

Agenda for a meeting of the Water Governance Board meeting to be held in the Te Piringa Board Room, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 20 FEBRUARY 2019** commencing at **10.00am**.

Information and recommendations are included in the reports to assist the Committee in the decision making process and may not constitute Council's decision or policy until considered by the Committee.

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GJ Ion
CHIEF EXECUTIVE

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	19 November 2018
Prepared by	Wanda Wright Committee Secretary
Chief Executive Approved	Y
Reference #	GOV1303
Report Title	Confirmation of Minutes

1. EXECUTIVE SUMMARY

To confirm the minutes of a meeting of the Water Governance Board held on Friday 16 November 2018.

2. RECOMMENDATION

THAT the minutes of a meeting of the Water Governance Board held on Friday 16 November 2018 be confirmed as a true and correct record of that meeting.

3. ATTACHMENTS

WGB Minutes

MINUTES of a meeting of the Water Governance Board Meeting of the Waikato District Council held in the Te Piringa Board Room, District Office, 15 Galileo Street, Ngaruawahia on **FRIDAY 16 NOVEMBER 2018** commencing at **10.33am**.

Present:

Ms R Schaafhausen (Chair)
Mr G Dibley
Mr GJ Ion
Mr D Wright

Attending:

Mr I Cathcart (General Manager Service Delivery)
Mrs W Wright (Committee Secretary)
Ms C Nutt (Project Manager)

APOLOGIES AND LEAVE OF ABSENCE

All members were present.

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Mr Dibley/Mr Wright)

THAT the agenda for a meeting of the **Water Governance Board Meeting** held on **Friday 16 November 2018** be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 5 which shall be discussed with the public excluded;

AND THAT all reports be received;

AND FURTHER THAT the Board resolves that the following item be added to the agenda as a matter of urgency as advised by the Chairperson;

- **Central Government Initiatives (Public Excluded)**

AND FURTHER THAT in accordance with **Standing Order 9.4** the order of business be changed with **Agenda item 5 [Public Excluded]** be considered after **Agenda item 4.2 [Watercare Project Plan]**.

CARRIED on the voices

WGB1811/01

DISCLOSURES OF INTEREST

It is noted that Mr Dibley is a Board Member of Water New Zealand.

It is noted that Mr Wright is the Chair of Wellington Water Limited.

REPORTS

Role of the Board

Agenda Item 4.1

The report was received [WGB1811/01 refers] and discussion was held. The following additions were made to the role of the Board:

- **Monitor and consider customer satisfaction in decision making**
- **Look at future opportunities to implement technological and/or innovative practices**
- **To ensure compliance with legislation and government direction**
- **Be aware of changes in regulation and industry practice**

Watercare Project Plan

Agenda Item 4.2

The report was received [WGB1811/01 refers] and discussion was held. The Board identified that the project plan was fine for the meantime but that further thought would be required before contract negotiations were entered into.

EXCLUSION OF THE PUBLIC

Agenda Item 5

The report was received [WGB1811/01 refers].

Resolved: (Ms Schaafhausen/Mr Ion)

THAT the public be excluded from the meeting during discussion on the following items of business:

REPORTS

a. Social Franchise

Reason for passing this resolution to withhold exists under:

Section 7(2)(b)(ii)

Ground(s) under section 48(1) for the passing of this resolution is:

Section 48(1)(a)(ii)(d)

b. Update on Discussions with Watercare

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	February 2019
Chief Executive Approved	Y
Reference/Doc Set #	GOV1318
Report Title	Delegations

I. EXECUTIVE SUMMARY

Whilst the role of the Waters Governance Board has been defined and was discussed at the November meeting, the delegations to the Waters Governance Board have not been confirmed yet. The Council has asked that the Board shape these delegations for adoption by Council.

