



Te Kaunihera-ā-Rohe o Taratahi

**CARTERTON**  
**DISTRICT COUNCIL**

# **AGENDA**

## **Extraordinary Council Meeting**

**Date: Wednesday, 9 July 2025**

**Time: 9:00 am**

**Location: Carterton Events Centre  
50 Holloway St  
Carterton**

Mayor R Mark

Deputy Mayor S Cretney

Cr B Deller

Cr R Cherry-Campbell

Cr S Laurence

Cr G Ayling

Cr L Newman

Cr S Gallon



**Notice is hereby given that an Extraordinary Meeting of Council of the Carterton District Council will be held in the Carterton Events Centre, 50 Holloway St, Carterton on:**

**Wednesday, 9 July 2025 at 9:00 am**

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## **Order Of Business**

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## 1 KARAKIA TIMATANGA

*Mai i te pae maunga, raro ki te tai*

*Mai i te awa tonga, raro ki te awa raki*

*Tēnei te hapori awhi ai e Taratahi.*

*Whano whano, haramai te toki*

*Haumi ē, hui ē, tāiki ē!*

## 2 APOLOGIES

## 3 CONFLICTS OF INTERESTS DECLARATION

## 4 PUBLIC FORUM

## 5 DISCUSSION OF THE PUBLIC FORUM

## 6 YOUTH COUNCIL VIEWS ON AGENDA ITEMS

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## 7 REPORTS



### 7.1 LOCAL WATER DONE WELL - JOINT WAIRARAPA & TARARUA WATER SERVICES ENTITY

#### 1. PURPOSE

To provide Council with an update on negotiations regarding a joint Wairarapa - Tararua Water Services Council Owned Organisation (WSCOO) negotiations and consider adopting the Joint Wairarapa - Tararua WSCOO as the preferred approach for the future delivery of Water Services for the Carterton District.

#### 2. SIGNIFICANCE

The matters for decision in this report are considered to be of significance under the Significance and Engagement Policy. Consultation with the community was undertaken on these matters during March and April 2025, and Hearings and Deliberations were completed in May 2025.

Overall, 70.4% of respondents (100 responses) supported the Councils' preferred option of a joint Wairarapa – Tararua WSCOO, while 29.6% of respondents (42 responses) preferred the Stand-Alone Carterton Water Services option.

#### 3. BACKGROUND

Council concluded the Local Water Done Well (LWDW) Hearings with a resolution to progress a joint Wairarapa – Tararua WSCOO Water Services Delivery Plan. Councils' resolution also noted the following items were to be considered as part of negotiations:

- a. a prohibition on price standardisation between current territorial authority boundaries for a period of no less than 10 years, and
- b. a limit of the maximum amount of debt Councils can transfer to the joint WSCOO based on a consistent measure (e.g. debt / revenue ratio), and
- c. a limit on, or ringfencing of, each Councils capital requirements relative to that districts ability to fund capital repayments, and
- d. fair representation on the Shareholder Council, based on the number of water user connections, and
- e. an expectation that Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa are represented on the Shareholder Council.

The Mayor and the Chief Executive have been progressing negotiations with the other Councils on the key terms in establishing a joint WSCOO. These include:

- Governance and Director appointments

- Shareholdings and Voting
- Reserved Matters
- Non-Harmonisation and other Constitutional elements.

The key terms do not include the specifics of the new Wairarapa – Tararua WSCOO e.g. when it will be established and operating, the transition plan for each Council, Director and staff appointments, and the preferred office and depot locations etc. These details will be developed over time, and after the Department of Internal Affairs (DIA) has approved the joint Water Services Delivery Plan (WSDP).

#### 4. KEY TERMS

##### Governance

It has been agreed that the proposed joint entity will be Council Owned Organisation – essentially a limited liability company – but with access to the Local Government Funding Agency (LGFA) borrowing facilities, with a greater borrowing capacity of up to 500% debt to revenue ratio. The WSCOO will be both legally and structurally separate from each of the four participating Councils, although a parent Council guarantee will be required for borrowing from the LGFA.

The WSCOO will have a Board of Directors – likely to be a minimum of seven directors, with the Chair and Deputy appointed by the Board themselves. The legislation requires the Board to be appointed based on skills, without defining what those skills are.

Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa have been clear they both expect to have a right of appointment for two WSCOO Board Directors. These Directors will need to be assessed against the Board skills matrix that other WSCOO Directors are measured against. All Director appointments need to be approved by the Shareholder / Stakeholder Council.

The WSCOO will be responsible for delivering water services, and refreshing the Water Services Strategy at regular intervals over time. The WSCOO will have a guiding Constitution, setting out the powers and responsibilities of the Board of Directors, as well as any limitations to these powers (e.g. limiting the harmonisation of price and debt across the four Council districts).

The WSCOO will also be responsible for delivering the outcomes set out in the Statement of Expectations – the key document on how shareholders inform and instruct the WSCOO operations.

A Shareholder / Stakeholder Council will oversee the activities of the WSCOO, appointing and removing Directors, approving the Statement of Expectations and monitoring compliance with standards, and Council performance targets. The Shareholder / Stakeholder Council will be made up of six representatives - one representative appointed from each of the four Councils, and one representative each from Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa.

