



WAIMAKARIRI

DISTRICT COUNCIL

Council Agenda

**Extraordinary meeting
Tuesday 28 September 2021
Commencing at 1.00pm**

**Conference Room
Mainpower Stadium
289 Coldstream Road
Rangiora**

Members:

Mayor Dan Gordon
Councillor Neville Atkinson
Councillor Kirstyn Barnett
Councillor Al Blackie
Councillor Robbie Brine
Councillor Wendy Doody
Councillor Niki Mealings
Councillor Philip Redmond
Councillor Sandra Stewart
Councillor Joan Ward
Councillor Paul Williams

The Mayor and Councillors

WAIMAKARIRI DISTRICT COUNCIL

An Extraordinary meeting of the **WAIMAKARIRI DISTRICT COUNCIL** will be held in the **CONFERENCE ROOM, MAINPOWER STADIUM, 289 COLDSTREAM ROAD, RANGIORA** on **TUESDAY 28 SEPTEMBER 2021** commencing at **1PM.**

Sarah Nichols
GOVERNANCE MANAGER

**Recommendations in reports are not to be construed as
Council policy until adopted by the Council**

BUSINESS

Page No

1. APOLOGIES

2. CONFLICTS OF INTEREST

Conflicts of interest (if any) to be reported for minuting.

3. REPORT

3.1. Feedback to Minister of Local Government, Local Government New Zealand and Department of Internal Affairs on Three Waters Reform Proposals – J Harland (Chief Executive)

5 - 426

- (a) **Receives** Report No. 210910145944.
- (b) **Receives** the community engagement results and survey responses, noting Council has taken the opportunity to survey its community, and this has resulted in the largest level of community feedback in our Council's history. A total of 3,844 responses have been received, and of these an overwhelming 95% of respondents indicated they want the Council to 'opt-out' of the proposed reforms.
- (c) **Approves** the attached submission (Attachment i) being provided to the Minister for Local Government, with a copy sent to Local Government New Zealand and Department of Internal Affairs.
- (d) **Resolves** the Waimakariri District Council opposes the New Zealand Government's proposal to establish four large water entities and remove the three waters assets and services from local councils. To date the Council is not convinced that this proposal provides the best outcomes for our District. As a result, based on the information available at present, Waimakariri District Council would seek to opt-out of the reform should this decision be required. This position is backed by our Community and is reflected in the feedback collected during the community engagement undertaken.

- (e) **Notes** that the key basis of the Council submission is;
- i. The Waimakariri District Council opposes the New Zealand Government's proposed model to establish four large water entities and remove the three waters assets and services from local councils.
 - ii. The Council has significant concerns about the current government proposal, which it does not believe can be mitigated within the constraints of the proposed structural model.
 - iii. The Council submits that it does not support the current government proposal for the following reasons:
 - a. The loss of local decision-making is a major issue for our community, and cannot be compensated by 'fine-tuning' the proposal
 - b. The outcome of the proposed structure is that the Council loses all of the normal benefits of ownership of the assets
 - c. The accelerated timeframe, lack of true consultation, and lack of real alternative options has resulted in a flawed process
 - d. The lack of integration with other major local government reforms will lead to a sub-optimal outcome
 - e. The financial case in support of the proposal is based on information that does not reflect the New Zealand situation
 - f. The supporting information greatly exaggerates the efficiency gains expected, given the advances already made
 - g. The case for lower borrowing costs under the new entity is questionable; it relies on government backing, and in fact the proposal may lead to increased averaged borrowing costs when both the councils and the water entities are considered.
 - h. The proposal would be detrimental to the wellbeing of the Waimakariri Community
- (f) **Agrees** that the Three Waters sector faces many challenges and the status quo may not be sustainable at a national level, but believes that changes should be aligned and integrated with other local government reforms (Future for Local Government & Resource Management Act Reform). Importantly with the establishment of Taumata Arowai and the economic regulator, this should be given time to become imbed before major reform as is proposed is undertaken.
- (g) **Notes** the options considered need to be assessed against the wider needs of local government reform, engagement with the sector needs to be considerably improved, and the process needs to allow for appropriate community consultation.
- (h) **Notes** that based on the current model, the reduction in Council's full time equivalent (FTE) staff numbers will significantly alter the operation and the efficiency of the rest of Council.