2. RECOMMENDATION

THAT the report from the Chief Executive be received;

AND THAT the following delegations for the Waters Governance Board be confirmed and forwarded to Council for consideration:

- To agree the form of the transactional arrangement with Watercare
- To negotiate with Watercare and recommend to Council the final contract value for waters management
- To conclude the contract (after Council approval of contract value) and terms and conditions with Watercare
- To ensure that the arrangement with Watercare is operational by 1 July 2019 with any residual elements timetabled and noted
- To hold the contractor to account for their performance at all levels
- To monitor and oversee the performance of staff and Watercare in terms of the water activity
- To consider and ensure improvements or innovation are implemented by Watercare or management as appropriate
- Approve changes to the operation of the contract with Watercare
- Develop strategies to improve contractual performance or to improve business practices
- Develop an annual works programme (operating and capital) and submit to council for final approval
- To set and maintain high standards of health & safety practices
- To set and maintain standards of ethics and corporate behaviour

- **To consider development opportunities for the Waters business**
- **Define and set levels of service for waters management now and in the future**
- **Be accountable for the financial performance of the contract and operation**
- **Develop plans to improve the overall resilience of the waters networks**
- **Implement and monitor the risk management framework for the waters management and activity**
- **Ensure kaitiakitanga and environmental outcomes are key decision making considerations for the Board**
- **Approve the annual and half yearly financial statements**
- **Review the Board composition, structure and succession and make recommendations to council on these matters.**

3. BACKGROUND

The Board will have to oversee the transition from Council operating its water activity to the overall operation being run by Watercare on behalf of Council. Asset ownership will remain with Council. This means the Board will have tangible functions and responsibilities to ensure a smooth transition and then to oversee the operation and management of the contract.

To operate in the way intended by Council, the Waters Governance Board needs to be empowered through delegations that enable independence and progress to be made in terms of the Watercare contract. This report explores what those delegations might look like and is intended to start a discussion that will shape a report to council to adopt delegations.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

The role of the Board is as follows:

- Provide governance and oversight of the development and implementation of the Council contract with Watercare. Current thinking is that this will take the form of a social franchise but the Board will need to consider this.
- Ensuring the activity goals are clearly established, and strategies are in place for achieving them
- Establishing policies for strengthening the performance of the water activity including ensuring management and the contractor are proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital
- Monitoring the performance of management
- Ensuring high standards of health & safety are maintained by management and the contractor and undertaking appropriate due diligence
- Deciding on whatever steps are necessary to protect the Council's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken

- Ensuring the water activity's financial statements are true and fair and otherwise conform with law
- Ensuring the water activity adheres to high standards of ethics and corporate behaviour
- Ensuring the water activity has appropriate risk management/regulatory compliance policies in place
- Looking to improve environmental outcomes from this activity
- To consider kaitiakitanga as part of decision making
- Monitor and ensure Watercare are meeting their obligations
- Report to Council twice yearly on progress with water management
- Provide innovation and ideas that could improve profitability, service levels or environmental outcomes
- Hold Watercare to account over the delivery of the operational and capital programmes
- Work with Council to agree the overall funding requirements of the business
- Any other matters considered relevant by the Board or referred to the Board by council.

To fulfil this role, the Board will need extensive delegations including:

- To agree the form of the transactional arrangement with Watercare
- To negotiate with Watercare and recommend to Council the final contract value for waters management
- To conclude the contract (after Council approval of contract value) and terms and conditions with Watercare
- To ensure that the arrangement with Watercare is operational by 1 July 2019 with residual elements timetabled and noted
- To hold the Watercare to account for their performance at all levels
- To monitor and oversee the performance of staff and Watercare in terms of the water activity
- To consider and ensure improvements or innovation are implemented by Watercare or management as appropriate
- Approve changes to the operation of the contract with Watercare
- Develop strategies to improve contractual performance or to improve business practices
- Develop an annual works programme (operating and capital) and submit to council for final approval
- To set and maintain high standards of health & safety practices
- To set and maintain standards of ethics and corporate behaviour
- Define and set levels of service for waters management now and in the future
- Be accountable for the financial performance of the contract and operation
- Develop plans to improve the overall resilience of the waters networks
- Implement and monitor the risk management framework for the waters management and activity
- Ensure kaitiakitanga and environmental outcomes are key decision making considerations for the Board
- Approve the annual and half yearly financial statements
- Review the Board composition, structure and succession and make recommendations to council on these matters
- To consider development opportunities for the waters business.