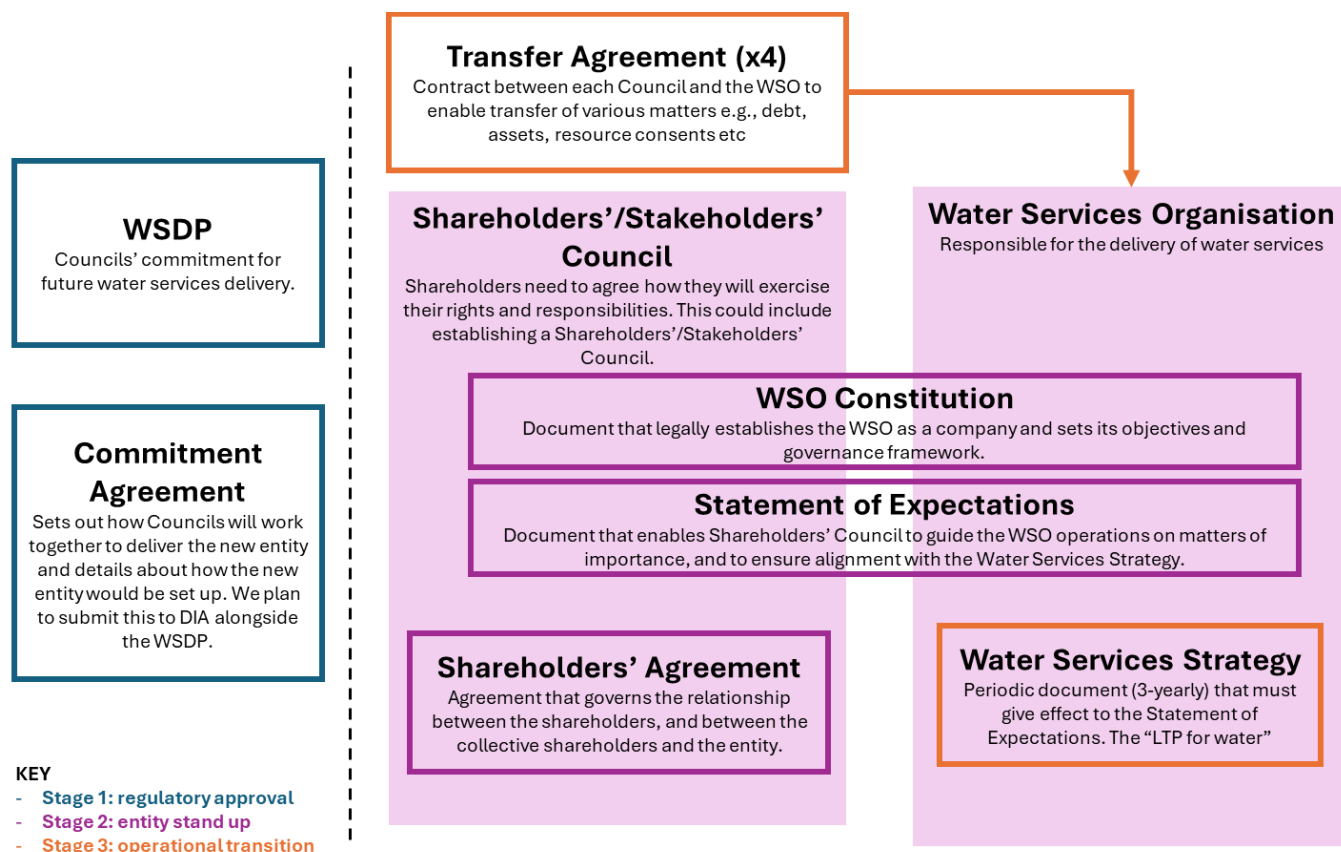
The participating Councils will enter into a Commitment Agreement allowing the joint WSDP to be developed and submitted to the DIA for approval. Once the WSDP is approved by the DIA, the four Councils will finalise the establishment and transition plan, which will include each Council completing a Transfer Agreement. The Transfer Agreement will detail the assets, liabilities, revenue, billing, staff, and supplier contracts and services that will transfer from Councils to the WSCOO, along with the timeframes for each.

The combination of the Commitment Agreement and the Transfer Agreement will determine the transition timetable; urgent and less urgent priorities; the order in which

services will transfer, and ultimately the Go-Live date. The participating Councils have agreed that the very last date for Go- Live of the WSCOO can be no later than 1 July 2027.



A diagram of the proposed Governance arrangements is set out below.



*The proposed governance structure*

### Shareholding and Voting

The preferred method of allocating shares to the four participating Councils is based on connected water services customers. Using this methodology shares would be allocated on the following basis.

- 40% Masterton District Council
- 27% Tararua District Council
- 20% South Wairarapa District Council
- 13% Carterton District Council.

Traditionally a shareholding in a company confers voting rights, and rights to future dividends. However, using shareholding as the mechanism for voting rights effectively excludes Iwi stakeholders, as they are not a shareholder in the traditional sense.

