

Feedback on the Government's Three Waters Reform Proposal

Local authorities have been encouraged to review and consider the Government's Three Waters Reform (the reform) Package and the implications this may have for communities we serve.

South Taranaki District Council (STDC) acknowledge and welcome the Government's commitment to partnering with local government around these reforms. And whilst we welcome this approach, the fixed view on the best way forward and not carrying people with you on the journey makes the partnership feel very unbalanced.

It is also clear that the reforms are being completed without the review on Local Government being undertaken first. If this was completed first, then a number of alternative options and potentially better outcomes could have been presented to the sector. We are seriously concerned about what the impacts of a 'one-size fits all' and centralisation approach will have on our communities.

We also acknowledge that better regulation of the Water sector is needed and the introduction of Taumata Arowai is a welcomed addition.

We understand that the eight-week period for feedback on the reform was not an opportunity for STDC to make any decisions. We wish to be clear that STDC has not formed any position at this stage on whether to remain in the reform process or opt-out. Our expectation is that STDC and the South Taranaki community will be engaged and consulted with before making such a significant decision.

STDC has carried out its own analysis to understand the potential impact of the reform. Over the past eight weeks STDC has held some six workshops with our Councillors specifically on this subject, of which three included a wider group including Community Board members and representatives from our four Iwi partners. Being in Covid-19 lockdown has made the eight-week timeframe challenging as several of these workshops were held electronically, which is not as conducive to robust discussion than if the Council had all been in the same room. A request was made in writing to LGNZ for an extension to this timeframe. We did receive a response from LGNZ, which stated that they were waiting for a reply from Government.

STDC invited a number of guests to speak to the workshop attendees in order to better understand the reform proposal, the data and information and to ask questions. This has assisted STDC with the preparation of its feedback.

STDC's feedback primarily focuses on the modelling, themes that have presented themselves during this period and items that require further consideration.

Again, this feedback should not be taken as STDC taking a position on the reforms in any way. As noted above our community expects to be able to have their say.

Governance Model

We understand the single proposed ownership arrangement for the assets however, nominal ownership as stated, even if it was provided for in legislation, will come with none of the benefits of being an owner and effectively mean nothing. Effectively our local communities through their elected representatives will have no direct control over the proposed water services entities and are giving away our assets.

Under this model we fail to see how the new entities will be responsive and accountable to our communities, and it appears they are effectively accountable to no-one. The complex accountability framework, with performance overseen by regulators, guidance coming from a national policy statement, oversight from a Regional Representative Group, board performance oversight from an independent selection panel and regulatory oversight from regional councils, is nothing short of unnecessary bureaucracy.

STDC had, in conjunction with the other two Taranaki District Councils developed a proposal to aggregate the three waters across the region, whilst maintaining local ownership arrangements and oversight. STDC believes that this step would present better governance arrangements and resolve a number of the outcomes that the Government is trying to achieve. This would also have the benefit of ensuring that our policies, plans and community aspirations that have been developed and funded through our Long Term Plan (LTP) are achieved. STDC believes this can be achieved through a Taranaki Region Asset Owning Entity that:

- Is a stand-alone asset owning entity with a separate identity and direct relationship with customers, including direct billing for services.
- Has Council as shareholders, proportions to be determined, governance structure that includes Council and non-Council directors.
- Is able to borrow in its own right.
- Meets the above points and other Three Water Reform outcomes but focused on the Taranaki region only.

STDC is also concerned about how Iwi/Māori rights might be effectively addressed in the governance arrangements for the new entities. We understand that there would be up to 12 seats on the Regional Representative Group – six for Elected Members and six for Mana Whenua. Finding six representatives from 22 councils (Entity B) will be difficult enough, however finding six representatives from some (as we have been informed) 70+ Iwi/Māori/Hapū organisations to represent their interests will be, in our view, considerably more difficult and disingenuous.

