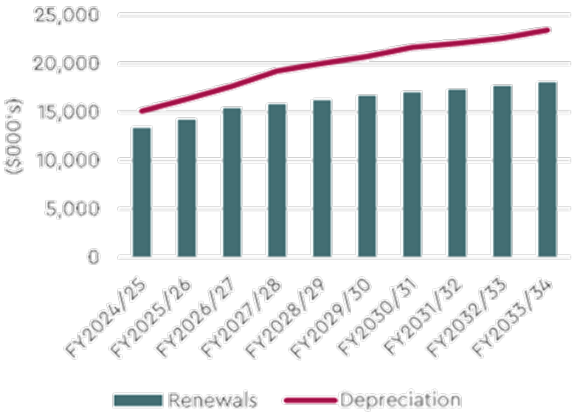
Rotorua Lakes Council's WSDP takes a targeted, evidence-based approach to renewals, investing where assets most need it to maximise their useful life. Over the 10-year period, Rotorua Lakes' planned renewals equate to 81% of depreciation, reflecting efficient use of existing assets rather than underinvestment. By activity, water supply renewals are planned at 123% of depreciation, wastewater renewals at 65% and stormwater renewals at 79%. This approach prioritises renewals based on criticality, condition, performance, and age – ensuring investment is directed to the right assets at the right time.

Whakatāne's total renewals slightly exceed depreciation over 10 years (109%). However, Whakatāne is starting with a significant renewals backlog (~$96m) and its WSDP capex plan does not address this.

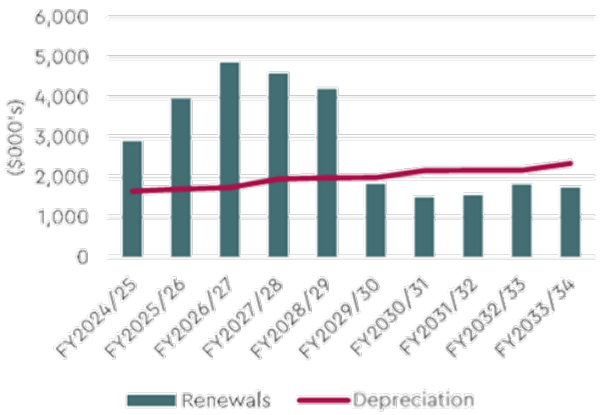
Kawerau shows a highly uneven investment profile. Renewals are front-loaded in Years 1-5 (averaging 222% of depreciation), driven by major AC pipe and geothermal zone pipe replacement programmes. Overall, Kawerau plans to invest in renewals at 131% of depreciation over 10 years.

Ōpōtiki has the highest renewals-to-depreciation ratio of the four councils, with renewals exceeding depreciation every single year (averaging 176% over 10 years). This reflects catch-up investment to address poor asset condition.

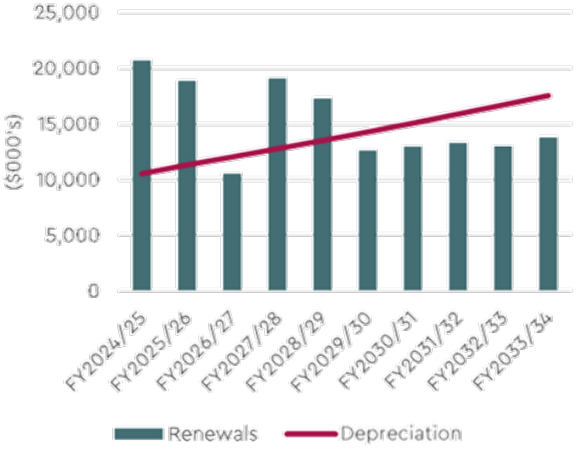
Rotorua Lakes



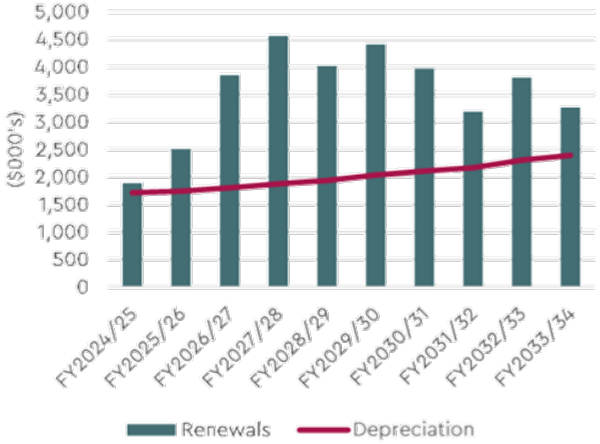
Kawerau



Whakatāne



Ōpōtiki



Drinking water compliance

In FY25, all Rotorua Lakes water supplies were fully compliant with Drinking Water Quality Assurance Rules, and Kawerau's supply met or almost met all requirements.

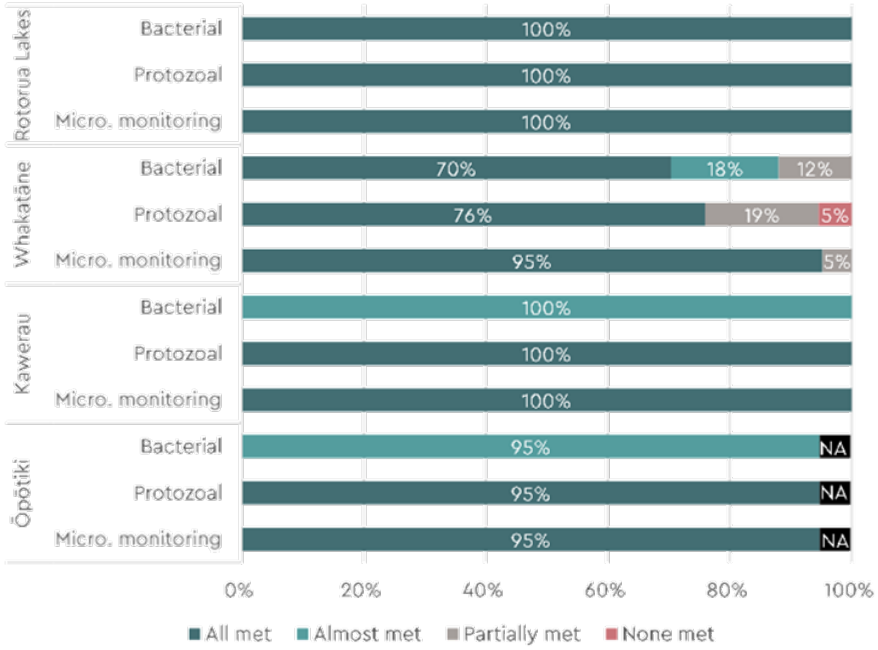
There were varying levels of compliance with the different DWQARs across the Whakatāne water supply schemes. Around 76% of the serviced population in Whakatāne were served by a supply that met protozoal treatment requirements, and 88% were served by a supply that met or almost met bacterial treatment requirements. Supply for 95% of the serviced population met microbiological monitoring requirements.

The largest water supply scheme in Ōpōtiki met protozoal and microbiological monitoring requirements, and almost met bacterial treatment requirements. This scheme supplies water to approximately 95% of the serviced population. The other two schemes in Ōpōtiki are very small and subject to different requirements. The Ohiwa supply (~50 people) met all requirements (two in total), and the Te Kaha supply (~200 people) met one requirement and partially met four (five in total).

Water supply scheme compliance (FY25)

	DWQAR requirement	Water supply scheme				
		Total	All met	Almost met	Partially met	None met
Rotorua Lakes	Bacterial	8	8	0	0	0
	Protozoal		8	0	0	0
	Microbiological monitoring		8	0	0	0
Whakatāne	Bacterial	9	2	5	2	0
	Protozoal		6	0	2	1
	Microbiological monitoring		7	0	2	0
Kawerau	Bacterial	1	0	1	0	0
	Protozoal		1	0	0	0
	Microbiological monitoring		1	0	0	0
Ōpōtiki	Bacterial	3*	0	1	0	0
	Protozoal		1	0	0	0
	Microbiological monitoring		1	0	0	0

Percentage of serviced population with compliant water supply scheme (FY25)



Environmental compliance

Resource consent compliance is generally good across all four councils for water abstraction, wastewater discharge, and stormwater management, with only one active enforcement action across the region.

However, several councils face upcoming consent renewals that will require substantial investment to meet evolving environmental standards.

Compliance with current consents

There were no regulatory enforcement actions related to consent compliance reported for Rotorua Lakes, Kawerau and Whakatāne in FY25.

Ōpōtiki received one abatement notice for wastewater discharge in FY23, specific to overuse of discharge to an engineered overflow pond (i.e. not an uncontrolled discharge). The initial abatement notice has been cancelled but has been replaced with a new abatement notice in November 2025. The council maintains full compliance for stormwater and water take consents. A planned upgrade to the Ōpōtiki WWTP (in current LTP) is intended to address non-compliance.

Expiring consents

43 consents (47% of all consents) across the four councils will be expiring between 2025 and 2034 (the period of the current WSDPs).

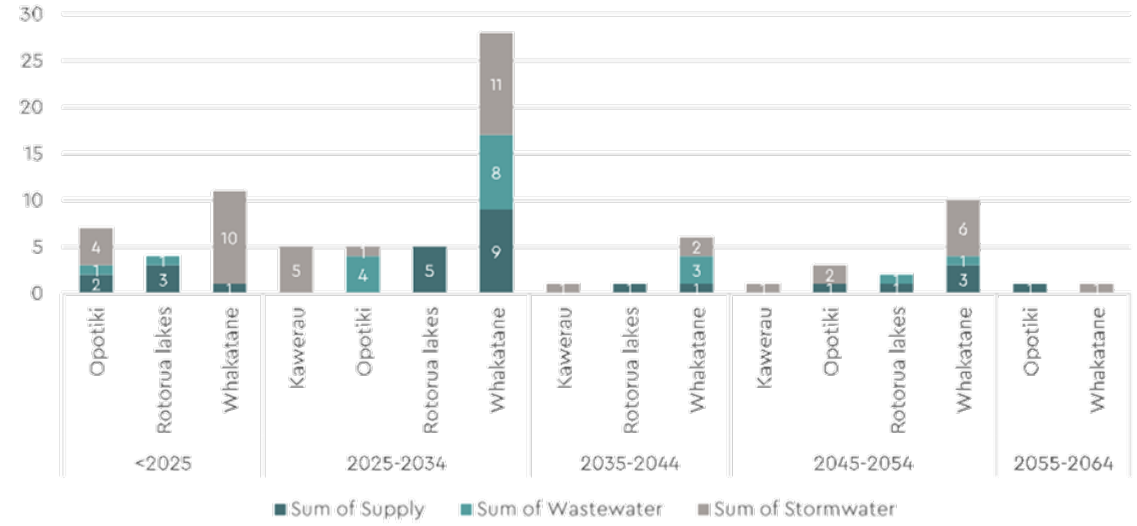
A significant number of consents expire this year (2026), including consents associated with wastewater treatment (8), water supply schemes (10) and various stormwater discharges (9).

Where information is available, many of the expiring consents were granted before the introduction of the RMA in 1991 with compliance requirements set at a 'basic' level meaning that compliance is relatively easily achieved.

New regulatory standards are higher than was typical pre-RMA, so when these consents come up for renewal they are likely to require significant upgrades to networks to meet the new end-of-pipe standards, depending on the characteristics of the receiving environment.

Each council has budgeted for consent renewals, where relevant, in their WSDPs. An overview of upcoming consent renewals for each council is included on the next page.

Expiry dates for resource consents



Environmental compliance

Overview of upcoming consent renewals

	Water Supply	Wastewater	Stormwater
Rotorua Lakes	• 3 expired consents operating under s124 • 4 expiring in 2026 – application preparation and engagement underway	• Rotorua WWTP consent under renegotiation with iwi and stakeholders	• Comprehensive consent recently issued (with increased compliance and reporting requirements).
Whakatāne	• Multiple consents expiring Oct 2026 – reconsenting programme underway	• Major WWTP consents expire 2026 – reconsenting programme underway and upgrades planned	• 43 consents (10 under s124) • Comprehensive consent lodged for Whakatāne, suspended pending hearing preparation • Comprehensive consent for Ōhope will be progressed following completion
Kawerau	• Consent 20329 (Tarawera Park Borefield) expires Oct 2026 - new comprehensive consent application submitted in 2024	• Consents valid to 2032 – may require upgrades to meet National Wastewater Environmental Performance Standards	• Seven active consents (2025–2054) • 17 discharges under existing use rights - comprehensive consent application underway
Ōpōtiki	• Te Kaha consent expired (s124) – new plant and consent planned	• Ōpōtiki WWTP consent expired July 2025 (s124) • Consent application on hold pending iwi/hapū consultation and confirmation of NWEPS.	• Comprehensive consent applications lodged for expired/expiring consents

Service levels – customer complaints

Service levels are measured across each activity by recording the number of complaints per year alongside the time it takes for Council to respond and resolve service issues.

Customer complaints

Customer complaints are measured by the total number of complaints received per 1,000 connections. The figures on the right show that the service level targets set by councils vary significantly. For the most part, councils met their targeted service levels in relation to customer complaints over the period shown.

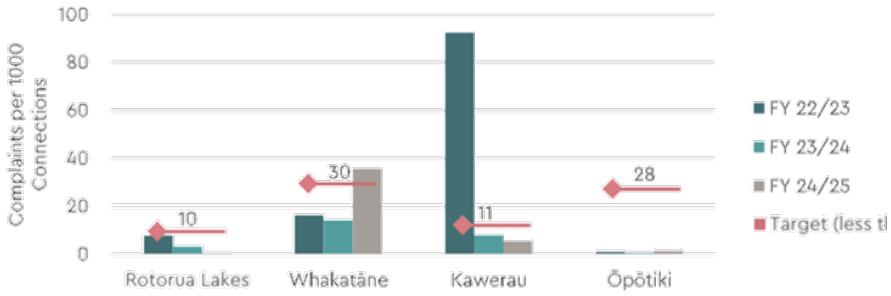
The increase in water supply complaints in Whakatāne in FY25 is a result of a change in method of reporting to align with DIA guidance. It is likely that the different method used in previous years understates the actual number of complaints.

Water supply complaints significantly exceeded targets for Kawerau in FY23. Complaints related to a water clarity issue which was resolved, with high levels of manganese combining with chlorine and oxidising, turning water brown.

In FY24, wastewater and stormwater complaints exceeded targets for Ōpōtiki. The large number of complaints about the performance of the stormwater system related to just one heavy rain event where floodwaters overtopped a bank. There is an active project to install a stopbank, due to be completed by 1 July 2027. This same event partially explains the high number of complaints about the wastewater network.

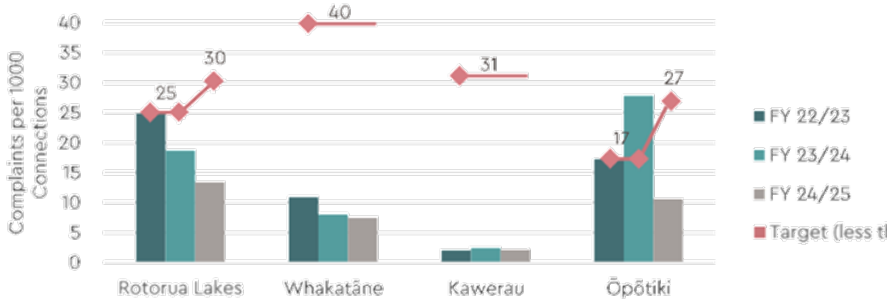
Water supply: Customer complaint rate vs target

Complaints received about drinking water clarity, taste, odour, pressure of flow, continuity of supply and the Council's response to any of these issues.



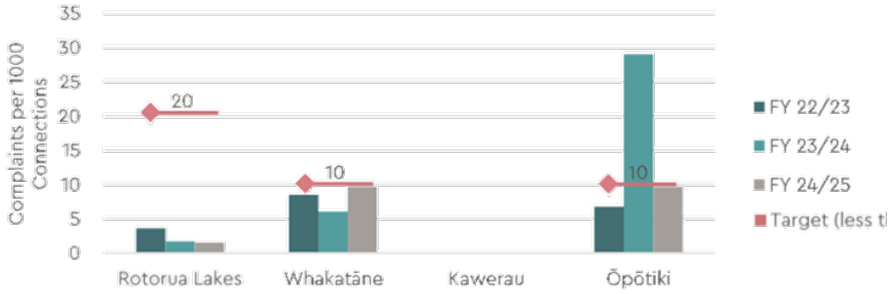
Wastewater: Customer complaint rate vs target

Complaints received about sewage odour, sewerage system faults, system blockages and the Council's response to any of these issues.



Stormwater: Customer complaint rate vs target

Complaints received about the performance of the stormwater system.



*Ōpōtiki has individual targets and results for each element of water supply and wastewater complaints. These have been summed for comparison.

Service levels – customer resolution

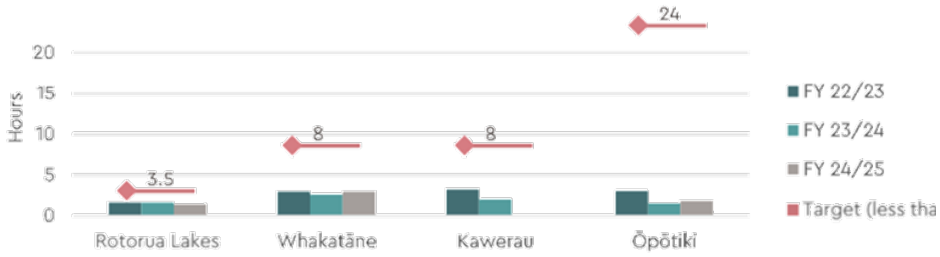
Response times

Response and resolution times are measured by the time it takes for Council to respond, attend and resolve service issues.

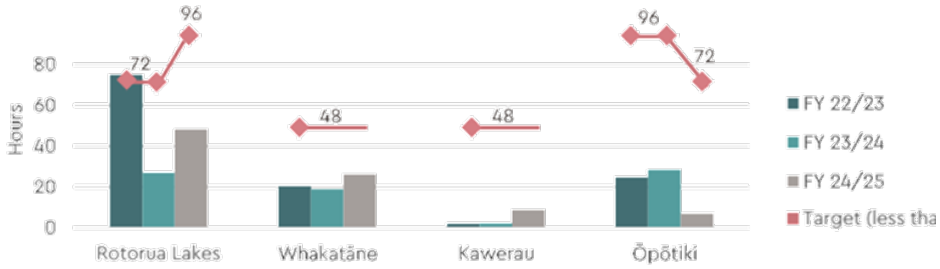
As with service levels for complaints, the figures on the right show that the service level targets set by councils vary for response and resolution. For the most part, all councils met their expected service levels for the period shown. The only exception was for resolution of non-urgent water supply call-outs in FY23, though the target level was only exceeded by a small margin.

Stormwater attendance response times are only reported during flooding events (overflow of stormwater from the stormwater system that enters a habitable floor), therefore the only data reported is Ōpōtiki in FY24.

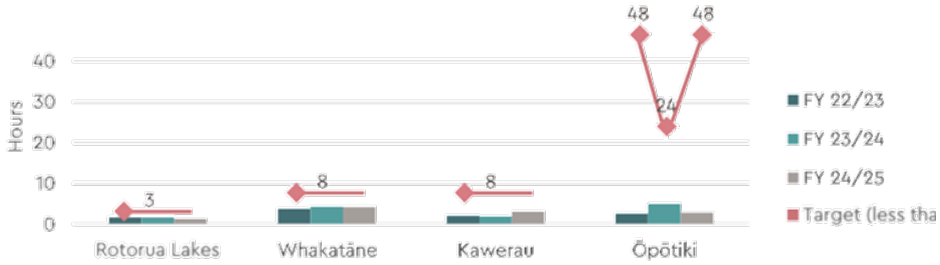
Water supply: Resolution response time against target (urgent)



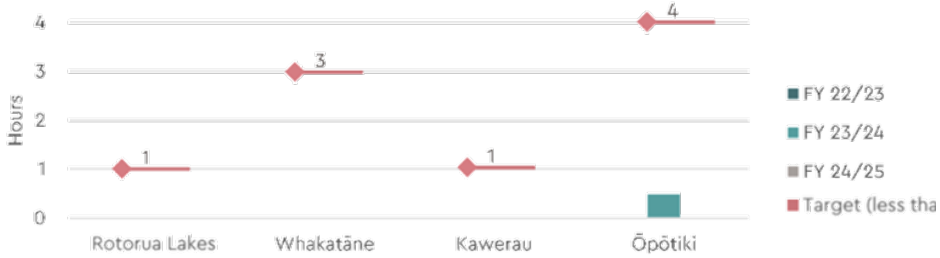
Water supply: Resolution response time against target (non-urgent)



Wastewater: Resolution response time against target



Stormwater: Attendance response time against target



Network performance – wastewater and stormwater

Wastewater

Dry weather overflow is sewage that escapes the sewerage system and enters the environment during periods of dry weather. Target services levels vary across the four councils.

Rotorua Lakes and Whakatāne met their expected service levels across the period shown. Ōpōtiki exceeded their target in 2022/23, but only by a small margin.

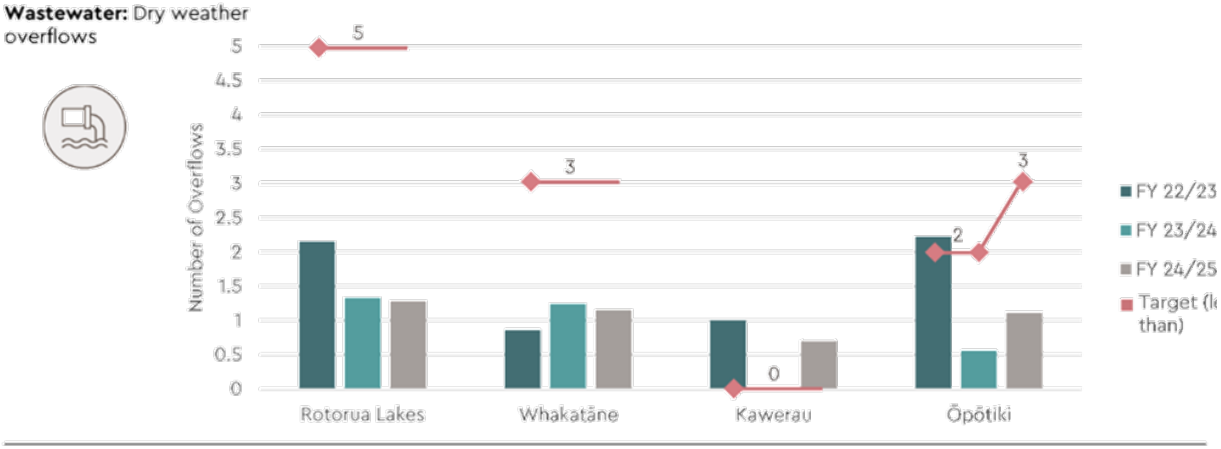
Kawerau has a target of zero dry weather overflows but exceeded this in FY23 and FY25. These levels are comparable or lower to actual service levels achieved by other councils.

Stormwater

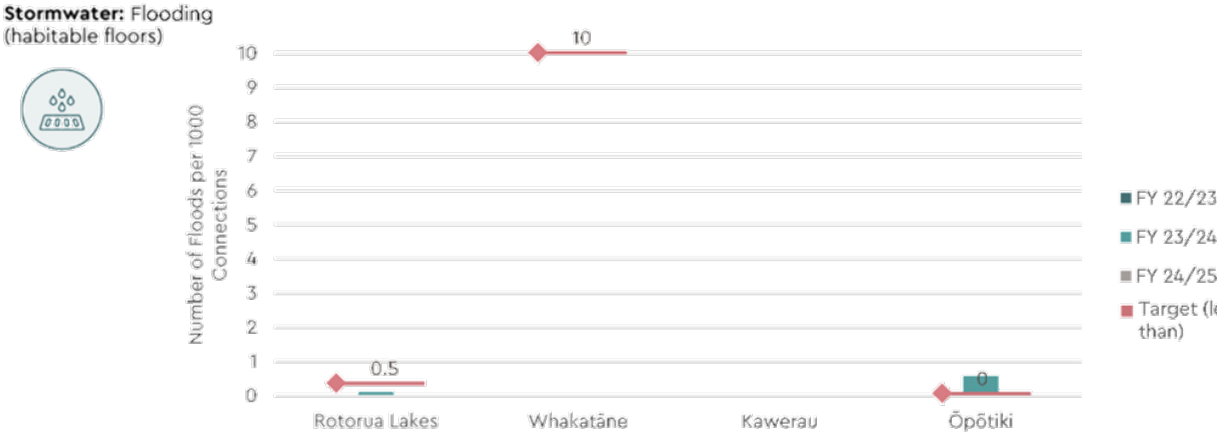
Flooding is measured by the number of habitable floors affected by a flooding event. In FY24, Ōpōtiki exceeded their target level, which has been set at zero.

Whakatāne has a notably higher target limit than the other three councils.

Wastewater: Dry weather overflows



Stormwater: Flooding (habitable floors)



Planned and historic capex (WSDPs)

Rotorua Lakes

Rotorua Lakes plans to invest $482.0 million in water services from 2025–2034. Key drivers include addressing identified network performance issues and growth. The investment is front-loaded in the first five years, and transitions to renewals in later years.

Significant investment in the next five years includes Rotorua WWTP upgrade, Stormwater Infrastructure Acceleration Fund (IAF) projects, Tarawera sewerage scheme and water supply upgrades and growth projects

From 2019-2025 Rotorua Lakes' rate of capital delivery against planned investment was 96%. Rotorua Lakes established a Capital Programmes team in FY25 to lift capability particularly for major projects.

Whakatāne

Whakatāne's capital investment totals $261.7 million over 2025–2034. The plan is driven by regulatory compliance (drinking water by 2028, wastewater by 2032), renewals, and moderate growth. Significant investment is planned to meet consent renewals requirements for wastewater, with major projects including the new Whakatāne/Edgecumbe WWTP, Murupara WWTP renewals and upgrade and the Matatā wastewater scheme.

The investment profile is smoothed to align with delivery capacity and affordability constraints, with a focus on upgrading treatment plants and renewing aging networks.

From 2019-2025 Whakatāne's rate of capital delivery against planned investment was 88%.

Kawerau

Kawerau's $32.3 million capital programme (2025–2034) is focused almost entirely on asset renewals, reflecting its small size and limited growth.

Key drivers include replacing aging infrastructure, maintaining compliance with existing standards, and servicing a single new residential development (Stoneham Park). There are no major capacity or level-of-service upgrades planned.

Kawerau completed 94% of planned water infrastructure projects from 2019–2025.

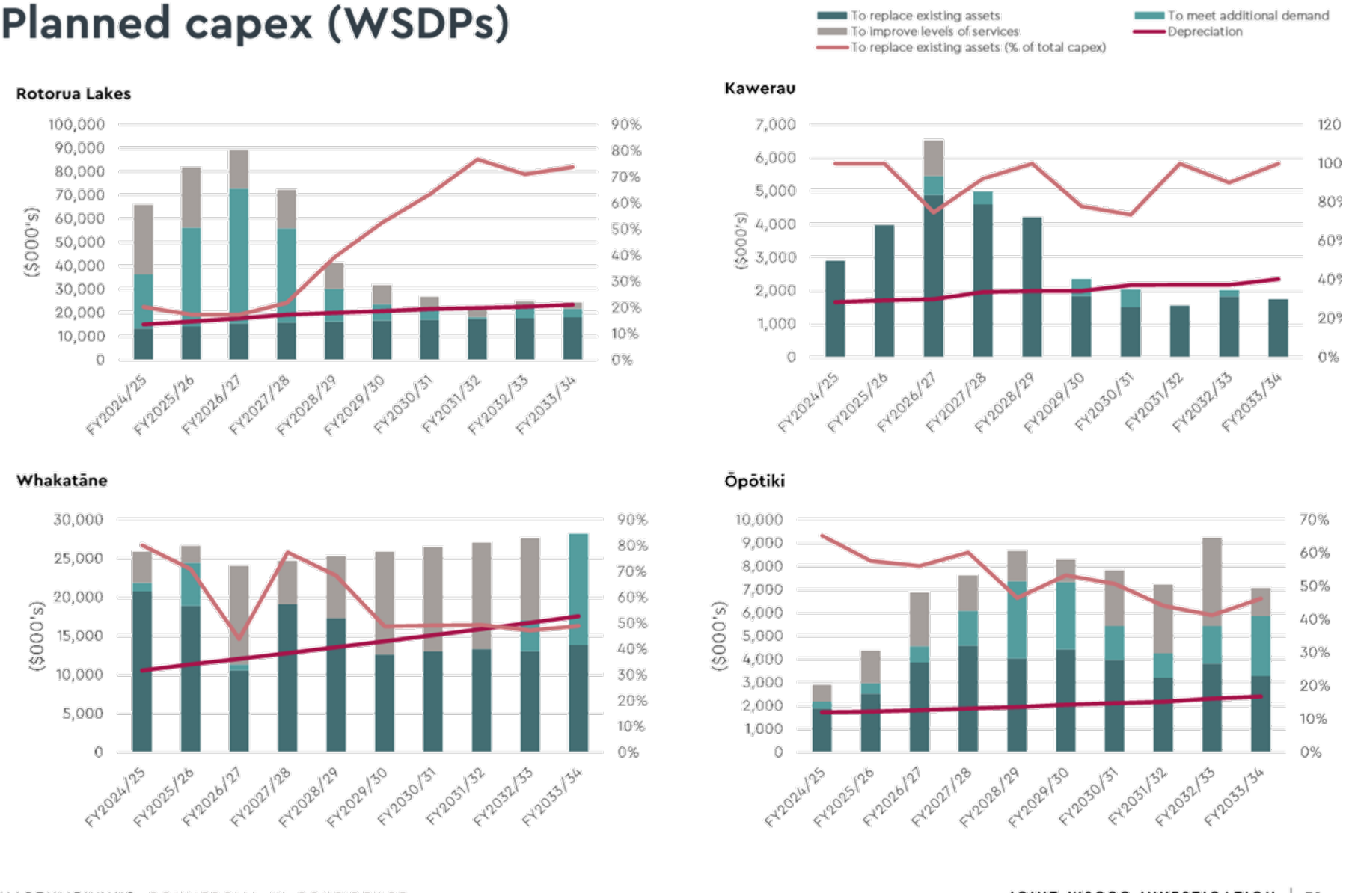
Ōpōtiki

Ōpōtiki plans to invest $69.96 million in water services from 2025–2034, driven by regulatory compliance, asset renewals, and growth in the Hukutaia area. More than half of the planned investment is for wastewater to meet additional demand, improved levels of service and renewals requirements.

The investment is staged and peaks in the late 2020s, with a focus on critical upgrades and affordability management.

The investment profile represents a significant uplift compared with historic capital delivery levels with only 41% of planned investment being delivered between 2019 and 2025. To improve future capex delivery, ŌDC plans to strengthen its asset management framework, deliver a clear programme improvement plan, and provide strong assurance through a well-defined, forward-looking work programme. This will be supported by clear and accessible procurement processes and by building positive relationships with contractors.

Planned capex (WSDPs)



Historic capex (WSDPs)

Actual investment as a percentage of planned investment in water services

	FY25	FY22 - FY24	FY19 - FY21	Total
Rotorua Lakes	78%*	112%	84%	96%
Whakatāne	101%	79%	94%	88%
Kawerau	138%	77%	119%	94%
Ōpōtiki	25%	54%	33%	41%

* Calculated using actual investment from RLC annual report as not reported in the WSDP.

Net debt-to-revenue for water services (WSDPs)

Net debt-to-revenue for water services compares water-related debt against water services revenue, such as rates and charges.

Councils usually operate within relatively conservative debt-to-revenue limits to protect overall financial sustainability. These limits reflect the need to balance borrowing with funding for a wide range of services. LGFA covenants are typically set at 280% of operating revenue for councils that have a credit rating, and 175% for councils that do not.

Water activities typically operate with higher leverage than non-water council activities, due to their capital-intensive nature.

Projected net debt-to-revenue for water services

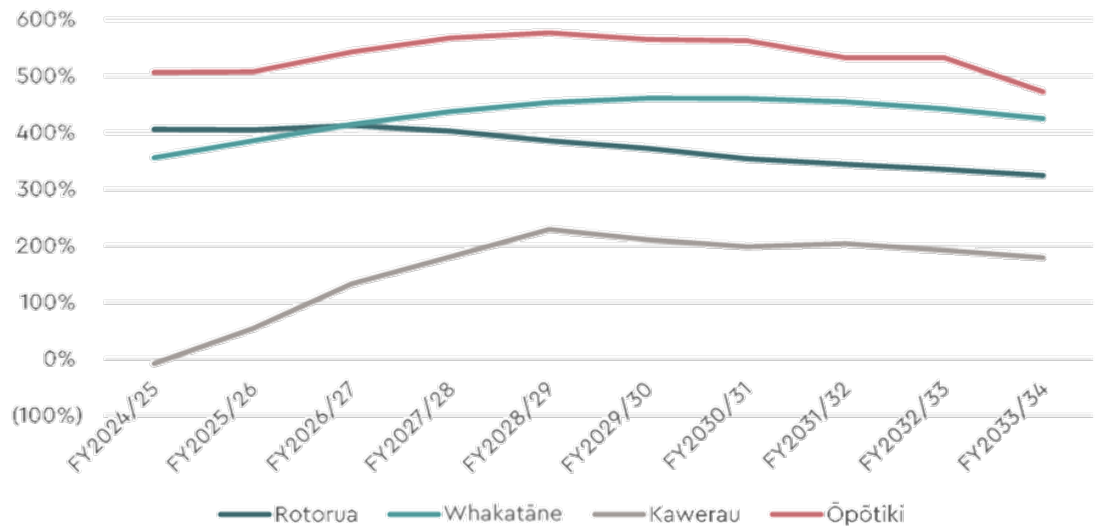
Kawerau demonstrates the most conservative debt profile among the four councils, with net debt to operating revenue peaking at 229% in FY29, then coming down to 179% by FY34.

Rotorua Lakes has the highest absolute debt levels because of its size but maintains a strong revenue base to support borrowing. Net debt-to-revenue peaks at 413% (FY27), then declines to 324% by FY34.

Whakatāne faces substantial debt burdens with limited headroom, though debt levels remain within LGFA limits. Net debt-to-revenue rises from 355% (FY25) to peak at 461% in FY30, declining modestly to 425% by FY34.

Ōpōtiki faces the most acute debt stress, with net water debt-to-revenue peaking at 576% in FY29, falling to 472% by FY34. This indicates the in-house delivery model is only sustainable if whole-of-council debt headroom is used, which may impact council's ability to invest in other services.

Net debt-to-revenue – three waters only



Affordability (WSDPs)

Affordability of water charges

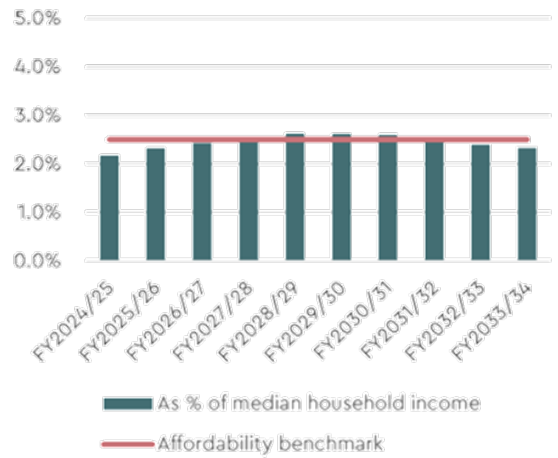
A common international benchmark for water affordability is total annual user charges divided by median household income. This measure was adopted by the Department of Internal Affairs in the template for Water Services Delivery Plans. A threshold value of 2.5% of median household income is typically used to indicate when water charges are beginning to become unaffordable.

Based on projections in each council's WSDP, Kawerau remains below this threshold over the next 10 years (Kawerau used mean rather than median household income in its WSDP). Rotorua Lakes exceeds the threshold by a small amount in the mid years, but is again below by FY33.

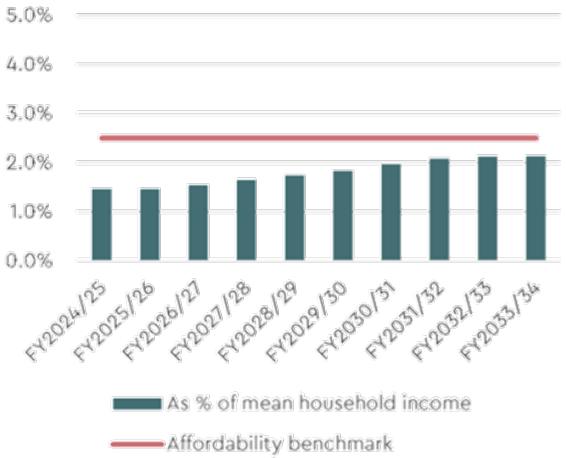
Whakatāne has affordability challenges, exceeding the threshold in 2027/28 and increasing over the remaining period of the WSDP. Ōpōtiki also has a significant affordability challenge, with the threshold breached in every year of the WSDP, nearing 5% by FY34. Both Whakatāne and Ōpōtiki project affordability challenges rising more sharply following the years covered by the WSDP (this was not reported by Rotorua Lakes or Kawerau).

Direct comparisons of affordability reported in WSDPs should be treated with care as the calculations are not based on the same underlying data. For example, as noted above, Kawerau used mean (rather than median) household income data, which presents a more favourable view of affordability. In later sections we adopt median household income as a consistent basis for assessing affordability.

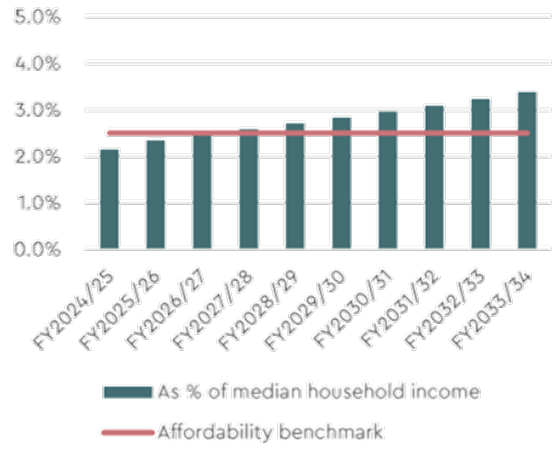
Rotorua Lakes



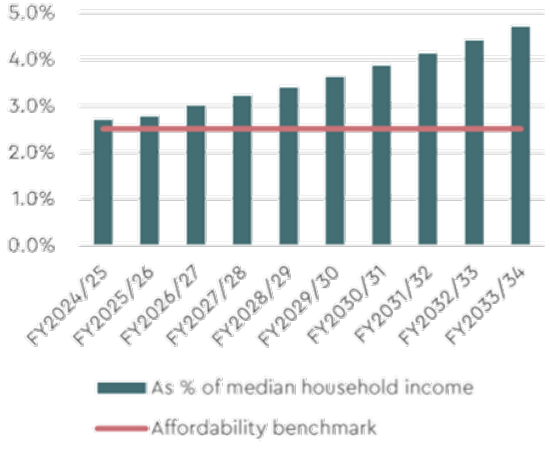
Kawerau



Whakatāne



Ōpōtiki



Risks and challenges

Common across councils

- Ability to prepare for or respond to impacts of geography, natural hazards & climate change – *seismic, geothermal, river flooding, coastal flooding, lake levels and water quality, increasing number of significant rainfall events*
- Increasing costs of statutory and regulatory compliance – *new wastewater standards, ID requirements, new planning and reporting requirements (separate to current processes)*
- Potential for additional regulatory requirements not accounted for (stormwater, economic)
- Workforce challenges – employees, contractors given increased competition from neighbouring districts and regions
- Constrained ability to deliver large planned capital programmes
- Vulnerability to rising costs and supply chain constraints
- Capital goods inflation impact on capex project outturns and asset values, flowing into higher depreciation and renewals costs

Council specific

Rotorua Lakes

- Limited asset condition and information for stormwater networks
- Expiring water take consents may not be renewed at current volumes
- Increased stormwater compliance costs (CSC)
- No metering planned for urban residential – may be a future requirement

Whakatāne

- Consistent drinking water compliance
- Consent renewals, potential upgrade requirements (and renewals backlog)
- Affordability challenges – increasing after 10 years
- Deferred investments for renewals/upgrades and growth
- Minimal debt headroom
- No ability to address unforeseen costs before 2048

Kawerau

- Reliance on industrial customers – financial sustainability vulnerable to business closure or relocation

Ōpōtiki

- Consistent drinking water compliance
- Consistent environmental compliance
- Consent renewals, potential upgrade requirements
- Significant affordability challenges – increasing after 10 years
- Persistent borrowing shortfall for water up to FY33, could impact ability of council to invest in other services if need to use council headroom.
- Deferred investments – growth

Assessing water services delivery options

How we assessed the options

Approach

This investigation has assessed three alternative water service delivery models against a set of seven strategic objectives agreed by the Waters Working Group and reflecting council priorities and the statutory and regulatory requirements for water services.

The options assessment moved through three steps:

- a high-level assessment tested all three options against the strategic objectives, with two carried forward for detailed analysis – the service delivery-only WSCCO (contracted service provider) was discounted at this point
- the WWG considered whether the options should be assessed on a two waters (drinking water and wastewater) or three waters (inclusive of stormwater) basis, and confirmed a three waters scope
- the two shortlisted options, in-house delivery and an asset owning WSCCO, were taken through a full assessment against each strategic objective, including detailed financial modelling.

How this section is structured

This section follows the sequence of the investigation, starting with the objectives that framed the work and ending with the preferred model.

- Strategic objectives. The seven objectives that frame the assessment and what each one covers.
- The three options considered. A short description of the in-house, asset-owning and service delivery-only models.
- High-level assessment and shortlisting. How the three options performed against the objectives and why the service delivery only WSCCO was discounted.
- Two waters or three waters. Why stormwater was assessed separately and the case for a three waters model.
- Detailed financial comparison. Capital and operating expenditure, revenue, debt and price path modelling for the two shortlisted options.
- Detailed assessment against objectives. Side-by-side analysis of in-house delivery and the asset owning WSCCO against each strategic objective.
- Summary and recommendation. The preferred model and the basis for that recommendation.

Supporting information

The analysis in this section draws on a body of work the WWG considered over the course of the investigation. Each piece was developed by the project team, refined with the Steering Group, then taken to the WWG for testing and direction.

This section includes summary material but does not repeat these in full. Readers who want the full underlying analysis on any topic should refer to the published papers from the relevant WWG meeting, or the two companion reports:

- Financial Assessment
- Stormwater Options.

Strategic objectives – the basis of our options assessment

The WWG agreed a set of strategic objectives to reflect councils' priorities alongside the statutory and regulatory requirements for water services delivery. These were shared with each council in workshops in March 2026 and refined on the basis of feedback. The assessment of options considers the degree to which each service delivery model meets these strategic objectives.

- Efficient and financially sustainable delivery of water services for the communities of the District, now and into the future
- Protects and promotes public health and the environment - meeting regulatory requirements
- Water services are resilient to natural hazards, seismic risk and climate change
- Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery
- Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of the District
- Council obligations to hapū and iwi are valued and honoured
- Impact on remaining council operations and viability

Strategic objectives – the basis of our options assessment
(1/2)

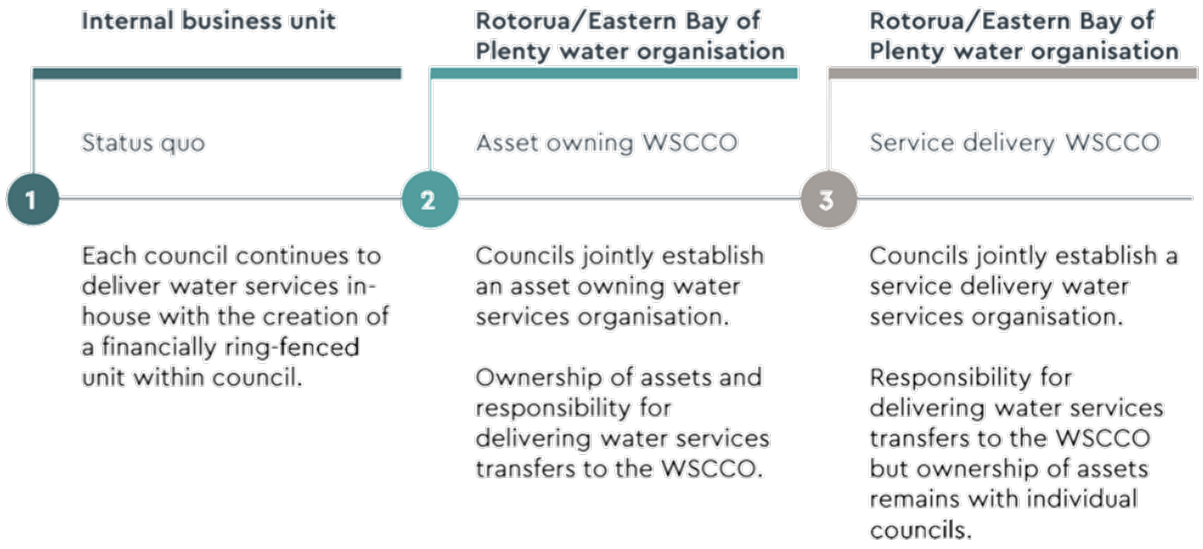
Strategic objective	Key Elements
Efficient and financially sustainable delivery of water services for communities, now and into the future	• **Financial sustainability**, a requirement under the new legislation incorporates: – **revenue sufficiency** – water charges generate sufficient revenue to meet the full costs of service delivery including opex, interest and depreciation – **financing sufficiency** – Council must be able to raise the borrowing required to finance investment and generate the cash surpluses required to repay debt as it falls due, and – **resource sufficiency** – the future model will have sufficient resource to operate water services sustainably, and the management of those resources is effectively and efficiently undertaken. • **Ring-fencing:** Councils will be required to prepare separate financial statements for each water activity group, and for water services as a whole. • Operate in accordance with best commercial and business practices.
Protects and promotes public health and the environment – meeting regulatory requirements	• **Investment sufficiency**: Councils undertake the investment they need to maintain existing assets, meet regulatory requirements, and provide for seasonal demands, consistent with current asset management plans including: – maintaining compliance with drinking water standards – maintaining good standards of environmental protection, and – anticipating and planning for meeting national standards and resource consent requirements.
Water services **are resilient to natural hazards and climate change**	• Investment sufficiency to **meet current and future resilience needs, including risks from climate change and natural hazards** • Appropriate level of **financial capacity to respond to unexpected shocks**. • Enable **effective response to emergencies** and natural disasters
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• **Support integrated planning and decision-making** around rural and urban water network planning, including **supporting housing growth and urban development and managing peak (seasonal) demand.** • **Coordination with wider district and infrastructure planning** to align water services planning effectively and efficiently.

Strategic objectives – the basis of our options assessment
(2/2)

Strategic objective	Key Elements
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• **Affordability** – the projected increase in water charges is affordable for the community (now and future generations). • **Appropriate levels of service**, including how these are reflected in differential charges, ensuring equitable access. • **Strength of mechanisms for local voice and influence provided** for in the model, including how council interests are represented and how customers are engaged in decisions relating to service levels, investment and pricing. • **Act in best interests of present and future consumers and communities**. • **Fit for purpose** – delivering only what is necessary to meet the specific needs of the community, without excess (that is, value-for-money).
Council obligations to hapū and iwi are valued and honoured	• Giving effect to **Council's responsibilities and obligations arising from Treaty settlements**. • Strength of processes and mechanisms for **engaging with hapū and iwi to ensure meaningful participation** in water services decision-making and delivery. • Councils recognise the mana of tāngata whenua.
Impact on remaining council operations and viability	• Councils understand the impacts on the ongoing viability and sustainability. • Asset and debt transfer leaves council in a financially sound position.

Options that were considered

These options were identified for investigation by councils in the Heads of Agreement.



A fourth option was identified in the Heads of Agreement: a service delivery WSCCO that could also deliver other services for the four councils. This option has not been taken forward for further assessment as water organisations are not legally permitted to carry out any other activities. This option would not be viable under the current legislation.

Options assessed

Options:	1 Internal business unit *Status quo*	2 Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)	3 Rotorua/Eastern Bay of Plenty water organisation – service delivery only (WSCCO)
Description:	Creation of a financially ring-fenced unit within council.	Councils jointly establish an asset owning water services organisation.	Councils jointly establish a water services organisation but retain ownership of assets.
Who owns the organisation?	• Single council-owned as internal business unit – no new organisation is established	• Ownership shared across councils.	• Ownership shared across councils.
What are the governance arrangements?	• Internal business unit responsible to council through established mechanisms under Local Government Act 2002.	• Councils appoint members to a shareholder group, which appoints a competency-based Board, issues the Statement of Expectations, oversees performance.	
Who decides levels of service and investment intentions?	• Council (elected members) determine levels of service and investment and are responsible for ensuring regulatory compliance. • Councils must prepare Water Services Strategy	• Shareholders issue combined Statement of Expectations which may include matters related to service levels and investment. • WSCCO develops Water Services Strategy and budgets to give effect to the Statement of Expectations and meet regulatory compliance.	• Shareholders issue combined Statement of Expectations which may include matters related to service levels and investment. • WSCCO develops Water Services Strategy and budgets to give effect to the Statement of Expectations and meet regulatory compliance. • Shareholders make pricing, investment and funding decisions by requiring final approval of the water services strategy (including financial forecasts and budgets)
Who undertakes strategic planning and delivery?	• Council remains responsible for planning and delivery, working with private suppliers and contractors.	• WSCCO responsible for strategic planning and delivery, in line with Water Services Strategy, working with private suppliers and contractors where appropriate	• WSCCO develops the Water Services Strategy for approval by shareholders and is responsible for delivery in line with the WSS, working with private suppliers and contractors where appropriate.
What are the mechanisms for accountability?	• Accountability for water services to the public through usual local democratic processes. Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council. • A Water Services Strategy and annual report will be completed to enhance current requirements, and requirement to meet Information Disclosure requirements	• WSCCO must prepare water services annual report and at least half-yearly reports to shareholders (shareholders accountable to community). • WSCCO must give effect to SoE and act consistently with statutory objectives. • Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council.	

Options assessed

Options:	1 Internal business unit *Status quo*	2 Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)	3 Rotorua/Eastern Bay of Plenty water organisation – service delivery only (WSCCO)
Description:	Creation of a (financially) ring-fenced unit within council.	Councils jointly establish an asset owning water services organisation.	Councils jointly establish a water services organisation but retain ownership of assets.
What are the mechanisms for hapū and iwi representation and influence?	• Representation and influence exercised directly with Council members and management within existing structures and Council capacity/capability • Existing mechanisms (MOUs, partnership agreements, Treaty Settlement obligations) in place	• Representation and influence, including on strategic matters, can be designed as part of establishment through range of mechanisms (Statement of Expectations, representative fora) • Existing obligations, including Treaty settlement obligations, would need to be explicitly provided for through new or adapted mechanisms	• WSCCO would have no direct mandate to engage on strategic matters. Therefore, iwi and hapū influence over WSCCO would be via Councils • Existing obligations, including Treaty settlement obligations would need to be explicitly provided for through new or adapted mechanisms
What are the mechanisms for local voice and influence?	• Access to councillors through current mechanisms, consultation on Water Services Strategy.	• Shareholders set local engagement mechanisms during design and establishment of WSCCO. • Shareholders may require public consultation on WSS	• Shareholders set local engagement mechanisms during design and establishment of WSCCO. • Shareholders would need to consult with the public on WSS.
Who owns the assets?	• Assets remain with council.	• Councils transfer ownership of assets. • If choice is not to transfer stormwater, councils could contract services from WSCCO.	• Assets remain with council. This may necessitate contractual arrangements for operations, maintenance and new capital delivery, where the WSCCO does not own the assets.
Who employs staff?	• Staff remain employed by individual council	• Staff substantively delivering water services would transfer to and be employed by the WSCCO.	
How is investment funded / financed?	• Councils borrow within existing LGFA limits (175% debt-to-revenue for unrated to 280% for rated councils), meaning water investment competes with other council priorities. • Water-related debt remains on council balance sheets, reducing flexibility for other services and resilience investments. • Balanced budget rules require full depreciation funding, placing pressure on current ratepayers and limiting ability to spread costs over time.	• WSCCO may borrow directly from the LGFA. Covenants differ to that of councils, using "FFO" (funds from operations), roughly equivalent to ~500% debt-to-revenue, significantly increasing investment capacity compared to councils. • Debt is held by the WSCCO, freeing up council borrowing headroom for other priorities. • Councils must provide a guarantee (e.g., uncalled capital), but water debt is ring-fenced and treated separately from council finances.	• Councils borrow within existing LGFA limits (175% debt-to-revenue for unrated to 280% for rated councils), meaning water investment competes with other council priorities. • Under this option, water-related debt would remain on council balance sheets, reducing flexibility for other services and resilience investments. • Balanced budget rules require full depreciation funding, placing pressure on current ratepayers and limiting ability to spread costs over time.

Shortlisting the options

Determining the options to take forward for detailed assessment

How we shortlisted the options

Legend: Consistent with objective but has some risks | Moderate alignment to objective(s) | Stronger alignment to objective(s)

The three delivery models identified in the Heads of Agreement, in-house delivery, an asset owning WSCCO, and a service delivery only WSCCO, were tested against the seven strategic objectives. The purpose of this step was to identify which options warranted more detailed analysis.

How the options were assessed

The assessment drew on information about current council service delivery, financial information in council's WSDPs and our understanding of the legislative and regulatory context.

Each option was rated against each strategic objective using a three-point scale (shown on the right). The ratings were tested with the Steering Group and the WWG through workshops over the course of the investigation.

The assessment also considered other important factors alongside the strategic objectives, including strategic focus, governance, accountability, and workforce implications.

Results of the assessment

The heat map below summarises the ratings for each option and the next pages set out the key advantages and disadvantages of each option, and the basis on which the service delivery only WSCCO was discounted.

Supporting information

The full high-level assessment was discussed at the WWG's April meeting. Readers wanting further detail should refer to the published papers from that meeting.

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)	Rotorua/Eastern Bay of Plenty water organisation – service delivery only (WSCCO)
Efficient and financially sustainable delivery of water services			
Protects and promotes public health and the environment			
Resilient to natural hazards and climate change			
Integrated water services and infrastructure planning			
Affordable, fit for purpose service to consumers and communities			
Council obligations to hapū and iwi are valued and honoured			
Impact on remaining council operations and viability			

Summary of high-level options assessment

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
1 **Internal business unit** *Status quo*	Council wants least change to status quo and is confident it can meet new LWDW requirements in the medium- to long-term. Council doesn't consider advantages of a joint model are strong enough compared to their own in-house delivery model.	• Ease of implementation, and ongoing flexibility. • Integrates well with existing council functions and infrastructure planning. • Unlikely to create stranded costs or adverse impacts on rest of council.	• Potential future affordability and capital delivery challenges. • Additional investment in climate and resilience initiatives likely to present affordability challenges. • Any unexpected water-related costs could impact council ability to invest in other services. • Potential workforce attraction and retention risks, exacerbated if neighbouring councils form a larger entity. • Does not provide any scale economies.
2 **Rotorua/Eastern Bay of Plenty water organisation – asset owning** (WSCCO)	Mutual benefits to Councils collectively from partnering to establish a joint organisation and Council is confident in design of representation, ownership and governance arrangements, and ability for communities to engage and for local voice to be heard.	• Scale efficiencies likely to be greatest under this option. • Potential integration with neighbouring councils to better manage environmental compliance and spatial planning. • Access to debt, and longer-term financing to address future challenges and affordability. • Improved ability to attract and retain workforce.	• Current uncertainty about the design of the model, including mechanisms for agreeing shared priorities and expectations across councils and engaging with hapū and iwi. • Stranded costs are likely (but may be mitigated through careful transition planning). • Potential for diseconomies of scope (e.g., loss of integration with spatial planning, transport). • Higher costs and timeframe for implementation
3 **Rotorua/Eastern Bay of Plenty water organisation – service delivery only** (WSCCO)	Council wishes to retain control over investment and pricing, while seeking benefits from strategic focus and potential operational scale efficiencies, and council is confident that potential disadvantages of distributed accountabilities and potential diseconomies of scope can be managed.	• Potential integration with neighbouring councils to better manage environmental compliance and spatial planning. • Potential scope for operating and capital efficiencies, dependent on scale. • Improved ability to attract and retain key staff but raises questions about local service levels.	• Distributed accountabilities between shareholding councils and service delivery only WSCCO likely to lead to sub-optimal outcomes. • Does not provide any additional access to debt over status quo, and may limit council ability to invest in other services. • Potential for diseconomies of scope (e.g., loss of integration with spatial planning, transport). • Stranded costs are likely (but may be mitigated through careful transition planning).

Shortlisted options

The initial high-level strategic assessment considered how the three service delivery options perform against the strategic objectives agreed by councils.

The analysis confirmed that all are capable of delivering on the strategic objectives, in the short-term at least, albeit through different strengths and trade-offs.

The in-house model offers strong alignment with local planning, direct community accountability, and continuity of existing iwi and hapū relationships.

However, it presents significant and growing challenges in terms of long-term financial sustainability, particularly for councils facing affordability constraints and limited borrowing capacity.

The asset-owning WSCCO model demonstrates the greatest potential to deliver long-term financial sustainability, resilience, and regulatory compliance through enhanced access to capital, economies of scale, and professionalised service delivery. It offers a platform for strengthened regional coordination and the opportunity to embed iwi and hapū partnerships through representative arrangements.

OPTIONS	SHORTLIST?
1 **Internal business unit** *Status quo*	**Yes** – the current delivery models meet statutory requirements over the next 10 years, with approved WSDPs in place for each council. Longer term sustainability is very challenging.
2 **Rotorua/Eastern Bay of Plenty water organisation – asset owning** (WSCCO)	**Yes** – potential for strong future benefits. Detailed financial comparisons and development of possible governance and representation mechanisms will allow fuller consideration of the relative advantages and disadvantages of this option.
3 **Rotorua/Eastern Bay of Plenty water organisation – service delivery only** (WSCCO)	**No** – limited economies of scale, complex accountability arrangements and no investment or financing advantages.

However, it requires careful design to ensure local voice, planning alignment, and Treaty settlement obligations are upheld.

While the service delivery-only WSCCO may deliver some efficiencies, it does not address the core financial and investment challenges facing councils. It introduces additional complexity in governance and accountability without the full advantages of asset consolidation and greater borrowing capacity. As such, it is unlikely to represent a fit-for-purpose or sustainable long-term solution.

Based on this assessment, the WWG endorsed recommendations that:

- councils **proceed to a more detailed comparative analysis of the in-house** (as the status quo) and **asset-owning WSCCO models**, including financial modelling and economic analysis, and options for ownership, representation, and governance arrangements
- the **service delivery-only WSCCO model be discounted** from further consideration at this stage, given its limited ability to meet the full suite of strategic objectives.

Considering stormwater

Determining whether to include stormwater in the detailed assessment of a possible joint WSCCO

Stormwater – in or out?

1 of 2

Before comparing the two shortlisted options in detail, the WWG considered whether the assessment would be on a two waters or three waters basis.

Why stormwater is different

Unlike drinking water and wastewater, stormwater is not a closed network. Stormwater behaves as a catchment-wide system rather than a contained network. Engineered assets (e.g. pipes, drains, pump stations) are only part of the picture, with roads, reserves and overland flow paths all carrying water, and performance shaped heavily by land use and surface cover.

Stormwater also has strong public good characteristics, with benefits shared across communities rather than tied to individual users.

For these reasons, it is typically funded and charged differently from the other two waters

The Local Government (Water Services) Act 2025 provides flexibility on how stormwater is delivered, with councils remaining accountable but able to keep delivery in-house, contract it to a water organisation, or transfer responsibility for it fully. Asset ownership can also be separated from service responsibility.

For these reasons, the WWG agreed stormwater warranted a specific decision within the wider investigation.

How we assessed the options

This investigation assessed three options: stormwater stays with council alongside a two waters WSCCO; council retains responsibility but contracts delivery to the two waters WSCCO; or council transfers both responsibility and delivery, with engineered assets moving to the WSCCO and mixed-use land staying with councils.

Option	Asset ownership	Service delivery
Stormwater stays with council	Council	Council
Council retains responsibility, contracts delivery	Council	2W WSCCO
Stormwater transfers to WSCCO	WSCCO (engineered assets)	3W WSCCO

The options were assessed against the same seven strategic objectives used for the wider comparison, drawing on information about current council service delivery, the updated regulatory context, delivery model choices made by other councils around the country, and our knowledge of the benefits and trade-offs of each approach.

The assessment was tested with the Steering Group and the WWG through workshops over the course of the investigation.

The following pages set out a summary of the options assessment, describing the key advantages and disadvantages for each, and the decision to progress the investigation on the basis of a three waters WSCCO.

Stormwater – in or out?

2 of 2

Results of the assessment

The heat map here summarises the ratings for each option and the next pages set out the key advantages and disadvantages of each option, and the basis on which a three waters WSCCO was chosen for further analysis.

Supporting information

The full analysis sits in the stormwater options companion report. Readers wanting the underlying detail should refer to that document

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Efficient and financially sustainable delivery of water services			
Protects and promotes public health and the environment			
Resilient to natural hazards and climate change			
Integrated water services and infrastructure planning			
Affordable, fit for purpose service to consumers and communities			
Council obligations to hapū and iwi are valued and honoured			
Impact on remaining council operations and viability			

Summary assessment of stormwater options

1 of 2

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
1 **Stormwater stays with council**	Ease of integration with other council planning processes is a priority. Council is confident it can meet requirements for SW (including financial sustainability and regulatory compliance) in the medium- to long-term and can mitigate workforce attraction and retention risks. Council doesn't consider advantages of 3W CCO are strong enough compared to a 2W CCO with stormwater delivery in-house.	• Easy to integrate stormwater planning with key council strategic planning processes, including spatial, land use and emergency management. • Unlikely to create stranded costs or adverse impacts on rest of council in relation to stormwater • Maintains flexibility if councils want to reconsider stormwater delivery models in future.	• Potential workforce attraction and retention risks, competing for similar skills with 2W CCO and other nearby WSCCOs. • Additional costs due to duplication of planning and reporting requirements • Council and WSCCO would need to coordinate response to emergency events where cross-contamination occurs across different water systems • Potential for confusion for customers as to who is responsible • Potential future affordability and capital delivery challenges. • Additional investment in climate and resilience initiatives may present affordability challenges. • Unexpected stormwater-related costs could impact council ability to invest in other services. • Does not provide any scale economies.
2 **Council retains responsibility and contracts delivery of stormwater**	Council wishes to retain control over planning, investment and pricing for SW, while seeking benefits from potential operating and capital efficiencies. Council is confident that potential disadvantages of distributed accountabilities and reliance on council debt limits can be managed.	• Easy to integrate stormwater planning with key council strategic planning processes, including spatial, land use and emergency management. • Potential scope for operating and capital efficiencies, dependent on scale. • Improved ability to attract and retain key staff (delivery-focused).	• Distributed accountabilities between shareholding councils and service delivery only WSCCO likely to lead to sub-optimal outcomes. • Stranded costs are likely (but may be mitigated through careful transition planning). • Council will need to retain capability for planning, investment and pricing decisions. • Potential for confusion for customers as to who is responsible • Potential future affordability challenges. • Additional investment in climate and resilience initiatives may present affordability challenges. • Unexpected stormwater-related costs could impact council ability to invest in other services.

Summary assessment of stormwater options

2 of 2

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
3 **Council transfers responsibility for and delivery of stormwater**	Integrated asset management and delivery across three waters is a priority. Council seeks potential operating and capital efficiencies, and access to debt and longer-term financing for stormwater investments.	• Clarity for customers with only one water services provider. • Aligns decision making and incentives for asset stewardship and effective and efficient operations. • Ease of integrated asset management and delivery across three waters. • Scale efficiencies likely to be greatest under this option. • Potential integration with neighbouring councils to better manage environmental compliance and spatial planning. • Access to debt, and longer-term financing to address future challenges and affordability. • Improved ability to attract and retain workforce.	• Current uncertainty about the design of the model, including mechanisms for agreeing shared priorities and expectations across councils and engaging with hapū and iwi. • Stranded costs are likely (but may be mitigated through careful transition planning). • Potential for diseconomies of scope (e.g., loss of integration with spatial planning, transport). Will require agreed ways of working together. • Higher costs and timeframe for implementation (though likely not significantly different to costs for setting up a 2W CCO).

Stormwater – included in a joint WSCCO

This assessment has considered how the three stormwater service delivery options perform against the strategic objectives agreed by councils and other important considerations.