Having agreed the representation on the Stakeholder Council as six persons, the preferred solution for voting is to allocate one vote for each organisation – 6 votes in total. In conjunction with this approach, the recommendation also includes a prohibition on the payment of dividends for a period of time – probably linked to the ban on harmonisation.

A key point around voting on the Stakeholder Council is the threshold that needs to be achieved for various decisions. The three voting thresholds are:

1. Simple majority – 51% of votes pass a resolution.
2. Super majority – 75% of votes pass a resolution.
3. Unanimous - 100% of votes pass a resolution.

When considering the decisions that the Stakeholder Council will be required to make, and one vote per organisation, the following is proposed for the Stakeholder Council:

- Adoption of reports is through a simple majority vote.
- Appointment and removal of Directors is a simple majority vote.
- Adoption of the Statement of Expectations requires a super majority vote.

### **Reserved Matters**

While the Stakeholder Council will undertake most of the engagement with the WSCOO, some matters will need to be referred back to individual Councils for consideration. These are referred to as Reserved Matters. The list of Reserved Matters must include some decisions specified in the Companies Act.

Reserved matters will include things like:

- Makeup of the Stakeholder Council.
- Voting arrangements for the Stakeholder Council.
- Adoption of the Statement of Expectations.
- Granting of debt guarantees.
- Issuing or cancelling of shares.
- Winding up of the WSCOO.

The thresholds for decision making on these matters is proposed to be as follows:

- Adoption of the Statement of Expectations requires a super majority using Council shareholdings.
- Changes to the WSCOO Constitution requires a super majority using Councils shareholdings.
- Changes to the non-harmonisation rules within the first nine years requires a unanimous vote of all four councils.
- Changes to the non-harmonisation rules after the first 9 years requires a super majority using Council shareholdings.

### **Non-Harmonisation**

One of the key elements of the joint WSCOO proposal is how we combine the different aged assets, liabilities, revenues and capital demands of each Council, in a manner that is fair to all connected water users.

The term “non-harmonisation” or non-standardisation refers to a proposed ban on aligning customer pricing for a period of time. Non-harmonisation of pricing, and debt, can be used to balance the different starting positions each Council has with their water services.

The LWDW legislation does not require, nor prohibit, the use of a non-harmonisation principles in joint Water Services agreements. However, officers note the proposed Local Government (Water Services) Bill - sometimes referred to as Bill 3 - provides the Commerce Commission powers to override a WSCOO pricing structure where this is considered detrimental to the financial or investment sustainability, or restricts the provision of acceptable water services. While Bill 3 has not yet been enacted, it is possible the Commerce Commission could override a core principle in a WSCOO Constitution, despite shareholder agreements.

If any Council is billing water charges based on the capital value of property (i.e. not volumetric), the proposed Bill 3 also requires the standardisation of pricing tariffs within five years. Masterton District Council currently uses property capital values to charge for water services, while the other three Councils use volumetric charging. Under the proposed Bill 3 legislation, these charges will need to be moved away from property capital values within the first five years of operation.

Any non-harmonisation agreement needs to be long enough to allow for efficiency gains to take effect, and for the WSCOO to review the proposed capital plans to ensure they are fit-for-purpose. However, the non-harmonisation period cannot be so long that there is little point in joining the combined WSCOO.

Similar to Council Long-Term Plans, the Water Services Delivery Plan needs to be refreshed every three years. Given this, any non-harmonisation period should be designed to fit with the WSDP refresh cycle. The preferred non-harmonisation period is 9 years – being three WSDP refresh cycles.

In order to ensure that changes to non-harmonisation are enshrined as a founding doctrine, it is proposed the WSCOO Constitution is amended to include these principles. Furthermore, it is proposed that any changes to the non-harmonisation principles within the first 9 years require a unanimous decision of all four Councils.

This does not preclude the Board of the WSCOO recommending that Councils reconsider the ban on non-harmonisation, where there is a compelling case for it e.g. where the Wairarapa – Tararua WSCOO merges with another WSCOO, and the removal of non-harmonisation benefits all customers.

Non-Harmonisation is expected to include both price (customer water charges) and debt. Ringfencing both price and debt will by default also ringfence the capital requirements for each District. The proposal is for ringfencing (non-harmonisation) for at least 9 years, after which time the Board of the WSCOO would be responsible for making changes to pricing structures. The Board of the WSCOO is expected to engage with both the Councils and affected customers on the proposed changes, although practically speaking after nine years only Masterton could veto the change (holding more than 25% of the vote).

## 5. SUMMARY

Councils' resolution to undertake negotiations on a joint Wairarapa – Tararua WSCOO, whilst having regard to the CDC's bottom lines, has been completed as far as possible. Key elements of the agreement include:

- (i) a prohibition on price and debt harmonisation between current territorial authority boundaries for 9 years, unless all Councils agree to waive this, and
- (ii) representation on the Shareholder / Stakeholder Council, based on one vote, one organisation, and
- (iii) Representation for both Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa are represented on the Shareholder / Stakeholder Council and the WSCOO Board, and
- (iv) Reserved Matters decisions for Councils only, using shareholdings based on the number of water user connections.