Financial Model

Our analysis of the dashboard and financial modelling has highlighted some concerns relating to the accuracy of the detail and the assumptions that have been made. We acknowledge that STDC provided the data as part of the analysis from the 2018 LTP and that the modelling has been peer reviewed, however it appears that factors specific to each Council may not have been considered such as our Council's Long Term Investment Fund (LTIF). This fund is currently worth \$166million

and has been effectively utilised to increase our investment in the Three Waters space and make operational efficiencies and gains that might not have been achieved otherwise. We believe that the calculations in the model particularly around (net) debt appear to have skewed the results incorrectly. STDC is also very concerned about the debt that the new entities will be able to carry (up to 800% of revenue). STDC is equally concerned about the potential liability that will be placed on it if it is a named owner in the new entity but yet has no say or control in managing that liability.

In addition, the potential responsibility for small rural and other water schemes should these structures become non-complying is a complete unknown, a high risk likely to have been underestimated no matter who is responsible for water.

We would like to see how the assumption underlying the average cost 'with transfer' was made. In our case this number is \$1,220. This should be included in simple terms, in the assumptions behind the dashboard and financial assessment tool. This will allow councils to better understand the significant efficiencies the DIA has signalled. We doubt that the Government will guarantee that any new entity will have water accounts not exceeding \$1,220pa in 30 years' time.

STDC also undertook an independent 'balanced scorecard' process, which highlighted that there was very little difference between STDC delivering on its planned 2021-31 LTP compared to being part of the reform. In fact, in one category, Social, Community and Economic Wellbeing, the result highlighted a deteriorating result.

We do however acknowledge that the costs for delivering three waters will increase across the course of the LTP. What we expect to be able to do is at the very least ask our community (with accurate figures) if they are prepared to pay for the continued level of service they currently enjoy and retain control of the assets they have paid for over many generations.

STDC is aware from its modelling of some potential unintended consequences from the reform including impacts on the current rating systems Council has in place (Urban v Rural). We recommend that should the reform proceed that the Government consider changes to the Rating Act to ensure that no ratepayer is worse off.

Iwi/Māori Engagement

STDC has included our Iwi partners (Ngā Rauru, Taranaki, Ngāruahine and Ngāti Ruanui) throughout the feedback development and participated in our workshop sessions. Our current arrangements when undertaking, for instance capital works is to engage directly with our Iwi partners and work together on outcomes that are mutually acceptable.

It is unsure how the large entities, as proposed, will engage with some 70 plus Iwi/Māori and hapū in Entity B to deliver the programme that is being purported and/or retain the same level of engagement that is currently in place.

We understand that Taranaki Iwi have more of an affiliation South/East than they do North/East. STDC acknowledges that Iwi/Māori and hapū have limited resources to consider these matters fully and that more time should have been afforded for meaningful engagement.

Specific feedback from one of our Iwi partners, Ngāruahine, is attached to this document.

Local Priorities

One of the biggest concerns STDC has with the model is how will local priorities be met and delivered. STDC understands that all of its LTP three waters projects will be picked up and delivered by the new entity. This may very well cover off the maintenance and renewal work however there is no guarantee that the priorities won't change when our area is reviewed against the other 21 Council areas across Entity B.

We are gravely concerned that STDC's growth and development aspirations, albeit small compared to other high growth areas, will have to wait in line. For example, we have been able to undertake a detailed assessment for future economic development and growth, engaged with our community through the LTP process on the plan and obtain a mandate from them to deliver this. This sort of connection will be made considerably more difficult in future.

It is our view that we are able to get alongside our development community more effectively than a larger entity ever could and our fear is that the good relationships that have been forged will deteriorate under the new arrangements. This was also recently highlighted at a LGNZ led 'Three Waters Integration with the Planning System' workshop in which issues were raised by local government representatives such as:

- The proposal is not clear on how we get alignment between communities and their aspirations for future growth and where growth happens and when?
- Water is a key tool for shaping how communities develop and grow, so how do we ensure councils can develop and grow and how would WSEs understand exactly what is happening and needed locally along with being flexible and respond to local needs and changes?
- A major concern is the lack of clarity on how the reform of the RMA will impact and what direction will be provided for the new WSE's. This has clearly highlighted that the Three Waters Reform should have been completed after the RMA reforms and Review of Local Government.

Our communities ring their local councillor when they have an issue and they sort it out on their behalf. The concern is that this sort of connection and 'localism' approach to resolving matters and maintaining a level of service built up over many years will simply disappear.