Option 1, where **councils retain responsibility for and delivery of stormwater services,** retains strong local control and integration with land-use, transport, and emergency planning. However, it duplicates regulatory and reporting requirements and may create funding, workforce, and delivery risks for council. It would also potentially create confusion for customers with two water service providers delivering different water services in the district. Over time, constrained debt capacity and capability challenges are likely to limit affordability, resilience, and regulatory performance.

Option 2, where **councils retain responsibility but contract delivery of stormwater services**, offers some operational and workforce benefits from WSCCO scale while preserving Council control over planning and investment. However, split accountability increases governance complexity and risks blurred responsibility for outcomes. Stormwater funding and debt remain with Council, meaning long-term affordability and investment constraints largely persist.

Option 3, where **responsibility for and delivery of stormwater services transfers to the WSCCO,** provides the strongest ability to ensure long-term financial sustainability, regulatory compliance, and climate resilience through scale, specialist capability, and enhanced borrowing capacity. Integration across three waters simplifies accountability for customers and supports efficient asset management. While it requires careful governance design to protect local priorities and iwi/hapū relationships, these risks should be manageable through transition and shareholder arrangements.

Based on this assessment, the WWG endorsed the recommendation that **a joint asset-owning three waters WSCCO is the preferred model, to be further developed and assessed through subsequent stages of the project.** Under this option, responsibility for and delivery of stormwater services would transfer to the WSCCO, as would ownership of engineered stormwater assets, while councils would retain ownership of mixed-use assets (including reserve land) used for stormwater purposes (e.g., detention ponds or overland flow paths on parks and reserves). Councils and the WSCCO would collaborate on preparation of the Stormwater Network Risk Management Plan, given councils retain responsibility for land use planning and stormwater bylaws.

Key financial comparisons

Comparing in-house delivery with an asset owning WSCCO

Financial assessment

Local Water Done Well requires water services delivery arrangements to be financially sustainable and able to meet regulatory requirements.

In determining their preferred approach, each council should consider whether their existing service delivery arrangements will continue to meet community expectations regarding levels of service, achieve compliance with future regulatory requirements, and provide for growth, while also ensuring water services remain affordable for ratepayers.

The Local Government (Water Services) Act 2025 requires that:

- revenue and funding is sufficient to sustain long-term investment in water services while meeting all regulatory requirements
- charges for water are ring-fenced and only used to pay the costs of water services
- a water services provider's revenue, funding and expenses are transparent to the public.

How we assessed the options

The financial assessment compared an in-house delivery model with an asset-owning three waters WSCCO over a 25-year period (FY29-FY54).

Two WSCCO scenarios were modelled against the in-house comparator: an increased investment scenario, where the current price path is maintained and additional investment is enabled by the WSCCO's greater borrowing capacity; and an optimised prices scenario, where investment is held at current planned levels and prices are lowered.

In undertaking this analysis, we have relied on financial information and projections provided by each council and have used assumptions developed with and agreed upon by CFOs of participating councils

What the next pages cover

The following pages set out the comparative capital expenditure, operating expenditure, revenue, debt and price path outcomes for in-house delivery and the asset owning WSCCO, over the LTP period and across the full 25-year horizon.

Supporting information

The full analysis, including scenario detail, sensitivities and district-level breakdowns, sits in the financial assessment companion report. Readers wanting the underlying detail should refer to that document.

Summary of key findings

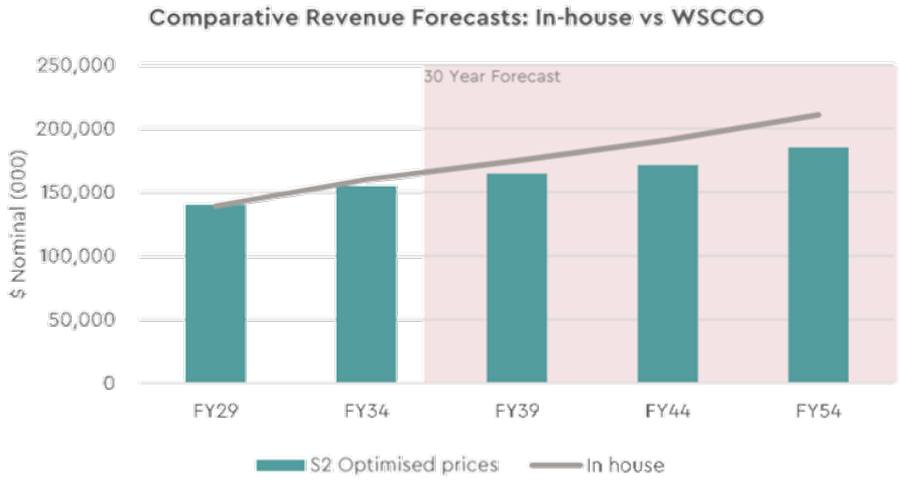
A joint WSCCO would be expected to deliver water services at a lower long-run cost to consumers than individual councils can deliver through current operating models and/or enable greater levels of investment to be delivered within currently projected revenues. Specifically, by FY54, a WSCCO could achieve:

- **Cost efficiencies.** Operating efficiencies are projected to peak at ~11.7% by FY47, delivering ~$180 million in cumulative operating savings to FY54 (~$145 million net of establishment and ongoing incremental costs). Capital efficiencies are projected to peak at ~18.1%, generating ~$185 million in cumulative capex savings - about 11% lower than in-house delivery for the same investment programme.
- **Customer impacts.** Rotorua and Whakatāne consumers are expected to see the largest price reductions (~$5,600 and ~$5,560 cumulative savings per connection to FY54). Ōpōtiki and Kawerau see more modest direct savings (~$1,710 and ~$1,650), but significant benefits would accrue to ratepayers through a reduction in Council debt and lower finance costs. The varied distribution of benefits reflects different starting debt-to-revenue ratios.
- **Council financial flexibility.** A key benefit of the WSCCO is balance sheet separation and capital structure. This creates additional borrowing headroom at the council level, significantly improving financial flexibility and the capacity to manage shocks. For Ōpōtiki and Kawerau, the transfer of water debt to a WSCCO would effectively eliminate council debt, while Whakatāne would also gain significant financial flexibility.

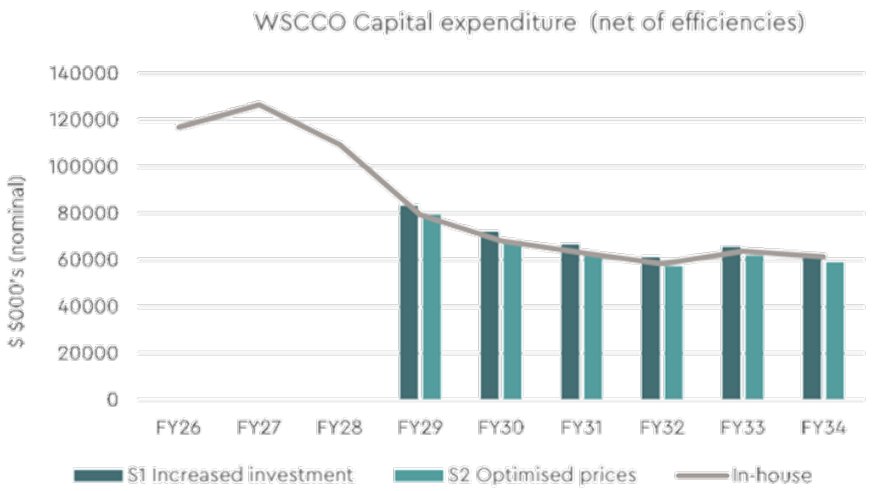
The benefits from the more **efficient capital structure** of the WSCCO model, **combined with the potential for operating and capital efficiencies**, would provide an immediate uplift in borrowing capacity to support required investment; result in fairer intergenerational allocation of costs through funding assets over their useful lives; and enhance investment capacity, infrastructure resilience, and create greater financial capacity for the WSCCO and councils to manage risks and absorb shocks.

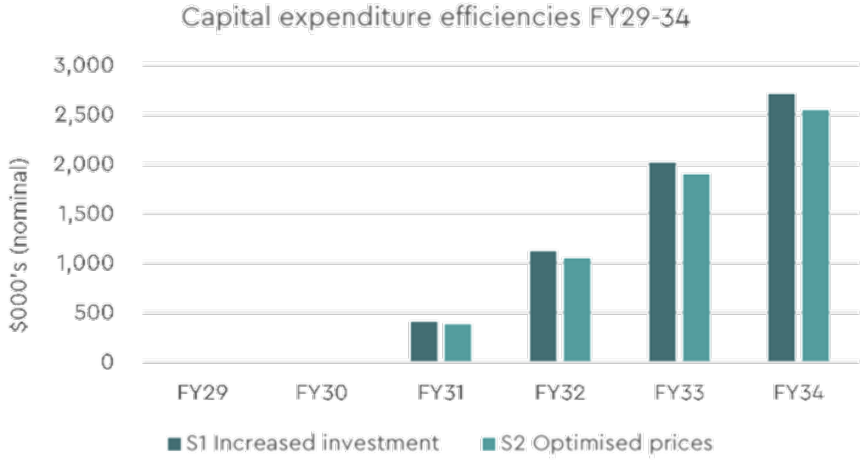
Scenario	Total Savings in water charges per connection (FY29-FY54) ($ real)	Total Capex including efficiencies (FY29-FY54) ($ nominal)	Total Opex including efficiencies (FY29-FY54) ($ nominal)
WSCCO – Optimised Prices	RLC ~ $5,600 WDC ~ $5,560 ODC ~ $1,710 KDC ~ $1,650	~$1,510 million	~$2,120 million
In-house	N.A.	~$1,695 million	~$2,265 million
Cumulative Savings	N.A.	$185 million	$145 million*

* Net of establishment and ongoing incremental costs



Projected capital expenditure





Current Investment Levels

The four councils plan to invest $394 million from FY29-FY34 (being the period of WSCCO operation within the current forecasts).

Investment Scenarios under a WSCCO

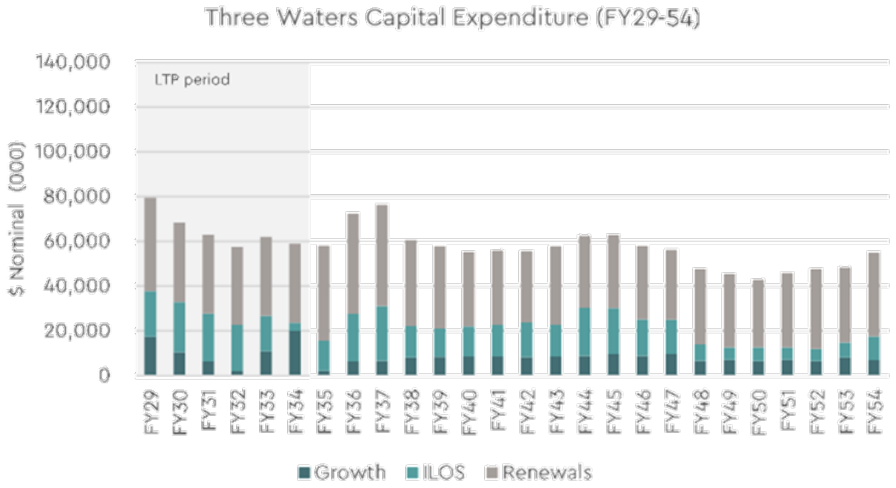
The WSCCO could generate cumulative **capital efficiencies totalling about $6 million by FY34**, meaning the delivery of the same investment for around **$6 million less** than current council arrangements. This should lead to **lower costs for consumers**.

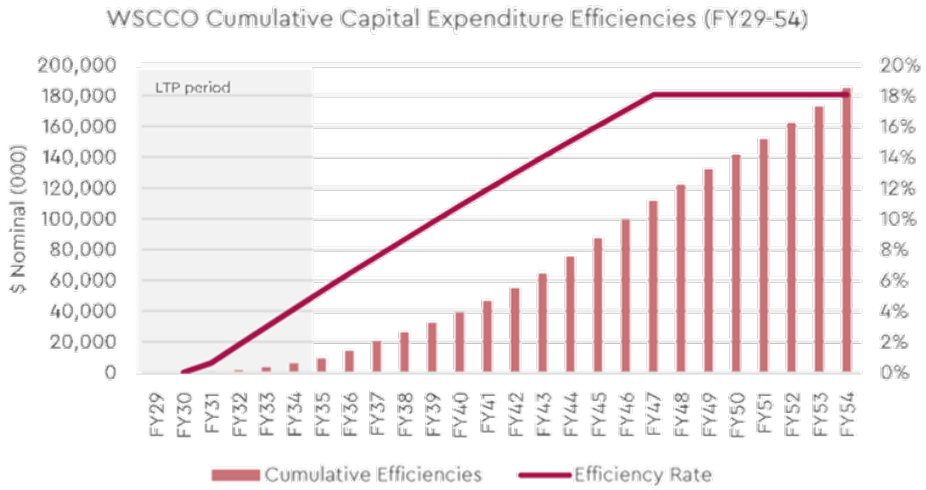
Efficiencies are forecast to reach 4.1% by FY34, which is less than 25% of the peak efficiency rate of 18.1%. By FY54, cumulative efficiencies are much larger, and estimated to total about $185 million over 30 years.

If the **current price path** is maintained, a WSCCO could invest an **additional $17.3 million** between FY29 and FY34, an increase of 4.4% above the in-house forecasts. The absence of 30-year operating cost projections means we are unable to estimate the scope for additional investment over this timeframe, but we expect it would exceed $100 million due to the cumulative efficiencies over this timeframe.

	Total capex including efficiencies (FY29-FY34)	Capex efficiencies (FY29-FY34)
S1-Increased investment	$412 million	~$6.2 million
S2-Optimised Prices	$388 million	~$5.8 million
In-house	$394 million	Nil.

Projected capital expenditure with optimised prices





Current Investment Levels

Based on 30-year Infrastructure Strategies, the four councils plan to invest $1.7 billion in water infrastructure over the FY29–FY54 period. The majority of forecast investment is directed towards renewals (55%), with a smaller proportion allocated to levels-of-service improvements (26%) and growth infrastructure (19%).

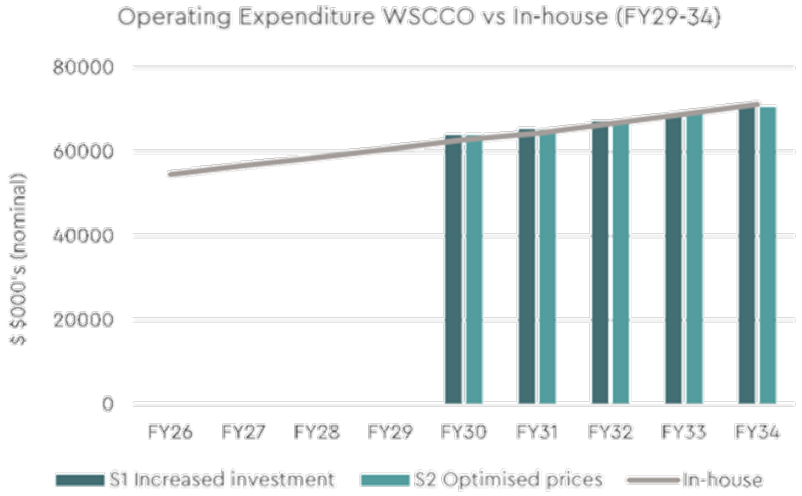
Elevated levels of investment are expected in FY29, FY36–FY37 (Rotorua), and FY42–FY45 (Ōpōtiki) due to major asset replacements and upgrades.

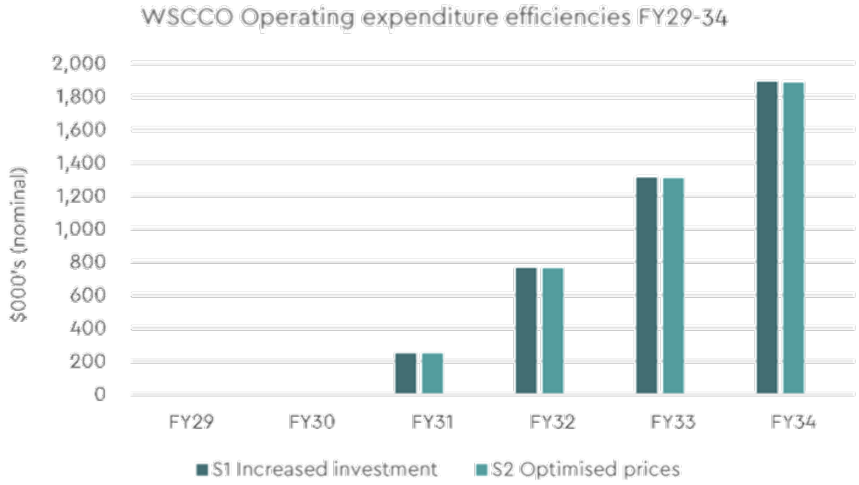
Investment Scenarios under a WSCCO

By achieving modest efficiencies, the WSCCO could generate cumulative **capital efficiencies totalling ~$185 million by FY54**. This equates to being able to deliver the existing capital programme for 11% less than is projected under current in-house delivery models.



Projected operating expenditure





Operating expenditure

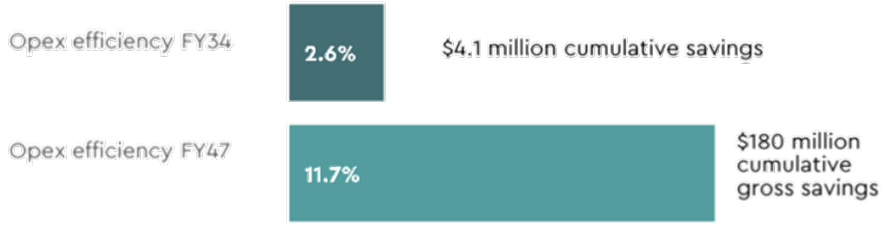
Total operating expenditure is similar across the three scenarios over the LTP period. The additional management and governance costs associated with a WSCCO begin to be offset by the operational efficiencies from FY32.

Efficiency gains are modelled to increase over time, with a two-year ramp-up post-establishment, and the full efficiency benefits reached 15-years thereafter. This means **cost savings will continue beyond the LTP period, delivering significant ongoing savings to communities** (see next page for detail).

Operating efficiencies have been applied only to core operating costs, excluding depreciation and finance costs.

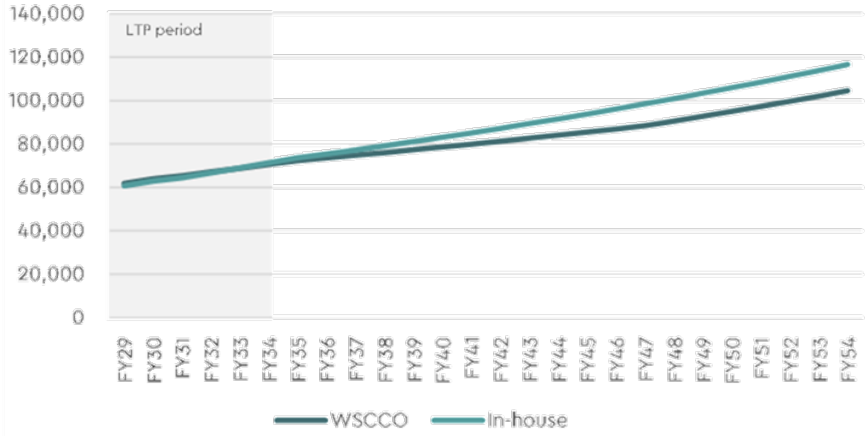
Scenario 1 provides for up to $17 million worth of additional investment, compared with in-house delivery. This creates additional financing and depreciation costs to service this investment. We have assumed this additional capex is primarily directed to improving existing assets and have made a small allowance for consequential operating costs.

	Total Opex including efficiencies (FY29-FY34)	Opex efficiencies (FY29-FY34)
S1 Increased investment	~$398 million	~$4.2 million
S2 Optimised prices	~$397 million	~$4.1 million
In-house	~$395 million	Nil.

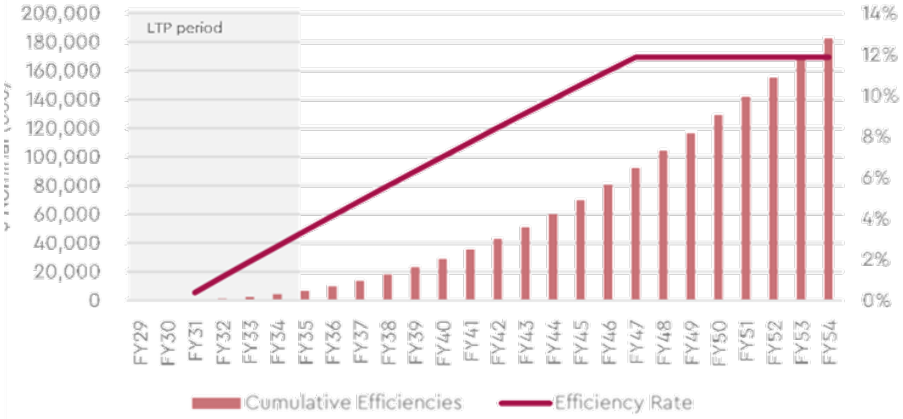


Projected operating expenditure with optimised prices

Operating Expenditure WSCCO vs Status Quo (FY29-54)



WSCCO Cumulative Operating Expenditure Efficiencies (FY29-54)



Operating expenditure

Efficiency gains in a WSCCO are modelled to increase over time, with full efficiency benefits peaking at 11.7% per year in FY47. Over the FY29-FY54 period, cumulative efficiencies result in operating expenditure of ~6% less than in-house delivery. The cumulative operating efficiencies are estimated to total ~$180 million by FY54.

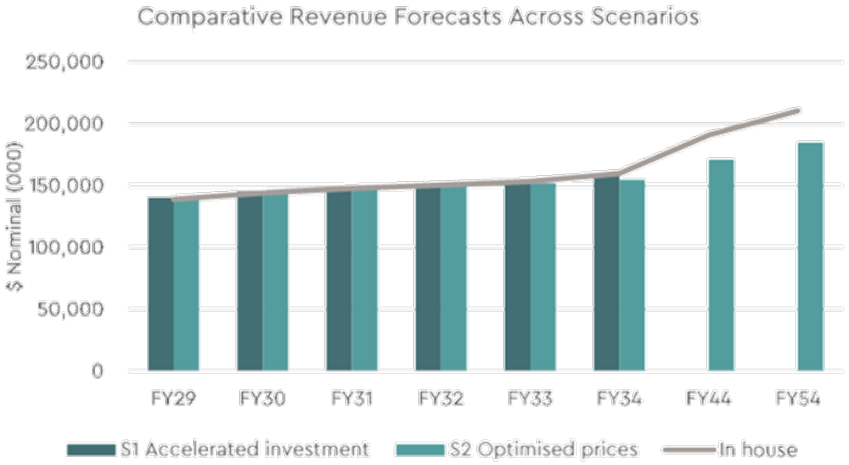
Modelling assumptions

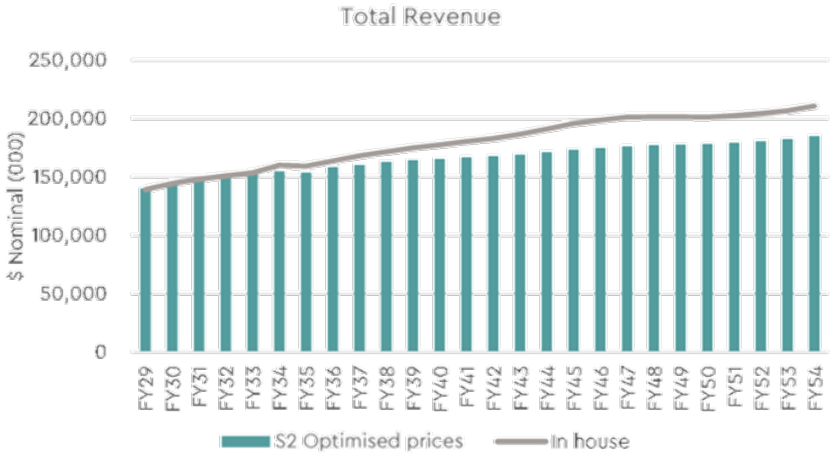
Rotorua provided its own 30-year opex forecasts. For Ōpōtiki, Whakatāne, and Kawerau, operating expenditure was forecast for the period FY34–FY54 using an inflation rate of 3% per year. For Ōpōtiki and Whakatāne, an additional consequential operating expenditure allowance of 1.5% was applied to all growth-related capital expenditure. Kawerau's existing infrastructure network has capacity to capture the expected growth, so no consequential operating cost was included. Finance costs were calculated based on projected debt balances, assuming an interest rate of 5.25%. Refer to the full financial assessment for more detail on assumptions.

	Total Opex including efficiencies (FY29-FY54)	Opex efficiencies (FY29-FY54)
WSCCO scenario	~$2,120 million	~$180 million*
Status Quo	~$2,265 million	N.A.

* After accounting for the additional establishment and ongoing WSCCO costs, the net savings total ~$145 million.

Projected revenues





Determining operating revenues

Under Local Water Done Well, the expectation is that operating revenues pay for operating costs with capital investment funded by capital sources (e.g., borrowing and development contributions).

This means operating revenues (and therefore charges for water services) should be set to recover all cash operating expenses plus a minimum FFO requirement (9%, based on LGFA covenants).

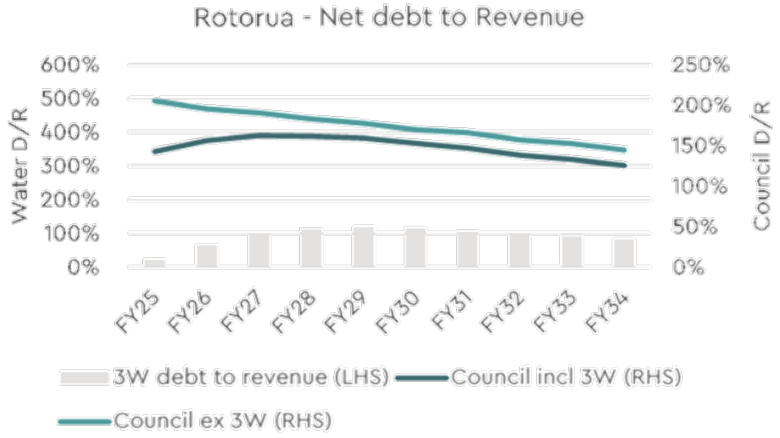
For the purposes of this report, we have assumed a target of 10% FFO-to-debt to provide a buffer above the minimum LGFA required covenant. This ensures an efficient approach to setting water charges while maintaining borrowing at a prudent level.

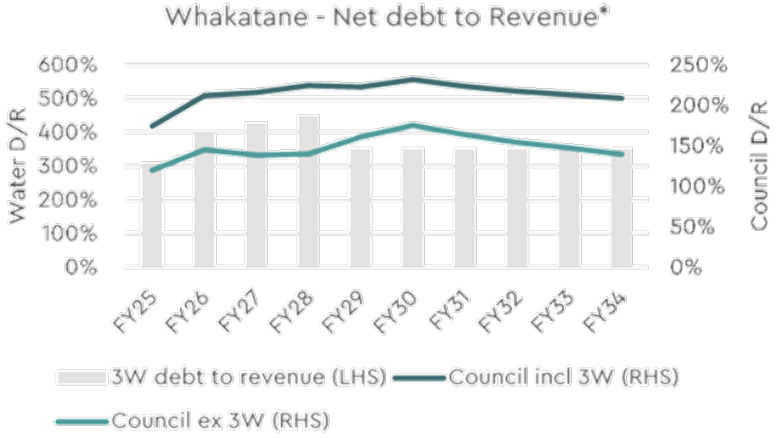
Under the optimised pricing scenario (i.e., where investment is maintained at current projected levels), the operating revenue collected by the WSCCO would be $2 million lower over FY29-FY34 compared with the status quo. How this affects consumers in the respective districts, and the long-term impacts are discussed in detail on the following pages.

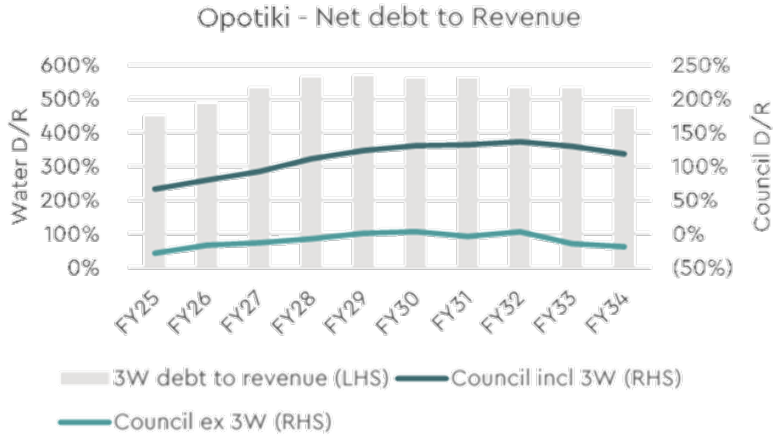
	Total revenue, incl. DCs (FY29-FY34)	FFO-to-debt (FY34)
S1 Accelerated investment	~$876 million	10%
S2 Optimised prices	~$871 million	10%
In-house	~$873 million	11%

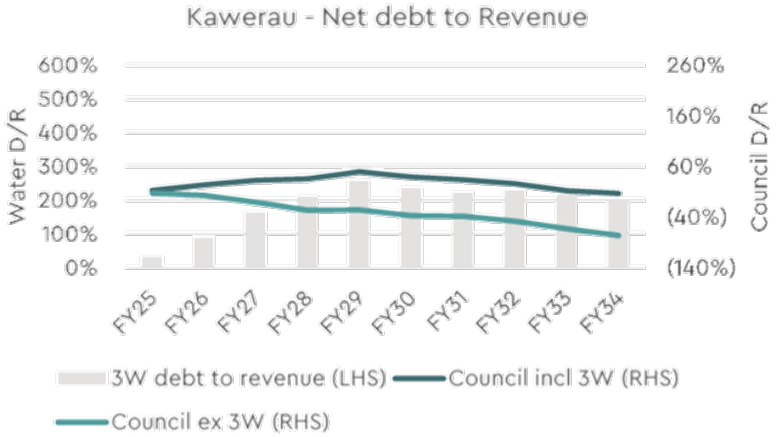
Net Debt to Revenue with and without water services

The four councils operate with significantly different levels of water debt-to-revenue, ranging from Rotorua where water debt-to-revenue peaks at 120% in FY29, to Ōpōtiki where water debt-to-revenue peaks at 568% in FY29. These different levels of gearing result in a different distribution of benefits from a WSCCO. For Whakatāne and Ōpōtiki, and to a lesser extent Kawerau, significant benefits would accrue from a reduction in Council debt burden (and servicing costs) and increased council capacity to manage shocks. The flipside of this benefit is that water consumers benefit less from an increase in the WSCCO's debt capacity.





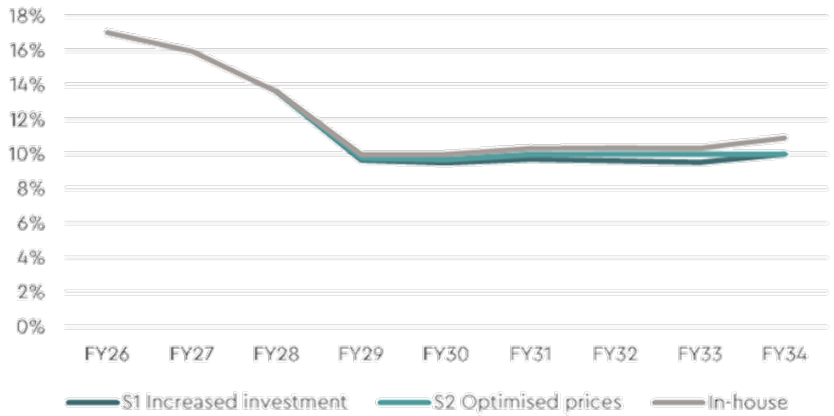


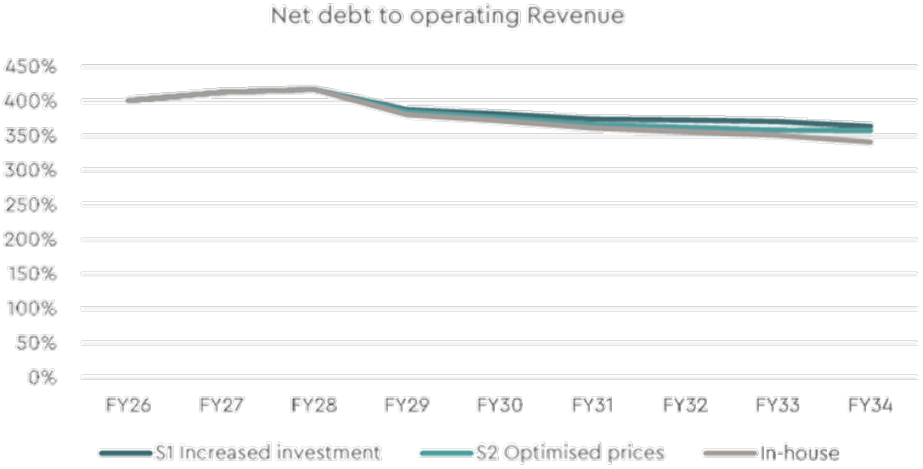


*For Whakatāne MartinJenkins modelled an in-house 3W business unit targeted a debt-to-revenue ratio of 350% from FY29.

WSCCO Debt Sustainability

Under a WSCCO model, the company targets a long-term FFO to net debt ratio of 10%, consistent with minimum LGFA lending covenants plus a one percentage point prudential margin. Compared with In-House delivery, this results in a smoother price path and more consistent financing strategy across the four councils. As noted on the previous page, the transfer of water debt to a WSCCO would reduce the debt-to-revenue ratio for all four councils, effectively eliminating debt in the case of Ōpōtiki and Kawerau.





Borrowing for investment

Based on the information supplied, the funding sources for councils' projected **$389 million of water infrastructure investment between FY29 and FY34** are as follows:

- **$66 million (17%)** is to be debt funded.
- **$47 million (12%)** is to be funded via DCs.
- **$274 million (71%)** is to be funded through operating revenues and
- **$0.8 million (0.2%)** is to be funded by other capital revenue and subsidies.

Capital structure

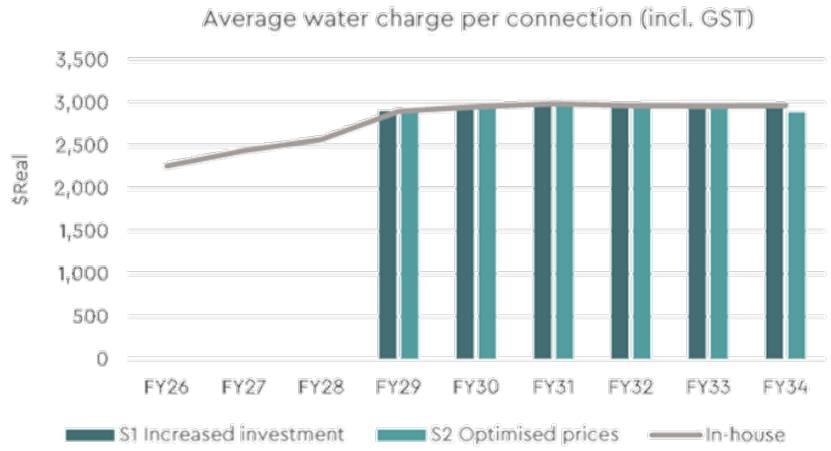
As outlined in DIA guidance, it is inefficient to fund investment in long-lived infrastructure primarily through operating revenues. Under the LWDW framework, capital investment is expected to be funded through capital sources (i.e., borrowing and development contributions), while operating revenues must be sufficient to maintain debt repayments and ensure debt remains within LGFA lending limits* for water CCOs.

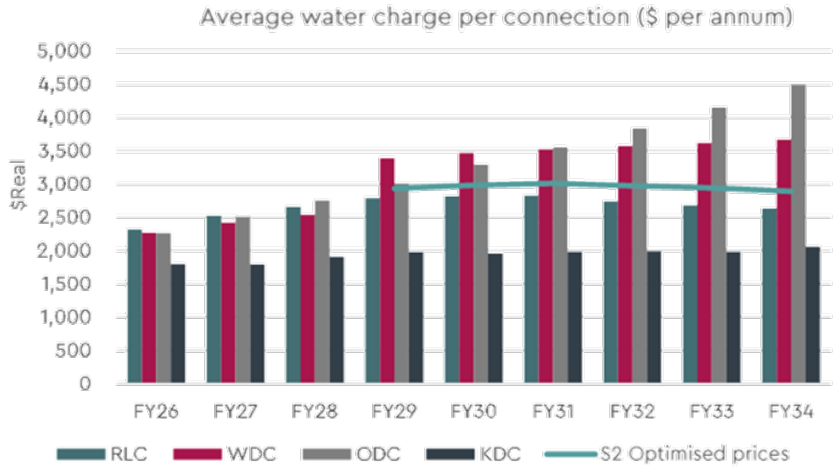
Scenarios 1 (increased investment) and 2 (optimised prices) target a FFO-to-debt ratio of 10%.

**If LGFA approved a lower FFO-to-debt ratio for the CCO, then this would further increase the additional investment or further reduce prices relative to the modelled scenario.*

Comparative price paths

1 of 2





Water charges per connection

Under in-house delivery, the average annual water charge per connection across the four councils is projected to exceed **$2,970 per connection in FY34** (in today's terms). A **WSCCO could reduce this to $2,890 per connection** by FY34 across the councils, a reduction of around 3%. Consumers can expect more meaningful differences over a longer time period, as the efficiencies compound.

Indicative cost per connection in FY34 ($real)				
	RLC	WDC	ŌDC	KDC
S2 - Optimised prices	~$2,595	~$3,460	~$3,800	~$1,975
In-house	~$2,630	~$3,660	~$4,485	~$2,055

Comparative price paths
2 of 2

WSCCO cost-to-serve pricing

Average and cumulative forecast savings per connection under a cost-to-serve model versus in-house (FY29-54):

- **Rotorua:** ~$216 per year, cumulative savings of approximately $5,600 (~9%)
- **Whakatāne:** ~$210 per year, cumulative savings of approximately $5,560 (~6%)
- **Ōpōtiki:** ~$70 per year, cumulative savings of approximately $1,710 (~2%)
- **Kawerau:** ~$60 per year, cumulative savings of approximately $1,650 (~3%)

Detailed options assessment

Assessing in-house delivery and an asset owning WSCCO against the strategic objectives

Detailed options assessment

The high-level assessment identified the asset owning WSCCO as offering the strongest potential to deliver against the strategic objectives, with in-house delivery meeting current requirements but under growing pressure over time.

The next step was a detailed comparison to test the WSCCO against the status quo and confirm whether it should be the preferred option, drawing on the detailed financial modelling now completed and further analysis of how each option would perform against each objective in practice.

How we assessed the options

Each option was rated against each of the seven strategic objectives using the same three-point scale used in the high-level assessment.

The assessment drew on information about current council service delivery, the updated regulatory context, and our knowledge of the benefits and trade-offs associated with different delivery models. It was also informed by the detailed financial modelling and cost-to-serve analysis completed by MartinJenkins for this investigation, including the projected impacts of each option on expenditure, debt, financing capacity, affordability and water charges over a 30-year period.

The ratings were tested with the Steering Group and the WWG before this report was finalised.

What the next pages cover

The following pages set out the detailed assessment against each strategic objective, followed by a summary of the advantages and disadvantages of each option and the basis for the preferred model.

Assessment at the council level

This section presents the assessment across the four councils as a whole. Individual council-level assessments, which draw out the specific implications for each district, are included in the Appendix. These provide a more detailed view of how each option would perform in the context of each council's service delivery challenges and financial position.

Assessment of options

1 of 5

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Efficient and financially sustainable delivery of water services for communities, now and into the future	**Meets the objective in the short term, but with pressure on financial sustainability growing over time** • **Revenue sufficiency holds in the near term**. Approved WSDPs and price paths cover projected costs but will face growing challenges over the longer term. • **Financing sufficiency is constrained**. Water services compete for debt headroom within LGFA covenants of 175%–280% debt-to-revenue, and balanced-budget rules require depreciation to be funded from current ratepayers, limiting use of debt to spread long-lived asset costs. • **Resource sufficiency will be challenged**. Four small in-house teams compete for the same scarce engineering, asset management and regulatory capability across the region. • **Historic capital delivery is uneven**. Historic capex delivery rates were 41% Ōpōtiki, 96% Rotorua, 88% Whakatāne and 94% Kawerau over FY19-25, indicating capacity constraints harder to fix at small scale. • **No scale benefit for regulatory cost absorption**. Each council carries new regulatory compliance costs in full, which are expected to be significant especially for small councils. • **Governance sits with elected members under existing LGA structures**. The model relies on elected members and council officers holding the full breadth of capability needed for an increasingly complex and regulated activity. • Foregoes ~$185m capex and ~$145m opex efficiencies (net of establishment and incremental operating costs) by FY54 • Retention risk grows as neighbouring councils form larger water entities and compete for the same workforce • Limited capacity to lift investment without crowding out non-water services, particularly for Ōpōtiki and Whakatāne • Governance capability harder to sustain as regulatory complexity grows	**Aligns with the objective over the medium to long term, subject to effective establishment** • **Financing sufficiency improved**. A 10% FFO-to-debt covenant provides additional borrowing capacity. • **Earlier investment or lower prices enabled**. Modelling shows ~$17.3m additional investment FY29–FY34, or ~3% lower charges by FY34 (~$2,890 harmonised vs ~$2,970 in-house). Benefits would be significantly larger over 25 years. • **Capital and operating efficiencies at scale**. ~$185m capex savings (~11% of the $1.7b in-house programme) and ~$145m net operating savings by FY54 for optimised price scenario. • **Resource sufficiency strengthened**. A larger, specialised entity supports attraction and retention of critical capabilities. A significant benefit since competition for scarce water specialists is already intensifying with the establishment of WSCCOs in neighbouring regions. • **Improved intergenerational equity**. A more efficient capital structure spreads long-lived asset costs across the asset lives that benefit from them, rather than concentrating cost on current ratepayers. • **Strengthened commercial practice**. Single-purpose entity with a competency-based board and economic regulation — designed to embed asset-management discipline absent in the in-house model. • Establishment costs are front-loaded and occur before efficiencies are realised. • Full efficiencies take ~15 years to compound, with modest gains in the first few years. • Requires capital allocation trade-offs across four shareholders with different financial positions and priorities. • Modelled benefits depend on effective establishment, governance and asset management performance.

Assessment of options

2 of 5

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Protects and promotes public health and the environment - meeting regulatory requirements	**Meets current requirements unevenly, with limited capacity to lift performance** • **Performance varies across councils**. Rotorua and Kawerau generally meet DWQAR standards, while parts of Whakatāne and Ōpōtiki show more variable compliance outcomes. • **A significant programme of upgrades is required**. Forty three consents (47% of all consents across the four councils) expire between 2025 and 2034, with eight wastewater treatment consents and ten water supply consents expiring in 2026 alone. New wastewater standards will require additional investment over the next decade. • **Capacity to respond is uneven**. Financial and delivery constraints limit the ability of some councils to address compliance gaps quickly. • **Compliance is managed on a council-by-council basis**. This limits opportunities to share capability or coordinate responses to regulatory change. • Limited ability to accelerate upgrades where compliance gaps emerge • Investment requirements may exceed current planning assumptions in some councils	**Better positioned to meet evolving regulatory requirements** • **A more consistent approach to compliance can be supported**. A single entity enables more standardised planning and delivery across the four councils. • **Financing capacity is improved**. Increased borrowing headroom provides flexibility to lift or accelerate investment in treatment upgrades, source security and consent renewals. • **Specialist capability is easier to build and retain**. This supports more proactive asset management and responsiveness to regulatory requirements. • **Regulatory interfaces are simplified**. Proactive asset management and consolidated regulatory relationships with Taumata Arowai, the Commerce Commission and regional council raise the likelihood of consistent compliance. • Funding may be prioritised across the entity in ways that do not match individual council preferences, particularly given Ōpōtiki and Whakatāne carry the largest compliance investment needs.

Assessment of options

3 of 5

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Water services **are resilient to natural hazards and climate change**	**Capacity to invest in resilience and absorb shocks is constrained** • **Resilience investment is constrained**. Limited borrowing headroom, particularly in Ōpōtiki and Whakatāne, restricts the ability to invest in resilience. • **Trade-offs are already evident**. Some resilience and level-of-service improvements have been deferred in current plans to manage affordability. • **Response capability varies across councils**. Differences in scale and resources lead to uneven ability to respond to shocks. • **Water investment competes with other priorities**. Councils must balance resilience investment against other infrastructure needs. • Deferred investment increases long-term exposure to risk.	**Stronger ability to invest in resilience and respond to shocks** • **Resilience investment can be brought forward**. Greater financing capacity supports earlier upgrades to networks and assets. • **A more coordinated approach is possible**. A single entity can plan across shared risks and catchments, with greater capacity to respond to events. • **Council headroom is improved**. Removing water debt creates flexibility to respond to non-water shocks. • **Planning can occur at a larger scale**. This supports more consistent standards and prioritisation across the region. • Investment decisions may not always align with local priorities. Requires clear shareholder direction on resilience priorities for the combined service area.
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	**Strongest on integration within each district.** • **Integration within each council is strong**. Water planning sits alongside land use, transport and growth decisions within a single organisation. • **Established processes support coordination**. Existing planning frameworks enable alignment within districts. • **Local knowledge is embedded**. Decision-making reflects place-based understanding and relationships. • **Cross-council coordination is more limited**. Alignment relies on cooperation between separate organisations. • Regional optimisation depends on informal or bilateral arrangements. Differences in priorities and timing can limit coordination.	**Stronger on cross council coordination, with within district integration becoming an interface to manage** • **Regional coordination is strengthened**. A single entity provides a platform for planning across council boundaries. • **Investment can be aligned at a sub-regional level**. This supports more efficient management of shared assets and catchments. • **Formal interfaces with councils are required**. Coordination with land use and transport planning must be actively managed. • Reduced direct integration with council planning processes. Requires well-defined mechanisms to manage council–WSCCO interfaces.

Assessment of options

4 of 5

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	**Higher water charges in every council area compared to a WSCCO** • **Water charges are higher**. Every council pays more per connection over FY29–FY54 than under a cost-to-serve WSCCO (optimised price scenario). • **Whakatāne and Ōpōtiki rely on high borrowing to fund water investment in their WSDP**. This flows through to higher rates overall and constrains council flexibility to respond to other pressures. • **Affordability pressures are most acute for Whakatāne and Ōpōtiki**. Absolute water charges are highest for these two councils under in-house delivery and above average levels of socioeconomic deprivation exacerbate affordability challenges. While water charges are projected to be lower in absolute terms in Kawerau, they remain elevated relative to median household incomes. • **Provides for strong local voice and accountability**. The model offers the most flexibility on local service levels and direct accountability to communities through elected members. • Ōpōtiki and Whakatāne communities will face increasing affordability challenges as required investment drives increased revenue requirements. • Kawerau's funding model carries exposure to closure or relocation of major industrial ratepayers.	**Lower water charges in every council area under cost-to-serve** • **Water charges are lower.** WSCCO operating and capital efficiencies flow through to lower prices. Cumulative savings per connection to FY54 total ~$5,613 (Rotorua, 9.1%), ~$5,563 (Whakatāne, 6.1%), ~$1,713 (Ōpōtiki, 2.0%) and ~$1,648 (Kawerau, 2.6%) under the optimised price scenario. • **Whakatāne and Ōpōtiki see more modest per-connection savings**. This reflects their in-house model's heavy reliance on borrowing. Wider ratepayer benefits accrue through the transfer of water debt, lowering finance costs and easing overall rates pressure. • **More intergenerationally equitable.** Costs can be spread over a longer time frame. • **Customer voice mechanisms need to be designed deliberately**. The WSCCO would need to replicate some consumer engagement currently embedded in council processes.

Assessment of options

5 of 5

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Council obligations to hapū and iwi are valued and honoured*	**Continues current arrangements, with capacity to give effect to obligations over time constrained by council resources** • **Existing relationships are maintained**. Councils continue to engage through established arrangements and forums. • **Approaches reflect local context**. Engagement is tailored to each district and its history. • **Alignment with current boundaries is retained**. This may suit some iwi and hapū preferences. • Ability to sustain capability to meet regulatory and environmental demands and Treaty settlement and other obligations could become limited over the long-term. • Reduced capacity to invest may compromise ability to uphold specific settlement obligations.	**Requires new arrangements, with greater capacity to invest to give effect to obligations** • **New approaches can be developed**. Opportunity to create a bespoke, fit-for-purpose representation and engagement mechanisms. • **Collective voice may be strengthened**. Five iwi have recognised interests across multiple councils. • **Capacity to invest is improved**. Greater financing headroom supports investment in line with Treaty settlement and other obligations, tied to environmental and infrastructure outcomes. • Trust with iwi and hapū would need to be built over time. Any option that weakens existing relationship/instruments will likely be perceived as a step backwards.
Remaining council operations are viable and continue to deliver on communities' expectations	**Sustainable for Rotorua and Kawerau, with significantly greater pressure on Ōpōtiki and Whakatāne** • **Council structures remain unchanged**. No stranded costs and full retention of existing financial flows. • **Financial positions vary across councils**. Rotorua and Kawerau have more debt headroom and financial resilience than Whakatāne and Ōpōtiki. • In Whakatāne and Ōpōtiki, water debt limits investment in other services and means there is limited flexibility to respond to unforeseen costs.	**Returns headroom to councils, with transition costs to manage** • **Council balance sheets are significantly improved.** Creates additional borrowing headroom at the council level, significantly improving financial flexibility. For Ōpōtiki and Kawerau, the transfer of water debt to a WSCCO would effectively eliminate council debt, while Whakatāne would also gain significant financial flexibility. • **Stranded costs will need to be managed**. The transition will likely produce stranded costs, particularly where council overhead and shared services have been allocated to water. These can be mitigated through careful transition planning but cannot be eliminated. • Multiple shareholders will need coordination mechanisms to manage divergence of interests, particularly across councils with different financial positions and community priorities.

* Indicative assessment, not based on direct engagement with hapū and iwi. Each council is undertaking its own engagement with hapū and iwi to inform final decisions.

Summary of detailed options assessment

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
1 **Internal business unit** *Status quo*	Council considers current arrangements continue to meet community and statutory requirements over the medium to long term and the advantages of a joint model are not strong enough to justify the change.	• Continuity of existing arrangements, relationships and accountability to communities through elected members. • Strong integration within each district between water, land use, transport and growth planning. • Continuity of existing relationships and arrangements with hapū and iwi. • Most flexibility on local service levels. • No stranded costs and full retention of existing financial flows	• Financing capacity constrained by LGFA covenants, with growing affordability pressure for Ōpōtiki and Whakatāne over time. • Capex and opex efficiencies modelled under a WSCCO not captured. • Limited capacity to invest in resilience and respond to shocks, particularly for Ōpōtiki and Whakatāne. • New regulatory compliance costs fall on each council individually, with no scale benefit. • Higher water charges in every council area compared to a WSCCO • Workforce attraction and retention risk grows as neighbouring councils establish larger water organisations.
2 **Rotorua/Eastern Bay of Plenty water organisation – asset owning** (WSCCO)	Council considers the benefits of greater financing capacity, modelled efficiencies and a dedicated water focus outweigh the costs and complexity of transition, and is confident the design of representation, ownership and governance arrangements can support community and hapū and iwi engagement.	• Greater borrowing capacity supports earlier investment or lower charges, with cost-to-serve lower in every district by FY34. • ~$185m capex and ~$145m net opex savings by FY54, after establishment and ongoing entity costs. • Council debt headroom lifted across all four councils, with the largest relief for Ōpōtiki and Whakatāne. • More consistent response to evolving regulatory requirements through a single regulated entity • Greater capacity to invest in support of obligations to hapū and iwi. • Larger entity supports workforce attraction and retention in an increasingly competitive market.	• Modelled benefits depend on effective establishment, governance and asset management, with full efficiencies taking around 15 years to compound. • Establishment costs are front loaded and likely stranded costs need to be managed through transition. • Stranded costs for councils are likely but may be mitigated through careful transition planning. • New coordination mechanisms need to be developed to mitigate loss of integration with other council planning processes.

Agreement to develop the multi-council WSCCO option

The detailed assessment compared in-house delivery and an asset owning WSCCO against the seven strategic objectives agreed by the WWG.

The analysis confirms that both options can deliver against the strategic objectives in the **short-term**, with material differences emerging over the medium- to long-term.

The in-house model offers continuity of existing arrangements, integration within each council, and direct accountability to communities through elected members. Capacity to give effect to the objectives weakens over time, with growing pressure on financial sustainability, regulatory compliance, resilience and affordability. Pressure is most acute for Ōpōtiki and Whakatāne, where limited borrowing headroom constrains the ability to invest in water and other council services.

The asset owning WSCCO offers greater capacity to meet evolving regulatory requirements, invest in resilience and lower cost-to-serve in every district, while increasing debt headroom to councils. The benefits depend on effective establishment, governance and asset management, with full efficiencies compounding over around 15 years.

New arrangements will need to give effect to existing obligations to hapū and iwi, customer voice mechanisms will need to be designed deliberately, and the pace of moving from cost-to-serve to harmonised pricing across councils will need careful management.

Based on this assessment, the WWG endorsed the recommendation that councils proceed to **develop ownership, representation and governance arrangements for an asset owning multi-council WSCCO as the alternative water service delivery model**, to support individual council decisions.

OPTIONS	RECOMMENDATION
1 **Internal business unit** *Status quo*	**Not preferred** – meets current requirements but capacity to give effect to the strategic objectives weakens over time, particularly for Ōpōtiki and Whakatāne.
2 **Rotorua/Eastern Bay of Plenty water organisation – asset owning** (WSCCO)	**Preferred** – aligns more strongly with the strategic objectives over the medium to long term, with greater financing capacity, modelled efficiencies and a dedicated water focus, subject to effective establishment and transition.

WSCCO design

Potential design of a Rotorua/Eastern Bay of Plenty WSCCO

Designing the WSCCO

The detailed assessment identified an asset owning WSCCO as the preferred model. How that entity is designed will shape the extent to which it delivers on the strategic objectives, particularly for financial sustainability, local voice, and obligations to hapū and iwi.

Working through the design choices during the investigation gave the WWG a clear view of the trade-offs and provides councils with enough detail to explain the model to their communities during consultation.

The design choices set out here are indicative, based on initial direction from the WWG. Councils still need to work through and agree the detail on the final shape of the entity, to be confirmed through a Commitment Agreement.

How we approached the design work

The WWG worked through a framework of design choices covering ownership, representative oversight, governance, decision making, and other key settings such as dividends and pricing.

The work drew on the requirements of the Local Government (Water Services) Act 2025 and emerging practice from multi-council WSCCOs at various stages of establishment across the country.

Each design choice was tested with the Steering Group and the WWG through workshops over the course of the investigation.

What the next pages cover

The following pages set out the framework of design choices, and the indicative direction from the WWG on ownership, representative oversight, governance and other key settings.

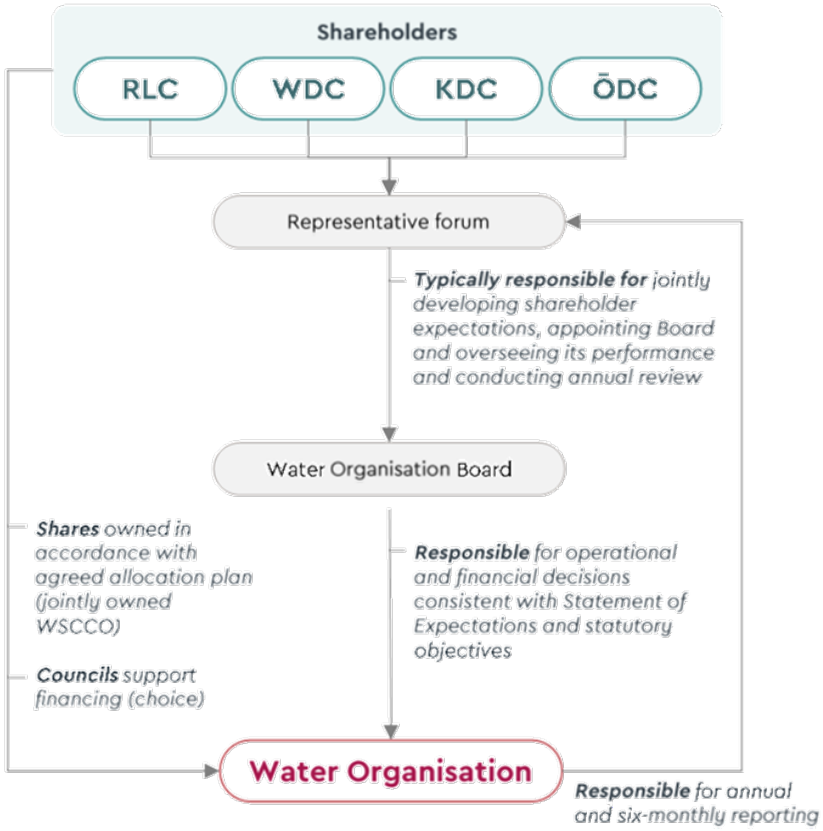
This is represented visually on one page in the accompanying A3.

Supporting information

Options for ownership, representation and governance arrangements were discussed at the WWG's May, June and July meetings. Readers wanting further detail should refer to the published papers from those meetings.

Key features of a jointly owned WSCCO

	Key features
Ownership	• Limited liability company owned by the four councils • Ownership arrangements and rights set out in a constitution and/or shareholder agreement, subject to compliance with the legislation
Governance	• Councils agree how to appoint and remove directors (for example, through a representative forum) • Board comprised of independent, professional directors • Shareholding councils agree the process for preparing and providing a combined statement of expectations • Water organisation board prepares water services strategy and consults shareholding councils (following requirements/processes in legislation and constitution)
Accountability	• Water organisation board is accountable to council shareholders and reports regularly on performance (shareholders are accountable to community) • Water organisation required to give effect to a single statement of expectations, operate in line with foundation documents, and meet statutory requirements • Water organisation prepares annual report, including financial statements, and information on performance and other matters outlined in water services strategy
Borrowing	• Borrowing arrangements and credit rating implications dependent on whether shareholding councils provide financial support



Overview of key design choices

The Local Government (Water Services) Act 2025 prescribes some settings for a WSCCO but leaves others to shareholders to decide. This page provides an overview of the key design choices, showing where councils have flexibility to shape the entity.

Ownership

- **Approach to determining share allocation** – matters mainly for dividends (if applicable) and represents economic interests.

Representative oversight

- **Establishment, role and composition of a representative forum** – a representative forum to carry out certain functions on behalf of shareholders, subject to agreed delegations.
- **Participation by hapū and iwi** in oversight arrangements needs to be considered, noting only Councils may be shareholders.

Governance

- **Board composition and appointment process** – determining the size of the WSCCO Board and restrictions, director term length, who appoints and removes Directors etc.

Decision making

Determining how and by whom decisions are made including defining:

- **Matters to be reserved for shareholder decisions** (i.e. not board decisions) – e.g. appointment of directors, onboarding of new Councils / shareholders.
- **How councils exercise shareholder rights** - i.e. where voting happens (shareholder-level, or representative forum), and how.

Other choices

- **Whether to permit dividends**
- **The pricing approach at establishment**

Ownership

The choice

How shares are allocated between the four councils, recognising that only councils (or consumer trusts) can hold shares and that shareholding is distinct from voting.

Shareholding is about ownership and affects some things, but not as many as might be assumed. Shareholder rights are limited as shares cannot be sold, critical assets cannot be divested, and councils retain responsibility for ensuring essential water services are provided in their district.

Economic interests are limited to accounting treatment of potential liabilities and any share in dividends (if any).

By itself, shareholding doesn't determine voting rights and needs to be considered alongside voting mechanisms and decision-making thresholds.

Other things to consider in determining a share allocation method include:

- ease of implementing the allocation method to avoid disagreements and minimise information requirements to support calculation
- transparency and ability to explain it simply for ratepayers and other stakeholders.

Options considered

Equal shares or proportional shares based on a measure such as connections, population or net asset value.

In practice, the proportional options produce broadly similar outcomes.

Rotorua is the largest across every measure, followed by Whakatāne, with Kawerau and Ōpōtiki each holding a smaller share. Differences between connections, population and NAV move each council's share by a few percentage points rather than reshaping the picture.

The equal shares option is the only one that produces a materially different outcome, giving Kawerau and Ōpōtiki the same holding as Rotorua despite the difference in scale.

The indicative preference of the WWG is that **shares be allocated based on net asset value** (asset value less starting debt).

Net asset value reflects the equity each council contributes to the WSCCO through the transfer of assets and liabilities. It aligns ownership with contribution more directly than connections or population but is more complicated and costly to implement.

Further work would be required to determine the valuation methodology and rules for periodic adjustment as new assets are built or councils enter or exit.

Representative oversight

The choice

Whether to establish a representative forum, its role and composition, and how hapū and iwi participate.

A representative forum sits between shareholders (councils) and the Board. It carries out functions on behalf of shareholders under agreed delegations, freeing councils from acting collectively on every decision while retaining accountability to them. Whether to establish one is a design choice; the shape and mandate of the forum is a further set of choices about role, composition and voting.

Other things to consider include:

- how the forum relates to existing iwi and council relationships and settlement obligations
- how to give small councils meaningful voice alongside larger ones.

Options considered

Direct shareholder decision making (no forum) or a forum with delegated functions.

Iwi participation options included no iwi representation, iwi representation with voting rights, and iwi representation with non-voting or advisory status.

The practical difference between the options is significant.

A forum with councils only carries out delegated functions on behalf of shareholders. A forum with iwi representation adds mana whenua participation in oversight, with voting or advisory status depending on how the forum is constituted.

A representative forum is a practical mechanism for achieving coordination between shareholders, and for undertaking key tasks including board appointments, development of the Statement of Expectations, and monitoring board performance. Having no representative forum may make coordination between shareholders difficult and could undermine accountability arrangements.

The indicative preference of the WWG is to **establish a representative forum** to hold delegated functions from shareholders, including developing the Statement of Expectations and appointing directors.

Four shareholders acting separately would be slow and a forum enables efficient collective decision making under delegation.

Iwi representation on the representative forum was generally supported. Iwi representation supports giving effect to Te Tiriti obligations and recognises mana whenua interests in water.

The starting point is four iwi representatives on the forum, to be tested with councils and iwi as design progresses.

The process for nominating or appointing iwi representatives would need to be iwi-mandated.

Decision making

The choice

Which decisions sit with shareholders, which sit with the forum, and which sit with the Board.

Under the Act, the Board is responsible for operational, financial and strategic delivery within the Statement of Expectations.

Shareholders and any forum they establish sit above that, setting expectations and providing oversight, but not running the entity.

Reserved matters are typically the decisions that change the entity itself, or that carry consequences beyond routine oversight.

Delegated matters are those a forum can take on the shareholders' behalf without needing to return to each council.

Options considered

The starting point is the Act, which requires shareholders to retain authority over defined critical decisions affecting ownership, control or risk. Beyond this, shareholders choose:

- *What sits with shareholders as reserved matters*: typically decisions affecting ownership, structure, and major transactions
- *What is delegated to the representative forum*: this depends on how much shareholders want to delegate. If this is set too narrowly, councils still act separately on most decisions and lose the efficiency the forum is designed to create.
- *What sits with the Board*: day-to-day operational, financial and strategic delivery within the Statement of Expectations, and other matters not reserved

The indicative preference of the WWG is that **councils retain a narrow set of reserved matters**: constitutional changes, admission or exit of shareholders, and major transactions above an agreed threshold.

The **forum is delegated decisions on Board appointments and setting the skills matrix**. The forum also develops and approves the Statement of Expectations, oversees WSCCO performance, and reviews the Water Services Strategy and budget. *Further work should consider whether additional decisions are delegated to the forum, once its composition and voting arrangements are decided.*

The **Board sets the Water Services Strategy and Annual Budget and makes operational, financial and strategic delivery decisions** in line with the Statement of Expectations, and other matters not reserved. The Board is accountable to shareholders through the forum, but how the WSCCO runs sits with the Board.

Voting and decision thresholds

The choice

How votes are weighted for shareholder reserved matters and for forum decisions, and what thresholds apply to different classes of decision.

Votes and thresholds work together. Votes determine each party's weight in a decision. Thresholds determine how much collective support is needed to pass it. Both need to be designed together, as changing one shifts influence in ways that may not be intended.