A summary of the key terms and conditions is included as **Attachment 1**.

## 6. NEXT STEPS

Both Carterton District Council and Masterton District Council are yet to confirm participation in the Wairarapa – Tararua Water Services Council Owned Organisation. Both Councils are scheduled to meet and consider confirming participation on 9 July 2025. South Wairarapa and Tararua District Councils have already formally resolved to join the WSCOO.

In parallel with the Councils decisions we are developing a joint Water Services Delivery Plan. This joint WSDP will need to be adopted by each Council in August, before being signed by the four Council CEOs and submitted to the Department of Internal Affairs for consideration before 3 September 2025.

We anticipate the DIA will take until the end of the calendar year to consider and approve the WSDP. We expect that the DIA may have questions or require clarification on aspects of our joint WSDP. These will be handled as required, but may not be minor or inconsequential. The proposed joint WSCOO is a significant change for the participating Councils, and we anticipate there will be questions about non-harmonisation, in particular.

Staff will then begin work on the transition and establishment of the proposed Wairarapa-Tararua WSCOO, which will include amongst other things:

- Creation of a new legal entity
- Appointment of interim directors
- Establishment of banking arrangements
- Transfer of seed funding from the four Councils
- Developing the timetable for transition
- Confirming the priority order of transition (who and what goes first)
- Determining the operating systems, data processes and corporate technology platforms.
- Confirming staff transition processes, including an establishment team and establishment CEO.

We anticipate that confirming the Go Live date is likely to be one of the last things that is determined in the transition plan. It may be mid-2026 before the actual Go Live date can be confirmed.

Once the transition phase is complete, the entity will move into the Establishment phase, which will involve the transfer of data, staff, contracts, services and responsibilities to the WSCOO, on a stepped milestone process.

The amount of work required, and the number of decisions required to separate water services from the four District Councils cannot be underestimated. The proposed Go-Live date of 1 July 2027 (being two years away) will present a challenge to fully transfer to all four Councils water services to the new entity.

## 7. CONSIDERATIONS

### 7.1 Climate change

The transfer of water services to a new entity will drive benefits for our communities and our environment with an increasing focus on water use through volumetric charging and water meter installation. More efficient water use not only reduces energy consumption through less pumping and reticulation, but also reduces the demand for chemical supplies used in water treatment.

New national regulatory standards for wastewater discharges are also being introduced, which may provide more streamlined pathways for obtaining consents for wastewater discharges. The environmental effects of these new national standards on our aquifers, waterways, and on the climate generally are less clear.

## **7.2 Tāngata whenua**

Tāngata whenua were engaged during the consultation process, made submissions and spoke to their submission at the Hearings.

Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa have been represented at the LWDW Advisory Oversight Group meetings held with the four Council governance representatives. Carterton was represented at these meetings by Mayor Mark and Councillor Deller.

Negotiations have been undertaken with the Council CEOs with a recent invitation extended to Iwi CEOs to participate. Due to diary conflicts this joint meeting has not yet occurred.

Recommendations include Iwi representation on the Shareholder / Stakeholder Council, with a proposal for two Iwi appointed WSCOO Board Directors.

## **7.3 Financial impact**

The Local Government (Water Services Preliminary Arrangements) Act 2024 requires Council to ring-fence water services revenues exclusively for the provision of water services. At present CDC funds up to 10% of urban water services from general rates. This funding allocation will need to be amended regardless of joining a WSCOO or continuing with an In-House operation. The change will require amendment the Revenue and Financing Policy following a period of public consultation. This could be done either when consulting on a Long-Term Plan amendment, or when Council next refreshes the LTP in 2026/27.

The high-level cost of establishment of the WSCCO is estimated at \$5.0m which is proposed to be shared equally between participating Councils, meaning Carterton's share would be \$1.25m. This funding is not included in the 2025/26 Annual Plan budgets, which could be perceived as pre-determination.

It is anticipated the need for establishment costs will be phased over the next two years. Officers recommend Carterton's share of establishment costs is funded from borrowing (new lending), and that this debt is transferred to the WSCCO along with other assets and liabilities at go-live.

Separation of water services from other Council activities will result in overhead costs which were previously recovered against waters activities, no longer being recovered. These are referred to as stranded overheads. Based on the 2024/25 budgets, the anticipated value of stranded overheads will be \$968,289 p.a. These costs will need to be eliminated or minimised through organisational change, or recovered against other Council activities e.g. Transportation, Community Services etc.

Officers note that following the transfer of assets and liabilities to the WSCOO, the remaining Council organisation would have a very low, or near-zero, debt position.

## **7.4 Community Engagement requirements**

Consultation was undertaken on two LWDW options in accordance with the Special Consultative Procedure in Section 83 of the Local Government Act 2002. Council undertook hearings for those wishing to speak to their submissions, considered the communities feedback, and deliberated. Following this process Council resolved to progress with the development of a joint Wairarapa-Tararua Joint Water services Council Owned Organisation.

