



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Late Items

Council Meeting Agenda

Thursday, 7 August 2025

9.00am

Council Chamber

28-32 Ruataniwha Street

Waipawa

Order Of Business

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7 REPORT SECTION

7.3 STATEMENT OF PROPOSAL - CLASS 4 GAMBLING AND BOARD VENUE POLICY

Author: Logan McKay, Community Safety & Compliance Manager

Authoriser: Lisa Harrison, Director - Regulatory & Customer Experience

Attachments: 1. **Statement of Proposal - Class 4 Gambling and Board Venue Policy**



PURPOSE

To seek Council approval to adopt the attached Statement of Proposal which sets out the process and options for consultation to review Council's Class 4 Gambling and Board Venue Policy.

RECOMMENDATION(S)

That Council:

1. **Adopts the Statement of Proposal (attached) which sets out the process and options for consultation to review Council's Class 4 Gambling and Board Venue Policy.**
2. **Notes the public consultation period will be between 29 August 2025 and 31 October 2025, and hearings will be held in February/March 2026.**

EXECUTIVE SUMMARY

This report recommends Council adopt the attached Statement of Proposal which sets out the process and options for consultation to review Council's Class 4 Gambling and Board Venue Policy (the policy). This is in accordance with the Special Consultative Procedure (SCP) outlined in Sections 83 and 87 of the Local Government Act 2012, section 102 of the Gambling Act 2003 and section 96 of the Racing Act 2020.

As a territorial authority, Council is required to adopt a Class 4 Venue Policy under Section 101 of the Gambling Act 2003. This policy must specify whether Class 4 venues may be established in the district, where they may be located, and may include restrictions on the number of gaming machines and provisions for venue relocation.

Additionally, Section 96 of the Racing Industry Act 2020 requires Council to adopt a Board Venue Policy for the district, which governs the establishment of TAB venues. This policy is combined with the Class 4 Gambling Venue Policy.

As part of this policy review, an updated policy name is proposed, substituting the word "Board" for "TAB" to make the title clearer and easier to understand by the public. This will be used for the consultation process - "Class 4 Gambling and TAB Venue Policy".

Council may set limits on the number of gaming machines at new venues. However, it cannot require existing venues to reduce the number of machines they are lawfully operating. Council may also determine the location of new venues and choose to include a relocation policy for existing venues.

Council last reviewed the policy in 2021, and it is now due for review.

The preferred option in the Statement of Proposal includes:

- no new machines or venues will be consented.
- when a venue closes, it cannot be replaced.

- there will be no relocation or merging of pokie licences.
- no standalone TAB venues will be consented.
- no new TAB venues will be established within licenced premises.

The attached Statement of Proposal and the draft Class 4 Gambling and TAB Venue Policy are planned to be publicly notified on 29 August 2025.

The draft Class 4 Gambling and TAB Venue Policy will be provided as a late attachment to support the consultation process. This will initiate the submission process under the SCP. consultation period will be between 29 August 2025 and 31 October 2025. Following this, the hearings process will be conducted post-election and has been tentatively set for February/March 2026.

Option One – Sinking Lid is the preferred option for consultation as a long-term harm minimisation approach that reduces exposure to gambling by preventing any future increase in venue or machine numbers.

BACKGROUND

Council is required under the Gambling Act 2003 and the Racing Industry Act 2020 to review and consult on its Class 4 Gambling and Board Venue Policy every three years.

The current Class 4 Gambling and Board Venue Policy was adopted in 2021. It is now due for review.

Officers initiated the review process in late 2024. In conducting the review, Council must consider the social impacts of gambling within the district and balance the need to permit responsible gambling with the obligation to minimise harm.

The Class 4 Gambling and Board Venue Policy governs gambling using electronic gaming machines (EGMs) outside casinos. These machines may only be operated by corporate societies, and net proceeds must be used for authorised community purposes.

Under Section 101 of the Gambling Act, Council must:

- specify whether Class 4 venues may be established in the district and, if so, where.
- optionally set limits on the number of gaming machines per venue.
- consider including a relocation policy, which allows existing venues to move premises without losing their gaming machine entitlements.

A corporate society must apply for Council consent to:

- establish a new Class 4 venue.
- increase the number of machines at an existing venue (subject to statutory limits).

The Department of Internal Affairs regulates the operation, administration, and funding distribution of gaming machines.

Under the Gambling Act 2003 venues licensed on or before 17 October 2001 may operate up to 18 machines. Venues licensed after that date may operate a maximum of 9 machines.

Currently, Central Hawke's Bay has two Class 4 venues, both licensed before 17 October 2001, meaning each may operate up to 18 machines.

Under Section 96 of the Racing Industry Act 2020, Council must also adopt a Board Venue Policy (with the name of the policy proposed to be updated to TAB Venue Policy). This policy must

specify whether new TAB venues may be established in the district and, if so, where. Council must also consider the social impact of gambling when adopting or reviewing this policy.

Central Hawke's Bay has two TAB venues, both operating within licensed premises, one in Waipukurau and one in Waipawa. There are no standalone TAB venues in the district.

Council, at its [workshop](#) on 27 March 2025, gave general feedback on the Statement of Proposal and review of the Class 4 Gambling and Board Venue Policy.

Following this, officers have progressed by preparing the supporting consultation materials, including the draft Class 4 Gambling and TAB Venue Policy (which will be provided as a late attachment).

This report recommends the adoption of the attached Statement of Proposal which sets out the process and options for consultation for review of Council's Class 4 Gambling and Board Venue Policy. The review responds to:

- the requirement under section 102 (5) of the Gambling Act 2003 which requires a territorial authority to review a policy within 3 years after the policy is adopted and then within 3 years after that review and each subsequent review is completed.
- consistency with regional practice: Councils in neighbouring districts, including Hastings and Napier, have adopted similar sinking lid provisions.
- aligned with public feedback: Engagement in 2021 and 2024 showed strong local support for stricter controls. This included submissions and commentary from schools, budgeting advisors, healthcare professionals, and community organisations working with at-risk whānau
- new and emerging evidence shows elevated deprivation, limited access to specialist services, and a disproportionately high impact from gambling losses relative to community returns. Reducing machine availability over time is the most effective mechanism for reducing exposure and related harm.

DISCUSSION

The revised Class 4 Gambling and Board Venue Policy aims to:

- reduce gambling-related harm,
- ensure policy settings reflect community wellbeing and expectations, and
- provide a balanced approach that recognises both the risks and returns associated with gambling activity in Central Hawke's Bay.

It also responds to local concern about the concentration of gambling venues, the disproportionate burden of harm on low-income whānau, and the limited access to local support services.

Relevant Considerations

Key factors driving this review include:

- **Local gambling expenditure:** Between 2021 and 2023, over \$7 million was lost on Class 4 machines in CHB. Only a small proportion of this (~20%) was returned to local groups via grants, with the majority benefiting recipients outside the district.
- **Deprivation and vulnerability:** 46% of CHB residents live in high-deprivation areas (decile 8–10). The district also has a high proportion of Māori residents (~30%) and limited access to specialist gambling harm services, increasing risk and compounding inequities.

- **Venue concentration:** All 36 gaming machines in CHB are concentrated in two venues located in Waipukurau's town centre, within close proximity to social housing, youth services, and welfare agencies.
- **Public and stakeholder feedback:** Engagement in 2021 and 2024 demonstrated strong public support for harm minimisation measures, including tighter restrictions on machine numbers and venue relocation.

Research and Supporting Evidence

This Statement of Proposal has been developed through a detailed review of class 4 gambling activity in Central Hawke's Bay between 2021 and 2023. It draws on territorial gambling expenditure data from the Department of Internal Affairs, grant distribution records from the two operating trusts in the district (We Care Community Trust and Grassroots Trust Central Limited), and regional harm statistics reported by sources such as Health NZ, BayBuzz, and Problem Gambling Foundation.

Additional contextual insights were drawn from community engagement activities undertaken in 2021 and 2024. This captured feedback from residents, educators, health providers, budgeting services, and social workers.

These insights were supported by demographic and deprivation data from Stats NZ and the NZ Deprivation Index, highlighting the elevated vulnerability to gambling harm in areas like Waipukurau East and Pōrangahau. This evidence base has directly informed the development of policy options and the recommended sinking-lid approach, ensuring that the proposal is grounded in the lived reality of gambling impacts in CHB and reflects a balanced, harm minimisation-focused response.

Options for Consultation

The below table sets out a summary of the options for the review of the Class 4 Gambling and Board Venue Policy.

Option 1: "Sinking Lid" is the preferred option for a long-term harm minimisation approach that reduces exposure to gambling by preventing any future increase in venue or machine numbers.

Option	Summary
Option 1 – Sinking Lid (preferred option)	<p>This option prevents any increase in the number of pokie venues or machines in the district. No new venues or machines are permitted. Existing venues are allowed to continue operating under current conditions, but if a venue closes or surrenders its licence, it cannot be replaced. Relocations and mergers are not permitted. Over time, this will result in a gradual reduction in the total number of machines and venues. It is a long-term harm minimisation approach that reduces exposure to gambling without affecting currently licensed operators unless they choose to exit.</p> <p>This option would prohibit any standalone TAB venues and would restrict any further TAB venues from establishing within a licenced premise in CHB.</p>
Option 2 – Status Quo	<p>This option maintains the current rules. There is a set cap on the total number of machines allowed in the district, and any proposals to relocate or merge venues are assessed on a case-by-case basis by Council. The policy does not proactively reduce machine numbers but allows for some flexibility within the existing policy. It maintains the current level of exposure to gambling and preserves the existing operating environment for venue owners.</p> <p>This option restricts TAB Venues in CHB to only those that are within a current licenced premise and meet the District Plan zoning requirements. It does not allow standalone TABs establishing in CHB.</p>

Option 3 – Less Restrictive	This option relaxes the current controls. It would allow for new venues or additional machines to be approved and make it easier for operators to apply for relocations or mergers. It would also relax the current controls around where you could establish TAB venues. This approach increases the potential for gambling growth in the district. It provides more flexibility for business development and expansion but may also increase exposure to gambling in the community. Council's role would shift toward managing growth rather than minimising it.
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Comparison of Class 4 Gambling and Board Venue Policy Options

The below table sets out a comparison of the consultation options in the attached Statement of Proposal.

