

FROM THE
OFFICE OF THE MAYOR



1 October 2021

Ref: 3-EP-3-8

Hon Nanaia Mahuta
Minister for Local Government
Minister of Foreign Affairs
Associate Minister of Māori Development
Parliament Buildings
WELLINGTON

Email: threewaters@dia.govt.nz; feedback@lgnz.co.nz

Dear Minister

FEEDBACK FROM RANGITĪKEI DISTRICT COUNCIL ON PROPOSED THREE WATERS REFORM

Rangitikei District Council wishes to acknowledge the mahi of your office, the Department of Internal Affairs, Local Government New Zealand, Taituarā and all Councils in New Zealand regarding the proposed service delivery reforms of Three Waters.

Rangitikei District Council has spent the past 8 weeks taking time to familiarise with the information that has been provided, and to conduct analysis on the impact to Council, including (but not limited to) Council infrastructure, staff, compliance, finances, growth ambition, and importantly the impact the proposed reform would have on our mana whenua and people of the Rangitikei district.

Key Issues

Rangitikei District Council believe the key issues to be:

1. The case for change:
 - a. We understand and support the need for change to how water is managed and delivered in New Zealand, and that the status quo will no longer exist.
 - b. We understand that to address the challenges we face may require a holistic approach including regulatory reform for water quality, improved environmental outcomes, economic regulation, increased investment and scale to enable efficiency gains.
 - c. We generally accept that Central Government's evidence base for change is directionally correct. However we note that there remains a range of views in the sector and stakeholders about the scale of investment required and the levels of benefit that may be achieved through aggregation.

Making this place home.

- d. There is a lack of public and mana whenua understanding about the need for change and the proposed reforms.
- e. Our communities are expressing concern about the lack of engagement to a Central Government proposed reform, and a perceived loss of assets and local control.

2. Governance:

- a. We understand the need for balance sheet separation to enable borrowing and how this has informed the proposed governance structure. We also understand and support the need for effective competency based governance of the proposed Water Service Entity B if this reform proceeds.
- b. While scale may be important to enable efficiency gains, the size of the proposed Water Service Entity B is at odds with enabling local influence from the range of disparate communities across Entity B.
- c. The proposed governance structure is considered overly complex and unworkable across 22 local authorities and multiple Iwi / Māori. It appears to be more of a representation structure rather than a governance model to enable co-governance for Iwi / Māori.
- d. It has too many layers and insufficient opportunity for local input, effective representation and ensuring accountability equally back to each Council and community served.
- e. There is a need for more active engagement with local government and Iwi / Māori in relation to the potential governance structure and representation.

3. Local influence

- a. We understand and support that the proposed Water Service Entity B will be required to develop and consult on a range of investment prioritisation and planning documents. This should build on and be informed by our 2021-31 Long Term Plan planning processes as well as being dynamic and responsive to changing needs.
- b. While the reforms will enable additional investment, there will still be significant constraints, including sector capacity to deliver and ability / willingness to pay.
- c. It is also not clear what process or recourse councils and communities will have for when investment priorities of the proposed Water Service Entity B do not align with local needs, or for how the proposed Water Service Entity B would be agile to changes in local investment priorities or outcomes such as a new development.
- d. In particular this relates to:
 - i. Alignment and responsiveness to enabling growth and affordable housing, including role of council vs developers;
 - ii. Delivery of broader community outcomes through investment and delivery such as local employment, partnership with Mana whenua, climate change, environmental co-benefits; and
 - iii. Specific local environmental outcomes, expectations and priorities such as urban stormwater, flooding, drinking water and wastewater discharge quality.

4. Impacts on Local Government

- a. The cumulative impacts and alignment across three waters reforms, RMA reforms and future of local government remain unclear.
- b. This includes the future viability and role of local government, particularly for smaller councils such as Rangitikei District Council. We note that this proposed reform also occurs at a similar time to the RMA reforms which also have the effect of reducing local governance.
- c. All the reforms processes will lead to significant reshaping and disruption for councils. As far as possible, this needs to be closely aligned to avoid churn, loss of staff and impacts on our communities.
- d. Opportunities for alignment of planning and investment remain unclear, such as the role of spatial planning.
- e. Our communities have expressed concern about the pace of change and degree of change, with limited opportunities for input or engagement.
- f. We would have preferred that the question of the future of local government was raised prior to this proposed reform.

