



21 July 2022

Water Services Entities Bill – Three Waters Reform Programme
Finance and Expenditure Committee

Submission on the Water Services Entities Bill from Stratford District Council (SDC)

The Central Government's Three Waters reforms have been front of mind for Council, and a hot topic across communities for the last 2 years. We're disappointed that it's taken this long for our community to be able to have its say on these proposed reforms. We request that you listen to our community and give their feedback due weight during your consideration of this Bill. Our community is the ultimate owner of the three water assets, and their views should be the most important views on this issue. We call on the Government to ensure select committee meetings aren't heard solely in Wellington, so that our local community members who wish to speak to their submission can have that opportunity. It's only fair that Central Government starts fronting up in person for this process.

In the absence of an opportunity for the community to be heard to date, Stratford District Council (SDC) as an organisation and our elected members individually received a considerable number of queries as well as strongly worded feedback. 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. The earlier request for feedback as well as the current consultation on the Water Services Entities (WSEs) Bill fall well short of these expectations.

Stratford District Council's concerns on the Three Waters Reforms:

Mandatory nature of reforms

SDC strongly opposes Central Government mandating the proposed Entity based model for water services delivery and our biggest frustration is that, despite promises to the contrary at the beginning of this reform process, neither Council nor the community have been given the choice to opt out of the proposed reforms.

Inter-dependency of Reforms

As expressed in our earlier feedback on these reforms, we strongly believe that they are being completed out of sync with the review of Local Government, which should be undertaken first. If this was the case, a number of alternative options, and potentially better outcomes, could be presented to the sector. We are seriously concerned about the impacts of a centralised "one size fits all" approach on our communities and predict that it will fail to deliver the intended outcomes.

Failure to give Taumata Arowai the chance to deliver outcomes

SDC has always agreed with the implementation of the water regulator Taumata Arowai and sees this an essential step in ensuring that drinking water standards are achieved and maintained. Much like other councils, we accept that change is necessary, but we don't agree that the Central Government's proposed model is the best solution. However, we request a pause to the Three Waters Reform to give Taumata Arowai time to put in place the new water standards councils are expected to achieve as a clear target.

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.

Impact on the viability of the remaining council services

SDC is concerned about the impact on Council's balance sheet. If water infrastructure assets are removed completely from Council, it is questionable whether SDC can stay economically viable post the reforms. This will be further compounded by the impacts of stranded overheads as a result of these reforms and makes us wonder whether this is the start of council amalgamations by stealth. While some council operating costs are scalable, many are not. This has the potential to further exacerbate the loss of local services and decision making for our communities.

Centralisation, size of WSEs and loss of local voice

SDC does not agree with the proposed ownership and governance arrangements, along with the number and size of the water entities contained in the reforms.

While this Bill technically leaves the ownership of water services entities in local government hands, control over these entities would be by central government via the Government Policy Statement more so than local government in reality. This arises directly from the Crown intervention framework in the Bill. We strongly believe that the Government's role should be limited to regulation. If the Committee recommends continuing with the Bill then we would strongly recommend the Committee remove the Government Policy Statement provisions. There is no involvement in this framework for the owners of the WSE. If the Crown does determine to intervene in a WSE then it should be required to work with the territorial authority owners in putting in place the interventions. This is particularly important given that it is the Crown removing these assets from territorial authority control.

The creation of four WSEs shows little regard to the principles of local government and local democracy – that communities should be in charge of their future. Instead, the four WSEs group communities with little or no commonality together.

Stratford District is placed into Entity B alongside communities in the Manawatu-Whanganui region, the Waikato region and the Bay of Plenty region. This does not represent a 'community of interest' and we are failing to see how, in the future, local priorities would be met and delivered. Water, as well as wastewater services are key to the shaping and growing of communities. We are therefore gravely concerned that local growth and development will become considerably more difficult in the future. The current proposal is not clear on how we would achieve alignment between community aspirations for future growth and where and when growth happens across an entity the size of the proposed Entity B.

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.

Pricing

SDC is concerned that the legislation does not address pricing arrangements across the WSEs and as it stands would allow for prices to differ from area to area, which could be crippling for smaller communities like ours.

Final thoughts

We urge you to take this feedback into consideration. 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.

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, and allow for the implications of the Future of Local Government and RMA reforms to be better understood.

We are a small council with a rating base of 4,820 rating units, providing water services in the form of three drinking water supplies and one wastewater treatment plant. All of which are fully compliant with the applicable drinking water standards and resource consents. We are committed to working with Central Government to find a way forward that delivers the best outcomes for our local communities. From the feedback we are receiving it is clear that our community places a high level of importance on three waters services continuing to be delivered and assets to be owned by SDC.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Neil Volzke', written in a cursive style.

Neil Volzke
District Mayor

A handwritten signature in blue ink, appearing to read 'Sven Hanne', written in a cursive style.

Sven Hanne
Chief Executive