



**Far North
District Council**



TŪHONOTANGA MINITI ATTACHMENTS MINUTES

Ordinary Council Meeting

29 April 2026

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6.11 NORTHLAND WATER DONE WELL: COMMITMENT TO THE REGIONAL COUNCIL-CONTROLLED ORGANISATION AND INCORPORATION DATE**File Number: A5571968****Author: Charlie Billington, Group Manager - Corporate Services****Authoriser: Guy Holroyd, Chief Executive Officer****TAKE PŪRONGO / PURPOSE OF THE REPORT**

To seek Council decision on the establishment of the regional water services Council-Controlled Organisation. This report considers Council reaffirmation of its commitment to the establishment of an asset-owning joint three-council-controlled organisation to provide drinking water and wastewater services in Northland, to reaffirm the incorporation date of 30 June 2026 as was resolved on 28 August 2025, and to record the matters that would reasonably be expected to be completed before incorporation date.

WHAKARĀPOPOTO MATUA / EXECUTIVE SUMMARY

- Council has obligations under the Local Government Act 2002 (LGA) to make sound decisions based on adequate information. Key programme documents, including the Transition Agreement schedules for the Project Plan, Budget, and Support Services, are not yet populated. The information that would reasonably be expected to support a commitment decision of this scale is not yet available.
- On 1 April 2026, Council endorsed the Shareholders' Agreement and Constitution in principle for Commitment Point 1. The foundational documents are largely settled. The project plan and supporting information for period of corporate establishment is not yet defined to a level that would reasonably support a sound commitment decision.
- Council's resolved incorporation date is 30 June 2026. This was adopted by all three Councils through the Joint Water Services Delivery Plan (WSDP) on or about 28 August 2025, and approved by the Department of Internal Affairs.
- In January 2026, the Elected Members Steering Group (EMSG) made a recommendation to bring forward the incorporation date to 1 May 2026. It has not been the subject of a Council resolution.
- Council has resolved its commitment to the regional model through its adoption of the WSDP. This paper recommends that Council reaffirm that commitment, affirm the 30 June 2026 incorporation date, and record the matters that would reasonably be expected to be completed before establishment approval is taken.
- Whangārei District Council has indicated it intends to proceed with establishment of Northland Waters Limited on 28 April 2026, with a deadline for FNDC participation by 20 May 2026. The late-entry resolution recommended in this report preserves FNDC's ability to join the arrangement on terms no less favourable than those already negotiated.

TŪTOHUNGA / RECOMMENDATION

That the Far North District Council:

- a) **Reaffirms its commitment to the establishment of an asset-owning joint three-council-controlled organisation to provide drinking water and wastewater services in Northland, alongside Kaipara District Council and Whangārei District Council, consistent with the Joint Water Services Delivery Plan accepted by the Department of Internal Affairs.**
- b) **Affirms the 30 June 2026 incorporation date contemplated by the Joint Water Services Delivery Plan as adopted by Council on 28 August 2025, noting no subsequent Council resolution has been taken to alter that date.**
- c) **Resolves that, before establishment approval is taken, FNDC considers the following matters should be sufficiently progressed to support a sound commitment decision:**
 - i. **The scope of what the Company will and will not be expected to deliver on Day 1 is agreed between the shareholders and endorsed by DIA.**
 - ii. **Establishment-phase Service Level Agreements covering scope, performance, and commercial terms between the Company and the Councils, including a commitment that the Company will operate independently of any one council's support services within 90 days of incorporation.**
 - iii. **A populated establishment budget and an integrated delivery plan demonstrating funding, resourcing, risk management, and critical-path delivery across all three councils.**
 - iv. **Independent programme management, transparent and independently endorsed by the board of directors, appointment processes demonstrating operational independence from any individual shareholder council, and a documented conflict-of-interest framework.**
 - v. **All foundational documents executed and inaugural directors confirmed through each council's governance processes.**
- d) **Directs the Chief Executive to present establishment approval for Council decision when the matters recorded in resolution (c) are sufficiently progressed to support a sound commitment decision.**
- e) **Notes that, in the event the Company is incorporated before FNDC is in a position to approve establishment, Council would consider entry to the arrangement on terms no less favourable than those contemplated by the Shareholders' Agreement and Constitution as endorsed in principle by Council on 1 April 2026.**

1) TĀHUHU KŌRERO / BACKGROUND

Council adopted the Joint Water Services Delivery Plan (WSDP) in August 2025 and entered into a Commitment Agreement with Kaipara and Whangārei District Councils in September 2025. The WSDP, accepted by the Department of Internal Affairs (DIA) in October 2025, is the operative delivery plan for water services in the FNDC district and establishes the regional CCO as the delivery model. The WSDP contemplated incorporation shortly after 30 June 2026, with full operational commencement on 1 July 2027.

In early 2026 the Elected Members Steering Group (EMSG) recommended bringing the incorporation date forward to 1 May 2026. That recommendation has not been the subject of a Council resolution.

