

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 **FRIDAY 16 NOVEMBER 2018** commencing at **10.30am**.

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.

- 1. APOLOGIES AND LEAVE OF ABSENCE**
- 2. CONFIRMATION OF STATUS OF AGENDA**
- 3. DISCLOSURES OF INTEREST**
- 4. REPORTS**
 - 4.1 Role of the Board 2
 - 4.2 Watercare Project Plan 6
 - 4.3 Date and Timing of Meetings 8
 - 4.4 Delegations 11
- 5. EXCLUSION OF THE PUBLIC** 16
- 6. CHIEF EXECUTIVE'S ISSUES** VERBAL

Gj Ion
CHIEF EXECUTIVE

Open Meeting

To	Waters Governance Board
From	Gavin Ion Chief Executive
Date	7 November 2018
Chief Executive Approved	Y
Reference/Doc Set #	GOV1318
Report Title	Role of Board

1. EXECUTIVE SUMMARY

The Waters Governance Board will drive the preparation and implementation of the Council's contract with Watercare for the delivery of water management services. This will include strategic input, oversight and monitoring of progress and subsequent delivery of service.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. BACKGROUND

Council resolved on 27 June to support Option 4 the Waters Governance Board model for the future of our waters business. The title Waters Governance Board was used to stress the independent nature of the governance that would oversee the future of our waters business. In practice, this would actually take the shape of a Council Committee reporting directly to Council but operating as independently as possible through extensive delegations. It would have four members – three independent members including a representative from Waikato-Tainui and the Chief Executive (to provide the link to Council and to retain the accountability of the Chief Executive for the success of this arrangement). This report is to explain the role of the Board.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

The implementation plan for Option 4 needs to be developed. A key part of this process will be negotiating and developing the contract with Watercare. Work on this has commenced including the agreement of some common principles.

Staff have commenced work on the implementation plan but this will be better informed by engaging with the Waters Governance Board and utilising the expertise on the Board to oversee the development of a contract with Watercare.

This will be a significant commitment particularly over the next year as the arrangement with Watercare is worked through. In general terms, staff believe this will take a minimum of seven months to implement. Watercare seem happy with this timeline.

The Mayor and Councillors have been very clear that they will empower the Board/Committee and go as far as they can in terms of independence. It is noted that the Council can change the composition of the Board/Committee or change the delegations but in the case of a CCO, they would also have had the right to remove or replace Directors. Hopefully this will never happen.

The Board has been carefully selected to engage a high calibre of member as there are important decisions to make in terms of a key piece of the current council business.

In essence the key role of the Board will be:

- 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

4.2 OPTIONS

The role of the Board has been detailed based on discussions with Council. It could be added to or amended if the Board considers this necessary.

5. CONSIDERATION

5.1 FINANCIAL

Board Members (excluding the Chief Executive) are remunerated at an agreed annual rate.

5.2 LEGAL

It is important that the role of the Board is clearly understood.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The role of the Board has been developed to ensure strategic alignment with Council's intention as detailed in the original business case.

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>	The role of the Board is outlined in this report. It could be subject to change if the Board considers it necessary.				

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

Comment: This is an internal document between Council and the Board.

6. CONCLUSION

The role of the Board is outlined in this report for discussion.

7. ATTACHMENTS

Nil.

Open Meeting

To	Waters Governance Board
From	Ian Cathcart General Manager Service Delivery
Date	12 November 2018
Prepared by	Carole Nutt
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Watercare Project Plan

1. EXECUTIVE SUMMARY

This report is to inform the Waters Governance Board of the high level project plan for the transition of our Three Waters business to Watercare Services Ltd (“Watercare”). The plan is a joint working document to the end of December; the plan will be updated and expanded as progress with the transition is made.

While the contract draft terms (and risks) are the immediate key focus, concurrently data collection, sharing and analysis is underway. Watercare have been onsite both in the Ngaruawahia office and out in the field to meet with WDC employees to understand our business and start due diligence in the areas of assets, maintenance and operations, people (including health and safety) and customer work streams.

A joint Watercare/WDC stream workshop was held on the 12th November focused on transition planning and formally kicking off the project. The workshop included introducing people across the two organisations, gaining a shared understanding of the project background, developing stream canvases and agreeing the next steps of the transition.

2. RECOMMENDATION

THAT the report from the General Manager Service Delivery be received.

3. ATTACHMENTS

- Watercare/WDC Waters Transition Phase I Roadmap

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	7 November 2018
Chief Executive Approved	Y
Reference/Doc Set #	GOV 1318
Report Title	Date and Time of Meetings

1. EXECUTIVE SUMMARY

This report is to agree a frequency of meetings for the coming year.

2. RECOMMENDATION

THAT the report from the Chief Executive be received;

AND THAT the Waters Governance Board meet monthly on the **XXX** (insert day and week) of each month at **XXX** (insert time).

3. BACKGROUND

The Board needs to agree the frequency and timing of meetings that will meet the needs of the organisation.

4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

Council staff are working with Watercare for waters management to be transferred and operational by 1 July 2019. Water billing through Watercare may not be operational at that time due to the current requirement for charging to be by way of targeted rate as well as water by meter. It is felt this may need to proceed at a later date. More clarity on this will be provided at the meeting. All other aspects of waters management is expected to be transferred to Watercare and must be complete by 1 July.

In the light of this timetable and given the role of this Board to provide strategic input and direction on the contract, transition process and outcomes sought, it is suggested that the Board meet monthly until July 2019 and then review the frequency of the meetings.

4.2 OPTIONS

The Board could decide to meet monthly or more or less frequently. The Board needs to agree a timetable that meets the needs and requirements of the members.

5. CONSIDERATION

5.1 FINANCIAL

Board Members (excluding the Chief Executive) are remunerated at an agreed annual rate.

5.2 LEGAL

Council will need to advertise the timing of the meetings so it is important that a timetable is agreed. Meetings can be added or cancelled as required.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

The proposed time and date for the meetings need to be considered in the context of the rest of the Council calendar.

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 checked="" 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>	The Board needs to agree a meeting timetable which suits its needs.				

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

Comment: The Board will decide this matter as part of the meeting.

6. CONCLUSION

A timetable for forthcoming meetings needs to be agreed and scheduled.

7. ATTACHMENTS

Nil.

Open Meeting

To	Water Governance Board
From	Gavin Ion Chief Executive
Date	7 November 2018
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 is discussed separately in this agenda, the delegations to the Waters Governance Board have not been developed 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 the contractor in terms of the water activity
- To consider and ensure improvements or innovation are implemented by the contractor 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.**

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 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 the contractor in terms of the water activity
- To consider and ensure improvements or innovation are implemented by the contractor 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.

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.

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	Water Governance Board
From	Gavin Ion Chief Executive
Date	12 November 2018
Prepared by	Rose Gray Council Support Manager
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. Social Franchise

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)(ii)

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:

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)(ii)

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

3. ATTACHMENTS

Nil