- (i) **Notes** that the Chief Executive will report back further once additional information and guidance from the Government the Minister of Local Government, Department of Internal Affairs, LGNZ and Taituarā has been received on what the next steps will look like and how these should be managed.
- (j) **In noting the above, agrees** that the Council has given consideration to Part 6 of the Local Government Act 2002 for the purpose of providing feedback to Government on the current model. The Council however is not be able to support the current model on the basis that sufficient information and analysis that is proportionate to such a decision is not available.
- (k) **Circulates** this report to the Community Boards, for their information.

4. **NEXT MEETING**

The next scheduled ordinary meeting of the Council will commence at 1pm on Tuesday 5 October 2021 in the Meeting Room, Ruataniwha Kaiapoi Civic Centre, 176 Williams Street, Kaiapoi.

WAIMAKARIRI DISTRICT COUNCIL**REPORT FOR DECISION****FILE NO and TRIM NO:** EXC-51-08 / 210910145944**REPORT TO:** COUNCIL**DATE OF MEETING:** 28 September 2021**AUTHOR(S):** Jim Harland (Chief Executive)**SUBJECT:** Feedback to Minister of Local Government, Local Government New Zealand & Department of Internal Affairs on Three Waters Reform Proposals**ENDORSED BY:**
(for Reports to Council,
Committees or Boards)_____
Department Manager_____
Chief Executive**1. SUMMARY**

1.1. The purpose of this report is twofold:

- Update Council on the analysis that has been undertaken on the Government's Three Waters Reform proposal, and the subsequent community feedback that has been received.
- To allow the Council to consider and finalise the attached draft submission to the New Zealand Government, The Minister of Local Government, the Department of Internal Affairs and Local Government New Zealand (LGNZ), in response to the specific questions that have been asked, taking into account the feedback received from the community.

1.2. Over the eight-week period ending 30 September 2021 the Council is not expected to make any formal decisions regarding the reform. This period was an opportunity for the sector to engage with and provide feedback on local impacts and possible variations to the proposed reform package outlined by the Government to date. This engagement period does not trigger the need for formal consultation under the Local Government Act. The Government's guidance material stated;

"We would encourage local authorities to share your feedback with us as it arises over this period - that way we can share insights and ideas on common issues across the sector and help each other benefit from each other's work"¹. Councils have been specifically asked to provide solutions to three outstanding issues during the next eight week period ending 30 September 2021:

- Ensuring all communities have both a voice in the system and influence over local decisions
- Effective representation on the new water service entities' oversight boards, including preventing future privatisation
- Ensuring integration between growth planning and water services planning.

¹ Three Waters Guidance for Councils over the next eight weeks, 30 July 2021

- 1.3. Elected Members are asked to consider the issues that arise from the Government's proposal and any potential solutions so these can be raised with the Government and LGNZ before the end of September 2021.
- 1.4. Please note the attached submission is best submitted directly to the Minister for Local Government, with a copy forwarded to Local Government New Zealand and the Department of Internal Affairs (DIA).
- 1.5. The Government decisions on entity boundaries, governance, transition and implementation arrangements will occur after the eight week period ends (30 September 2021).
- 1.6. The Government is yet to confirm whether it will honour the undertaking in the Memorandum of Understanding (MOU) signed with Waimakariri District Council that there will remain the ability for councils to opt-out of the proposed three waters entity, or whether this will be mandated by new legislation. This MOU expired on 30 June 2021.
- 1.7. If the reform goes ahead, and if Waimakariri District Council is included in the new entity, it is anticipated that the Council will continue to deliver water services until at least early 2024 with the Council being involved in the transition required over this period.
- 1.8. A special consultative procedure on the Government's proposed reform was not legally required or practical in the time available but the Council thought it was essential to seek community views, it was therefore deemed that engagement and feedback from the public would be of value. The survey objectives were to meaningfully inform the feedback that the Council is able to provide back to the Government, which will assist the Government in its decision-making process. The community survey was undertaken using the following process:
 - Preparation and distribution of information on the Government's case for change, some concerns held by the Council, and the Council's rating projections from its Long Term Plan.
 - An online event was held (this was held in place of a number of community drop-in sessions that were planned but disrupted by the Alert Level 4 COVID-19 restrictions that were in place due to the August Delta outbreak) at which information was presented by the Mayor, Chief Executive and Manager Utilities and Roading through answering live questions put forward by members of the public².
 - Collection of survey information, which asked residents based on the information available, whether they think the Council should opt-in or opt-out of the proposed reforms, and importantly the reasons for their views.
- 1.9. While it is acknowledged that an opt-in or opt-out decision is not appropriate or possible at this time, the reasons for framing the survey questions in this manner were:
 - It has consistently been signalled, at least until recent times, that the reforms will be voluntary, and councils will get a choice as to whether they wish to take part. However, the next steps beyond this point are not well defined, with the Government being unable to provide a clear answer as to whether