Voting is separate from shareholding. Councils can hold shares in proportion to NAV or water connections but vote equally for example. Forum voting sits differently again, as iwi representatives are not tied to shareholding.

Options considered

Weighting options: equal votes regardless of shareholding; votes in line with shareholding; or weighted differently for different classes of matter.

Threshold options: simple majority (more than 50%); supermajority (typically 65%, 75% or 80%); or unanimity.

How the combination shapes influence

Votes in line with shareholding and simple majority lets larger councils carry decisions on their own. Rotorua alone would be close to that threshold on most measures.

Votes in line with shareholding and supermajority means larger councils still have more weight but need at least one smaller council to agree.

Unanimity gives every council an effective veto regardless of shareholding, and weighting becomes irrelevant.

Equal votes and simple majority allows three smaller councils to outvote Rotorua despite the shareholding position.

Why set high thresholds

High thresholds protect smaller shareholders on decisions that could materially change their position, and give the entity stability by making fundamental change harder to force through.

The trade-off is that a high decision-making threshold gives a small group (or individual shareholder) the power to block decisions the entity needs to make, which can stymie decision making (i.e., risk of veto by a single shareholder or minority shareholding group).

The usual approach is to reserve high thresholds for a defined set of significant decisions

The indicative preference of the WWG is that **votes are weighted by shareholding for shareholder reserved matters with varied thresholds**. Further work is required, but this is likely to be simple majority for routine reserved matters, supermajority for decisions that materially affect the entity or shareholder positions, and possible unanimity for the most fundamental decisions.

Forum voting and thresholds remain to be determined, including how iwi representatives vote alongside council members and the threshold for forum decisions.

Example of possible decision-making framework

Decision	Board	Representative forum (delegated by shareholders)	Shareholding councils
Developing / amending the WSO's constitution		*Make recommendation*	✓✓
Council financial support	*Make recommendation*	*Make recommendation*	✓
Approving a major transaction – including any additional related revenue	*Make recommendation*	*Make recommendation*	✓✓
Entry or exit of a shareholder (Council)	*Make recommendation*	*Make recommendation*	✓✓
Issuing Statement of Expectations	*Comment on*	✓	*Consulted on*
Development of KPIs	*Make recommendation*	✓	
Monitoring performance		✓	*Receives reports*
Appointment of Board Chair		✓	
Appointment of Director(s)		✓	
Removal of Director(s)		✓	
Appointing the WSCCO CEO	✓		
Borrowing within LGFA approved covenants	✓		

✓ = simple majority (>50%) ✓✓ = super majority (>75% and majority of shareholders)

Governance

The choice

Size and composition of the WSCCO Board, term length, and the approach to appointing and removing directors.

The Local Government (Water Services) Act 2025 requires directors to be appointed on skills, knowledge and experience relevant to the entity's objectives. Elected members and employees of a shareholding council or the WSCCO cannot be directors.

Within those constraints, the design choice is how to size the Board, how long directors serve, who appoints and removes them, and whether to build in additional skills requirements to reflect local needs.

Options considered

Board size: size needs to balance diversity of perspectives and workability. A range gives scope to have more or less directors depending on the number required to cover the full range of capabilities. An odd total helps avoid deadlocks.

Term of directors: typically no more than three or four years, with reappointment limits. Reappointment limits balance continuity with the opportunity to bring new perspectives to the Board as required.

Appointment and removal: retained by shareholders or delegated to the representative forum. Voting thresholds can differ for appointments (e.g. majority) and removals (e.g. supermajority) to give directors protection from being removed on narrow grounds.

Skills requirements: rely on the Act's minimum, or specify additional requirements in the Constitution or Statement of Expectations to reflect local needs.

The indicative preference of the WWG is that the Board is comprised of a **minimum of five and maximum of seven** directors. Directors would have **terms of up to three years**, with **reappointment permitted up to three times**. These are in line with Board composition decisions by emerging WSCCOs in New Zealand.

Appointment and removal of directors would be delegated to the representative forum. Decision thresholds are to be determined.

Skills requirements should be developed by the forum as part of the Board skills matrix. This does not need to be fixed in the Constitution, rather keep flexibility for requirements to change as the WSCCO matures.

Pricing approach

The choice

Whether charges are harmonised across the region or reflect the cost of serving each district.

Regardless of the pricing approach chosen, the WSCCO retains flexibility in how pricing is structured. The two options sit on a spectrum, and there is scope to differentiate by customer type and to determine both whether to harmonise and how far harmonisation extends.

Options considered

Harmonised pricing applies a single water charge across all four districts, with connections of the same type paying the same charge, analogous to electricity lines companies charging one rate across their network. It promotes equity across the region, is simpler to administer, and aligns with a "one entity, one price" philosophy.

The modelling over FY29 to FY54 (real terms) shows Kawerau saves around $17m, Ōpōtiki around $57m and Whakatāne around $372m, while Rotorua pays around $133m more than under a cost-to-serve model. In effect, lower cost-to-serve areas subsidise higher cost-to-serve areas, and there is more emphasis on growth paying for growth where districts grow at different rates.

Cost-to-serve pricing sets each district's (or scheme's) charge to reflect the infrastructure, debt and operating costs specific to that area, analogous to regional council rates varying by district. Each district (or scheme) bears its own cost burden, which is likely to be seen as fairer at establishment, when councils are coming in with very different starting positions on infrastructure, debt and operating costs.

The modelling over FY29 to FY54 (real terms) shows all four councils benefit relative to in-house delivery, with Kawerau saving around $11m, Ōpōtiki around $10m, Whakatāne around $113m, and Rotorua around $179m. Affordability pressures continue in Whakatāne and Ōpōtiki, and smaller councils remain exposed to price volatility from lumpy capital programmes and localised natural disasters. Administration is also more complex.

The indicative preference of the WWG is for a **cost-to-serve pricing approach at establishment, with provision for this to be reviewed within five years.**

The modelling shows cost-to-serve delivers lower prices than the status quo for all four councils across the 30-year period, so every council benefits from day one.

Immediate harmonisation could shift costs sharply between districts before the WSCCO has integrated its operations or realised efficiencies.

Starting with cost-to-serve preserves fairness at establishment and supports buy-in across the region, particularly from the largest ratepayer base.

The pricing approach can evolve over time. How and when charges might move toward harmonisation is not being decided at this point and will be worked through by the Board and shareholders as the WSCCO matures.

Dividends

The choice

Whether the WSCCO can pay dividends to shareholding councils.

Under the Act, any dividends are subject to financial sustainability requirements and cannot compromise investment or service delivery. The design choice sits within those constraints.

Practically this decision is about whether councils want to keep the option open for the longer term, given the WSCCO's investment demand at establishment.

Options considered

No dividends: rules dividends out through the Constitution or Shareholders' Agreement. Clearest signal that all revenue supports investment and services.

Dividends permitted subject to financial sustainability: keeps the option available. Requires the Board to be satisfied on sustainability, investment demand and LGFA covenant compliance before any distribution.

The indicative preference of the WWG is that **the WSCCO does not pay dividends**

The financial modelling assumes all operating surpluses are retained to support the capital programme, sustain the target FFO to net debt ratio of 10 percent, and preserve headroom against LGFA covenants.

Ruling dividends out sends a clear signal to ratepayers and communities that value stays in the water system, funding investment and keeping water charges as low as sustainability allows.

Next steps

Next steps

The Waters Working Group has identified an asset-owning multi-council WSCCO as the preferred water service delivery model and has developed indicative design settings covering ownership, representation, governance, decision-making, pricing and dividends.

The next step is for each council to consider the findings of this investigation and determine whether it wishes to progress the WSCCO option for consultation with its community.

To support decision-making, a high-level implementation plan has also been prepared. The plan identifies a pathway to establishment by 1 July 2028, along with the key decisions, agreements, resourcing requirements and transition activities that would be required (see published papers from the June WWG meeting).

If councils choose to proceed, further work would be required to:

1. confirm participation by each council
2. undertake engagement with hapū and iwi on the proposed arrangements
3. refine the detailed design of the WSCCO
4. prepare for and undertake public consultation
5. develop a Commitment Agreement between participating councils
6. undertake detailed establishment planning and transition activities.

Appendix

Individual council assessments

Individual council assessments

The detailed assessment in the main body of this report considers the performance of the two shortlisted delivery models across the four councils as a whole. While that regional perspective is important, the implications of the options are not the same for each council.

The following pages provide an individual assessment for Rotorua Lakes Council, Whakatāne District Council, Kawerau District Council and Ōpōtiki District Council. They draw on the information presented throughout this report and identify the factors most relevant to each council's circumstances.

The assessments use the same seven strategic objectives that underpin the regional assessment. They consider the current state of water services, financial position, regulatory and compliance challenges, asset condition, growth pressures, Treaty settlement context, and the implications of each delivery model for council operations and communities.

Where the assessment considers financial sustainability, affordability and council viability, it draws on the financial modelling undertaken by MartinJenkins specifically for this investigation rather than relying solely on the councils' Water Services Delivery Plans. This includes the 30-year modelling of capital expenditure, operating expenditure, debt, revenue and water charges under both the in-house and WSCCO scenarios.

The purpose of these assessments is not to revisit the regional recommendation, but to provide a council-specific view of the opportunities, risks and trade-offs associated with each option. They are intended to support councils in understanding how the findings of the investigation apply within their own district alongside the wider regional picture.

Rotorua Lakes Council

Rotorua Lakes is the largest of the four councils, with 27,185 drinking water connections, 25,964 wastewater connections and 24,989 stormwater connections. Total replacement asset value sits at $1,349.7m, over half the regional total.

Historic capex delivery has run at 96% over 2019–2025, with a Capital Programmes team established in FY25 to lift delivery capability.

The council operates within a complex Treaty settlement landscape and has more than Treaty obligations to consider. Decisions are influenced by legal, cultural, contractual and property relationships with mana whenua. Rotorua Lakes Council notes that the district includes 17 Treaty settlements and ~35 Post-settlement Governance Entities, alongside hapū authorities, Māori Incorporations, ahu whenua trusts, Māori land trusts and so on. These relationships need to be honoured across any future water services delivery.

Summary assessment

Rotorua Lakes has less immediate financial pressure than the other councils and is better positioned to continue delivering water services in-house over the medium term. It starts from a strong compliance position, has a comparatively large asset base and customer base, and retains some capacity to fund future investment within existing arrangements.

The WSCCO nevertheless offers material long-term benefits. The WSCCO delivers the largest per-connection savings of the four councils, with average charges around $216 per year lower than in-house delivery, totalling ~$5,600 cumulative savings across FY29–FY54 (around 9%). Rotorua also benefits from greater financing capacity, stronger access to specialist capability, and a larger organisation better able to respond to future regulatory, resilience and workforce pressures.

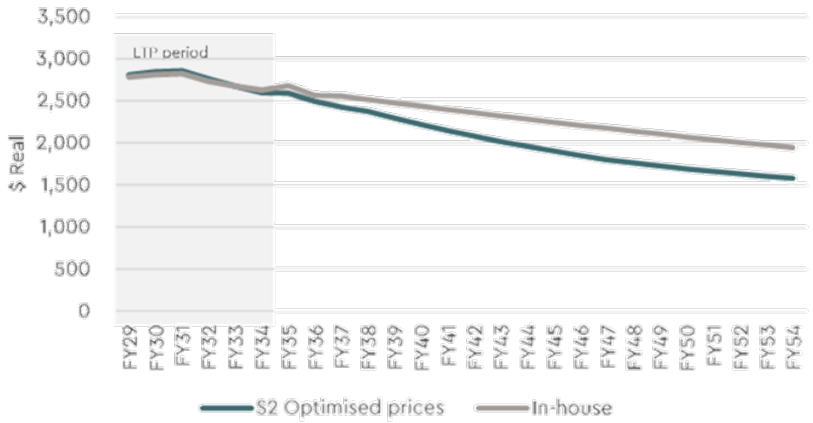
The key trade-off is the need to ensure strong coordination between the WSCCO and Rotorua's wider planning environment, including its complex network of statutory co-governance arrangements, settlement obligations and lake-based management frameworks.

Engagement with iwi and hapū would be required to complete the assessment against objective 6.

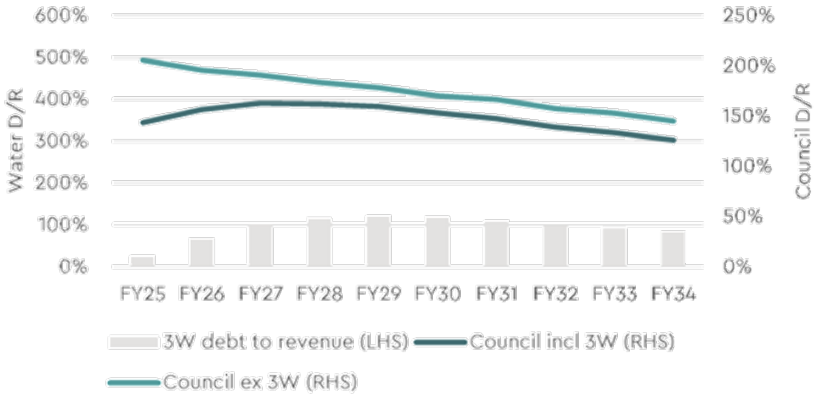
Rotorua Lakes Council

Key financial comparisons

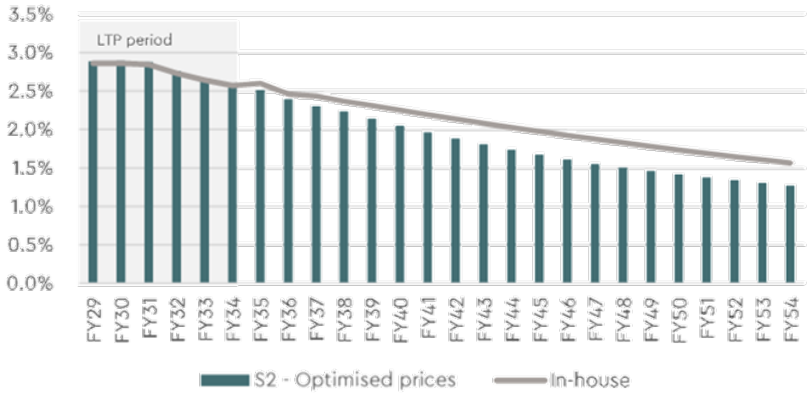
Rotorua - Average charges per connection ($ per annum)



Rotorua - Net debt to Revenue



Rotorua - Average water charges per connection (% of median household income)



Water charges per connection: Charges are forecast to trend downward from FY31 as capex reduces and inflation erodes the real value of debt. Under the Optimised Prices WSCCO scenario, average charges are around $216 per year lower than in-house delivery, totalling ~$5,600 across FY29–FY54 (around 9%). By FY54, charges are around 19% lower than in-house delivery. Differences for consumers emerge after FY34.

Affordability of water charges: By FY54, water charges reach 1.6% of median household income under in-house delivery, compared with 1.3% under a WSCCO.

Financial flexibility: Water debt-to-revenue peaks at 120% in FY29 and declines to 83% by FY34 under in-house delivery. Under a WSCCO, water debt transfers to the entity. The change in council debt headroom is modest for Rotorua compared with the other three councils, reflecting Rotorua's stronger starting financial position.

Rotorua Lakes Council

Assessment against strategic objectives 1 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Efficient and financially sustainable delivery of water services for communities, now and into the future	• Water debt-to-revenue peaks at 120% in FY29, declining to 83% by FY34. Whole-of-council debt-to-revenue remains within LGFA limits across the WSDP period. • Strong revenue base but resource sufficiency is a longer-term risk as neighbouring councils form larger water entities. • Historic capex delivery of 96% reflects capacity constraints; new Capital Programmes team recently established. • Longer-term financial sustainability uncertain as regulatory requirements evolve.	• Average charges are around $216 per year lower than in-house delivery, totalling ~$5,600 across FY29–FY54 (around 9%). By FY54, charges are around 19% lower than in-house delivery. • Scale benefit is smaller for Rotorua than the other councils, given existing size.
Protects and promotes public health and the environment - meeting regulatory requirements	• Starts from a low-risk compliance position: all water supplies fully compliant with DWQARs in 2024/25 and no regulatory enforcement actions. • Pressure is holding that position through the upcoming programme, not fixing existing gaps.	• Greater financing capacity supports the pace and scale of treatment upgrades and consent renewals, particularly the Rotorua WWTP.
Water services **are resilient to natural hazards and climate change**	• Seismic, geothermal, river flooding, lake levels and climate exposure are common risks. • Lake water quality carries specific settlement-linked obligations that resilience investment must give effect to. • Some borrowing headroom to support resilience investment but this competes with the renewals and upgrade programme already planned.	• Greater financing capacity supports resilience investment across shared catchments. • A single entity can plan across shared risks and coordinate investment more efficiently.
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Tightest link between spatial and water infrastructure planning, with decisions internalised. Rotorua Lakes has 10 water supply areas, 13 wastewater areas and 14 stormwater catchments across urban and lakeside areas, with growth pressures.	• Integration becomes an interface to manage across four councils. • Well-defined coordination mechanisms needed to preserve alignment on growth planning, stormwater on mixed-use land, and lake water quality obligations.

Rotorua Lakes Council

Assessment against strategic objectives 2 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Cumulative cost per consumer of ~$61,938 across FY29–FY54. • Costs stay manageable relative to the other councils, reflecting Rotorua's stronger revenue base and lower starting water debt. • Longer-term affordability less certain as pressure builds beyond the WSDP period with continued regulatory investment and renewals. • Local voice mechanisms strong through elected members and existing consultation processes.	• Average charges are around $216 per year lower than in-house delivery, totalling ~$5,600 across FY29–FY54 (around 9%). By FY54, charges are around 19% lower than in-house delivery. • Rotorua sees the largest percentage saving of the four councils, with WSCCO operating and capital efficiencies flowing through to lower water charges. • Local voice mechanisms will need deliberate design
Council obligations to hapū and iwi are valued and honoured*	• 21 iwi entities with recognised interests. • Engagement primarily through settlement-based statutory co-governance and partnership bodies, protocol committees, and iwi leaders' forum, largely structured around lake, river and catchment systems.	• Existing obligations would need to be explicitly provided for through new or adapted mechanisms. • Greater investment capacity supports action on environmental and infrastructure outcomes tied to settlement obligations.
Remaining council operations are viable and continue to deliver on communities' expectations	• Whole-of-council debt-to-revenue remains around 130–160% across the WSDP period, providing headroom for other services. • No stranded costs and full retention of existing financial flows.	• Transfer of water debt lifts council headroom, but the change is modest compared with the other councils given Rotorua's stronger starting position. • Stranded costs likely, particularly where council overhead has been allocated to water, and will need careful transition management.

* Indicative assessment, not based on direct engagement with hapū and iwi. Rotorua Lakes has been engaging directly with hapū and iwi per their individual engagement plan supporting the WSDP and expects feedback and views from iwi and hapū for elected members' consideration during decision-making.

Whakatāne District Council

Whakatāne is the second largest of the four councils, with 13,200 drinking water connections, 12,240 wastewater connections and 10,674 stormwater connections.

Total replacement asset value sits at $765.9m. Historic capex delivery has run at 88% over 2019–2025, with a Project Management Office established to lift delivery capability.

The council has a significant renewals backlog (~$96m) not addressed in its current WSDP, major wastewater consent renewals underway, and stormwater assets in comparatively poor condition (36% below ground rated poor or very poor).

Whakatāne operates within a Treaty settlement landscape with eight iwi entities, supported by Mana Whakahono ā Rohe (agreed and under development) and multiple iwi management plans.

Summary assessment

Whakatāne faces significant long-term pressures in water services delivery. The council has a substantial renewals backlog, major consent renewals and infrastructure upgrades ahead, increasing affordability pressures, and limited headroom to respond to future investment needs. The detailed assessment indicates these pressures are likely to become more pronounced over time under continued in-house delivery.

The WSCCO provides a stronger pathway to address those challenges. Cost-to-serve pricing delivers cumulative savings totalling ~$5,560 per connection across FY29–FY54 (~$210 per year). The percentage saving on water charges is more modest than for Rotorua because Whakatāne's in-house model relies heavily on borrowing, which flows through to higher rates overall. Wider ratepayer benefits accrue through the transfer of water debt, lowering finance costs and easing overall rates pressure. Above-average levels of socioeconomic deprivation amplify the importance of these savings.

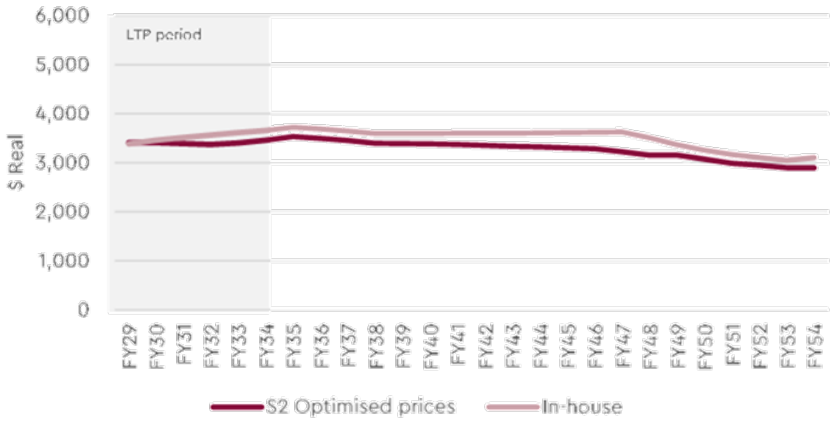
Affordability pressures are eased but not resolved under the WSCCO. The key question for Whakatāne is whether a larger organisation, combined with debt transfer, is better positioned to manage future investment requirements while maintaining service levels and council financial flexibility.

Engagement with iwi and hapū would be required to complete the assessment against objective 6.

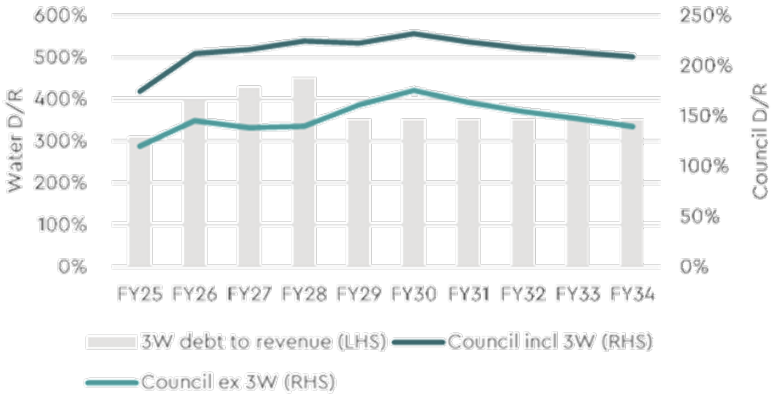
Whakatāne District Council

Key financial comparisons

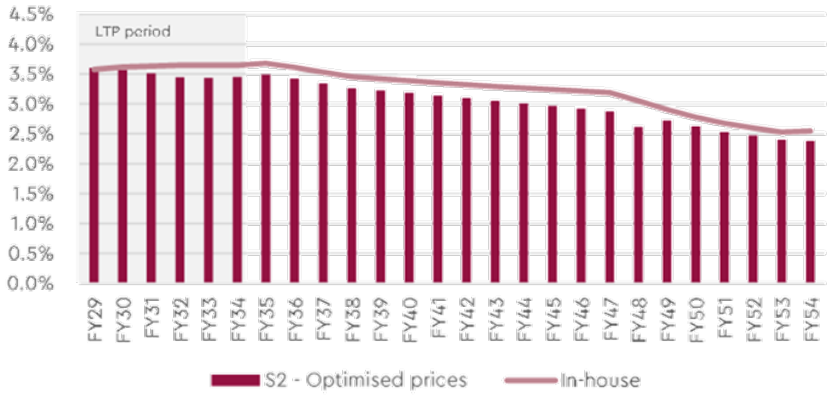
Whakatāne - Average charges per connection ($ per annum)



Whakatane - Net debt to Revenue*



Whakatane - Average water charges per connection (% of median household income)



Water charges per connection: Between FY29 and FY54, Whakatāne's average price per connection is projected to trend sideways before decreasing from FY47. Under the Optimised Prices WSCCO scenario, average charges are around $210 per year lower than in-house delivery, totalling ~$5,560 across FY29–FY54 (around 6%).

Affordability of water charges: Affordability is expected to improve for the Whakatāne community under a WSCCO compared with in-house service delivery. By FY54, the in-house water charge is projected to reach 2.5% of median household income, compared to 2.4% under the WSCCO. Savings to customers would be higher, relative to in-house delivery, if the Council was not already projecting significant borrowing for three water investment.

Financial flexibility: The transfer of water debt to a WSCCO would significantly improve Council's financial flexibility and capacity to absorb shocks, reducing peak debt-to-revenue from 232% to 176%.

*For Whakatāne MartinJenkins modelled an in-house 3W business unit targeted a debt-to-revenue ratio of 350% from FY29.

Whakatāne District Council

Assessment against strategic objectives 1 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Efficient and financially sustainable delivery of water services for communities, now and into the future	• Water debt-to-revenue rises from 310% in FY25 to peak at 450% in FY30, declining to 352% by FY34. • Significant renewals backlog (~$96m) not addressed in current WSDP. • Resource sufficiency is a longer-term risk, with in-house teams competing with neighbouring councils forming larger water entities. • Historic capex delivery of 88% reflects existing capacity constraints.	• Average charges are ~$210 per year lower than in-house delivery, totalling ~$5,560 in savings per connection across FY29–FY54. • Access to WSCCO borrowing covenants (roughly 500% debt-to-revenue equivalent) provides room to address the renewals backlog over time. • Resourcing efficiency lifts through consolidation of specialist capability.
Protects and promotes public health and the environment - meeting regulatory requirements	• Varying drinking water compliance across schemes (76% of serviced population met protozoal requirements). • Major WWTP consents expire 2026, with upgrades planned. • Comprehensive stormwater consent lodged for Whakatāne, suspended pending hearing preparation.	• Greater financing capacity supports treatment upgrades and consent renewals.
Water services **are resilient to natural hazards and climate change**	• Significant flood and coastal risk exposure. • Some resilience investment already deferred to manage affordability. • Limited financial capacity to respond to shocks.	• Greater financing capacity supports earlier resilience investment. • Council debt headroom freed for non-water resilience investment. • A single entity can plan across shared risks and coordinate investment more efficiently.
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Tight interface with district land use, transport and growth planning across urban and rural areas.	• Integration becomes an interface to manage across four councils. • Coordination mechanisms needed for growth planning, rural network decisions and stormwater on mixed-use land.

Whakatāne District Council

Assessment against strategic objectives 2 of 2

Legend: Consistent with objective but has some risks | Moderate alignment to objective(s) | Stronger alignment to objective(s)

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Cumulative cost per consumer of ~$90,908 across FY29–FY54, the highest of the four councils. • Whakatāne's in-house model relies on high borrowing to fund water investment. This flows through to higher rates overall, not just water charges. • Absolute water charges are high under in-house delivery and above average levels of socioeconomic deprivation exacerbate affordability challenges. • Whakatāne communities will face increasing affordability challenges as required investment drives increased revenue requirements. • Local voice mechanisms strong through elected members and existing consultation processes.	• Average charges are ~$210 per year lower than in-house delivery, totalling ~$5,560 in savings per connection across FY29–FY54. • The percentage saving on water charges is modest because Whakatāne's in-house pricing reflects high borrowing to fund water investment. • Wider ratepayer benefit is amplified by the transfer of water debt, which frees council headroom and reduces overall rates pressure. • Local voice mechanisms will need deliberate design.
Council obligations to hapū and iwi are valued and honoured*	• Eight iwi entities with recognised interests. • Engagement through iwi leadership and relationship forums, supported by Treaty settlement arrangements, iwi management plans and Mana Whakahono ā Rohe.	• Existing obligations would need to be explicitly provided for through new or adapted mechanisms. • Greater investment capacity supports action on environmental and infrastructure outcomes tied to settlement obligations.
Remaining council operations are viable and continue to deliver on communities' expectations	• Water debt limits investment in other services, with restricted headroom to respond to unforeseen costs. • Whole-of-council debt-to-revenue peaks at around 232% in FY30.	• Transfer of water debt returns meaningful headroom to council, second only to Ōpōtiki. • Council debt-to-revenue excluding water falls to around 140% by FY34. • Stranded costs likely, particularly where council overhead has been allocated to water; will need careful transition management.

* Indicative assessment, not based on direct engagement with hapū and iwi. Each council is undertaking its own engagement with hapū and iwi to inform final decisions.

Kawerau District Council

Kawerau is the smallest of the four councils by asset value ($120.5m), with 2,917 drinking water connections, 2,922 wastewater connections and 2,920 stormwater rating units.

The council has one drinking water and one wastewater scheme, with stormwater largely handled on-property. Historic capex delivery has run at 94% over 2019–2025.

Kawerau has consistent drinking water and environmental compliance, and no assets currently rated as poor or very poor condition, though accelerated deterioration in geothermal zones is acknowledged.

Kawerau operates within a Treaty settlement landscape with four iwi entities, with a primary relationship with Ngāti Tūwharetoa ki Kawerau.

Summary assessment

Kawerau's current water services position is relatively stable. Asset condition is generally good, current compliance performance is strong, and projected water debt remains lower than for the other councils. However, the small scale of the district creates long-term challenges around workforce capability, resilience and exposure to future regulatory requirements.

The WSCCO delivers cumulative savings totalling ~$1,650 per connection across FY29–FY54 (~$60 per year). Absolute per-connection savings are modest because Kawerau's in-house price base is already low, but the wider ratepayer benefit is significant. The transfer of water debt effectively eliminates council water debt and reduces overall rates pressure. Kawerau also gains access to a larger organisation with greater specialist capability, stronger resilience and reduced dependence on a small number of key staff.

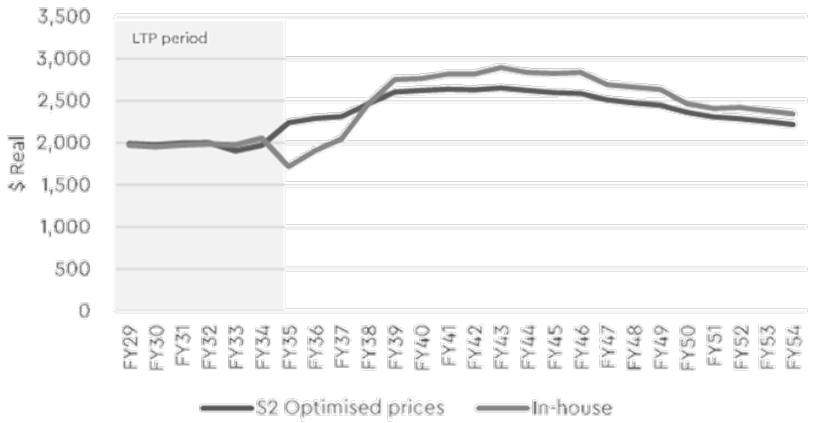
A particular consideration for Kawerau is its reliance on a small number of industrial customers to support water revenues, which sits alongside high evels of socioeconomic deprivation that limit the community's ability to absorb cost shifts if industrial revenue were lost. WSCCO efficiencies and the transfer of water debt ease this exposure by lowering the underlying cost base and reducing overall rates pressure, though they do not remove it entirely under cost-to-serve pricing.

Engagement with iwi and hapū would be required to complete the assessment against objective 6.

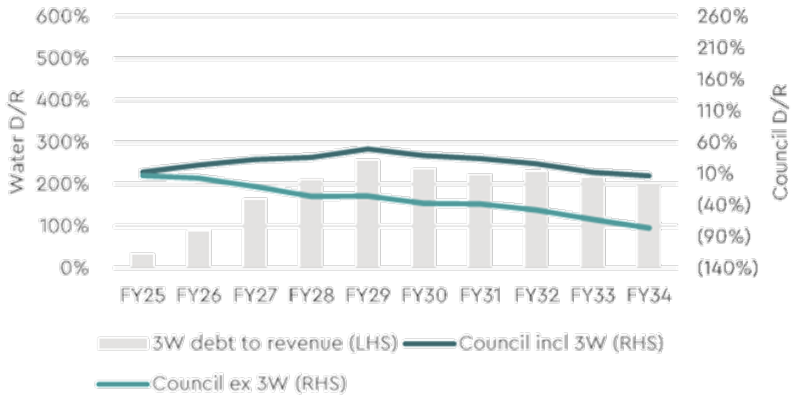
Kawerau District Council

Key financial comparisons

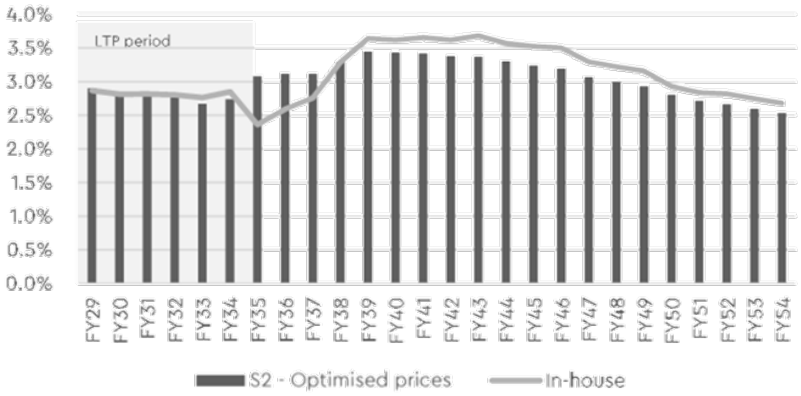
Kawerau - Average charges per connection ($ per annum)



Kawerau - Net debt to Revenue



Kawerau - Average water charges per connection (% of median household income)



Water charges per connection: Under in-house delivery, water services rates rise cumulatively by 110% over 10 years. Under the Optimised Prices WSCCO scenario, average charges are ~$60 per year lower than in-house delivery, totalling ~$1,650 in savings per connection across FY29–FY54.

Affordability of water charges: Water charges are expected to become more affordable for the Kawerau community under a WSCCO model compared to an in-house model. The in-house option is forecast to reach 2.7% of median household income by FY54, whereas the cost-to-serve rate in a WSCCO is forecast to be 2.5%.

Financial flexibility: The WSCCO does not deliver savings for consumers that are proportionate to the operational savings achieved due to the in-house model's significant reliance on debt. If water debt was transferred to a WSCCO, this would create significant additional flexibility and capacity to absorb shocks, effectively eliminating council borrowing.

Kawerau District Council

Assessment against strategic objectives 1 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Efficient and financially sustainable delivery of water services for communities, now and into the future	• Water debt-to-revenue peaks at 229% in FY29, declining to 179% by FY34. • Revenue sufficiency vulnerable to closure or relocation of major industrial ratepayers. • Resource sufficiency is a longer-term risk, with a small in-house team competing with neighbouring councils forming larger water entities.	• Average charges are ~$60 per year lower than in-house delivery, totalling ~$1,650 in savings per connection across FY29–FY54. • Concentration of risk on industrial revenue remains under cost-to-serve. Harmonisation over time would reduce this exposure. • Resourcing sufficiency lifts through consolidation of specialist capability into a larger entity that is much better positioned than Kawerau alone to attract and retain critical skills.
Protects and promotes public health and the environment - meeting regulatory requirements	• Compliance position currently sound: drinking water supply meeting DWQARs, wastewater operating within consent limits. • Comprehensive consent application underway for Tarawera Park Borefield. • Wastewater consents valid to 2032, may require upgrades to meet NWEPS.	• Greater capacity to invest in upgrades as regulatory requirements evolve.
Water services **are resilient to natural hazards and climate change**	• Geothermal risk affects asbestos cement and steel pipes in the geothermal zone, scheduled for replacement by 2029. • Broader climate exposure.	• Greater financing capacity supports resilience investment.
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Tight interface with district land use, transport and growth planning across urban and rural areas.	• Integration becomes an interface to manage across four councils.

Kawerau District Council

Assessment against strategic objectives 2 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Cumulative cost per consumer to FY54 is ~$62,612, around $1,648 more per connection than under a cost-to-serve WSCCO. • Lowest absolute charges of the four councils but charges remain elevated relative to median household incomes. • Longer-term affordability uncertain as regulatory requirements evolve and the small ratepayer base absorbs cost increases.	• Average charges are ~$60 per year lower than in-house delivery, totalling ~$1,650 in savings per connection across FY29–FY54. • Lower cost base and reduced overall rates pressure improve the community's ability to absorb shocks, though exposure to industrial revenue loss remains under cost-to-serve pricing. • Local voice mechanisms will need deliberate design.
Council obligations to hapū and iwi are valued and honoured*	• Four iwi entities with recognised interests. • Primary relationship with Ngāti Tūwharetoa ki Kawerau, supported by ongoing dialogue with tangata whenua including via Rautahi Marae and partners. • Site-specific arrangements where water assets are on Māori land.	• Existing obligations would need to be explicitly provided for through new or adapted mechanisms. • Greater investment capacity supports action on environmental outcomes.
Remaining council operations are viable and continue to deliver on communities' expectations	• Council debt-to-revenue including three waters remains moderate.	• Transfer of water debt effectively eliminates council water debt and returns headroom to council. • Stranded costs likely, particularly where council overhead has been allocated to water; will need careful transition management given the scale of the council.

* Indicative assessment, not based on direct engagement with hapū and iwi. Each council is undertaking its own engagement with hapū and iwi to inform final decisions.

Ōpōtiki District Council

Ōpōtiki is a small council with 2,834 drinking water connections, 1,851 wastewater connections and 1,851 stormwater connections. Total replacement asset value sits at $136.6m.

Historic capex delivery has run at just 41% over 2019–2025, with the council planning to strengthen its asset management framework and delivery capability.

Ōpōtiki reports the highest proportion of assets in poor or very poor condition across all three waters (24% drinking water, 41% wastewater, 30% stormwater), reflecting a legacy of underinvestment. Growth in the Hukutaia area adds demand.

Ōpōtiki operates within a Treaty settlement landscape that includes Ngāitai, Te Whānau ā Apanui, and Whakatōhea (with some overlap with Tūhoe boundaries), with settlement, deed-based and emerging co-governance mechanisms.

Summary assessment

Ōpōtiki faces the greatest long-term challenges of the four councils. It has the highest projected debt burden, the highest affordability pressures under current arrangements, significant regulatory and compliance challenges, and a history of difficulty delivering planned capital programmes. Asset condition issues and exposure to flooding and climate-related risks add further pressure.

The WSCCO delivers cumulative savings of ~$1,710 per connection by FY54 (~$70 per year), the smallest percentage saving of the four councils. This reflects Ōpōtiki's heavy reliance on borrowing to fund water investment under the in-house model, which flows through to higher rates overall. The largest wider ratepayer benefit comes through the transfer of water debt, which effectively eliminates council water debt and materially reduces overall rates pressure. Above-average levels of socioeconomic deprivation amplify the importance of these savings.

Substantially greater financing capacity, improved access to specialist capability, and stronger programme delivery capability provide further confidence that future investment and regulatory obligations can be met.

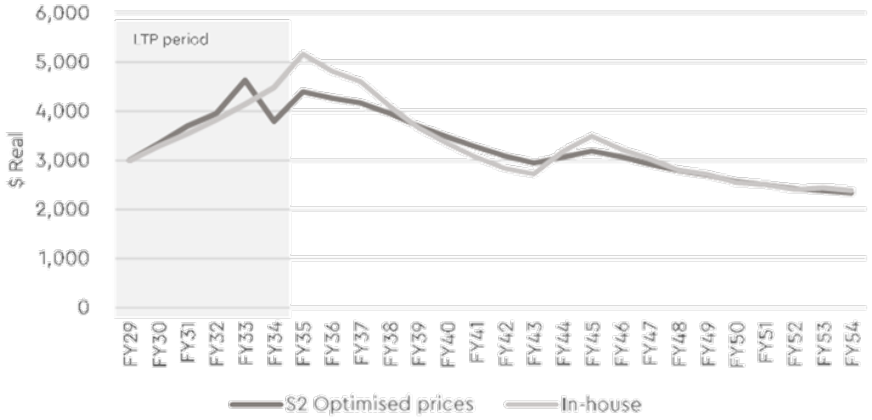
The assessment therefore suggests the WSCCO offers the greatest relative benefit for Ōpōtiki of any of the four councils, primarily because it addresses capability, financing and delivery constraints that are difficult to overcome at the council's current scale.

Engagement with iwi and hapū would be required to complete the assessment against objective 6.

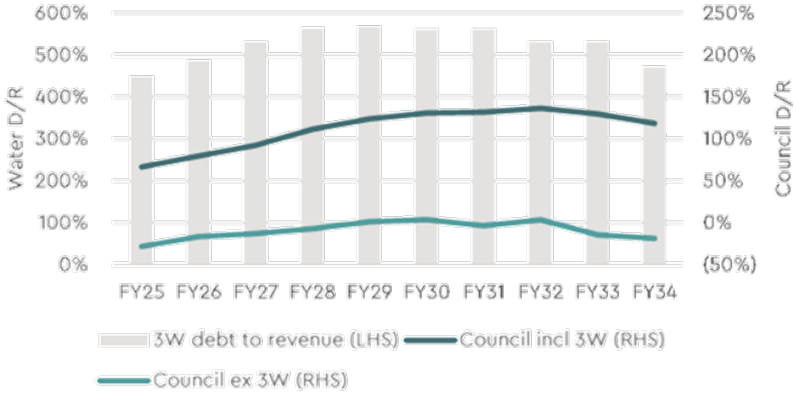
Ōpōtiki District Council

Key financial comparisons

Ōpōtiki - Average charges per connection ($ per annum)



Ōpōtiki - Net debt to Revenue



Ōpōtiki - Average water charges per connection (% of median household income)



Water charges per connection: After an initial increase in prices over the LTP period, prices are expected to trend downwards, albeit with variability due to peaks in the capital programme. Customers are expected to save on average about $70 each year under a WSCCO model compared to in-house delivery over the FY29-FY54 period. This represents a total saving of around ~$1,710 per connection by FY54.

Affordability of water charges: Water charges are forecast to become more affordable for the community under either model, decreasing from above 5% of median household income to less than 3% by FY54. However, affordability outcomes are not significantly different between the two models due to the in-house model's high reliance on borrowing to fund investment over the forecast period.

Financial flexibility: Savings under a WSCCO are smaller than the operational efficiencies achieved, because the in-house model relies heavily on debt to fund water investment. Transferring water debt to a WSCCO would materially strengthen councils' financial flexibility and capacity to absorb shocks, cutting peak debt-to-revenue from 137% to 3% and effectively eliminating council borrowing.

Ōpōtiki District Council

Assessment against strategic objectives 1 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Efficient and financially sustainable delivery of water services for communities, now and into the future	• Water debt-to-revenue peaks at 568% in FY29, declining to 472% by FY34. • Historic capex delivery of 41% is well below the other councils, suggesting significant capacity constraints. • Resource sufficiency is a significant risk at small scale, with in-house teams competing with neighbouring councils forming larger water entities. • Long-term financial sustainability is uncertain.	• Customers are expected to save on average about $70 each year under a WSCCO model compared to in-house delivery over the FY29-FY54 period. This represents a total saving of around ~$1,710 per connection by FY54. • Access to WSCCO borrowing covenants provides significant additional capacity to address the investment needs. • Resourcing efficiency lifts materially through consolidation of specialist capability into a larger entity. • Delivery capability strengthened through shared programme management.
Protects and promotes public health and the environment - meeting regulatory requirements	• Highest proportion of assets in poor condition across all three waters. • One active abatement notice for wastewater discharge.	• Greater financing capacity and specialist capability materially lift the likelihood of meeting evolving standards.
Water services **are resilient to natural hazards and climate change**	• Significant exposure to river and coastal flooding. • Limited financial capacity to invest in resilience under existing debt levels.	• Resilience investment could be brought forward. • Council debt headroom freed for non-water resilience investment.
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Tight interface with district land use, transport and growth planning across urban and rural areas.	• Integration becomes an interface to manage across four councils.

Ōpōtiki District Council

Assessment against strategic objectives 2 of 2

Legend: *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Strategic objective	Internal business unit *Status quo*	Rotorua/Eastern Bay of Plenty water organisation – asset owning (WSCCO)
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Cumulative cost per consumer to FY54 is ~$87,418, around $1,713 more per connection than under a cost-to-serve WSCCO. • Ōpōtiki's in-house model relies on high borrowing to fund water investment. This flows through to higher rates overall, not just water charges. • Absolute water charges are high under in-house delivery and above average levels of socioeconomic deprivation exacerbate affordability challenges. • Ōpōtiki communities will face increasing affordability challenges as required investment drives increased revenue requirements. • Local voice mechanisms strong through elected members and existing consultation processes.	• Customers are expected to save on average about $70 each year under a WSCCO model compared to in-house delivery over the FY29-FY54 period. This represents a total saving of around ~$1,710 per connection by FY54. • The percentage saving on water charges is modest because Ōpōtiki's in-house pricing reflects high borrowing to fund water investment. • Wider ratepayer benefit is amplified by the transfer of water debt, which frees council headroom and reduces overall rates pressure. • Local voice mechanisms will need deliberate design.
Council obligations to hapū and iwi are valued and honoured*	• Four iwi entities with recognised interests. • Engagement through settlement and deed-based arrangements, and emerging partnership forums (Whakaōhea Kaitiaki Forum), harbour and catchment-based relationships.	• Existing obligations would need to be explicitly provided for through new or adapted mechanisms.
Remaining council operations are viable and continue to deliver on communities' expectations	• Water debt currently constrains investment in roads, community facilities and other council services, with limited headroom to respond to unforeseen costs. • Highest whole-of-council debt burden of the four councils.	• Transfer of water debt returns significant headroom to council. • Stranded costs will need careful management given the small overall size of the council, particularly where council overhead has been allocated to water.

* Indicative assessment, not based on direct engagement with hapū and iwi. Each council is undertaking its own engagement with hapū and iwi to inform final decisions.



Wellington T +64 4 499 6130
Level 1, City Chambers, Cnr Johnston and Featherston Streets, Wellington 6011, PO Box 5256, Wellington 6140, New Zealand
Auckland T +64 9 915 1360
Level 16, 41 Shortland Street, Auckland 1010, New Zealand
info@martinjenkins.co.nz **martinjenkins.co.nz**



Joint Water Services Organisation - Financial Assessment

Final Report

17 August 2026

Commercial in Confidence

Preface

This report has been prepared for Rotorua Lakes Council, Whakatāne District Council, Ōpōtiki District Council and Kawerau District Council by MartinJenkins.

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

Kei te āwhina mātau ki te whakapai ake i a Aotearoa. We are a values-based organisation, driven by a clear purpose of helping make Aotearoa New Zealand a better place. Our firm is made up of people who are highly motivated to serve the New Zealand public, and to work on projects that make a difference.

Established in 1993, we are a privately owned New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of Executive Partners and Independent Directors. Our Independent Directors are Jenn Bestwick and Chair David Prentice. Our Executive Partners are Sarah Baddeley, Nick Carlaw, Allana Coulon, and Nick Davis.



Disclaimer

This report has been prepared solely for the purposes stated in it and should not be relied on for any other purpose. It is subject to the Limitations on the following page.

No part of this report should be reproduced, distributed, or communicated to any third party, unless we consent to this in advance in writing.

We do not accept any liability if this report is used for any purpose other than that for which it is intended, nor do we accept any liability to any third party in respect of this report.

We have not sought to independently verify or audit any of the information provided to us by our clients or any other persons and which we have relied on for the purpose of undertaking this work.

Any financial projections included in this document (including budgets or forecasts) are prospective financial information. Those projections are based on information provided by our clients and are based on assumptions about future events and actions that are outside our control and that may or may not occur.

We have made reasonable efforts to ensure that the information contained in this report was up to date as at the time the report was published. That information may quickly become out of date, including as a result of events outside our control.

MartinJenkins, and its directors, officers, employees, agents, consultants, and advisers, will not have any liability arising from or otherwise in connection with this report (or any omissions from it), whether in contract, tort (including for negligence, breach of statutory duty, or otherwise), or any other form of legal liability (except for any liability that by law may not be excluded). The clients irrevocably waive all claims against them in connection with any such liability.

This Disclaimer supplements and does not replace the Terms and Conditions of our engagement contained in the contract for this assignment.

Limitations

This report contains a point-in-time, indicative assessment of stylised WSCCO scenarios to inform decision-making about future water services delivery models.

The analysis represents a snapshot in time, based on the data, assumptions and information available at the date of this report. As circumstances, policies, and council data and information evolve, this assessment, in whole or part, may become out of date and warrant re-evaluation.

We have relied on council-provided information and have not verified its accuracy.

The modelling outputs are dependent on the accuracy and completeness of information provided by participating councils. Any errors, omissions or inconsistencies in that information may affect the reliability of the findings, and have not been independently verified by us.

Scope of analysis is limited to indicative financial implications only.

Our work focuses on the potential structure and outcomes of a joint water services council-controlled organisation. It does not examine potential flow-on effects for other parts of the councils' operations and delivery arrangements, nor does it evaluate the underlying capital delivery programme. It is high-level, indicative analysis and does not constitute a detailed business case nor provide information sufficient to support implementation planning.

The outputs should be considered representative rather than exhaustive.

The purpose of this modelling is to provide a representative analysis based on current assumptions. It is not an exhaustive analysis or a detailed operational review. Users of this report should exercise caution when extrapolating the results beyond the specific scenarios modelled.

Ongoing changes and updates.

Given the dynamic nature of legislative frameworks, council priorities, and data quality, the inputs underpinning this analysis may change over time. Readers should refer to the most recent information and seek updated modelling if circumstances change.

Use of sensitive information

This report relies on the provision of sensitive information, the disclosure of which may prejudice commercial positions or negotiations, or inhibit the future supply of such information in a free and frank manner. It is recommended that participating councils are consulted prior to the disclosure of any information or findings in this report.

Table of contents

Introduction and purpose	6
Summary of findings	8
Modelling approach	10
Capital expenditure	15
Operating expenditure	18
Operating revenue	21
Debt sustainability	23
Comparative price paths	26
Sensitivity of price path to efficiency assumptions	32
Appendix A: Modelling approach and key assumptions	34
Appendix B: 3-District WSCCO Scenarios	40
Appendix C: 30 Year Capital and Operating expenditure per council	45
Appendix D: Harmonised Price	51
Appendix E: Additional information on efficiencies	54

Introduction and purpose

Introduction and purpose

Rotorua Lakes, Whakatāne District, Ōpōtiki District and Kawerau District Councils included a commitment in their Water Services Delivery Plans to investigate the implications of a joint WSCCO for their communities.

The four councils engaged MartinJenkins to undertake a high-level financial assessment of a possible Joint Water Services Council Controlled Organisation.

Local Water Done Well requires water services delivery arrangements to be financially sustainable and able to meet regulatory needs. In determining their preferred approach, each council should consider whether their existing service delivery arrangements will continue to meet community expectations regarding levels of service, achieve compliance with future regulatory requirements, and provide for growth, while also ensuring water services remaining affordable.

The Local Government (Water Services) Act 2025 requires that:

- revenue and funding is sufficient to sustain long-term investment in water services while meeting all regulatory requirements
- charges for water are ring-fenced and only used to pay the costs of water services
- a water services provider's revenue, funding and expenses are transparent to the public.

A Water Services Council Controlled Organisation (WSCCO) offers financial advantages over in-house delivery.

A WSCCO has the ability to borrow at higher levels of gearing, more appropriate for operating long-lived water infrastructure, at interest rates similar to councils due to the ability to access bespoke LGFA lending arrangements and covenants. The ability to combine assets and service delivery and optimise capital structure, alongside professional governance and management, mean there are likely to be greater operating and capital efficiencies available relative to in-house delivery options.

A WSCCO would enable three waters debt to be separated from shareholding councils' balance sheets. Under the current delivery model, the level of debt available for water and non-water investment is constrained by each council's overall debt position and borrowing limits. By establishing a WSCCO, water debt would transfer to the new entity, which would free up council debt headroom for other purposes. The modelling assumes the WSCCO would continue to borrow through LGFA at interest rates similar to those councils can obtain.

This report assesses how a joint WSCCO delivery model could benefit participating councils and customers by enabling greater efficiencies and adopting more efficient capital structures.

It presents these findings for a joint WSCCO comparing two scenarios against the status quo:

1. Increased investment
2. Optimised prices

It provides an indicative assessment of costs to customers under a cost-to-serve approach. For comparative purpose, harmonised price paths are also shown in Appendix D.

Further scenarios that explore different combinations of shareholding councils are included in Appendix B.

We have relied on council supplied financial projections and an agreed set of assumptions.

In undertaking this analysis, we have relied on financial information and projections provided by the participating councils and have used assumptions developed with and agreed upon by participating councils (refer Appendix B).

These assumptions guide the scope of potential outcomes and inform the overall conclusions regarding the financial and operational viability of the proposed joint WSCCO model. Changes to these underlying assumptions may have a material impact on the outcomes presented in this report. The reasonableness of the conclusions should therefore be considered with reference to the reasonableness of the inputs and assumptions.

Summary of findings

Summary of key findings

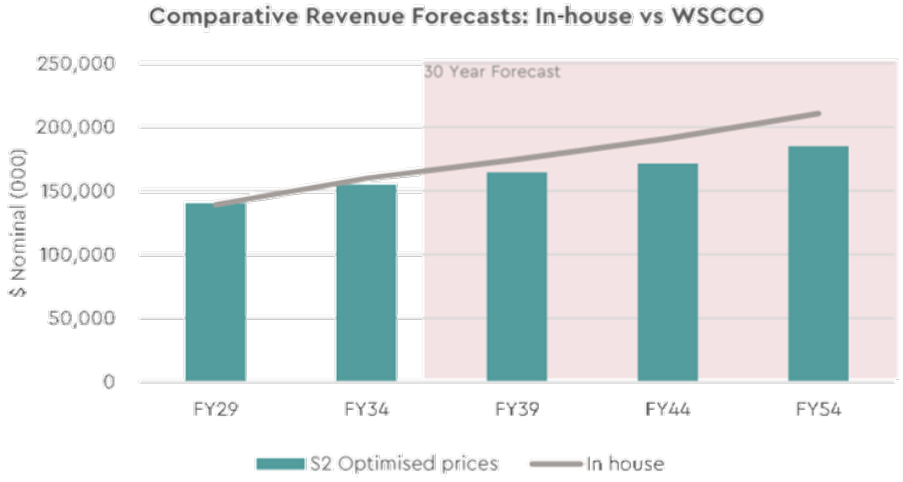
A joint WSCCO would be expected to deliver water services at a lower long-run cost to consumers than individual councils can deliver through current operating models and/or enable greater levels of investment to be delivered within currently projected revenues. Specifically, by FY54, a WSCCO could achieve:

- **Cost efficiencies.** Operating efficiencies are projected to peak at ~11.7% by FY47, delivering ~$180 million in cumulative operating savings to FY54 (~$145 million net of establishment and ongoing incremental costs). Capital efficiencies are projected to peak at ~18.1%, generating ~$185 million in cumulative capex savings — about 11% lower than in-house delivery for the same investment programme.
- **Customer impacts.** Rotorua and Whakatāne consumers are expected to see the largest price reductions (~$5,600 and ~$5,560 cumulative savings per connection to FY54). Ōpōtiki and Kawerau see more modest direct savings (~$1,710 and ~$1,650), but significant benefits would accrue to ratepayers through a reduction in Council debt and lower finance costs. The varied distribution of benefits reflects different starting debt-to-revenue ratios.
- **Council financial flexibility.** A key benefit of the WSCCO is balance sheet separation and capital structure. This creates additional borrowing headroom at the council level, significantly improving financial flexibility and the capacity to manage shocks. For Ōpōtiki and Kawerau, the transfer of water debt to a WSCCO would effectively eliminate council debt, while Whakatāne would also gain significant financial flexibility.

The benefits from the more **efficient capital structure** of the WSCCO model, **combined with the potential for operating and capital efficiencies**, would provide an immediate uplift in borrowing capacity to support required investment; result in fairer intergenerational allocation of costs through funding assets over their useful lives; and enhance investment capacity, infrastructure resilience, and create greater financial capacity for the WSCCO and councils to manage risks and absorb shocks.

Scenario	Total Savings in water charges per connection (FY29-FY54) ($ real)	Total Capex including efficiencies (FY29-FY54) ($ nominal)	Total Opex including efficiencies (FY29-FY54) ($ nominal)
WSCCO – Optimised Prices	RLC ~ $5,600 WDC ~ $5,560 ODC ~ $1,710 KDC ~ $1,650	~$1,510 million	~$2,120 million
In-house	N.A.	~$1,695 million	~$2,265 million
Cumulative Savings	N.A.	$185 million	$145 million*

* Net of establishment and ongoing incremental costs



Modelling approach

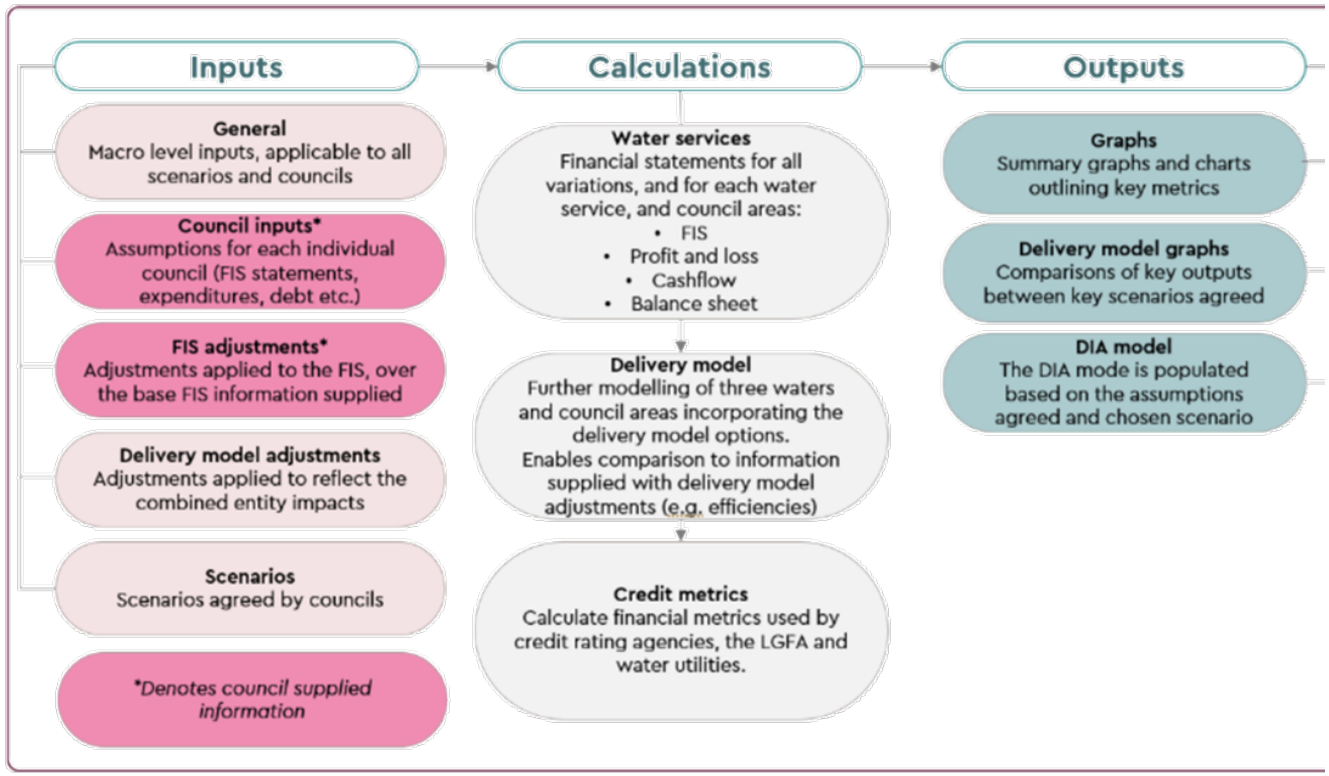
Modelling approach

Our model builds on the Department of Internal Affairs WSDP financial template and incorporates

- The ability to solve for certain capital structures, financial ratios, revenue profiles, and other key metrics, enabling testing and comparison of multiple scenarios.
- Efficiency assumptions for both capital and operating expenditure based on international benchmarks and scale of the proposed entity.
- Allows for one-off establishment and ongoing incremental costs.
- Models several scenarios, based on data assumptions supplied by the councils.

The usefulness of the model's outputs is dependent on the robustness of inputs and assumptions. We have relied on information supplied by councils, with adjustments documented in Appendix A.

Overview of model architecture



Scenarios assessed

0 In-house delivery

(Simple aggregation)

An In-House Business Unit is the benchmark for comparison.

This scenario combines WSDP financial projections for each district, without any provision for efficiency or changes in capital structure.

1 Increased investment

(Targeting increased investment, while maintaining current price paths)

Demonstrates how a WSCCO could increase investment without increasing costs to consumers.

- Utilises LGFA WSCCO financial covenants to fund higher levels of investment, consistent with principles of intergenerational equity.
- Maintains current price levels and revenues but accelerates investment in infrastructure, utilising greater borrowing capacity and operating and capital efficiencies.
- Extent of acceleration of investment possible depends on available borrowing headroom within LGFA WSCCO covenants, relative to levels of borrowing under In-House delivery.

2 Optimised prices

(Targeting reduced prices, while holding investment constant)

Demonstrates how a WSCCO could reduce prices and improve affordability without reducing planned investment.

- Utilises LGFA WSCCO financial covenants to more appropriately spread the costs of infrastructure over time, consistent with principles of intergenerational equity.
- Uses borrowing capacity and efficiencies to lower prices while maintaining planned levels of investment.

Note: Cost-to-serve pricing models are presented for scenario 2. Thirty year modelling has also been undertaken for this scenario.

Financial sustainability framework

The Local Government (Water Services) Act sets out financial principles that underpin the requirement for financial sustainability. Under Local Water Done Well, the expectation is that operating revenues pay for operating costs with capital investment funded by capital sources (e.g., borrowing and development contributions). Our financial sustainability framework is presented on the right-hand-side.

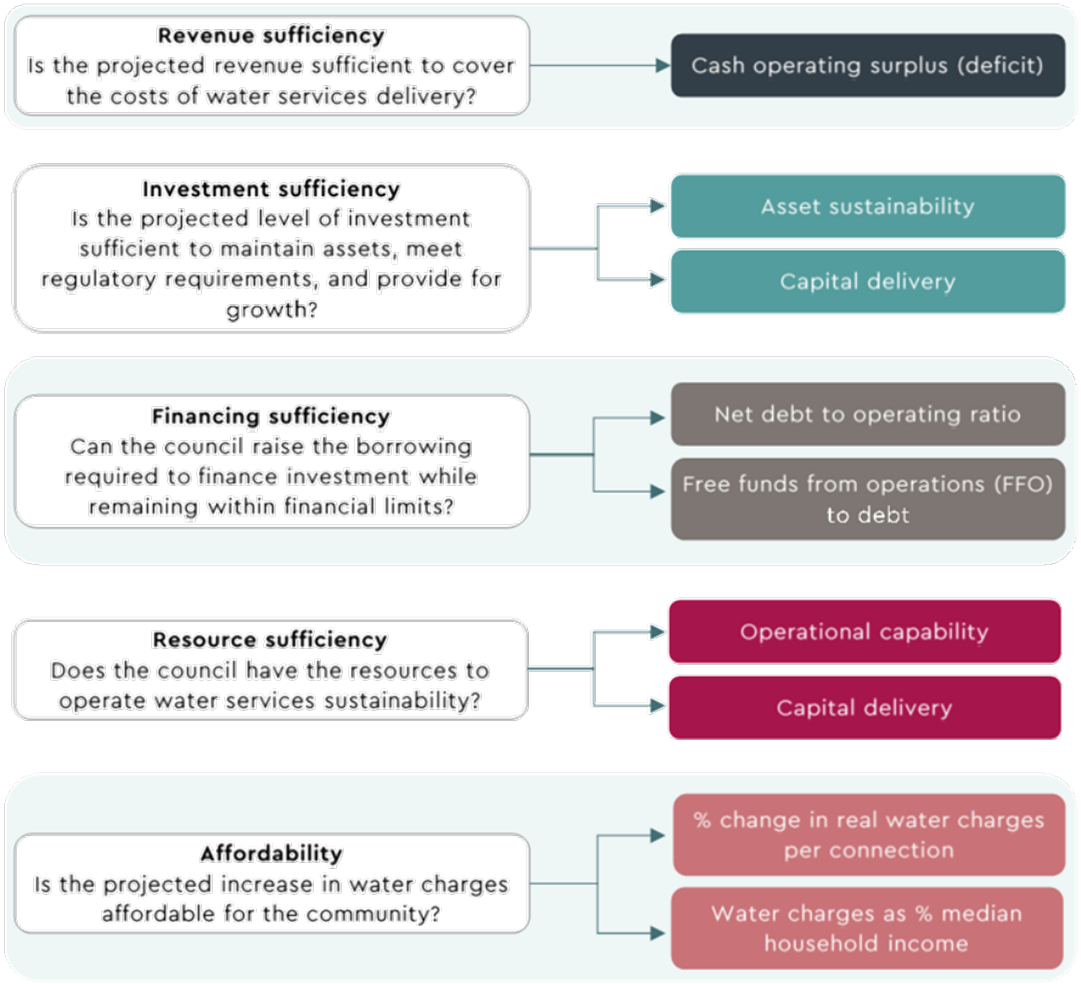
LGFA has set out a number of credit criteria. A critical component of the 'prudent credit criteria' is that a 'funds from operations'-to-debt covenant would be required, with an expected minimum FFO-to-debt ratio of 9%

FFO-to-debt provides a metric by which a lender can assess the ability of revenues (including a portion of DCs consistent with LGFA covenant metrics) to meet operating costs and debt servicing requirements.

