

30 September 2021

Allan Prangnell
Partnership Director, Three Waters Review
Department of Internal Affairs
PO Box 805
WELLINGTON 6140

Postal Address
Private Bag 544
Ngaruawahia, 3742
New Zealand

0800 492 452
www.waikatodistrict.govt.nz

Dear Mr Prangnell

The following feedback from Waikato District Council (WDC) is based on workshops involving the Waters Governance Board, Mayor and Councillors, the Chief Executive and Senior Staff.

WDC provides this feedback on Water Reform on the basis that it does not commit WDC to any position. WDC's feedback is based on the information that we have. WDC requires additional material and information to enable a full assessment of the proposal. We are also conscious that our community needs to be consulted and that local engagement has yet to be completed.

That said, WDC is always looking forward and encouraging innovation. We foresaw that change in the delivery of water services was necessary and this was achieved through our partnership with Watercare. WDC recognise that rising standards and regulation, our responsibilities under the Treaty of Waitangi, Te Ture Whaimana (the vision and strategy for the Waikato River) and the desire to improve the quality of waterways requires further investment. The proposed Water Reform proposal supports the path that WDC started with Watercare, and that Entity B potentially builds from.

WDC recognises the benefits of aggregation through Entity B on the proviso that the reform (without limitation):

- must recognise and enhance Te Tiriti partnerships and include appropriate recognition and fortification of existing treaty settlement mechanisms including Te Ture Whaimana and joint management provisions.
- must not disenfranchise the local region.

WDC support for water reform is borne from our own experiences with transitioning services to Watercare Services Limited. This transition has seen benefit and improvement to the levels of service delivery to the communities that WDC serve.

We would welcome the opportunity for Central Government to meet with the Waters Governance Board for the purposes of highlighting the benefits that we have experienced with our relationship with Watercare.

Our specific feedback centres on:

- a) People
- b) Local Focus
- c) Affordability and sustainability
- d) Safe water services
- e) Customer focus
- f) Iwi co-governance
- g) Governance
- h) Transfer of assets and ownership of Entity B

The bold items are of particular interest and emphasised as non-negotiable considerations, should the reforms proceed.

PEOPLE

- **All water staff in councils are offered permanent employment in the Water Entity (including Watercare Waikato staff whom the majority are former WDC staff)**
- Employment terms must be at least as good as existing terms and conditions
- Retention payments may need to be considered and funded to retain key staff
- WDC obtain an agreement that X% of water staff in the Entity B workforce live and work in the WDC area or areas around our boundary (e.g. a number of staff live in Hamilton City and some in Auckland).
- Change Management. WDC would like to understand how Entity B would propose to manage a transition from Council to Entity B.
- The new entities are likely to recruit people from the industry and local councils could lose people to the new entity during the transition period and not have enough staff to carry out BAU.
- Watercare, and its operational capacity and capability, provide us with the improved position we have right now.

LOCAL FOCUS

- **Water is a key tool for shaping how communities develop and grow – How will work programmes reflect the needs and commitments of local councils? We are a growth council with well-formed workplans and infrastructure requirements. We need certainty through this process that we can meet our community aspirations and commitments.**
- **What safeguards are in place that, over time, WDC's growth aspirations are maintained and supported by Entity B and not watered down through the demands placed on resource from other councils?**
- **With only six voices on the Regional Representative Group, how would councils/communities' issues and priorities get heard? WDC has concerns about how we would get heard when we would be just one voice amongst many. If the Water Services Entity (WSE) is not located in our district, how would the WSE have a sense of local need?**
 - Who will consumers provide feedback or complaints to when something goes wrong?
 - How do we influence decisions that we feel are important, such as what we're going to do in what year, in one locality?
 - How do we influence investment where we need it?
 - How do communities influence performance expectations?
 - How do you ensure flexibility and ability to respond with changing needs?
 - How will the WSE have informed discussions with communities?
 - How will the WSE prioritise when faced with competing demands from 22 different councils and communities?
 - How will consumers influence the WSE re service delivery?
 - How does the consumer voice get heard?

