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Feedback on the Three Waters Reform proposals

The Hauraki District Council thanks Te Tari Taiwhenua Internal Affairs, Local Government New Zealand and Taituarā for the opportunity to provide feedback on the:

- potential impacts of the proposed Three Waters Reform on the Hauraki District Council and our residents and ratepayers,
- outstanding issues highlighted in the three waters guidance for councils,¹ and
- water service entity boundaries as they relate to our district.

During the eight week feedback period (1 August - 30 September 2021) councils have been asked to provide solutions to outstanding issues previously raised by councils and on which the Government has said there is room for flexibility to come up with solutions that meet local needs:

1. Ensuring all communities have both a voice in the system and influence over local decisions. This includes assurance that water service entities will understand and respond appropriately to communities' concerns, needs and wants.
2. Effective representation on the new water service entities' oversight boards so there is strong strategic guidance from, and accountability to, the communities they serve, including iwi/mana whenua participation.
3. Making sure councils' plans for growth, as reflected in spatial plans, district plans or LTPs, are appropriately integrated with water services planning.

We will not be providing feedback on rural water supplies, and transient populations on funding allocation, as these matters do not affect our district like other areas of the country.

In addition, we have not included feedback on the Entity boundaries. Our Chief Executive, Langley Cavers, received an email on 14 September 2021, seeking our feedback on the option that the Hauraki District be included in Entity A, instead of Entity B. We have not received enough information from DIA on this alternative option

¹ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/three-waters-guidance-for-councils-august-and-september-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/three-waters-guidance-for-councils-august-and-september-2021.pdf)

to provide feedback within this eight week feedback period. We have accepted the offer from DIA to have a meeting regarding this issue.

Our feedback is outlined below.

1. General comments on the proposals

The water service entities will be working in a complex environment over a vast geographic area, having to balance fresh water management, drinking water standards, economic regulation, population and business growth, and community expectations and needs. There will be multiple tensions and competing priorities, for example, the community receiving value for money versus the need for increased investment in areas where there has been historic underinvestment. As a small Council we have concerns that larger communities' growth aspirations and community expectations will be given higher priority than ours.

We acknowledge in the proposed reform model that councils will have significantly less [or no] direct control over water service entities in order to achieve the required balance sheet separation. In addition, decisions made by the water service entities will need to be made in accordance with National Policy Statements and National Environmental Standards. This leads us to believe, for all intents and purposes, that the water service entities will get the majority of their strategic direction from the crown via National Policy Statements and National Environmental Standards. This puts us in the position of wanting to provide strategic direction to the water service entities through the Regional Representation Group, but questioning whether there are better avenues for us to provide input and influence decision-making.

Regional spatial strategies and land-use plans will have significant influence over water service entities' asset management and investment decisions, as will water standards and regulations. The feedback in this document reflects our belief that councils and community members should be involved in the multiple processes that will influence the water service entities, including; setting the strategic direction, regional spatial strategies and local planning, setting water standards and setting regulation.

We note that the Three Waters Reform process is being undertaken at a similar time, but separate to, other significant reform processes. This includes the review into the future for local government and the resource management reform process. We believe the Future for Local Government Reform process should be completed, or at least be further progressed, before the Three Waters Reform and Resource Management Reform decisions are finalised.

2. Implications of reform for us

We have questions about whether rates harmonisation, should this be implemented, will increase the Hauraki District's household three waters cost, which is currently 20% lower than the Entity B average. As affordability is a key issue in the district this uncertainty is a concern for us, especially when higher costs may not necessarily deliver better services for our residents.

We have calculated the household cost to be \$1,089, compared to the \$1,610 per the dashboard. There are significant issues with the assumptions made in preparing the dashboard as they relate to our District. There is an assumption made that 70% of three waters costs relate to residential properties. In the Hauraki District less than 25% of drinking water produced is used for residential purposes. Water is the largest of the three waters activities, representing 62% of the total three waters costs. Currently all of the Hauraki District's water supplies are able to meet NZDWS, and almost all of the District's wastewater schemes are able to meet the current Scottish wastewater standards. We believe that the nationalised assumptions made regarding future capital investment do not represent a reasonable forecast of future capital investment for the Hauraki District. We believe that in our District's case, the dashboard is not a reliable tool that is able to reasonably model the implications of reform.

The three waters proposal will impact our ability to retain in-house expertise and overhead levels for our ancillary activities, such as land drainage and flood protection. This is because our three waters team provides input into asset management for these activities. Land drainage and flood protection are essential activities, covering a large part of our district. They enable people to live on, and farm, the Hauraki Plains. The financial viability of continuing these services post-reform could be an issue. We would need to do further work to establish the extent of the impact.

Our concern about the on-going delivery of land drainage and flood protection adds to our concerns about the viability of our Council post reform. The Three Waters Reform combined with the Resource Management Reform will likely result in the need for aggregation of local councils which will further erode our small rural communities' voice.

We have concerns about what will happen to the local workforce and supply chain in the Hauraki District. We do not want local suppliers to be overlooked for larger suppliers. We also have concerns regarding the economic effects of reform on other businesses in our towns if the workforce is subsequently located out of the district. As you know, Wellington businesses felt the effects of central government employees working from home due to the various Covid-19 alert level restrictions. It would be the same for our local businesses if a large portion of the workforce is no longer physically working in our district on a regular basis.

Our concern about how the Hauraki District's local needs and voice will be heard is discussed in more detail below.