By targeting an efficient capital structure, it is possible for a WSCCO to optimise revenues, while meeting operating and capital costs and maintaining prudent borrowing. This creates opportunities to:

- increase investment while maintaining current price levels, or
- maintain investment while lowering price levels, or
- a combination of these scenarios.

Our modelling targets FFO-to-debt at 10% as a conservative assumption. This means cash surpluses generated in any year are equal to 10% of the WSCCO's net borrowings, and above the LGFA covenant of 9%.



Base assumptions

Several key assumptions underpin the analysis, and are consistent across the scenarios modelled.

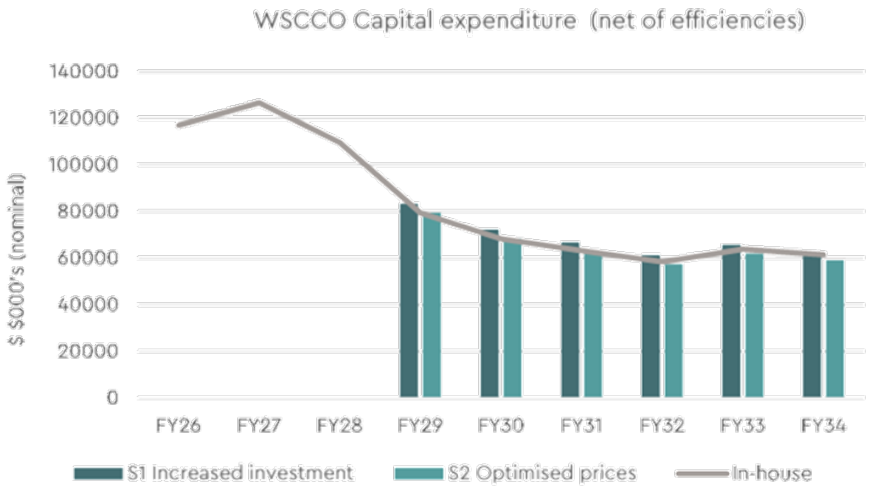
Additional information on the underlying assumptions can be found in Appendix A.

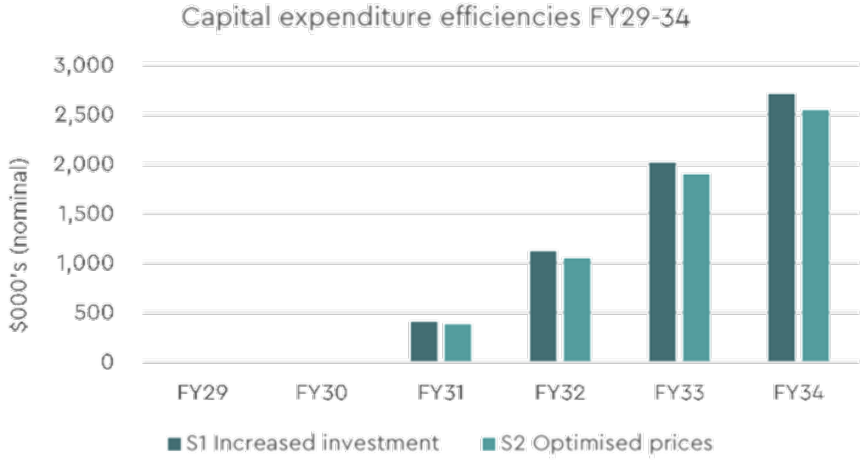
Further information on efficiencies can be found in Appendix E.

Assumption	Commentary
Establishment date 1 July 2028	The WSCCO would be established and operational from 1 July 2028 (i.e., for FY28/29)
Operating efficiencies 0.75% p.a.	Operating efficiencies are driven by a number of factors, including productivity gains arising from effective governance and management practices, purchasing power, and streamlined operations and maintenance. Efficiencies are modelled to begin in FY31, two years after the entity's establishment and ramp to 0.75% p.a. (the mid-point of the efficiency range) until peak operating efficiency is achieved in FY47 (cumulative gain of 11.7% relative to the initial operating cost).
Capital efficiencies 1.2% p.a.	Capital efficiencies reflect reductions in real unit costs from prudent investment decisions, sophisticated procurement practices, and market power from a larger entity having long-term investment pipelines. Efficiencies are modelled to begin two years after the entity's establishment (FY31) and ramp to 1.2% p.a. (the upper end of the efficiency range) until peak capital efficiency is achieved in FY47 (cumulative gain of 18.1%).
Establishment costs	Establishment costs are assumed to be: • **$9 million for four council entity scenarios** • **$8 million for three council entity scenarios** The modelling results are not sensitive to this assumption.
Incremental opex	Additional operating costs associated with a WSCCO include board fees, additional management costs, and other costs. **These are assumed to be $0.9 million p.a. from FY29**
Financing 5.25% p.a.	LGFA has indicated that the borrowing margin for multi-council WSCCOs would be based on the weighted average borrowing margin of the participating councils. Default weighting will be based on ownership structure per LGFA guidance.

Capital expenditure

Projected capital expenditure





Current Investment Levels

The four councils plan to invest $394 million from FY29-FY34 (being the period of WSCCO operation within the current forecasts).

Investment Scenarios under a WSCCO

The WSCCO could generate cumulative **capital efficiencies totalling about $6 million by FY34**, meaning the delivery of the same investment for around **$6 million less** than current council arrangements. This should lead to **lower costs for consumers**.

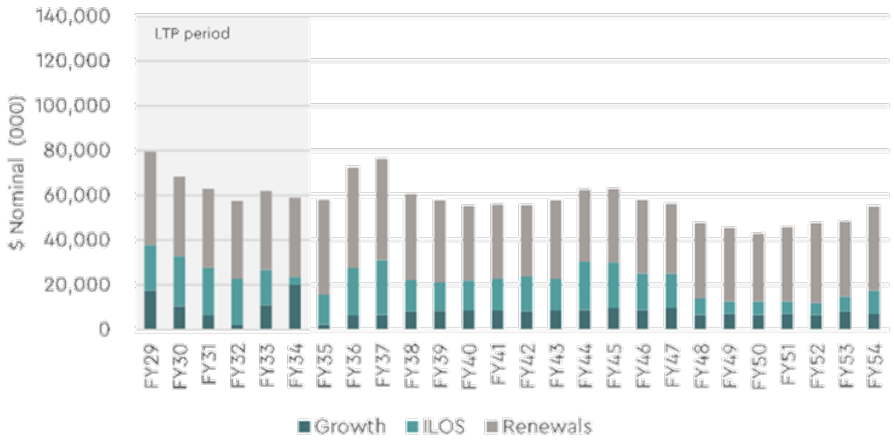
Efficiencies are forecast to reach 4.1% by FY34, which is less than 25% of the peak efficiency rate of 18.1%. By FY54, cumulative efficiencies are much larger, and estimated to total about $185 million over 30 years.

If the **current price path** is maintained, a WSCCO could invest an **additional $17.3 million** between FY29 and FY34, an increase of 4.4% above the in-house forecasts. The absence of 30-year operating cost projections means we are unable to estimate the scope for additional investment over this timeframe, but we expect it would exceed $100 million due to the cumulative efficiencies over this timeframe.

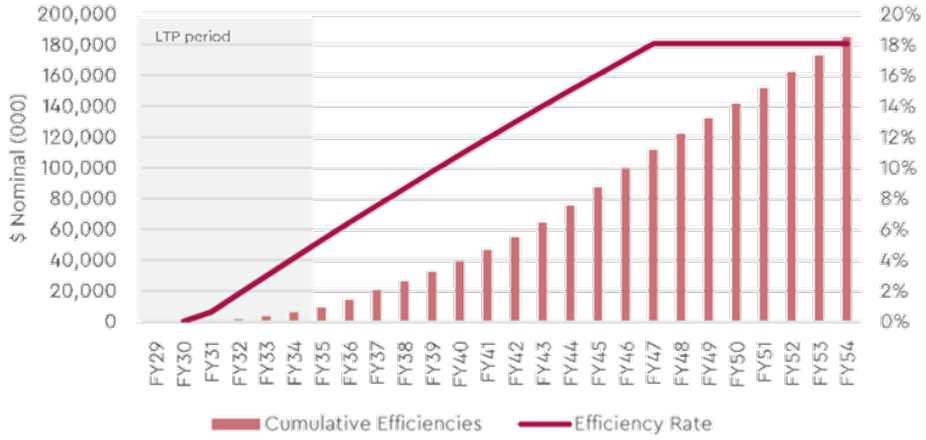
	Total capex including efficiencies (FY29-FY34)	Capex efficiencies (FY29-FY34)
S1-Increased investment	$412 million	~$6.2 million
S2-Optimised Prices	$388 million	~$5.8 million
In-house	$394 million	Nil.

Projected capital expenditure with optimised prices

Three Waters Capital Expenditure (FY29-54)



WSCCO Cumulative Capital Expenditure Efficiencies (FY29-54)



Current Investment Levels

Based on 30-year Infrastructure Strategies, the four councils plan to invest $1.7 billion in water infrastructure over the FY29–FY54 period. The majority of forecast investment is directed towards renewals (55%), with a smaller proportion allocated to levels-of-service improvements (26%) and growth infrastructure (19%).

Elevated levels of investment are expected in FY29, FY36–FY37 (Rotorua), and FY42–FY45 (Ōpōtiki) due to major asset replacements and upgrades.

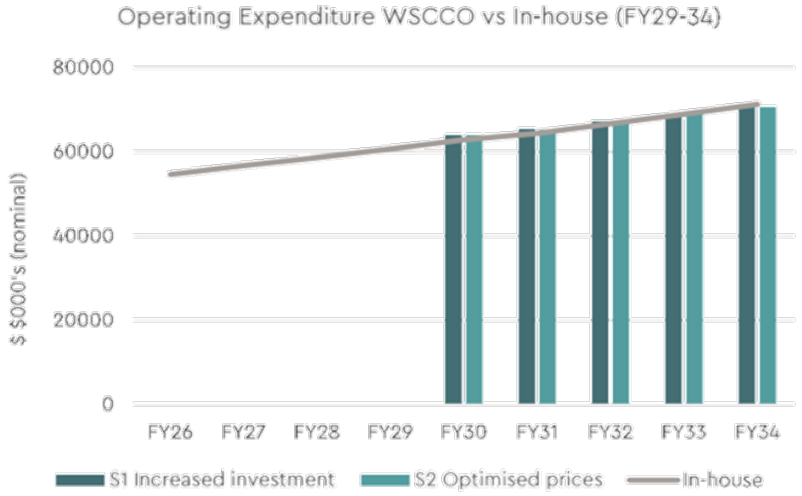
Investment Scenarios under a WSCCO

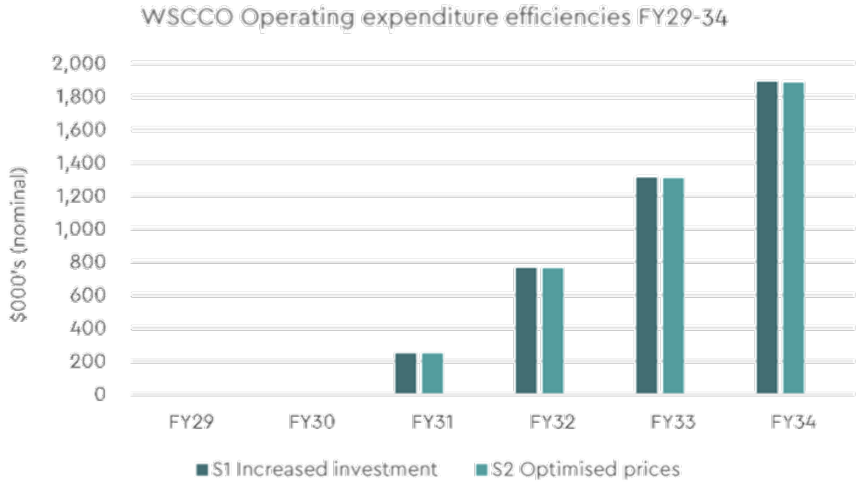
By achieving modest efficiencies, the WSCCO could generate cumulative **capital efficiencies totalling ~$185 million by FY54**. This equates to being able to deliver the existing capital programme for 11% less than is projected under current In-house delivery models.



Operating expenditure

Projected operating expenditure





Operating expenditure

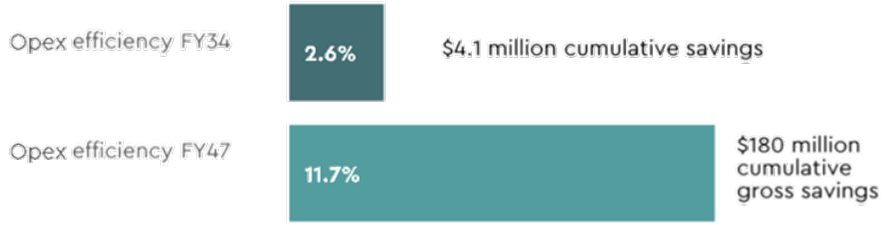
Total operating expenditure is similar across the three scenarios over the LTP period. The additional management and governance costs associated with a WSCCO begin to be offset by the operational efficiencies from FY32.

Efficiency gains are modelled to increase over time, with a two-year ramp-up post-establishment, and the full efficiency benefits reached 15 years thereafter. This means **cost savings will continue beyond the LTP period, delivering significant ongoing savings to communities** (see next page for detail).

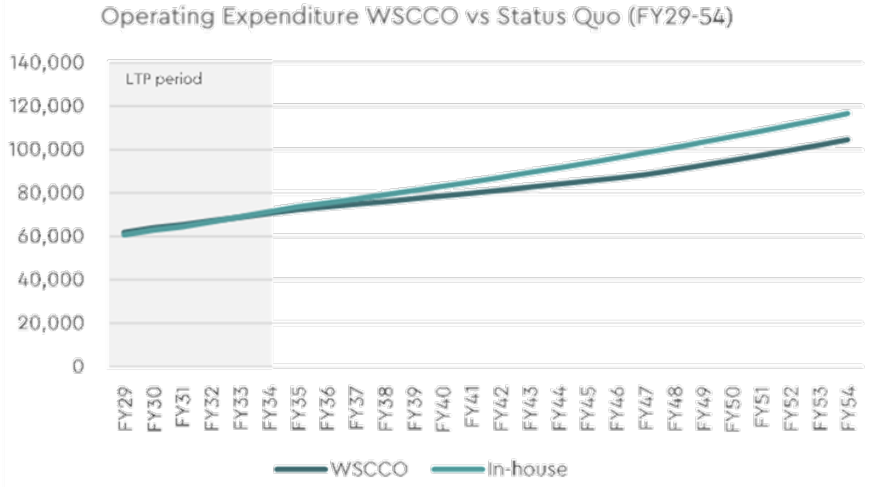
Operating efficiencies have been applied only to core operating costs, excluding depreciation and finance costs.

Scenario 1 provides for up to $17 million worth of additional investment, compared with In-house delivery. This creates additional financing and depreciation costs to service this investment. We have assumed this additional capex is primarily directed to improving existing assets and have made a small allowance for consequential operating costs.

	Total Opex including efficiencies (FY29-FY34)	Opex efficiencies (FY29-FY34)
S1 Increased investment	~$398 million	~$4.2 million
S2 Optimised prices	~$397 million	~$4.1 million
In-house	~$395 million	Nil.



Projected operating expenditure with optimised prices

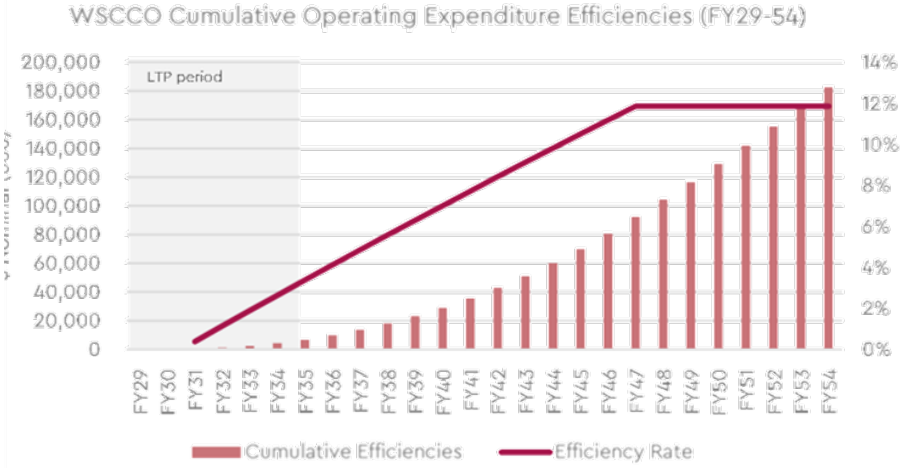


Operating expenditure

Efficiency gains in a WSCCO are modelled to increase over time, with full efficiency benefits peaking at 11.7% per year in FY47. Over the FY29-FY54 period, cumulative efficiencies result in operating expenditure of ~6% less than In-house delivery. The cumulative operating efficiencies are estimated to total ~$180 million by FY54.

Modelling assumptions

Rotorua provided its own 30-year opex forecasts. For Ōpōtiki, Whakatāne, and Kawerau, operating expenditure was forecast for the period FY34–FY54 using an inflation rate of 3% per year. For Ōpōtiki and Whakatāne, an additional consequential operating expenditure allowance of 1.5% was applied to all growth-related capital expenditure. Kawerau's existing infrastructure network has capacity to capture the expected growth, so no consequential operating cost was included. Finance costs were calculated based on projected debt balances, assuming an interest rate of 5.25%. See *30 Year inputs and assumptions* for more detail.

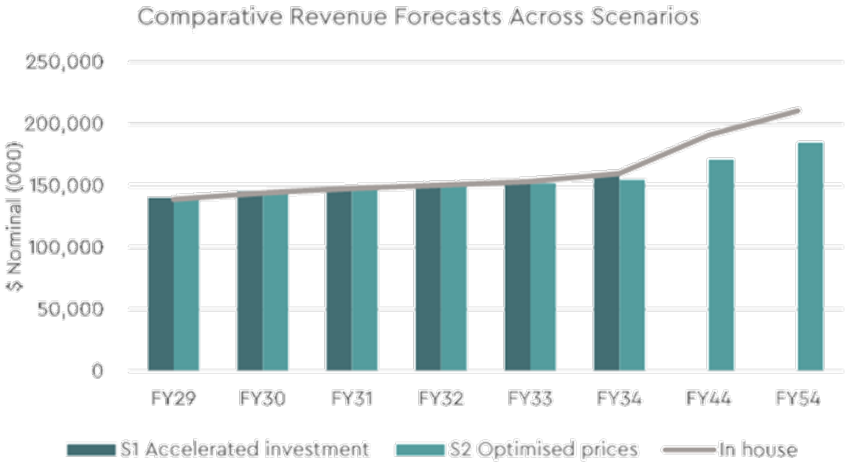


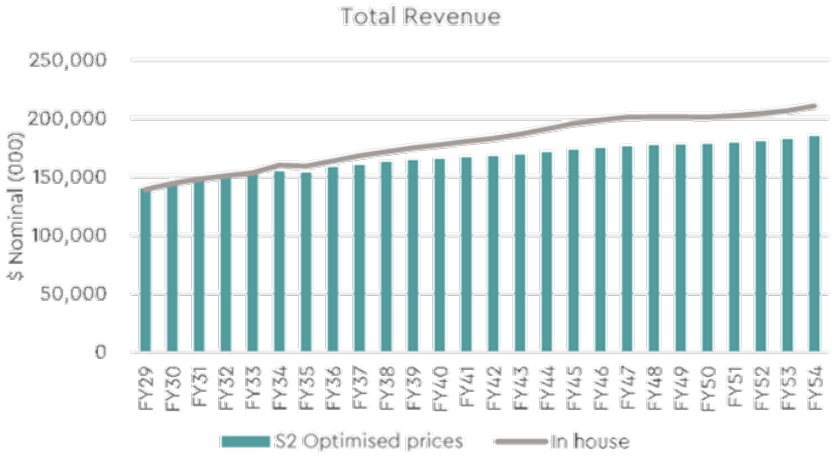
	Total Opex including efficiencies (FY29-FY54)	Opex efficiencies (FY29-FY54)
WSCCO scenario	~$2,120 million	~$180 million*
Status Quo	~$2,265 million	N.A.

* After accounting for the additional establishment and ongoing WSCCO costs, the net savings total ~$145 million.

Operating revenue

Projected revenues





Determining operating revenues

Under Local Water Done Well, the expectation is that operating revenues pay for operating costs with capital investment funded by capital sources (e.g., borrowing and development contributions).

This means operating revenues (and therefore charges for water services) should be set to recover all cash operating expenses plus a minimum FFO requirement (9%, based on LGFA covenants).

For the purposes of this report, we have assumed a target of 10% FFO-to-debt to provide a buffer above the minimum LGFA required covenant. This ensures an efficient approach to setting water charges while maintaining borrowing at a prudent level.

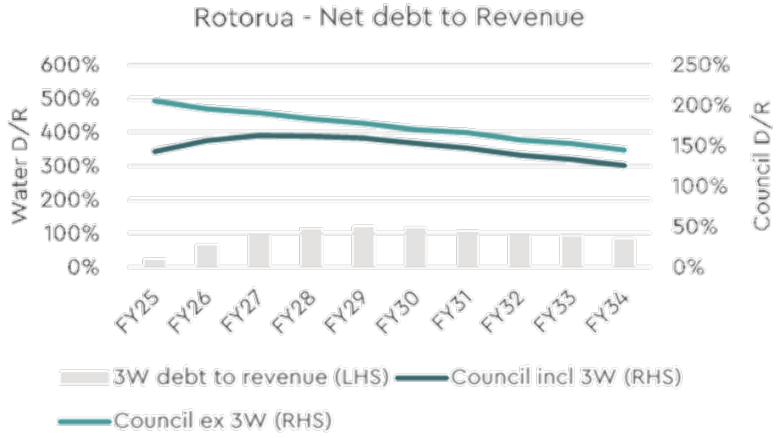
Under the optimised pricing scenario (i.e., where investment is maintained at current projected levels), the operating revenue collected by the WSCCO would be $2 million lower over FY29-FY34 compared with the status quo. How this affects consumers in the respective districts, and the long-term impacts are discussed in detail on the following pages.

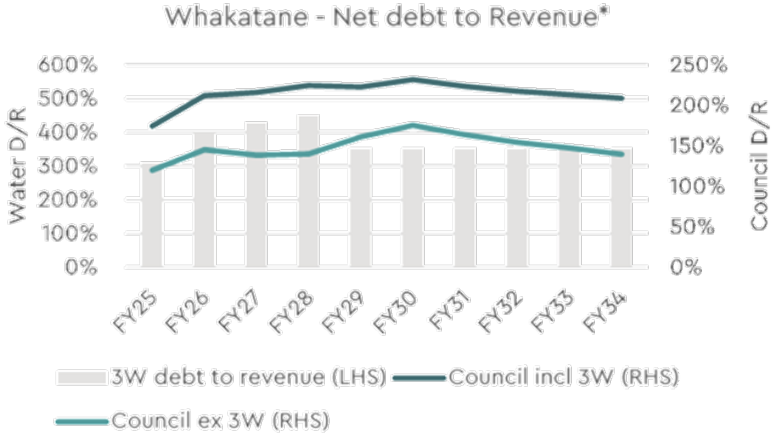
	Total revenue, incl. DCs (FY29-FY34)	FFO-to-debt (FY34)
S1 Increased investment	~$876 million	10%
S2 Optimised prices	~$871 million	10%
In-house	~$873 million	11%

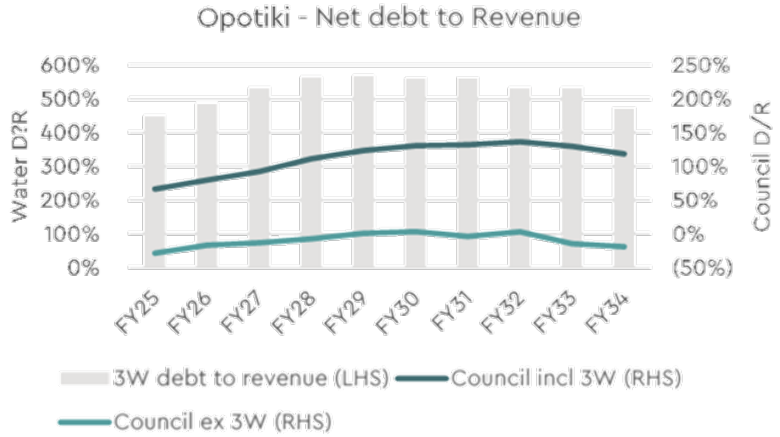

Debt sustainability

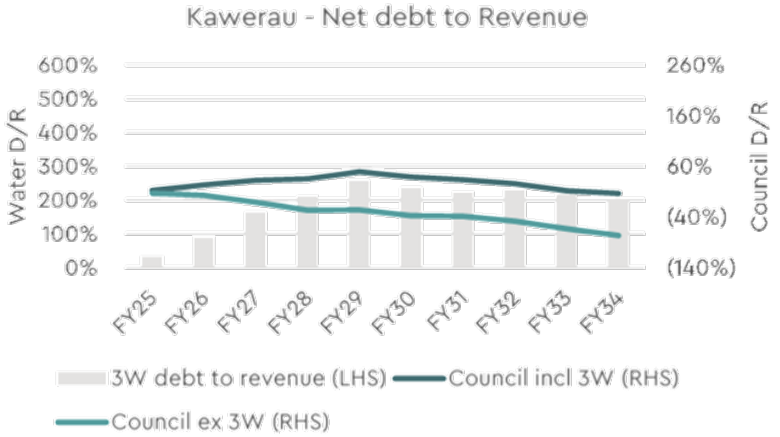
Net Debt to Revenue with and without water services

The four councils operate with significantly different levels of water debt to revenue, ranging from Rotorua where water debt to revenue peaks at 120% in FY29, to Ōpōtiki where water debt to revenue peaks at 568% in FY29. These different levels of gearing result in a different distribution of benefits from a WSCCO. For Whakatāne and Ōpōtiki, and to a lesser extent Kawerau, significant benefits would accrue from a reduction in Council debt burden (and servicing costs) and increased council capacity to manage shocks. The flipside of this benefit is that water consumers benefit less from an increase in the WSCCO's debt capacity.





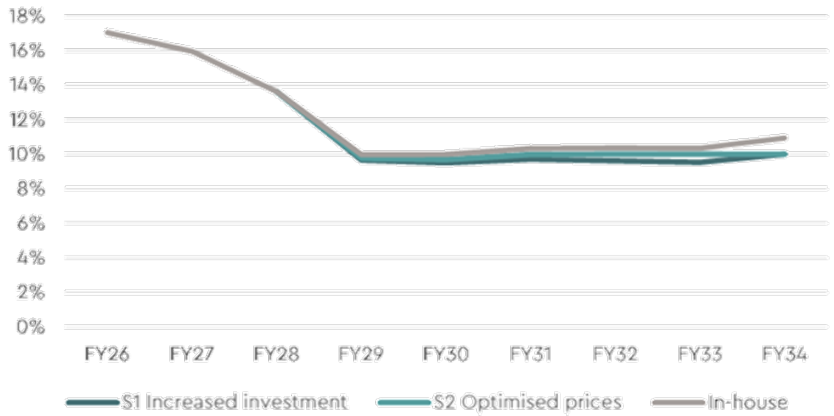


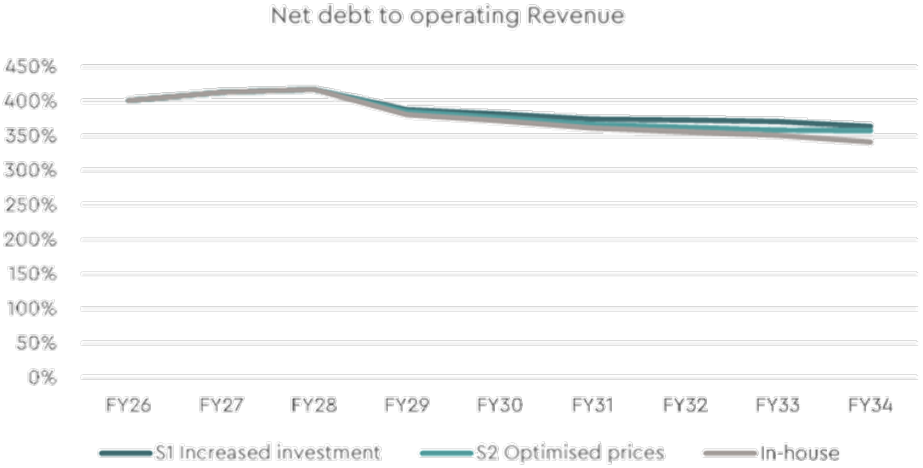


*For Whakatāne MartinJenkins modelled an in-house 3W business unit targeted a debt-to-revenue ratio of 350% from FY29.

WSCCO Debt Sustainability

Under a WSCCO model, the company targets a long-term FFO to net debt ratio of 10%, consistent with minimum LGFA lending covenants plus a one percentage point prudential margin. Compared with In-House delivery, this results in a smoother price path and more consistent financing strategy across the four councils. As noted on the previous slide, the transfer of water debt to a WSCCO would reduce the debt-to-revenue ratio for all four councils, effectively eliminating debt in the case of Ōpōtiki and Kawerau.





Borrowing for investment

Based on the information supplied, the funding sources for councils' projected **$389 million of water infrastructure investment between FY29 and FY34** are as follows:

- **$66 million (17%)** is to be debt funded.
- **$47 million (12%)** is to be funded via DCs.
- **$274 million (71%)** is to be funded through operating revenues and
- **$0.8 million (0.2%)** is to be funded by other capital revenue and subsidies.

Capital structure

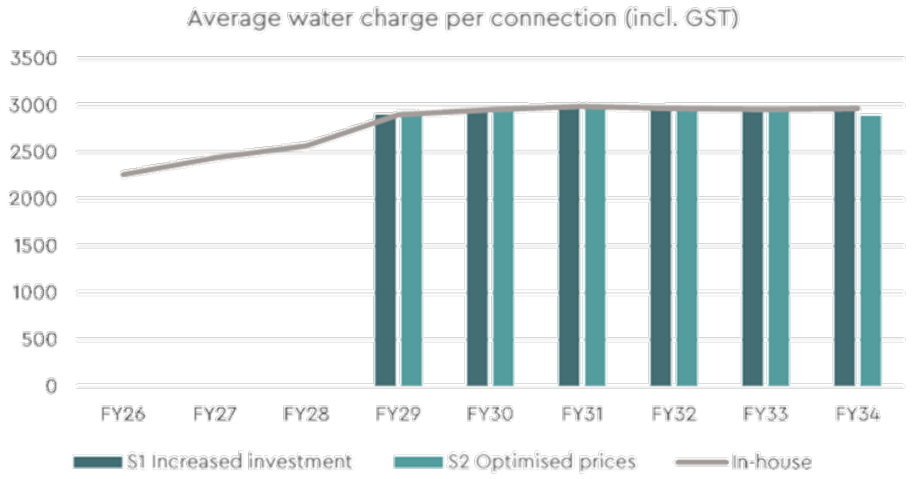
As outlined in DIA guidance, it is inefficient to fund investment in long-lived infrastructure primarily through operating revenues. Under the LWDW framework, capital investment is expected to be funded through capital sources (i.e., borrowing and development contributions), while operating revenues must be sufficient to maintain debt repayments and ensure debt remains within LGFA lending limits* for water CCOs.

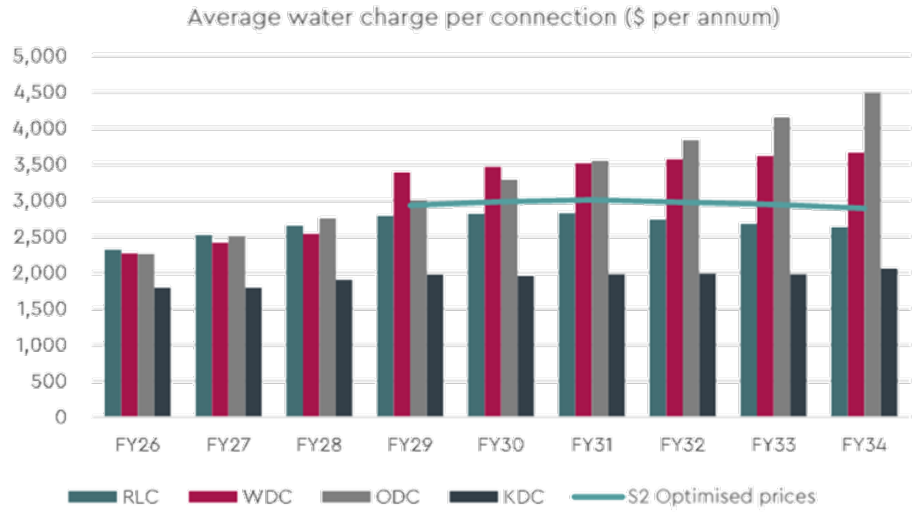
Scenarios 1 (increased investment) and 2 (optimised prices) target a FFO-to-debt ratio of 10%.

**If LGFA approved a lower FFO-to-debt ratio for the CCO, then this would further increase the additional investment or further reduce prices relative to the modelled scenario.*

Comparative price paths

Comparative price paths





Water charges per connection

Under In-house delivery, the average annual water charge per connection across the four councils is projected to exceed **$2,970 per connection in FY34** (in today's terms). A **WSCCO could reduce this to $2,890 per connection** by FY34 across the councils, a reduction of around 3%. Consumers can expect more meaningful differences over a longer time period, as the efficiencies compound.

Consistent pricing methodology (harmonised prices)

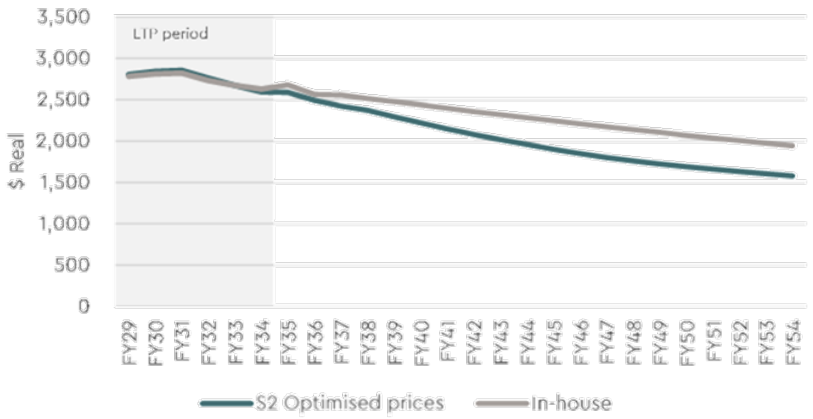
For illustrative purposes, we have included a harmonised price path. This approach reflects an entity level price per connection. We note that, in practice, customers will likely be subject to different tariff structures as they are currently. For ease of reference, individual council price paths are located in Appendix A.

Harmonising prices means that there are consistent pricing methodologies for similar households and users across the area served by the WSCCO. Good pricing principles would likely drive the setting of these charges over time to ensure the approach reflects the long-term costs of delivering water services, regardless of the specific point in time investment requirements of those communities.

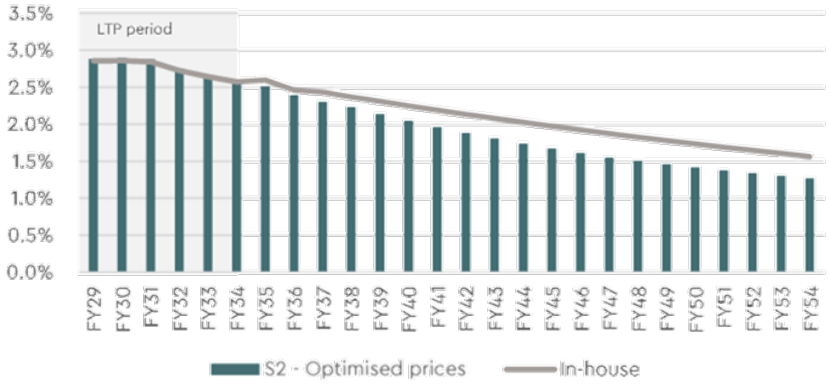
Indicative cost per connection in FY34 ($real)				
WSCCO scenario	**RLC**	**WDC**	**ODC**	**KDC**
S2 - Optimised prices	~$2,595	~$3,460	~$3,800	~$1,975
S2 - harmonised		~$2,890		
In-house	~$2,630	~$3,660	~$4,485	~$2,055

Rotorua comparative price paths

Rotorua - Average charges per connection ($ per annum)



Rotorua - Average water charges per connection (% of median household income)



Water charges per connection

General pricing outlook: Rotorua's average price per connection is forecast to trend downward from FY31, driven by a reduced capex programme, low growth in operating costs, and inflation eroding the real value of debt over time.

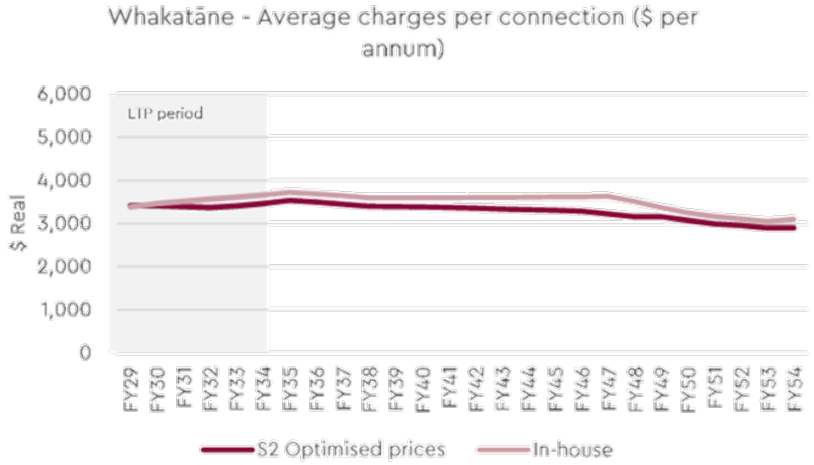
Pricing comparison: Under an Optimised Prices WSCCO scenario, each Rotorua consumer is expected to save ~$216 per year compared to an in-house model over the FY29-FY54 period. This totals ~$5,600 over the FY29-FY54 period, or a saving of about 9%. By FY54, the average charge per connection is expected to be approximately 19% lower under a WSCCO model.

This is achieved by means of the WSCCO realising capital expenditure efficiencies of ~$80 million (or 11%) and operating expenditure savings of a further $80 million (or 6%). Consumers are not expected to see material savings from a WSCCO until after FY34.

Affordability of water charges

Water charges are forecast to become more affordable for the Rotorua community under the cost-to-serve scenario compared with the in-house scenario. By FY54, the in-house rate is projected to reach 1.6% of median household income, whereas the water charge under a WSCCO would be 1.3%.

Whakatāne Comparative price paths

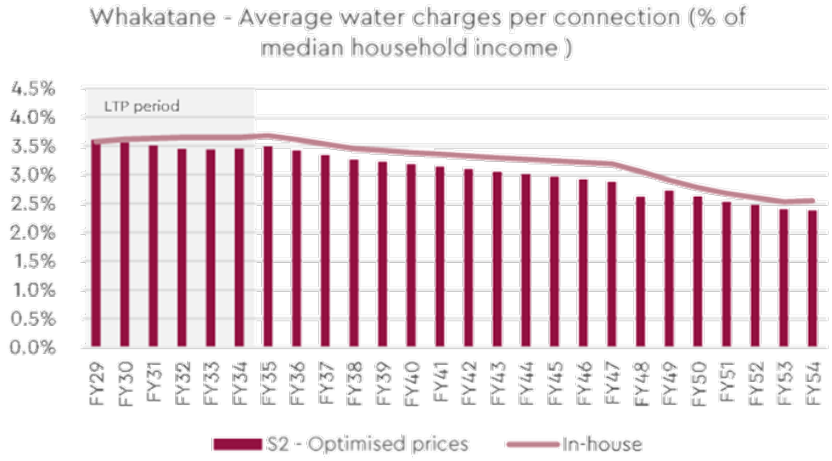


Water charges per connection

General pricing outlook: Between FY29 and FY54, Whakatāne's average price per connection is projected to trend sideways before decreasing from FY47.

Pricing comparison: Whakatāne consumers are projected to save about ~$210 annually, totalling ~$5,560 per connection from FY29 to FY54, under a joint WSCCO model compared to in-house delivery. This represents a saving of about 6%, due to operating cost savings of $50 million (7% reduction) and capital efficiencies of $80 million (11% reduction), offset by higher interest costs.

Greater financial flexibility: The transfer of water debt to a WSCCO would significantly improve Council's financial flexibility and capacity to absorb shocks, reducing peak debt-to-revenue from 232% to 176%.



Affordability of water charges

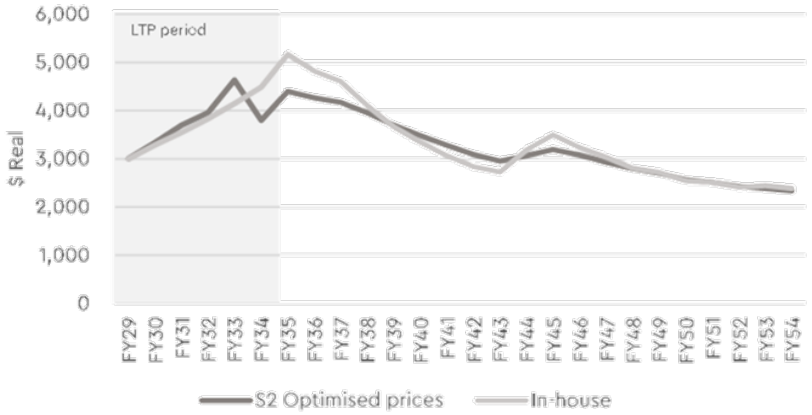
Affordability is expected to improve for the Whakatāne community under a WSCCO compared with In-house service delivery.

By FY54, the in-house water charge is projected to reach 2.5% of median household income, compared to 2.4% under the WSCCO.

Savings to customers would be higher, relative to In-house delivery, if the Council was not already projecting significant borrowing for three water investment.

Ōpōtiki Comparative price paths

Ōpōtiki - Average charges per connection ($ per annum)



Ōpōtiki - Average water charges per connection (% of median household income)



Water charges per connection

General pricing outlook: After an initial increase in prices over the LTP period, prices are expected to trend downwards, albeit with variability due to peaks in the capital programme. Price variability is more pronounced under In-house delivery, as revenue is calculated with reference to a 350% debt-to-revenue target. The spike in FY44–FY45 is due to Ōpōtiki's Waste Water Treatment Plant upgrade.

Pricing comparison: Customers in Ōpōtiki are expected to save on average about $70 each year under a WSCCO model compared to In-house delivery over the FY29-FY54 period. This represents a total saving of around ~$1,710 per connection by FY54. A WSCCO is expected to generate $8 million in operating savings (6% reduction) and $9 million in capital efficiencies (8% reduction).

Financial flexibility: Consumer savings under a WSCCO are smaller than the operational efficiencies achieved, because the In-house model relies heavily on debt to fund water investment. Transferring water debt to a WSCCO would materially strengthen councils' financial flexibility and capacity to absorb shocks, cutting peak debt-to-revenue from 137% to 3% — effectively eliminating council water borrowing.

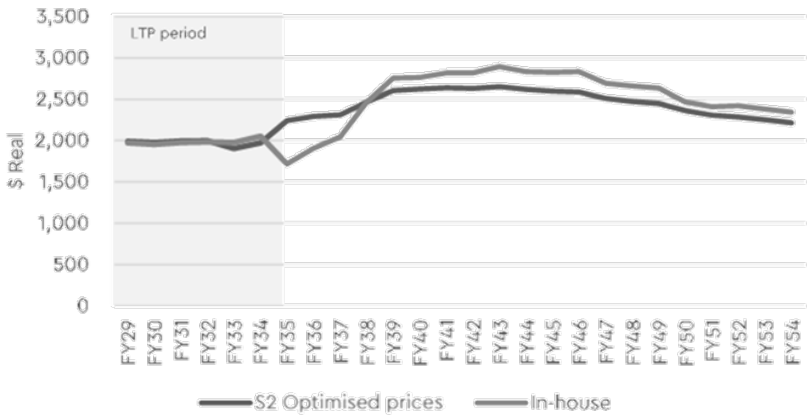
Affordability of water charges

Water charges are forecast to become more affordable for the community under either model, decreasing from above 5% of median household income to less than 3% by FY54.

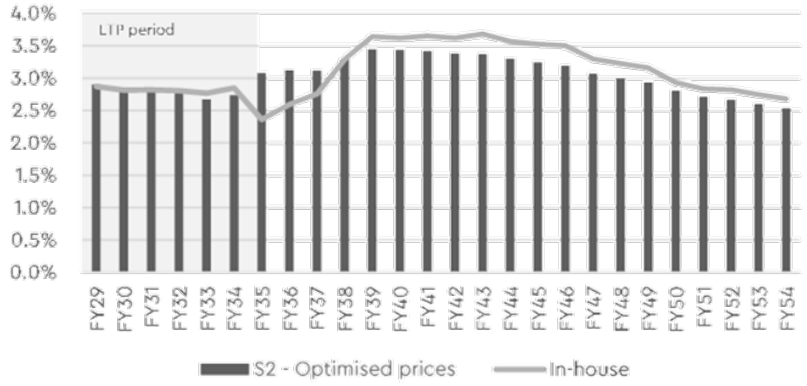
However, affordability outcomes are not significantly different between the two models due to the In-house model's high reliance on borrowing to fund investment over the forecast period.

Kawerau Comparative price paths

Kawerau - Average charges per connection ($ per annum)



Kawerau - Average water charges per connection (% of median household income)



Water charges per connection

General pricing outlook: Kawerau's water charges are expected to increase in real terms from FY35, while showing more volatility. Prices are expected to decrease from the mid-2040's under both the WSCCO and In-house scenarios.

Pricing comparison: Each Kawerau consumer is expected to save about ~$60 per year under a WSCCO model compared with In-house delivery. Projected consumer savings total ~$1,650 per connection over the FY29 to FY54 period. Savings from the WSCCO include a reduction of $10 million in operating expenditure (-7%) and capital efficiencies of $8.5 million (-11%).

Financial flexibility: The WSCCO does not deliver savings for consumers that are proportionate to the operational savings achieved. This is due to the In-house model's significant reliance on debt. If water debt was transferred to a WSCCO, this would create significant additional flexibility and capacity to absorb shocks, effectively eliminating council borrowing.

Affordability of water charges

Water charges are expected to become more affordable for the Kawerau community under a WSCCO model compared to an in-house model.

The in-house option is forecast to reach 2.7% of median household income by FY54, whereas the cost-to-serve rate in a WSCCO is forecast to be 2.5%.

Sensitivity of price path to efficiency assumptions

Sensitivity of price path to efficiency assumptions

Sensitivity testing across operating and capital expenditure efficiency assumptions confirms the savings case for all four councils is robust. Under the Base Case (OPEX 0.75%, CAPEX 1.2%), cumulative savings per connection over FY29-54 range from $1,650 (Kawerau) to $5,600 (Rotorua), with Whakatāne at $5,550 and Ōpōtiki at $1,700.

Under the most conservative scenario (OPEX 0.5%, CAPEX 0.6%), savings remain positive for three councils, ranging from $1,350 (Ōpōtiki) to $4,150 (Rotorua). Under a low-efficiency scenario, Kawerau would not achieve savings because its ability to take on additional debt would be constrained by FFO limits, while it would still bear its share of the additional costs associated with the WSCCO.

Under the higher efficiencies scenario (OPEX 1.0%, CAPEX 1.2%), savings increase to between $2,600 (Kawerau) and $6,400 (Whakatāne).

Cumulative savings per connection comparing base case with lower, medium and higher efficiencies FY29-54 ($ real)

Scenario	Efficiency rate	Rotorua	Whakatāne	Ōpōtiki	Kawerau
Lower efficiencies scenario	Opex lowered to 0.5% Capex lowered to 0.6%	~$4,150	~$2,900	~$1,350	~($250)
Medium efficiencies scenario	Opex held at 0.75% Capex lowered to 0.9%	~$5,250	~$4,650	~$1,150	~$1,150
Base Case*	Opex at 0.75% Capex at 1.2%	~$5,600	~$5,560	~$1,710	~$1,650
Higher efficiencies scenario	Opex increased to 1.0% Capex held at 1.2%	~$6,350	~$6,400	~$2,650	~$2,600

A higher level of capex efficiencies was agreed in the Base Case, reflecting the existing maturity of asset management within the participating councils. As there is greater uncertainty around the potential for capex efficiencies, we maintained the mid level of efficiencies assumptions for the operating expenditure.
* Figures have been rounded to the nearest multiple of 50; accordingly, small variances may occur compared with other figures in this presentation.

Appendix A

Modelling approach and key assumptions

Base assumptions

Assumption	Commentary	Basis of assumption / source
Financing	LGFA has indicated that for multi-council CCOs the borrowing margin would be based on the weighted average borrowing margin of the participating councils. Default weighting will be based on ownership structure per LGFA guidance.	LGFA
Inflation	Each Council will have created their FIS with potentially different inflation rates. We rely on nominal inputs and do not attempt to normalise. We will present nominal and real figures for capital and operating spend.	BERL LGCI
Governance and management costs (incremental)	Incremental governance and management costs associated with the WSCCO are assumed to be $0.9 million p.a., from FY29. ***The model is not sensitive to this assumption.***	Watercare Services Limited and council statistics
Establishment costs (one-off)	Establishment costs are assumed to be: • **$9 million for four council entity scenarios** • **$8 million for three council entity scenarios** This covers transition activities, including legal, commercial and other due diligence, and fit out of premises and basic IT hardware. ***The model is not sensitive to this assumption.***	*Note: We assume that operating costs associated with establishment will be capitalised.*
Stormwater	Stormwater has been included for the purposes of the modelling.	Agreed by councils
Levies	Already included within each Council's WSDP	Agreed by councils
Optional price harmonisation	For the testing of price harmonisation, scenario 2 is used, with price harmonisation being phased in from year two of the entity's establishment, achieving full price harmonisation by FY34.	Agreed by councils
Establishment date	The joint WSCCO is operational from 1 July 2028 (FY29), with all councils joining at the same time.	Agreed by councils

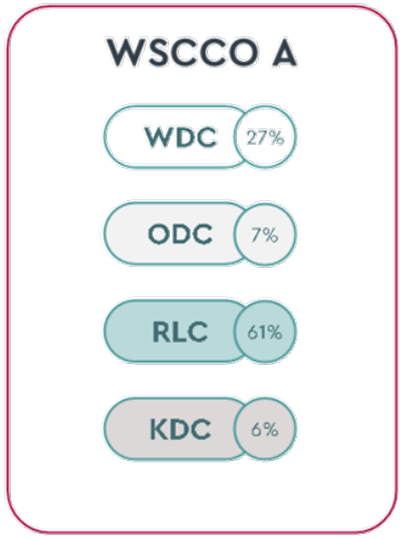
Base assumptions (allocations)

Assumption	Commentary
Allocation of efficiencies, costs and revenues (non-harmonised)	Adjustments possible through the following → • Connections • Population • Net Asset value (book or replacement value)

Efficiencies have been allocated using an average of each of the options identified above. **Table 1**, below, sets out the relative weightings of each measure to the participating councils.

Table 1: Allocation methodologies

Allocation methodology	WDC	ODC	RLC	KDC
Total connections	28%	5%	61%	7%
Population	29%	8%	57%	6%
Net Asset Value	23%	7%	65%	5%
Average	**27%**	**7%**	**61%**	**6%**



30 Year inputs and assumptions

Capital expenditure

Nominal figures as provided by each Council.

Operating expenditure

Rotorua and Kawerau provided forecasts.

Projections for Whakatāne and Ōpōtiki were derived by indexing FY34 costs forward at 3% per year, and allowing 1.5% of growth capital expenditure spend as consequential opex.

Finance costs

Rotorua provided forecasts.

For Kawerau, Ōpōtiki, and Whakatāne, FY34 finance costs were rolled forward.

All new debt carries a cost of 5.25% per year.

Revenue for the 'as provided' scenario

Rotorua provided revenue forecasts.

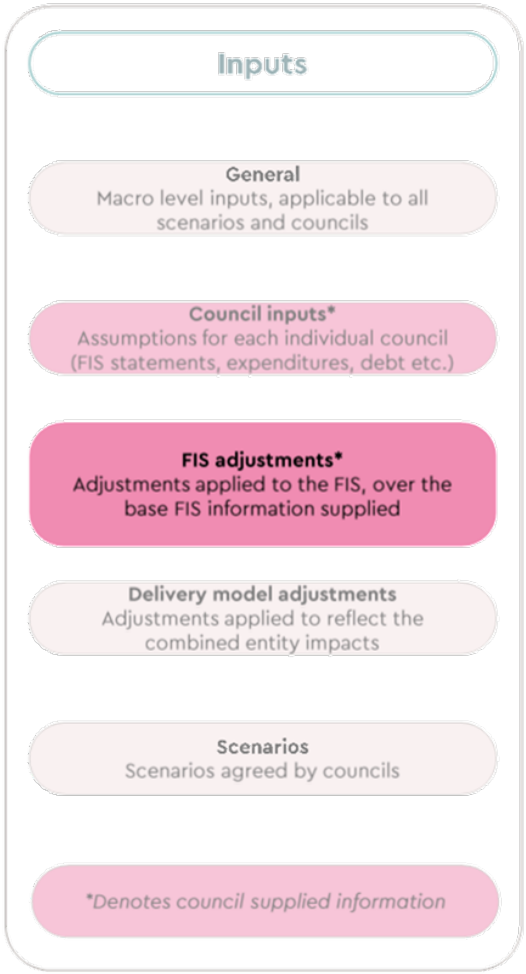
Revenue requirements for the other three councils were calculated by setting debt : revenue at 350%, in line with the national average water debt. This level is expected to provide sufficient debt headroom for other Council activities.

Efficiencies allocation

Opex and capex efficiencies peak in FY47 at 11.7% and 18.1%, respectively. These efficiencies are allocated across the four councils based on their level of expenditure over the forecast period. Notably, capex efficiencies allocated to RLC and WDC are similar, as WDC's programme is weighted towards the later years of the assessment period, allowing it to benefit more from higher efficiency rates.

	RLC	WDC	ODC	KDC
Capex	Provided	Provided	Provided	Provided
Opex	Provided	FY34 index forward at 3% + 1.5% consequential opex	FY34 index forward at 3% + 1.5% consequential opex	Provided
Finance Costs	Provided	Forecasted based on 5.25% interest rate	Forecasted based on 5.25% interest rate	Forecasted based on 5.25% interest rate
Revenue	Provided	Calculated by MartinJenkins	Calculated by MartinJenkins	Calculated by MartinJenkins
average % of opex efficiencies allocated	53%	34%	6%	7%
average % of capex efficiencies allocated	47%	47%	3%	2%

Main adjustments to data provided



For the 30 year forecast we have applied the assumptions noted in 30 Year inputs and assumptions slide. In addition some adjustments include:

Whakatāne District Council

- In the initial information provided, water services utilised a significant portion of Council's remaining debt headroom. In the event of unforeseen circumstances, Council will have limited means of responding. As an alternative, MartinJenkins have modelled an in-house 3W business unit targeting a debt-to-revenue ratio of 350%, which is more consistent with the approach taken by many other councils in their WSDPs.

Ōpōtiki District Council

- Adjustment to finance costs to reflect the appropriate interest rate.

Efficiency assumptions for different entity permutations

It is necessary to adjust the efficiency assumptions for 3-council scenarios because of the different size and density of the different service areas. In particular, we note that Rotorua brings both population size and urban density to the WSCCO, which can be expected to translate into greater scope for efficiency benefits, relative to a scenario (WSCCO B) where Rotorua is excluded.

	WSCCO A (all four councils)	WSCCO B (WDC, KDC, ODC)	WSCCO C (RLC, WDC, ŌDC)
Characteristics			
No. of councils	4	3	3
Population (2023 census)	~129,000	~55,000	~121,000
Proposed assumptions			
Opex efficiencies p.a.	0.5% – **1.0%** **0.75%**	0.2% - 0.4% **0.3%**	0.4%-0.9% **0.65%**
Capex efficiencies p.a.	0.6% - **1.2%**	0.25% - **0.5%**	0.5%-**1.1%**
Efficiency ramp	Efficiencies begin to develop two years after establishment, continuing to build over the next two years and will compound over time. The efficiency frontier is reached 15 years later.		
Efficiencies by FY34	2.6% opex and 4.1% capex	1.0% opex and 1.7% capex	2.3% opex and 3.8% capex
Efficiencies by FY47	11.7% opex and 18.1% capex	4.8% opex and 7.5% capex	10.2% opex and 15.8% capex

The above efficiencies represent a MartinJenkins view of reasonable efficiency assumptions that could be applied to support financial assessment of alternative options. These represent professional judgments based on an examination of international experience. Further information on the evidence supporting efficiency benefits is contained in Appendix E. Note the above efficiency parameters apply only to operating costs (excluding depreciation and finance costs) and after adding establishment and incremental operating costs.

Appendix B

3-District WSCCO Scenarios

Entity permutations

As a sensitivity test, we were asked to test the sensitivity of the financial assessment under two additional 3-council WSCCO scenarios:

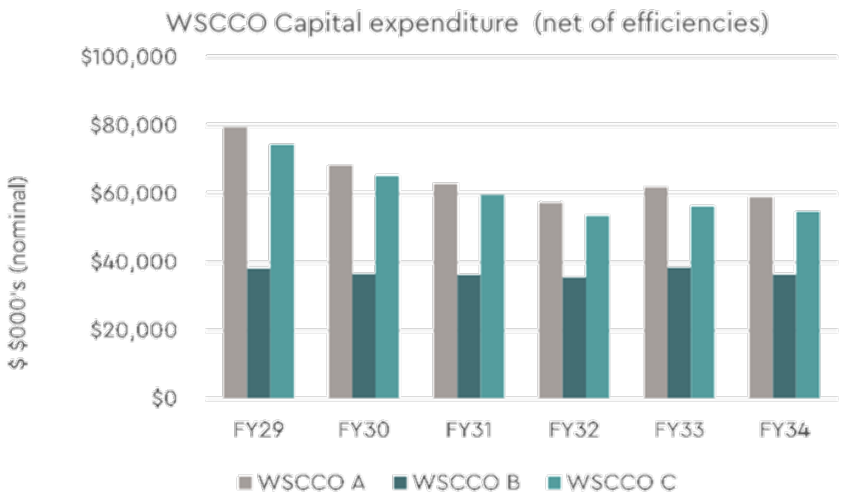
- *WSCCO B presents a scenario where Rotorua District Council (the largest council by asset value) does not participate*
- *WSCCO C presents a scenario where Kawerau District Council (the smallest council by asset value) does not participate*

The establishment cost and efficiency assumptions vary for each of the permutations modelled, and are documented in Appendix E.





Capital Expenditure

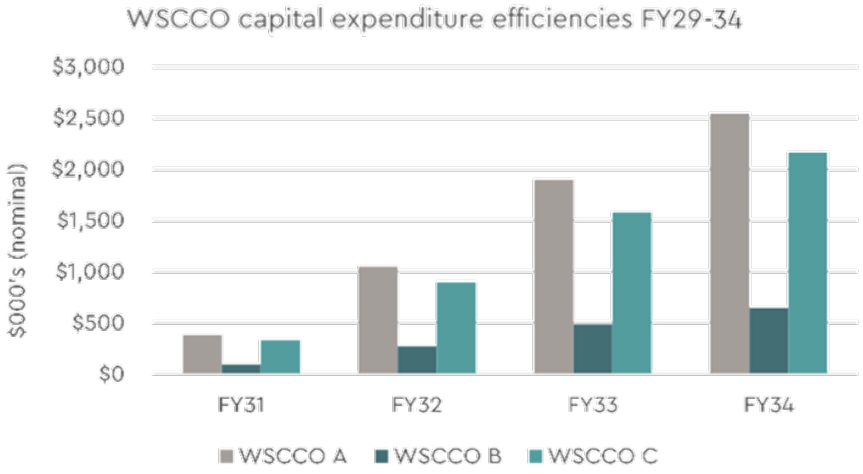


WSCCO B (excluding Rotorua)

Capital expenditure under WSCCO B between FY29-34 is projected to reach approximately $220 million. Through targeted efficiencies growing at 0.5% per year, WSCCO B would deliver the same level of investment for approximately **$1.5 million less** than current council arrangements, while also lowering costs for consumers.

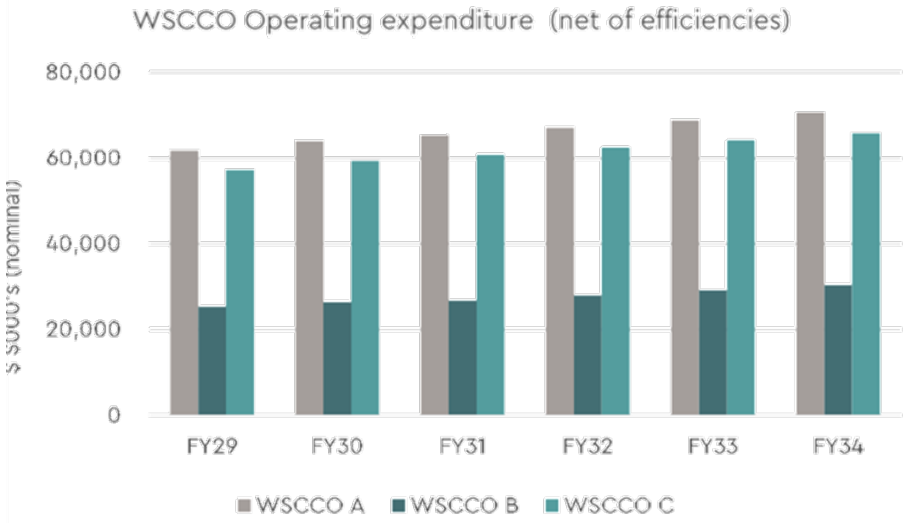
WSCCO C (excluding Kawerau)

Over the same FY29-34 period, WSCCO C's capital expenditure is estimated at approximately $360 million. The WSCCO C would provide the same level of investment at a cost around **$4.9 million lower** than existing council arrangements, with efficiencies growing at 1.1% per year.



