

29 September 2021

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Tēnā koe Minister Mahuta,

#### **South Wairarapa District Council response on Government Proposal for Three Waters Reform**

I am writing on behalf of the South Wairarapa District Council which has requested I provide feedback as well as seeking further information and guidance on the Government's proposed three waters reforms. This is both at a more general and also specific level of issues relevant to our community.

As you would be aware South Wairarapa District Council is one of the six local authorities in the Wellington Region that is a shareholder Council in Wellington Water Limited (WWL), the company specifically established to deliver three waters services for those Councils.

Our Council has been using the allocated eight-weeks to understand the available information on the Three Waters Reform programme, outline key issues and consider the early analysis of the financial implications of the Reform.

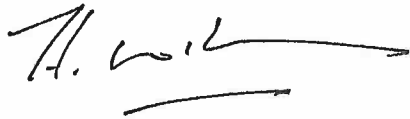
This has been a challenging process in that we have needed to front questions and concerns on the reforms with our community but have lacked details to respond to concerns raised and have been unable to follow our normal processes of engaging and consulting with communities, stakeholders, and our iwi partners.

Should the Government progress the reforms, there will be a significant process of transition and change which will have considerable impacts for all councils. This will be most keenly felt for smaller councils such as ours. This includes challenges around resourcing, relationships with our communities and iwi partners, the operating model, and finances. We expect to be given strong assurance as to how the issues raised in our feedback will be addressed, including our ongoing role in the reform process.

Should reform proceed, we believe that a collaborative approach (central government, mana whenua and local government) will be critical to success. Councils need a greater level of involvement in the transition process and establishment of the water services entities to ensure this reform works in practice.

We look forward to receiving further information so we can engage meaningfully with our mana whenua partners and the community on the future management and delivery of the three waters functions.

Ngā mihinui



Harry Wilson  
Chief Executive  
South Wairarapa District Council

## South Wairarapa District Council:

### Issues, feedback and questions on the three waters reforms proposals

General issues and feedback	Specific related issues and questions
<p><b>Process and engagement:</b> The 8-week process and lack of clear information on the proposed reforms for communities has put SWDC in a challenging position where we feel we are fronting the Government's reform programme with our Iwi partners and communities. We have found it challenging to provide robust information to our communities on the reforms proposals or to provide feedback to Government given the lack of engagement with the community to understand their concerns and position.</p>	<ul style="list-style-type: none"> <li>• Will DIA / Government be addressing publicly the various anti-reform email campaigns before (or after) the Oct 1st closing date?</li> <li>• What other options were considered before settling in on the solution being proposed and why were other options discounted?</li> <li>• Other models have not been presented for discussion why not?</li> <li>• What will the future state look like?</li> <li>• The timetable given to us by DIA / Government does not allow for conducting public consultation. Would the Government consider a public referendum, which is been demanded by many ratepayers, given they have paid for these assets over many years.</li> <li>• The burden of public consultation appears to be increasingly been placed on Local Government. How much is the government willing to pay for costs of public consultation?</li> </ul>
<p><b>Community voice:</b> More clarity is required for how councils and communities would have input and influence into the planning processes and investment prioritisation of the water service entities (WSE) to ensure that this aligns with local needs and outcomes. It is also not clear how the WSE can be responsive to changes in local investment priorities or outcomes.</p>	<ul style="list-style-type: none"> <li>• How will you ensure that the smaller communities will have their voices heard?</li> <li>• Will our local plans get acted on or will they be lost?</li> <li>• What is the investment framework?</li> <li>• Would you consider more practical solutions like co-investment and funding partnerships with central government, and incentivising collaboration between councils?</li> <li>• Why is Nelson and Palmerston North included in Area C? If that is for political reasons, then Whanganui should also be with Palmerston North.</li> </ul>
<p><b>Governance:</b> The governance structure of the proposed WSE is at odds with enabling local representation from the range of disparate communities across Entity C. It is considered overly complex and unworkable across 22 local authorities and multiple Iwi / Māori. There appear to be too many layers and insufficient opportunity for local input, effective representation and ensuring accountability back to the</p>	<ul style="list-style-type: none"> <li>• What is the Governance model that will reflect the range of interests of our local communities?</li> <li>• At present governance model of 75% gives either representation group effectively a veto.</li> <li>• What structure would suit our Community?</li> <li>• What's stopping the privatisation and sale of the water entities?</li> <li>• How are the appointments to the Governance structure made?</li> <li>• With only six members representing the councils in Group C, that provide the assets, and the other six members</li> </ul>