- How will the WSE accommodate differing levels of service delivery required by different communities?
- There are concerns about how the local voice will be heard in the proposed structure and how priorities for investment will be determined.
- A District Social Action Plan should be created that ensures a direct link to the community wellbeing in the District
- Local Input. Offices/depots/Staff/contractors should be sourced, at least in part, from within the WDC district. WDC would like local to be referenced as the district boundary of the local council not the region nor the area within the Entity B boundary.

AFFORDABILITY AND SUSTAINABILITY

- **Deliver a price path in line with or lower than our Long Term Plan budgets.**
- **WDC's Level of service is improving but the ultimate level of service is unaffordable to our community. As a result, we accepted a lower level of service as shown in our LTP 2021-31. WDC recognises that there needs to be change, we are already on that journey by partnering with Watercare through a contractual agreement.**
- **WDC would like an undertaking from Entity B that water assets would be maintained to at least the standard they are transferred to the Water Entity**
- Affordability of three water services remains a challenge for all concerned. Whilst the WICS's figures look attractive, will the assumptions behind them prove to be real and what happens to the model should other councils in Entity B opt out? What are the mitigations should the representations not meet with reality?
- The proposed tariff pricing for the delivery and utilisation of water services to the WDC ratepayer through Entity B has yet to be provided. WDC would like to understand the impact on the ratepayer through the proposed water tariff over the next ten years including those who currently don't pay for water services but who may through small water scheme regulation and compliance.
- We understand the intention to establish an economic regulator but don't understand what the role will entail. In some circles it has been likened to the role the Electricity Authority plays in the electricity sector but there are also varying opinions on how successful that body has been.
- Deliver efficient water services. We would like to understand further how efficiencies in water service delivery will be implemented.
- Continue to build relationships to support the effective management of water resources
- WDC wishes to understand further how Entity B will take a whole of catchment view and ensure the health and wellbeing of the Waikato River under Te Ture Whaimana
- , the transfer of water assets and associated debt to Entity B in the manner prescribed by the water reform process needs to be ratified by WDC ratepayers.
- How will existing Development Contributions commitments be honoured. Development Contributions are paid to Councils for provision of water services that would now be provided by the WSE. In addition, provision needs to be made for some form of development contribution once the new WSEs are established.
- How does the WSE envisage the potential disconnect between the timing of services provided by the WSE and residual service provision remaining with Councils will be managed?

- WDC would like to understand the impact on water reform from a customer centric perspective. Can the DIA please indicate what analysis has been completed on the cost that water reform will have on ratepayers, with ratepayers likely to receive two invoices, one for council delivered services and another for water. Will the aggregate of these invoices be more or less than currently charged to the ratepayer under one invoice?
- Manage growth in a sustainable way and future-proof the communities of Entity B.
- How will the WSEs measure performance and give councils and the community confidence that any reform process has been successful?
- How will the WSEs make decisions on infrastructure investment and levels of service bearing in mind the need to ensure consumer and business affordability?

SAFE WATER SERVICES

- **It is fundamental that Entity B must provide safe water**
- Achieve regulatory compliance
- Manage safe facilities and workplaces
- Watercare provide water services to WDC. However, with Auckland in Entity A and Watercare being a CCO of Auckland Council, WDC are unsure how transformation and transition of Entity A and B will be affected and impact water service delivery as usual from Watercare to WDC.

CUSTOMER

- We support an economic regulator to ensure our District customers are provided value in water services
- Provide an ombudsman framework for the customer to have a voice and escalate complaints against the Water Services Entity.
- Achieve satisfactory customer outcomes

IWI CO-GOVERNANCE

- **A clear commitment that under Entity B, that our responsibilities under the Treaty of Waitangi and Te Ture Whaimana are met. Reports from Watercare consider these important matters as part of the decision-making framework we currently use.**
- In the Waikato District and surrounds, it is essential the parties are committed to ensuring there is strong alignment with the vision and strategy for the Waikato River (Te Ture Whaimana) in line with the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010.
- The feedback WDC have had from Iwi and mana whenua is there hasn't been enough consultation. Effective consultation with Maori takes time and effort. DIA were prompted by WDC on this at the beginning of their consultation with councils last year, but the advice doesn't seem to have been heeded.
- Entity B has the most iwi groups of all the four proposed entities. We are not clear on the alignment of Entity B boundaries to iwi and mana whenua rohe.