WSCCO scenario	Total capex including efficiencies (FY29-FY34)	Capex efficiencies (FY29-FY34)
WSCCO B	~$220 million	~$1.5 million
WSCCO C	~$360 million	~$4.9 million
WSCCO A	~$388 million	~$5.8 million

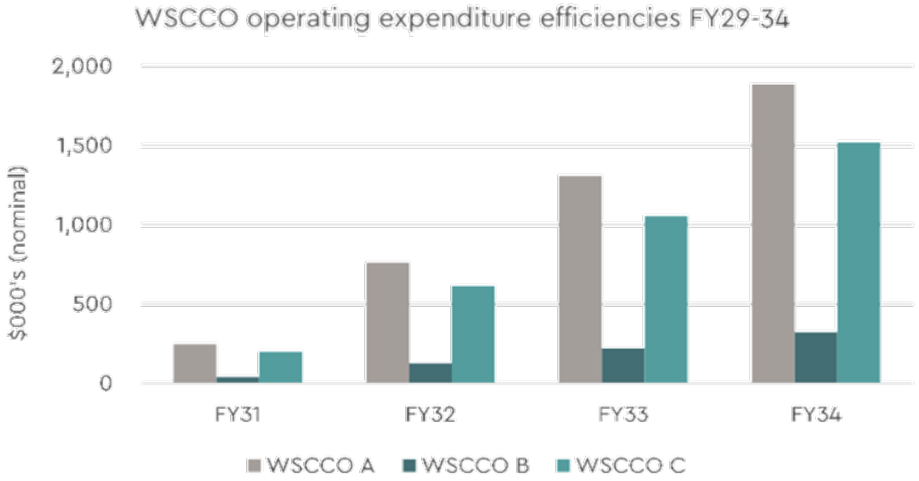
Operating Expenditure



Operating expenditure

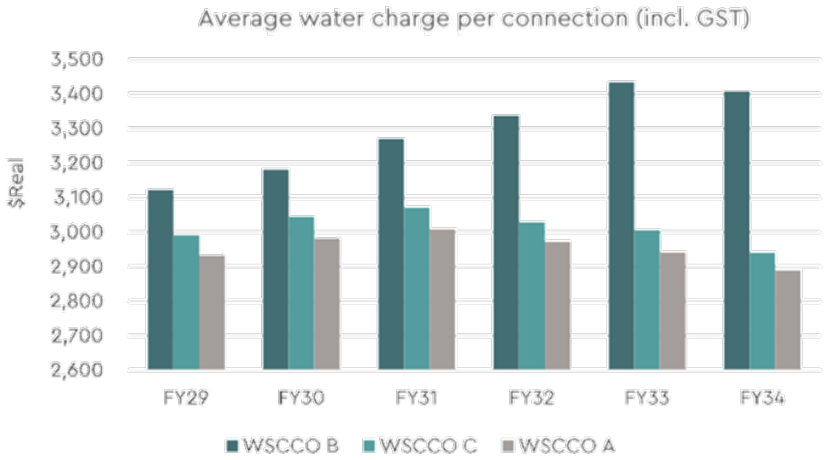
Projected operating expenditure for WSCCO B across FY29–34 totals approximately $165 million, yielding around $0.7 million in efficiencies (0.4%). Under WSCCO C, the operating expenditure forecast is ~$370 million, generating $3.4 million in efficiencies (0.9%).

WSCCO C delivers greater absolute savings than WSCCO B due to its larger expenditure base, but these remain below those of WSCCO A, which includes all four councils and achieves efficiency levels of approximately $4.1 million (1.1%).



WSCCO scenario	Total opex including efficiencies (FY29-FY34)	Opex efficiencies (FY29-FY34)
WSCCO B	~$165 million	~$0.7 million
WSCCO C	~$370 million	~$3.4 million
WSCCO A	~$395 million	~$4.1 million

Comparative price paths



WSCCO scenario	Indicative water charge per connection in FY34 ($real)	Indicative total water charge per connection FY29-34 ($real)
WSCCO B	~$3,410	~$19,750
WSCCO C	~$2,940	~$18,080
WSCCO A	~$2,890	~$17,725

Water charges per connection

Total connection count is a key input when assessing options. A larger consumer base reduces per user costs because the additional operating costs of a WSCCO are spread across a wider base. Dense urban areas also reduce unit costs, increasing the level of operating cost efficiency that can be achieved.

As such, prices for consumers in WSCCO B (which excludes Rotorua) are forecast to result in the highest prices across the various permutations.

Due to WSCCO C having a population only 7,700 less than WSCCO A, consumers are expected to see prices only marginally higher than WSCCO A but significantly lower than WSCCO B.

The results shown in the graph reflect a harmonised pricing strategy. However, similar percentage changes would be expected for consumers in the individual districts under a Cost to Serve approach.

Appendix C:

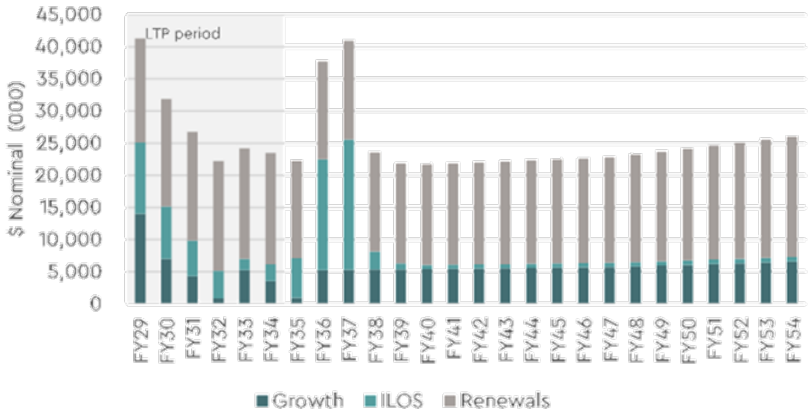
30 Year Capital and Operating expenditure per council

Capital expenditure

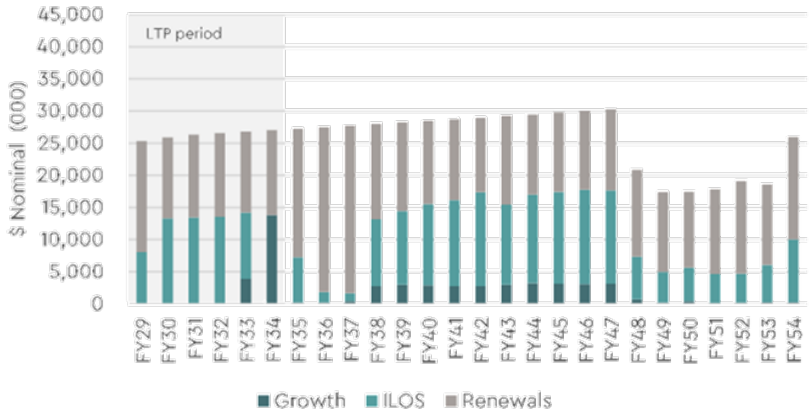
Projected Capital Expenditure (including efficiencies)

The following data was supplied by councils based on their 30-year infrastructure strategies.

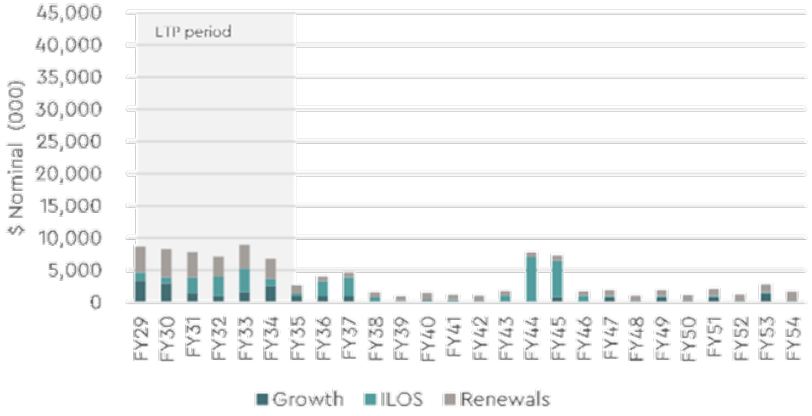
Rotorua - Three Waters Capital Expenditure (FY29-54)



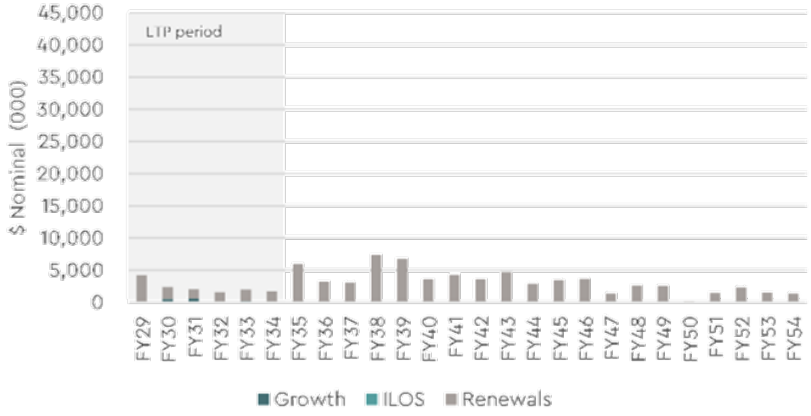
Whakatāne - Three Waters Capital Expenditure (FY29-54)



Ōpōtiki - Three Waters Capital Expenditure (FY29-54)

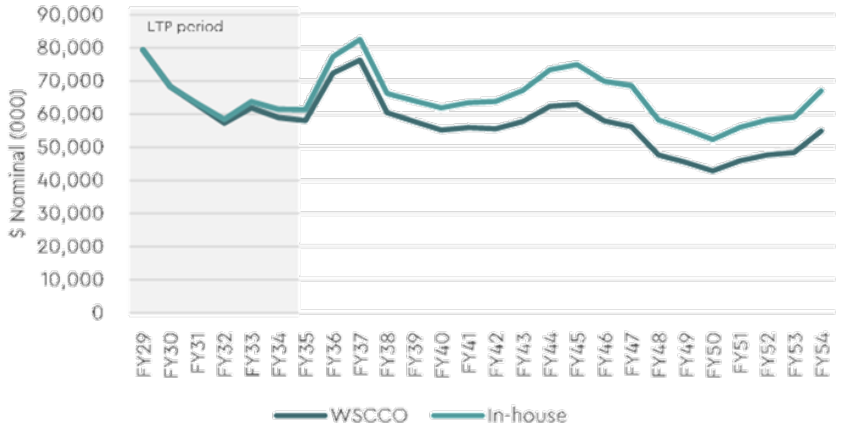


Kawerau - Three Waters Capital Expenditure (FY29-54)



Projected Capital Expenditure WSCCO vs In-house

Capital Expenditure WSCCO vs In-house (FY29-54)

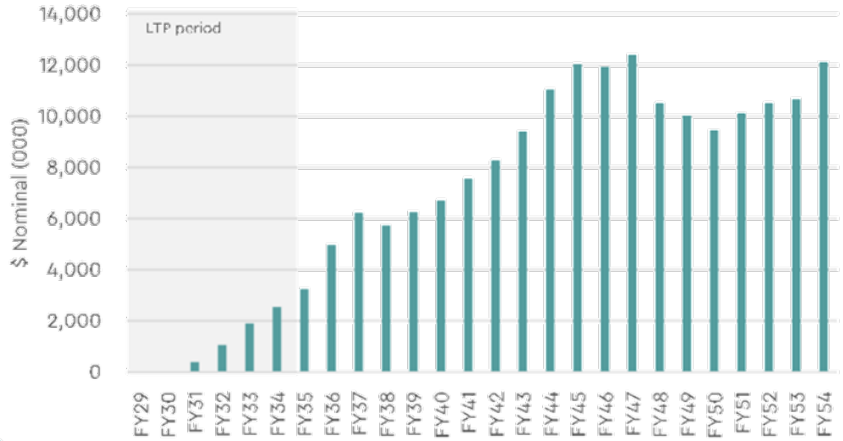


Capital expenditure benefits of the WSCCO

The WSCCO is forecast to be able to deliver the capital expenditure programme for ~$1.5 billion over 30 years, which is about ~ $185 million, or around 11%, lower than the existing plans of ~$1.7 billion due to efficiencies.

Efficiency benefits are expected to commence in FY31, accumulate progressively, and peak at 18.1% in FY47. These savings are assumed to be sustained at FY47 levels.

WSCCO capital expenditure annual efficiencies (FY29-54)



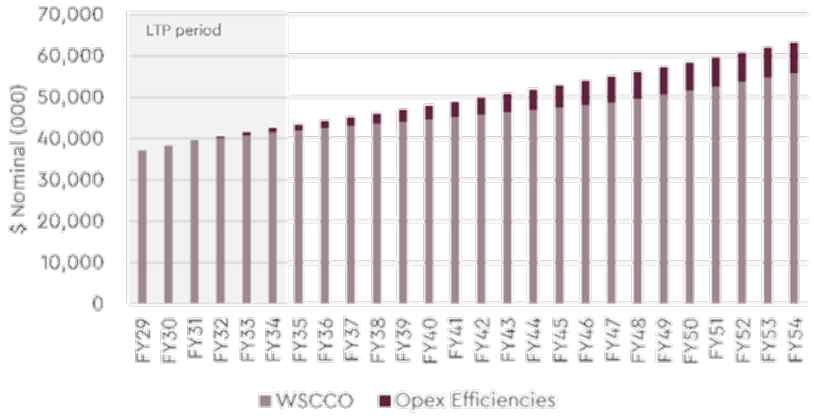
	Total capex including efficiencies (FY29-FY54)	Capex efficiencies (FY29-FY54)
WSCCO scenario	~$1,510 million	~$185 million
In-house	~$1,695 million	N.A.

Operating expenditure

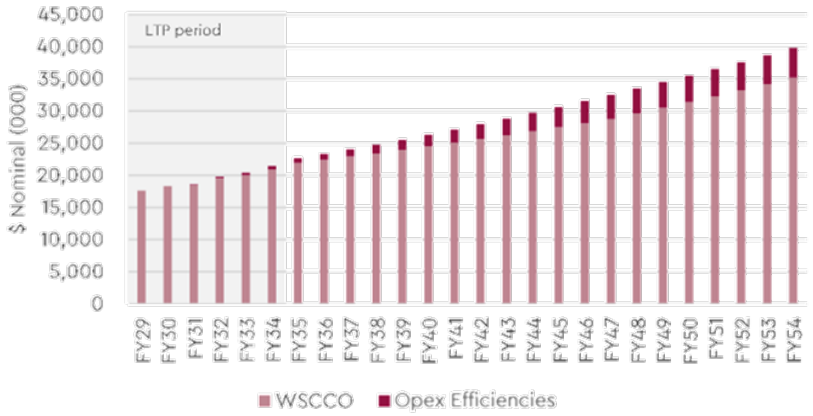
Projected Operating Expenditure (including efficiencies)

Data for the period FY29 – FY34 is supplied by councils and then modelled from FY25 onward.

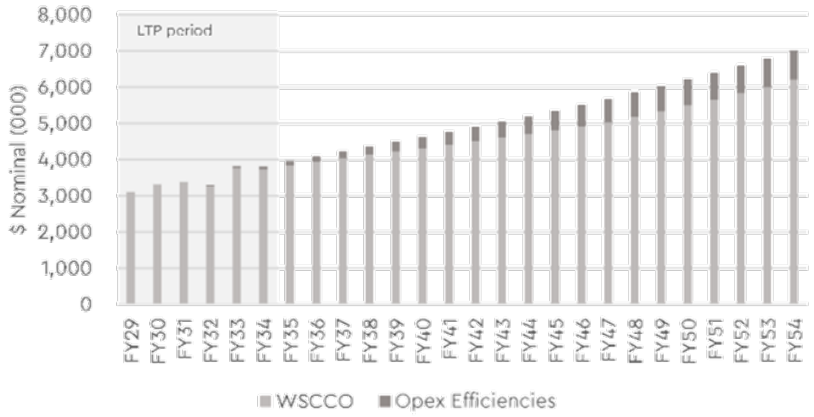
Rotorua - Operating Expenditure (FY29-54)



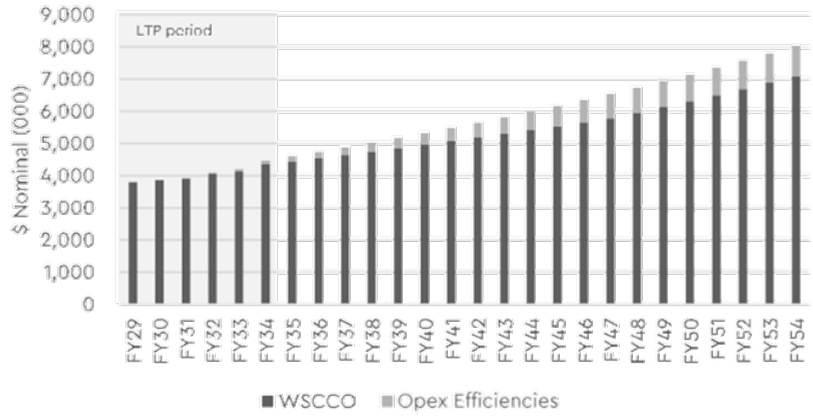
Whakatāne - Operating Expenditure (FY29-54)



Ōpōtiki - Operating Expenditure (FY29-54)



Kawerau - Operating Expenditure (FY29-54)



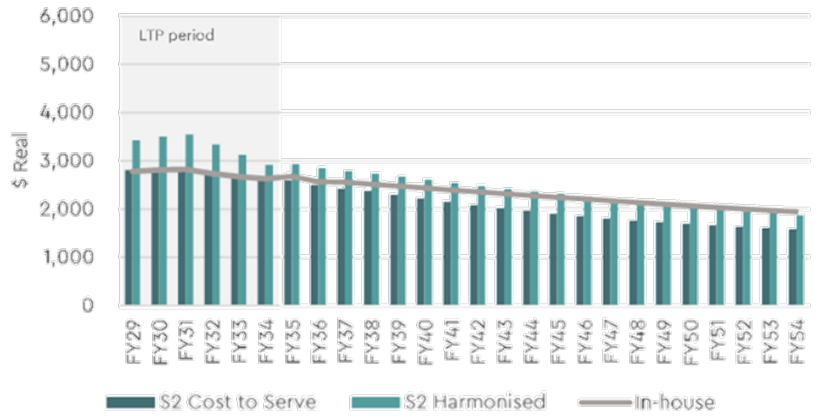
Appendix D

Harmonised Price

Comparative harmonised price path

We were asked to model a harmonised price path for illustrative purposes. The following charts illustrate the results for each council.

Rotorua - Average charges per connection ($ per annum)



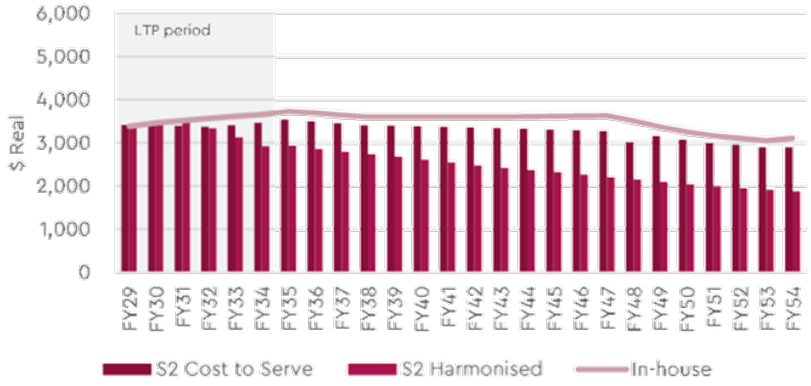
Water charges per connection

A price-harmonised WSCCO would result in total cumulative charges higher than both the cost-to-serve and in-house scenarios for Rotorua's customers. Under a harmonised pricing model, the efficiency gains achieved through consolidation do not fully offset the other districts' higher costs to serve.

In real terms, on average over the period, Rotorua's customers would pay $190 more per year under a harmonised scenario than under an in-house scenario. A harmonised pricing model is expected to result in lower prices than the in-house model by about FY50.

If efficiencies were shared in different proportions across the four districts, it is possible that this price disadvantage could be offset under a price harmonised scenario.

Whakatāne - Average charges per connection ($ per annum)



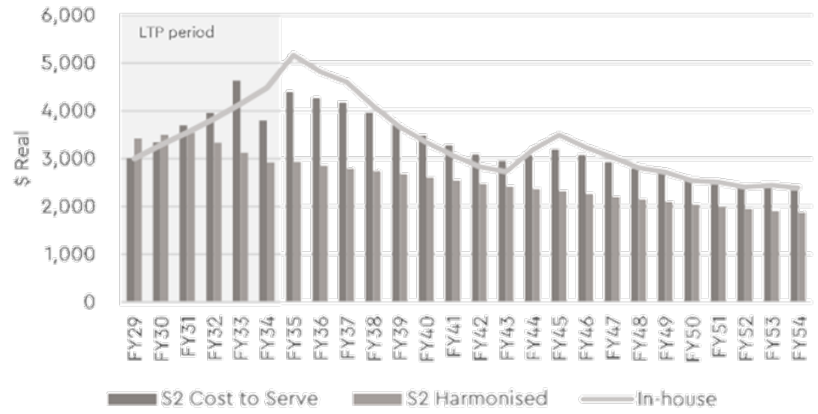
Water charges per connection

Whakatāne consumers would benefit from a WSCCO under both the harmonised and cost-to-serve scenarios.

On average over the assessment period, under a harmonised model a Whakatāne customer would pay $920 less per year compared to in-house, delivering cumulative savings of approximately $23,925 per connection between FY29 and FY54.

Comparative harmonised price path

Ōpōtiki - Average charges per connection ($ per annum)

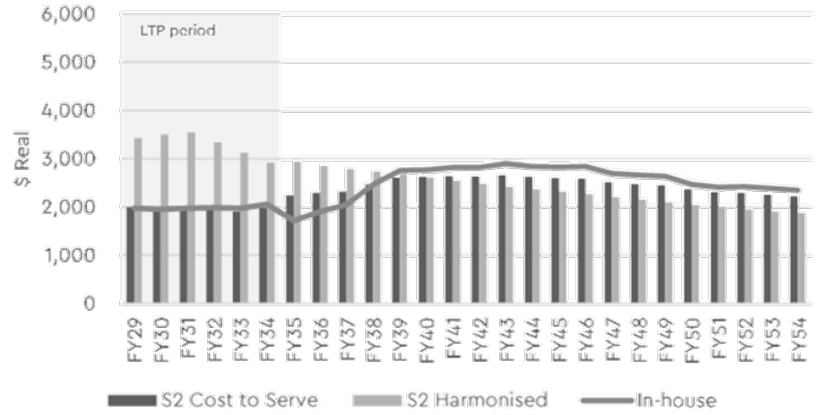


Water charges per connection

Over the period, Ōpōtiki consumers benefit under both the harmonised and cost-to-serve scenarios.

On average over the assessment period, under a harmonised model, an Ōpōtiki customer would pay $790 less per year than under an in-house scenario, delivering cumulative savings of approximately $20,435 per connection between FY29 and FY54.

Kawerau - Average charges per connection ($ per annum)



Water charges per connection

A price-harmonised WSCCO would result in higher charges than both the cost-to-serve and in-house scenarios for Kawerau's customers.

Kawerau's harmonised price is initially higher than in-house, but consumers are expected to have lower water charges by the end of the period. The harmonised price would initially be up to $1,550 higher in FY29, but by FY54 it would be $470 lower.

On average over the assessment period, under a harmonised model, a Kawerau customer would pay $168 more per year than under an in-house scenario.

If efficiencies were shared in different proportions across the four districts, it is possible that this price disadvantage could be offset.

Appendix E

Additional information on efficiencies

Evidence base to support efficiency assumptions

Significant improvements in efficiency have been achieved in overseas jurisdictions that have pursued reform of a similar nature to that proposed in New Zealand. For example:

Productivity Commission

- In Australia, the Productivity Commission found that service delivery reform has helped to improve efficiency and deliver significant benefits for water users and communities. National Water Reform - Draft Report (pc.gov.au)

Frontier Economics

- In its review of the experience with water services aggregation in Australia, Great Britain, Ireland and New Zealand (Auckland) finds that there is "strong and consistent evidence" that reforms have led to significant improvements in productivity and efficiency. Review of experience with aggregation in the water sector (dia.govt.nz)

FarrierSwier

- In its review of WICS methodology, FarrierSwier commented on the potential that exists for efficiency gains from amalgamating water services in New Zealand and notes significant improvements are possible through aggregation and associated reforms, including improving the ability to attract and retain skilled management and staff, more effective procurement functions, asset level optimisation and reduction in corporate overheads and duplicative functions. Farrierswier - Three Waters Reform Programme - Review of WICS methodology and assumptions underpinning economic analysis of aggregation - 2 May 2021 (dia.govt.nz)
- In an independent review of the Essential Services Commission's PREMO regulatory model in Victoria, Australia, FarrierSwier found that water companies set efficiency targets through its 2018 Price Review ranging from 1.0% p.a. to 2.7% p.a. (averaging 1.8% p.a. across 15 regulated water authorities). While all but two companies delivered reductions in controllable opex per connection, the actual opex savings reported were lower than the target (ranging from 2.2% to -0.2% and average 0.9% p.a.) Victoria's water sector: The PREMO model for economic regulation

WICS

- WICS reports that Scottish Water has been able to reduce its operating costs by over 50% since reform, while improving levels of service to customers and absorbing the new operating costs associated with its investment programme. WICS Supporting Material 2 - scope for efficiency (dia.govt.nz)

UK Water Trade Association

- A report for the United Kingdom water trade association found that reform of the water industry in England resulted in annual productivity growth of 2.1% or 64% over 24 years when adjusted for service quality improvements. Water-UK-Frontier-Productivity.pdf

The Victorian model is a strong example of driving greater focus on customer, and driving cost efficiencies and reducing customer bills

In the mid-1990s, Victoria's water industry underwent significant restructuring. The provision of water services was largely corporatised, so that over 80 water providers became 20. This reform had an impact on the price consumers pay for water, as well as the terms of service delivery. As part of the restructuring process (in conjunction with the privatisation of the energy industry), the Kennett Government established the Office of the Regulator-General, which later became the ESC. On 1 January 2004, the ESC became the economic regulator for all water businesses in Victoria.

In the State of Victoria in Australia, the Essential Services Commission makes individual price determinations using its PREMO framework for four metropolitan water businesses (South East Water, Yarra Valley Water, Greater Western Water, Melbourne Water) and 11 regional urban water authorities (Barwon Water, Central Highlands Water, Coliban Water, East Gippsland Water, Gippsland Water, Goulburn Valley Water, Lower Murray Water (urban), North East Water, South Gippsland Water, Wannon Water and Westernport Water). These entities range in size, from 20,000 customers (Westernport Water) to 2 million customers (Yarra Valley Water).

There is strong evidence that regulation under the PREMO regime, combined with well governed and managed water businesses, led to a much greater focus on their customers and improved customer outcomes (see two independent reviews by FarrierSwier of the PREMO model on the Essential Service Commission's website). Under the PREMO framework, water businesses are required by the regulator to commit to a range of customer outcomes and associated performance measures and targets as part of their price submissions.

The PREMO model in Victoria has been effective in incentivising water businesses to pursue cost efficiencies and minimise prices for customers. Water businesses' opex efficiency improvement targets averaged 1.3% in the 2023 price review. This is lower than the 1.8% average opex efficiency hurdle in the 2018 price review, but higher than the standard 1.0% rate the commission applied prior to the introduction of PREMO.

The lower efficiency hurdles in the 2023 price reviews reflects the view that Victorian water businesses are now operating close to the 'efficient frontier' following years of regulation.

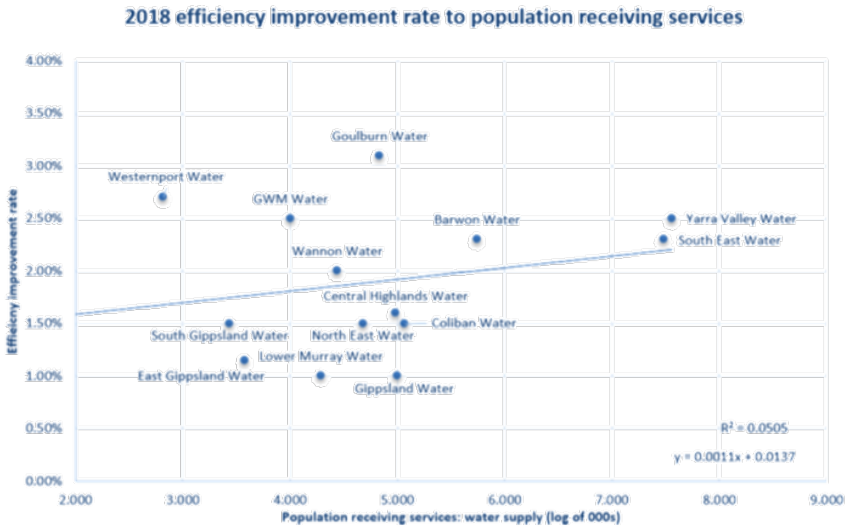
Analysis of Victorian utilities demonstrates potential deliverable efficiencies may improve with scale

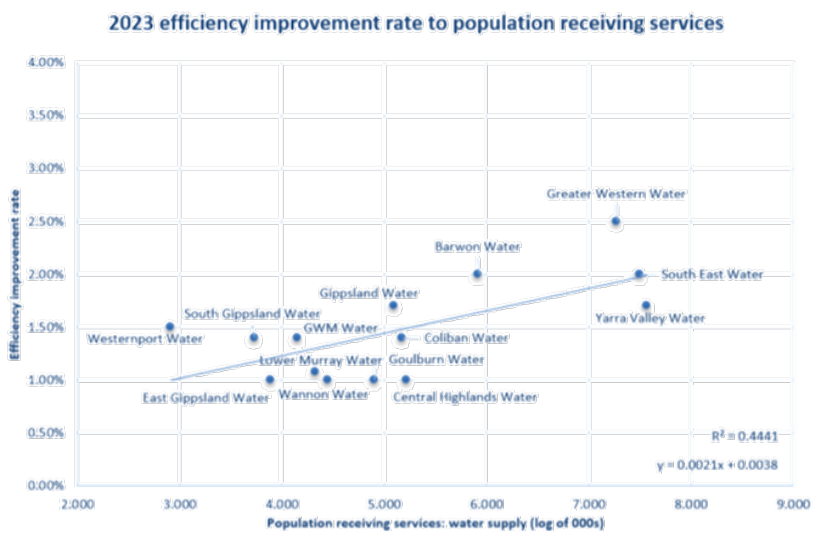
While actual performance data across Victorian utilities is limited and inconsistent (discussed on the next slide), analysis of regulatory efficiency targets (hurdles) provides valuable insights into the relationship between scale and expected improvements.

We have analysed the efficiency improvement hurdle imposed by or agreed with the Essential Services Commission in Victoria for each of the price reviews in 2018 and 2023 against scale (measured by population served).

The analysis highlights a clear relationship in the 2023 price review where larger entities were set a higher efficiency improvement hurdle for the ensuing five years. Larger entities were set efficiency hurdles of 1.5 – 2.5% per annum despite already being regulated for over 15 years.

The relationship in the 2018 price review is less clear (largely driven by a number of smaller entities with efficiency improvement hurdles of 2.5 – 3.0%), reflective of a greater weighting on industry-wide catch-up efficiency. The larger entities in this price review were still set efficiency targets of approximately 2.5% per annum for the ensuing 5 years. We also note that most entities serving 200,000 or less population (5.3 on X-axis) were set targets of 1 – 1.5% in both price reviews.





Source: Essential Services Commission, Victoria Water Price Reviews 2018 and 2023

The Australian national performance report does not measure efficiency however average operating expenditure per property can be analysed

This analysis captures all Australian water utilities however does not track actual efficiency improvement and as such is only intended to be used for verification rather than in determining the efficiency opportunity purposes. We note that inferences from this data should be undertaken with caution given the limited sample size in each category (shown below graph) and the numerous factors influencing operating costs per property. External variables such as geographic dispersion, water sources, treatment requirements, growth impacts and infrastructure delivery methods make comparisons challenging (despite averaging approach).

Operating costs vary significantly by utility size

Major utilities (100,000 plus connections) consistently demonstrate the lowest operating costs per property (around $900–1,000) likely partly due to economies of scale as well as higher density.

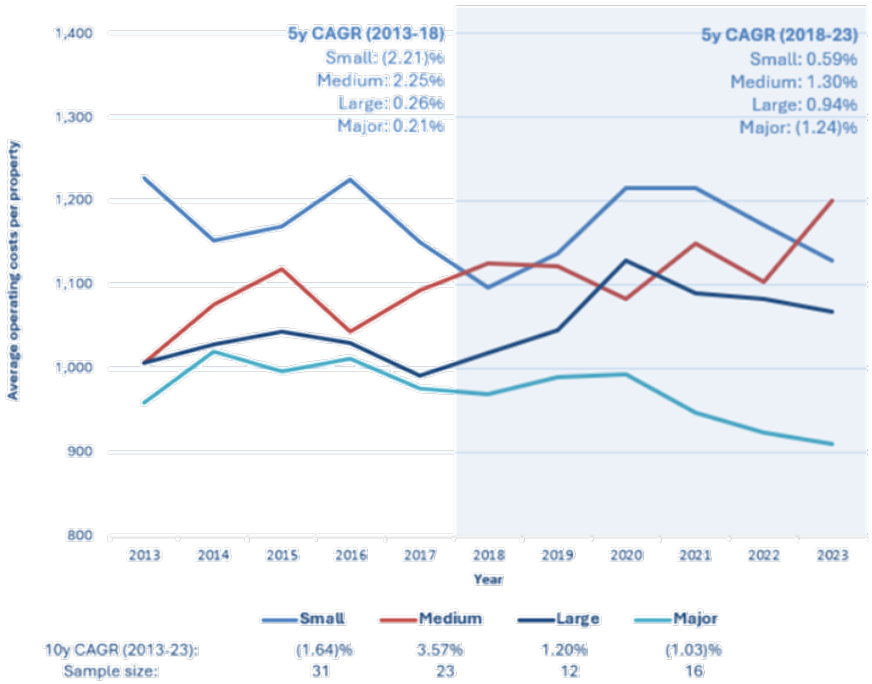
10-year horizon highlights benefit of scale

Major utilities annualised growth over the period 2013 – 2023 outperformed large and medium utilities by 2.2% and 4.6% respectively. Small utilities average operating cost per property reduced by more than the major utilities however off a substantially higher base.

Dataset highlights variability over time

We note there are limited differences between medium, larger and major utility cost per property changes in the first five-year period (2013 – 2018) with all of the differential occurring in the second five-year period (2018 – 2023). The small utility dataset shows an irregular pattern over time.

Australian Average Opex per Property by Corporation Size



Source: Urban NPR Dataset 2023
Note: four outliers with extreme operating costs per property have been removed from the Small utility group dataset.
Note: CAGR stands for 'Compound Annual Growth Rate', which is the cumulative average annual growth rate over the period.

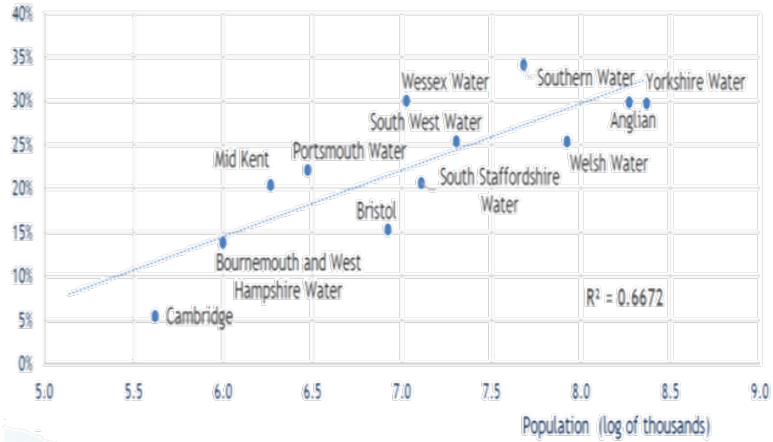
Small	Medium	Large	Major
Less than 20,000 connected properties	Between 20,000 and 50,000 connections	Between 50,000 and 100,000 connections	Over 100,000 connections

WICS compared efficiency for different scale UK water utilities following corporatisation, and used this to inform estimates for NZ councils

Water Industry Commission for Scotland (WICS) undertook analysis of the observed operating efficiency improvement for the different UK entities over a six-year period commencing with corporatisation (between 1994 and 1996) relative to the population served. In terms of quantifying the gains, the evidence indicates a non-linear relationship between scale (measured as population size or number of connections) and potential efficiency (see graph below). The WICS models are based on models developed by Ofwat and have been in use for 20+ years in England, Wales and Scotland.

There are diminishing returns to scale, with maximum scale reached with a connected customer base of 600,000-800,000. For councils below 60-70,000 population there is minimal scope for efficiency gains. This is consistent with management theory, whereby small entities are unable to achieve high levels of asset management maturity, procurement gains etc. WICS utilised the below to estimate efficiency gains for different scales of entity. WICS reduced the potential efficiency gains by a factor of 5 for scenarios where economic regulation, strong corporate governance and clear policy objectives were considered not present.

WICS calculated improvement in efficiency (over 6-year period following corporatisation) for UK water utilities and assessed catch-up potential for NZ



Council Area	LGNZ classification	Population served (thous)	Log of population	Assessed catch-up based on observed experience
Auckland	Metro	1,758	7.47	100%
Christchurch	Metro	385	5.95	55.1%
Wellington City	Metro	223	5.41	38.9%
Hamilton	Metro	162	5.09	29.6%
Tauranga	Metro	143	4.97	25.9%
Dunedin	Metro	121	4.80	21.0%
Palmerston North	Metro	89	4.49	11.8%
New Plymouth	Provincial	64	4.16	2.0%
Hastings	Provincial	64	4.15	1.9%
Upper Hutt	Metro	63	4.14	1.6%
Rotorua Lakes	Provincial	62	4.13	1.3%
All other Councils		<60	4.1	0%

Source: Water Industry Commission for Scotland

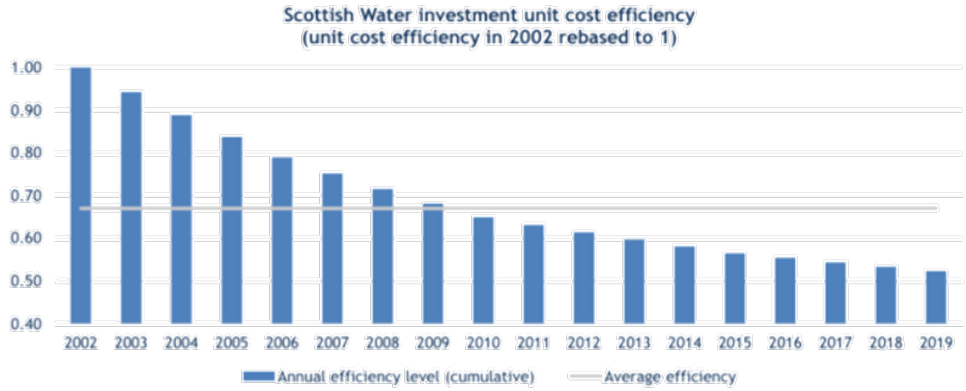
The table above shows the estimated potential efficiency improvement (%) that each NZ council could achieve relative to Watercare (i.e., New Zealand's most efficient water company), based on the observed efficiency improvements of similar-sized UK water utilities in their first 6 years following corporatisation.

The capital efficiency evidence base is less robust due to information scarcity. WICS utilised the capital efficiency achieved in Scotland reforms to estimate potential efficiency deliverable in NZ

There is limited international information readily available that enables a robust estimate of the potential capital efficiency gains possible from water reform in New Zealand. This reflects a lack of investment unit cost efficiency reporting which is necessary to ensure capital efficiency can be identified (as opposed to capital expenditure deferral or other driving factors).

WICS are the economic regulator for Scottish Water under a detailed and comprehensive economic regulation model. As such WICS have a detailed understanding of the Scottish Water investment unit cost efficiency over time. This information is presented below and highlights that as a result of reform, Scottish Water achieved approximately 45-50% lower capital expenditure unit costs between 2002-2019. WICS also noted that Scottish Water had recently committed to achieving further 0.75% real improvements in capital expenditure unit costs annually until 2040 suggesting significant further long-term efficiency gains were possible.

WICS considered that under the previous NZ water reform model (including necessary scale, professionalisation of Boards / governance and strong-form economic regulation) that NZ entities could achieve similar improvements. WICS worked closely with Watercare (and other councils) to understand potential differences between NZ and Scotland that would limit the potential capital efficiency achievable and edit efficiency targets to account for these differences.



Source: Water Industry Commission for Scotland

FarrierSwier in reviewing the WICS approach noted that:

- While this represents a reasonable starting point the analysis suffers from several limitations, including that Scottish Water's experience could differ markedly from what may be achievable in New Zealand.
- The top-down efficiency assumption was also not adjusted to account for differences between Scotland and New Zealand in key expenditure drivers, potential for asset optimisation and any other driving factors.
- Without such adjustments or comparison to other case studies, it is hard to say whether the Scottish Water experience is a reasonable guide for what is achievable in New Zealand.

As such we believe it is prudent to use a significantly more conservative capital efficiency assumption (relative to WICS) and vary this less with increasing scale. We can provide further detail on our professional judgement of the expected capital efficiency opportunities if useful.

Wellington T +64 4 499 6130
Level 1, City Chambers, Cnr Johnston and Featherston Streets, Wellington 6011, PO Box 5256, Wellington 6140, New Zealand
Auckland T +64 9 915 1360
Level 16, 41 Shortland Street, Auckland 1010, New Zealand
info@martinjenkins.co.nz **martinjenkins.co.nz**



Stormwater options

Final Report

17 August 2026

Commercial in Confidence

Disclaimer

This report has been prepared solely for the purposes stated in it and should not be relied on for any other purpose.

We do not accept any liability if this report is used for any purpose other than that for which it is intended, nor do we accept any liability to any third party in respect of this report.

Information provided by the client or others for this assignment has not been independently verified or audited.

Any financial projections included in this document are prospective financial information. Those projections are based on information provided by our clients and are based on assumptions about future events and actions that are outside our control and that may or may not occur.

We have made reasonable efforts to ensure that the information contained in this report was up to date at the time the report was published. That information may quickly become out of date, including as a result of events outside our control.

MartinJenkins, and its directors, officers, employees, agents, consultants, and advisers, will not have any liability arising from or otherwise in connection with this report (or any omissions from it), whether in contract, tort (including for negligence, breach of statutory duty, or otherwise), or any other form of legal liability (except for any liability that by law may not be excluded). The clients irrevocably waive all claims against them in connection with any such liability.

This Disclaimer supplements and does not replace the Terms and Conditions of our engagement contained in the contract for this assignment.

Table of contents

Understanding stormwater	5
Strategic context	10
High-level options assessment	22
Conclusions and recommendation	37
Appendix	39

Local Water Done Well enables Councils to transfer ownership and operation of core water infrastructure to new Water Organisations.

Councils will need to consider how to approach stormwater under the new framework, recognising that stormwater management involves an interconnected system requiring integration with other council functions, other entities, and private landowners.

Understanding stormwater

- Stormwater is a system
- Cross-jurisdiction

Why Stormwater is different

Stormwater is a system

- Stormwater is not a closed network. Rain falls and flows across roads, parks, streams, and private land. It's about understanding those flows and how stormwater is managed to prevent flooding and damage to property.
- Many assets that perform a stormwater function are multi-purpose, not dedicated infrastructure. These include road corridors and detention ponds and overland flow paths on parks and reserves.
- Effective management depends on land use, surface cover, and catchment behaviour, not just pipes and structures.

With strong public good characteristics

- Stormwater management is about risk management – especially flooding which can impact across communities.
- The benefits of good stormwater management are shared and diffuse across communities, rather than tied to individual users.
- Reflecting this, it's typically funded and rated differently from water supply and wastewater.

Stormwater as a system

Effective stormwater management spans asset types, involving a mix of specific (e.g., pipes, culverts, pump stations) and shared infrastructure (road corridors, parks and reserve), and has interdependencies with core council land-use planning and management functions.

Engineered assets

Purpose-built stormwater infrastructure

- Stormwater pipes and reticulation
- Culverts, manholes, catchpits, and sumps
- Pump stations
- Detention and retention basins and tanks

Transport corridors

Transport corridors play a key role, with specific stormwater assets (including drains and pipes) often built within a transport corridor, with responsibilities shared between transport and stormwater functions.

Multipurpose assets

Assets built for other uses that also manage stormwater

- Roads and kerb-and-channel systems (within transport corridor)
- Parks, reserves, and sports fields used for flood storage
- Streams and modified watercourses
- Constructed wetlands and green infrastructure (e.g. engineered swales that also serve as wetlands with ecological benefits; trees support stormwater management through capture and slowing of rainwater, reducing flooding and runoff.)

System-wide management

Essential to stormwater outcomes

- Overland flow paths, including across private land
- Catchment and stormwater network plans
- Planning rules controlling impervious surfaces, discharge management and flood risk management
- Flood hazard mapping and risk management plans

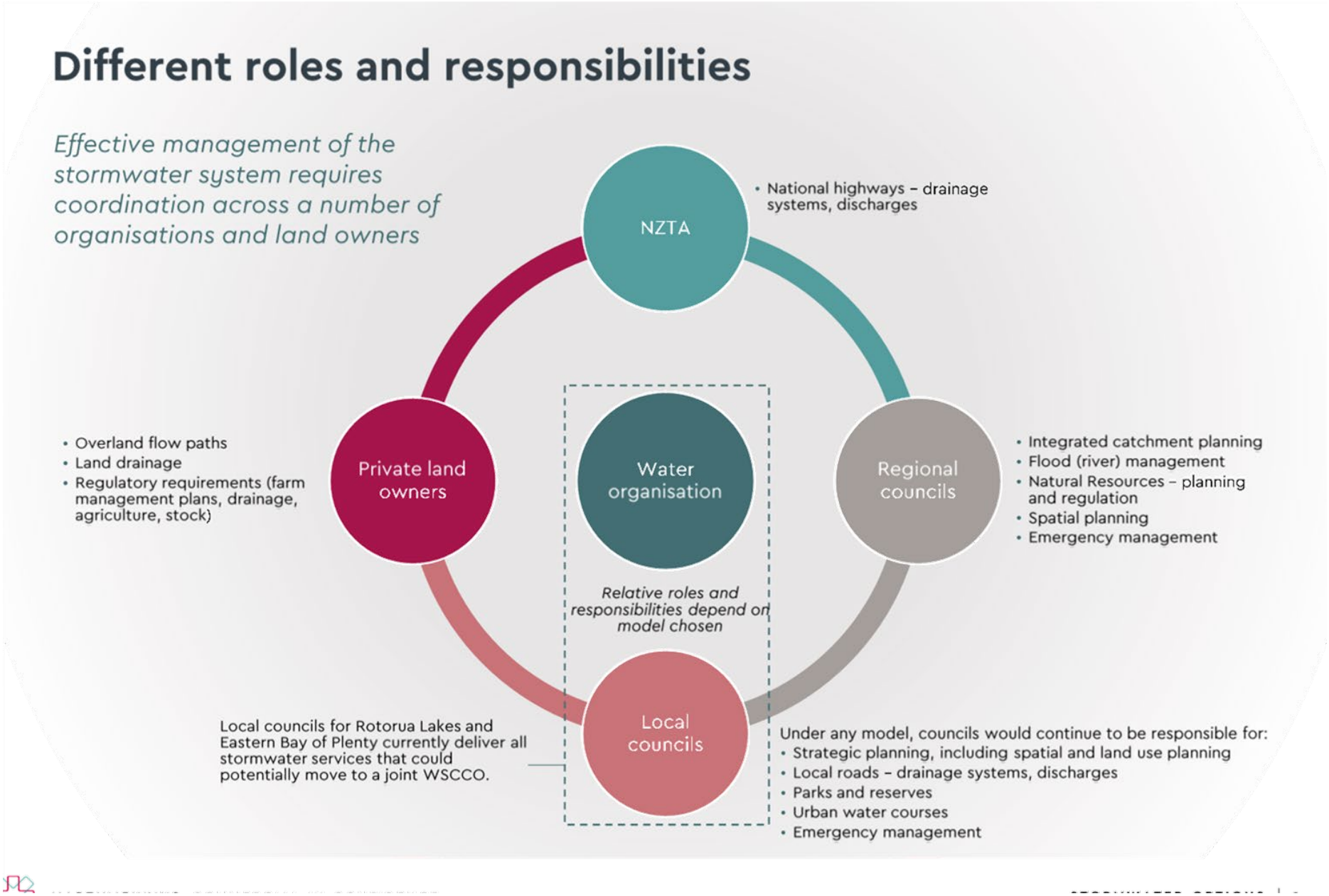
Distinguishing stormwater management and flood protection

Stormwater management

Stormwater management (predominantly urban-based) focuses on collecting and managing rainfall runoff from impervious surfaces (roofs, roads, parking lots) to reduce localised flooding, erosion in urban streams, and the transport of pollutants into water bodies. It involves "grey infrastructure" (pipes, underground drains, pumps) and "green infrastructure" (rain gardens, swales, permeable pavements) designed to handle high-velocity runoff, typically targeting a 1-in-10 to 1-in-50 year flood event in higher-density areas.

Flood protection

Flood protection aims to protect urban and rural land and transport infrastructure from major inundation caused by large river systems or overwhelmed drainage networks. It relies on large-scale engineering works such as stop banks, floodways, retention dams, and drainage canals, with infrastructure often provided and maintained by regional councils.


Different roles and responsibilities
Effective management of the stormwater system requires coordination across a number of organisations and land owners
NZTA
• National highways – drainage systems, discharges
Private land owners
• Overland flow paths
• Land drainage
• Regulatory requirements (farm management plans, drainage, agriculture, stock)
Water organisation
Regional councils
• Integrated catchment planning
• Flood (river) management
• Natural Resources – planning and regulation
• Spatial planning
• Emergency management
Relative roles and responsibilities depend on model chosen
Local councils
Local councils for Rotorua Lakes and Eastern Bay of Plenty currently deliver all stormwater services that could potentially move to a joint WSCCO.
Under any model, councils would continue to be responsible for:
• Strategic planning, including spatial and land use planning
• Local roads – drainage systems, discharges
• Parks and reserves
• Urban water courses
• Emergency management

Strategic context

Key features of the stormwater regulatory regime in the Local Government (Water Services) Act

The Act defines stormwater services:

"Stormwater services means the collection, treatment, drainage, reuse, or discharge of stormwater in an urban area or any stormwater service zone (other than those relating to a transport corridor)."

The Local Government (Water Services) Act 2025 provides:

- **Councils remain accountable for stormwater.** Councils are responsible for ensuring stormwater services are provided across their entire district, with options to provide services in multiple ways.
- **The Act specifies statutory obligations** of private land owners and transport corridor managers.
- The Act enables new planning and regulatory tools, including **Stormwater Network Risk Management Plans** that assess hazards and risks across the entire network, and Stormwater Network Bylaws and offences to manage risks and hazards that may affect the operation of critical network infrastructure.
- **The Act requires water service providers to coordinate with other entities that have statutory roles** or interests in stormwater infrastructure to ensure joined-up management.

The Act provides flexibility for councils to choose how to deliver stormwater services

While councils retain overall accountability for ensuring that stormwater services are provided in their district, they have flexibility to choose the delivery arrangements

Councils can:

- continue to deliver stormwater services directly (in-house)
- contract a water organisation (or potentially another third party) to provide all or some aspects of stormwater service delivery
- transfer responsibility for some aspects of stormwater service provision to a water organisation (cannot include those related to transport corridors).

Councils also have flexibility to choose the asset ownership arrangements

- Under the Act, asset ownership does not equate to responsibility for water services. This would allow Council to retain ownership of stormwater assets while transferring responsibility for stormwater to the WSCCO.
- Councils have choices about which assets transfer, so councils can consider different asset types separately (eg engineered assets v land used for stormwater)

The organisation with responsibility is a water services provider under the Act

- A water services provider is an inclusive term that covers local authorities and water organisations established under the Act. Most requirements and responsibilities under the Act apply to all WSPs.
- If a council decided to retain responsibility for stormwater and transfer responsibility for water supply and wastewater to the WSCCO, residents in that district would have **two water services providers**.
- If this happens, both the council and the WSCCO would need to comply with all regulatory, financial and planning requirements, including developing a Water Services Strategy, annual budget and reporting.

Differences in the way stormwater charges can be set

The Act has different requirements for Water Organisations and Councils in relation to the way they can charge for stormwater services

Local authorities

Local authorities who retain responsibility for stormwater services can continue to charge customers/ratepayers based on property value.

Water organisations

There are two parts of the Act that mean water organisations need to have a different basis for charging for stormwater services.

- Stormwater service zones: WOs are required to charge for stormwater services based on whether a property is inside or outside of a stormwater service zone.

  A stormwater service zone is defined in the Act as 'a geographic area (comprising 1 or more urban areas and land adjacent to 1 or more of those urban areas) within a water service provider's service area that provides stormwater services to, or receives stormwater services from, the stormwater network'

- Removing ability to charge based on property value: after 5 years, WOs need to move to a charging method that must be reasonable but cannot be based on a property's rateable value.

All stormwater management options require coordination

To ensure integrated management:

WSPs must enter into joint service agreements with transport corridor managers.

WSPs may enter into joint service agreements with any other entities that have a statutory role, function, or interest in operating stormwater infrastructure in the provider's service area.

Stormwater Network Risk Management Plan

A WSP must develop a Stormwater Network Risk Management Plan for managing a stormwater network in its service area, and consult and adopt the plan by August 2028.

Where more than 1 WSP is responsible for managing a network, they must work collaboratively to prepare separate compatible plans or a joint plan to be implemented collaboratively (s 202).

Plans must (s 203):

- map the stormwater network in the WSP's service area
- identify all critical infrastructure in the service area
- identify all hazards that could affect the operation of critical infrastructure in the stormwater network
- assess any risks of adverse impact of hazards on the network
- describe how the risks are to be managed
- identify all overland flow paths and watercourses in the service area that receive stormwater from, or take stormwater to, critical infrastructure and cross over or beneath private land
- specify any stormwater network bylaws that must be complied with

Plans must be reviewed at least every 10 years.

Delivery model choices around the country

A comparison of delivery model choices made by other councils shows that the predominant model chosen by multi-council WSCCOs is for stormwater services to transfer to the WSCCO.

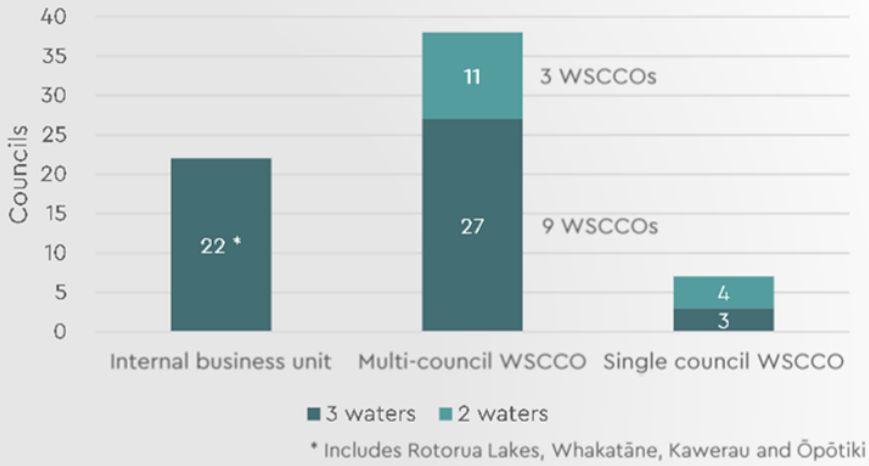
Councils balanced different considerations in arriving at these decisions, including community feedback. At a high level, some of the reasons given for choosing a 2 waters or 3 waters model included:

2 waters CCO

- integration with land use, transport, and flood management
- ability to fund via rates, potentially more appropriate for stormwater
- can be responsive to community and iwi needs

3 waters CCO

- integrated water services management improves efficiency and service coordination
- stronger capability to meet regulatory standards and deliver major upgrades
- larger asset base enhances financial scale and borrowing capacity
- simplifies service delivery and supports unified community and iwi engagement.



	3 waters	2 waters
Multi-council WSCCO	• Tauranga / Western Bay • Whanganui / Ruapehu • Hawke's Bay • Central Water • Wairarapa Tararua • Tiaki Wai • West Coast • Kaikōura / Hurunui • Southern Water	• Northland WSCCO • Iawai • Waikato Waters
Single council WSCCO	• Wairoa • Marlborough • Queenstown Lakes	• Watercare • New Plymouth • Selwyn • Timaru

Delivery model choices around the country

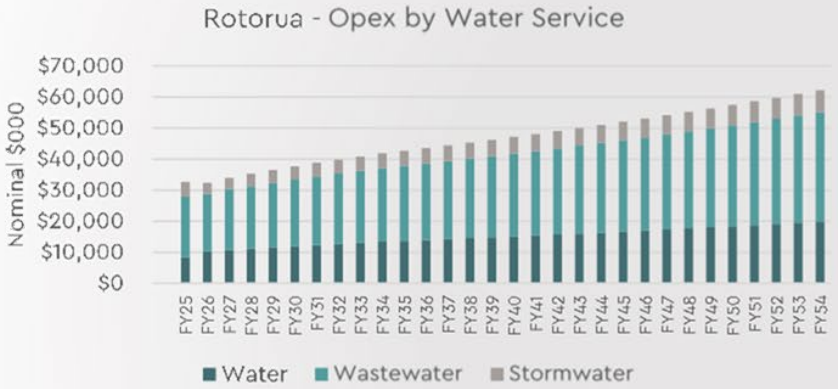
Summary of two water delivery model decisions or intentions to date

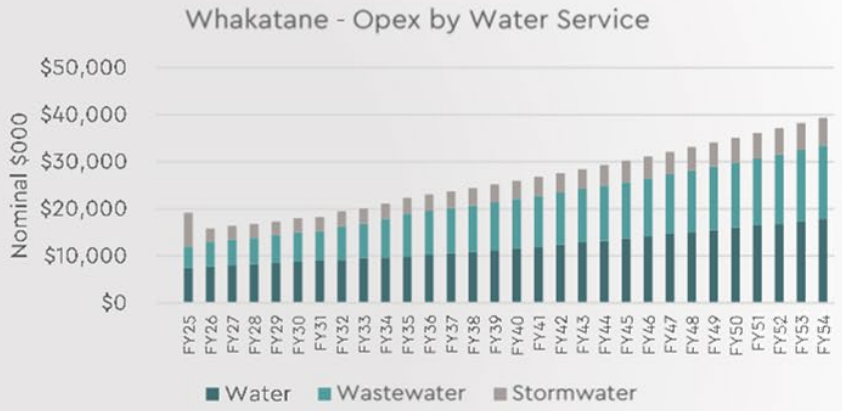
2W CCO		Decision / intention
Multi-council WSCCO	Northland	WSDP notes **intention** to explore contracting delivery of stormwater services from the new WSCCO
	Iawai	**Decision** has been made that delivery of stormwater services will be contracted from the Iawai for both Hamilton and Waikato
	Waikato Waters	Councils express different **intention**s in their WSDPs. • Hauraki, Matamata-Piako, Ōtorohanga*, South Waikato express intention to deliver stormwater services in-house. • Waipā and Waitomo express intention to contract delivery of stormwater services from Waikato Waters. – Transfer agreements signed with Waipā, Waitomo and South Waikato – Feb 2026: Waipā DC deferred decision to contract service delivery for one year to consider complexities of accountability with legislation confirmed, and because **Waikato Waters have indicated they will not be in a position to deliver stormwater services before 1 July 2027** due to scale and risk associated with two waters transfer.
Single council WSCCO	New Plymouth	WSDP notes **intention** to explore contracting delivery of stormwater services from the new WSCCO
	Selwyn	Assumption is **decision** to deliver stormwater services in-house as no explicit mention of contracting this out.
	Timaru	Assumption is **intention** to deliver stormwater services in-house as no explicit mention of contracting this out.

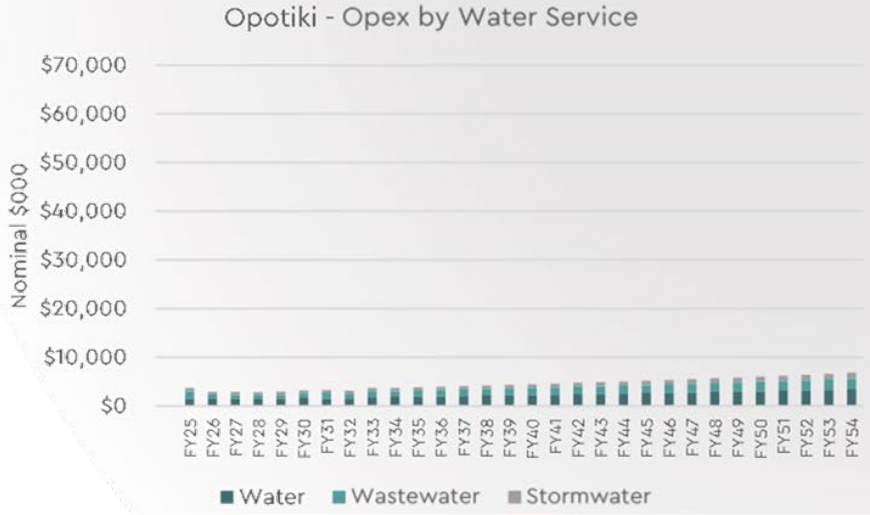
* Intention to contract delivery of major capital projects, including potentially with Waikato Waters

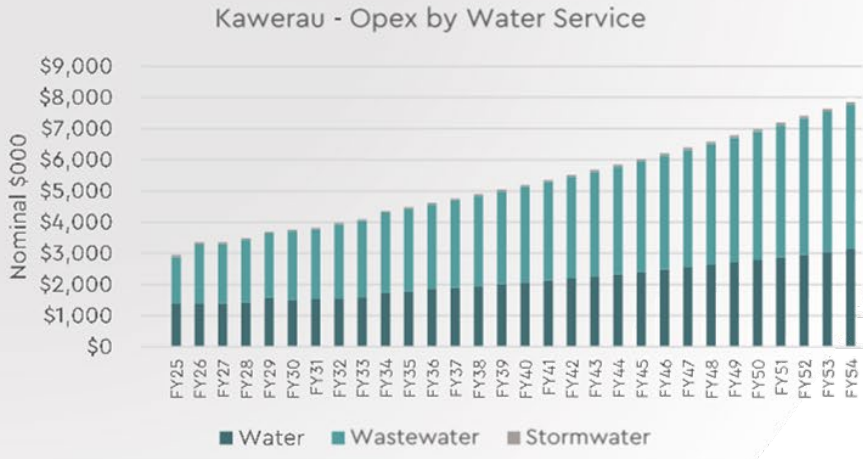
Forecast opex for stormwater services

Stormwater operating expenditure comprises 13% of total water services operating expenditure on average, and expenditure is forecast to grow at a slightly slower rate than the other two waters









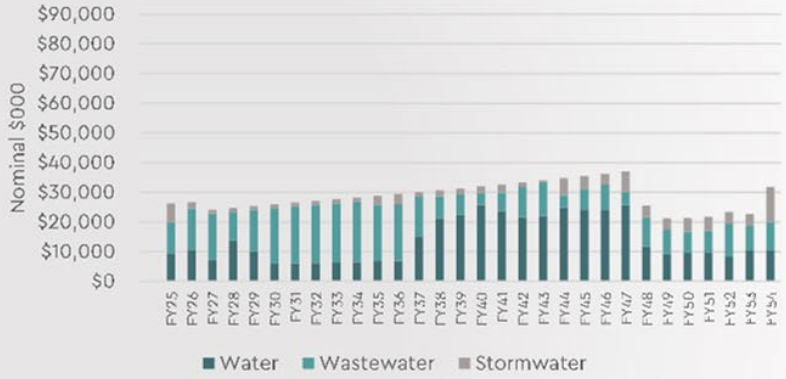
Forecast capex for stormwater services

Stormwater capital expenditure accounts for an average 16% of forecast water capital expenditure across the four Councils over the FY29-FY34 period.