It is expected that following Council approval of the contract value, the Board will manage any changes to the contract.

4.2 OPTIONS

The Board will need to consider this draft list of delegations and decide whether to accept, amend or delete elements of them. Once the Board has agreed the list of delegations, these should be submitted to council for final approval.

This report was originally considered in November and deferred until the Board had a better understanding of the role.

One addition has been made that relates to considering development opportunities for the waters business. This would cover the situation if the Board was considering buying or acquiring new assets or a new water or wastewater network.

5. CONSIDERATION

5.1 FINANCIAL

Budgets will need to be drafted and agreed with council in light of the ability to raise the necessary funds through rates.

5.2 LEGAL

Schedule 7 clause 32 (1) of the Local Government Act 2002 specifies that Council may delegate any of its responsibilities, duties or powers except:

32 Delegations

- (1) *Unless expressly provided otherwise in this Act, or in any other Act, for the purposes of efficiency and effectiveness in the conduct of a local authority's business, a local authority may delegate to a committee or other subordinate decision-making body, community board, or member or officer of the local authority any of its responsibilities, duties, or powers except—*
- (a) *the power to make a rate; or*
 - (b) *the power to make a bylaw; or*
 - (c) *the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan; or*
 - (d) *the power to adopt a long-term plan, annual plan, or annual report; or*
 - (e) *the power to appoint a chief executive; or*
 - (f) *the power to adopt policies required to be adopted and consulted on under this Act in association with the long-term plan or developed for the purpose of the local governance statement; or*
 - (g) *[Repealed]*
 - (h) *the power to adopt a remuneration and employment policy.*

The overall value of the Watercare contract will trigger the requirement for Council to approve the financial commitment. This is a significant transaction in terms of Council's Significance & Engagement Policy. For this reason, Council consulted with the public through the LTP process about the proposed arrangement with Watercare.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

Council has met its obligations to consult through the LTP process in relation to the waters Governance Board and the proposed arrangement with Watercare.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

(Ascertain if the Significance & Engagement Policy is triggered or not and specify the level/s of engagement that will be required as per the table below (refer to the Policy for more detail and an explanation of each level of engagement):

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Tick the appropriate box/boxes and specify what it involves by providing a brief explanation of the tools which will be used to engage (refer to the project engagement plan if applicable).</i>	The scale of this change and the nature of the assets involved have made this a significant transaction which has been consulted on in the 2018-28 LTP.				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
	✓		Internal
			Community Boards/Community Committees
			Waikato-Tainui/Local iwi
			Households
			Business
			Other Please Specify

This report seeks to empower the Board to take ownership and accountability for the water activity.

6. CONCLUSION

The Board is being asked to consider how it can deliver the identified roles and responsibilities through effective delegations. The discussion will help to determine the opportunity for independence and value to be added by the Board.

7. ATTACHMENTS

Nil.

Open Meeting

To	Waters Governance Board
From	Gavin Ion Chief Executive
Date	13 February 2019
Chief Executive Approved	Y
Reference #	GOV1301
Report Title	Summary of discussions between the Chairs of the Waters Governance Board and Watercare Board

1. EXECUTIVE SUMMARY

This report summarises the discussions held between the Chairs of the Waters Governance Board and Watercare Board. The discussions established the need for the two Boards to meet and agree on a Memorandum of Understanding that lays out values and principles of the two parties.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. BACKGROUND

Discussions were held between the Chairs of the Waters Governance Board and Watercare Board on Tuesday 5 February. The Chief Executive was also in attendance.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

WGB Strategic Objectives

Gavin outlined the strategic objectives (efficiency, affordability, customer outcomes, economies of scale, Managing growth, safe water, Iwi co-management, capability, whole of catchment view and regulatory compliance). Margaret noted there were no huge surprises in these objectives.