Impact Area	Option 1 – Sinking Lid (Preferred)	Option 2 – Status Quo	Option 3 – Less Restrictive
Gambling harm	Reduces harm by gradually phasing out machines in high-risk areas.	Maintains current exposure; no reduction in harm.	Increases risk of harm, especially for vulnerable groups.
Community wealth	Limits future losses; more money stays local over time.	CHB continues to lose ~\$1.6M/year, with <25% returned.	Losses may grow; no guarantee of local funding return.
Support services	Aligns with CHB's lack of local addiction services.	Offers no change despite limited access to help.	Increases pressure on already limited regional services.
Equity and vulnerability	Protects Māori and low-income communities disproportionately affected.	Maintains inequities in harm and access.	Expands availability in already high-risk communities.
Public support	Strongly aligned with community feedback and consultation.	Mixed views; some support but lacks momentum.	Not supported by recent community engagement.
Policy simplicity	Simple, clear, and enforceable.	Complex, case-by-case decision-making.	Harder to manage and justify consistently.

Early Engagement

Early external engagement has been carried out with key stakeholders including health providers, educators and budgeting services. Feedback has been considered and reflected in the options presented in the Statement of Proposal.

During this early engagement, key stakeholders have expressed concern about the ongoing harm that gambling is having in our district.

Consultation Process

The proposed consultation will run from 29 August to 31 October 2025, and will include:

- public notification via the Council website, social media, local media, and print materials.
- access to the Statement of Proposal.
- a formal submission process.
- public hearings for submitters who wish to present their views.
- targeted engagement with youth, rural communities, older persons, and businesses.

Council recognises the need to balance harm reduction goals with the interests of the business community, and the consultation process is designed to hear all views and concerns before any final decisions are made

STRATEGIC ALIGNMENT

The Class 4 Gambling and Board Venue Policy directly supports our strategic outcomes by demonstrating leadership in community wellbeing and proactively addressing community-related harm. By prioritising public safety, especially for vulnerable groups, it fosters trust within our community.

The review of the Class 4 Gambling and Board Venue Policy takes into consideration the [Economic Growth Strategy Refresh](#), [Community Wellbeing Strategy 2021-2031](#) and [Social Development Strategic Framework 2022-2027](#).

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's [Significance and Engagement Policy](#), this matter has been assessed as significant due to its potential impacts on community wellbeing, public safety, and local businesses.

Consultation is required on changes to the Class 4 Gambling and Board Venue Policy, in accordance with the Sections 83 and 87 SCP under the Local Government Act 2012, and section 102 of the Gambling Act 2003.

OPTIONS/ ANALYSIS

Two possible options available to the Council are shown in the table below.

	<u>Option 1</u> Adopt the Statement of Proposal (attached) which sets out the process and options for consultation to review Council's Class 4 Gambling and Board Venue Policy	<u>Option 2</u> Do not adopt the Statement of Proposal (attached) and request officers to undertake additional work ahead of consultation
Financial and Operational Implications	There will be costs involved for undertaking public consultation, communications, and hearings. These have been appropriately budgeted for within existing operating budgets.	There will be further operational costs on top of the process that is budgeted for undertaking public consultation, communications, and hearings.
Long Term Plan and Annual Plan Implications	There are no obvious implications.	There are no obvious implications.
Promotion or Achievement of Community Outcomes	Supports our community outcomes by fostering a safe, vibrant district where businesses thrive and communities stay strong and connected.	Still promote community outcomes, however we are limited by the current policy settings in place.
Statutory Requirements	Council must comply with the Local Government Act 2002, the Gambling Act 2003 and the Racing Industry Act 2020.	Council must comply with the Local Government Act 2002, the Gambling Act 2003 and the Racing Industry Act 2020.
Consistency with Policies and Plans	Is consistent with policies and plans.	Is somewhat consistent with policies and plans.

RISK ASSESSMENT AND MITIGATION

If Council does adopt the statement of proposal, there is no risk in meeting statutory timelines to meet the requirements for reviewing the Class 4 Gambling and Board Venue Policy.

If the Council chooses not to adopt the Statement of Proposal and instead asks officers to do more work before starting consultation, the current policy will remain in effect. This is because section 102(6) of the Gambling Act 2003 allows the existing policy to continue.

DELEGATIONS OR AUTHORITY

The Council has the delegated authority.

COMMUNICATION

The consultation process for the review of the Class 4 Gambling and Board Venue Policy is expected to generate public and stakeholder interest, particularly given the potential long-term impact on gambling venues and associated community funding. Preferred option one, sinking lid, reflecting a harm minimisation approach, may raise questions from venue operators, community groups, and the wider public regarding funding and access to lawful gambling.

Council will need to ensure clear, balanced, and evidence-based communication to explain the purpose of the review, the rationale behind the proposed changes, and how the community can have their say.

Consultation is set for 29 August and will close on 31 October 2025. This allows for an extended consultation period of eight weeks, giving the public more time to provide feedback.

A communication plan will be implemented to support the consultation process, including:

- public notices on the Council website, social media platforms, and in local newspapers.
- direct outreach to key stakeholders, including iwi partners, Police, health and social service providers, venue operators, and grant recipients.
- media releases to local and regional outlets outlining the consultation process and encouraging submissions.
- website/social pinpoint page set up with key information e.g. links to the Statement of Proposal, draft Class 4 Gambling and TAB Venue Policy, submission/feedback form, frequently asked questions.

This approach ensures transparency, encourages community participation, and enables a wide cross-section of the public and stakeholders to contribute to the final policy direction.

NEXT STEPS

Please refer to the table below for the upcoming steps, including the process and associated timeframes.

Step	Date
Public consultation opens	29 August 2025
Submissions close	31 October 2025
Hearings	February/March 2026
Council decision	April 2026

Following adoption of the attached Statement of Proposal, officers will prepare and implement the public consultation process. This will include finalising communication materials and Council's website content, opening the formal submission period, arranging public hearings (if required), and

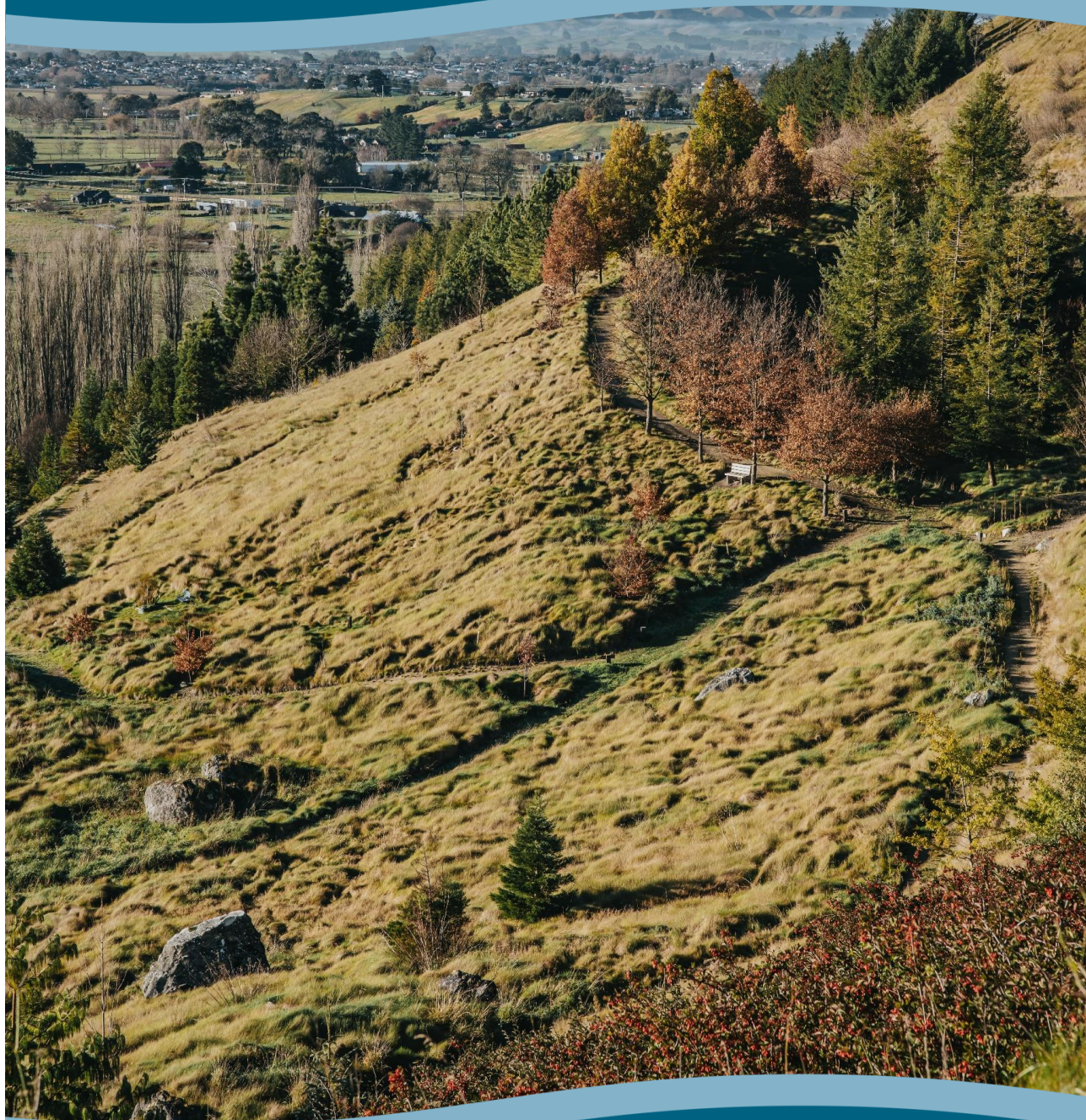
preparing a report back to Council with consultation feedback and recommendations on changes to the Class 4 Gambling and Board Venue Policy.