3. Ensuring all communities have both a voice in the system and influence over local decisions

DIA notes the reform proposals aim to make it easier for individual consumers and communities to directly influence the entities themselves, through ongoing engagement, reporting and transparency obligations. This will be done through the following mechanisms:

- mana whenua and local authority representatives on the Regional Representative Group to act on behalf of their communities,

- the opportunity for individuals to provide feedback on key business documents; investment prioritisation methodology, asset management plans, funding and pricing plans, and to requirement to report on how consumer and community feedback was incorporated into final decision making,
- through one of the four consumer forums.

Firstly, in principle we support the formation of consumer forums and mandated engagement with the community on the key business documents of the water service entities. However, we do have concerns that not many individuals in our communities will want to, have the ability to, or have the time to, engage meaningfully with the water service entities. Therefore, it is essential that councils, through the Regional Representative Group and its Statement of Strategic and Performance Expectations, have the ability to meaningfully influence the strategic direction and performance expectations of the water service entities on behalf of their communities. We know our local communities, because we are accessible to them and engage with them regularly.

Under the proposed Three Waters governance model we acknowledge that councils will have a significantly reduced [or no] level of direct control on the water service entities in order to provide the necessary balance sheet separation from local authorities. We are concerned that the proposed model will result in smaller councils' voices being lost, which is unacceptable.

As the Regional Representative Group is seen as a key mechanism for ensuring water service entities will understand and respond appropriately to communities' concerns, needs and wants, we think it is essential for councils to have regular, effective communication with the local authority representatives on the Regional Representative Group. We believe it would be prudent to set up 5 or 6 sub-regional areas for each Entity, depending on the number of local authority representatives. Councils could then elect a representative from each sub-region to sit on the Regional Representative Group. We already have close working relationships with our neighbouring councils, which would facilitate good communication between us and the representative on the Regional Representative Group. We believe it is essential that someone with sub-regional knowledge is on the Group, especially if the Statement of Strategic and Performance Expectations is going to provide direction on the 'optimal delivery solution for a particular sub-regional area' and/or direction on 'supporting local authorities' responses to growth and environmental challenges'.² To do this well, we need locals at the table.

The same sub-regions could also have a representative/s on the Planning Committees under the Resource Management Reform proposal. This would assist with the integration of regional spatial strategies and natural and built environment plans and the strategic direction given by the Regional Representative Group.

² [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/cabinet-paper-two-and-minute-designing-the-new-three-waters-service-delivery-entities-30-june-2021.002.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/cabinet-paper-two-and-minute-designing-the-new-three-waters-service-delivery-entities-30-june-2021.002.pdf)

4. Effective representation on the water service entities' oversight boards

DIA notes that councils had concerns about effective representation on the boards so there is strong strategic guidance from, and accountability to, the communities they serve, including iwi/mana whenua participation.

As we've already noted, under the proposed Three Waters governance model Councils will have a significantly reduced [or no] level of direct control on the water service entities. However, proposed regional spatial strategies and land-use plans will have to be integrated with the water service entities asset management and investment decisions. Water standards and regulations will also likely have a lot of influence over investment decisions.

We believe it is important to have local input to design locally-influenced solutions based on the needs and values of local communities. However, we do not want to recommend a time-consuming and/or expensive process for providing council input into the Regional Representative Group, and then to the Board, if it is better to focus on other ways to add value, such as through regional spatial strategies and input into the regulator's processes. For example, we do not see value in having individual agreements between an Entity Board and 22 councils, when in reality these agreements will not hold any weight to influence decisions.

Therefore, we believe it is essential that:

- Councils are actively and effectively involved in developing regional spatial strategies and natural and built environment plans as a way to reflect local issues and ambitions in planning mechanisms and Three Waters investment.
- Local government and the community need to have meaningful input into the regulator's processes through meaningful stakeholder engagement processes.
- LGNZ, on behalf of local government, should be consulted and have meaningful input into the development of a Government Policy Statement.

5. Making sure councils' plans for growth are appropriately integrated with water services planning

As we noted above, we believe regional spatial strategies and land-use plans will have considerable influence over water service entities' asset management and investment decisions as the processes will have to be integrated. We would also like to see links made to the Hauraki Gulf Marine Park Act.

We believe timing and resourcing will be a challenge to progress water investment in line with local planning, as reflected in so many Councils' Long Term Plans and Asset Management Plans. There will also be a difficult transition period when having to integrate this process with the Resource Management Reform process. It is essential mandated local representatives are at the governance table to better facilitate this transition.

6. Engagement on the Three Waters Reform

We would like it noted that this feedback is in no way an indication of our intention to either 'opt-in' or 'opt-out' of the proposed Three Waters Reform. We believe it is necessary that the Government does more work on providing public-friendly, accurate, and relevant information so all councils can undertake honest and effective engagement with their communities. We have made a commitment to have open-minded two-way communication with our communities and we believe the government should do the same.

The Three Waters Reform proposals are once in a lifetime decisions for councils and communities, and it is crucial that communities are provided with comprehensive, accurate (or correct) information, enough time to engage meaningfully and genuinely with the process, and are equipped to better understand the implications of the proposals. We would neither 'opt-in' nor 'opt-out' without undertaking engagement with our communities. We must be allowed sufficient time to undertake this engagement before we are in a position to decide whether to 'opt-in' or 'opt-out'. Our communities are anticipating this engagement opportunity to occur imminently.

In addition, we have heard from several Hauraki Iwi that DIA consultation with them has started too late in the process and is average at best. Everyone in the Hauraki area needs further information and better engagement from central government.

Yours sincerely

D A (Toby) Adams JP
Mayor Hauraki District Council