Future Privatisation

STDC is also concerned about the potential future privatisation of the water assets. Whilst the assets are in Councils' hands it is certain and legislated that these assets would never be privatised. No matter how many safeguards the Government puts in place, once these are in the hands of a new entity the path to privatisation will be made easier for any future Government.

We do acknowledge that safeguards are being put in place, however these should be strengthened further by having any privatisation proposal referred back to the original asset owners for a resolution, should the reform proceed.

Government Reforms

STDC believes that with the considerable amount of reform currently underway and the pace that this is moving at, along with the interconnectivity between them all that the order in which they are being undertaken gives rise to critical matters not being achieved. This was highlighted, as mentioned above in the recent 'Three Waters Integration with the Planning System' workshop.

STDC agrees that the implementation of the water regulator Taumata Arowai is an essential step in ensuring that water standards are achieved and maintained. Council believes that if you stand up both the Regulator and WSEs at the same time, you may not know which one is providing the benefits and outcomes the Government is seeking. Council strongly believes that Taumata Arowai should be afforded the time to become operational and ensure compliance is being achieved.

While this is underway the two other significant reforms, the Review of Local Government and the RMA could be completed. Once this is achieved then a conversation with the Community could be held on what is the appropriate journey to realise the changes that are needed.

It is also STDC's view that this would enable Iwi/Māori to be more effectively included in the conversation, particularly given our changes to representation at the next Local Government election.

Stormwater

STDC has considered the inclusion of Stormwater and how this asset fits in the proposal. For our Council, stormwater systems are more complicated with a multitude of interfaces with other assets and systems.

Stormwater is also funded differently to the other two waters, given its much wider implications across the entire District. It is also difficult for Council to see how stormwater assets can be accounted for given their proximity to parks and reserves (ponds, rivers and streams), roads and drains and hard infrastructure (culverts).

We do however acknowledge that it may be difficult to retain suitably qualified staff for this asset alone, should the reform proceed.

Workforce

STDC has undertaken an internal survey of its staff during this period of time. Interestingly our staff, and if our result is reflected across the country, it would appear that Water Services staff in general are neither for, nor against the reform process.

It is acknowledged that the Water Services entities would create some opportunities for our staff that we wouldn't necessarily be able to provide. However, the survey did highlight concerns around the security of jobs and the possibility of having to relocate. The Government have said that 'no jobs will be lost' and that their existing employment conditions and existing location will be retained.

We are aware that any transition to a new entity will come with challenges such as the disparity in remuneration and other employment conditions particularly between the rural/provincial and metro sector. STDC believes that, should the reforms go ahead, the Government's timeframe for transitioning is unrealistic.

We have kept our staff informed during the reform process however a considerable amount of work to ensure that any transition occurs seamlessly still needs to be achieved. We are committed to ensuring that the welfare of our staff is of paramount importance and that they are no worse off should the reforms proceed and equally committed to ensuring that we have an appropriately engaged and skilled workforce in place to continue should a different path be taken.

Community Survey

Although this feedback period was not a time for councils to make a decision, our Elected Members fielded a considerable number of queries during this time, which was heightened by what can only be described as an appalling advertising campaign.

We have undertaken a short community survey to gauge the feeling from our community on what has been proposed. We have received a high level of response in comparison to other council matters that we engage with our community on. It is clear that our community places a high level of importance on three waters continuing to be delivered by STDC.

No matter the actual result, it was clearly highlighted that our community expects to be consulted with on this proposal and STDC expects the Government to consult with our communities in partnership with us.

Entity B or C

At the start of the feedback period and when the proposed reform boundaries were released, our Council was asked, if the reform was to proceed or Council remained in, to consider its preference for inclusion in either Entity B or Entity C.

Council would support, subject to the reform proceeding, the placement of South Taranaki in Entity B. As stated in the Governance Model section above, STDC believes the Governments outcomes can be achieved through a Taranaki Region Asset Owning Entity and we would be seeking to pursue this model.

We do however acknowledge that in discussions with our Iwi Partners that there are potentially closer ties to the South/East than there is North/East of the Taranaki rohe.

Ngā mihi



Phil Nixon
Mayor, South Taranaki