5. Financial impacts

- a. We understand and support the concept of no council being worse off financially as a result of the proposed reforms. There remains however a lack of clarity on the financial and asset impacts of the reforms. This includes any consultation required in relation to transfer of significant local assets.
- b. This has a significant bearing on the confidence our communities have in the reforms process, level of benefits and broader impacts of the reforms.
- c. Potential impacts on customers are also unclear including when and by how much costs for three waters will increase and the transparency and fairness of pricing and charging across the proposed Water Service Entity B. This needs to make clear the degree and transparency of cross-subsidisation that is proposed. We understand that the proposed model is built on cross-subsidisation but we see no mechanism to mandate this actually occurring.
- d. Water assets also provide a range of other functions and benefits for our communities and there remains a lack of clarity about what assets would be transferred as well as the timing, process and costs for this.
- e. Asset transfer will require substantive and ongoing effort from councils to work through this process and to ensure a smooth transition to the new Entity. Rangitikei District Council have not factored this into our current Long Term Plan.

6. Other issues

- a. Lack of clarity on the process for engagement or consultation with our communities, should the process remain voluntary. Our Council firmly believes that there should be local consultation.
- b. The process to confirm the boundary of Entity B.
- c. Stormwater systems and the relationship that this has with a range of assets and the role of councils in relation to flood management.

- d. Impacts on rural water schemes and flexibility in terms of application of the regulatory framework.
- e. Workforce and capability – supporting the existing workforce through the transition process; ensuring local delivery footprint; and how sector capacity and capability can be significantly expanded in all sub-regional areas.
- f. Regulation – including more detail on the role of the economic regulator

Proposals

Rangitikei District Council make the following proposals to Central Government on the proposed three waters reform:

1. We believe Central Government should own and front the need for change with our communities and mana whenua, including co-ordination of any consultation process.
2. Other than status quo, there was only one model of governance structure proposed in the reform literature. We are grateful this period allows for feedback and potential alternatives and believe a number of Council Controlled Organisations and co-operative alternative models could exist. We ask Central Government to consider the options presented by other Councils and for you to undertake an options analysis, with feedback on how each option was evaluated.
3. We believe planning and investment prioritisation processes need to be aligned with the representation groups.
4. We ask Central Government to clarify the opportunities for local influence and planning integration, including:
 - Prioritisation of investment.
 - Amendment of the statutory purpose or objectives of the Water Services Entity B to give greater recognition to local outcomes and well-being.
 - Alignment of the Water Service Entity B planning processes with spatial planning and proposed RMA reforms.
 - Capability and process to enable local outcomes via investment, including procurement processes.
 - Integration of the first three years of LTP investment planning into Water Service Entity B investment plans
 - The process to manage disputes, including potential broader role of the economic regulator or Ombudsman.
5. We ask Central Government to commit to working with local government to develop:
 - The methodology for debt and asset identification and transfer.
 - The process, timeframes and funding to enable due diligence.
 - More detail on the conditions and details of the 'better off' and 'no worse off' financial packages available to Rangitikei District Council.
 - More detail on the pricing and charging model across Entity B, in particular cross subsidisation models.
6. We ask for Central Government to commit to work with local government and the water sector to address the issues being raised in relation to stormwater and rural water schemes as well as actively support increased and sustainable sector capability and capacity.

Community Feedback

Rangitikei District Council has used this period to engage with our communities and to help form this feedback to you. Council conducted an online survey to help us assess our community understanding of the proposed reform process, and invited written feedback. In total, 269 members of our community submitted to the survey. We would be happy to share this with you should you wish.

Findings from the public feedback broadly align with the position outlined in the “Key Issues” section above, and so they are not repeated here.

Overwhelmingly the vast majority of survey respondents, including feedback directly to Council’s Elected Members, have no confidence in the proposed reform and are opposed to it.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Andy Watson', with a stylized flourish at the end.

Andy Watson
Mayor – Rangitikei District Council