

24 June 2024

## **Oral Submission on behalf of the collective councils of the Wairarapa region to the Finance and Expenditure Select Committee regarding the Local Government (Water Services Preliminary Arrangements) Bill**

We thank the Finance and Expenditure Select Committee for the opportunity to speak to our submission on the Bill today.

In attendance, we have governance representatives of all three Wairarapa Councils, and as the Project Lead on the investigation of a joint Wairarapa Council arrangement proposal to deliver water services, I have been asked to speak on their behalf.

Today we wish to elaborate on the three points contained in our submission. These are:

1. Our commitment to find the right delivery arrangement for our councils, our communities, and our iwi in the Wairarapa.
2. The need for clarity before decision making and consultation, and
3. The impact of the decisions we make on our ratepayers who will become our customers under any new delivery model.

On the first point, the Wairarapa Councils want to work with Government to ensure that the new water services regime provides the right mechanisms for success, for all parties.

To help achieve this, we have entered into both a Memorandum of Understanding to explore a Wellington regional area and Horowhenua joint delivery arrangement **and** formed a project team to investigate a Wairarapa joint council and possibly Tararua district, or what we are calling a Provincial, delivery arrangement.

One of the risks as we see it in the current legislation where joint arrangements are voluntary rather than mandatory, is that some smaller, provincial councils grappling with the costs of renewals, compliance and resilience, as opposed to growth, will not be invited into a joint arrangement as they do not have the population to deliver cost efficiencies, or their priorities don't align with the larger councils.

We don't imagine this is an outcome any of us want to see. To mitigate this risk, we want to investigate in depth whether a coalition of smaller, provincial councils could realistically reach the bar of being financially sustainable by 1 July 2028.

But to do so will take time and effort from our limited pool of resources. We would like to extrapolate on why this is more complex than what you may imagine.

South Wairarapa, Carterton, and Masterton District Councils – how different are we?

South Wairarapa currently is part of Wellington Water Limited and delivers water services via them, and has only one in-house employee in Water.

Carterton self performs and fully delivers all water services internally.

Masterton delivers via a mix of in-house staff and City Care contractors.

One council already displays a relative efficient cost of operations. One council will be embarking on quite a large increase in investment of its network.

South Wairarapa and Carterton have water races that are critical assets to operate and maintain for our rural communities, and some make up part of our urban stormwater network. Masterton has chosen to close their water races down in the past.

Carterton and Masterton are delivering a long term plan this year for 2024 – 34, while South Wairarapa have taken the option of an enhanced annual plan and will be developing a nine-year Long-Term Plan as allowed under the Water Services Acts Repeal Act 2024.

The positives: We all have water meters and already do some volumetric charging, but not all of us have ‘smart’ meters that can be utilised to encourage behavioural changes in our consumers.

We already deliver some shared services together. Carterton and South Wairarapa for roading and libraries. We have some IT applications in common that may be scalable.

We have a Wairarapa Combined District Plan that is being currently reviewed, and Wairarapa Consolidated Bylaws for Water Supply and Wastewater (but none for Stormwater),. But I need to note here that under our Combined District Plan, one tool for funding of infrastructure is not currently available to us as we use Financial Contributions, rather than Development Contributions.

Because of the way the legislation is currently written, we anticipate we will be needing to decide on our preferred delivery arrangement by December of this year – before we know the details of how the Government intends to give effect to its commitment to establish a separate class of financially separate, yet Council owned or controlled organisations. Before we know the financial sustainability rules and the detail of the regimes for economic regulation. And for South Wairarapa, before we have consulted on our Long-Term Plan for 2025-34., which in effect is South Wairarapa’s existing approach for delivering water services to be compared against.

Our recommendation for the committee to consider, is that the that the starting date for WSDPs in clause 13 should, at a minimum be twelve months after the passage of the third proposed bill, or alternatively be pushed back from 1 July 2025 to 1 July 2026.

If this occurs, we believe it will benefit the Government because our investigations on the viability of a provincial model that could be taken up by smaller potentially 'orphan' councils would be completed. If we continue to be pushed to deliver our WSDP by 1 July 2025 we may be unable to complete in time or will deliver an inferior product which does not benefit any of us. We do not see the imposition of a Crown water services specialist as a solution as these are not technical matters that need resolution, but rather structural and political decisions to be fully socialised and consulted on with our communities.

This is because, to our third submission point, we foresee significant impact on our ratepayers and our future customers of the decisions we make now on delivery arrangements.

It is feasible that the decision we make on joint arrangements may lead to a further set of questions about amalgamation of our authorities. What will be critical for us is clarity around the impacts on our ratepayers of splitting off our water assets and whether this will lead to stranded overheads that coupled with greater expectations around compliance and quality in the delivery of water services, results in an unacceptable cost impost on our communities.

We do not believe we can consult completely with our communities unless we are clear that not only will the new delivery arrangements be financially sustainable, but that what remains of our council operations once water is stripped out, is also affordable to our ratepayers.

The worst case for all of us, we believe, is that there is a double impost on our ratepayers who will see both an increase in rates and a new charge for water services greater than the existing burden if we get this wrong.

We must, together, do everything we can to mitigate this risk, and we are signalling here, that we will need timely support and guidance from the Government to ensure that any costs because of the transition to, and implementation of, new arrangements will not exacerbate the cost impacts on ratepayers.

Innovative thinking will be required to implement Local Water Done Well. For example, would the Government entertain making Water Services zero rated for GST? We see that funding implementation of a policy pro-rata rather than helping councils fix pipes or initiating zero rating rather than exemptions to be two suggestions worthy of a discussion.

Our expectation is that the third Bill to be introduced by the end of the year will give us clarity on how we can achieve financial sustainability in a holistic way for our communities and we

encourage the Department to work closely with us to ensure the right policy settings are included in the proposed legislation.

We would like to thank to Committee for allowing us to present in support of our submission and are happy to take questions.