Officers will continue engaging with key stakeholders, including licensed premises, network of networks and community organisations to raise awareness of the review.



Draft Class 4 Gambling and TAB Venue Policy

Adopted:
Review:



Introduction

The Gambling Act 2003 requires every territorial authority in New Zealand to adopt a Class 4 Gambling Venue Policy. In addition, under the Racing Industry Act 2020, territorial authorities must also adopt a TAB Venue Policy that outlines its approach to TAB venues operated by TAB NZ¹. In Central Hawke's Bay district, these two policies are combined into a single document: the Class 4 Gambling and TAB Venue Policy (formally known as Class 4 Gambling and Board Venue Policy).

This policy sets out whether new gambling venues or TAB venues may be established in the district, where they can be located, and any restrictions on the number of electronic gaming machines (EGMs) permitted at such venues. It also addresses whether existing venues can relocate and under what conditions.

Class 4 gambling refers to electronic gaming machines located outside casinos, operated a licensed Corporate society. These societies must return a portion of gambling proceeds to the community for Authorised Purposes. A society must apply for and receive Council consent if it wishes to:

- Establish a new Class 4 Gambling Venue; or
- Increase the number of gaming machines at an existing venue.

Under the Gambling Act 2003, new Class 4 Venues are limited to a maximum of nine gaming machines. However, venues licensed on or before 17 October 2001 that have not ceased operations for more than six months may operate up to 18 machines.

The Gambling Act 2003 requires Councils to consider the social impact of gambling when developing or reviewing this policy. Similarly, the Board Venue Policy must state whether new TAB venues may be established in the district.

This policy has been reviewed and adopted in accordance with Sections 83 and 87 of the Local Government Act 2002, which require the use of the Special Consultative Procedure. Under Section 102 of the Gambling Act 2003, and Section 97 of the Racing Industry Act 2020, the policy must be reviewed every three years.

At the time of writing this policy, Central Hawke's Bay district has two licensed Class 4 Gambling Venues, each operating 18 gaming machines.

Policy objectives

The purpose of this Class 4 Gambling and TAB Venue Policy is to align with the intent of the Gambling Act 2003 and Racing Industry Act 2020, while reflecting the needs and values of the Central Hawke's Bay community. Specifically, this policy aims to:

- Provide for the continued availability of Class 4 gambling and TAB venues within the district in a way that is consistent with the purposes of the Gambling Act 2003.
- Limit the growth of gambling and minimise the risk of harm, including problem gambling, particularly among vulnerable communities.
- Set an appropriate maximum level of gambling opportunities in Central Hawke's Bay.
- Ensure gambling venue operators act responsibly and uphold harm minimisation obligations.
- Maintain Council's ability to influence the location and nature of gambling venues in the district through a local policy framework.
- Facilitate community input into decisions on gambling, in line with the special consultative procedure under the Local Government Act 2002.
- Recognise the potential benefits to the community from gambling-related grant funding while ensuring these do not outweigh social and public health considerations.

Sinking lid approach

This policy adopts a sinking lid approach. This means that no new Class 4 Gambling Venues or TAB Venues shall be permitted in Central Hawke's Bay District.

Accordingly, no new venues may be established, regardless of location or zoning.

This approach reflects Council's commitment to preventing gambling-related harm and supports a gradual reduction in gambling availability across the district.

¹ Formerly the New Zealand Racing Board.

Establishment and venue suitability criteria

In accordance with Council's sinking lid approach, no new Class 4 Gambling Venues or TAB Venues shall be established in the Central Hawke's Bay District.

As a result:

- Council will not accept or grant applications for the establishment of new gambling venues, regardless of the liquor licence type, premises classification, or ownership model.
- The prohibition applies to all potential locations, including commercial premises, club facilities, or those associated with sporting or recreational activities.
- This restriction reflects Council's intention to gradually reduce the number of venues and machines over time, in order to minimise gambling-related harm.

Additionally, for clarity:

- Applications will not be granted for any venue where the primary activity is the provision of class 4 gambling.
- Application will not be granted for a Venue Licence to any premises operating as a brothel, as defined in section 4 of the Prostitution Reform Act 2003.

Relocation of class 4 gambling venues

Council does not permit the relocation of any Class 4 Gambling Venue within the Central Hawke's Bay district. This applies to all existing venue licence holders, regardless of circumstance or reason for relocation.

Additionally, Council will not permit the merging of Class 4 Gambling Venues. If an existing venue closes, its licence and associated gaming machine entitlements cannot be transferred, relocated, or re-established elsewhere in the district.

Number of gaming machines allowed per venue

This section applies to the number of gaming machines permitted across the Central Hawke's Bay District.

Council has a sinking lid approach, meaning no new Class 4 Gambling Venues may be established, and no increase in the number of gaming machines is permitted at any existing venue.

At the time of review, Central Hawke's Bay has two licensed Class 4 Gambling Venues, each operating 18 gaming machines (the maximum number of machines they were permitted under the legislation at their time of establishment), totalling 36 machines across the district. This figure represents the current maximum allowable number of machines.

- No additional machines will be permitted at existing venues, even where the statutory maximum of nine machines per venue may not have been reached under the Gambling Act 2003.
- If a venue ceases operation for a continuous period of six months or more, its venue licence will lapse and the total number of machines in the district will reduce accordingly.

This approach ensures that over time, the number of gaming machines in Central Hawke's Bay will reduce, aligning with Council's commitment to minimise gambling-related harm in the community.

Applications and fees

Under the sinking lid approach, no new Class 4 Gambling or TAB Venue applications will be accepted. As such, Council will not grant consent for any additional venues beyond those currently operating in the district at the time of policy adoption.

Council may continue to set fees related to the administration, monitoring, and review of this policy. These may include the cost of venue inspections, policy review, or processing requests related to existing licensed venues. Fees will be reviewed in conjunction with this policy every three years.

Policy review

This policy will be reviewed on a three-yearly basis.

This policy may be reviewed at any time where there is an urgent concern or request from the community.

Definitions

The following definitions are relevant to this policy.

Term	Definition
Class 4 Gambling	Gambling using electronic gaming machines (pokie machines) conducted outside a casino, by a licensed corporate society. (Gambling Act 2003, s 30)
Class 4 Gambling Venue	Any venue outside a casino licensed to operate Class 4 gambling machines. (Gambling Act 2003, s 30)
TAB Venue	A venue operated by or on behalf of TAB NZ, where racing or sports betting is the principal activity, under the Racing Industry Act 2020, s 5.
Venue Licence	A Class 4 venue licence issued by the Secretary for Internal Affairs. Required to host Class 4 gambling. (Gambling Act 2003, s 95)
Gaming Machine (EGM)	A non-casino gaming device used for Class 4 gambling, regulated under the Gambling Act 2003, s 30.
Sinking Lid Approach	An approach where gaming machine licences are not replaced once a venue closes. This ensures total machine numbers decline over time. (Department of Internal Affairs guidance)
Authorised Purposes	Charitable or non-commercial community activities permitted to receive distributions from Class 4 gambling proceeds, per Gambling Act 2003, s 32.
Corporate Society	A non-profit organisation, such as a club or trust, licensed to operate gaming machines and distribute proceeds for authorised purposes.

7.5 LOCAL WATER DONE WELL - UPDATE

Author: Doug Tate, Chief Executive

Authoriser: Doug Tate, Chief Executive

Attachments: 1. Heads of Agreement - Redacted [↓](#) 

PURPOSE

To seek formal reconfirmation of Councils proposed water service delivery option to meet the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024.

RECOMMENDATION(S)

That Council:

1. **Receives and notes the Local Water Done Well update.**
2. **Confirms that to comply with Local Water Done Well legislation, a Regional, Hawke's Bay Water Services Council Controlled Organisation (HBWSCCO), owned by Central Hawke's Bay District Council (CHBDC), Hastings District Council (HDC), and Napier City Council (NCC) is the preferred water service delivery model.**
3. **Directs the Chief Executive to prepare a draft Water Services Delivery Plan on the basis of a HBWSCCO being established as the preferred delivery model.**
4. **Appoints Councillor Brent Muggeridge as Council's appointment to the HBWSCCO Transitional Governance Group.**

EXECUTIVE SUMMARY

The purpose of this report is to seek reconfirmation of the Council's proposed water service delivery option to meet the requirements of the Local Water Done Well Legislation.

The Council had resolved to establish a Regional, Hawke's Bay Water Services Council Controlled Organisation (HBWSCCO), owned by Central Hawke's Bay District Council (CHBDC), Hastings District Council (HDC), Napier City Council (NCC) and Wairoa District Council (WDC) as the preferred water service delivery model.