Rotorua - Capex by Water Service



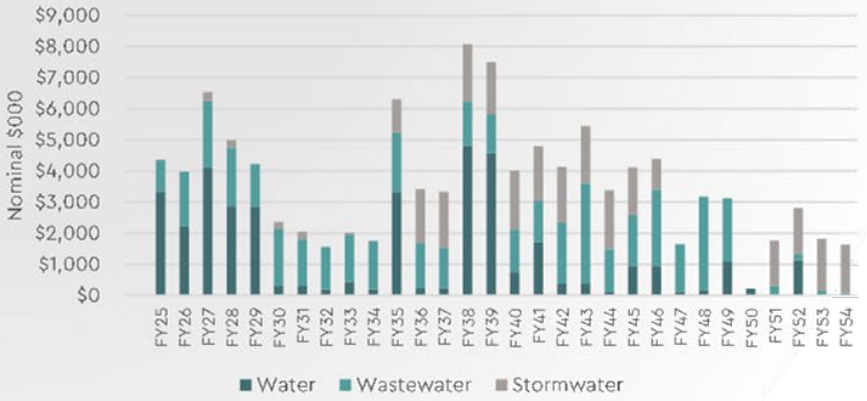
Whakatane - Capex by Water Service



Opotiki - Capex by Water Service

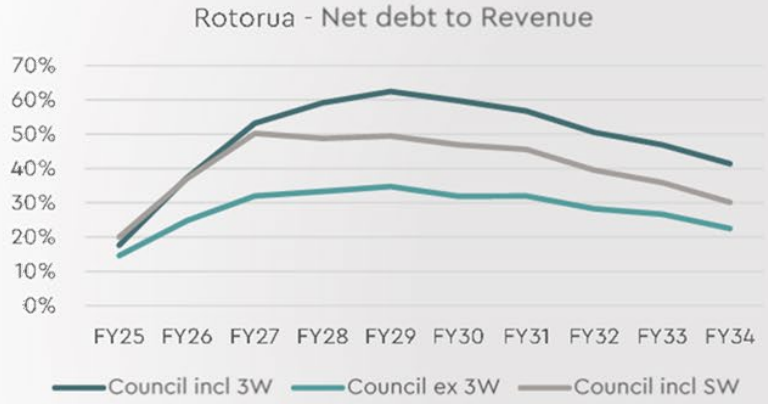


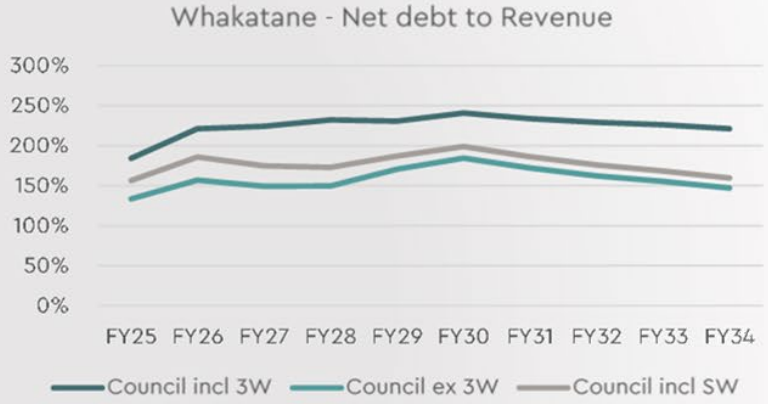
Kawerau - Capex by Water Service

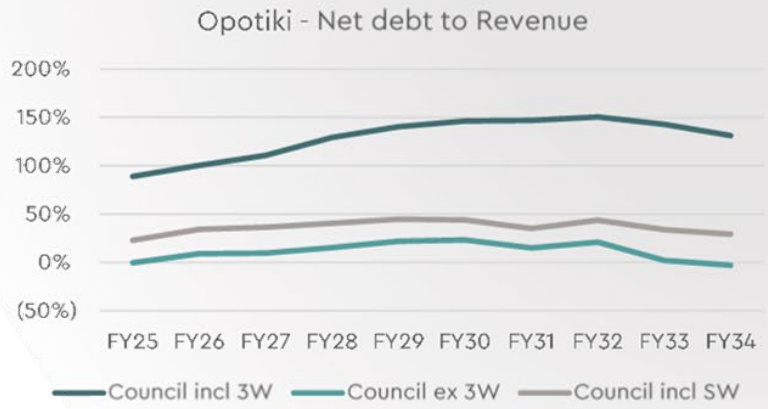


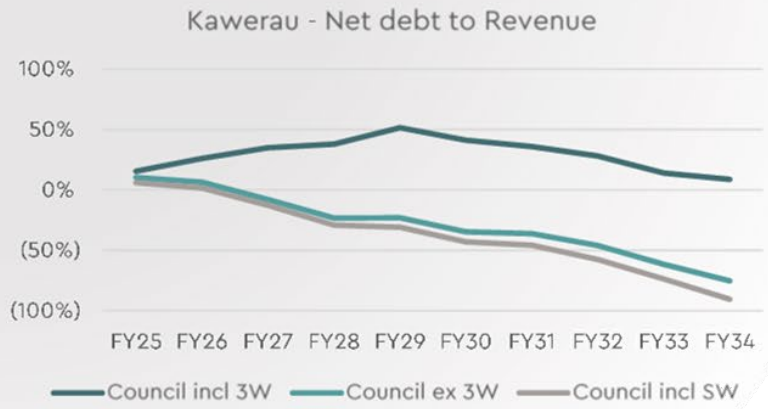
Forecast net debt to revenue for council

Transferring two water services to a WSCCO results in reduced net debt to revenue ratios for all four Councils. Three councils have a further improved ratio if stormwater is also transferred.



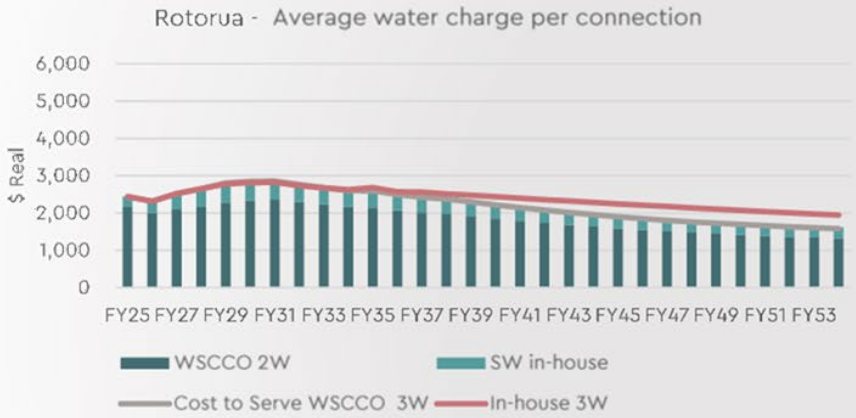


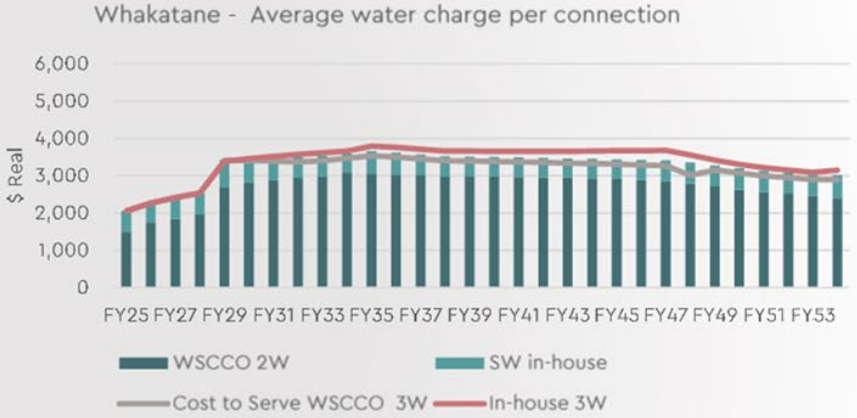


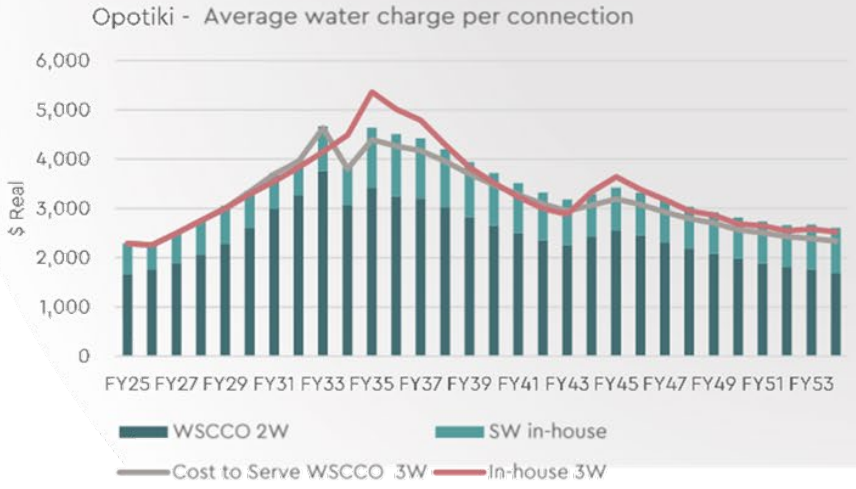


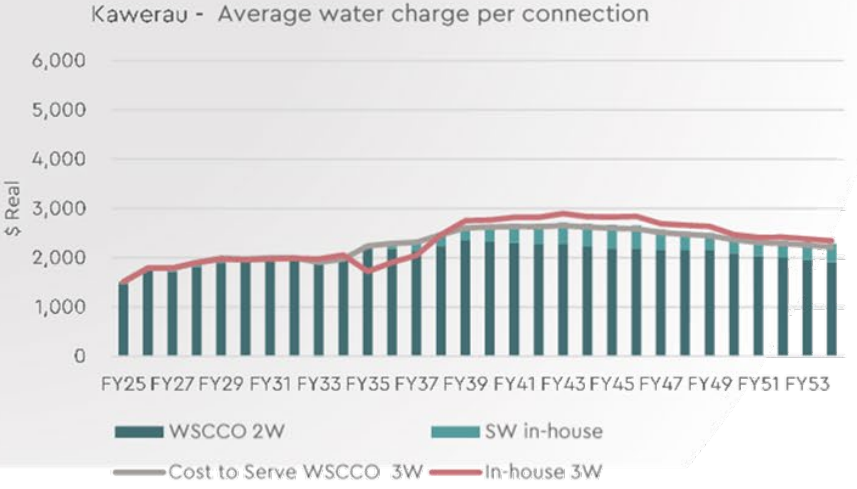
Price path comparison – with and without stormwater

Due to a mixture of greater efficiencies and the additional costs being spread over a larger number of connections, a 3W WSCCO is expected to result in the lowest average charge to consumers across the three permutations.









Key stormwater risks and challenges

Common across councils

- Ability to prepare for or respond to impacts of geography, natural hazards & climate change – *seismic, geothermal, river flooding, coastal flooding, lake levels and water quality, increasing number of significant rainfall events*
- Potential for additional regulatory requirements for stormwater not accounted for
- Workforce challenges – employees, contractors given competition from 2W WSCCO and from neighbouring districts and regions
- Constrained ability to deliver large planned capital programmes
- Vulnerability to rising costs and supply chain constraints
- Capital goods inflation impact on capex project outturns and asset values, flowing into higher depreciation and renewals costs

Council specific

Rotorua Lakes

- Limited asset condition information and knowledge of stormwater network
- Increased compliance costs for comprehensive stormwater consent

Kawerau

- Reliance on industrial customers – financial sustainability vulnerable to business closure or relocation

Whakatāne

- Uncertain future compliance costs (CSCs)
- Deferred investments for renewals/upgrades and growth

Ōpōtiki

- Uncertain future compliance costs (CSCs)
- Significant affordability challenges
- Deferred investments – growth

High-level options assessment

Key dimensions of choice

When considering options for stormwater delivery, we have assumed a WSCCO is going to be established for water supply and wastewater.

Responsibility and delivery

While councils retain accountability for ensuring that stormwater services are provided in their district, they can choose amongst different options about who has responsibility for, and who delivers stormwater services.

The key options councils have in relation to responsibility and delivery of stormwater services are:

1. Council retains responsibility for, and delivery of, stormwater
2. Council retains responsibility for stormwater, but contracts delivery to the WSCCO
3. Council transfers key aspects of responsibility for stormwater to the WSCCO, alongside water supply and wastewater

Ownership of assets

Separately, councils can decide which, if any, assets they transfer to a water organisation. Options are outlined below.

Engineered assets

1. Council retains ownership of engineered stormwater assets: this is regardless of whether responsibility for stormwater is transferred to the WSCCO
2. Ownership of engineered water assets transfers to the WSCCO: in scenarios where responsibility for stormwater is transferred to the WSCCO.

We expect most councils that transfer responsibility for stormwater to the WSCCO will also choose to transfer engineered assets given the introduction of legal and contractual complexity with no clear advantage to retaining direct ownership.

Land assets

1. Council retains ownership of mixed-use land that is used for stormwater purposes: this is regardless of whether responsibility for stormwater is transferred to the WSCCO
2. Ownership of mixed-use land that is used for stormwater purposes transfers to the WSCCO: the exception to this would be any land classified as reserve land under the Reserves Act 1977 which would be complicated to transfer.

We expect most councils will choose to retain ownership of mixed-use land to ensure emphasis is given to all uses in decision making and to protect its mixed-use status going forward. This does not preclude contracting the WSCCO to maintain the stormwater capacity of mixed-use land.

Options considered

Considering the key dimensions of choice, we have constructed three options to be assessed. In our opinion, these represent the most feasible and realistic options for councils to consider across the key dimensions of choice: responsibility and delivery, and asset ownership. Further information about how each of these would work in practice is provided in the Appendix.

	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
	Two water services providers in the district	Hybrid decision making models for stormwater v other waters	Integrated water services delivery and decision making
	1	2	3
All options	• Council transfers responsibility and asset ownership for **water supply** and **wastewater** to the WSCCO • Ownership of land (mixed-used assets) largely remains with council • Council continues responsibilities with shared infrastructure, including parks.		
	• Councils retain ownership of all stormwater assets • Councils retains planning, investment, funding decisions. • Stormwater delivered through single internal integrated function, working closely with other Council functions. • New WSCCO responsible for water supply and wastewater only.	• Council retains ownership of all stormwater assets. • Council retains planning and investment, funding decisions. • Council contracts delivery of stormwater services to the WSCCO	• Responsibility for delivering stormwater services transfers to the WSCCO • Ownership of engineered assets transfers to the WSCCO. • Each organisation has responsibility for investment, planning, maintenance and operations of the assets they own.
Examples	• Watercare • Selwyn • **Waikato Waters (Hauraki, Matamata-Piako, Ōtorohanga**, South Waikato)* • **Timaru*	• Iawai • **Waikato Waters (Waipā, Waitomo)* • **Northland TBD* • **New Plymouth TBD*	All three waters CCOs

* Intentions as expressed in WSDP
** Intention to contract delivery of major capital projects, including potentially with Waikato Waters

Options discounted

Under option 3, council could also choose to **transfer land assets**.

- We recommend discounting this option given the mixed-use nature of land used for stormwater purposes. Councils would continue to manage this land, streamlining operational processes and protecting its mixed-use status going forward. Certain maintenance services could be contracted to the WSCCO to preserve the land's stormwater capacity and function if necessary, as under option 2.

Under option 3, council could choose to **transfer responsibility but no assets**.

- This option has not been analysed given the introduction of legal and contractual complexity with no clear advantage to retaining direct ownership

Options assessed

Options:	1 Stormwater stays with council	2 Council retains responsibility and contracts delivery of stormwater	3 Council transfers responsibility for and delivery of stormwater
Description:	Council retains responsibility for and delivery of stormwater services, and transfers water supply and wastewater services to the WSCCO	Council retains responsibility for stormwater services, and contracts the delivery of services to the WSCCO.	Council transfers responsibility for and delivery of stormwater services to the WSCCO, alongside water supply and wastewater
Who decides levels of service and investment intentions?	• Council (elected members) determine levels of service and investment for stormwater and are responsible for ensuring regulatory compliance. • Councils must prepare Water Services Strategy for stormwater. • WSCCO prepares WSS for water supply and wastewater services	• As for option 1. • Decisions translated into levels of service specified in Management contract with WSCCO	• Shareholders issue combined Statement of Expectations which may include matters related to service levels and investment for stormwater • WSCCO develops Water Services Strategy and budgets to give effect to the Statement of Expectations and meet regulatory compliance for all water services.
Who undertakes strategic planning and delivery?	• Council remains responsible for planning and delivery of stormwater services, working with private suppliers and contractors. • WSCCO responsible for strategic planning and delivery for water supply and wastewater services	• Council contracts the WSCCO to undertake strategic planning and delivery for stormwater services, in line with Water Services Strategy, working with private suppliers and contractors where appropriate	• WSCCO responsible for strategic planning and delivery for all water services, in line with Water Services Strategy, working with private suppliers and contractors where appropriate
What are the mechanisms for accountability?	• Accountability for stormwater services to the public through usual local democratic processes. Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council. • Council will complete an annual report for stormwater services. • WSCCO must prepare water services annual report and at least half-yearly reports to shareholders for water supply and wastewater. • WSCCO subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council for water supply and wastewater services.	• As for option 1.	• WSCCO must prepare water services annual report and at least half-yearly reports to shareholders (shareholders accountable to community). • WSCCO must give effect to SoE and act consistently with statutory objectives. • Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council.

Options assessed

Options:	1 Stormwater stays with council	2 Council retains responsibility and contracts delivery of stormwater	3 Council transfers responsibility for and delivery of stormwater
Description:	Council retains responsibility for and delivery of stormwater services, and transfers water supply and wastewater services to the WSCCO	Council retains responsibility for stormwater services, and contracts the delivery of services to the WSCCO.	Council transfers responsibility for and delivery of stormwater services to the WSCCO, alongside water supply and wastewater
What are the mechanisms for hapū and iwi representation and influence?	• Representation and influence exercised directly with Council members and management within existing structures and Council capacity/capability • Existing mechanisms (MOUs, partnership agreements, Treaty Settlement obligations) in place • WSCCO mechanisms and obligations apply for water supply and wastewater	• As for option 1.	• Representation and influence, including on strategic matters, can be designed as part of establishment through range of mechanisms (Statement of Expectations, representative fora) • Existing obligations, including Treaty settlement obligations, would need to be explicitly provided for through new or adapted mechanisms
What are the mechanisms for local voice and influence?	• Access to councillors through current mechanisms for stormwater, consultation on Water Services Strategy. • WSCCO engagement and consultation requirements apply for water supply and wastewater.	• As for option 1.	• Shareholders set local engagement mechanisms during design and establishment of WSCCO. • Shareholders may require public consultation on WSS
Who owns the assets?	• All stormwater assets remain with council. • Water supply and wastewater assets transfer to the WSCCO	• All stormwater assets remain with council. • Requires contractual arrangements for operations, maintenance and new capital delivery for stormwater assets.	• Councils transfer ownership of water supply, wastewater and engineered stormwater assets. • Council retains ownership of land that is used for stormwater (mixed-use assets).
Who employs staff?	• Stormwater staff are employed by individual council • Water supply and wastewater staff employed by WSCCO	• Staff substantively delivering water services would transfer to and be employed by the WSCCO.	
How is investment funded / financed?	• Councils borrow within existing LGFA limits (175% debt-to-revenue for unrated to 280% for rated councils), meaning stormwater investment competes with other council priorities. • Stormwater-related debt remains on council balance sheets, reducing flexibility for other services and resilience investments. • Balanced budget rules require full depreciation funding, placing pressure on current ratepayers and limiting ability to spread costs over time.	• As for option 1 for stormwater.	• WSCCO may borrow directly from the LGFA. Covenants differ to that of councils, using "FFO" (funds from operations), roughly equivalent to ~500% debt-to-revenue, significantly increasing investment capacity compared to councils. • Debt is held by the WSCCO, freeing up council borrowing headroom for other priorities. • Councils must provide a guarantee (e.g., uncalled capital), but water debt is ring-fenced and treated separately from council finances.

Key judgements against strategic objectives
(1/2)

Strategic objective	Key Elements	Stormwater specific considerations
Efficient and financially sustainable delivery of water services for communities, now and into the future	• **Financial sustainability**, a requirement under the new legislation incorporates: – **revenue sufficiency** – water charges generate sufficient revenue to meet the full costs of service delivery including opex, interest and depreciation – **financing sufficiency –** Council must be able to raise the borrowing required to finance investment and generate the cash surpluses required to repay debt as it falls due, and – **resource sufficiency** – the future model will have sufficient resource to operate water services sustainably, and the management of those resources is effectively and efficiently undertaken. • **Ring-fencing**: Councils will be required to prepare separate financial statements for each water activity group, and for water services as a whole. • Operate in accordance with best commercial and business practices.	The operating model for stormwater should be the most financially sustainable and efficient, informed by: • A likely ongoing role for Council given the nature of stormwater networks and the challenges of charging for that network. • The relative debt capacity in the rest of council relative to the new WSCCO and the ability to meet investment requirements. • The resource model and impact on capacity and capability to deliver a programme of work.
Protects and promotes public health and the environment – meeting regulatory requirements	• **Investment sufficiency**: Councils undertake the investment they need to maintain existing assets, meet regulatory requirements, and provide for seasonal demands, consistent with current asset management plans including: – maintaining compliance with drinking water standards – maintaining good standards of environmental protection, and – anticipating and planning for meeting national standards and resource consent requirements.	• The model that is likely to deliver the greatest level of regulatory compliance and at the lowest cost for communities.
Water services **are resilient to natural hazards and climate change**	• Investment sufficiency to **meet current and future resilience needs, including risks from climate change and natural hazards** • Appropriate level of **financial capacity to respond to unexpected shocks**. • Enable **effective response to emergencies** and natural disasters	• The extent to which the model enables the scale of investment to make stormwater and urban flood protection more resilient, particularly over the long-term due to climate change. • The extent to which the model supports effective coordination across emergency, flood and stormwater management (i.e., whether this will be easier or harder under different options).

Key judgements against strategic objectives
(2/2)

Strategic objective	Key Elements	Stormwater specific considerations
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• **Support integrated planning and decision-making** around rural and urban water network planning, including **supporting housing growth and urban development and managing peak (seasonal) demand.** • **Coordination with wider district and infrastructure planning** to align water services planning effectively and efficiently.	• The extent to which the model for stormwater delivery makes it easier or harder to coordinate and integrate planning and decision making across the range of organisations involved in stormwater management.
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• **Affordability** – the projected increase in water charges is affordable for the community (now and future generations). • **Appropriate levels of service**, including how these are reflected in differential charges, ensuring equitable access. • **Strength of mechanisms for local voice and influence provided** for in the model, including how council interests are represented and how customers are engaged in decisions relating to service levels, investment and pricing. • **Act in best interests of present and future consumers and communities**. • **Fit for purpose** – delivering only what is necessary to meet the specific needs of the community, without excess (that is, value-for-money).	• The best value for money delivery of stormwater services and the extent to which the models of service delivery reflect the needs of local communities particularly given the role some stormwater systems (e.g., open spaces, parks and reserves) play in recreation and public amenity. • The resource model and impact on capacity and capability to deliver a programme of work.
Council obligations to hapū and iwi are valued and honoured	• Giving effect to **Council's responsibilities and obligations arising from Treaty settlements**. • Strength of processes and mechanisms for **engaging with hapū and iwi to ensure meaningful participation** in water services decision-making and delivery. • Councils recognise the mana of tāngata whenua.	• The model of delivery that aligns most with iwi and hapū interests particularly in nature based and green solutions.
Impact on remaining council operations and viability	• Councils understand the impacts on the ongoing viability and sustainability. • Asset and debt transfer leaves council in a financially sound position.	• Understanding the impact of different delivery models on the financial positions of councils.

Assessment of options

1 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Efficient and financially sustainable delivery of water services for communities, now and into the future	• For stormwater, Councils will face costs associated with achieving ringfencing, including new planning, reporting, information disclosure and audit requirements, and levies from the Water Services Authority and Commerce Commission. • This will be duplicated in the WSCCO for water supply and wastewater, creating additional cost for consumers. • Anticipated capital efficiencies may be smaller for the 2 waters WSCCO.	• Dependent on councils making decisions about stormwater funding that meet tests for investment sufficiency and financial sustainability in long-term. • Debt capacity for stormwater may be unchanged relative to in-house delivery. • Efficiencies in some operating costs and capital delivery are likely from economies of scale. • Competency based board supports commercial operation and practice, but board discretion more limited due to investment and pricing decisions for stormwater remaining with councils. • *May be diseconomies of scope associated with decision making for pricing, investment and financing being separated from delivery of asset management, operations and maintenance.*	• Efficiencies are likely from economies of scale, including capital and operating efficiencies from improved asset management, technology deployment, procurement, and supply chain management. • Competency-based board supports clear strategic focus and strengthened management oversight. • Greater access by WSCCO to cost effective borrowing enables investment in stormwater assets to be spread over generations. • Council and the WSCCO will need to charge separately for any costs associated with operating and maintaining land versus engineered assets, and for their respective roles in stormwater network management.

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Assessment of options

2 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Protects and promotes public health and the environment - meeting regulatory requirements	• All current capex plans designed to meet existing regulatory requirements • Limited capacity to invest in stormwater improvements, relative to option 3.	• As for option 1. • May be some benefit in a standardised approach to stormwater services improve day-to-day compliance management • Dependent on councils making decisions about stormwater funding that meet tests for investment sufficiency and financial sustainability in long term	• Greater debt capacity available to the organisation to lift and/or accelerate investment in stormwater. • Strengthened ability to meet environmental regulatory requirements for stormwater. • Professional governance, shared technical expertise and proactive asset management raise the likelihood of ongoing compliance. • Stronger investment capacity and clearer accountability for stormwater support more consistent delivery of environmental and public health regulatory outcomes, while building and sustaining specialist capability over time, including mātauranga Māori expertise, that may be difficult to maintain with smaller, resource constrained delivery models • Carries risk that funding may be prioritised towards the stormwater needs of other councils, however mitigations exist

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Assessment of options

3 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Water services **are resilient to natural hazards and climate change**	• Concentrated risk and more limited capacity for responding to shocks relating to natural hazards. • Council and WSCCO would need to coordinate response to emergency events where cross-contamination occurs across different water systems • Would be well integrated in Council emergence response and not alter existing relationships with regional councils.	• Concentrated risk and more limited capacity for responding to any shocks relating to natural hazards. • More effective management of emergency events where cross-contamination occurs across different water systems • Would require close coordination with local authority emergency response and regional council flood management.	• Greater debt capacity should make it possible to enhance investment in climate resilience and improve levels of service for stormwater services. • More effective management of emergency events where cross-contamination occurs across different water systems • Would require close coordination with local authority emergency response and regional council flood management
Integrated water services and infrastructure planning that promotes efficient, equitable, and integrated delivery	• Retains tight interface between spatial and stormwater infrastructure planning, with decisions internalised within a single decision-making structure. • Requires the council to work closely with the WSCCO on planning for water supply and wastewater infrastructure needs.	• As for option 1.	• Easier to take consistent approach to stormwater across any cross-boundary catchments, but requires close coordination across others with responsibilities across the stormwater system. • Creates need for formal information sharing and collaboration between councils and WSCCO to coordinate planning and investment in stormwater (including for compliance, resilience and growth) across multiple shareholder councils. • Will require sophisticated, combined investment prioritisation and delivery approaches. May be harder to agree shared priorities for stormwater investment across the four councils with differing drivers (at least in the short-term) across compliance, resilience and growth.

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Assessment of options

4 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Affordable, fit for purpose service to consumers and communities that meets the needs, and expectations of communities	• Most flexibility to meet specific community preferences in relation to stormwater. Councils can adjust service levels or standards in consultation with locals without needing external approval. • Strong community voice mechanisms and direct accountability to communities. • Ability to meet future growth and resilience requirements is expected to be challenging. • Less affordable than a 3W CCO in short-term, but only by a small margin. • Medium- to long-term affordability unclear. • Potential for confusion for customers as to who is responsible (e.g. where to direct customer service queries).	• As for option 1, though moderate improvement possible with operating and capital efficiencies.	• Depending on WSO pricing outcomes, affordability would be expected to improve, particularly as efficiencies are realised over the medium- to long-term. • WSCCO would need sophisticated customer engagement mechanisms to be able to respond to diverse needs of a broader consumer base. • Could drive standardisation of service levels for stormwater regionally (which might raise standards for some, lower for others). • Would require agreed transition path including approach to harmonisation of investment plans and charges for stormwater • Greater clarity for customer as they have only one water services provider • Councils retain control over multi-use stormwater assets, which ensures non-water outcomes continue to be valued alongside stormwater management • Harder to agree shared investment priorities and expectations across councils with divergent community interests

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Assessment of options

5 of 5

Strategic objective	Stormwater stays with council	Council retains responsibility and contracts delivery of stormwater	Council transfers responsibility for and delivery of stormwater
Council obligations to hapū and iwi are valued and honoured*	• Benefits from continuity of existing mechanisms for representation and engagement channels. • Enables strong place-based relationships. • Some iwi and hapū may prefer arrangements that align with existing boundaries. • Having two water services providers and different interfaces may compromise effective hapū and iwi engagement • Multiple accountable parties exacerbate engagement burden for hapū and iwi • Ability to sustain capability to meet regulatory and environmental demands and Treaty settlement and other obligations could be limited. • Reduced capacity to invest may compromise ability to uphold specific settlement obligations.	• Retains Council-level decision-making on stormwater (contingent on quality of relationships) • Fragmentation of responsibility – unclear accountability mechanisms and multiple interfaces may compromise effective hapū and iwi engagement • Harder for hapū and iwi to influence decisions that matter most – such as where discharge occurs and how investment trade-offs are made – because decision making and delivery responsibility are split • Multiple accountable parties exacerbate engagement burden for hapū and iwi	• Opportunity to create bespoke, fit-for-purpose representation and engagement mechanisms. • Opportunity to bring about stronger alignment with iwi and hapū perspectives as kaitiaki and the interconnected nature of water through integrated water services. • Complexity of collective iwi engagement with new arrangements could present challenges.
		Trust with iwi and hapū would need to be built over time. Any option that weakens existing relationship/instruments will likely be perceived as a step backwards.	
Remaining council operations are viable and continue to deliver on communities' expectations	• Council will still need to resource stormwater activity – could be challenging to attract and retain workforce. • Debt for stormwater assets will remain with councils.	• Stormwater debt remains with Council so constraints are the same as option 1. • Dependent on transition approach, may result in stranded costs, limiting ability to expend revenue on other council activities until this is resolved.	• Only debt related to multi-purpose land assets will stay with council. • Transfer of water supply and wastewater debt leaves councils with more debt headroom to fund other activities and unexpected expenses. • Dependent on transition approach, may result in stranded costs, limiting ability to expend revenue on other council activities until this is resolved.

* Indicative assessment, not based on direct engagement with hapū and iwi. Councils will lead engagement in subsequent phases of the WSCCO investigation.

Legend: *Red text denotes possible risk* | *Consistent with objective but has some risks* | *Moderate alignment to objective(s)* | *Stronger alignment to objective(s)*

Other important considerations

Options:	1 Stormwater stays with council	2 Council retains responsibility and contracts delivery of stormwater	3 Council transfers responsibility for and delivery of stormwater
Description:	Council retains responsibility for and delivery of stormwater services, and transfers water supply and wastewater services to the WSCCO	Council retains responsibility for stormwater services, and contracts the delivery of services to the WSCCO.	Council transfers responsibility for and delivery of stormwater services to the WSCCO, alongside water supply and wastewater
Workforce	• May be difficult to attract and retain skilled staff to Council • Narrowly focused roles and fewer progression opportunities likely to be less attractive than the WSCCO and other nearby water services providers.	• More likely to attract skilled workers due to greater specialisation. • A larger entity with more and different opportunities likely to be more attractive from a talent and attraction perspective.	• More likely to attract skilled workers due to greater specialisation. • A larger entity with more and different opportunities likely to be more attractive from a talent and attraction perspective.
Governance	• Elected members continue to have decision-making responsibility for stormwater services.	• As for option 1. • WSCCO accountable to elected members for delivering contracted activity.	• Asset-owning models, where responsibility for investment, pricing and financing decisions rest with the board, aligns decision making and incentives for asset stewardship and effective and efficient operations. • Board has statutory obligation to ensure service delivery by the WSCCO meets the joint SoE issued by shareholders. • Introduction of multiple shareholders requires careful consideration of ownership and shareholder decision rights, with greater scope for divergence of shareholder interests as the number of owners increases and/or with greater diversity in the underlying communities of interest.
Accountability	• Accountability to elected members and through existing mechanisms under LGA (council and council committee structures) and management reporting lines. • Council must prepare water services annual report. Subject to regulatory oversight by Taumata Arowai, the Commerce Commission and regional council.	• As for option 1. • Harder to regulate than options 1 and 3, with split decision making and delivery responsibilities for stormwater.	• Oversight of performance by multiple shareholders. Requires shareholder coordination mechanisms (e.g. shareholder forum or similar). • Easier to regulate than Options 1 and 2. Creates a direct relationship between the company and the regulator, enabling greater scrutiny of performance and strengthened incentives for board and management and company.

Summary assessment

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
1 **Stormwater stays with council**	Ease of integration with other council planning processes is a priority. Council is confident it can meet requirements for SW (including financial sustainability and regulatory compliance) in the medium- to long-term and can mitigate workforce attraction and retention risks. Council doesn't consider advantages of 3W CCO are strong enough compared to a 2W CCO with stormwater delivery in-house.	• Easy to integrate stormwater planning with key council strategic planning processes, including spatial, land use and emergency management. • Unlikely to create stranded costs or adverse impacts on rest of council in relation to stormwater • Maintains flexibility if councils want to reconsider stormwater delivery models in future.	• Potential workforce attraction and retention risks, competing for similar skills with 2W CCO and other nearby WSCCOs. • Additional costs due to duplication of planning and reporting requirements • Council and WSCCO would need to coordinate response to emergency events where cross-contamination occurs across different water systems • Potential for confusion for customers as to who is responsible • Potential future affordability and capital delivery challenges. • Additional investment in climate and resilience initiatives may present affordability challenges. • Unexpected stormwater-related costs could impact council ability to invest in other services. • Does not provide any scale economies.
2 **Council retains responsibility and contracts delivery of stormwater**	Council wishes to retain control over planning, investment and pricing for SW, while seeking benefits from potential operating and capital efficiencies. Council is confident that potential disadvantages of distributed accountabilities and reliance on council debt limits can be managed.	• Easy to integrate stormwater planning with key council strategic planning processes, including spatial, land use and emergency management. • Potential scope for operating and capital efficiencies, dependent on scale. • Improved ability to attract and retain key staff (delivery-focused).	• Distributed accountabilities between shareholding councils and service delivery only WSCCO likely to lead to sub-optimal outcomes. • Stranded costs are likely (but may be mitigated through careful transition planning). • Council will need to retain capability for planning, investment and pricing decisions. • Potential for confusion for customers as to who is responsible • Potential future affordability challenges. • Additional investment in climate and resilience initiatives may present affordability challenges. • Unexpected stormwater-related costs could impact council ability to invest in other services.

Summary assessment

OPTIONS	CHOOSE OPTION IF	KEY ADVANTAGES	KEY DISADVANTAGES
3 **Council transfers responsibility for and delivery of stormwater**	Integrated asset management and delivery across three waters is a priority. Council seeks potential operating and capital efficiencies, and access to debt and longer-term financing for stormwater investments.	• Clarity for customers with only one water services provider. • Aligns decision making and incentives for asset stewardship and effective and efficient operations. • Ease of integrated asset management and delivery across three waters. • Scale efficiencies likely to be greatest under this option. • Potential integration with neighbouring councils to better manage environmental compliance and spatial planning. • Access to debt, and longer-term financing to address future challenges and affordability. • Improved ability to attract and retain workforce.	• Current uncertainty about the design of the model, including mechanisms for agreeing shared priorities and expectations across councils and engaging with hapū and iwi. • Stranded costs are likely (but may be mitigated through careful transition planning). • Potential for diseconomies of scope (e.g., loss of integration with spatial planning, transport). Will require agreed ways of working together. • Higher costs and timeframe for implementation (though likely not significantly different to costs for setting up a 2W CCO).

Conclusions and recommendations

Conclusions and recommendation

This assessment has considered how the three stormwater service delivery options perform against the strategic objectives agreed by councils and other important considerations.

Option 1, where **councils retain responsibility for and delivery of stormwater services**, retains strong local control and integration with land-use, transport, and emergency planning. However, it duplicates regulatory and reporting requirements and may create funding, workforce, and delivery risks for council. It would also potentially create confusion for customers with two water service providers delivering different water services in the district. Over time, constrained debt capacity and capability challenges are likely to limit affordability, resilience, and regulatory performance.

Option 2, where **councils retain responsibility but contract delivery of stormwater services**, offers some operational and workforce benefits from WSCCO scale while preserving Council control over planning and investment. However, split accountability increases governance complexity and risks blurred responsibility for outcomes. Stormwater funding and debt remain with Council, meaning long-term affordability and investment constraints largely persist.

Option 3, where **responsibility for and delivery of stormwater services transfers to the WSCCO**, provides the strongest ability to ensure long-term financial sustainability, regulatory compliance, and climate resilience through scale, specialist capability, and enhanced borrowing capacity. Integration across three waters simplifies accountability for customers and supports efficient asset management. While it requires careful governance design to protect local priorities and iwi/hapū relationships, these risks should be manageable through transition and shareholder arrangements.

Based on this assessment, it is recommended that **a joint asset-owning three waters WSCCO is the preferred model, to be further developed and assessed through subsequent stages of the project. Under this option, responsibility for and delivery of stormwater services would transfer to the WSCCO, as would ownership of engineered stormwater assets, while councils would retain ownership of mixed-use assets (including reserve land) used for stormwater purposes (e.g., detention ponds or overland flow paths on parks and reserves). Councils and the WSCCO would collaborate on preparation of the Stormwater Network Risk Management Plan, given councils retain responsibility for land use planning and stormwater bylaws.**

Appendix

Further information on how each option would work in practice

Option 1

Stormwater responsibility and service delivery stays within Council

Roles and responsibilities

- **Council**: Water Services Provider for stormwater and owns all stormwater assets. Plans, invests, operates, maintains, and responds to emergencies.
- **WSCCO**: Water supply and wastewater only. Must coordinate with Council where networks interact.
- **Regional Council**: Integrated catchment planning, flood management, resource consents.
- **NZTA/Roading**: Drainage within transport corridors. Coordinate via agreements.

How it works in practice

- **Day-to-day**: Council staff deliver all stormwater operations, asset maintenance, customer service, and emergency response integrated with roading/parks/planning.
- **Planning/Investment**: Council prepares Stormwater Network Risk Management Plan, capital programme, and prepares Water Services Strategy and Water Services Annual Report.
- **Revenue collection**: Council rates for stormwater services. WSCCO sets water charges for water supply and wastewater. Customers receive two bills for water services.
- **Emergencies**: Council leads flooding response. Coordinates with WSCCO (wastewater interactions), Regional Council (rivers), NZTA (highways).

Key instruments

- **Joint Service Agreements**: With WSCCO (wastewater coordination), NZTA, Regional Council
- **Stormwater Network Risk Management Plan**: Council prepares
- **Funding**: Council rates (property value-based allowed)
- **Internal coordination**: Operational protocols with Council roading, parks, emergency management teams

Key considerations

- Council has direct control over integration with land use, transport, emergency management.
- Council has full control over investment priorities and timing.
- Flexibility to fund via property value-based rates
- Must build/retain stormwater capability (likely to face workforce competition with WSCCOs)
- Two Water Services Providers in district (Council for stormwater, WSCCO for water/wastewater) with separate regulatory/reporting requirements

Option 2

Council retains responsibility, contracts stormwater service delivery to WSCCO

Roles and responsibilities

- **Council**: Water Services Provider for stormwater and owns all stormwater assets. Sets strategy, service levels, budget, and monitors WSCCO performance.
- **WSCCO**: Contracted to deliver stormwater operations, maintenance, and potentially capital projects. Integrates delivery with water supply and wastewater for efficiency.
- **Regional Council**: Integrated catchment planning, flood management, resource consents.
- **NZTA/Roading**: Drainage within transport corridors. Council (via WSCCO) coordinates.

How it works in practice

- **Day-to-day**: WSCCO staff deliver operations, maintenance, emergency response on Council's behalf. Council monitors via KPIs and reporting.
- **Planning/Investment**: Council decides capital programme and budget. WSCCO provides technical advice on investment requirements and delivers projects. Council prepares Stormwater Risk Management Plan (may be jointly prepared with WSCCO).
- **Revenue collection**: Council rates for stormwater services. WSCCO sets water charges for water supply and wastewater. Customers receive two bills for water services.
- **Emergencies**: WSCCO responds operationally. Council coordinates overall emergency management and accountability.

Key instruments

- **Service Delivery Contract/SLA**: Defines services, KPIs, performance standards, funding arrangements.
- **Stormwater Network Risk Management Plan**: Council prepares this, with input from WSCCO.
- **Annual Work Programme and Budget:** Council approves; WSCCO delivers within agreed funding envelope.
- **Performance Monitoring:** Regular reporting, audits
- **Funding**: Council rates (property value-based allowed)

Key considerations

- Access to WSCCO's integrated three-waters capability, workforce, systems, procurement and supply chain capability.
- Council retains strategic control, accountability, rating flexibility
- Complex accountability (Council responsible, WSCCO delivers). Requires strong contract management and can lead to blame shifting.
- Can be confusing for customers as to who is responsible (e.g., for billing, responding to network faults, asset failure etc).
- Two WSPs in district (Council for stormwater, WSCCO for water/wastewater) with separate regulatory/reporting requirements.

Option 3

Council transfers responsibility and ownership of engineered assets to WSCCO

Roles and responsibilities

- **Council**: Retains overall accountability to ensure services provided. Owns mixed-use land (parks, reserves, overland flow paths). Sets binding expectations for the WSCCO and monitors its performance.
- **WSCCO**: Water Services Provider for all three waters and owns engineered assets. Plans, invests, operates, maintains, charges, and responds to emergencies for all three waters.
- **Regional Council**: Integrated catchment planning, flood management, resource consents.
- **NZTA/Roading**: Drainage within transport corridors. Coordinate via agreements with WSCCO.

How it works in practice

- **Day-to-day**: WSCCO delivers all stormwater operations, maintenance of engineered assets (and mixed-use assets by agreement), customer service, emergency response. Integrates with water supply and wastewater (shared workforce, systems, contractors).
- **Planning/Investment**: WSCCO prepares single Water Services Strategy (all three waters), capital programme, Stormwater Risk Management Plan. Council provides input via ownership expectations and spatial and land use planning.
- **Revenue collection**: WSCCO sets water charges all water services. Customers receive one bill.
- **Emergencies:** WSCCO leads stormwater response. Council coordinates overall CDEM and non-water infrastructure.

Key instruments

- **Statement of Expectations (SoE)**: Council sets high-level performance, service, financial, and community engagement expectations for WSCCO (including KPIs).
- **Shareholder Monitoring**: Regular reporting on financials, service levels, customer satisfaction, regulatory compliance.
- **Access and Use Agreements**: WSCCO uses (and potentially maintains under SLA) council-owned parks/reserves/flow paths for stormwater. Council retains ownership and multi-use management
- **Joint Service Agreements**: WSCCO enters with Council roading, NZTA, Regional Council.
- **Stormwater Network Risk Management Plan**: WSCCO prepares (likely jointly with Council given mixed-use land and shared infrastructure).
- **Funding**: WSCCO charges based on stormwater service zones. Property value-based charging phased out within 5 years.

Key considerations

- Efficiencies from shared workforce, systems, borrowing - stronger capability and scale.
- Improves Council balance sheet (debt transfer).
- Requires robust coordination on shared infrastructure (roads, parks) and integration with land use, transport, emergency management.



Wellington T +64 4 499 6130
Level 1, City Chambers, Cnr Johnston and Featherston Streets, Wellington 6011, PO Box 5256, Wellington 6140, New Zealand
Auckland T +64 9 915 1360
Level 16, 41 Shortland Street, Auckland 1010, New Zealand
info@martinjenkins.co.nz **martinjenkins.co.nz**

ROTORUA & EBOP WSCCO

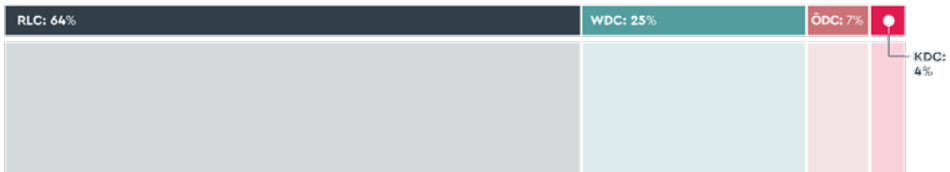
A OWNERSHIP

Shareholding Basis:	**Net asset value**
Key decisions:	**Shareholder reserved matters:** - *Changes to constitution or shareholders' agreement.* - *Entry or exit of councils.* - *Winding up or structural reform.* - *Major transactions above agreed threshold.* - *Pricing principles and dividend policy.*
Thresholds:	- *Aim for consensus decisions.* - *Reserved matters – to be passed by Special Shareholder Resolution: 75% **and** majority of shareholders.* - *Other matters – ordinary majority.*

SHAREHOLDING

*Based **on net asset value***

(Indicative shareholding: based on current net asset value)



VOTING RIGHTS

Based on shareholding.

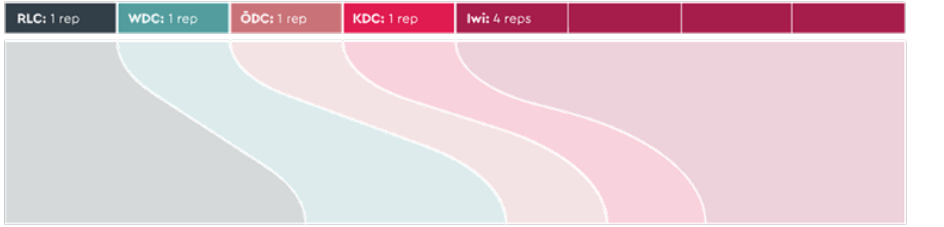


B REPRESENTATIVE OVERSIGHT

Key decisions:	**Decision-making responsibilities:** - *Board appointments and removals.* - *Adoption or amendment of Board Skills Matrix.* - *Develop and approve Statement of Expectations.* **Other responsibilities:** - *Performance oversight.* - *Review of Water Services Strategy and budget.*
Thresholds:	- *Aim for consensus decisions.* - *Reserved matters – to be passed by Special Resolution: 75% of votes **and** majority of forum members.* - *Other matters (both options) – ordinary majority.*

REPRESENTATIVE FORUM OPTIONS

Option to provide for independent Chair.



VOTING RIGHTS

Weighted voting rights.



C GOVERNANCE

Board composition:	- *Term: Up to 3 years.* - *Reappointments: Maximum 3 times.*
Capability:	- *Board skills matrix agreed by Representative Forum.*

BOARD COMPOSITION



D OTHER SETTINGS

Dividends:	- *No dividends permitted.*
Pricing approach:	- *Cost-to-serve pricing at establishment* - *Review after 5 years.*

PRICING APPROACH



Summary of public engagement and consultation on preferred option for future water service delivery (Local Water Done Well)

Public engagement and consultation will start 1 October and close 30 October 2026.

A programme based around digital engagement and 'meeting people where they are' has been planned for the wider community, as well as targeted communication and engagement with iwi/hapū, community and relevant sector group contacts, rangatahi networks.

Engagement is built around smaller, drop-in style sessions and static/interactive touchpoints, enabling people to engage one-on-one with council staff and elected members.

The engagement programme is intended to complement, rather than replace, existing relationships and channels with iwi/hapū and with community stakeholders.

This approach is supported by online submission channels, printed material and a digital awareness campaign that will start with communications relating to the decision of Council on a preferred option.

Key objectives

- Public awareness and understanding;
- Provide accessible, low-barrier opportunities for people to be informed and engage;
- Encourage feedback to support elected members' decision-making.

Key principles:

- Accessible: multiple ways to engage (in person, online, written) across the full consultation period.
- Informal and responsive: drop-in format rather than forum/panel format, so people can ask questions directly of staff.
- Inclusive: deliberate outreach to youth/rangatahi, mana whenua and other priority groups, not just those who attend general sessions.
- Informed: elected members and staff briefed before the public phase begins. Staff in water-related roles will also be engaged with directly.

Key messages

- The investigation phase is complete and identified options that meet Government requirements while reflecting the needs and values of our communities.
- Considerations include affordability, long-term financial sustainability, environmental outcomes, cultural values and regulatory requirements.
- Having determined a preferred option, we now want to understand the views of our community – have we got it right? Do you agree with the preferred option?
- Your feedback will help to inform the final decision on how water services will be delivered in Rotorua in the long term.

The following methods, tools and channels will be used to promote consultation:

- Council's engagement platform – Participate (reactivating the 2025 consultation page to provide context and demonstrate the journey to-date)
- Consultation document and supporting information (full technical report, FAQs)
- Fact sheets (versions for landowners and wider community)
- RLC social media channels
- RLC Antenno app
- Digital advertising (eg Google Ads)
- RLC venues and screens (library, Civic Centre)
- Print advertising
- Media releases
- Iwi/hapū channels and networks
- Council e-panui
- In-person events (information sessions)
- Information stands (at events and council facilities)
- Hui with iwi and mana whenua
- Direct communication to iwi/hapū and stakeholder groups eg community and sector group contacts, rangatahi networks
- Potential for further events (eg attending meetings of local groups) if requested and time allowing

Ways people will be able to submit feedback:

- Online via Participate
- Email (Participate)
- Post
- Verbally or in writing at in-person events

Engagement timetable (subject to change and additions)

Date	Time	Activity	Location	Audience
Tue 15 Sept	1.00pm	Presentation to Community Board – Lakes	Civic Centre	Elected members
Thu 17 Sept	1.00pm	Presentation to Community Board – Rural	Civic Centre	Elected members
Thu 1 Oct	—	Public consultation opens	—	General public
Tue 6 Oct	1.00pm – 2.00pm	Have Your Say drop-in session 1	Te Aka Mauri / Rotorua Library	General public
Sat 17 Oct	TBC	Information stand	Whakaue Whakanuia	General public, youth/rangatahi, priority groups
Thu 22 Oct	11.00am – 12.00pm	Have Your Say drop-in session 2	Te Aka Mauri / Rotorua Library	General public
Oct (date TBC)	TBC	Internal staff hui	TBC	RLC staff
Fri 30 Oct	—	Public consultation closes	—	General public

There will be opportunity for stakeholder/interest/community groups to invite council representatives to attend their meetings, dependent on timing and availability of council staff and elected members.

Dates for hui with mana whenua, iwi and hapū will be scheduled in collaboration with iwi entities and networks. Timing and format of engagement will be developed collaboratively with iwi entities and networks, recognising different preferences and processes.

Elected members will have opportunities to front engagement throughout the consultation period.

Elected members will be supported with briefing material prior to consultation starting to ensure they are well placed to participate in community conversations.


ROTORUA LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua
Facilities Policy
2026
DRAFT

Council adoption		
Date adopted	Next review	Officer responsible

Contents

PART 1 Policy Overview 3

1.1 Policy purpose 3
1.2 Policy scope 3
1.3 Facilities roles and responsibilities 4
1.4 Objectives 6
1.5 Facilities' asset groups and land 6
1.6 Guiding criteria 7

PART 2 Policy Statement 8

2.1 General provisions 8
2.1.1 Principles 8
2.1.2 Strategic priorities and long-term planning 9
2.2 Decision making 10
2.2.1 Delegations 11
2.2.2 Decision making process 11
2.2.3 Process 12
2.2.4 Consultation 13
2.2.5 Transparency of decision making 14
2.2.6 Decision making risks 14
2.3 Conflict of interest 14
2.4 Acquisition 15
2.4.1 Planned 15
2.4.2 Ad hoc 15
2.4.3 Methods of acquisition 16
2.4.4 Funding 16
2.5 Retention and maintenance or management 16
2.6 Repurpose and upgrades 17
2.7 Disposal 18
2.7.1 Method of disposal 19

PART 3 Policy Review 20

3.1 Alignment with other policies 20

Appendix 1: Definitions 21

Appendix 2: Legislation relevant to Council facilities 23

PART 1 Policy Overview

1.1 Policy purpose

Rotorua Lakes Council (Council) acquires and maintains a diverse range of facilities to support the delivery of activities and services to ratepayers and residents, users and visitors. There are also properties and facilities that enable Council's regulatory functions.

The purpose of this Policy is to ensure a consistent approach to the management of Council owned facilities and to provide a framework for decision-making.

This Policy sets out expectations and responsibility for the holding and maintenance of Council facilities and future acquisition or disposal. This will ensure that Council facilities are providing benefit to the District. Any facilities that are no longer fit for purpose, do not serve a useful purpose, cannot be repurposed or upgraded, or do not provide a return on investment, will be recommended for disposal.

The Policy includes a robust process to ensure consistent decision making and diligent management of financial and legislative risks relating to the Council's facilities portfolio. The Policy also provides guidance for Council staff on providing accurate, timely information to enable good decision making.

Key terms are defined in Appendix 1.

1.2 Policy scope

The Policy applies to the acquisition, retention and maintenance, repurpose and upgrade, and disposal of facilities by Council. It applies to all Council employees, including any temporary staff, contracted staff, consultants, delegates and agents, if they are acting on behalf of the Council.

The Policy applies to all facilities owned and managed by Council in the District including those managed by RotoruaNZ. Examples of these include:

- Te Aka Mauri (Rotorua Library and Children's Health Hub)
- Rotorua Museum
- Sir Howard Morrison Centre
- Energy Events Centre
- Civic Centre
- Aquatic Centre
- Crematorium
- Community halls
- Dog pound
- i-sites
- Pensioner housing
- Recycling Centre
- Rotorua International Stadium
- Public toilets.

DRAFT

The facilities portfolio also includes freehold land, i.e. without encumbrances or designations, even if it does not have a building on it. Land that is excluded is land with designations such as recreation reserves, road, drainage reserve, water supply.

For clarity, this Policy does not extend to:

- Three waters service assets and infrastructure (including treatment plant, pump stations and repeater buildings).
- Land without building assets, with designations or encumbrances such as reserves.
- Rotorua Airport.
- Licenses, easements, or leases held by Council in agreement with landlords.
- Hireage of spaces and any other temporal use arrangements.
- Specialist equipment housed within buildings such as laboratory testing equipment and the cremator.
- Digital assets within the buildings.
- Removable furniture, equipment, and other items not fixed to an asset except where this has been expressly itemised as part of the facility and generally would be itemised in a Service Level Agreement (SLA).

The Policy does not apply to the development, construction, alteration, renewal, replacement or demolition of buildings, fixtures and fittings, or Council infrastructure and improvements on land. These issues are covered within the relevant Asset Management Plans (AMPs).

1.3 Facilities roles and responsibilities

Table 1 - Council facilities related roles and responsibilities

Role	Responsibility
Council elected members	Represent the interests of the community. Review, approve and/or adopt Annual Report, Annual Plan, Long-Term Plan (LTP), Infrastructure Strategy and AMPs. Provide strategic governance oversight of operational and capital expenditure. Approve the acquisition, repurpose, and disposal of Council owned buildings.
Executive Leadership Team	Agree RLC's Facilities Policy, Strategy, and tactical AMPs (ensuring alignment with LTP), and present them to Council for approval. Provide strategic oversight and monitor and review the operational performance against the Strategy and improvement plans. Implement the Policy and Strategy, within the financial resources. Ensure appropriate facilities management capability and capacity is developed to meet current and future needs. Maintain accountability mechanisms.

Role	Responsibility
Council's Activity Managers	Responsible for aspects of the facility that fall within the activity and delivery of the associated levels of service. This includes plant and equipment such as information technology, furniture and service technology like EFTPOS. Identifies any facility upgrades, works collaboratively with the Facilities Services Team to understand the current asset state for preparation of a business case to gain formal approval through the LTP planning process. Proactively monitor and report on facility utilisation, issues and opportunities for improvement. Work collaboratively with Council's Facilities Services Team so they understand users' requirements, specific for their activity. Provide prompt reporting of any facilities asset related issues through the online facilities maintenance portal (currently SeeStuff).
Council's Facilities Services Team	Responsible for the strategic management of the entire facilities lifecycle (acquisition, retention, repurpose, and disposal) to support core Council functions. Conduct regular evaluation and review of facilities portfolio and planning for acquisitions, maintenance, and disposal. Ensures the legal compliance of the facilities. Seeks to optimise benefit and financial efficiency of public assets. Support the Policy through the application of sound asset management practices including AM plans, data, systems and processes. Undertake timely and prudent maintenance and renewal planning tasks that are evidence-based. Provide facilities management of Council's buildings. Provides information on the current asset state to the activity managers to support any facility upgrades. Work collaboratively with Council's activity managers to ensure provision of an adequate and safe facility that supports services. Provide access for the activity managers to log and track faults in online facilities maintenance portal (SeeStuff).
Council's Finance team	Supports the facilities management process by providing prudent financial management, fund sourcing and management, and assessing cost-effectiveness, and financial risk. Integrates proposed facilities decisions into the LTP and Annual Plan. Provide due diligence support.
RotoruaNZ	Provides event and venue management of the Energy Events Centre, Sir Howard Morrison Centre and i-site centres for Rotorua Lakes Council. The service delivery arrangement is set out in a SLA.

1.4 Objectives

The outcomes Council are seeking include:

- Facility assets enable the effective delivery of Council's core services to the community.
- Facilities are held and managed with a strategic focus, supporting Council's long-term goals and priorities. The facilities portfolio is managed holistically, considering the collective value and role of all assets.
- Facilities-related decisions are made transparently, fostering trust and accountability.
- Clear roles and responsibilities underpin all facilities management activities, ensuring efficient and coordinated operations and understanding of the demarcation between facilities and activities.
- Facilities assets are managed and maintained in line with their designated categorisation, ensuring appropriate stewardship and investment.
- Facilities are repurposed and upgraded with a strategic, supporting, compelling case for change.
- Facilities are fit for purpose, with management practices adapting to the evolving needs of the users.
- The facilities portfolio is managed in a financially prudent and sustainable manner, optimised to deliver appropriate returns on investment and to minimise risks and costs associated with retaining underutilised or non-beneficial assets, or of sudden deterioration response costs.

1.5 Facilities' asset groups and land

Facilities have different decision drivers and public benefit/activity enabling outcomes. The following categories enable Council to group facilities together based on their status and function. The facilities within an asset group use the same process for management and Council is able to develop plans and procedures around the group as a whole.

Facilities are broadly divided into four asset groups as summarised below.

Table 2 - Council facilities asset groups

Asset group	Sub group	Description
Critical - Events		For the provision of event and venue management by RotoruaNZ.
Critical - Administration		Accommodates Council staff and provides for the democracy function.
Critical – Activity Enabling	Community	Where Council provides a service/experience to the community.
	Regulatory	Where Council meets a regulatory requirement.

Asset group	Sub group	Description
Non-Critical	Community value	Social/community benefit provided by the facility.
	Revenue generation	Strictly landlord/tenant relationship, managed as a commercial relationship.
	Other	No future requirement, review for disposal (alignment with LTP priorities are no longer there).

1.6 Guiding criteria

The portfolio was first split into critical and non-critical and each facility assigned to one of these categories:

- Facilities that are defined as 'critical' are those that are critical to Council undertaking or delivering a core service.
- Facilities that are defined as 'non-critical' are those facilities which are owned by RLC but are not used to deliver a core council service or activity.

The following criteria have been developed to best assess the critical and non-critical facilities and guide decision making for the facilities portfolio.

Table 3 - Guiding criteria by facilities asset activity groups

Facility type	No.	Criteria
Critical	1.1	Service enabling
	1.2	Cultural/heritage significance
	1.3	Strategic asset
	1.4	Funding
	1.5	Consolidation/transferability
	1.6	Utilisation
Non-Critical	2.1	Return on investment
	2.2	Social/community benefit
	2.3	Current optimisation
	2.4	Future optimisation

DRAFT

PART 2 Policy Statement

2.1 General provisions

Council recognises that the investment in facilities is a critical component in enabling the effective delivery of its activities to advance public benefit.

This Policy supports Council's commitment to prudent financial management and aligns facility categorisation decisions with long-term planning, asset management strategies, and projected community needs.

2.1.1 Principles

The following principles reflect the Council's approach to support strategic decision-making:

- Establish and maintain clear roles and responsibilities for all individuals and teams involved in facilities management and decision-making.
- Implement a standardised procedure for facilities' categorisation, incorporating periodic reviews of all Council-owned facilities, to ensure that the associated public benefits for each category are clearly defined and effectively communicated.
- Define and implement requirements for facilities necessary to support the effective delivery of Council activities and services.
- Develop, agree upon, and apply service levels and management strategies to guide planned interventions, maintenance, and investment decisions across the facilities' portfolio.
- Identify facilities that are suitable for consolidation, repurposing, or divestment, with the aim of optimising asset utilisation and supporting Council's strategic priorities.
- Describe and adhere to decision-making criteria and principles for the acquisition, repurposing, and disposal ensuring alignment with relevant policies and strategic objectives.
- Acquisition and disposal will be conducted transparently, while upholding reasonable commercial confidentiality requirements.
- Support and maintain robust asset management data that meets sector standards and informs ongoing maintenance, renewal, and replacement planning.
- Decisions regarding the acquisition or upgrade of facilities shall be made with the understanding that public funds are being invested to either meet current and changing service requirements or support future strategic objectives.
- Exercise financial responsibility to get the best value for public money and seek to maximise the value of its assets and minimise whole-of-life costs.
- Assess and understand the purpose and financial implications of maintaining, renewing and upgrading facilities assets, ensuring responsible stewardship and long-term sustainability.
- Identify heritage buildings within the portfolio and pursue appropriate uses that promote their preservation and ongoing value to the community.

DRAFT

- Ensure that all Council facilities management activities are compliant with applicable legislative requirements, statutes, sector standards, and Council resolutions.

2.1.2 Strategic priorities and long-term planning

All retained facilities and future acquisitions will be subject to a comprehensive regular strategic assessment. This will identify and evaluate future facilities' requirements in relation to service delivery and divestment and investment needs.

Planning of Council activities and community engagement will be undertaken through the preparation of the LTP and Annual Plans. Preparation of these planning documents will identify strategic facilities requirements to meet future needs.

Council will ensure that the timing of all acquisitions and disposals aligns with market conditions and organisational priorities, so that these processes are made efficiently, responsibly, and for the intended purpose.

How facilities are used for the public benefit are outlined in one of, or a combination of the following:

Table 4 - Council strategies, policies and plans affecting Council owned facilities

Document	Description
Vision	Our vision is to make Rotorua a better place for all.
Rotorua District Plan	The overall District Plan sets out policies and rules for how land is to be used and managed within the district, which indirectly guides the management of Council-owned facilities.
Long-Term Plan (LTP)	The LTP supports facilities decision making by providing a long-term strategic framework that aligns priorities, activities and performance with integrated decision making and community consultation.
Annual Plan	The annual work programme and budget, which includes variations (if any) to what was set out in the LTP. Council will make facilities decisions in the best outcome for the council and community in a financially prudent manner.
Infrastructure Strategy	As part of the LTP, councils must publish a financial and infrastructure strategy. This document details how the council will balance affordability with service levels and outlines how they intend to manage and fund their assets over the next 30 years. This can include community facilities.
Development Contributions Policy	As part of the LTP, the DC policy is a mechanism used by Council to ensure that a fair, equitable, and proportionate share of the cost of growth infrastructure is funded by development.
Future Development Strategy	Promotes long-term strategic planning by setting out the broad locations for residential and business growth to meet demand over the next 30 years, and the infrastructure to support it.

Document	Description
Asset Management Plans (AMPs)	AMPs align facilities decisions with council's vision and provide lifecycle management framework and identify critical assets. These include whole-of-life depreciation and maintenance schedules for council assets, including council's facilities.
Rotorua Sport and Recreation Strategy	Its purpose is to guide the future development of play, active recreation, and sport facilities within the District by focusing on informal and formal participation, equity of access, and creating active lifestyles for all communities. This strategy works in conjunction with the regional Bay of Plenty Spaces and Places Strategy.
Significant and Engagement Policy	Guides the council on the degree of significance of decisions and when communities can expect to be engaged with. The policy describes some facilities as strategic assets which means any transactions affecting these facilities will require public consultation.

Council facilities and activities are governed by the following legislation, which also outlines processes for acquisition, holding, and disposal:

- Affiliate Te Arawa Iwi and Hapu Claims Settlement Act 2008
- Building Act 2004
- Building (Earthquake-prone Building Deadlines and Other Matters) Amendment
- Health and Safety at Work Act 2015
- Health and Safety at Work (Asbestos) Regulations 2016
- Residential Tenancies (Healthy Homes Standards) Regulations 2019
- Land Act 1948
- Local Government Act 1974
- Local Government Act 2002
- Local Government (System Improvements) Amendment Bill
- Property Law Act 2007
- Reserves Act 1977
- Public Works Act 1981
- Resource Management Act 1991 replacement legislation
- Te Ture Whenua Māori Act 1993.

Further detail is provided in Appendix 2.

2.2 Decision making

The decision-making process will follow Council delegations, policies, and procedures. All decisions relating to the acquisition or investment in Council facilities are preferred to be made in accordance with the LTP or Annual Plan.

Resolutions of Council would generally not concern strategic acquisition, upgrade or disposal out of this planning cycle but may be required in urgent or ad hoc cases. All decision making will take a portfolio approach and consider both benefits, risks, and return on investment or divestment.

For the avoidance of doubt, at the time of this Policy, the escalations/decision making process is outlined in the table below.