## 7.5 Risks

The establishment of the Wairarapa – Tararua joint Water Services COO is dependent on high quality engagement with other Councils and Iwi participants. Even after obtaining commitments, the risk remains that new information, or misinformation, comes to light which risks overturning a Council's decision to participate. This risk will be managed through frequent and professional communication and early intervention on issues, both real and perceived.

The WSDP must be submitted to the DIA for approval before 3 September 2025. The risk is that the quality of information submitted is insufficient for the DIA to consider and approve the WSDP. We are mitigating this risk through the use of professional advisors who are quality checking our information and plans, and also by using standard DIA templates for the WSDP data.

Establishment costs estimates may not be accurate. The high-level estimate of \$5m, shared equally amongst the four Councils may be insufficient to establish the entity appropriately. In this case further seed capital contributions would be required from the four participating Councils. The mitigating factor here is that additional funding would be loan funded and transfer to the WSCOO at Go- Live, along with other waters related debt.

Debt funding for the WSCOO may be unavailable, or less than expected. We have engaged with the LGFA throughout this process and shared joint financial information and guiding principles (e.g. non-harmonisation) with them. The LGFA has indicated a grace period of up to 5 years for the new WSCOO's to meet the financial covenants (Debt / Revenue / FFO to Revenue / Interest Cover). Additionally, the LGFA considers that the combined capital plans of the Wairarapa – Tararua WSCOO (including a revised SWDC capital plan) will remain within the 500% debt to revenue ratio, assuming some price increase to balance the FFO / Revenue ratio.

Key personnel risks remain. The extended period of uncertainty around water services has not helped with employee retention. Additionally, contractors and suppliers are seeking work - as we found with our Wastewater headworks tender – with some major capital projects on hold pending LWDW decisions. Finalising our Council's position on LWDW will help provide some security for key personnel.

Other, less critical risks are present and will be encountered in the development and establishment of a joint Wairarapa - Tararua WSCOO. These risks are being managed accordingly by Officers, and will be escalated to Governance as required.

## 7.6 Wellbeings

The Governments' Local Water Done Well policy platform seeks to ensure communities have consistently safe drinking water supplies, and effective and efficient wastewater and stormwater systems.

The Governments' proposed economic regulation regime seeks to ensure revenue earned from water services is exclusively used for the provision of water services. Furthermore, economic regulation seeks to encourage that sufficient investment is made to maintain and upgrade water services, while ensuring prices remain affordable.

Along with Councils' continued support and investment in water services in the Carterton District, the Government changes further support improved community wellbeings.

**8. RECOMMENDATIONS**

That the Committee:

- a) **Receives** the report.
- b) **Endorses** Carterton District Council participation in a joint Wairarapa – Tararua Water Services Council Controlled Organisation
- c) **Notes** the key terms have been negotiated with other Councils as outlined in **Attachment 1**.
- d) **Approves** unbudgeted expenditure of up to \$1,250,000 as Carterton District Councils ¼ share of transition and establishment costs.
- e) **Notes** the unbudgeted expenditure will be capitalised, funded from borrowing and transferred to the WSCOO at Go-Live, with other Council debt.
- f) **Delegates** authority to the Chief Executive Officer to sign the relevant documents to establish the Wairarapa – Tararua WSCOO including amongst other things Companies Office, Banking authorities and LGFA borrower documentation.
- g) **Instructs** the Chief Executive Officer to cease development of a stand-alone Water Services Delivery Plan as a backup option.

**File Number:** 466894

**Author:** Geoff Hamilton, Chief Executive

**Attachments:** 1. Terms sheet - Wairarapa Tararua WSO [↓](#)



## Wairarapa Tararua Water Services Organisation

Issue	Agreement between Councils
<b>General</b>	
Principles to guide establishment and transition decision making	<p>These principles will be included in the Commitment Agreement to guide the establishment of the Water Services Organisation:</p> <ul style="list-style-type: none"> <li>• Deliver long-term benefits to the region (recognising these benefits take time to accrue) <ul style="list-style-type: none"> <li>○ Efficient operational delivery</li> <li>○ Affordable water services</li> <li>○ Adequate investment in infrastructure through time</li> <li>○ Financially resilient and sustainable</li> <li>○ Partnership with mana whenua</li> </ul> </li> <li>• Manage shorter-term transition impact on individual shareholding communities and Councils <ul style="list-style-type: none"> <li>○ Manage any cost/price changes</li> <li>○ Ensure transparency in transition pathways</li> <li>○ Maintain service continuity and reliability for customers and minimise staff disruption</li> <li>○ Manage financial and/or operating risk for Councils</li> </ul> </li> <li>• Ensure statutory and regulatory compliance <ul style="list-style-type: none"> <li>○ Operate within statutory planning and accountability framework</li> <li>○ Meet DIA and Commerce Commission financial sustainability and pricing requirements</li> <li>○ Meet regional Council and Taumata Arowai environmental standards</li> </ul> </li> <li>• Where possible, provide flexibility in the design for the new entity and Councils to adapt to changing circumstances over time.</li> <li>• Recognise the independence of the new entity and provide it with the autonomy to make decisions necessary for success</li> <li>• Keep it simple, with straightforward arrangements easy for the community to understand.</li> </ul>
<b>Governance and oversight</b>	
Shareholder forum	<ul style="list-style-type: none"> <li>• Councils agree to establish a Shareholders' Forum as the basis for coordinating the shareholder activity and for the four Councils to exercise their shareholding rights and responsibilities.</li> </ul>
Mana whenua participation	<ul style="list-style-type: none"> <li>• Councils agreed that mana whenua will be members of the Shareholders' Forum (while not shareholders) to give effect to Councils' commitment to partner with mana whenua in oversight of the water organisation.</li> <li>• <b>[This point is under continued discussion by Councils]</b> Mana whenua will have rights to appoint two members to the Water Services Organisation Board under the same appointment process as all Board members. All members of the Board are subject to the skills requirements in the skills matrix.</li> </ul>
Size and composition of shareholder forum	<ul style="list-style-type: none"> <li>• Total membership will be 6 members – 1 member from each Shareholding Council and 1 each from Rangitāne and Ngāti Kahungunu.</li> </ul>
Size and composition of Water Services Organisation Board	<ul style="list-style-type: none"> <li>• Water Services Organisation will have a flexible Board size of five to seven members.</li> </ul>
Board member appointment term and reappointment	<ul style="list-style-type: none"> <li>• Initial Directors appointments terms will be varied to enable staggering of replacements and to enable appointment of initial Directors with entity start-up experience.</li> </ul>