This report seeks an amended resolution following the withdrawal of WDC.

Following Council's meeting on 3 July 2025, this report also seeks to confirm the appointment of Councillor Brent Muggeridge to the Transitional Governance Group (TGG).

The resolutions sought in this report allow Council to proceed with its substantive decisions reached on 3 July 2025 and to ensure ongoing progress in establishing the HBWSCCO.

BACKGROUND

At the 3 July 2025 meeting, Council resolved to establish a Regional, Hawke's Bay Water Services Council Controlled Organisation (HBWSCCO), owned by Central Hawke's Bay District Council (CHBDC), Hastings District Council (HDC), Napier City Council (NCC) and Wairoa District Council (WDC) as the preferred water service delivery model in order to comply with the Local Water Done Well legislative framework. The full agenda can be found at the link [here](#).

Council received a substantial update at its meeting of 24 July 2025 available [here](#), on its resolutions from the 3 July 2025 meeting and the progress being made. At this same meeting Council considered a publicly excluded item, being the adoption of the Heads of Agreement (HoA).

Following this meeting, WDC has resolved to not be a founding shareholder of the HBWSCCO and will establish their own Single Council Controlled Organisation.

Hastings District Council and Napier City Council have confirmed the HBWSCCO without WDC as their preferred option and also considered an amended HoA reflecting WDC's decision.

This report now seeks confirmation of the updated resolutions from Council to reflect WDC's withdrawal. It also provides an update and outlines next steps to progress with the HBWSCCO.

DISCUSSION

This section updates three areas on the resolutions from Council's 3 July 2025 meeting. These include:

- An update on the 3 July 2025 Council resolutions.
- Appointing Councillor Muggeridge to the Transitional Governance Group; and
- Outlining the effect of WDC's withdrawal and the subsequent changes.

Update on Council Resolutions from 3 July 2025

A summary is provided below:

3. Directs the Chief Executive to prepare a draft Water Services Delivery Plan on the basis of a HBWSCCO being established as the preferred delivery model.
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Officers continue to make progress on the Water Service Delivery Plan (WSDP). At the 24 July 2025 meeting, Officers provided Council with an update on the Department of Internal Affairs (DIA) initial feedback on the Draft WSDP.

Following the withdrawal of WDC, Officers have also received confirmation that the DIA will accept the WSDP with WDC's modelling included, noting that the modelling is ringfenced. Subsequent further modelling will be completed including over a 30-year period as part of the Water Services Strategy.

The next key milestone in the development of the WSDP is workshopping the draft WSDP on 21 August. This is ahead of a planned endorsement of the WSDP for submission at an Extraordinary Council meeting on 28 August.

4. Directs the Chief Executive to explore regional transitional arrangements to proceed with the planning for a joint operating model between the Councils in respect of the delivery of water services in their respective regions.

The Amended Heads of Agreement (HoA) sets out these processes. The Chief Executives have agreed in principle supporting the implementation of the project, subject to finalising matters.

This paper also seeks Council's appointment to the TGG as set out in the Heads of Agreement.

- 5. Expects that progression of the preferred model of the HBWSCCO will address the following matters:**
- a. Responding to the affordability challenges for the community by:**
 - i. Developing a revised 10-year water services plan with a reduced level of investment, whilst maintaining community levels of service for drinking water quality and wastewater and stormwater management.**
 - ii. Including this revised 10-year plan in the regional Water Services Delivery Plan, noting this revised plan may expose Council to residual regulatory and resilience risks.**
 - iii. Advocating regionally and nationally for any transitional arrangements to immediately consider affordability, including affordability standards in line with international standards.**
 - iv. Advocating for any regional transitional arrangements to immediately consider the impact of a 30-year investment strategy for the HBWSCCO.**
 - v. Advocating for any regional transitional arrangements to immediately consider approaches to the sharing of operational costs and capital investment that ensures more equitable access to services in the region.**
 - vi. Advocating regionally and nationally for specific rates-relief mechanisms for pensioners, fixed and low-income earners, clubs and entities to be established if/when a new water services delivery CCO is established.**
 - vii. Seeking Government support to reduce the projected cost on ratepayers.**
 - b. Addressing concerns about the perceived loss of local voice in decision-making and asset ownership through the satisfactory negotiation of shareholding and governance arrangements in any regional transitional arrangements and in the eventual establishment of a HBWSCCO.**
 - c. Advocating for the HBWSCCO to review any 'ring fencing' of costs by Council jurisdiction if/when it is established, and then at a regular term thereafter in the Statement of Expectations.**
 - d. Continuing refinement of the strategy and governance framework for the HBWSCCO and the role of CHBDC, regional structures and local community and hapu engagement requirements.**
 - e. Continuing refinement of the estimated costs (including set-up costs, ongoing operational costs and stranded overhead costs) through the preparation of the Water Services Delivery Plan.**
 - f. Ensuring ongoing engagement with community through the preparation of the Water Services Delivery Plan.**

Officers continue to progress these matters, including advocating for local voice in the amended HoA. These issues are being considered in publicly excluded items due to the Commercial nature of the terms.

Advocacy for the challenges that Council faces particularly relating to affordability of its programme continues. A media release following the 24 July 2025 meeting has achieved national coverage on these matters for Central Hawke's Bay.

Council has the ability to continue advocating on all of these matters through the establishment of the HBWSCCO.

- 6. Notes that a further report will be presented to an extraordinary meeting of Council on 24 July 2025 to:**
- a. provide an update on a revised investment programme for CHBDC, and any decision-making required for the 2025/26 capital work programme and inclusion in the Water Services Delivery Plan.**
 - b. Provide an update on progress with resolutions 3), 4) and 5) above.**
 - c. Consider any appropriate transitional arrangements to be put in place.**
 - d. Seek further decisions on any regional transitional arrangements.**

At Council's 24 July 2025 meeting the five principles were adopted to guide the investment programme. A further update has been provided in a workshop, prior to being presented to THE Finance, Infrastructure and Performance Committee Meeting for adoption on the 21 August.

Principle #1: Drinking water compliance will not be compromised

The revised water services programme should provide for a high degree of confidence in ensuring the provision of drinking water that meets Taumata Arowai's Drinking Water Quality Assurance Rules. This focus on critical drinking water infrastructure has been a high priority for Council with successful results and should not be compromised.

This means that treated drinking water from customers' taps will remain safe and healthy, as many upgrades to water treatment plants have already been completed.

Principle #2: Wastewater discharge investment is minimised

For wastewater discharges, the current strategy timeframes are unaffordable and therefore will be abandoned. In the interim more cost-effective upgrades are required.

The revised programme should aim to achieve compliance with the proposed national wastewater standards and future discharge consents within 10 years of the Three-Year Plan (2034), based on the assumption that discharges will be directed to surface water. Ongoing investment is likely to be required over time.

This means changes to wastewater management and treatment plants will result in the ongoing discharge of treated wastewater into rivers for a longer period and we will work to incrementally meet new wastewater standards within ten years.

Principle #3: New network resilience is deprioritised

A reduced scope for new infrastructure will lead to a diminished emphasis on resilience, especially regarding the tolerance to significant shocks and events. Due to the prohibitive costs of delivering fully resilient infrastructure, it is recommended to adopt a pragmatic investment strategy that prioritises ensuring daily water services are fit for purpose and right sized for the scale of the community.

This reduction in scope will direct investment predominantly toward critical assets that have a significant impact on service delivery across broader or more sensitive areas. Consequently, there is an increased likelihood of service interruptions resulting from failures of non-critical assets, which must be managed by anticipating higher operational costs.

This means that connected households can expect to be inconvenienced more often through unplanned shutdowns and a greater risk to service delivery from network failures.

Principle #4: Growth investment is a 'Just in time' approach

Officers are working on the basis that the revised plan will allow for anticipated growth to mid-century. This is with the assumption that infrastructure components can be added 'just in time' in a modular fashion to ensure value for money for the community. Furthermore, it is assumed that growth will continue to pay for growth related infrastructure.

This means that our networks and systems will only have limited capacity for growth at any point in time and that infrastructure will be developed 'just in time' to respond to actual growth and

paid for by developers.

Principle #5: Addressing historic underinvestment is slowed

The renewal strategy will involve funding at the level required by economic regulation. This aligns with investment levels seen before the 2021-31 LTP and will not address the historical backlog of renewals.

Asset management efforts will focus on critical pipelines, though the reduction in the rate of renewals will be observed across the networks. Furthermore, Council is projected not to meet prudential benchmarks.

This means that along with households being inconvenienced more often through unplanned shutdowns, future generations will continue to carry the burden of the historic underinvestment and the impacts of this on service continuity.

Appointments to the Transitional Governance Group

Schedule 1 of the HoA sets out the purpose and membership of the TGG. The HoA (redacted) is attached, excluding Schedules 4 and 5 which remain publicly excluded due to commercial sensitivity.

The Central Hawke's Bay membership of the TGG is set out as the Mayor of Central Hawke's Bay District Council, and one other member (either elected or appointed). It is proposed Councillor Brent Muggeridge, is the other member to join Mayor Alex Walker on the TGG.