Table 5 - Decision makers and authority

Decision maker	Authority
Chief Executive	The Chief Executive will, usually along with the Executive Leadership Team, check that any recommendation to acquire, upgrade, accept as a gift, or dispose of a facility made by any officer delegated to make such a recommendation is in accordance with all policies, procedures, and is aligned with the strategic objectives of Council as an organisation. The Chief Executive will ensure the relevant expertise has been engaged, and a holistic view of facilities has been taken in ad hoc decision making.
Committee of Council	A committee of Council has the authority to make a recommendation for full Council to acquire, upgrade, dispose, or accept a gift of a facility. The committees of Council have representations from Te Tatau o Te Arawa, Lakes Community Board, and the Rural Community Board. The committee makes a recommendation based on the information it is provided by officers of Council. Ad hoc recommendations should be endorsed by the Chief Financial Officer.
Full Council	Full Council has the ultimate and only authority to approve/make a resolution for the purchase of, investment in, acceptance of gifting of, or disposal of a facility. Council is required to make the final decision based on the information it has been provided by its officers. Full Council may also resolve to pass directions to the Chief Executive regarding the subject matter of any recommendation.

2.2.1 Delegations

In accordance with Schedule 7 of the Local Government Act 2002, Council shall retain full authority to make any final decision as to acquisition or disposal of a facility.

Delegation to make recommendations shall be provided by virtue of approval of this policy from full Council to the Chief Executive with the ability to sub-delegate as they see fit.

2.2.2 Decision making process

The facilities portfolio has been classified into four classifications for critical and non-critical facilities based on the guiding criteria in section 1.6. This will enable risk based and effective portfolio management. The facilities' classification and the management approach are summarised in the table below.

Table 6 – Facilities management approach by classification

Facility type	Facility classification	Management regime
Critical Facilities	High importance asset	A priority, high value / utilised facility is managed in a proactive manner and funded to meet higher level of service needs.
	Important asset	Maintain to assigned level of service.
	Low importance asset	Review assets and activities. Managed to keep safe and compliant. Need to consider long term viability.
	Unimportance asset	Low alignment to Council direction / strategy. Need to consider divestment of asset.
Non-Critical Facilities	High performing	A high performing facility that is managed in a proactive manner and funded to meet agreed level of service needs and / or agreement / leasing obligations.
	Marginally performing	Maintain to agreed level of service to meet agreement / leasing obligations.
	Low performing	Review assets and activities. Managed to keep safe and compliant. Need to consider long term viability.
	Under performing	Low alignment to Council direction / strategy. Need to consider divestment of asset. Align with agreement / leasing expiry dates.

2.2.3 Process

All facility decision making requesting significant investment requires a business case including, as a minimum, outline of the facilities' asset group, assessment against the guiding criteria and principles, an outline of the public benefits and Long-Term Plan priorities, consideration of any implications, and details of the acquisition process.

Facilities that meet the definition and the criteria for being a candidate for acquisition or disposal in accordance with this Policy are to be the subject of a report to Full Council to inform the decision as to whether to approve them.

Where an operational department believes a facility should be retained, a robust case is required to demonstrate an operational need for the specific facility within a five-year period.

Table 7 – Decision criteria and process to dispose or acquire

Facility type	Decision criteria guidelines	Process to acquire	Process to dispose
Critical - Administration	The facility is required to accommodate Council staff and /or democracy functions.	Compulsory acquisition (if applicable) Willing buyer/seller	Original owners Public auction, public tender, or private treaty
Critical – community	The facility is required to deliver levels of service to the community (excluding community facility). The project is signalled in the LTP or is required to meet an urgent and unforeseen need.	CFO – budgets Compulsory acquisition (if applicable) Willing buyer/seller	Original owners Public auction, public tender, or private treaty
Critical – regulatory	Signalled in the LTP or Infrastructure Strategy or is required to meet an urgent or unforeseen requirement. This includes the delivery of core services or operations. Where this is a project (i.e., a waste, or roading), business case meets cost/benefit criteria.	CFO – budgets Development Contributions Compulsory acquisition Willing buyer/seller	Original owners Public auction, public tender, or private treaty
Critical – events or community	There is an intended use for the facility identified in the LTP (either specifically or linked to a project). The facility represents a key strategic opportunity for Council. The opportunity cost of the acquisition to the Council has been considered and signed off by the Chief Financial Officer as prudent.	CFO – budgets Compulsory acquisition Willing buyer/seller Bequests	Original owners Public auction, public tender, or private treaty
Non-Critical - Commercial	The potential return on investment meets Council's expectations. The acquisition will add value to, or add financial leverage to, the overall commercial stock.	CFO – budgets Compulsory acquisition Willing buyer/seller	Original owners Public auction, public tender, or private treaty

2.2.4 Consultation

Council will apply its Significance and Engagement Policy when determining the appropriate level of engagement on decisions to acquire of facilities.

2.2.5 Transparency of decision making

Processes will be undertaken in an open and transparent manner to ensure Council is seen to be responsibly managing public facilities assets and funds.

However, the Local Government Official Information and Meetings Act 1987 requires Council to consider privacy and commercial interests (among others) when making information public.

Protecting facility owner rights with respect to land acquisition and categorisation when considering surplus facilities will often require that certain information be kept confidential. Negotiation may, in some cases, include commercially sensitive information relating to businesses, lessees, and other stakeholders.

In addition, Council will review, discuss, consider, and make decisions on commercial negotiations in a public excluded environment when there are sufficient and appropriate reasons.

2.2.6 Decision making risks

There can be significant reputational, health and safety, and financial risks to Council in facility dealings. Risk comes in many forms, whether it is financial, entering into partnerships, or in holding facilities that may be earthquake prone or subject to other hazards.

All facility decisions should be considered in conjunction with:

- Legislation and regulatory requirements.
- Guiding criteria and principles as set out in this Policy.

Facility decisions not aligned with this Policy may trigger risks to Council. This may also include fines by MBIE for not complying with the Building Act.

Responsibilities will be outlined in the relevant Service Level Agreements between the Facilities Services Team and the applicable activity group.

There are four facilities decision making activities covered in this Policy. These are:

a) Acquisition
b) Retention and management
c) Repurposing/upgrades
d) Divestment.

Facilities identified as being no longer fit for purpose or non-critical may be considered for divestment as surplus facilities.

2.3 Conflict of interest

Unless otherwise allowed by a statute, regulation or Order in Council, any officer or member of Council or any Council Controlled Organisation, including any immediate family of that officer or member ('conflicted person'), or any trustee of any trust, company, or incorporated society, controlled or owned by any conflicted person, who has an actual or apparent Conflict of Interest shall declare that conflict of interest prior to the purchase of any Council owned facility.

Except in the case that Council has resolved otherwise, the Chief Executive may choose at their sole discretion to exclude any conflicted person, trustee of any trust, company, or incorporated society, controlled or owned by any conflicted person (actual or apparent) from the purchase of any Council owned facility. For the avoidance of doubt, at the time of this policy the following officers or members of Council are considered to be conflicted by virtue of position.

a) Mayor
b) Deputy Mayor
c) Councillors
d) Community Board Members
e) Te Tatau o Te Arawa Board Members
f) Chief Executive
g) Executive Leadership Team
h) Any officer recommending/involved in the purchase or disposal of a facility.

2.4 Acquisition

Facility acquisition shall be in accordance with the facilities' lifecycle management procedure held by the Facilities Services Team.

2.4.1 Planned

It is Council's preference that acquisitions are identified, planned, and budgeted for in the Long-Term Plan or Annual Plan.

Planned acquisitions are:

- Provided for in the Long-Term Plan or Annual Plan, either as specifically identified facility/ies or in order to contribute to identified service requirements or associated with or required to enable projects contemplated by the Long-Term Plan or the Annual Plan.
- Funded from capital funding sources including, but not limited to, those identified in the Long-Term Plan, Annual Plan, and/or by development contributions or external funding (i.e. Government or private donation).
- Purchased within the financial year containing the allocated purchase budget or purchased with delegated financial authority.

2.4.2 Ad hoc

When a need to acquire facilities is identified, Council will also assess non-ownership alternatives and their consequences such as partnerships, joint ventures or leasing. A full report to the Council, applying this Policy, will be required for the consideration of the acquisition.

The process and guiding criteria will apply to any ad hoc opportunity presented to the Council to acquire a facility, through either purchase, gifting, bequest, or any other method.

2.4.3 Methods of acquisition

Council may use the following methods to acquire a facility:

Table 8 – Method of facility acquisition

Acquisition method	Description
Willing seller/willing buyer	Direct negotiation between the Council and the owner. The terms of the sale are determined by negotiation.
Compulsory acquisition	The Council can acquire buildings or land for public work through the Public Works Act 1981, with or without the agreement of the landowner, and must comply with its obligations under this legislation. This is for specific types of property for public work. The landowner is compensated in accordance with the Act.
Gifting and bequeathing	A property owner may approach the Council to gift or bequeath buildings. When deciding whether to accept a proposal to gift or bequeath, Council must decide the need for this possible new facility, how much it will cost to develop and the ongoing maintenance costs, ability to on sell if the facility becomes operationally redundant and any other obligations or conditions imposed by the owner.
Exchange	Opportunities can arise for the mutually beneficial exchange through boundary adjustments or outright 'swapping' of land, usually because of public works acquisitions. This may come with a building and obligations.
First right of purchase	The Council and the landowner enter into an agreement that the Council has the option to purchase the building prior to it being offered for sale on the open market. The agreement may be a simple exchange of letters, or it may be an encumbrance recorded on the title that sets out the terms and conditions under which the building will be offered to the Council to purchase.
Vesting	Land can be vested in the Council as a reserve because of a subdivision, usually as a recreation or esplanade reserve. This would not usually trigger a facility consideration.

2.4.4 Funding

Funding of acquisitions may be through the following sources:

a) General rates and revenue
b) Borrowings
c) Facilities' reserves including proceeds from disposal

It has been assumed that external funding is not typically available for facility acquisition.

2.5 Retention and maintenance or management

Decisions regarding the retention and maintenance of facility assets shall be based on the extent to which such assets are activity enabling or fulfils other strategic need.

The Facilities Services Team will proactively manage the portfolio in a holistic manner. It will provide an annual report to Council detailing the number of facilities held under each category, specifying the activity or purpose for which each facility is retained. Particular attention shall be given to facilities identified as having no current operational purpose.

Each facility designated for activity purposes must have an asset maintenance schedule formally approved as part of the AMP. All Council-held facility assets must be supported by a maintenance programme, which shall be incorporated into the Council's Asset Maintenance Schedule and included in the AMP, with associated funding provisions made within the LTP.

Through this process a budget is established, and transparency is provided to the elected members and the community about the standard that public facility is maintained to, what they can expect when they use it, and the associated cost.

The standard of maintenance applied to each facility shall be determined by its categorisation and intended use. Maintenance requirements may vary depending on the facilities' category, geographic location, functional use, and lifecycle stage.

As the asset owner, Council is responsible for the effective management of facilities to safeguard asset value and optimise asset lifespan.

The general maintenance standards for the four facilities classifications are defined in section 2.2.2.

Council will comply with all relevant legislative requirements, ensuring that buildings and structures meet health and safety standards, and are fully compliant with the Building Code. To support these obligations, Council shall maintain comprehensive and accurate records, enabling timely assessment of each building's compliance and operational status.

Council recognises the critical importance of robust data capture and management in enabling the ongoing assessment and effective oversight of its facilities' portfolio. This will provide quality assurance that Council is meeting its legislative obligations. Council shall:

- Implement and maintain an approved data management system for the creation, administration, and review of all leases, land holdings, and buildings.
- Use the system as authoritative evidence to inform and support Council's decision-making processes regarding facilities assets.
- Establish and maintain appropriate delegations to ensure the efficient and effective management of the portfolio in accordance with approved policies and statutory requirements.

2.6 Repurpose and upgrades

Facility repurposing or upgrades shall be in accordance with the facilities' lifecycle management procedure held by the Facilities Services Team and the Facilities AMP.

In some circumstances, as needs and demands change, Council may consider upgrading an existing facility when, for example:

- Demand or pressure on the facility use cannot be met (based on usage data).
- Demand or pressure for facilities to meet different or greater levels of needs than are currently addressed (needs assessment, demographic trends, asset performance issues).

DRAFT

- There is no viable partnership to meet different or increased needs.
- There are operational issues impacting the viability of the operations (such as where there is conflict between commercial and community use).
- The building has historical value that Council is in a position to invest in.

In some circumstances, a facility may be better suited for another Council use necessitating a change of categorisation. This could be where:

- The physical design of the space or size is unsuitable for the preferred use.
- The condition of the building is good and warrants development to meet changing needs and demand.
- There is a relatively high customer satisfaction with this current facility.

In the circumstances noted above:

- A formal report must be submitted to the appropriate decision-making body for consideration of a change in facility use or categorisation.
- This should include the investment requirements to upgrade the facility to be fit for purpose and appropriately managed (separated from any upgrades required that is being housed in the facility).

If it is found that there is no identifiable benefit in transferring the facility to another category or use then Council will move to Disposal consideration.

2.7 Disposal

In order for Council to determine that a facility under its ownership is surplus to requirements, an assessment against the guiding criteria outlined in section 1.6 should be performed satisfying on balance the following:

- The facility is no longer required for its original intended purpose.
- On the balance of probabilities, there is no current or foreseeable future public benefit to be derived from retaining the facility.
- The costs associated with retaining the facility significantly outweigh any potential or realised benefits.

Like acquisition, the preference is for disposal to be identified, planned and processed in sequence with the LTP or Annual Plan. Where this is not possible, or commercially beneficial, a full report to the Council, applying this Policy, will be required for the consideration of disposal.

Disposal shall be in accordance with the facilities' lifecycle management procedure held by the Facilities Services Team.

A comprehensive due diligence process shall be undertaken to identify any potential claims on the facility/building and to determine all obligations owed to relevant parties based usually on the original method of acquisition. This process shall also include a thorough review of any contractual obligations associated with the asset, as well as an assessment of the commercial viability of disposing of the asset by sale versus leasing. The outcomes of this investigation are essential to ensure that all legal obligations are appropriately discharged prior to disposal.

2.7.1 Method of disposal

Unless otherwise resolved by full Council, or provided for by any statute, regulation, or Order in Council, any facility shall be disposed of by either public auction, public tender, or private treaty.

A market valuation should be obtained at least two months prior to the sale date. The market valuation should be used as a guideline for the reserve or sale price. In any case, any officer tasked with the disposal of facility shall dispose of that facility on a "highest value and best use" basis.

Unless otherwise resolved by full Council, or provided for by any statute, regulation, or Order in Council, any officer tasked with disposal of facility shall determine in conjunction with their Group Manager:

a) The method/duration of advertising
b) Whether a real estate agent is to be used
c) Which real estate agent is to be used
d) Whether the facility is to be publicly auctioned or tendered
e) The reserve/sale price
f) The particulars of any marketing campaign (including viewings).

If a real estate agent is to be used, then that real estate agent shall not be a member of the immediate family of any conflicted person outlined in section 2.3 of this Policy. The real estate agent and their immediate family shall also be considered to be conflicted persons.

DRAFT

PART 3 Policy Review

3.1 Alignment with other policies

In addition to those noted.

Table 9 – Council policies for alignment with this Policy

Policy	Description
Asset Management Policy	Defines the principles and responsibilities that RLC applies when managing our core infrastructure assets. Policy provides the overarching framework for our 30-year Infrastructure Strategy and our infrastructure AMPs. It sets the strategic objectives for the management of our core assets and outlines the Council's commitment to continually improve the way we manage our infrastructure.
Enterprise Risk Management Policy	Council wide framework for enterprise risk management within Council, including roles and responsibilities, processes, systems, and reporting requirements.
Public Toilet Policy	Policy addresses the maintenance of public toilets located in the District including those located at cemeteries, parks, sports facilities, and commercial centres.
Significance and Engagement Policy	The purpose of a significance and engagement policy is to create a framework for local authorities to determine how significant a proposal, decision, or asset is and, therefore, what level of community engagement is required. This policy provides transparency by informing the community when and how they can expect to be involved in decision-making processes, ensuring decisions reflect community views and preferences.

Appendix 1: Definitions

Item	Definition
Acquisition	To obtain or receive a building or facility including but not limited to, purchase, compulsory acquisition, bequest, gift or other means.
Asset	In the context of local government refers to a physical component of a facility, or a collective or network of physical assets enabling services to be provided with economic life of greater than 12 months.
Asset Management Plan (AMP)	A structured document that outlines how assets will be managed throughout their lifecycle to deliver agreed levels of service in the most cost-effective manner. It details strategies, processes, and resources required for the acquisition, operation, maintenance, renewal, and disposal of physical assets owned or controlled by the Council. The plan is designed to ensure that assets support the delivery of core services and objectives, while complying with relevant statutes, resolutions, and policies. It is a supporting document for the LTP.
Core service	In performing its role, a local authority must have regard for the contribution that the following core services offer to its communities: (a) Network infrastructure (b) Public transport services (c) Waste management and minimisation (d) Civil defence emergency management (e) Libraries, museums, reserves*, and other community and recreational facilities.
Council	Rotorua Lakes Council
Council facilities	For this policy means land with building assets on it owned and controlled by Council and any freehold land without encumbrances or designations. This facility is contained in the facility asset management system.
Delegation	Delegations are set out in the Rotorua Lakes District Council Delegations Register.
Facilities asset groups	Means the asset groups defined in section 1.5 of this Policy.
Facilities asset management system	The facilities asset management system logs faults, stores building asset information, location, types, quantity, and condition, and provides lifecycle analysis function.
Levels of service	The defined service quality for a particular activity (e.g. parks and reserves) or service area (e.g. playgrounds) against which service performance may be measured. Levels of service usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.
Maintenance Schedule	A detailed timetable that specifies the timing and sequence of asset management activities, such as inspections and planned preventative maintenance. It serves as an operational tool to ensure that all tasks outlined in the AMP are carried out efficiently and within set timeframes, supporting the ongoing delivery of agreed levels of service and the long-term sustainability of Council assets.

Item	Definition
Public benefit	The utility that residents and ratepayers, and visitors receive from public property.
Repurpose	Process by which a facility designed for one purpose is redeployed for an alternative use.
Service Level Agreement (SLA)	The Service Level Agreement sets out the roles, responsibilities, and mutual expectations between Council's activity managers and the Facilities Services Team for the sound management and effective operation of the facilities.
Strategic asset	Has the same meaning as section 5 of the Local Government Act: *an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community; and includes—* This may include social housing.
Strategic purchase	Means an acquisition planned and budgeted for the Long-Term Plan or Annual Plan.
Surplus facility	Where a facility that has been reviewed from a whole-of-organisation perspective and is assessed as no longer required for operational, strategic or investment purposes and is recommended for the disposal decision process.
Upgrades	Facility upgrades are considered when current usage cannot meet demand, when there is a need to address different or greater requirements/standards or increased service levels, no viable partnerships exist to address new needs, operational issues affect viability, or when a building's historical value justifies investment. These upgrades aim to ensure facilities remain fit for purpose and responsive to changing community needs.
Public Works Act	Public Works Act 1981 (and any amendments) which gives the Crown and Local Authorities power to acquire land from private landowners for public works. Public works may include work such as roads, schools, police stations and railways. The Act sets out a process that must be followed to make sure the rights of private landowners are protected, and the Council can ensure public works go ahead.

Appendix 2: Legislation relevant to Council facilities

Act Name	Description
Affiliate Te Arawa Iwi and Hapu Claims Settlement Act 2008	The Act, in conjunction with other Te Arawa settlements, forms the basis for the Te Arawa Partnership model within the Council, ensuring ongoing iwi involvement in council decision-making.
Building Act 2004	The Building Act governs the construction of buildings. There are several provisions in this Act that need to be considered in the disposal of facilities to ensure the council complies with the vendor's warrantees required as a part of any sale agreement. The Building Act sets minimum standards for buildings and facilities. A Building Warrant of Fitness is a statement supplied by a building owner, confirming that the systems specified in the compliance schedule for their building have been maintained and checked in accordance with the compliance schedule for the previous 12 months, and that they will continue to perform as required.
Building (Earthquake-prone Building Deadlines and Other Matters) Amendment	The Building (Earthquake-prone Building Deadlines and Other Matters) Amendment Act came into effect in November 2024. It provides a four-year extension to remediation deadlines for most earthquake-prone buildings in New Zealand. This extension, which is retroactive to April 2, 2024, gives owners more time to complete seismic work while the government reviews its broader earthquake-prone building system.
Health and Safety at Work Act 2015	The Health and Safety at Work Act 2015 (HSWA) is New Zealand's workplace health and safety law. The Act sets out the principles, duties and rights in relation to workplace health and safety. Under HSWA, a person conducting a business or undertaking (PCBU) must look after the health and safety of its workers and any other workers it influences or directs. The business or undertaking is also responsible for the health and safety of other people at risk from its work including customers, visitors, or the public. This is called the 'primary duty of care'.
Health and Safety at Work (Asbestos) Regulations 2016	The Health and Safety at Work (Asbestos) Regulations 2016 set requirements regarding asbestos contamination and managing the risk. Under the regulations the PCBU must identify the presence of asbestos if they know there is a risk of exposure.
Residential Tenancies (Healthy Homes Standards) Regulations 2019	The healthy homes standards introduce specific and minimum standards for heating, insulation, ventilation, moisture ingress and drainage, and draught stopping in rental properties.
Land Act 1948	Although largely applicable to Crown owned land, some provisions of the Land Act apply to Council owned land. Of particular note, is land that Council administers on behalf of Crown (i.e. some Reserves/Roads). In most cases reference will be made to the applicable provision of the Land Act on the property's title.

Act Name	Description
Land Transfer Act 2017	The Land Transfer Act determines the manner, procedure, and rules of the transfer of any land in New Zealand. The officer disposing of any land should take into account the relevant provisions of this Act. This may apply to the land under buildings.
Local Government Act 1974	Although largely repealed, some provisions of the Local Government Act 1974 still apply. These relate to the disposal of roads. There are several provisions regarding the stopping and disposal of different classifications of roads and the appropriate consultation and notification processes that must be followed.
Local Government Act 2002	Section 12 of the Local Government Act provides the council with the power to acquire and dispose of land for the benefit of the district and there are provisions within the Act on how consultation should be carried out. Section 189 provides the council with the power to acquire land in accordance with the Public Works Act 1981. The Local Government (Systems Improvements) Amendment Bill aims to refocus councils on "core services" to reduce ratepayer burden. The Bill significantly impacts council property portfolios by directing focus away from non-core, commercial, or social activities toward essential infrastructure, likely prompting asset reviews and potential divestment of non-essential land and buildings.
Property Law Act 2007	The Property Law Act governs the law of property within New Zealand. It is important that any officer disposing of land considers the provisions of the Act and the implications of those provisions on disposal.
Public Works Act 1981	Property acquired for public work and no longer required for that, or any other, public work must, in most cases, be offered back to the previous owner if they are still alive or to the person entitled under the will or intestacy of the previous owner. This is a requirement of section 40 of the Public Works Act 1981. This section is complex and there is considerable scope for litigation, so great care must be taken to follow the correct process for the disposal of any property acquired under the Public Works Act.
Reserves Act 1977	The Reserves Act governs the process which is required to be followed when considering/undertaking the disposal of any reserve land. The process for disposal depends on the classification of a reserve (Recreation, Local Purpose, Scenic, Scientific, etc). The Act follows the rationale that there is a higher community consultation threshold required to dispose of a reserve, as it has generally been provided to/vested in/created by Council or the Crown for a community purpose. There are some special consultative provisions provided for in this Act which the officer recommending disposal should be familiar with.
Resource Management Act 1991 replacement legislation	Proposed new legislation to replace the Resource Management Act (the Natural Built Environment Bill and the Planning Bill) will cause prioritisation of land and surplus buildings to focus on growth and aligns with focus on core property for service delivery. Councils will also need to work at the regional level strategically to integrate property assets.

Act Name	Description
Te Ture Whenua Māori Act 1993	The provisions of the Te Ture Whenua Māori Act (in conjunction with any other applicable statute/decision) may in some cases apply when undertaking consultation with tangata whenua.

DRAFT


ROTORUA LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua
Facilities Strategy 2026

Project Management	
Name	Designation

Plan Prepared / Reviewed / Updated by: Facilities Services Team		
Date	Name	Designation

Council Consideration / Adoption		
Date	Minute No.	Reason / Decision

Contents

PART 1: Our present | Where we are at 3

1.1 Strategic context 4
1.1.1 Key legislation 5
1.1.2 Strategic linkages 7
1.2 Current facilities portfolio 8
1.2.1 Facilities categories 8
1.2.2 Current asset state 8

PART 2: Challenges we are facing 10

2.1 Strategic challenges 10
2.2 Facilities roles and responsibilities 11

PART 3: Our direction – Our strategy for the next 30 years 14

3.1 Overarching goal – financial sustainability 14
3.2 Portfolio optimisation to meet current and future needs 14
3.2.1 Introduction 14
3.2.2 Where we are now 14
3.2.3 Where we want to be 15
3.2.4 What we need to do 16
3.3 Transparent decision making 16
3.3.1 Introduction 16
3.3.2 Where we are now 16
3.3.3 Where we want to be 16
3.3.4 What we need to do 17
3.4 Sound asset management practices 18
3.4.1 Introduction 18
3.4.2 Where we are now 18
3.4.3 Where we want to be 19
3.4.4 What we need to do 20
3.5 Long term financial sustainability 20
3.5.1 Introduction 20
3.5.2 Where we are now 20
3.5.3 Where we want to be 20
3.5.4 What we need to do 21

PART 4: Implementing our strategy 22

4.1 Strategic actions and responses to challenges 22
4.2 Monitoring and review 24

PART 5: Appendix A – Current asset state 25

PART 6: Appendix B – Financial Sustainability Summary 29

PART 1: Our present | Where we are at

This document outlines the Rotorua Lakes Council's strategy for managing facilities. Facilities refers to the District's Council-owned portfolio of buildings, structures, and land (that is without encumbrances or designations) that relate to community leadership, destination development, community experience, RotoruaNZ, and waste services.

Our facilities include:

• Te Aka Mauri (Library and Children's Health Hub)	• Rotorua International Stadium
• Rotorua Museum	• Public toilets
• Sir Howard Morrison Centre	• Civic Centre
• Energy Events Centre	• Aquatic Centre
• Crematorium	• Community halls
• Dog pound	• i-sites
• Pensioner housing	• Recycling centre

This Strategy does not apply to facilities owned by Rotorua Airport, support water services, or leased premises.

Effective management is necessary to support services and ensure a financially sustainable portfolio that aligns with the Council's long term objectives. Transparent and sustainable investment and asset planning should be strengthened by setting clear long term objectives for the facility portfolio, enabling proactive investment and resource allocation aligned with community priorities.

This Strategy describes:

- The legal and strategic context informing facilities management.
- Council's current challenges and roles and responsibilities.
- Council's facilities management direction for the next 30 years.

The strategic themes which form the overall Facilities Strategy are:

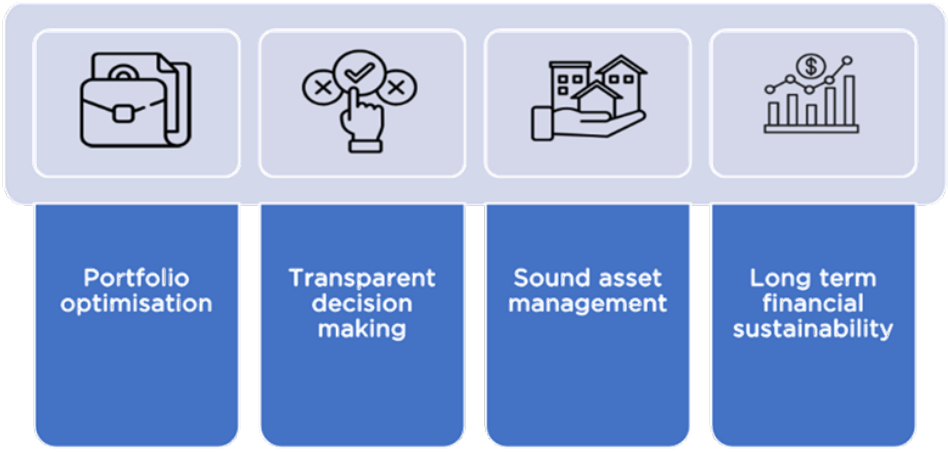


Figure 1 Facilities Strategy - strategic themes

The Facilities Strategy lays out a 30-year roadmap for our district, ensuring we not only meet all legislative obligations for Council-owned facilities but also continue to provide spaces that support service delivery, community activities, deliver essential administration functions, and enable successful event management. This long term approach will help us deliver facilities that serve our people and keep pace with the evolving needs of our community, now and into the future.

Many of our facilities play a vital role in delivering essential services required by law, such as the dog pound and the Rotorua Environmental Laboratory. At the same time, we proudly provide spaces that are highly valued and championed by our community, including Te Aka Mauri (Rotorua Library and Children's Health Hub) and the Aquatic Centre. These facilities reflect Council's commitment to both regulatory responsibilities and supporting localism and interests of our residents.

1.1 Strategic context

This Strategy has been developed alongside the Facilities Policy 2026 (Policy) and Facilities Asset Management Plan 2027 (AMP) to ensure a consistent approach to the management of Council owned facilities and to provide a framework for decision-making. This Strategy, in combination with the Policy and AMP, will lift the current facilities management practices to support evidence-based decision-making and ensure the facilities portfolio is financially sustainable.

Of the facilities which are owned, managed, and maintained by Council, some do not meet current user requirements while others require substantial investment. This necessitates Council to hold and manage facilities with a strategic focus – to support Council's long term goals and priorities.

Due to evolving service needs and other contributing factors, a number of Council-owned facilities now and in the future will not meet user requirements. This is where the assets are not effectively supporting service delivery, Council's administrative functions, facilitating community or regulatory services, or do not present significant strategic or commercial opportunities for Council at the time.

Council will therefore embed a regulatory process to optimise its facilities portfolio to better inform its role of facilities' ownership.

1.1.1 Key legislation

There are a number of laws and regulations that guide how we manage our facilities portfolio. The most relevant legislation for each of our four strategic themes is outlined in the following table. While we recognise that certain building and service delivery laws are currently being updated, these changes do not significantly affect the overall direction and goals of our strategy.

Table 1 Key legislation for strategic themes – facilities

Legislation	Portfolio optimisation	Transparent decision making	Sound asset management	Long term financial sustainability
Affiliate Te Arawa Iwi and Hapu Claims Settlement Act 2008				
Building Act 2004				
Building (Earthquake-prone Building ** Deadlines and Other Matters) Amendment				
Health and Safety at Work Act 2015				
Residential Tenancies (Healthy Homes Standards) Regulations 2019				
Land Act 1948				
Land Transfer Act 2017				
Local Government Act 1974				
Local Government Act 2002 **				
Property Law Act 2007				
Public Works Act 1981				
Reserves Act 1977				
Resource Management Act 1991**				
Te Ture Whenua Māori Act 1993				

Key:	Undergoing change **	Minimal (if any) impact	Direct impact	Partial impact

1.1.2 Strategic linkages

The relationship between Council's vision, our community outcomes, strategies, and how they guide Council's policies and plans, and the delivery of activities is shown in the framework diagram below.

This illustrates how Council's vision connects with our community outcomes and strategies, shaping the policies, plans, and activities we deliver. This clear relationship will ensure that everything we do is aligned with what matters most to our community, helping us work together towards strengthened facilities management.

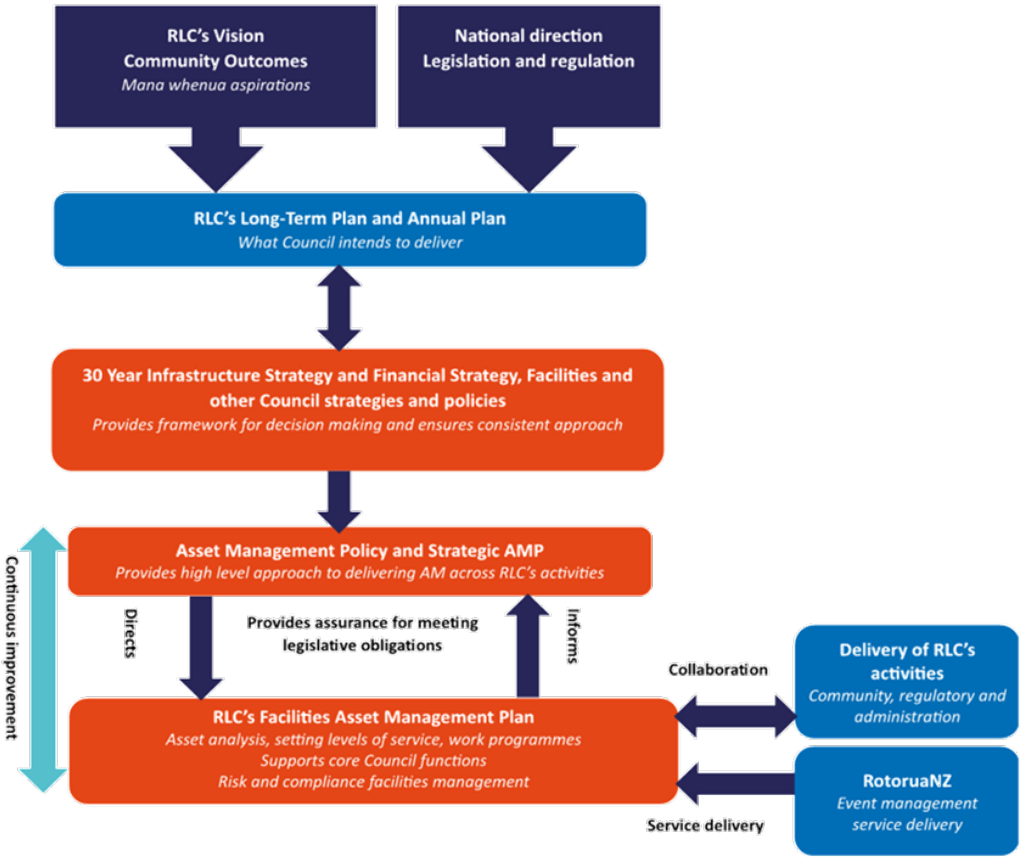


Figure 2 Strategic linkages diagram for facilities portfolio

1.2 Current facilities portfolio

1.2.1 Facilities categories

Our facilities play a vital role in supporting a range of community needs and activities, with each facility shaped by unique decision drivers and public benefit outcomes. To help us manage these effectively, we have grouped facilities into categories based on their status and function based on standard local government practices. By organising our facilities in this way, we can ensure that similar assets are managed using consistent processes, allowing us to develop targeted plans and procedures that address the needs of each group as a whole. This approach not only streamlines our management efforts but also helps us deliver better outcomes for our community.

The four broad asset groups are summarised in the following table.

Table 2 Facilities asset groups

Asset group	Sub-group	Description
Critical - Events		For the provision of event and venue management by RotoruaNZ
Critical - Administration		Accommodates Council staff and provides for the democracy function
Critical – Activity Enabling	Community	Where Council provides a service/experience to the community
	Regulatory	Where Council meets a regulatory requirement
Non-Critical	Community value	Social/community benefit provided by the facility
	Revenue generation	Strictly landlord/tenant relationship, managed as a commercial relationship
	Other	No future requirement, review for disposal (alignment with LTP priorities are no longer there)

1.2.2 Current asset state

The current state of Council facilities is outlined in Part 5, which provides an overview of age, condition, and performance based on available data. For comprehensive technical details and asset management approaches, refer to the Facilities AMP. Key findings indicate that:

- Most buildings are over halfway through their lives although many have been redeveloped.
- Most buildings are in reasonable condition (where assessed) with very poor and poor ratings less than 20%, except for community halls and Youth Centre.

- Facilities' compliance with legislative requirements is assessed through annual BWOF and specific surveys such as asbestos and meeting Healthy Homes Standards.
- There is mixed asset performance across the portfolio unless the building has recently been redeveloped.

These findings inform future planning and investment priorities to ensure Council facilities continue to meet community needs and regulatory obligations efficiently and sustainably.

PART 2: Challenges we are facing

2.1 Strategic challenges



Figure 3 Word cloud of key issues

The facilities portfolio faces a series of strategic challenges, as identified through comprehensive internal stakeholder engagement. Nine key issues have emerged, each representing a critical area requiring attention to ensure the effective management and future sustainability of Council assets. These challenges are visually depicted in the above image and detailed in the subsequent summary table, providing a clear overview to inform ongoing strategic planning and operational decision-making.

Table 3 Summary of key issues

Key issue	Description
Roles and responsibilities	A lack of clarity and consistency about which parts of the business are responsible for facilities as opposed to activities.
Reactive	Council's general response to property asset management is in the reactive rather than the planned/proactive space.
Utilisation	Some of the properties/facilities have relatively low utilisation rates which makes it difficult to justify large investment decisions.
Maintenance and renewals planning	There was a general perception that priorities for planned maintenance and renewal across the facility portfolio were not clearly defined and understood.
Systems and processes	The process of logging building related faults or maintenance requests for work does not seem to be very functional.
Geothermal environment	Rotorua's unique environment from its geothermal activity has a corrosive effect on building materials and electronic components. This impacts on the performance of these asset components.

Key issue	Description
Asset condition	A number of facility users had issues with the general understanding of asset condition or the management of asset components in poor condition.
Strategic Investment	There was the need for clarity for the long term/future direction Council wants to take with facilities within its portfolio.
Financial Sustainability	An overarching theme that is brought about by asset condition, strategy, renewal planning, systems, and processes is that it is largely unclear for most facilities what financial investment is needed and when.

2.2 Facilities roles and responsibilities

The roles and responsibilities for managing the facilities portfolio are outlined in the table below, including RotoruaNZ's contribution as a service provider for event management. Within Council, there is a clear and practical division: activity managers are responsible for delivering services to the community or fulfilling regulatory duties in their capacity as tenants, while the Facilities Services Team takes on the role of landlord, overseeing the asset's upkeep and condition. This structure helps ensure everyone understands their part in maintaining and improving our facilities for the benefit of all users.

Table 4 Council facilities related roles and responsibilities

Council team	Facilities role	Responsibilities
Council elected members	Governance decision making	Represent the interests of the community. Adopt Facilities Policy and Facilities Strategy. Review, approve and/or adopt Annual Report, Annual Plan, Long-Term Plan (LTP), Infrastructure Strategy. Provide strategic governance oversight of operational and capital expenditure. Approve the acquisition, repurpose, and disposal of Council owned buildings.
Executive Leadership Team	Strategic decision making	Agree RLC's Facilities Policy and Strategy (ensuring alignment with LTP), and present them to Council for approval. Agree RLC's AMPs. Provide strategic oversight, monitor and review the operational performance against the Strategy and improvement plans. Implement the Policy and Strategy, within the financial resources. Ensure appropriate facilities management capability and capacity is developed to meet current and future needs. Maintain accountability mechanisms.

Council team	Facilities role	Responsibilities
Council's Activity Managers	Tenant or client user	Responsible for aspects of the facility that fall within the activity and delivery of the associated levels of service. This includes plant and equipment such as information technology, furniture and service technology like EFTPOS. Proactively monitor and report on the utilisation of the facility. Identifies any facility upgrades, works collaboratively with the Facilities Services Team to understand the current asset state for preparation of a business case to gain formal approval through the LTP planning process. Work collaboratively with Council's Facilities Services Team so they understand users' requirements, specific for their activity. Provide prompt reporting of any facilities asset related issues through the online facilities maintenance portal (currently SeeStuff).
Council's Facilities Services Team	Landlord or asset owner	Responsible for the strategic management of the entire facility's lifecycle (acquisition, retention, repurpose, and disposal) to support core Council functions. Conduct regular evaluation and review of facilities portfolio. Planning for acquisitions, maintenance, and disposal. Ensures the legal compliance of the facilities. Seeks to optimise benefit and financial efficiency on public assets. Support the Policy through the application of sound asset management practices including AM plans, data, systems and processes. Undertake timely and prudent maintenance and renewal planning tasks that are evidence based. Provide facilities management of Council's buildings. Provides information on the current asset state to the activity managers to support any facility upgrades. Work collaboratively with Council's activity managers to ensure provision of an adequate and safe facility that supports services. Provide access for the activity managers to log and track faults in online facilities maintenance portal (SeeStuff).
Council's Finance team	Financial management oversight and approval	Supports the facilities management process by providing prudent financial management, fund sourcing and management, and assessing cost-effectiveness and financial risk. Integrates proposed facilities decisions into the LTP and Annual Plan. Provide due diligence support.

Council team	Facilities role	Responsibilities
RotoruaNZ	Service provider or asset custodian	Provides event and venue management of the Energy Events Centre, Sir Howard Morrison Centre, and i-site centres for Rotorua Lakes Council. The service delivery arrangement is set out in a Service Level Agreement.

While the new management structure outlines broad roles and responsibilities, there remains some uncertainty and inconsistency regarding which teams within Council are accountable for different aspects of our facilities. Refining clarity on roles and responsibilities is part of the asset management improvement programme.

PART 3: Our direction – Our strategy for the next 30 years

3.1 Overarching goal – financial sustainability

Ensuring the long term financial sustainability of our facilities is at the heart of our Facilities Strategy. The strategic themes portfolio optimisation, transparent decision making, and sound asset management practices are designed to build upon one another; each step supporting the next as we work together towards achieving the important goal of financial sustainability for our community.

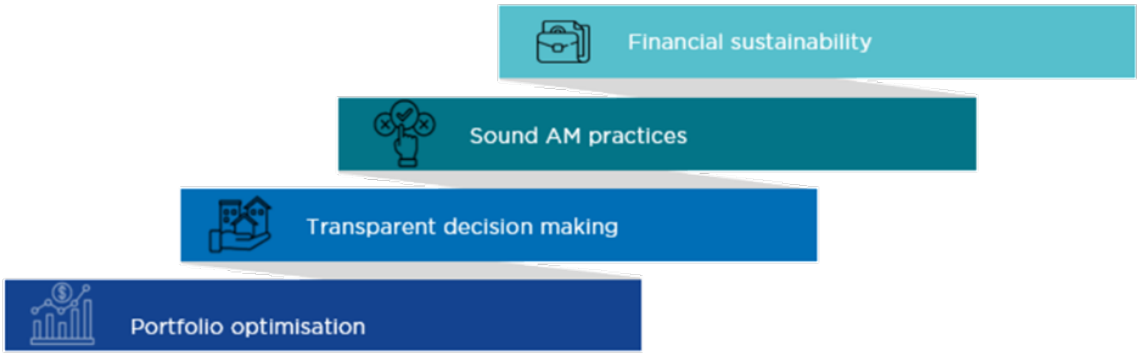


Figure 4 Strategic theme hierarchy

3.2 Portfolio optimisation to meet current and future needs

3.2.1 Introduction

By optimising our facilities portfolio, we will make sure that our existing facilities are well looked after and continue to support the core needs of Council. At the same time, we will be able to identify any facilities that are not essential, or those that are not quite meeting the levels of service our community expects. This approach helps us focus our resources where they matter most, ensuring our facilities remain fit for purpose both now and into the future.

3.2.2 Where we are now

In the past, we have tended to hold onto facilities that may not always serve Council's core functions or match our community's current and future needs. Right now, we do not have a complete, big-picture overview of our facilities portfolio, which makes it challenging to make well-informed decisions. This has meant that, from time to time, decisions have been made reactively and, on a case-by-case basis, often in response to individual business cases that aim to address long-standing issues.

We have made some important progress recently as we work towards optimising our facilities portfolio.

First, we carried out an extensive engagement process with our internal stakeholders, which helped us to identify nine key issues that are shaping our approach (find more details in Section 2.1).

To support these efforts, we have also developed a robust prioritisation framework. This allows us to rationalise and optimise our existing facilities portfolio by applying a clear set

of guiding criteria. Our goal is to ensure each facility is assessed fairly and transparently, so we can make decisions that best serve our community both now and in the future.

3.2.3 Where we want to be

We want to make sure that we are making the best use of Council's resources by managing our facilities in a thoughtful and consistent way. To help with this, we have classified the facilities portfolio into four classifications for critical and non-critical based on guiding criteria.

We have used a clear and repeatable process based on prioritisation scores. This approach will guide how we look after each facility and ensure we are putting our efforts where they are needed most.

Table 5 Facility classifications

Facility Score	1.0 to 1.99	2.0 to 2.99	3.0 to 3.99	4 to 5
Critical Classification	Unimportant asset	Low importance asset	Important asset	High importance asset
Non-Critical Classification	Under performing	Low performing	Marginally performing	High performing

The management regimes can then be set based on the four classifications so Council resources can be used wisely:

Table 6 Facilities management approach by classification

Facility type	Facility classification	Management regime
Critical	High importance asset	A priority, high value/utilised facility is managed in a proactive manner and funded to meet higher level of service needs.
	Important asset	Maintain to assigned level of service.
	Low importance asset	Review asset and activities. Managed to keep safe and compliant. Need to consider long term viability.
	Unimportant asset	Low alignment to Council direction/strategy. Need to consider divestment of asset.
Non-critical	High performing	A high performing facility that is managed in a proactive manner and funded to meet agreed level of service needs and/or agreement/leasing obligations.
	Marginally performing	Maintain to agreed level of service to meet agreement/leasing obligations.
	Low performing	Review asset and activities. Managed to keep safe and compliant. Need to consider long term viability.
	Under performing	Low alignment to Council direction/strategy. Need to consider divestment of asset. Align with agreement/leasing expiry dates.

3.2.4 What we need to do

We need to take the following steps to optimise the facilities portfolio:

- Develop a clear long term path for each of our facilities. This will help us manage and invest wisely, so we can address risks and make sure each facility is fit for purpose.
- Show how each facility fits within the Council's Facilities Strategy and Policy. This way, everyone can see the role each facility plays and how it supports our overall goals.
- Prioritise all Council facilities, helping us decide where investment is needed now and in the future. This ensures we put our resources where they will have the greatest impact.
- Ensure investment is in line with Council's strategic direction and focuses on our highest priority facilities.
- Keep working on our RLC Facilities Strategy and Policy, setting out a clear, long term plan for each of our facilities.

3.3 Transparent decision making

3.3.1 Introduction

Transparent decisions rely on openness, clarity, and accountability. For Council, being open about how and why decisions are made is crucial. This openness helps prevent misunderstandings or disagreements, and it builds trust by making sure we are answerable to the community. By planning and managing our facilities in an open, fair, and responsible way, we can ensure that our approach reflects community needs, is sustainable for the future, and aligns with our shared values.

3.3.2 Where we are now

We have developed a Facilities Policy which will be supported by robust internal procedures to guide decision making and ensuring our facilities are managed in line with our service's needs. This approach will help us make well-informed choices that best support our communities and operational goals.

Our decisions will be grounded in a clear understanding of the costs, risks, and investment priorities associated with each facility. We aim to avoid decisions driven primarily by personal connections or community sentiment towards particular buildings, especially those located on reserves. Instead, we will focus on what delivers the greatest value for the wider community.

We are committed to taking a proactive and planned approach to facilities management, reducing the need for reactive solutions and ensuring our actions are both thoughtful and strategically aligned.

3.3.3 Where we want to be

We are committed to building trust and confidence in Council by making responsible decisions about our public facility assets and the funds we manage. Our aim is to:

- Make decisions about our facilities in an open and transparent way, except where privacy or commercial interests need to be protected.

- Clearly explain why we select certain projects and how we allocate resources, helping everyone understand the reasoning behind our choices.
- Prioritise risk management, and make sure our actions comply with relevant laws and regulations.
- Closely align facilities decision-making with Council's broader strategic goals and planning.
- Take responsibility for facilities management, making sure our actions are accountable and reflect community expectations.
- Work together across Council teams to help ensure our facilities run smoothly for everyone's benefit.
- Strive for consistent service levels at all our facilities, supporting reliable activity delivery across the board.
- Make decisions informed by understanding of risks, through priority identification and meaningful data.

3.3.4 What we need to do

To ensure our decisions are both fair and effective, Council needs to base its actions on a well-defined framework. This means planning ahead, using sound evidence, and making choices that can be clearly explained and justified. By taking this approach, we can show our community that our decision making is transparent, reliable, and built on solid reasoning.

Establish clear decision-making processes for:

- Follow Council delegations, policies and procedures for decision making.
- Regular reviews of the optimisation and needs information provided by the Facilities Services Team.
- Consider alignment with Council's legislative and regulatory responsibilities.

Establish clear roles and responsibilities to:

- Define roles and responsibilities for facilities management including demarcation with other responsibilities (building functions).
- Clearly differentiate and describe the roles and responsibilities relating to the maintenance works that occur at each site – these should be standard and consistent across similar facility types.
- Implement functional Service Level Agreements and provide a feedback process to look for any opportunities to improve.
- Establish transparent criteria for planned maintenance which will help reduce reactive works and unplanned costs, fostering better collaboration between activity managers and facility teams.
- Develop, agree upon, and apply service levels and management strategies to guide planned interventions, maintenance, and investment decisions across the facilities portfolio.

Portfolio approach:

- When considering benefits, risks, and return on investment; or divestment.
- Wherever possible, consider acquisition or disposal of facilities in alignment with the strategic planning budgets, cycles, and priorities.

- Allow stakeholders to understand the rationale behind decisions and provide meaningful input through public consultation, accessible documentation, and clear communication channels.

Data and evidence-based decision making:

- Each facility to have long term plan information.
- All facility acquisitions require a business case including, as a minimum, outline of the facilities' asset group, assessment against the guiding criteria and principles, an outline of the public benefits and Long-Term Plan priorities, consideration of any implications, and details of the acquisition and disposal process – whole-of-life / lifecycle costs.
- Every facility acquisition needs a business case following the Facilities Policy and explaining the public benefits and Long-Term Plan priorities.
- Be informed by evidence / business cases where there are alternative views of facility investment from Council departments.

3.4 Sound asset management practices

3.4.1 Introduction

At Council, we are committed to taking a structured and thoughtful approach to managing our assets, guided by our Asset Management Policy. This approach helps us apply best practices across all our infrastructure assets, including our facilities.

It is important to us that our infrastructure is kept in good, reliable, and safe condition for everyone's benefit. We also recognise that ongoing investment is necessary to ensure our assets continue to deliver the services our communities expect, meet all legislative requirements, and remain resilient in the face of any challenges or disruptions.

3.4.2 Where we are now

Our new management structure provides an opportunity to align our asset management activities and operational approaches within a cohesive framework. By putting robust data systems, dedicated people, and streamlined processes in place, we are taking a more unified and effective approach to caring for our facilities portfolio for the benefit of our community.

The current state of various asset management practices for the facilities portfolio is summarised in the table below.

Table 7 Current AM Practices – facilities

Current AM practices - recently completed initiatives	Areas for improvement
✓ Facilities Policy, Strategy, and AMP developed. ✓ Asset condition surveys (completed in October 2025). ✓ Asset data recorded in RLC's buildings asset management system and reconciled to physical assets on site for recent upgrades.	× Backlog of maintenance/renewals. × Facilities managed reactively rather than planned/proactively. × Assets, including critical components are in poor condition or failing, that need replacement. × Planned maintenance tasks not always visible to client users.

Current AM practices - recently completed initiatives	Areas for improvement
✓ Annual compliance checks for Building Warrant of Fitness completed. ✓ Asset performance assessments completed including asbestos surveys and meeting healthy homes standards.	× Lack of clear budgeting to understand how facilities are being managed to meet basic service levels. × Long term Investment Plan does not reflect Asset Improvement Strategy.

3.4.3 Where we want to be

One of our main priorities is to enhance our asset management practices across the facilities portfolio. By doing this, we can make well-informed decisions that ensure our facilities remain financially sustainable. This approach will allow us to clearly understand the financial position of each facility, as well as the overall portfolio, using reliable asset data.

The approach includes the following key workstreams:

- **Asset condition:** the condition of critical building assets is proactively monitored and recorded to enable proactive renewals.
- **Reactive maintenance**: reactive and planned maintenance works are analysed and trends reported on.
- **Renewals planning**: there is a rolling multi-year renewals programme to replace assets in poor condition, or with high fault history, and address asset performance issues.
- **Asset management planning**: the Facilities AMP has a picture of current asset state, takes a portfolio view, and provides justification for the 10-year opex and capex financial forecasts.

At present, our asset management maturity for the facilities portfolio has been reviewed and is currently at a basic level. In line with RLC's Asset Management Policy, we are aiming to raise this maturity to a core level for our buildings, while maintaining a basic level for land assets. The diagram below provides a visual overview of these target levels and supports our ongoing commitment to improving asset management practices for the benefit of our community.

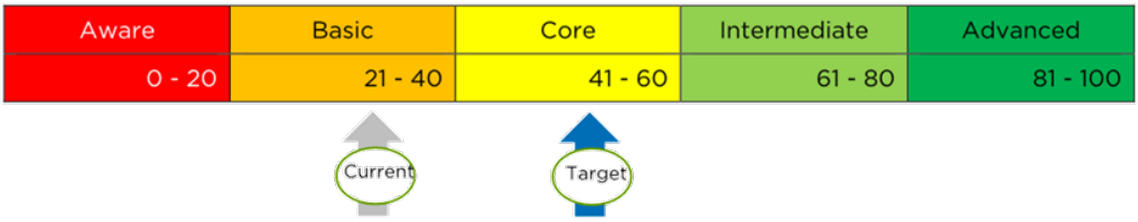


Figure 5 Current and target AM maturity

3.4.4 What we need to do

We need to take the following steps to lift the current AM practices for the facilities portfolio:

- Asset condition - Develop and fund inspection regimes that keep the condition data up to date so that decisions can be made with accurate information.
- Asset Data – Recorded on RLC's buildings asset management system. Reflects physical assets on site. We know what assets we have, where they are located, and how they are performing.
- Reactive maintenance - Develop maintenance and renewals plans based on condition and asset servicing requirements.
- Renewals planning – Develop a renewals programme with cost estimates based on asset condition data, asset life cycles, and estimated remaining useful life.
- Asset management planning – Developed the Facilities AMP based on best information available, including the completed condition survey. It includes 10-year opex and capex financial forecasts consistent with industry best practice.

3.5 Long term financial sustainability

3.5.1 Introduction

To ensure we can continue to invest in facilities that meet the needs of our community now and into the future, Council is committed to managing our finances responsibly, operating efficiently, and making the best use of our resources.

3.5.2 Where we are now

We have developed a Facilities Policy and a framework to support long term financial sustainability. This approach builds on the foundations set by the previous three strategic themes and will help us manage our assets responsibly so they continue to meet the needs of our community now and into the future.

The current state of our assets in terms of financial sustainability has been assessed in terms of replacement cost, annual depreciation and maintenance costs and summarised in Appendix B. This shows that the annual forecast renewals are slightly higher than the annual depreciation. This reflects the impact of asset condition rather than asset age only to drive renewals.

3.5.3 Where we want to be

We will manage our facilities portfolio with care, making sure our approach is both financially responsible and sustainable. Our focus is on getting the best value from our investments, while also keeping risks and costs to a minimum. This means we regularly review our assets to avoid holding onto facilities that are no longer useful or are underused, and we work proactively to prevent unexpected expenses from sudden asset deterioration. By doing so, we ensure our resources are directed where they will benefit our community most, now and into the future.

3.5.4 What we need to do

To ensure long term financial sustainability, we need to build on the other three themes by taking the following steps:

- Balance operational and services facility requirements with prudent investment decision making.
- Accept oversight support from the Finance Team to manage risk and sourcing funding for Council's facilities.
- Ensure financial alignment with broader financial strategies.
- Create a comprehensive 10-year financial plan for operating and capital expenditures, using a bottom-up approach for detailed forecasting and a top-down review for strategic alignment.
- Present a clear financial sustainability picture of each facility and the entire portfolio which clearly describes the level of subsidisation Council is satisfied to support.
- Review all lease information to ensure the terms are up to date and generating a reasonable return.
- Asset decommissioning is a critical phase in the lifecycle management of facilities, ensuring secure disposal of equipment, protecting data and sensitive information, complying with regulatory requirements, and potentially recouping value through reuse (resale) of equipment.

PART 4: Implementing our strategy

4.1 Strategic actions and responses to challenges

The table below provides a handy overview of the key actions and their timing that support our strategic themes. Many of these initiatives will come into effect with the adoption of RLC Facilities Policy, helping us move forward together with a clear direction.

Table 8 Summary of strategic actions

Strategic theme	Action no.	Action description	RLC responsibility	Start date	Completion date
Portfolio optimisation	1.1	Adopt RLC's Facilities Policy and Strategy to set the framework for sound decision making. It is intended to be adopted by Council in mid-2026.	Group Manager Infrastructure and Assets	September 2025	August 2026
	1.2	Prioritise all Council facilities to guide current and future investment.	Facilities Services Manager	September 2025	August 2026
Transparent decision making	2.1	Establish clear decision-making processes to ensure alignment with Council's legislative and regulatory responsibilities. The processes will support the Facilities Strategy and Policy.	Facilities Services Manager	April 2026	October 2026
	2.2	Take a portfolio approach for managing the existing facilities and consider benefits, risks, and return on investment; or divestment.	Group Manager for relevant activity	April 2026	October 2026
	2.3	Define roles and responsibilities for facilities management including demarcation with other responsibilities (building functions).	Group Manager for relevant activity	April 2026	October 2026
	2.4	Implement functional Service Level Agreements between the activity managers and Facilities Services team. Provide a feedback process to look for any opportunities to improve.	Facilities Services Manager	July 2026	December 2026

Strategic theme	Action no.	Action description	RLC responsibility	Start date	Completion date
	2.5	Every facility acquisition needs a business case following the Facilities Policy and explaining the public benefits and Long-Term Plan priorities. Consider whole-of-life costs.	Group Manager for relevant activity	April 2026	Ongoing
Sound AM practices	3.1	Develop and fund inspection regimes that keep the condition data up to date so that decisions can be made with accurate information. Reconcile asset data with physical assets.	Facilities Services Manager	April 2026	Ongoing
	3.2	Develop maintenance and renewals plans based on condition and asset servicing requirements.	Facilities Services Manager	November 2025	October 2026
	3.3	Develop a renewals programme with cost estimates based on asset condition data, asset life cycles and estimated remaining useful life.	Facilities Services Manager	November 2025	October 2026
	3.4	Develop the Facilities AMP based on the best information available, including the completed condition survey, and include 10-year opex and capex financial forecasts consistent with industry best practice.	Manager Strategic Planning for Infrastructure & Assets	October 2025	December 2026
Financial sustainability	4.1	Present a clear financial sustainability picture of each facility and the entire portfolio which clearly describes the level of subsidisation Council is satisfied to support.	Facilities Services Manager	November 2025	August 2026
	4.2	Review all lease information to ensure the terms are up to date and generating a reasonable return.	Facilities Services Manager	July 2026	December 2026

4.2 Monitoring and review

This Facilities Strategy represents our current and best understanding of the challenges facing RLC and is based on the most reliable information we have at this time. We acknowledge that our facilities portfolio may not always have fully complete or entirely accurate data to guide this strategy. As we continue to learn more about our assets and adapt to the evolving needs of our community, we will update our approach accordingly.

To ensure our strategy remains relevant and effective, we are committed to formally reviewing it every three years, in line with Council's Long-Term Plan process. We look forward to working with our community and stakeholders as we navigate these challenges together.

PART 5: Appendix A – Current asset state

Key: ✓ Achieved target ✗ Not achieved target

No data, new measure or not measured	Achieved	Needs attention	Not achieved

Table 9 Current asset state – facilities

Asset groups	Age	Asset condition	Asset performance
All	N/A	✓ Formal condition assessment completed in October 2025 for RLC's buildings (except for community halls, pensioner housing and public toilets as undertaken separately). It includes cost estimate and timing for work to be undertaken.	✓ Asbestos management surveys are undertaken every five years on rolling programme. ✗ Compliance with legislative requirements through annual BWOF not fully achieved due to occupancy checks not completed in 2024/25.
Events 	Energy Events Centre - It was built in 2007. Roof replacement in 2021 and refurbishment of toilet amenities in 2025.	✓ 8% in very poor and poor condition (4 and 5 ratings) ✓ 92% in moderate, good and very good condition (1 to 3 ratings)	✗ Not functional for modern conference or sports use, with limited investment since its initial build. ✗ Impacted by Rotorua's unique geothermal environment.
	Sir Howard Morrison Performing Arts Centre – The building was originally built circa 1940 and repurposed in 2014 as a performing arts centre. Recently redeveloped between 2017 and 2022 for earthquake strengthening and facility upgrades.	✓ 5% in very poor and poor condition (4 and 5 ratings) ✓ 95% in moderate, good and very good condition (1 to 3 ratings)	✓ Sir Howard Morrison Performing Arts Centre reopened in February 2023 after seismic strengthening works were completed. ✗ Equipment corrosion due to geothermal impact.

Asset groups	Age	Asset condition	Asset performance
Administration 	Civic Centre - Building was constructed in 1986 so about halfway through its life. It has recently been refurbished.	✓ 4% in very poor and poor condition (4 and 5 ratings) ✓ 96% in moderate, good and very good condition (1 to 3 ratings)	× Recent issues (such as HVAC failures, roof leaks) impacted public access to vital democratic space.
Activity enabling buildings Community 	Rotorua Museum - The facility is currently closed as undergoing major upgrade.	NA as under redevelopment	× The geothermal environment presents unique challenges, requiring innovative design and materials to resist corrosion.
	Te Aka Mauri (Rotorua Library and Children's Health Hub) - It was originally constructed in 1957 and underwent refurbishment in 1991. It was then redeveloped to 'Te Aka Mauri' in 2018, integrating library services with health facilities.	✓ 4% in very poor and poor condition (4 and 5 ratings) ✓ 96% in moderate, good and very good condition (1 to 3 ratings)	× Long standing deferred maintenance and renewals impacting critical components i.e. HVAC, lifts.
	Aquatic Centre – It was constructed in circa 1980 and major revitalisation works completed in 2024 (for 2 stages).	✓ 1% in very poor and poor condition (4 and 5 ratings) ✓ 99% in moderate, good and very good condition (1 to 3 ratings)	✓ Functionality –The completed Stage Two of the revitalisation ensures modern facilities. ✓ Stage Three (future) is deferred. It includes leisure features such as hydroslide, bomb pool, and gym.
	Rotorua International Stadium – Mixed ages relating to the development of the complex. It was originally built in 1911 and buildings were developed in two stages. The original grandstand was constructed in 1972/73 with major development in 2000.	✓ 1% in very poor and poor condition (4 and 5 ratings) ✓ 99% in moderate, good and very good condition (1 to 3 ratings)	✓ Seismic performance - Rotorua International Stadium meets seismic standards. × Stadium not well utilised × Long standing deferred planned maintenance and renewals.

Asset groups	Age	Asset condition	Asset performance
	Rotorua Sportsdrome – It was originally constructed around 1970 and refurbished between 2017 and 2019.	× 10% in very poor and poor condition (4 and 5 ratings) × 90% in moderate, good and very good condition (1 to 3 ratings)	× Highly utilised highlighting supply deficit for indoor courts.
	Public toilets – Various ages	× Condition site assessed in 2023 (not cost estimate or timing when work to be undertaken). × 17% of public toilet assets are in poor condition (grade 4 and 5). × 83% of public toilets are in moderate, good and very good condition (1 to 3 ratings).	× There is maintenance backlog, and no painting has been undertaken for many years.
Activity enabling buildings regulatory 	Rotorua Crematorium - It opened in 1963 and the cremator was recently replaced in 2020 including the building housing it.	× 18% in very poor and poor condition (4 and 5 ratings) × 82% in moderate, good and very good condition (1 to 3 ratings	✓ No asset performance issues identified with the new building housing the cremator.
	Dog Pound –plans to redevelop the facility due to multiple asset performance issues.	× 16% in very poor and poor condition (4 and 5 ratings) × 84% in moderate, good and very good condition (1 to 3 ratings)	× Functionality - the pound configuration does not support how it operates or meets regulatory requirements. × Health, safety and security enhancements needed for both staff and animals.
	Recycling Centre - relocating waste operations to a closed landfill site to improve service delivery and land use efficiency.	N/A as being relocated	N/A as being relocated

Asset groups	Age	Asset condition	Asset performance
	Hinemoa carpark building – It was constructed in 1996 and comprised of three levels of parking.	✓ 7% in very poor and poor condition (4 and 5 ratings) ✓ 93% in moderate, good and very good condition (1 to 3 ratings)	× Car park building is underutilised. × Safety and operational issues.
	Rotorua Environmental Laboratory - It was constructed in 2004 so is now over 20 years old.	Not assessed in October 2025 survey as clarification needed with three water reforms as located on wastewater treatment plant site.	× Lab operates in a corrosive environment, leading to frequent equipment failures and space constraints. × Air quality and temperature control vital for lab operations.
Non activity enabling buildings 	Pensioner housing - The housing blocks have been built since 1956, 1970s and 1980s to 2006. Most are concrete construction so the structure will generally still function after its life has been exceeded. Other major asset classes are replaced with rolling programmes based on deterioration.	Not assessed in October 2025 survey as progressing to management by service provider.	✓ Pensioner housing - Working through heat pump installation in the 122 occupied units to comply with Healthy Homes requirements.
	Community halls – Various	✓ Condition survey completed in 2023. × 21% in very poor and poor condition (4 and 5 ratings) × 79% in moderate, good and very good condition (1 to 3 ratings)	× Some halls are in poor condition and have heritage / cultural significance.
	Youth Centre – 1970s	× 29% in very poor and poor condition (4 and 5 ratings) × 71% in moderate, good and very good condition (1 to 3 ratings	× Recent upgrades have improved the facility, but structural issues (e.g., roof condition) persist.