	<ul style="list-style-type: none"><li>After the initial directors, general appointments will be for three-year terms, with up to two possible reappointment terms. Reappointment is subject to a formal process.</li><li>Reappointment beyond three terms will be at the Shareholders’ Council discretion but expected to be on an exceptional basis e.g., to retain an essential specialist skill set.</li></ul>																		
Board skills requirements	<p>The Constitution will include the following skills requirements for the Water Services Organisation Board:</p> <ul style="list-style-type: none"><li>Governance and senior leadership experience</li><li>Experience in utilities and infrastructure industries, preferably water</li><li>Commercial and financial expertise, including Director(s) with relevant qualifications to chair an Audit and Risk Committee</li><li>Understanding of the relevant public accountability, legislative and regulatory context</li><li>Asset management experience</li><li>Commitment to partnership and upholding the Treaty of Waitangi, tikanga and te ao Māori</li><li>Knowledge and experience in te ao Maori and te taiao Maori and Treaty of Waitangi principles and implementation</li><li>Strong understanding and commitment to the four communities the organisation serves</li><li>Commitment to strong stakeholder management with the four Shareholding Councils</li></ul>																		
Decision making framework for key decisions involving shareholding councils	<table><tr><th>Decision</th><th>Decision making mechanism</th><th>Decision making threshold</th></tr><tr><td colspan="3">Issues relating to governance and governing documents</td></tr><tr><td>Appointment of Directors (including Chair)</td><td><ul style="list-style-type: none"><li>Decision by Shareholders’ Forum (Councils plus iwi)</li><li>One Council, one vote</li><li>One vote per iwi representative</li></ul></td><td>Simple majority (i.e., &gt;50% of votes cast)</td></tr><tr><td>Approving Statement of Expectations</td><td><ul style="list-style-type: none"><li>Statement developed by Shareholders’ Forum (Councils plus iwi)</li><li>Decision to issue the SOE to the Water Servies Organisation will be made by Shareholder members of the Shareholders’ Forum</li><li>One Council, one vote</li></ul></td><td>Special majority (i.e., 75% votes cast)</td></tr><tr><td>Monitoring performance</td><td><ul style="list-style-type: none"><li>Decision by Shareholder Forum (Councils plus iwi)</li><li>One Council, one vote</li><li>One vote per iwi representative</li><li>Note Shareholders still receive reports as a shareholding right</li></ul></td><td>Simple majority (i.e., &gt;50% votes cast)</td></tr><tr><td>Changes to the Constitution (all matters except pricing review)</td><td><ul style="list-style-type: none"><li>Recommendation by the Board</li><li>Decision by Shareholders with voting based on a shareholding basis at either</li></ul></td><td>Special majority (i.e., 75% votes cast)</td></tr></table>	Decision	Decision making mechanism	Decision making threshold	Issues relating to governance and governing documents			Appointment of Directors (including Chair)	<ul style="list-style-type: none"><li>Decision by Shareholders’ Forum (Councils plus iwi)</li><li>One Council, one vote</li><li>One vote per iwi representative</li></ul>	Simple majority (i.e., >50% of votes cast)	Approving Statement of Expectations	<ul style="list-style-type: none"><li>Statement developed by Shareholders’ Forum (Councils plus iwi)</li><li>Decision to issue the SOE to the Water Servies Organisation will be made by Shareholder members of the Shareholders’ Forum</li><li>One Council, one vote</li></ul>	Special majority (i.e., 75% votes cast)	Monitoring performance	<ul style="list-style-type: none"><li>Decision by Shareholder Forum (Councils plus iwi)</li><li>One Council, one vote</li><li>One vote per iwi representative</li><li>Note Shareholders still receive reports as a shareholding right</li></ul>	Simple majority (i.e., >50% votes cast)	Changes to the Constitution (all matters except pricing review)	<ul style="list-style-type: none"><li>Recommendation by the Board</li><li>Decision by Shareholders with voting based on a shareholding basis at either</li></ul>	Special majority (i.e., 75% votes cast)
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Appointment of Directors (including Chair)	<ul style="list-style-type: none"><li>Decision by Shareholders’ Forum (Councils plus iwi)</li><li>One Council, one vote</li><li>One vote per iwi representative</li></ul>	Simple majority (i.e., >50% of votes cast)																	
Approving Statement of Expectations	<ul style="list-style-type: none"><li>Statement developed by Shareholders’ Forum (Councils plus iwi)</li><li>Decision to issue the SOE to the Water Servies Organisation will be made by Shareholder members of the Shareholders’ Forum</li><li>One Council, one vote</li></ul>	Special majority (i.e., 75% votes cast)																	
Monitoring performance	<ul style="list-style-type: none"><li>Decision by Shareholder Forum (Councils plus iwi)</li><li>One Council, one vote</li><li>One vote per iwi representative</li><li>Note Shareholders still receive reports as a shareholding right</li></ul>	Simple majority (i.e., >50% votes cast)																	
Changes to the Constitution (all matters except pricing review)	<ul style="list-style-type: none"><li>Recommendation by the Board</li><li>Decision by Shareholders with voting based on a shareholding basis at either</li></ul>	Special majority (i.e., 75% votes cast)																	