On 1 April 2026 Council endorsed the Shareholders' Agreement and Constitution in principle. That endorsement was subject to three matters:

- that both representatives of each Council on the shared Shareholders' Representative Group (SRG) be elected members;
- endorse cross-utilisation of Local Government Funding Agency (LGFA) borrowing headroom across ringfenced Service Areas as requiring unanimous shareholder approval as a Reserved Matter; and
- that the appointment of existing External Advisory Group (EAG) members as inaugural directors be subject to reconfirmation by the EMSG.

FNDC's position on the matters addressed in this report has been communicated to co-shareholders. Whangārei District Council has indicated it intends to proceed with establishment of Northland Waters Limited at its meeting on 28 April 2026, with a deadline of 20 May 2026 for FNDC and Kaipara District Council to confirm participation. If that deadline is not met, WDC has indicated it will proceed with a Whangārei-only CCO, with late entry available on renegotiated terms.

2) MATAPAKI ME NGĀ KŌWHIRINGA / DISCUSSION AND OPTIONS

Council is being asked, at the tri-council level, to commit to the establishment of a regional water services CCO. This paper recommends the position FNDC would take to that commitment, grounded in Council's governance obligations and the matters the programme has itself identified as required for establishment.

Governance context

Establishment of the regional CCO is a matter of high significance under Council's Significance and Engagement Policy 2021. It carries long-term financial, operational, and community consequences for the Far North. Council's obligations under the LGA require that decisions of this kind be made on the basis of identified options, assessed advantages and disadvantages, and adequate information. Council's fiduciary responsibilities to ratepayers reinforce the need for financial and operational parameters to be clear at the point a commitment is made. The CCO model consulted on with the community contemplated an entity governed by an independent board with commercial and technical expertise, with operational efficiencies and stronger resilience identified as expected benefits.

Incorporation date

The incorporation date Council has resolved through its adoption of the WSDP is 30 June 2026. The 1 May 2026 date in programme documentation was endorsed by the EMSG in early 2026. That endorsement occurred before the assurance arrangements contemplated by the programme were in place. FNDC Elected Members on the EMSG have signalled that assurance has not yet been provided adequately. The WSDP Scoping and Preparation phase contemplated that detailed planning for transitional and operational activities would be completed before incorporation. That work is not yet complete. The additional time to 30 June 2026 would allow the programme to complete the analysis its own delivery plan contemplated.

Affirming the 30 June 2026 date preserves FNDC's position as a founding shareholder. WDC has indicated it intends to proceed with establishment on 28 April 2026, with a 20 May 2026 deadline for FNDC participation. In the event the Company is incorporated before FNDC is in a position to approve establishment, the recommended resolutions intended to outline FNDC's intention to join the arrangement on terms no less favourable than those already negotiated.

Council endorsed the Shareholders' Agreement and Constitution in principle at Commitment Point 1 on 1 April 2026. The foundational documents are largely settled. The Project Plan going into the establishment period is not. The Transition Agreement schedules for the Project Plan, Budget, and Support Services are not yet populated. These are documents Council would reasonably be expected to have before making a commitment of this scale.

Council has received independent legal advice on the Shareholders' Agreement and Constitution which observes that material risk management is placed in future documents and processes. That observation is consistent with the governance considerations set out in this report.

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The matters set out below are those that would reasonably be expected to be in place before a commitment decision consistent with Council's obligations under the LGA. These are not new requirements. They are items already contemplated by the programme that remain to be completed.

- **Day 1 scope.** Agreement between the shareholders on what the Company will, and will not, be expected to deliver on Day 1, with the Day 1 operational scope endorsed by DIA.
- **Day 0 Service Level Agreements.** Establishment-phase Service Level Agreements between the Company and the Councils covering scope, performance, and commercial terms, including a commitment that the Company will operate independently of any one council's support services within 90 days of incorporation.
- **Establishment budget and delivery plan.** A populated establishment budget and an integrated delivery plan demonstrating credible funding, resourcing, risk management, and critical-path delivery across all three councils.
- **Programme governance.** Independent programme management, transparent and independently endorsed by the board of directors, appointment processes demonstrating operational independence from any individual shareholder council, and a documented conflict-of-interest framework.
- **Day 0 readiness.** All foundational documents executed, including lending agreements; inaugural directors confirmed through each council's governance processes (for FNDC, by Te Koekoē Committee).

The Programme Director role will be vacant from 8 May 2026. No successor has been confirmed. The appointment of a successor is relevant to the programme governance matters identified in this report.

Options

- **Option 1 (recommended):** Affirm the 30 June 2026 incorporation date, record the matters identified in this report, and direct the Chief Executive to present establishment approval for Council decision when those matters are sufficiently progressed.

Advantages: consistent with Council's obligations under the LGA; aligns with the WSDP accepted by DIA; provides time for programme matters to be completed before commitment; does not foreclose any option; preserves FNDC's position as a founding shareholder and provides a documented basis for late entry on terms no less favourable than those already negotiated.