Margaret explained this was not about Watercare expanding. This was more about the extension of an existing arrangement. It is not about “price gouging” (Margaret’s words) as

this would be inconsistent with the way the Auckland Act is written (“lowest cost provider”). WSL’s objectives are:

- Auckland Council wants Watercare to look at new revenue and efficiency opportunities
- To explore options to generate more revenue
- Generating more revenue enables Watercare to strengthen their balance sheet
- Watercare has a social license to operate (I think this means a desire to support and develop the water industry in NZ)
- Watercare already has a presence in the Waikato (through the existing arrangement with Council and through water being taken from the Waikato Region)
- This arrangement would support and embed Watercare as part of the Waikato and cement the water access
- A successful pilot between WSL and WGB would be good for NZ Inc. and reflect well on both parties
- Watercare would expect a return but a reasonable return.

Strategic Issues

Ruku outlined that the Board was concerned about pricing (how would this be developed particularly if the arrangement was phased in), the term of the arrangement (2, 3, 5 years for a standard contract, up to 35 years for a franchise) and that asset ownership would remain with council. We discussed these items with Margaret suggesting Mike Stanton might do some work around pricing. Margaret also acknowledged that Watercare understood that the assets would always remain with Council. The term would depend on the nature of the contract but should also be subject to KPIs. If Watercare don’t perform, Margaret would expect the contract to be terminated.

MOU

Ruku explained the view of the WGB was that before we could discuss a contract we needed to understand the values and principles of WSL and the WGB. This led to a discussion and agreement to get the two boards together. This has been planned for 26 February (Ruku, Garth & Gavin confirmed, David unavailable) facilitated by Mike Stanton.

Margaret said that she had been told the MOU was to slow down or stop the arrangement proceeding. Ruku and Gavin both stated this was not the case.

Contractual Discussion

Gavin discussed the transition process to full implementation. He suggested we were aiming for 80% in place by 1 July and the remaining 20% over the subsequent two years (Margaret referred to this as “continuous improvement” rather than “deferred perfection”). Margaret suggested that the ultimate contract would need to ensure that it allowed for the impact of any reform discussions (that would necessitate a change in direction) and that it would facilitate other councils or partners joining should that be an option.

Next steps

Meeting with Watercare Board on 26 February.

4.2 OPTIONS

This report is for information only. No decisions are being requested.

5. CONSIDERATION

5.1 FINANCIAL

There are no financial considerations at this time.

5.2 LEGAL

The proposed Memorandum of Understanding will provide a legal framework for future discussions.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

This discussion is helping to shape a negotiation strategy for the forthcoming contract process with Watercare.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

(Ascertain if the Significance & Engagement Policy is triggered or not and specify the level/s of engagement that will be required as per the table below (refer to the Policy for more detail and an explanation of each level of engagement):

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Tick the appropriate box/boxes and specify what it involves by providing a brief explanation of the tools which will be used to engage (refer to the project engagement plan if applicable).</i>	This report is for information only. It is not considered significant at this stage. The overall contract will be significant.				

State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
			Internal
			Community Boards/Community Committees
			Waikato-Tainui/Local iwi (provide evidence / description of engagement and response)
			Households
			Business

	✓		Watercare
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6. CONCLUSION

This report is for information only. It is to allow the Board to be brought up to speed.

7. ATTACHMENTS

N/A

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	11 February 2019
Prepared by	Wanda Wright Committee Secretary
Chief Executive Approved	Y
Reference	GOV1301
Report Title	Exclusion of the Public

I. EXECUTIVE SUMMARY

To exclude the public from the whole or part of the proceedings of the meeting to enable the Board to deliberate and make decisions in private on public excluded items.

2. RECOMMENDATION

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable the Board to deliberate and make decisions on the following items of business:

REPORTS

a. Discussions with Watercare Board

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(b)(i)(ii)(i)

Section 48(1)(3)(d)

b. Te Kauwhata Water Association

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(b)(i)(ii)(i)

Section 48(1)(3)(d)

3. ATTACHMENTS

Nil