	Shareholder Forum or Councils	
<b>Issues of community interest</b>		
Review of cost-to-serve/price harmonisation	<p>For nine years:</p> <ul style="list-style-type: none"> <li>Recommendation by Board</li> <li>Decision by Councils</li> </ul> <p>After nine years:</p> <ul style="list-style-type: none"> <li>Include review point after nine years to reconsider the issue and whether the cost to serve principle should be removed from the pricing principles in Constitution</li> <li>Decision at this review point made by Councils on a shareholding basis, with advice to be provided by the Board</li> <li>If cost to serve principle removed, any future decision on the issue would be a Board decision from year 10 onwards</li> </ul>	<p>Unanimous agreement (for nine years)</p> <p>Special majority (i.e., 75% votes cast) for review point</p>
<b>Issues relating to shareholding</b>		
Shareholder entry	<ul style="list-style-type: none"> <li>Recommendation by Board and Shareholder Forum based on a proposal for entry</li> <li>Shareholder entry principles would apply</li> <li>Decision by Councils</li> </ul>	Unanimous agreement
Shareholder exit	<ul style="list-style-type: none"> <li>Recommendation by Board and Shareholder Forum based on a proposal for exit</li> <li>Shareholder exit principles would apply</li> <li>Decision by Councils</li> </ul>	Unanimous agreement
New share issue to existing shareholders (i.e., company request for new funding)	<ul style="list-style-type: none"> <li>Board decision to request funding from shareholders</li> <li>Decision by Councils to decide to grant funding</li> <li>Details need to be worked through on implications of Council decisions at the time of any request</li> </ul>	Each Council makes its own decision
<b>Other issues</b>		
Selected major transactions	<ul style="list-style-type: none"> <li>Major transactions (e.g., by value of \$100m or greater) will be subject to consideration by shareholders</li> <li>Decision by Shareholder Forum on shareholding basis</li> </ul>	Special majority (i.e., 75% votes cast)



	<div>Ceasing operations of the company</div> <div><ul style="list-style-type: none"><li>Recommendation by Board and Shareholder Forum</li><li>Decision by Councils</li></ul></div> <div>Special majority (3 out of 4 Councils)</div>
Shareholder role in Water Services Strategy and Annual Budget	<div><ul style="list-style-type: none"><li>Shareholders will not approve the Water Services Strategy or Budget. Their role will focus on the development and approval of the Statement of Expectations</li></ul></div>
Ownership	
Share allocation	<div><ul style="list-style-type: none"><li>Shareholding will be allocated based on network connections.</li></ul></div>
Shareholder entry	<div>The Shareholders’ Agreement will include the following principles in relation to future shareholder entry:</div> <div><ul style="list-style-type: none"><li>Shareholders are open to considering admission of new shareholders</li><li>Proposal from a potential shareholder would be considered by the Board of Directors and recommendation made to the Shareholders’ Forum who could approve/not approve the admission or recommend to the four Councils to approve/not approve</li><li>New shareholders’ shareholding will be determined using the same valuation method as used by the original shareholders</li><li>The terms of transfer of assets for a new shareholder shall not be more favourable to the new shareholder than to the original shareholders</li><li>As part of the decision to admit a new shareholder, the existing shareholders will consider necessary changes to ensure appropriate iwi participation for the larger service area</li><li>As part of the decision to admit a new shareholder, the existing shareholders will undertake a review to agree any changes to the company Constitution and Shareholders’ Agreement</li><li>The addition of a new shareholder must not worsen the Water Organisation’s financial position or forecast financial position, or result in the Water Organisation failing to meet its regulatory obligations to be financially sustainable</li><li>Each party will bear its own costs of a new shareholder joining</li><li>An appropriate timeline and transition plan will be developed (with at least one year’s lead time) and agreed by the Board and Shareholders’ Forum</li></ul></div>
Shareholder exit	<div>The Shareholders’ Agreement will include the following principles in relation to shareholder exit:</div> <div><ul style="list-style-type: none"><li>It will be possible for a shareholding Council to exit from the water services organisation and implement a new operating model</li><li>A detailed exit plan will be developed and agreed between the Board and Shareholders’ Forum (with a three-year time period between notification and exit)</li><li>As part of the decision for a Shareholder’s exit, the existing shareholders will undertake a review to agree any changes to the company Constitution and Shareholders’ Agreement</li><li>The exit of a new shareholder must not worsen the Water Organisation’s financial position or forecast financial position, or result in the Water Organisation failing to meet its regulatory obligations to be financially sustainable</li><li>Other principles to be developed for: treatment of assets, joint assets, consideration, stranded assets or liabilities, transactions costs</li></ul></div>
Pricing and financial sustainability	
Pricing principles	<div>The Constitution will include the following principles in relation to pricing:</div> <div><ul style="list-style-type: none"><li>Transparency between pricing and investment requirements</li><li>Engagement with communities in setting or changing pricing</li><li>Managing/smoothing the transition impact of any changes to pricing</li></ul></div>