<p>communities it serves. Further consideration is also required to effectively balance elected representation with a partnership approach with Mana Whenua.</p>	<p>representing local iwi, the influence of small councils such as SWDC, will be virtually non-existent. How can you guarantee a reliable consistent service when we will effectively competing for service.</p> <ul style="list-style-type: none"> <li>• Who will the appointed, not elected, Directors be answerable to?</li> <li>• The governance model is complex. Why are members (at all levels) not elected in a democratic function?</li> <li>• What are the qualifications / skills / attributes expected of people that will fill the roles in the governance structure? how will this be managed and how long is the tenure of these people likely to be in this governance structure (how do you get rid of them if there are problems?)</li> </ul>
<p><b>Mana whenua:</b> It is unclear how the proposed representative arrangements for Mana Whenua will work in practice across the range of interests and different scale and focus of Iwi and hapu.</p>	<ul style="list-style-type: none"> <li>• Please provide clarity around mana whenua / iwi and how this will be defined in the Governance structure. For entity C there are a number of mana whenua and iwi to consider so how will these groups be represented in order to take local views forward</li> <li>• Why is the governance structure giving a 50/50 representation between Iwi and Councils where the Supreme Court had ruled that partnership does not necessarily mean that. Governance representation should use the established representation model i.e. General elections where representation is based on population.</li> <li>• The governance model presented seems to show that iwi / mana whenua voting could veto decisions i.e. voting rights over others. Why is this? There should be no veto, there should be a collaborative model that ensures all decisions are made collectively and equally</li> <li>• In the new entity 6 council and 6 Tangata Whenua are proposed. How was this number decided when it is not representative of the New Zealand Population, given that Māori make up just 15% of the population</li> </ul>
<p><b>Rural water issues:</b> significant further work is required to understand the impacts on rural water schemes and assets including floodwater management, regulation and when and how water standards can be practically applied to local schemes.</p>	<ul style="list-style-type: none"> <li>• If Stock water is not part of 3 waters, what will be the classification for Moroa and Longwood Water races?</li> <li>• They combine Stock Water which Rural funds with Storm Water as in Greytown which Rural also funds, but not Urban.?</li> <li>• Question , are Longwood and Moroa privately owned ? If so they can not be transferred as assets to WSE.</li> </ul>
<p><b>Consumers:</b> We are concerned that there are not robust processes and opportunities for consumers or communities to raise issues with the</p>	<ul style="list-style-type: none"> <li>• What is the process to make sure our local issues are heard and acted on? i.e. How does Joe Average call in about a leak?</li> <li>• What are the parameters for accessing performance?</li> </ul>