Disadvantages: creates a divergence between Council's position and the initial EMSG recommendation.
- **Option 2:** Proceed to establishment on an accelerated timeframe, with the Transition Agreement schedules (Project Plan, Budget, and Support Services) in their current state. The schedules are not yet populated. The matters identified in this report would be worked through during the establishment period after commitment.

Advantages: maintains programme momentum; avoids divergence with initial EMSG recommendation; demonstrates commitment to co-shareholders.

Disadvantages: would commit Council before the Transition Agreement schedules are populated; would proceed before the information that would reasonably be expected to support a decision of this scale is available; concedes governance protections to after the point of commitment.
- **Option 3:** Proceed to establishment on an accelerated timeframe, but update the Transition Agreement to acknowledge the deferral of Scoping and Preparation work into the establishment period, and direct the Chief Executive to seek independent legal input on the governance structure for the next phase, including a stage-gate mechanism providing shareholder approval at defined milestones before funding is released.

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Advantages: preserves programme momentum while building governance protections into the establishment period; independent legal input provides assurance that the governance structure is fit for purpose; stage-gate approach aligns shareholder commitment with demonstrated delivery.

Disadvantages: introduces cost for independent legal input; requires negotiation with co-shareholders on the Transition Agreement amendments; may not be achievable within the accelerated timeframe without co-shareholder agreement.

- **Option 4:** Accept WDC's establishment timeline and call an extraordinary Council meeting before 20 May 2026 to approve establishment and join Northland Waters Limited as a founding shareholder on the current negotiated terms.

Advantages: secures founding shareholder status; avoids renegotiation risk; maintains the regional model as consulted on with the community; preserves the current negotiated terms including FNDC's CP1 conditions.

Disadvantages: commits Council before the matters identified in this report are completed; accepts foundation documents that have not been subject to the governance review Council has identified as necessary; accepts a board slate appointed without the reconfirmation process required by Council's CP1 resolution; compresses the time available for elected member consideration of establishment papers; the Transition Agreement provided to WDC elected members was not available at the time of publication of the WDC agenda.

TAKE TŪTOHUNGA / REASON FOR THE RECOMMENDATION

Option 1 is recommended. If adopted, it would affirm the incorporation date Council has resolved, provide time for the programme to complete the analysis its delivery plan contemplated, and place Council's position on the record at the point a commitment decision is being contemplated. Option 2 would proceed before the Transition Agreement schedules are populated. Option 3 would build governance protections into the establishment period but requires co-shareholder agreement that may not be achievable within the available timeframe. Option 4 would secure founding shareholder status but would commit Council before the matters identified in this report are completed and before Council has had adequate time to consider the establishment papers.

3) PĀNGA PŪTEA ME NGĀ WĀHANGA TAHUA / FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

The decisions sought under Option 1 do not commit additional financial resource beyond existing programme commitments. Option 2 would not introduce additional costs beyond those already contemplated by the programme. Option 3 would involve costs for independent legal input on the Transition Agreement governance structure, met from existing programme budgets. Option 4 would commit Council to the establishment funding obligations set out in the Transition Agreement. Under all four options, the operational funding commitments associated with the CCO would be the subject of subsequent Council decisions.

ĀPITIHINGA / ATTACHMENTS

Nil

Hōtaka Take Ōkawa / Compliance Schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

He Take Ōkawa / Compliance Requirement	Aromatawai Kaimahi / Staff Assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	High. The establishment of a regional water services CCO is a matter of high significance under Council's Significance and Engagement Policy, having been the subject of prior consultation and Council resolution through adoption of the WSDP. The decisions sought in this report do not alter Council's resolved position on the WSDP.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Local Government (Water Services) Act 2025 Local Government Act 2002 Joint Water Services Delivery Plan adopted by Council on 28 August 2025 Commitment Agreement between FNDC, KDC and WDC (September 2025) FNDC Significance and Engagement Policy 2021.
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	The establishment of a regional water services CCO is a district-wide matter, outside Community Board delegations. No specific Community Board views have been sought on the decisions in this report.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water. State the possible implications and how this report aligns with Te Tiriti o Waitangi / The Treaty of Waitangi.	Iwi and hapū have significant interests in water services delivery across the district. Those interests expected to be integrated in the Northland Waters Statement of Expectations, to be adopted within six months of incorporation, would be the principal mechanism for giving effect to them. Staff recommend that the Statement of Expectations be developed with direct iwi and hapū input. The decisions sought in this report do not alter the basis on which engagement is conducted.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example – youth, the aged and those with disabilities).	Ratepayers across the FNDC, KDC and WDC districts; iwi and hapū across Northland; and the Crown (through the Department of Internal Affairs). Addressed under the Background and Discussion sections of this report.

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State the financial implications and where budgetary provisions have been made to support this decision.	Addressed in section 3 of this report. No additional financial commitment arises from the decisions sought.
Chief Financial Officer review.	The CFO has not reviewed this report.

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