Wairoa District Council Withdrawal

This section of the report outlines the key areas that Officers have considered following the withdrawal of WDC to ensure Council continues to give effect to its resolutions of 3 July 2025. These changes require endorsement from Council and include:

Area	Description of Change
Heads of Agreement Changes - Shareholding Arrangements and Shareholder decision making	<p>These have changed as a result of WDC's withdrawal and are appropriately addressed in the updated HoA, notably Schedules 4 and 5 that remain publicly excluded for commercial reasons.</p> <p>Officers have addressed a revised shareholding and shareholder decision making process, that seeks to give effect to the resolutions of Council's 3 July meeting, relating to concerns about the perceived loss of local voice in decision-making and asset ownership. This is set out in the updated HoA. Work in this area continues to progress and will continue through the establishment phase of the HBWSCCO.</p>
Changes in Financial Modelling and efficiencies	<p>Substantially the Financial Modelling does not change, with the foundation of the model being that costs relative to each Council are ring fenced.</p> <p>Early analysis outlines that operational costs for the operation of the entity would reduce, however would need to be further modelled as part of the Water Services Strategy, that provides for 30-year modelling also.</p> <p>WDC's withdrawal is also expected to allow for more efficient prioritisation of renewals and capital expenditure. This has not flowed through into any updated modelling and would be further tested again in the development of the Water Services Strategy.</p>
Changes to establishment costs	<p>From the financial modelling of the WSDP, establishment costs and ongoing operational shared costs were apportioned to each council equally. The HoA superseded this equal apportionment – with Central</p>

Area	Description of Change
	<p>Hawke's Bay establishment costs being 10%. This provides Central Hawke's Bay with a lower than modelled proportion of establishment costs.</p> <p>As progression through the establishment phase is made, greater detail of establishment costs and their impacts will be confirmed. This was anticipated by the LWDW legislative framework established by Government.</p>

Officers are satisfied that these points have been appropriately addressed in providing the recommendations to Council.

STRATEGIC ALIGNMENT

The development of a HBWSCCO for the region aligns directly with Council's fundamental strategic philosophy of 'Together we Thrive'. Working together Central Hawke's Bay and the wider Hawke's Bay region will benefit our community, based on the financial modelling and non-financial analysis completed.

Importantly, a HBWSCCO can unlock the major barriers and constraints the district faces relating to its Three Waters Infrastructure. This has been outlined in Council's Infrastructure Strategy, Financial Strategy and other key financial documents for several years.

These resolutions provide for the substantial body of work to progress.

SIGNIFICANCE AND ENGAGEMENT

This report has been assessed as of low significance in accordance with Council's Significance and Engagement Policy, noting that Council has already made its substantive decisions on this matter. The resolutions sought allow Council to proceed with its substantial decisions reached on 3 July 2025.

COMMUNICATION

Council will continue to update the community through the primary channel of www.letstalkchb.co.nz and the Local Water Done Well page. This will be an ongoing area of communication with community, as the establishment of the entity progresses through its next key phases for implementation.

NEXT STEPS

These resolutions provide for Council's substantive decisions of 3 July 2025 to progress. Council can expect ongoing updates on the Local Water Done Well programme, including the next steps for Council to take.

The most notable step for Council following these resolutions and those in the public excluded matters to endorse the amended Heads of Agreement, is then to provide for the project establishment of the CCO. Confirming the appointment to the TGG provides the pathway for this work to commence.

REGIONAL WSCCO HEADS OF AGREEMENT

CENTRAL HAWKES BAY DISTRICT COUNCIL

HASTINGS DISTRICT COUNCIL

NAPIER CITY COUNCIL

SIMPSON
GRIERSON

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AGREEMENT DATED**2025****PARTIES**

- 1. CENTRAL HAWKES BAY DISTRICT COUNCIL**
- 2. HASTINGS DISTRICT COUNCIL**
- 3. NAPIER CITY COUNCIL**

(together, the **Councils**).

BACKGROUND

- A.** The Councils wish to proceed with the planning for a joint operating model that will be responsible for the delivery of water services in their respective districts.
- B.** As part of progressing the joint operating model, the Councils are required to submit a joint Water Services Delivery Plan (**WSDP**) to the Secretary for Local Government (Department of Internal Affairs) by 3 September 2025 which describes how water services will be delivered, as required under the Local Governance (Water Services Preliminary Arrangements) Act 2024.
- C.** The Councils commit to working together to:
 - (a)** develop a joint operating model for the delivery of water services for each Council's district/city, to inform the development of the joint WSDP;
 - (b)** agree the shareholding and governance arrangements for the WSCCO; and
 - (c)** establish a regional WSCCO for the joint operating model in accordance with the accepted WSDP.
- D.** Each Council agrees to undertake the activities and responsibilities allocated to it in this agreement to achieve the Objectives.
- E.** The Councils have entered into this agreement to record the terms of their commitment to developing the joint operating model, achieving the Objectives and establishing the regional WSCCO.

SIGNATURES

SIGNED for and on behalf of
CENTRAL HAWKES BAY DISTRICT COUNCIL
by:

Signature of Authorised Signatory

Name of Authorised Signatory

Date

Signature of Authorised Signatory

Name of Authorised Signatory

Date

SIGNED for and on behalf of
HASTINGS DISTRICT COUNCIL by:

Signature of Authorised Signatory

Name of Authorised Signatory

Date

Signature of Authorised Signatory

Name of Authorised Signatory

Date

SIGNED for and on behalf of
NAPIER CITY COUNCIL by:

Signature of Authorised Signatory

Name of Authorised Signatory

Date

Signature of Authorised Signatory

Name of Authorised Signatory

Date

SCHEDULE 1**AGREEMENT DETAILS**

Commencement Date (Clause 6.1, Schedule 2)	The date on which this agreement has been signed by all parties.
Expiry Date (Clause 6.1, Schedule 2)	<p>This agreement expires on the earlier of:</p> <p>(a) The date on which the parties agree to terminate this agreement under clause 6.2; and</p> <p>(b) The date on which the WSCCO has been established, as provided for by the LG(W) Bill when it comes into force.</p>
Transitional Governance Group ("TGG") (Clause 4, Schedule 2)	<p>Members: The members of the Transitional Governance Group will be:</p> <ul style="list-style-type: none"> • The Mayor of Central Hawkes Bay District Council, and one other member (either elected member or appointee); • The Mayor of Hastings District Council, and one other member (either elected member or appointee); • The Mayor of Napier City Council, and one other member (either elected member or appointee); • An independent chair, who will be appointed (and removed or replaced) by the other members of the TGG by unanimous agreement. <p>Meetings: The Transitional Governance Group will meet monthly, or at such other times or frequency as they determine.</p> <p>Decision-making: see clause 4.2 of Schedule 2.</p>
Project Steering Group ("PSG") (Clause 4, Schedule 2)	<p>Members: The members of the Project Steering Group will be:</p> <ul style="list-style-type: none"> • The Chief Executive of Central Hawkes Bay District Council (or nominee) • The Chief Executive of Hastings District Council (or nominee) • The Chief Executive of Napier City Council (or nominee) <p>Meetings: The Project Steering Group will meet [fortnightly/monthly] or at such other times or frequency as they determine. The PSG will remain in place until the TGG and Interim Establishment Board, once appointed, decide</p>

	that it is no longer required, at which time it shall be dissolved.	
Establishment Board and Establishment Chief Executive (clause 4)	<p>An Establishment Board will be appointed by the TGG and will be responsible for appointing an Establishment Chief Executive.</p> <p>The Establishment Chief Executive shall work closely with the Project Team and PSG, as required.</p>	
Project Team (clause 4 and 5.3, Schedule 2)	<p>Convenor: The Councils will appoint an individual to act as the convenor of the Project Team, who will be responsible for organising and facilitating the Project Team meetings.</p> <p>Members: The members of the Project Team will be one named officer or external appointee from each of the shareholding Councils.</p> <p>The Project Team will appoint one of their members as the Project Team Lead, who will be responsible for leading all engagement with the TGG, PSG and Establishment Board and Establishment Chief Executive (as required, and unless otherwise agreed).</p> <p>Meetings: The Project Team will meet at such times or frequency as they determine.</p> <p>Establishment Chief Executive involvement: Once appointed by the Establishment Board, the Establishment Chief Executive will work closely with the Project Team to ensure alignment of workstreams by the Project Team and WSCCO.</p>	
Address for notices (clause 10, Schedule 2)	Central Hawkes Bay District Council	Hastings District Council
	28/32 Ruataniwha Street Waipawa 4210	207 Lyndon Road East Hastings 4122
	Email: [Insert details]	Email: [Insert details]
	Attention: [Insert details]	Attention: [Insert details]
	Napier City Council	

	215 Hastings Street Napier South Napier 4110 Email: [Insert details] Attention: [Insert details]	
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SCHEDULE 2**AGREEMENT TERMS AND CONDITIONS****1. DEFINITIONS AND INTERPRETATION**

1.1 Definitions: In this agreement the following definitions apply:

Agreement Details means Schedule 1 of this agreement;

Business Day means any day other than a Saturday, Sunday or a statutory public holiday in Hawkes Bay, New Zealand;

Commencement Date has the meaning given to that term in Schedule 1: Agreement Details;

Confidential Information means any of the following (whenever it was obtained):

- (a) all information of a confidential nature (reasonably determined) obtained by one Council from another Council under or in connection with this agreement;
- (b) all information relating to the operations and affairs of another Council; and
- (c) all information obtained by a Council in respect of all activities or information undertaken, produced or discussed under the umbrella of the Project;

Councils means the councils who are named as counterparties to this agreement and who continue to be a participant of this agreement;

Existing Material means, in respect of any Council, all documentation and other materials used or provided by the Council under or in connection with this agreement that are:

- (a) owned by, or licensed to, that Council prior to the date of this agreement; or
- (b) developed independently from this agreement by that Council, and that are not developed, commissioned or created under or in connection with this agreement;

Expiry Date has the meaning given to that term in the Agreement Details;

Intellectual Property Rights means, in respect of any person, all intellectual and industrial property rights and interests (including common law rights and interests) owned or held by that person, or lawfully used by that person, including:

- (a) patents, trade marks, service marks, copyright, registered designs, trade names, symbols and logos;
- (b) patent applications and applications to register trade marks, service marks and designs; and

- (c) formulae, methods, plans, data, drawings, specifications, characteristics, equipment, designs, inventions, discoveries, improvements, know-how, experience, software products, trade secrets, price lists, costings, brochures and other information used by that person;

LGOIMA means the Local Government Official Information and Meetings Act 1987;

LG(WS) Bill means the Local Government (Water Services) Bill;

LG(WSPA) Act means the Local Governance (Water Services Preliminary Arrangements) Act 2024;

Objectives has the meaning given to that term in clause 2.1;

Project means giving effect to the Objectives in the manner contemplated by this agreement;

Project Plan has the meaning given to that term in clause 4.7(a);

Project Budget has the meaning given to that term in clause 5.2;

WSSCO means the Water Services Council Controlled Organisation that is proposed to be owned jointly by the Councils, that will be a water organisation once established under the Local Government (Water Services Bill), once it is in force; and

WSDP has the meaning given to that term in paragraph B of the Introduction section of this agreement.