² Recording of online event - <https://www.youtube.com/watch?v=L1vdZbMJVOY>

there will be a future opportunity to consult. Therefore, it was important that the Council took the opportunity to gauge the community's overall view on the proposals at this time, to inform the feedback that the Council gives, also to assist with any future decisions that the Council may be asked to make if there is no future opportunity for formal consultation.

- The reasons that the community gave as to why they think the Council should opt-in or opt-out of the reforms will help inform the feedback from the Council. In particular, this will assist with informing the Government about what the greatest areas of concern are, which will assist the Government in future decisions.

1.10. The key results from the community survey are:

- The Council received 3,844 responses³ over a three week period, either in hardcopy or online as well as over 260 late responses. This is the largest response rate to any community engagement the Council has ever received, despite the significant disruptions to the engagement process.
- 95% responded that the Council should opt-out of the process, based on the information available. Residents expressed concerns about:
 - Losing local say, knowledge and control on how water services are provided
 - Rates being used to subsidise upgrades in other areas
 - Wanting local management and provision of three water services
 - Appropriate compensation for transfer of the District's assets
 - They sought for the reform proposals to take place alongside wider Future for Local Government and Resource Management Act (RMA) reforms
 - Serious concerns were raised about the accuracy of the proposed efficiencies behind the proposal for change.

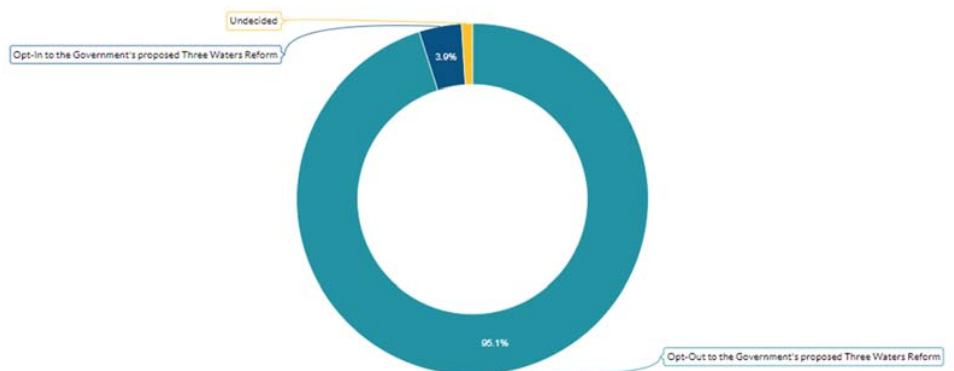


Figure 1: Percentage of survey responses by decision

³ WDC Survey - Analysis Dashboard <https://analytics.zoho.com.au/open-view/10170700004247507/24d1d5264fed3d6cf3af61821bbdf85f>

- 3.9% submitted that the Council should opt-in to the reform process, based on the information available. There were a range of reasons given, but key themes were;
 - We should be providing the same level of service for three waters across all of New Zealand
 - Residents could see advantages of combining three waters assets into four large entities
 - The three waters entity will be better able to keep up with increased regulations and requirements
 - Opting in will provide nationwide consistency
 - Opting in will provide better outcomes
- There was also a lot of feedback given informally online. While this was unable to be formally assessed, generally the views expressed online through other channels was reflected in the formal submissions received.
- Staff continue to receive late feedback after the cut-off date, this has been recorded but is not included in the analysis above.