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<p>WSE in relation to performance issues.</p>	<ul style="list-style-type: none"><li>• In the Steering Committee document on Rural Schemes: "Compliance among suppliers serving 100 consumers or less is unknown". But must be tested why. Federated Farmers asked for 50. Test costs \$120 a time and Rural must now test every month. Federated Farmers estimates there are 75,000 drinking water Suppliers in NZ.</li><li>• Please provide commentary around how the consumer forum groups are meant to function and their interrelationship with the governing body. Their function is not prescribed in legislation so how do you see these working and contributing the local voice to effect change where change is likely to be required</li><li>• There is little detail on economic regulation. "Governors" effectively become owners, except that the owners are technically still the rate payers. How is this meant to work?</li></ul>
<p><b>Financial impacts:</b> There is a lack of clarity on the financial impacts of the reforms. This has a significant bearing on the confidence our communities have in the reforms process, level of benefits and broader impacts on council from the reforms.</p>	<ul style="list-style-type: none"><li>• Dashboard Data Inaccuracies: Much of the information in the dashboard for the 3 waters reform, (supplied by 67 councils) is littered with errors. Making the premise for substantial efficiencies across NZ questionable, as it based on inaccurate information. Many councils claim the errors were when the data sent from councils and inputted by DIA. Eg. Horowhenua was reported to have 10 times more stormwater connections than it had residents. In Wellington no households were affected by unplanned water outages in the past year (the data wasn't reported because of the low confidence rating). Four councils listed as debt-free in the June dashboard – Waikato, Waitomo, Ōpōtiki and Westland – will in fact carry debt into the 2024 transition.</li><li>• The dashboard figure also includes cost for growth related infrastructure that is currently paid by development contributions. Are these and /or 3rd party contributions factored in to the amount payable by households?</li><li>• Councils to be used as collection agencies. If this is correct will councils expect to recover set-up costs and revenue for collection and any debt management?</li><li>• What is the suggested compensation compared to the book value of these ratepayers' assets?</li><li>• Have DIA considered the consequential effect on SWDC's (and other small rural councils) borrowing ability without these assets?</li><li>• What are the implications on cost-savings if a significant proportion of councils opt out?</li><li>• Why has a factor of 2.7 people per household when this is generally not consistent with the 2018 census?</li></ul>



	<ul style="list-style-type: none"> <li>• What caveats are there are around the no worse off model and whether this has to be used for anything specific?</li> </ul>
<p><b>Assets:</b> 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.</p>	<ul style="list-style-type: none"> <li>• Is the land part of the asset transfer?</li> <li>• Ownership of the assets – there is concern from the public about handing the government the control of the assets. If there is no thought of privatization, why could the assets not be assigned, and individual councils retain ownership?</li> <li>• Will Wastewater irrigated land be transferred to new WSE?</li> <li>• How will WSE work with private water schemes?</li> <li>• There needs to be a set definition around what "asset" is</li> </ul>
<p><b>Catchment planning:</b> further clarity is required to understand how catchment planning practice will apply to the WSE and the future operating model. This has a bearing on assets which may or may not be included as part of the transfer process.</p>	<ul style="list-style-type: none"> <li>• Ownership of catchments and bores - is this a boundary or urban catchment?</li> <li>• Please provide additional detail around the concept of "catchment" as it applies to drinking water sources</li> <li>• Please provide clarity around how a catchment will be used around drinking water plant (the hard asset) and how this asset may be considered / valued in the proposal</li> <li>• There have been statements around catchment and catchment alignment. This does not follow the four-entity suggestion. and there is too much aggregation here.</li> </ul>
<p><b>Local government reforms:</b> The cumulative impacts and alignment across three waters reforms, RMA reforms and future of local government impact on our ability to plan for the future. This includes the future viability and role of local government, particularly for smaller, councils.</p>	
<p><b>Affordability and funding:</b> we understand the need for significant additional investment into three waters in the future. What alternative funding or borrowing models has the Government considered (and discounted) or is willing to enable for local government should the reforms not proceed or for councils that choose to opt out of the reforms process?</p>	<ul style="list-style-type: none"> <li>• The model does not compare apples with apples re borrowing restrictions. Eg councils are restricted whereby solution because of balance sheet issues can borrow greater %</li> </ul>



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<p><b>Investment planning:</b> The process and opportunities for input into the future investment planning and prioritisation appears unclear. To what degree can this risk be mitigated in a reforms model through the adoption of existing council LTPs?</p>	<ul style="list-style-type: none"><li>• Will our local plans get acted on or will they be lost?</li></ul>
<p><b>Transition</b></p>	<ul style="list-style-type: none"><li>• If WWLtd is not fit for purpose as WSE in Area C [a new entity would be created]; what will happen to WWLtd? Will it be folded up and will Water Care Auckland go the same way.</li><li>• What is the Budget cost for transitioning (Redundancies, Rents, Assets, branding etc) to the 4 new Authorities?</li><li>• The minister has made statements around "professionalising the industry"; it would be helpful to have more detail on that.</li></ul>