1.2 Interpretation: In this agreement unless the context otherwise requires:

- (a) headings are for convenience only and do not affect interpretation;
- (b) the singular includes the plural and vice versa, and a gender includes other genders;
- (c) another grammatical form of a defined word or expression has a corresponding meaning;
- (d) reference to a party, person or entity includes:
- (i) an individual, firm, company, trust, partnership, joint venture, association, corporation, body corporate, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, agent, successor, permitted assign, executor, administrator or other representative of such party, person or entity.
- (e) a reference to dollars or \$ is to New Zealand currency and excludes every tax and duty;

- (f) a reference to a clause or schedule is to a clause or schedule of this agreement;
- (g) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (h) references to the word 'include' or 'including' are to be construed without limitation;
- (i) references to any form of law is to New Zealand law, including as amended or re-enacted;
- (j) a reference to a document or instrument includes reference to that document or instrument as novated, altered, supplemented, or replaced from time to time;
- (k) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
- (l) any obligation falling due for performance on or by a day other than a Business Day shall be performed on or by the Business Day immediately following that day; and
- (m) an obligation not to do something includes an obligation not to allow or cause that thing to be done.

2. PROJECT OVERVIEW

2.1 Objectives: The key objectives of this agreement ("**Objectives**") are:

- (a) for the Councils to continue to work closely, collaboratively and successfully to:
 - (i) progress a proposed joint operating model for the future delivery of water services in the Hawke's Bay region; and
 - (ii) develop, adopt and submit a joint WSDP that meets each Council's needs and objectives for their respective communities, and which satisfies the requirements of the LG(WSPA) Act;
- (b) to agree the process (including key terms, governance and administrative support, allocation of responsibilities, timing and budget) for the establishment of the proposed joint operating model in accordance with the accepted WSDP;
- (c) to facilitate decision-making by each Council in a timely manner to ensure that all relevant statutory requirements can be satisfied, and the proposed joint operating model can be established in a manner that reflects the accepted WSDP implementation plan; and

- (d) to enable the Councils to consider and reach agreement as to how they will operate together in a way that facilitates an effective and efficient use of the Councils' resources, and provide optimum benefit to the parties' ratepayers, as part of transitioning to the proposed joint operating model.

2.2 Key Documents and Outcomes: The key documents to be developed under or in alignment with this agreement are as follows:

- (a) the Project Plan, which will be prepared by the Project Team and approved by the PSG;
- (b) the Project Budget, which will be developed and maintained by the Project Team for each phase of the Project (as set out in the Project Plan) and approved by the PSG;
- (c) the joint WSDP, which will be developed jointly by the Project Team, and approved by each Council individually; and
- (d) the structure, governance and transfer arrangements, in relation to the joint WSCCO, which will be developed by the Project Team based on the key terms set out in Schedule 4 and the strategic priorities and intentions set out in Schedule 5, and approved by the PSG, with a final approval step of the TGG.

2.3 Relationship principles: The Councils will:

- (a) work together collaboratively and in good faith;
- (b) ensure communication between them is open, proactive, transparent and inclusive, to avoid any surprises;
- (c) make every effort to understand the other Councils needs and objectives for the joint operating model, and make all reasonable endeavours to ensure the joint operating model meets such needs and objectives;
- (d) raise any issues that arise in connection with this agreement at the earliest opportunity, for joint resolution;
- (e) resolve disagreements between them promptly and amicably; and
- (f) as a courtesy and in the interest of clear and consistent communication, consult with the other Councils before commenting publicly on the joint operating model or this agreement.

3. KEY ACTIVITIES

3.1 Council responsibilities: Each Council will:

- (a) work with the other Councils to:
 - (i) develop and document the Council's technical, operational, legal and other requirements for the joint operating model

("Requirements") and to agree reasonable and realistic timeframes for delivery of the joint operating model; and

- (ii) plan and design the joint operating model to meet the Requirements, including at such time(s) required by the other Councils;
 - (b) make decisions in relation to matters for the Project, within the indicative timeframes listed in the Project Plan;
 - (c) provide subject matter experts where relevant to assist with the preparation of a joint WSDCP and development and design of the joint operating model;
 - (d) provide a dedicated single point of contact for that Council for the management of the project delivery (ideally a project manager, who will also be the person authorised to make decisions (for example, approvals of proposed public comments on the Project) on behalf of that Council);
 - (e) provide a dedicated and senior level 'sponsor' for the Project;
 - (f) attend those meetings agreed by the Councils as appropriate or necessary to facilitate any required decision-making required by the Project Plan, and provide effective governance for and/or the delivery of the joint operating model;
 - (g) where there are any changes in Government policy or direction, which affects the purposes and activities of this agreement, inform the other Councils of those changes at the earliest possible opportunity thereafter, and the Councils agree to renegotiate, where necessary, any aspects of this agreement that has been or will be affected by this policy change;
 - (h) fund and provide resources to undertake the Project under this agreement; and
 - (i) be responsible for complying with any requirements to undertake consultation or reporting in respect of its own council and local government processes.
- 3.2 Council individual responsibilities not affected:** Each Council acknowledges that the Councils' commitment to the obligations under this agreement does not limit or pre-empt each Council's own obligations as local authorities at law, including in respect of decision-making responsibility and public consultation obligations.
- 3.3 Project administration:**
- (a) The Councils agree that Hastings District Council will have responsibility for the following:
 - (i) managing Project expenditure and tracking against the Project Budget (once agreed), including managing the recovery of contributions from shareholder Councils;

- (ii) preparing, with the Establishment Board and Establishment Chief Executive, all necessary budgets for the Establishment phase;
 - (iii) preparing agendas and scheduling governance meetings for the Project; and
 - (iv) preparing reporting for governance meetings for the Project, including reporting on expenditure and forecasting for future costs.
- (b) The Councils may agree that one of the other Councils will take the role set out in clause 3.3(a), after which time that replacement Council will assume those responsibilities under this agreement.

3.4 Development expectations and timelines:

- (a) Each Council acknowledges that the other Councils will be providing funding and resources to develop and design the joint operating model, and has an interest in ensuring a consistency of approach in the development and design of the joint operating model.
- (b) Accordingly, any Council may submit a request to the TGG for consideration and agreement to:
- (i) adjust expected timelines and/or reprioritise resources allocated to the development and design of the joint operating model as necessary to manage resource and funding constraints, subject to not compromising the achievement of the Objectives; and/or
 - (ii) change the Requirements that are not reasonably viable in order for a Council to meet its own needs, and the Councils will work together to agree and implement any agreed change to the joint operating model or Project Plan, including any consequential changes to the Requirements for that joint operating model.

3.5 Project communications: The Councils agree that media releases, public announcements and public disclosures by any Council relating to this agreement or its subject matter (including informational or promotional, but not including any announcement intended solely for internal distribution or any disclosure required by legal, accounting or regulatory requirements beyond the reasonable control of such Council) shall be co-ordinated with, and approved by, the TGG, provided that this does not apply to any media release, public announcement or public disclosure made by a Council (the "**Announcing Council**"):

- (a) which does not identify any other Council to this agreement; or
- (b) about the Announcing Council's business and operations or the Announcing Council's Confidential Information, excluding anything about or in connection with this agreement.

3.6 Government communications: The Councils agree that no Council may communicate directly with the Department of Internal Affairs in relation to the content of the joint WSDP without the prior written consent of the TGG.

4. PROJECT GOVERNANCE

4.1 Governance structure: The governance model for the Project comprises the following:

- (a) Transitional Governance Group ("TGG");
- (b) Project Steering Group ("PSG");
- (c) Establishment Board and Establishment Chief Executive; and
- (d) Project Team.

4.2 Decisions made by the governance groups: The parties record their intention that:

- (a) Other than the substantive decisions on the proposed joint operating model, and adoption of the joint WSDP (which will remain decisions for the Councils separately), all other decisions relating to the Project Plan will be made by the TGG.
- (b) The TGG will provide direction to the PSG and (as required) the Establishment Board / Establishment Chief Executive, which will then direct the Project Team as relevant.
- (c) The TGG, PSG, and Project Team will make decisions on a consensus basis. Where consensus is not possible, decisions will be made by majority, or alternatively escalated to the next governance level, with final decisions to be made by the members of the TGG (which decisions must be unanimous in order to bind each Council in respect of the Project).

4.3 Meeting administration: Each of the governance meetings will be scheduled by the Council appointed under clause 3.3, who will circulate agenda items and decisions to be discussed ahead of the meeting date, and will circulate minutes for approval following each such meeting.

