



29 September 2021

Three Waters Reform Programme
Department of Internal Affairs

Feedback on the Government's Three Waters Reform Proposal from Stratford District Council (SDC)

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 the communities we serve.

While we welcome the opportunity to provide feedback, the experience to date has felt very unbalanced. The Government's fixed view on what you consider the best way forward, and your failure to carry people with you on the journey makes us question the Government's commitment to partnering with local government around these reforms.

It is clear to us that the reform is being completed out of sync with the review of Local Government, which should be undertaken first. If this was the case, then a number of alternative options, and potentially better outcomes, could be presented to the sector. We are seriously concerned about what the impacts of a 'one-size fits all' and centralised approach would have on our communities.

We are a small council with a rating base of 4,820 rating units, providing water services in the form of 3 drinking water supplies and 1 wastewater treatment plant. All of which are fully compliant with the applicable drinking water standards and resource consents.

We understand that the 8 week period for feedback on the reform was not designed as an opportunity for SDC to make any decisions and wish to be clear that SDC has not formed any formal position at this stage on whether to remain in the reform process or opt-out. Our expectation is that SDC and the Stratford community will be engaged and consulted with before making such a significant decision.

SDC has participated in the proposed Entity B members' survey and contributed to the subsequent letter to the Hon Nanaia Mahuta, Minister of Local Government. In addition to the combined feedback contained in that letter and survey, which is consistent with our own individual position, SDC would like to take the opportunity to provide the following feedback on the reform proposal:

Community Engagement

Although we were advised by the Department of Internal Affairs (DIA) that this feedback period was not a time for councils to make a decision or formally engage with the community, SDC as an organisation and our elected members individually received a considerable number of queries as well as strongly worded feedback during this time.

It is clear that our community places a high level of importance on three waters continuing to be delivered by SDC. No matter the actual outcome, it was evidently highlighted that our community expects to be consulted with on this proposal and SDC expects meaningful Government-led consultation with our communities.

Councillors feel, and our local community has let us know, that the complete lack of community engagement to date on the proposed fundamental changes to community owned assets is unacceptable. The need for this was heightened by what can only be described as an infantile, childish and overall appalling advertising campaign conducted by DIA to date.

Timing of Government Reforms and Taumata Arowai

SDC believes that with the considerable amount of reform currently underway, the pace that this is moving at and the interconnectivity between them all, the order in which they are being undertaken gives rise to concerns that critical outcomes may not be achieved.

SDC agrees that the implementation of the water regulator Taumata Arowai is an essential step in ensuring that drinking water standards are achieved and maintained. However, we believe that if you stand up both the Regulator and Water Service Entities (WSEs) at the same time, you may never know which one is providing the benefits and outcomes the Government is seeking. Therefore, we propose a pause to the Three Waters Reform. This would give the new water regulator Taumata Arowai time to establish itself and put in place the new water standards councils are expected to achieve as a clear target. Councils could then make an informed decision on whether we as a stand-alone council could meet those standards or need to change to achieve them.

While this is underway the two other significant reforms, the Future of Local Government and the Resource Management Act (RMA) could be progressed, allowing for a conversation with the community on what is appropriate to realise the changes that are needed. It is also SDC's view that this would enable hapū, iwi and Māori to be more effectively included in the conversation, particularly given our changes to representation at the next Local Government election.

Governance Model

SDC is concerned by the convoluted and bureaucratic governance model proposed by the Government, which overall just feels TOO BIG and TOO COMPLEX. We can see that our local communities would lose their voice and would have no direct control over the proposed WSEs (through their elected representatives or otherwise) and lose ownership of their assets.

We fail to see how the new entities would be responsive and accountable to our communities. 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, includes too many layers of bureaucracy.

SDC has, 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. SDC 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. SDC believes this can be achieved through a Taranaki Region Asset Owning Entity and would like the opportunity to explore this further to complete due diligence before committing to any path.

We would anticipate such an entity to be:

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

SDC is also concerned about how hapū, iwi and 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 – 6 for Elected Members and 6 for Mana Whenua. Finding 6 representatives from 22 councils (Entity B) would be difficult enough, however finding 6 representatives from some (as we understand) 70 plus hapū, iwi and Māori organisations to represent their interests would be, in our view, considerably more difficult and disingenuous.