PART 6: Appendix B – Financial Sustainability Summary

Table 10 Financial Summary Table

Facilities Asset Grouping	Optimised Replacement Cost ($) (a)	Annual Depreciation ($/yr) (b)	Annual Forecast Renewals ($/yr) (c)	Appropriate Annual Maintenance Cost ($/yr) (d)
Critical - Events	$147,410,200	$3,862,147	$2,931,872	$1,465,936
Critical - Administration	$31,315,160	$667,830	$909,500	$454,750
Critical – Regulatory	$41,102,400	$466,700	$721,597	$360,799
Critical – Community	$250,366,600	$5,395,398	$4,613,034	$2,306,517
Non-Critical	$93,481,220	$1,344,795	$1,647,919	$823,960
TOTAL	**$563,675,580**	**$11,736,870**	**$10,823,922**	**$5,411,961**

Notes:

- (a) Datasets are not complete with some buildings not included in the 2025 Property & Facilities Valuation such as the Rotorua Museum, Rotorua Environmental Laboratory and Blue Baths. Some values have been adjusted as different methods of calculating Replacement Costs were used.
- (b) Annual depreciation taken from RLC's corporate system provided by Finance team.
- (c) Annual Forecast values were based on the preferred investment option 2.
- (d) Appropriate Annual Maintenance Cost values were based on buildups of PPM, building washdown, reactive, and geothermal costs.


ROTORUA LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua
Draft Facilities Divestment Policy 2026

Council Consideration / Adoption		
Date	Minute No.	Reason / Decision

1. Purpose

The purpose of this Policy is to establish a consistent, transparent, and robust framework for assessing, declaring, and divesting Council-owned property and facilities that are surplus to Council requirements.

This Policy aims to ensure that property divestment decisions:

- Support Rotorua Lakes Council's strategic objectives and service delivery requirements.
- Deliver value for money and responsible stewardship of public assets.
- Consider current and future community needs and benefits.
- Recognise strategic, historical, cultural, and mana whenua interests associated with land.
- Comply with all legal, statutory, contractual, financial, and governance obligations.
- Are undertaken in a transparent, fair, and accountable manner.

2. Scope

This Policy applies to all Council-owned facilities, buildings, improvements, and associated property assets under the control of Rotorua Lakes Council.

This Policy should be read in conjunction with:

- The Local Government Act 2002.
- The Public Works Act 1981.
- The Reserves Act 1977.
- Rotorua Lakes Council's Facilities Policy.
- Rotorua Lakes Council's Facilities Strategy.
- Council's Delegations Register.
- Council's Conflict of Interest Policy.
- Council's Significance and Engagement Policy

3. Policy Principles

Council will manage property divestments in accordance with the following principles:

3.1 Strategic Alignment

Property divestment decisions shall support Council's strategic priorities, service delivery requirements, and long-term planning objectives.

3.2 Community Outcomes

Council shall consider the current and future public benefit derived from retaining or disposing of property.

3.3 Best Public Value

Council shall seek to achieve the greatest overall value for the community and Council, taking account of financial, strategic, social, cultural, and environmental considerations.

3.4 Transparency and Accountability

Property divestment decisions shall be supported by documented evidence, appropriate due diligence, and approved governance processes.

3.5 Legal Compliance

Council shall ensure that all statutory, contractual, fiduciary, and other legal obligations are identified and satisfied before any divestment occurs.

3.6 Strategic and Cultural Considerations

Council recognises that surplus property may have strategic, historical, cultural, community, or Māori land significance that extends beyond its operational use.

Accordingly, Council shall assess the wider significance of property before determining the appropriate disposal pathway.

Relevant mana whenua interests shall be identified and considered as part of the assessment process to ensure Council understands the nature, history and potential strategic value of the property before making a disposal decision.

Engagement undertaken under this Policy is intended to inform Council's understanding of a property's significance, opportunities and constraints and does not create any obligation to dispose of property to a particular party or by a particular method.

4. Determining Surplus Property and Disposal Pathway

4.1 Assessment of Potentially Surplus Property

Before a property or facility may be declared surplus, an assessment shall be undertaken against the Facilities Strategy and associated asset management frameworks.

To be considered surplus, the assessment must demonstrate that:

- The property is no longer required for its original purpose.
- There is no current operational requirement for the property.
- Alternative Council uses have been considered.

- Retention of the property is unlikely to deliver sufficient public benefit to justify the costs of ownership.

The assessment shall consider:

- Current and future service delivery requirements.
- Population growth and demographic trends.
- Community outcomes.
- Strategic planning considerations.
- Alternative Council uses.
- Redevelopment opportunities.
- Cultural and heritage values.
- Financial implications of retention versus divestment.

4.2 Strategic, Cultural and Legal Assessment

Before determining the disposal pathway, Council shall undertake an assessment of the property's strategic, historical, cultural, and legal context.

The assessment shall consider:

- Whether the property contributes, or could reasonably contribute, to an identified Council outcome.
- Whether the property has historical, cultural, heritage, or mana whenua significance.
- Whether the property was gifted, vested, historically acquired from Māori, or otherwise has particular significance.
- Whether the property forms part of, adjoins, or may benefit Māori land.
- Whether acquisition by adjoining Māori landowners could improve access, utilisation, development, land rationalisation, or papakāinga opportunities.
- Whether any statutory, Treaty settlement, contractual, or other legal obligations apply.
- Whether any of these factors support consideration through the Strategic Disposal pathway.

Council shall identify relevant mana whenua interests and may engage with affected iwi or hapū to better understand the significance of the property and any related opportunities or constraints.

Information gathered through this process shall inform, but not determine, the disposal pathway.

4.3 Disposal Pathway Determination

Following completion of the assessment process, Council shall consider, determine and direct officers on the most appropriate disposal pathway having regard to:

- Council's strategic considerations.
- Desired community outcomes.
- Financial effects and implications.
- Council's legal obligations.
- Relevant applicable cultural and historical considerations.
- Identified mana whenua interests.
- Adherence to the principle of best public value.

The property shall then proceed through either:

a) Strategic Disposal; or
b) Ordinary Surplus Property Disposal.

The selected pathway shall be documented and supported by evidence.

5. Planning and Approval Process

Property divestment shall, where practicable, be identified, planned, consulted on where required, and approved through the Long-Term Plan or Annual Plan.

Where divestment has not been identified through these planning processes, or where earlier divestment provides a strategic or commercial advantage, a report (business case) shall be submitted for consideration and approval by elected members.

The report shall include:

- Assessment against the surplus property criteria.
- The strategic rationale.
- Known community considerations.
- Financial effects and implications.
- Results of due diligence findings.
- The recommended disposal pathway and method.

Before any property is marketed or disposed of, Council shall ensure compliance with:

- The Local Government Act 2002.
- Council's Significance and Engagement Policy.
- Relevant Long-Term Plan provisions.
- Any applicable Reserves Act requirements.
- Any other legislative or contractual obligations.

6. Asset Lifecycle Management

Property divestment shall be undertaken in accordance with Council's Facilities Lifecycle Management Procedure.

Divestment decisions should form part of an integrated asset lifecycle approach which considers:

- Maintenance requirements.
- Renewal requirements.
- Service demand.
- Repurposing opportunities.
- Redevelopment opportunities.
- Divestment opportunities.

7. Due Diligence Requirements

7.1 General

Prior to any divestment, Council shall complete a comprehensive due diligence assessment.

The purpose of this process is to:

- Identify all potential claims, interests, and obligations relating to the property.
- Confirm Council's ability to dispose of the property.
- Assess the most appropriate divestment option.
- Ensure all legal and contractual obligations are discharged.

7.2 Matters to be Investigated

The due diligence process shall include consideration of the following matters:

a) Legal and Statutory Matters

- Public Works Act obligations.
- Treaty settlement obligations and Council protocols.
- Reserve status.
- Encumbrances and easements.
- Covenants and land restrictions.
- Heritage protection requirements.
- Resource management constraints.

- Significance and Engagement Policy
- Any statutory restrictions on divestment.

b) Acquisition and Ownership Matters

A review of the original acquisition documentation to determine whether:

- Conditions of transfer exist.
- Rights of reversion apply.
- Rights of first refusal apply.
- Trust obligations apply.
- Other divestment limitations exist.

c) Contractual Commitments

A review of all agreements associated with the property including:

- Leases.
- Licences.
- Occupation agreements.
- Service contracts.
- Funding arrangements.
- Development agreements.

d) Commercial Assessment

An assessment shall be undertaken to determine the commercial viability of:

- Retaining the property.
- Leasing the property.
- Repurposing the property.
- Selling the property.

Council shall consider which option provides the greatest overall benefit to the community and Council.

7.3 Market Value Principle

Independently assessed market value shall be the default basis for all property disposal transactions unless Council expressly approves an alternative approach under Section 8 or Section 10.

8. Strategic Disposal

8.1 Purpose

A Strategic Disposal pathway may be used where Council determines that disposal of a property would contribute to a specific and established Council outcome.

Potential strategic outcomes may include:

- Housing or papakāinga.
- Infrastructure delivery.
- Economic development.
- Environmental restoration.
- Community development.
- Māori development.
- Land rationalisation.
- Any other formally adopted Council priority.

The existence of an interested purchaser, development proposal, or commercial opportunity shall not, by itself, justify classification as a Strategic Disposal.

A Strategic Disposal pathway shall only be adopted where Council is satisfied that the strategic, social, cultural, environmental or economic benefits are likely to equal or outweigh the benefits that could reasonably be achieved through an open market disposal process.

8.2 Assessment Requirements

Any recommendation for a Strategic Disposal shall identify:

- The specific strategic outcome being pursued.
- The Council strategy, policy, plan, programme, or decision supporting that outcome.
- How the proposed disposal contributes to achieving the outcome.
- Why an ordinary disposal process would not achieve the same or a better outcome.
- Financial and non-financial benefits and implications.
- Confirmation that strategic, historical, cultural, and mana whenua assessments have been completed in accordance with Section 4.
- Independent valuation of the property.
- Required governance approvals.

8.3 Disposal Methods

Where approved, Council may utilise any disposal mechanism appropriate to achieving the identified strategic outcome, including:

- Negotiated sale.
- Land exchange.
- Transfer.
- Partnership arrangement.
- Conditional disposal.
- Development agreement.
- Any other Council-approved mechanism.

Strategic Disposal decisions shall be outcomes-based, evidence-based, transparent, and supported by documented analysis.

9. Ordinary Surplus Property Disposal

9.1 Application

The Ordinary Surplus Property Disposal pathway shall apply where:

- The property is no longer required for operational purposes.
- No Strategic Disposal outcome has been identified.
- Strategic, historical, cultural and Māori land considerations have been assessed and are not applicable.
- No statutory, contractual or other legal requirement requires an alternative disposal process.

9.2 Disposal Process

Prior to disposal, Council shall:

- Confirm the property is surplus.
- Complete all required statutory, contractual, Treaty settlement, and legal processes.
- Complete the due diligence requirements set out in Section 7.
- Obtain an independent market valuation.
- Determine the most appropriate method of disposal.

9.3 Mana Whenua Right of First Refusal

As part of the process outlined in clause 9.2, Council may elect that the most appropriate method of disposal is to offer relevant mana whenua a Right of First Refusal (RFR) to purchase the property at independently assessed market value before it is offered to the open market.

In determining whether a Right of First Refusal is appropriate, Council may consider:

- Historical associations with the property.
- Proximity to Māori land.
- Opportunities for land rationalisation.
- Potential Māori development outcomes.
- Relationship considerations.
- Any other strategic factors considered relevant.

The Right of First Refusal:

- Does not create an obligation on Council to sell.
- Does not override statutory, contractual, or legal obligations.
- Does not confer an entitlement to acquire property below market value.

9.3.1 Exercise of Right of First Refusal

If selected as the most appropriate method of disposal, the Right of First Refusal shall apply for the period specified in Appendix B.

Unless otherwise approved by Council, the standard response period shall be 60 working days from the date of offer.

If the Right of First Refusal is not exercised within the specified period, Council may proceed disposal through another approved method.

9.4 Approved Disposal Methods

Property may be disposed of by:

- Public auction;
- Public tender;
- Private treaty;
- Expression of interest process; or
- Any other disposal method approved by Council.

The selected disposal method shall reflect:

- The nature of the property.
- Market conditions.
- Commercial considerations.
- Desired sale outcomes.
- The need to achieve best public value.

9.5 Market Value

Ordinary surplus property shall generally be sold at independently assessed market value.

Council shall seek to achieve the highest value and best use outcome, having regard to:

- Financial return.
- Development potential.
- Market demand.
- Community outcomes.
- Strategic considerations.

10. Exceptional Circumstances

Exceptional Circumstances provisions are intended to supplement, rather than replace, the Strategic Disposal framework.

Council may approve an alternative value or transaction structure where exceptional circumstances exist and doing so demonstrably delivers greater strategic or public value

Relevant circumstances may include:

- Land that was originally gifted or vested and where a compelling case exists for alternative treatment.
- Disposal that materially improves access to, utilisation of, or development opportunities for adjoining Māori freehold land.
- Significant housing or papakāinga outcomes.
- Land exchanges that provide greater strategic value than a conventional sale.
- Significant historical, cultural, or relationship considerations.
- Delivery of an adopted Māori development outcome.
- Any transaction that demonstrably provides greater overall value to Council and the community.

Any recommendation to depart from market value shall include:

- Independent valuation advice.
- Identification of the Council outcome being achieved.
- Assessment of financial and non-financial implications.
- Legal and statutory analysis.
- Clear reasons for the departure.
- Appropriate governance approval.

11. Conflicts of Interest

All persons involved in the divestment process shall comply with Council's Conflict of Interest Policy.

Any actual, perceived, or potential conflict of interest must be declared at the earliest opportunity.

Where a real estate agent is engaged:

- The agent must not be an immediate family member of a conflicted person.
- The agent shall be treated as a conflicted person in relation to the divestment process.
- Members of the agent's immediate family shall also be treated as conflicted persons.
- Appropriate controls shall be implemented to ensure process integrity and independence.

There shall be separation of duties between valuation, negotiation and approval.

12. Delegations

Council may delegate elements of the property divestment process in accordance with its Delegations Register.

Unless delegated, the following decisions remain reserved to Council:

- Declaration of strategic properties as surplus.
- Approval of Strategic Disposal transactions.
- Approval of divestments where significant community interest exists.
- Approval of divestments above delegated value thresholds.
- Approval of departures from this Policy.
- Approval of Exceptional Circumstances transactions.

13. Record Keeping and Reporting

Council shall maintain a register of all property divestment transactions.

The register should record:

- Property details.
- Disposal pathway utilised.
- Date of divestment.
- Disposal method.
- Valuation obtained.
- Sale or transfer value.
- Due diligence findings.
- Council approvals.
- Any departure from this Policy.

Regular reporting shall be provided to Council through asset management and financial reporting processes.

Appendix A: Property Disposal Decision Framework

Step 1 Property identified as potentially surplus.

↓

Step 2 Operational surplus assessment completed.

↓

Step 3 Strategic, historical, cultural, mana whenua and Māori land and legal assessment completed and included in Business Case.

↓

Step 4 Council decision on desired outcome and appropriate disposal pathway (Strategic Disposal, Ordinary Surplus Property Disposal or Mana Whenua Right of First Refusal)

Pathway A - Strategic Disposal

- Strategic outcome identified.
- Strategic assessment completed.
- Governance approval obtained.
- Appropriate disposal mechanism selected.
- Disposal completed.

Pathway B: Ordinary Surplus Property Disposal

- Property confirmed as ordinary surplus.
- Independent market valuation obtained.
- Appropriate disposal method selected.
- Property offered to the market.
- Disposal completed.

Appendix B: Sale of Surplus Property – Right for First Refusal (RFR) – Flowchart

Council decision by resolution to offer relevant mana whenua a Right of First Refusal (RFR) to purchase the property at independently assessed market value before it is offered to the open market.		
↓		
Council staff offers the surplus property for sale (in writing) to relevant iwi/hapū specifying the terms of such sale including but not limited to the sale price (being the market value[1] assessed by two registered valuers).		
	Do not accept offer	If iwi/hapū do not wish to proceed with purchase or have failed to identify in writing which iwi/hapū will proceed with the purchase, within the specified time frame, surplus property goes to open market for disposal and council staff will notify the iwi/hapū of the date that property goes to market.
Iwi/Hapū shall advise council staff in writing, within 60 working days, whether they wish to proceed with the purchase[2]; stating which iwi/hapū will proceed with the purchase (if more than one) and whether they agree with the proposed sale terms.		
Disagree with market value ↓	Accept Offer	If all terms are agreed to by iwi/hapū then an agreement is entered into within 60 working days of the date of offer from Council
If iwi/hapū wish to proceed with purchase but disagree with the market value, council staff and iwi/hapū will come to an agreement on the scope for market valuation[3], Iwi/Hapū will then obtain their own registered valuers report[4] assessing market value. A written counter offer will be presented to council staff (with evidence of market value), within 30 working days of the date of advising council staff they wish to proceed.		
↓		
The parties and/or their valuers shall enter into good faith negotiations for a period of 30 working days from the date of receipt of the counter-offer to endeavour to reach agreement on the market value/purchase price for the property.		
↓		
If the market value cannot be agreed between parties and/or their valuers, an independent valuer will be jointly appointed.[5] The independent valuer will (within 30 working days of appointment) review the valuations received and provide a determination on value (not higher than highest valuation, and no lower than lowest valuation). Iwi/Hapū will indicate if they accept the determination.	Do not accept →	If iwi/hapū do not accept the determination, surplus property shall be disposed of via the open market[6] and council staff will notify the iwi/hapū of the date that property goes to market.
↓ Accept		
If iwi/hapū accept the independent valuers determination, an agreement shall be entered into with settlement to occur within 30 working days of the date of the agreement (unless otherwise agreed between parties).		

[1] The definition of market value is the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arms length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion. Does not take into account factors such as cultural values or tenancy agreements that have not yet been entered into.

[2] Where iwi/hapū are unable to obtain necessary authority to advise council staff within 60 working days, iwi/hapū must advise council staff of the delay and the reason for it within the 60 working days, and council staff may at the absolute discretion of the Mayor and Chief Executive extend the time for acceptance by up to a maximum of 60 working days from the date that the offer was made.

[3] "Scope for market valuation" means the parameters for the valuation assessment of a property which would be relevant considerations in the market, which may include matters such as: the identity of the intended users of the valuation report; clarity regarding the property and assets being valued; the purpose of the valuation; the basis/bases of value used; valuation date; nature and source of the information to be relied upon by the valuer; any significant assumptions and/or special assumptions; and any restrictions on use, distribution and publication.

[4] If iwi/hapū obtain their own valuation advice, a full copy of that advice shall be provided to council staff upon receipt regardless of whether such advice is received outside of the 60 working day period, or whether a counter-offer is made.

[5] If the parties cannot agree on a joint appointment, an appointment will be made by the President of the New Zealand Institute of Valuers.

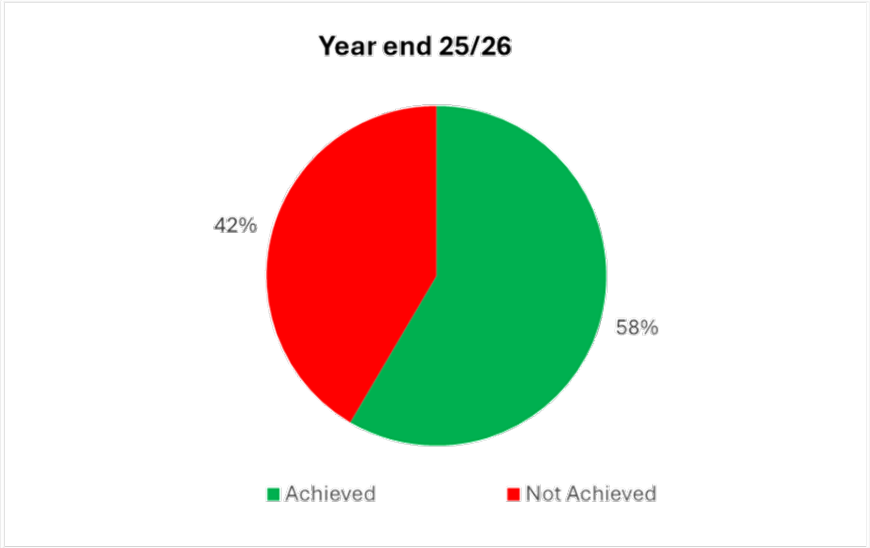
[6] If iwi/hapū have not advised that they have no further interest in the property and the open market disposal process results in a price which is lower by 10% (or more) than the value determined by the independent valuer, then prior to proceeding with the open market process, council by resolution is to determine whether the property is re-offered to relevant iwi/hapū at the lower value or continue with the open market disposal process.

HE MĀTAINGA POTO: TE MAHINGA RATONGA | AT A GLANCE – SERVICE PERFORMANCE

The 2024-2034 Long-term Plan arranges Council's services into nine service delivery groups. There is a total of 65 key performance indicators (KPIs) across these nine groups which set out the level of service that the council will deliver for each year. The results of the key performance indicators in this Annual Report are a way to track how well we have done over the year.

Of the 65 measures, 38 were achieved and 27 were not achieved

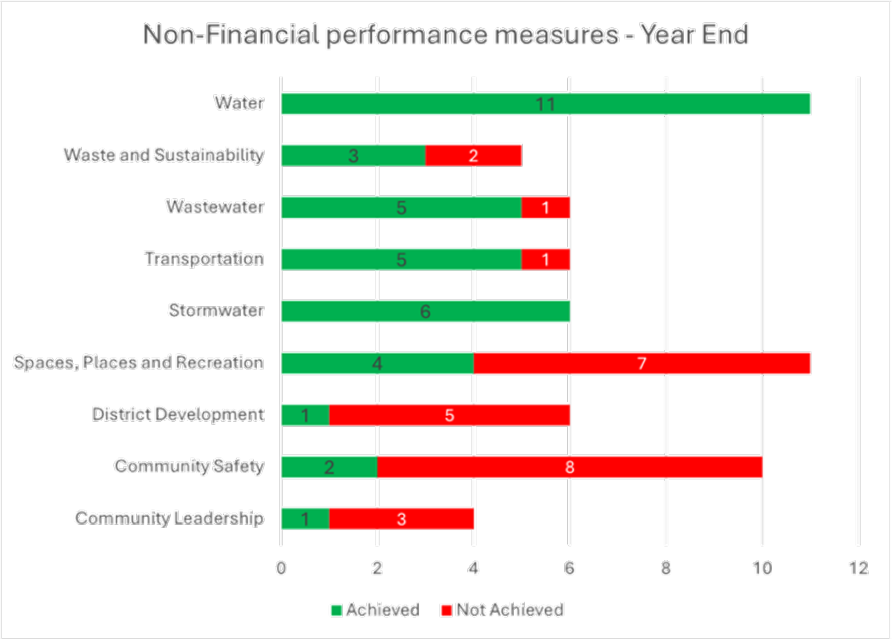
PERFORMANCE TARGETS SUMMARY



LOCAL GOVERNANCE FOR COMMUNITY WELLBEING

In May 2019, the Local Government Act 2002 was amended to reintroduce the four wellbeing's into the purpose of Local Government, requiring all councils to play a broad role in promoting the social, economic, environmental and cultural wellbeing of communities. In this part of the Annual Report, we present the identified effects of our activities on the four dimensions of wellbeing. Some of our activities affect all four, while others may only touch on one. Effects can be positive or negative and are described in more detail within each activity.

KEY PERFORMANCE TARGETS BY ACTIVITY GROUP



PREPARATION OF SERVICE PERFORMANCE MEASURES

The council's Statement of Service Performance information on the following pages has been prepared in accordance with the latest Public Benefit Entity Financial Reporting Standards (PBE FRS 48) and with generally accepted accounting practice (GAAP).

For PBE FRS 48 it states that in reporting about the entity's objectives and how it intends to achieve them, the information should be drawn from the founding documents, governance documents and accountability documents.

As such, council has drawn this information from the 2024-2034 Long-term Plan, which sets the direction for 10 years.

PBE FRS 48 also states judgement is required in deciding how much information to provide about the current reporting period as well as comparatives for all performance measure and survey results. Please refer to the individual Statements of Service Performance for each activity.

SERVICE PERFORMANCE JUDGEMENTS AND ASSUMPTIONS

When council prepared the forecast Statement of Service Performance in the 2024-2034 Long-term Plan, the following judgements were made in the selection of service performance measures detailed under each Group of Activities:

- Council reflected on the extent to which the levels of service it plans to provide to the community were best captured by performance measures.
- Council has ensured that the performance measures adequately inform Rotorua residents and ratepayers of progress towards delivering Council's outcomes.

Relevant measurement judgements have been included within each group of activity section to which the judgement relates. This information applies to the Statement of Service Performance reporting from pages xxxx of this report.

Under the Local Government Act 2002 Councils are mandated to provide standard performance measures so that the public may compare the level of service provided in relation to the following group of activities: water supply, sewerage and the treatment and disposal of sewage, stormwater drainage and the provision of roads and footpaths.

Department of Internal Affairs (DIA) guidance has been followed in measuring performance against all mandatory performance measures. Further to the above judgements being made in the selection of performance measures, the council also applies judgements in the measurement, aggregations and presentation of service performance information.

EXTERNAL IMPLICATIONS FOR SERVICE PERFORMANCE STATEMENTS

There are conditions that affect the service performance results and may result in a variation from the targeted results. These are ones that are outside the control of the Council. Examples of this are, but are not limited to, changes in government policy in New Zealand, changes in international travel restrictions, global and domestic economic conditions and international policy that may impact areas such as staff recruitment.

SURVEYS

Council conducts a number of satisfaction surveys that measure the community's satisfaction with a number of interactions with council. The surveys are designed by in-house staff and external research experts, based on best practice in survey design. They are designed to measure changes in perceptions of service delivery over time. For example, questions are written so they are clearly understood by participants and neutral in tone; and response options are designed so they are balanced, do not lead participants to respond in a certain way and cover all possible responses a participant may wish to provide. Where neutrality is important these surveys are independently run.

Council services are grouped into the following nine service delivery groups:

Service Delivery:	We deliver this through the following activities:
Te ārahitanga ā-hapori Community Leadership	• Corporate Planning, Governance and Engagement • Marketing and Communications • Customer Solutions • Finance and Business Performance • Property • Kaitiaki Māori • Organisation Enablement • Community support and funding
Te haumarutanga o te hapori Community Safety	• Community Safety • Animal Education and Control • Environmental Health and Alcohol Licensing • Emergency Management
Te whanaketanga o te takiwā District Growth and Development	• Growth and Development • Consenting • Building Control
Ngā wāhi me ngā papa rēhia Spaces, places and recreation	• Open Spaces and Recreation • Major Events and Venues (moved to RotoruaNZ) • Community Facilities
Wai āwhā Stormwater	• Stormwater systems
Te tūānuku haerere waka Transport Infrastructure	• Transport services including development and management of the roading network, including public transport infrastructure, safety programmes, alternative transport modes and long-term planning. • Parking
Wai para Wastewater	• Collection, treatment and disposal of wastewater from the three urban areas of Rotorua (Ngongotahā, city and eastern suburbs) as well as some rural lakeside communities.
Te para me te toitūtanga Waste and Sustainability	• Waste Services
Wai Water	• Water supply to three urban supply areas, five residential supply areas and two farming supply areas.

Community Leadership

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 Target	2025/26 Year End result	Year-end comment	Footnote for annual report
Provide opportunities for the community and individuals to participate	Percentage of residents who are satisfied with the Let's Talk platform - quality, reliability and value (1)	**67%**	80%	**Not Achieved 66%**	This end-of-year satisfaction survey was hosted on the Participate platform. Overall satisfaction across the value, reliability and quality of the platform was 66% from 39 responses, 14 percentage points below the 80% target. Feedback indicated that while residents appreciated the accessibility of the platform, concerns about the influence of community feedback on Council decisions contributed to the lower result.	(1) The previous online engagement platform used by Council was Let's Talk/ Korero Mai. We transitioned to a new platform Participate in April 2025. The survey was made up of three questions measuring satisfaction, reliability and value of the platform. Satisfaction is measured via those who select seven and above on a scale of one to ten.
Demonstrate robust debate and decision making for matters that impact upon the Rotorua District	No decision is overturned by judicial review	**Achieved (zero)**	Zero	**Achieved (Zero)**	No decisions have been overturned by judicial review for the financial year.	
Customer satisfaction	Percentage of residents that agree with how the	**41%**	Target >52.5% (5% increase	**Not Achieved 47%**	The Residents Experience Monitor is an independent survey conducted throughout	(2) The Residents Experience Monitor is conducted by independent research company Key

	decisions made by the Council represent the best interests of the District (2)		from prior year target of 50%)		the year. Of the 354 respondents for the year, 47% felt that Council represents the best interests of the district (measure of satisfaction is those that selected from a scale seven and above). 19% were dissatisfied, with 34% neutral.	Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.
	Percentage of residents that are very/fairly satisfied with how the Council keeps the community informed (2)	**48%**	Target >52.5% (5% increase from prior year target of 50%)	**Not Achieved 50%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 368 respondents for the year, 50% felt very/fairly satisfied with how the Council keeps the community informed (measure of satisfaction is those that selected from a scale seven and above). 19% were dissatisfied, with 31% neutral.	(2) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

Community Safety

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 Target	2025/26 Year end result	Year end comment	Footnote for annual report
Ensuring a prepared and effective response to emergencies	Annual audit conducted by Emergency Management Bay of Plenty. Audit reviews the: • Emergency operations centre staffing levels with appropriate qualifications • Practice operations of activated emergency operations centre • Procedures reviewed within last three years (1)	**Achieved**	Pass the audit	**Achieved**	The annual audit is no longer conducted by Emergency Management Bay of Plenty (EMBOP). This audit has been replaced with a continuous improvement process which is focused on improving operational capability of Councils to respond to emergencies. Regular reporting is undertaken in house and submitted externally to EMBOP. 115 staff are trained with appropriate qualifications to support an emergency operations centre and all procedures have been reviewed within the last three years.	(1) Each Council submits a monthly report to EMBOP and this report is then submitted quarterly to the Bay of Plenty Chief Executive Group (CEG) meeting. The measure of the number of practice operations of an activated emergency operations centre is currently under review in the Bay of Plenty.
Managing animal welfare and public safety	All urgent animal requests are responded to within 60 minutes where there is an ongoing risk to safety.	**Achieved (100%)**	≥99%	**Not Achieved 79%**	During 2025/2026, 2,518 urgent animal requests were received, with 1,998 responded to within 60 minutes, achieving a result of 79%. Increased proactive patrols led to a higher number of roaming dogs being identified and impounded, supporting community safety outcomes. The additional activity generated through these patrols contributed to response times exceeding the 60 minute target for some urgent requests.	

	Percentage of residents rating Council's animal control service as good to excellent (2)	**Achieved (61%)**	Target >52.5% (5% increase from prior year target of 50%)	**Not Achieved 50%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 57 respondents for the year, 50% felt that Council's animal control service was good or excellent (measure of satisfaction is those that selected from a scale seven and above). 37% were dissatisfied with 13% neutral.	(2) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.
	Percentage of all known dogs registered with Council annually or owners infringed	**Achieved (100%)**	100%	**Not Achieved 99.45%**	At year-end, 10,246 of 10,303 known dogs were either registered with Council or the owner had been infringed for non-registration, resulting in a compliance rate of 99.45% against the target of 100%. While the target was not fully achieved, the result reflects a high level of compliance supported by proactive registration activities, including home visits, phone calls and follow-up investigations. The variance of 57 reflects dogs that were identified as deceased or no longer residing in the district at year end.	

Safeguarding public health	All new food control plans are inspected within 6 weeks after opening for trade	**Not Achieved (90%)**	100%	**Not Achieved 61.43%**	During 2025/26, 70 new food businesses registered with Council, of which 43 were inspected within six weeks of opening for trade, resulting in a year-end result of 61.43%. Ongoing staffing vacancies within the Environmental Health team constrained inspection capacity during the year, however priority was given to managing food safety risks while recruitment efforts continued.	
	Percentage of residents rating Council's food control service as good and excellent (2)	**Not Achieved (56%)**	≥75%	**Not Achieved 73%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 10 respondents for the year, 73% felt satisfied or very satisfied with Councils food control service (measure of satisfaction is those that selected from a scale seven and above). 19% felt dissatisfied, with 8% neutral. Note this was a small sample size across the year.	(2) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

	Percentage of licensed premises inspected annually.	**Achieved (100%)**	85%	**Achieved 97%**	During 2025-2026, 225 of the district's 235 licensed alcohol premises were inspected, achieving a result of 97% and exceeding the target of 85%. The remaining 10 premises were closed to the public for renovations during the inspection period and were therefore unavailable for inspection .	
	Percentage of residents rating Council's alcohol licensing service as good and excellent (2)	**Not Achieved (39%)**	Target >52.5% (5% increase from prior year target of 50%)	**Not Achieved 54%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 8 respondents for the year, 54% felt satisfied or very satisfied with Councils alcohol licensing service (measure of satisfaction is those that selected from a scale seven and above). 20% felt dissatisfied, with 26% neutral. Note this was a small sample size across the year.	(2) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.
Creation of Safe public premises	Percent of Buildings with a Building Warrant of Fitness (BWOF) audited	**Not Achieved (24.4%)**	25%	**Not Achieved 15%**	During 2025/26, 15% of buildings with a Building Warrant of Fitness (BWOF) were audited, compared with the target of 25%. The result was impacted by an extended vacancy in the role responsible for BWOF audits, which reduced the number of audits able to be undertaken during the year.	

Creation of Safe public premises	100% monitoring of CBD via CCTV network during peak hours. Sun - Wed 0800hrs - midnight. Thurs-Sat 0800hrs 0400hrs	**Not Achieved**	Achieve	**Not Achieved**	A review of operating hours was undertaken to ensure appropriate cover, and these differ from the stated LTP levels of service. Hours are: Sunday - Wednesday 7am - midnight Thursday 9am - 4am Friday and Saturday 7am - 4am Staffing rotations occasionally are altered, as seasonal or what's happening in the community drive need, therefore this measure is not achieved for this financial year.	

District Development

Level of service	How will it be measured ? (Measures)	Prior Year End Result 2024/25	2025/26 Target	2025/26 Year end result	Year end comment	Footnote for annual report
Support and enable growth by unlocking housing development opportunities	Number of net new dwellings	**Achieved (518)**	450	**Not Achieved 422**	A total of 422 net dwellings were constructed against a target of 450. While the target was not achieved, 422 net dwellings remain one of the highest annual results recorded for Rotorua Lakes District. This result was achieved despite reduced residential construction activity nationally, with Stats NZ reporting annual dwelling consents declined from over 50,000 in 2022 to approximately 33,500 in 2025, before beginning to recover during 2025/2026.	
Support and enable development by processing LIM requests	We will provide a Land Information Memoranda (LIM) service in the ten day statutory timeframe	**Achieved (100%)**	100%	**Not Achieved 99.75%**	Of the total 1310 Land Information Memorandum applications, 1309 were processed in the ten-day statutory timeframe for this this financial year.	

Support and enable development by processing Resource and Building consents	Percentage of non-notified resource consents processed within statutory timeframes (Land Use)	**Not Achieved (31%)**	80%	**Not Achieved 63%**	Performance improved substantially during 2025/2026, with 63% of non-notified land use resource consents processed within statutory timeframes compared with 32% in the previous year. Although the target of 80% was not achieved, the result reflects continued improvements in processing performance and staff capacity. More complex consent applications and the time required to build and maintain resourcing capacity continued to impact processing timeframes.	
Support and enable development by processing Resource and Building consents	Percentage of non-notified resource consents processed within statutory timeframes (Subdivision)	**Not Achieved (28%)**	80%	**Not Achieved60%**	Performance improved substantially during 2025/2026, with 60% of non-notified subdivision resource consents processed within statutory timeframes compared with 28% in the previous year. Although the target of 80% was not achieved, the result reflects continued improvements in processing performance and staff capacity. More complex subdivision applications and the time required to build and maintain resourcing capacity continued to impact processing timeframes.	
Support and enable development by processing Resource and Building consents	Percentage of consents processed within statutory timeframes (Building Consents)	**Achieved (98.25%)**	≥95%	**Achieved 99.1%**	Performance remained high during 2025-2026, with 99.1% of consents processed within statutory timeframes. This exceeded the target and reflected a continued focus on timely and efficient consent processing.	

Support and enable development by processing Resource and Building consents	Percentage of residents rating Council's building consents service as good and excellent (1)	**Not Achieved (31%)**	Target >52.5% (5% increase from prior year target of 50%)	**Not Achieved 39%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 23 respondents for the year, 39% felt satisfied or very satisfied with Councils building consents services (measure of satisfaction is those that selected from a scale seven and above). Note this is a small sample size across the year.	(1) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

Spaces, Places and Recreation

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 Target	2025/26 Year end result	Year-end comment	Footnote for annual report
	The number of event days that the Sir Howard Morrison Centre is occupied from total possible available days using booking information (1)	**Achieved (established baseline of 32.3%)**	Target >33.9% (5% increase from prior year baseline target of 32.3%)	**Achieved 34.5%**	Performance exceeded the target during 2025-2026, with the Sir Howard Morrison Centre occupied for 34.5% of available days. The result reflects increased community use and strong demand for the Centre's available spaces.	(1) Only the four larger commercial spaces in the SHMC have been included in the utilisation calculation and sum of attendees. Utilisation is based on a 'space day' calculation, which is the total number of potential days across the key spaces being utilised. Building maintenance bookings are excluded from the sum of 'space days' utilised and attendees. Details for events are often updated as more information becomes available. For example, actual attendance is often not available immediately after an event has been held and therefore the sum of previously reported quarterly attendance does not reconcile to the year-end value.

Creation of vibrant, energised experiences with loads of activity	The number of people attending events at the Sir Howard Morrison Centre (1)	**Achieved (established baseline of 52,331)**	Target >53,639 (2.5% increase from prior year baseline target of 52,331)	**Achieved 65,831**	Performance exceeded the target during 2025-2026, with 65,831 people attending events at the Sir Howard Morrison Centre. The result reflects strong demand for events and continued growth in attendance compared with the previous year.	(1) Only the four larger commercial spaces in the SHMC have been included in the utilisation calculation and sum of attendees. Utilisation is based on a 'space day' calculation, which is the total number of potential days across the key spaces being utilised. Building maintenance bookings are excluded from the sum of 'space days' utilised and attendees. Details for events are often updated as more information becomes available. For example, actual attendance is often not available immediately after an event has been held and therefore the sum of previously reported quarterly attendance does not reconcile to the year-end value.

Creation of vibrant, energised experiences with loads of activity	The number of event days that the Energy Events Centre is occupied from total possible available days using booking information (1)	**Achieved (established baseline of 22.9%)**	Target >24% (5% increase from prior year baseline target of 22.9%)	**Not Achieved 17.4%**	The Energy Events Centre was occupied for 17.4% of available days during 2025/26, against a target of 24%. Utilisation was affected by an extended period of facility upgrades, including significant kitchen and venue improvements, which reduced the number of days available for bookings. The year also saw increased competition for conference and event activity following the opening of the New Zealand International Convention Centre in Auckland. Despite these factors, the improvements have enhanced the facility's capability to support future events and visitor activity.	(1) Only the four larger commercial spaces in the SHMC have been included in the utilisation calculation and sum of attendees. Utilisation is based on a 'space day' calculation, which is the total number of potential days across the key spaces being utilised. Building maintenance bookings are excluded from the sum of 'space days' utilised and attendees. Details for events are often updated as more information becomes available. For example, actual attendance is often not available immediately after an event has been held and therefore the sum of previously reported quarterly attendance does not reconcile to the year-end value.

	The number of people attending events at the Energy Event Centre (1)	**Achieved (established baseline of 62,384)**	Target >63,944 (2.5% increase from prior year baseline target of 62,384)	**Not Achieved 40,991**	A total of 40,991 people attended events at the Energy Events Centre during 2025/26, compared with a target of 63,944. Attendance was influenced by reduced venue availability during a period of significant facility improvements and increased competition for conference and event activity nationally. The upgrades enhance the Centre's capability and position it to support future events and visitor activity.	(1) Only the four larger commercial spaces in the SHMC have been included in the utilisation calculation and sum of attendees. Utilisation is based on a 'space day' calculation, which is the total number of potential days across the key spaces being utilised. Building maintenance bookings are excluded from the sum of 'space days' utilised and attendees. Details for events are often updated as more information becomes available. For example actual attendance is often not available immediately after an event has been held and therefore the sum of previously reported quarterly attendance does not reconcile to the year-end value.
	The percentage of Aquatic Centre customers surveyed who are satisfied with their overall experience (2)	**Achieved (88%)**	82%	**Not Achieved 81.3%**	In-person surveys of Aquatic Centre users were conducted during quarter three (January to March 2026), with 365 responses received. Overall satisfaction was 81.3%, 0.7 percentage points below the 82% target. Feedback identified additional children's fun features and facility cleanliness as the main areas for improvement, cited by 38% and 26% of respondents respectively. Additional cleaning measures have been introduced in response to customer feedback.	(2) The customer satisfaction surveys are developed by Community Leisure Management (CLM) the Councils Aquatic Centre contractor and are conducted in person with Aquatic Centre users during quarters two and four. Overall satisfaction is measured by the percentage of customers who are satisfied with their overall experience.

	Number of customer interactions with Library core services (literacy and digital resources)	**Not Achieved (434,038)**	Target >444,400 (1% increase from prior year baseline target of 434,083)	**Achieved 468,644**	The total number of customer interactions with Library core services during the 2025–2026 financial year reached 468,644, exceeding the annual target by 5.46%.	
	Number of people participating in Library and partnership programmes and events	**Not Achieved (27,992)**	Target >31,755 (2.5% increase from prior year baseline target of 27,992)	**Not Achieved 23,699**	A total of 23,699 people participated in library and partnership programmes and events during 2025-2026, compared with a target of 31,755. Participation was lower than the previous year, largely due to reduced attendance at children's and school holiday programmes, which make up the majority of programme participation. Growth in adult and after-school programmes continued during the year; however, these programmes represent only 12% of total participation. Staffing vacancies and changes to preschool operating requirements also contributed to lower participation levels.	

Provide for and develop a sustainable open space network	The percentage of Parks Survey respondents who agree the facilities in our parks and open spaces are easily accessible (3)	**Achieved (82%)**	82%	**Achieved 85%**	In person surveys of 180 park users were completed between December 2025 to February 2026. 85% of parks survey respondents agreed the facilities in our parks and open spaces are easily accessible.	(3) Yardstick Parks Benchmarking compiled the survey, and targeting of park users occurred over the summer period December 2025 to February 2026. A total of 180 surveys were undertaken across 17 different Rotorua District Council parks and reserves. The methodology recommended for the surveys is to gather a minimum of 30 surveys per park type and/or major park (i.e. 30 per destination park and a total of 30 for other park types). This is undertaken to provide a level of confidence of 95% for the entire survey as a representative sample of users of the parks that were surveyed.

	Percentage of users very/fairly satisfied with Council's open space network (3)	**Achieved (98%)**	95%	**Not Achieved 94%**	IIn-person surveys of 180 park users were completed between December 2025 and February 2026. Overall satisfaction with Council's open space network was 94%, 1 percentage point below the 95% target. The main areas identified for improvement were additional or renewed facilities, increased shade and tree cover, and improved signage.	(3) Yardstick Parks Benchmarking compiled the survey, and targeting of park users occurred over the summer period December 2025 to February 2026. A total of 180 surveys were undertaken across 17 different Rotorua District Council parks and reserves. The methodology recommended for the surveys is to gather a minimum of 30 surveys per park type and/or major park (i.e. 30 per destination park and a total of 30 for other park types). This is undertaken to provide a level of confidence of 95% for the entire survey as a representative sample of users of the parks that were surveyed.

	The visitor experience satisfaction rating for security in open space locations (3)	**Not Achieved (92%)**	95%	**Not Achieved 93%**	In person surveys of 180 park users were completed between December 2025 to February 2026. The overall visitor experience satisfaction rating for security in open space locations was 93%. Survey results showed perceptions of safety to be the main concern generally due to anti-social behaviour.	(3) Yardstick Parks Benchmarking compiled the survey, and targeting of park users occurred over the summer period December 2025 to February 2026. A total of 180 surveys were undertaken across 17 different Rotorua District Council parks and reserves. The methodology recommended for the surveys is to gather a minimum of 30 surveys per park type and/or major park (i.e. 30 per destination park and a total of 30 for other park types). This is undertaken to provide a level of confidence of 95% for the entire survey as a representative sample of users of the parks that were surveyed.
Safety	Number of lessons in Learn to Swim School programmes per term (4)	**Not Achieved (per term 15,394; year total 61,577)**	≥18,000 per term	**Not Achieved 16,457 per term 65,826 year total**	A total of 65,826 lessons were delivered through the Learn to Swim programme during 2025/26, achieving 91% of the annual target. Although the target was not met, lesson numbers increased by 7% on the previous year and continue to recover following COVID-19 impacts and aquatic facility refurbishment disruptions.	(4) This measure is collected by Community Leisure Contractors (CLM) the Councils Aquatic Centre contractor, based on the number of enrolments over the year.

Wastewater

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 target	2025/26 Year end result	Year end comment	Footnote for annual report
Systems and adequacy	The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system. (DIA measure) (1)	**Achieved (1.28/1000 connections)**	≤ 5 / 1000 connections	Achieved 0.82 /1000 connections	Performance exceeded the target during 2025/2026, with 21 dry weather sewerage overflows recorded across 25,748 sewerage connections. This equates to 0.82 overflows per 1,000 connections, significantly below the target of fewer than 5 overflows per 1,000 connections.	(1) Dry weather sewerage overflow means sewage that escapes a territorial authority's sewerages system and enters the environment during periods of dry weather. Dry weather overflows generally indicate a specific network fault.
Discharge compliance	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents. (DIA measure) (2)	**Achieved**	0	**Not achieved (one)**	Council received one abatement notice during 2025/2026 following a treated wastewater overflow from the Rotorua Wastewater Treatment Plant into the Puarenga Stream. The overflow was caused by a delay in activating a final effluent pond pump, resulting in a discharge outside consent conditions. Clean-up activities commenced immediately and no infringement notices, enforcement orders, or convictions were received during the reporting period.	(2) The discharge compliance to the territorial authority's resource consents for discharge from its sewerage system is measured by any notice received of abatements, infringements, enforcement orders and convictions by the territorial authority in relation to those resource consents.

Fault response times	Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median attendance time from the time that the territorial authority receives notification to the time that service personnel reach the site. (DIA measure) (3a)	**Achieved (32 minutes)**	≤60 minutes	**Achieved 25 minutes**	During 2025/2026, Council attended 32 wastewater blockages and faults. The median attendance time from notification to arrival on site was 25 minutes, supporting a prompt response to wastewater network incidents and helping to minimise impacts on customers and the environment.	(3a) Sewage overflow means sewage that escapes Council's sewerage system and enters the environment. The median attendance time is measured from the time that the territorial authority receives notification to the time that service personnel reach the site.
Fault resolve times	Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the median resolution time from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault. (DIA measure) (3b)	**Achieved (79 minutes)**	≤ 180 minutes	**Achieved 87 minutes.**	During 2025/2026, 32 wastewater blockages and faults were recorded. The median time from notification to confirmed resolution was 87 minutes, reflecting Council's commitment to responding promptly to wastewater network incidents and minimising impacts on the community.	(3b) Resolution time is measured from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.

Customer satisfaction	The total number of complaints received by the territorial authority about any of the following: • sewage odour • sewerage system faults • sewerage system blockages, and • the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system (DIA measure) (4)	**Achieved odour - 4 faults - 308 blockages - 24 complaints - 6** **Total - 342 (13.36/1000 connections)**	≤30 / 1000 connections	**Achieved Odour - 9 Faults - 365 Blockages - 74 Complaints - 3 Total number: 451 Total =(17.52/1000 connections)**	Performance achieved the target during 2025/2026, with 451 customer complaints relating to the wastewater network (excluding wastewater overflows). Based on 25,748 sewerage connections, this equates to 17.52 complaints per 1,000 connections.	(4) Customer satisfaction performance measures the count of job code faults associated with odour, system faults and blockages, and the territorial authority's response to issues with its sewerage system, expressed per 1000 connections to the territorial authority's sewerage system.
Customer satisfaction	Percentage of residents that are very/fairly satisfied with Council's reliability of the wastewater service (5)	**Achieved 92%**	≥85%	**Achieved 90%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 311 respondents for the year, 90% felt fairly or very satisfied with Council's reliability of the wastewater service (measure of satisfaction is those that selected from a scale seven and above). 3% were dissatisfied, with 7% neutral.	(5) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

Stormwater

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 target	2025/26 Year end result	Year end comment	Footnote for annual report
System adequacy	The number of flooding events that occur in a territorial authority district (DIA Measure). (1)	**Achieved (zero events)**	≤ 2	**Achieved (zero events)**	There were no flooding events reported or attended to during the year that caused damage to occupied residential dwellings.	1) Flooding event means an overflow of stormwater from a territorial authority's stormwater system that enters a habitable floor. Habitable floor means a floor of a building (including a basement) but does not include ancillary structures such as stand-alone garden sheds or garages.
System adequacy	For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system) (DIA Measure).	**Achieved (zero events)**	≤ 0.5 / 1000 rated properties	**Achieved 0/1000 (zero events)**	No flooding events occurred in this financial year.	
Discharge compliance	Council's stormwater compliance with resource consents for discharge from its stormwater system measured by the number of: a. abatement notices; b. infringement notices; c. enforcement orders; d. convictions received in relation to those resource consents (DIA Measure).	**Achieved (zero)**	0	**Achieved (zero)**	No abatement notices, infringement notices, enforcement notices or convictions were received during this period.	

Response times	The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site (DIA Measure).	**Achieved (zero events)**	≤ 60 minutes	**Achieved (zero events)**	No flooding events occurred in this financial year.	
Customer Satisfaction	The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system (DIA Measure).	**Achieved (1.5/1000)**	≤ 20 / 1000 rated properties	**Achieved (1.1/1000)**	A total of 30 service requests and complaints relating to the stormwater system were received during 2025/26 from 28,378 connected properties. This equates to 1.1 complaints per 1,000 properties, significantly below the target of 20 complaints per 1,000 properties.	
Customer satisfaction	Percentage of residents that are very/fairly satisfied with Council's storm water network (2)	**Achieved 63%**	Target >52.5% (5% increase from prior year target of 50%)	**Achieved 68%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 367 respondents for the year, 68% felt fairly or very satisfied with Council's Stormwater Network (measure of satisfaction is those that selected from a scale seven and above). 10% were dissatisfied, with 22% neutral.	(2) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

Waste and Sustainability

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 target	2025/26 Year end result	Year-end Comment	Footnote for annual report
Sustainability	Reduction in the amount of waste being sent to the landfill.	**Not Achieved (222.9 kgs per capita)**	1% decrease (210.4kg per capita)	**Not Achieved 221.6kg per capita**	The amount of waste sent to landfill during 2025/2026 was 221.6kg per capita, compared with a target of 210.4kg per capita. While the target was not achieved, the result represents a slight improvement on the previous year's 222.9kg per capita. As this measure includes commercial and industrial waste streams alongside household waste, landfill volumes can be influenced by a range of factors across the district, including economic activity and waste disposal practices.	
Sustainability	Reduce the amount of rubbish/waste that is collected from kerbside collection per capita.	**Achieved (199.8kg per capita)**	≤ 210 kg / capita Per Year	**Achieved 201.5 kg per capita**	Performance achieved the target during 2025-2026, with 201.5kg of rubbish and waste collected through kerbside collections per capita. The result remained below the target of 210kg per capita, despite ongoing fluctuations in household waste volumes throughout the year.	

Compliance	Compliance with resource consent conditions at the landfill	**Achieved (100%)**	100%	**Achieved 100%**	Council achieved 100% compliance with landfill resource consent conditions during 2025-2026. No incidents were reported during the year, demonstrating effective environmental management and compliance practices at the landfill.	
Sustainability	Reducing the percentage of contaminants in kerbside recycling collection across the Rotorua District.	**Not Achieved (23%)**	<20%	**Not Achieved 23%**	The level of contamination in kerbside recycling collections remained at 23% during 2025/2026, unchanged from the previous year and above the target of less than 20%. Contamination arises from a range of factors, including confusion about recycling requirements, perceptions about the recycling system, and disposal behaviours, with contaminants ranging from garden hoses to organic waste. Council continued to promote correct recycling practices and progress initiatives such as FOGO to support improved recycling outcomes.	

Customer satisfaction	Percentage of residents that are very/fairly satisfied with Council's rubbish and recycling kerbside collection service (1)	**Achieved (85%)**	≥80%	**Achieved 85%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 392 respondents for the year, 85% felt fairly or very satisfied with Council's rubbish and recycling kerbside collection service (measure of satisfaction is those that selected from a scale seven and above). 6% were dissatisfied, with 9% neutral.	(1) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

Transportation

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 Target	2025/26 Year end result	Year end comment	Footnote for annual report
Safety	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number (DIA Measure) (1)	**Not Achieved (12)**	≤ -1 than prior year result	**Achieved -1**	There was a total of 24 fatal or serious injury crashes on the local road network during 2025-2026 (fatal crashes = 0, serious injuries = 25). This compares with 25 fatal or serious injury crashes in the previous year (fatal crashes = 3, serious injuries = 29). The result achieved the target and reflected an overall reduction in serious crash outcomes, including no fatal crashes during the year.	(1) Death and Serious Injuries (DSI) numbers may differ for the same time period due to dependency on Waka Kotahi's Crash Analysis System which is updated continuously.
Condition	The average quality of ride on a sealed local road network, measured by smooth travel exposure. (DIA Measure) (2)	**Achieved (82%)**	≥75%	**Achieved 79%**	The average quality of ride on sealed local roads was 79% during 2025-2026, exceeding the target of 75%. Although slightly lower than the previous year's result of 82%, the network continues to provide a good level of ride quality for road users. Ongoing maintenance and resurfacing programmes help maintain the condition and performance of the district's roads.	(2) Smooth Travel Exposure (STE) is a customer outcome measure indicating 'ride quality'. It is an indication of the percentage of vehicle kilometres travelled on a road network with roughness below a defined upper threshold level. The threshold varies depending on the traffic volume band and urban/rural environment of the road

Maintenance	The percentage of the sealed local road network that is resurfaced. (DIA Measure)	**Not Achieved (6.9%)**	≥7-9%	**Achieved 7.1%**	During 2025-2026, 7.1% of the sealed local road network was resurfaced, achieving the target range of 7% to 9%. This represents a slight increase from the previous year's result of 6.9% and reflects Council's ongoing investment in maintaining and renewing the district's road network.	
Condition	The percentage of footpaths within the Rotorua District that fall within the condition four (4) or better, set out in the council's asset management plan. (DIA Measure) (3)	**Achieved (99.7%)**	≥98%	**Achieved 99%**	Of the District's 3,556 footpath assets, 3,519 were assessed as being in condition 4 or better during 2025-2026, resulting in 99% of the network meeting the target of 98%. The result demonstrates that the vast majority of the district's footpaths continue to be maintained to Council's required standard, supporting safe and accessible pedestrian access.	(3) Condition 4 means that the condition of the footpath is in poor condition with condition 5 being very poor and condition 1 being excellent.

Response time	The percentage of customer service requests relating to roads and footpaths which are responded to within five (5) working days. (DIA Measure) (4)	**Achieved (92%)**	≥90%	**Achieved 97%**	During 2025/26, 97% of customer service requests relating to roads and footpaths were responded to within five working days, exceeding the target of 90%. Of the 2,270 requests received during the year, 2,210 were responded to within the target timeframe. The result reflects a high level of responsiveness to customer requests and an improvement on the previous year's result of 92%.	(4) Responded to within 5 working days is measured from the time the local authority or contractor receives notification to the time that the customer is first contacted, or the request is actioned, whichever occurs first.
Customer satisfaction	Percentage of residents that are very/fairly satisfied with Council's roading, cycleways and footpaths network (5)	**Achieved (56%)**	Target >52.5% (5% increase from prior year target of 50%)	**Not Achieved 51%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 398 respondents for the year, 51% felt fairly or very satisfied with Council's roading, cycleways and footpaths network (measure of satisfaction is those that selected from a scale seven and above). 20% were dissatisfied, with 29% neutral.	(5) The Residents Experience Monitor is conducted by independent research company Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly to a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, or they can request a paper copy. The data collection period for this report was between August 2025 and June 2026, with a total of 400 respondents.

Water

Level of service	How will it be measured? (Measures)	Prior Year End Result 2024/25	2025/26 target	2025/26 Year end result	Year end comment	Footnote for annual report
Safety of drinking water	The extent to which Council's drinking water supply complies with 4.10.1 - T3 of the Drinking Water Quality Assurance Rules (bacterial rules) (DIA Measure) (1)	**Achieved**	Achieved for all supplies	**Achieved for all supplies**	All drinking water supplied is fully compliant with the Drinking Water Quality Assurance rules. The ten treatment plants for Rotorua District are: Deep Creek, Hamurana, Mamaku, Matipo, Reporoa, Rotoiti, Rotoma, Taniwha Springs, Utuhina and Whakarewarewa.	(1) The Department of Internal Affairs updated this mandatory performance measure after the Council had published our Long term Plan, which sets our statement of service performance. The updated measure still covers the bacterial and protozoal compliance of water supplies but now is directly referenced to the relevant rules in the Drinking Water Quality Assurance Rules 2022. Our reporting is, therefore, against those rules
Safety of drinking water	The extent to which Council's drinking water supply complies with 4.10.2 - T3 of the Drinking Water Quality Assurance Rules (protozoal rules) (DIA Measure) (1)	**Achieved**	Achieved for all supplies	**Achieved for all supplies**	All drinking water supplied is fully compliant with the Drinking Water Quality Assurance Rule. Protozoal criteria has been met and is well within the maximum acceptable values.	
Safety of drinking water	The extent to which Council's drinking water supply complies with 4.11.5 - D3.29 of the Drinking Water Quality Assurance Rules (microbiological monitoring rule) (DIA Measure) (1)	**Achieved**	Achieved for all supplies	**Achieved for all supplies**	All drinking water supplied is fully compliant with the Drinking Water Quality Assurance Rules, the microbiological monitoring rule has been met.	

Maintenance of the reticulation network	The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this) (DIA Measure) (2)	**Achieved (26.1%)**	≤ 30%	**Achieved 25.5%**	Real water loss across Council's water supplies was 25.5% during 2025-2026, achieving the target of less than 30% and improving on the previous year's result of 26.1%. The result reflects the continued focus on reducing water loss through targeted interventions, infrastructure improvements, and proactive monitoring of high-risk areas of the network.	(2) This measure tracks unexplained water losses as a percentage of total water produced. These losses are calculated by deducting water sales volumes and estimated unbilled water usage from the total volume of water produced.
Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the median response times measured: attendance for urgent callouts: from the time that the local authority receives notification to the time that service personnel reach the site (DIA Measure) (3)	**Achieved (31 minutes)**	≤ 60 minutes	**Achieved 32 minutes**	During 2025-2026, 140 urgent service requests relating to faults or unplanned interruptions to the water network were received. The median attendance time from notification to arrival on site was 32 minutes, achieving the target of 60 minutes and remaining consistent with the previous year's result of 31 minutes.	(3) An urgent call-out is one that leads to a complete loss of supply of drinking water or risk of damage to persons and/or property. A non-urgent call-out is one where there is still a supply of drinking water and low risk of damage to persons and/or property. Response time is measured from the time that the local authority receives notification to the time that service personnel reach the site.

Fault resolve times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: resolution of urgent callouts: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (DIA Measure) (4)	**Achieved (82 minutes)**	≤ 210 minutes	**Achieved 107 minutes**	During 2025-2026, 140 urgent service requests relating to faults or unplanned interruptions to the water network were received. The median time from notification to confirmed resolution was 107 minutes, achieving the target of 210 minutes. While higher than the previous year's result of 82 minutes, the response remained well within the target timeframe.	(4) Response time is measured from the time that the local authority receives notification to the time that service personnel confirm resolution o the fault or interruption.
Fault response times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: attendance for non-urgent callouts: from the time that the local authority receives notification to the time that service personnel reach the site (DIA Measure) (5)	**Achieved (20 hours 3 minutes)**	≤ 2 days	**Achieved 21 hours 11 minutes**	During 2025-2026, 1,548 non-urgent service requests were received in relation to faults or unplanned interruptions to the water network. The median attendance time from notification to arrival on site was 21 hours and 11 minutes, comfortably achieving the target of less than two days and remaining consistent with the previous year's result of 20 hours and 3 minutes.	(5) Response time is measured from the time that the local authority receives notification to the time that service personnel reach the site.

Fault resolve times	In response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: resolution of non-urgent callouts: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (DIA Measure).	**Achieved (48 hours 6 minutes)**	≤ 4 days	**Achieved 29 hours 29 minutes**	A total of 1,548 non-urgent service requests were received during 2025-2026. The median response time of 29 hours and 29 minutes achieved the target and reflects Council's commitment to providing timely and reliable responses to customer service requests.	
Customer satisfaction	The total number of complaints received by the local authority about any of the following: • drinking water clarity • drinking water taste • drinking water odour • drinking water pressure or flow • continuity of supply, and • the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system (DIA Measure).	**Achieved** **78 complaints Drinking Water Clarity - 12 Drinking Water Taste - 14 Drinking Water Odour – 1 DW Pressure or Flow – 38 DW Continuity of Supply – 0 Customer Service Complaints - 14 Local Authority Response = 0.53/1000 connections**	≤ 10 / 1000 connections	**Achieved 165 complaints Drinking Water Clarity - 5 Drinking Water Taste - 7 Drinking Water Odour – 1 DW Pressure or Flow – 54 DW Continuity of Supply – 89 Customer Service Complaints - 9 Local Authority Response = 6.23/1000 connections**	A total of 165 complaints were received during 2025-2026 relating to drinking water clarity, taste, odour, pressure or flow, continuity of supply, and Council's response to these issues. This equates to 6.23 complaints per 1,000 connections, based on 26,487 properties connected to the water supply network, achieving the target of fewer than 10 complaints per 1,000 connections. While complaints increased compared with the previous year, the result remained well within the target range. The increase was largely attributable to water meter faults, corrosion, blockages and damage within parts of the network.	

Demand management	The average consumption of drinking water per day per resident within the territorial authority based on water leaving the water treatment plants in litres per capita per day (annual consumption and based on population of 25,641 connections supplied with water) (DIA Measure) (6)	**Achieved (262 litres per person per day)**	≤ 320 litres per person per day	**Achieved 273 litres per person per day**	The average consumption of drinking water in litres per person per day is calculated using: domestic monitoring metered consumption, population within the water supply areas and number of people per household within the Rotorua Lakes Council Territorial Authority. This year's result is higher than last year and is based on StatsNZ data for the RLC water supply area population of 69,130 people. There are seasonal variations and water use is usually higher during the summer months.	(6) This measure is a Department of Internal Affairs (DIA) mandatory measure to provide information on whether the water supply system is being managed to ensure demand does not outstrip capacity. Careful management of the demand fo water is an important component of integrated wate resources management to ensure that demand does not exceed capacity, that water is allocated efficiently, and that productivity is maximised.
Customer satisfaction	Percentage of residents that are very/fairly satisfied with Council's water supply service (7)	**Achieved (94%)**	Target >68.25% (5% increase from prior year target of 65%)	**Achieved 94%**	The Residents Experience Monitor is an independent survey conducted throughout the year. Of the 362 respondents for the year, 94% felt fairly or very satisfied with Council's water supply service (measure of satisfaction is those that selected from a scale seven and above). 2% were dissatisfied, with 4% neutral.	(7) The Residents Experience Monitor is conducted by independent research compan Key Research on behalf of Rotorua Lakes Council. Invitations are sent quarterly t a randomly selected group of residents from the electoral roll. Invitation letters provide a QR code for respondents to take part in an online survey, o they can request a paper copy. The data collection period for this report was between Augus 2025 and June 2026, with a total of 400 respondents.