4.4 Transitional Governance Group: The TGG shall be responsible for:

- (a) overseeing the direction of the Project, and providing directions to the PSG in relation to the Project Plan;
- (b) addressing issues that have been escalated to it by the PSG;
- (c) keeping informed on the Project by information provided from the PSG (which includes reporting provided to the PSG by the Project Team); and
- (d) Appointing an Establishment Board for the WSCCO, and then advising on the appointment of an Establishment Chief Executive (who is to be appointed by the Establishment Board).

4.5 Project Steering Group: The PSG shall be responsible for:

-
- (a) giving effect to any directions and decisions on the Project provided by the TGG in relation to the requirements of the shareholder Councils;
 - (b) appointing members to the Project Team;
 - (c) addressing any issues that have been escalated to it by the Project Team;
 - (d) approving the Project Plan;
 - (e) reviewing and approving any proposed changes to the direction of the Project or Project Plan, unless any change is considered material or to prejudice one of the shareholder Council, in which case such direction will need to be provided by the TGG;
 - (f) ensuring the strategic direction of the Project continues to align with the Objectives and each Council's obligations under this agreement; and
 - (g) approving the Project Budget and any changes to the Project Budget.
- 4.6 Establishment Board and Establishment Chief Executive:** The Establishment Board shall be responsible for appointing the Establishment Chief Executive, who will work in tandem with the Project Team and report to the Establishment Board at regular intervals. When required, the Establishment Chief Executive will attend meetings of the PSG, to ensure alignment between the Project Team and WSCCO establishment activities.
- 4.7 Project Team:** The Project Team shall be responsible for:
- (a) preparing a detailed scope of work and project plan (including timeline and project milestones) to deliver on the Objectives ("**Project Plan**"), based on the initial outline set out in Schedule 3. The Project Plan and progress against the Project Plan will be reported to the PSG and TGG on a monthly basis;
 - (b) developing and maintaining the Project Budget (including any recommendations to the PSG to increase the Project Budget), and reporting monthly to the PSG (and, as required, the Establishment Chief Executive) on expenditure against the Project Budget;
 - (c) developing such term sheets, guidance notes and documents as are required in order to formalise the way in which the joint operating model is proposed to be established, governed and operated, consistent with the Commercial Terms Sheet set out in Schedule 4 and the initial strategic priorities set out in Schedule 5, for review and approval by the PSG (and with oversight from the Establishment Board and Establishment Chief Executive);
 - (d) engaging external expertise as required;
 - (e) preparing a stakeholder/engagement framework that ensures that all appropriate parties are included on an ongoing basis;
 - (f) preparing and attending workshops with the Councils' elected members as required to achieve the project and Objectives;

- (g) preparing consultation packs in collaboration with individual Councils to support any consultation that may be required by the Council's;
- (h) running and/or supporting consultation processes as required;
- (i) developing a joint WSDP in accordance with the applicable requirements of the LG(WSPA) Act;
- (j) approving payments from the Project Budget up to a level set by the PSG (and, as required, the Establishment Chief Executive); and
- (k) any of the matters required under a terms of reference agreed for the Project Team.

5. COST SHARING

5.1 Cost sharing principles: The Councils agree to fund the costs of the Project as contemplated by the Project Budget (as updated and approved from time to time as set out in this agreement) in the following proportions:

- (a) Central Hawkes Bay District Council: 10%
- (b) Hastings District Council: 45%
- (c) Napier City Council: 45%

5.2 Project funding: The Project Team will prepare a project funding budget for approval by the PSG (and, as required, the Establishment Chief Executive), that covers:

- (a) the contribution by the Councils for the costs of the Project, including the project management and administration costs that will be incurred by the Council carrying out the responsibilities set out in clause 3.3(a); and
- (b) costs for any internal and external consultants (preapproved by the PSG (and, where necessary, the Establishment Chief Executive) in each instance),

(together, the “**Project Budget**”). The Project Budget will be prepared and updated for each stage of the Project Plan.

5.3 Project Team delegation: The Project Team will have delegated authority to spend up to the approved Project Budget, subject to any limits set (as contemplated by clause 4.7(j)). Costs that exceed the approved Project Budget will require approval by the PSG.

5.4 Council Exit: If a Council exits this agreement, that Council remains responsible for their share of all costs incurred up to that date, including any committed costs which cannot be mitigated by the remaining participating Councils.

6. TERM

- 6.1 Term:** This agreement commences on the Commencement Date and continues until the Expiry Date, unless terminated earlier by all Councils in accordance with clause 6.2.
- 6.2 Termination by agreement:** This agreement may be terminated at any time with immediate effect by agreement of all current Councils to this agreement for any reason, including if there is a material change of law or policy direction that affects the Councils' obligations under the LG(WSPA) Act and LG(WS) Bill (once enacted).
- 6.3 Council withdrawal:**
- (a)** Subject to clauses 5 and 6.3(b), any Council may withdraw its participation in this agreement at any time immediately by giving written notice to the other Councils.
 - (b)** Before a Council exercises its withdrawal right under subclause (a), that Council must use reasonable endeavours to:
 - (i)** provide as early as possible notification to the other Councils that the Council is considering, or intending to withdraw from the Project, including to provide the other Councils with sufficient time to respond to and agree on any public releases in accordance with clause 3.5; and
 - (ii)** provide the other Councils an explanation for the withdrawing Council's reason(s) for the withdrawal.
 - (c)** Where any Council breaches a material obligation, or persistently does not perform its obligations, under this agreement, then the other Councils may request that such Council withdraws its participation from this agreement, in which case the parties will promptly discuss the next steps following such request.
- 6.4 Effect of termination:** In addition to any other rights, powers or remedies a Council may have under this agreement or at law:
- (a)** if this agreement ends or is terminated, the following will apply:
 - (i)** each Council is released from its obligations under this agreement, except clauses 5, 6, 7, 8 and 9 that shall survive expiry or termination of this agreement;
 - (ii)** each Council retains the rights and obligations it has accrued under this agreement as at the date of expiry or termination; and
 - (iii)** each Council must return any Confidential Information of another Council in its possession to that other Council or, if requested by the other Council, destroy the Confidential Information, except to the extent that it is required to retain the Confidential Information in order to meet its legal, contractual and governance obligations.

- (b) if a Council withdraws its participation in this agreement or otherwise exits this agreement:
 - (i) clause 6.4(a) will apply only in respect of that Council;
 - (ii) that Council will not have any rights to any new Intellectual property Rights as contemplated by clause 9.2; and
 - (iii) this agreement continues in force as between the remaining Councils.

7. DISPUTE RESOLUTION

7.1 Notice in writing: If a Council claims that a dispute has arisen, that Council must give written notice to the other Councils. The written notice must specify the nature of the dispute.

7.2 Negotiation:

- (a) On receipt of a notice delivered in accordance with clause 7.1 and before any Council may refer a dispute to mediation, the Representatives must, in good faith and acting reasonably, do their best to resolve the dispute quickly and efficiently through negotiation.
- (b) If any Representative considers that the dispute is not being resolved in a timely manner, such Representative may serve written notice on the other parties Representatives to escalate the dispute to the Chief Executives or equivalent (where the Representatives are not the Chief Executive or equivalent) of the applicable Councils for resolution.
- (c) If the dispute has not been resolved within 20 Business Days (or within such other period as agreed by the Councils) of the date of the notice referred to in clause 7.2, any Council may submit the dispute to mediation.

7.3 Mediation:

- (a) If the Councils do not resolve the dispute by negotiation, the Councils must, in good faith and acting reasonably, do their best to resolve the dispute by participating in mediation with an independent mediator.
- (b) If the Councils do not agree on a mediator, then the mediator will be appointed by the New Zealand Dispute Resolution Centre.
- (c) The Councils must mediate the dispute in accordance with principles agreed between them or, if no agreement can be reached, the New Zealand Dispute Resolution Centre Mediation Rules.
- (d) Unless the Councils agree otherwise, the mediator's fee and any other costs of the mediation itself (such as for venue hire or refreshments) will be shared equally between the parties, but the parties will each pay their own costs of preparing for and participating in the mediation (such as for travel and legal representation).

7.4 Arbitration:

- (a) If the dispute has not been resolved within 40 Business Days (or within such other period as agreed by the parties) of the dispute being referred to mediation, any Council (the "**Initiating Council**") may refer such dispute to binding arbitration by issuing a written notice ("**Arbitration Notice**") to the other Councils (together with the Initiating Council, the "**Disputing Councils**") for final resolution in accordance with the provisions of this clause 7.4 and in accordance with the provisions of the Rules of Arbitration of the New Zealand Dispute Resolution Centre, as amended or modified from time to time ("**NZDRC Rules**").
- (b) The arbitral panel shall consist of one arbitrator. The arbitrator will be appointed by the agreement of the Disputing Councils or, failing agreement within 10 Business Days of the date of the Arbitration Notice, in accordance with the NZDRC Rules.
- (c) The seat of arbitration shall be Hastings, New Zealand and the arbitration shall be conducted in the English language.
- (d) The award of the arbitration shall be in writing and must include reasons for the decision.
- (e) The award of the arbitration shall be final and binding on the Councils. No Council may appeal to the High Court under Clause 5 of the Second Schedule of the Arbitration Act 1996 on any question of law arising out of an award.
- (f) The award shall allocate or apportion the costs of the arbitration as the arbitrator deems fair.
- (g) Neither the existence of any dispute nor the fact that any arbitration is pending hereunder shall relieve any of the Councils of their respective obligations under this agreement.