Ombudsman and Economic Regulator

Should these reforms proceed, we believe that the addition of an Economic Regulator as well as a dedicated Ombudsman would be essential to protecting and enhancing the long term interests of consumers.

As a monopoly provider any WSE created would need to be held to a high standard of service and be subject to economic regulation that ensures good service quality, affordability for the end user as well as sufficient investment in the systems to ensure performance and compliance in perpetuity – the same benchmarks well run council infrastructure is subject to. Otherwise there is a real chance that the proposed

reform would negatively impact the performance of a large number of currently well performing council services.

Financial Model and Balanced Scorecard

We do acknowledge that the costs for delivering 3 waters services will increase in the future, in line with increasing expectations and environmental standards, just as it has done in the past. But we believe the financial model and dashboard overestimate the benefits achieved by reform without accounting accurately for the associated risks.

SDC undertook an independent 'balanced scorecard' process, which highlighted that there was very little difference between us delivering on the planned 2021-31 LTP compared to being part of the reform. In fact, in a number of categories the result highlighted a deterioration as a result of the reforms. A small number of categories were also considered inappropriate for such a comparison, as they measured an organisation working within the current legislative framework against future objectives. We are confident that SDC could successfully deliver these, if given the chance.

Local Voice

One of the biggest concerns SDC has with the model is how local priorities would be met and delivered. We are gravely concerned that local growth and development would be considerably more difficult in the future. It is our view that we are able to get alongside investors in our district more effectively than a larger entity ever could, and our fear is that the good relationships that have been forged would deteriorate under the new arrangements.

We feel that the current proposal is not clear on how we get alignment between community aspirations for future growth and where and when growth happens across an entity the size of the proposed Entity B. Water is a key tool for shaping how communities develop and grow. So how do we ensure councils can continue to do this if part of the reform? How would WSEs understand exactly what is happening locally, and have the flexibility to respond to local needs and changes? It is likely that this coordination and lobbying role would fall with councils, which would add significant work load and cost at the council end without any associated revenue stream.

Protection against Future Privatisation

SDC is 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 could never be privatised. We firmly believe that once these are in the hands of a new entity the path to privatisation would be made easier for any future Government. While we do acknowledge that safeguards are being put in place, these should be strengthened further by having any future privatisation proposal referred back to the original asset owners for a resolution, should the reform proceed.

Stormwater

SDC 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 funded differently to the other two waters, given its much wider implications across the entire District. It is difficult for SDC 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. On balance we believe that stormwater services should be retained by councils and not be managed or owned by a centralised WSE.

Entity B or C

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

As stated above, SDC believes the Government's objectives can be achieved through a Taranaki Region Asset Owning Entity in alignment with the functions of Taumata Arowai. However, if the reforms proceed as currently proposed we would prefer the placement of Stratford in Entity B.

We do acknowledge that our iwi partners have identified closer ties to the South/East than there is North/East of the Taranaki rohe, making an Entity C placement more attractive to them.

Hapū, Iwi and Māori Engagement

From what we have seen to date, and feedback we have had from our iwi partners, we don't think that engagement for these reforms with mana whenua has been done well and are concerned that the pace of these reforms allows no opportunity for this to be rectified. We acknowledge that our iwi partners have limited resources to consider these matters fully and that more time and support should have been afforded for meaningful engagement.

Final thoughts

We urge you to take this feedback into consideration. SDC is not alone in expressing these concerns. We all agree that quality drinking water and better environmental outcomes are essential. However, we do not accept the premise that there is only one way to achieve these outcomes.

SDC, like all councils nationwide, began taking part in this process in good faith and on the understanding that the reform was voluntary with the ability for councils to opt-out. On this premise we trust that similar good faith will be shown by the Government regarding councils' ability to opt-out.

If we were to make a decision at this moment in time, based on the information available at present, the majority of SDC elected members have indicated they would seek to opt-out of the proposed reform.

We strongly encourage you to pause these reforms. Take stock, give Taumata Arowai an opportunity to positively influence drinking water quality and compliance with standards across the country, allow for the implications of the Future of Local Government and RMA reforms to be better understood and give mana whenua an opportunity to meaningfully engage in all of these.

Once again we would like to thank you for the opportunity to provide our feedback to this proposal.

Yours faithfully



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