GOVERNANCE

- **The governance arrangements leave councils and mana whenua out of decision making and unclear how much they will be able to influence what gets done. Our understanding from discussions with mana whenua is that they are unhappy about the proposed governance arrangements.**
- **The current governance structure supports the Entity Board making decisions. It is unclear how much influence councils and mana whenua will have. Councils and mana whenua have the connection to the local community and therefore reflect the local voice.**
- The decisions about the selection of Entity Board members must be made based on the best person for the job.
- WDC believe the use of an Independent Selection Panel is an unnecessary layer of complexity and should be eliminated. The Regional Representative Group should make the appointments to the Entity Board.
- Councils and mana whenua need a structure that will facilitate decision making and enable priorities to be clearly determined. The proposed structure is unclear about how it will enable that to happen.
- Perhaps the simplest approach is to establish the entities as CCOs. This does present some other challenges such as debt caps (if one shareholder has more than a 50% shareholding). This and other challenges could potentially be addressed through legislation.
- Councils need an ability to ensure local interests are considered, growth aspirations are catered for and LTP commitments are met. Along these lines, a Letter of Direction from the Regional Representative Group might be an effective means of establishing priorities.

TRANSFER AND OWNERSHIP OF ENTITY B

- The “ownership” of Entity B without shares or recognition of capital provided by asset transfer is outside of traditional market sale and purchase practise. WDC would like to seek further understanding of the model and how the removal of water assets from WDC’s balance sheet is reflected in the “no worse off” compensation component provided back to WDC. It would appear on the surface that WDC does not receive the full value of its water assets under the asset transfer to Entity B.
- As an “owner” without a representative at the board, how would WDC ensure that its growth aspirations and supporting infrastructure set out in its LTP form part of the considerations of the Entity B Board.
- The whole “ownership” concept is unclear. Councils will hold no equity, no assets and have limited ability to influence what work the entity does.

Other Matters

Seeking recompense for investment made in reform - First mover disadvantage:

WDC has taken a front foot to getting better outcomes in three waters ahead of the reform process.

When undertaking the LGNZ Impact Assessment there is measurable difference in comparison to other councils (source comparison scoring information from Entity B Tuhura Partners) with the progress WDC has made with its partnership with Watercare.

An example of progress made is Meremere WWTP where an abatement notice was in place from the Waikato Regional Council for non-conforming discharge. Within two years, from a standing start, Watercare has renewed the resource consent for 35 years; and procured and built a high tech MBR plant which brings the plant in to compliance and allow for expected growth in the catchment.

It appears WDC could access the 'no worse off' component of funding from the WSE, post 1 July 2024. Some recognition and guarantee of WDC community investment in being ahead of the other Councils is requested. Should the reforms proceed, WDC would seek reimbursement of the costs faced to transition to Watercare over and above the standard "no worse off" payment.

Debt

WDC requires assurance that repayment of waters debt includes all debt and not just external borrowings. I.e. internal loans, deficit waters reserves.

Equity

WDC would like to ensure there is equity between councils in terms of the "no worse off" payments and that councils do not restructure their debt levels or asset base to take advantage of the reform process.

Ability to keep operating

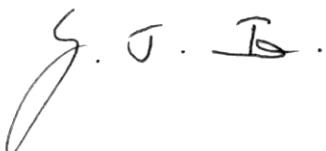
WDC has a unique concern, in that we need to ensure that Watercare has the ongoing capability to provide contracted service to WDC during the reform process whilst they themselves undergo reform.

We strongly recommend that government includes a strategy and plan that attracts people to the waters industry including developing a professional qualification and specific technical water training to help improve the sectors attractiveness as a career choice.

Speed of change

Whilst we are comfortable with the speed of change, we are not sure all councils will be, so we continue to see this as a risk. Should the water reform proceed, then WDC would be open to being involved in a pilot to share our experiences and process through our Watercare transition process. As a result, we would welcome the opportunity to invite Central Government to meet with us to highlight the benefits our communities have experienced from our partnership with Watercare.

Yours faithfully



G J Ion
CHIEF EXECUTIVE