7.5 Implementation of agreement: The Councils must do whatever is reasonably necessary to put into effect any negotiated or mediated agreement, arbitral award or other resolution. This includes exercising voting rights and other powers as required.

7.6 Rights and obligations during a dispute: During a dispute, each Council must continue to perform its obligations under this agreement.

7.7 Interlocutory relief and right to terminate: This clause does not restrict or limit the right of a Council to obtain interlocutory relief, or to immediately terminate this agreement where this agreement provides such a right.

8. CONFIDENTIALITY AND INFORMATION DISCLOSURE

8.1 Confidentiality: Each Council will keep confidential and secure all Confidential Information, and no Council shall disclose the other Councils' Confidential information to any person, or use the other Councils' Confidential Information, other than:

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- (a) to the extent that use or disclosure is necessary for the purposes of giving effect to or exercising the rights and benefits of this agreement (which for the purpose of each Council, may involve disclosure to that Council's elected members and staff);
 - (b) if the discloser of the information has obtained the prior written approval of the providing Council to the use or disclosure;
 - (c) if the use or disclosure is required by law including under the Local Government Official Information and Meetings Act 1987 ("**LGOIMA**"), or the Local Government Act 2002, provided that prior to that Council making a disclosure, that Council will use reasonable endeavours to promptly consult in good faith with the other Councils:
 - (i) regarding the requirement under which that Council is required to disclose the Confidential Information; and
 - (ii) so that the other Councils are informed to arrive at a view on whether those Councils would also be required to make such disclosure if a request is made of them; or
 - (d) in relation to disclosure, if the information has already become public, other than through a breach of the obligation of confidentiality by one of the Councils.
- 8.2 LGOIMA:** Each Council acknowledges that the other Councils are subject to the LGOIMA. Accordingly, notwithstanding anything else in this agreement, each Council agrees to cooperate fully in providing the other Councils with any documents or other information that the other Council is required to provide pursuant to a request made under the LGOIMA.

9. INTELLECTUAL PROPERTY RIGHTS

- 9.1 Existing Intellectual Property Rights:** Notwithstanding any of the provisions of this agreement, each Council or its licensors retain ownership of all Intellectual Property Rights, including in Existing Material belonging to that Council or its licensors at the Commencement Date ("**Existing Intellectual Property Rights**").
- 9.2 New Intellectual Property Rights:** Any new Intellectual Property Rights which are created as a result of, or in connection with, the provision of the Services or Deliverables, or otherwise in connection with this agreement, shall be jointly owned by the Councils, unless otherwise agreed by the parties.
- 9.3 Licence:** If any Council's Existing Intellectual Property Rights is included in any new Intellectual Property Rights, then that Council grants to the other Councils and the other Councils accept, a worldwide, perpetual, non-exclusive, transferable, sub-licensable licence during the term of this agreement to use the Council's Existing Material for the purposes relating to giving effect to and performing its obligations under this agreement. That licence will expire immediately on expiry or termination of this agreement.

10. NOTICES

10.1 Giving notices: Any notice or communication given to a Council under this agreement is only given if it is in writing and sent in one of the following ways:

- (a) delivered to that Council at its address and marked for the attention of the relevant department or officer (if any) set out in Schedule 1;
- (b) emailed to that Council at its email address and marked for the attention of the representative set out in Schedule 1.

10.2 Change of details: If a Council gives the other Councils three Business Days' notice of a change of its physical address or email address, any notice or communication is only given by the other Councils if it is delivered or emailed to the latest physical address or email address.

10.3 Time notice is given: Any notice or communication is to be treated as given at the following time:

- (a) If it is delivered, when it is left at the relevant address.
- (b) If it is sent by email, when it is received in readable form addressed in the manner specified above.

However, if any notice or communication is given, on a day that is not a Business Day or after 5pm on a Business Day, in the place of the Council to whom it is sent it is to be treated as having been given at the beginning of the next Business Day.

11. GENERAL

11.1 No partnership, joint venture: Nothing in this agreement shall create or evidence any partnership, joint venture, agency, trust or employer/employee relationship between any of the Councils, and a Council may not make, or allow to be made, any representation that any such relationship exists between any of the Councils. A Council shall not have authority to act for, or to incur any obligation on behalf of, any other Shareholder, except as expressly provided for in this agreement.

11.2 No privity: Other than as expressly provided for in this agreement, this agreement is not intended to confer a benefit on any person or class of persons who is not a party to it.

11.3 Counterparts: This agreement is deemed to be signed by a Council if that Council has signed or attached that Council's signature to any of the following formats of this agreement:

- (a) an original;
- (b) a photocopy; or
- (c) an electronic copy,

and if every Council has signed or attached that Council's signature to any such format and delivered it to the other Councils, the executed formats shall together constitute a single binding agreement between the Councils.

- 11.4 Entire agreement:** This agreement contains everything the parties have agreed in relation to the subject matter it deals with. No Council can rely on an earlier written agreement or anything said or done by or on behalf of another Council before this agreement was executed.
- 11.5 Severance:** If any provision of this agreement is, or becomes unenforceable, illegal or invalid for any reason it shall be deemed to be severed from this agreement without affecting the validity of the remainder of this agreement and shall not affect the enforceability, legality, validity or application of any other provision of this agreement.
- 11.6 Further assurance:** Each Council shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this agreement.
- 11.7 Variation:** No variation of this agreement will be of any force or effect unless it is in writing and signed by each Council to this agreement.
- 11.8 Assignments and transfer:** A Council must not assign or transfer any of its rights or obligations under this agreement without the prior written consent of the other Councils.
- 11.9 Costs:** Except as otherwise set out in this agreement, each Council must pay its own costs and expenses, including legal costs and expenses, in relation to preparing, negotiating, executing and completing this agreement and any document related to this agreement.
- 11.10 Waivers:**
- (a)** A waiver of any right, power or remedy under this agreement must be in writing signed by the Council granting it. A waiver only affects the particular right, obligation or breach for which it is given. It is not an implied waiver of any other right, obligation or breach or an implied waiver of that right, obligation or breach on any other occasion.
 - (b)** The fact that a Council fails to do, or delays in doing, something the Council is entitled to do under this agreement does not amount to a waiver.
- 11.11 Governing law:** This agreement is governed by the laws of New Zealand and the Councils submit to the non-exclusive jurisdiction of the courts of New Zealand in respect of any dispute or proceeding arising out of this agreement.

SCHEDULE 3**PROJECT PLAN**

Activities and Decisions	Timeframes
Design phase	
(1) Agree project approach and enter into Commitment Agreement	By mid-July 2025
(2) Each Council undertakes public consultation including Hearings, and shares analysis of submissions to inform each others Deliberations reports	Ongoing to mid-July 2025
(3) Consideration of submissions, deliberations and determination of whether to proceed with joint WSCCO	Mid-July 2025
(4) Prepare and adopt joint WSDP including: <ul style="list-style-type: none"> Finalising approach to financial arrangements, debt transfer etc – which must demonstrate that financial sustainability (which involves revenue sufficiency, investment sufficiency and financing sufficiency) will be achieved. In doing so, a key consideration for the Councils will be ensuring affordability of water charges for consumers. Identifying all relevant water related assets either owned by the Councils, or by third parties or other local authorities, that will require consideration for potential transfer to ensure that the WSCCO is responsible for all required infrastructure Develop Implementation Plan Stormwater arrangements CE certification /assurance process before submitting joint WSDP to Secretary for Local Government.	Refer (6)
(5) Plan arrangements for the WSCCO, including: <ul style="list-style-type: none"> develop and document each Council's technical, operational, legal and other requirements for the joint operating model and agree reasonable and realistic timeframes for delivery of the joint operating model via the establishment and operationalisation of the WSCCO (to be set out in the Implementation Plan); and draft and agree the form of the foundational agreements including Constitution, Shareholders' Agreement, Transfer Agreement(s) and other agreements required. 	Ongoing
(6) Adoption of joint WSDP	By no later than 1 September, due to due date of 3 September 2025
Implementation	

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Activities and Decisions	Timeframes
<p><u>Establishment phase</u></p> <p>Led by Councils initially, and then led by WSCCO Establishment Board and Establishment Chief Executive</p> <p>Actions and timing as per the Implementation Plan in the adopted WSDP, but expected to include:</p> <ul style="list-style-type: none"> • Agree and execute the documents required to establish the WSCCO • Establish the WSCCO • Appoint WSCCO Establishment Board, which will be responsible for transition and establishment of WSCCO, including in particular: <ul style="list-style-type: none"> • Setting up operational arrangements for the WSCCO • Establishing financial arrangements for the WSCCO • WSCCO Establishment Board to appoint Establishment Chief Executive, who will be responsible for advising the Establishment Board and Councils on all establishment actions, and will work with Project Team. • Developing Transfer Agreement(s), Service Agreements and Shared Services Agreements, with involvement from both Councils and WSCCO Establishment Board 	<p>[Formal establishment can only proceed after acceptance of the WSDP]</p>
<p><u>Transition Phase – led by WSCCO Establishment Board / supported by Shareholders Representative Forum</u></p> <p>Led by WSCCO; High level actions and timing as per the Implementation Plan in the adopted WSDP, but detail to be developed by TGG and WSCCO Establishment Board.</p> <p>Individual Councils to establish internal project teams and resourcing to ensure they are able to be ready to complete their individual water service business transfers as per the Implementation Plan.</p> <p>The target commencement date for the WSCCO to commence operations as a water organisation will be 1 July 2026</p>	<p>Intention to aim for establishment by 1 July 2026 (subject to officer confidence and further developed Project Plan)</p>