	<ul style="list-style-type: none"> <li>Balancing affordability for customers with investment and financial sustainability requirements</li> <li>Consideration of distributional impacts of pricing decisions</li> <li>Initial adoption of cost-to-serve approach, with review point after nine years</li> </ul>
Price harmonisation	<ul style="list-style-type: none"> <li>Councils agree to ringfence pricing for nine years to respond to Council and community concerns (i.e., each jurisdiction will operate on a cost-to-serve basis)</li> <li>Every three years (i.e., in line with the LTP cycle), the Board could provide a case to Shareholders to consider amending the pricing, should it choose to do so (with the decision sitting with Shareholders as requiring unanimous agreement)</li> <li>The Board's case to shareholders should include consideration of the factors: <ul style="list-style-type: none"> <li>Demonstrate there is sufficient reliable information available about future investment requirements to provide reliable and transparent estimates of costs to ratepayers</li> <li>Consider the impact of any proposed changes on each shareholder's ratepaying population (including distributional impacts within and between Council districts)</li> <li>Consider other benefits and costs of the new proposed approach relative to current approach (e.g., impact on operating costs/efficiencies for the entity)</li> <li>Consider whether other compensatory measures could be put in place to manage any significant impact (if any) on subsets of ratepayers.</li> </ul> </li> <li>After nine years, the issue will be reconsidered. If the cost-to-serve principle is removed from the Constitution at this point, the issue becomes the responsibility of the Board and no longer a matter for Council decision.</li> </ul>
Debt transfer	<p>Councils agree to the following principles in relation of transfer of debt to the Water Services Organisation:</p> <ul style="list-style-type: none"> <li>Debt that can be identified by Councils as water-related debt will transfer to the new entity, subject to key exceptions</li> <li>Debt incurred by the shareholding Councils in relation to the establishment and transition to the new entity from the date of submission of the WSDP to DIA will be transferred to the Water Services Organisation</li> <li>Cost effective transfer of debt from each Council to the Water Services Organisation will take place over a few years as tranches of debt mature and hedging is unwound</li> <li>Interest costs incurred by Councils on waters debt after the Water Services Organisation is established (and the revenue is flowing into the Water Services Organisation) will be reimbursed to the Councils by the Water Services Organisation. (Note debt that remains with Councils over the transition period is looked through by LGFA for covenant purposes and assumed to be held by the Water Services Organisation for financial sustainability purposes)</li> <li>For the nine-year period of price harmonisation, each council's guarantee/support of the Water Services Organisation is based on the actual debt outstanding for their jurisdiction</li> <li>At nine years (or at the point when the Board proposes harmonization), the Board is required to provide advice to the shareholders on proposed allocation of guarantee/support based on the Water Services Organisation's financial position</li> </ul>



	<ul style="list-style-type: none"><li>• Assumption would be that any reallocation of the guarantee would default to shareholding, unless Board proposed an alternative approach.</li><li>• (Note that in the situation of a majority shareholder, the LGFA or lenders would typically treat the majority shareholder as the guarantor)</li></ul>
Dividends	<ul style="list-style-type: none"><li>• The Water Services Organisation would not pay dividends to Shareholding Councils for at least the first 9-12 years. The future possibility should be retained/not ruled out to encourage commercial discipline by the Board and management.</li><li>• Initial priority is for surpluses, if any, generated, to be used by the Board to either reduce costs to consumers or bring forward necessary investment.</li></ul>

## 8 KARAKIA WHAKAMUTUNGA

*Kia whakairia te tapu*

*Kia wātea ai te ara*

*Kia turuki whakataha ai*

*Kia turuki whakataha ai*

*Haumi ē, hui ē, taiki ē*