1.11. Key outcomes from the analysis undertaken by both staff and independent consultants have had several key findings, which assist with informing the Council's submission to Government:

- A significant part of the Government's case for change is based on the large amount of investment needed in the country, and the challenges that will be faced in delivering this. From this, it has been modelled by DIA that \$1 billion of additional investment will be required to be made in this district over the next 30 years, over and above existing allowances. For comparison, Waimakariri District Council's current Long Term Plan states that \$282 million in capital investment is required over the next 30 years. Internal staff analysis has concluded that while it is plausible that there will be some projects that will be required within the next 30 years that are not provided for within the Council's current Long Term Plan (LTP) and Infrastructure Strategy, the basis for the \$1 billion of investment required in this district is questionable. It has been confirmed by DIA this is an averaged figure calculated at a national scale, and spread throughout the country, without any specific analysis into the District's assets or needs in the coming years. In reality this may mean that Waimakariri residents end up funding up to \$1 billion of investment in 3 Waters that does not get spent in the District.
- For comparison, at a national scale, the Government's modelling indicates that \$120 - \$185 billion of investment is required, compared to \$115 - \$122 billion, included as part of councils' Request for Information (RFI) submissions (source Castalia report, referencing WICS Final Report). Nationally this comparison isn't too dissimilar when the WICS forecasts are considered alongside the RFI data indicating what councils are planning to invest. However, when applied specifically to the Waimakariri District this top-down calculation, which resulted in \$1 billion projected capital spend in the district according to the WICS forecasts, there is a much larger discrepancy between what the Council is planning to invest, and what the WICS model suggests is required to be invested.

- A second key part of the Government's case for change is that the proposed new water entities will operate on average 45% more efficiently than the base scenario, of local government continuing to deliver services on their own (or upwards of 50% more efficiently within Entity D). This is considered flawed for the following reasons:
 - This figure is based on the assumption that essentially 0% efficiency gains have been made already within the Waimakariri District. This does not recognise a number of areas where gains have already been made, such as with procurement processes, and consolidation of water and wastewater schemes to deliver these services more efficiently. Further, the Government's modelling assumes no further gains will be made within the District within the next 30 years, if the status quo remains, which is highly unlikely.
 - It is acknowledged that with scale provided by the proposed entities there would be some efficiency gains possible, that would not be able to be fully achieved with the status quo option. However, the scale of these possible efficiency gains is considered to be overstated. A number of external experts have provided comment on the claims regarding the levels of efficiency that the new entities will be able to achieve. These comments with respect to the scale of efficiency that will be able to be achieved ranged from *implausible* (Castalia) and *significant care should be taken when relying on the capital efficiency gaps estimated by WICS* (Farriersweir).
 - The combined effect of the un-recognised efficiency which has already been achieved by the Council, the exclusion of any further efficiency gains the Council will make, and the over-stating of the gains that will be possible by the new entities, would significantly narrow the forecast margin between costs for the new entity versus costs for the Council to continue as it is. This is likely to apply to the modelling of other councils, as well as Waimakariri.
- The case for change has been made by looking at three waters delivery in isolation. It does not adequately consider inefficiencies that may result in other sectors of the residual organisation, and weigh these up against the gains that will be made the three waters sector, in order to determine the optimum model for all services that are currently provided by local government.
- Furthermore, there are further reform processes underway, albeit not as advanced as the Three Waters Reform process. This includes the Proposed Resource Management System Reform (RMA reform) and the Future for Local Government Review. The RMA reform process is seeking to introduce two new pieces of legislation, the Natural and Built Environments Act and the Strategic Planning Act, by the end of 2022 which will see planning and spatial strategies developed by local government, central government and mana whenua. These parallel, but out of sync, processes make the design of the optimum solution very hard to realise. An early decision on the future for three waters may inhibit other potentially superior options that could have otherwise been considered as part of the wider review and reform processes, with a more holistic view.

- It is noted in the earlier stages of the Three Waters Reform process, there were a number of options for three waters service delivery that were considered. This included 9 different scenarios that were modelled by Water Industry Commission for Scotland (WICS) and supplied to DIA. Ultimately, this was reduced to a four-entity model which has been presented, known as Scenario A. Concerns with this are:
 - By the time an option was presented to councils, key decisions had already been made that four water services entities would be the model chosen for the reform. Evidence of alternative options other than water services entities has been hard to come by, let alone a robust options assessment process of these options being seen. This report does not aim to present or weigh up alternatives, but rather point out that there may be alternatives that could provide superior outcomes, that do not appear to have been adequately assessed.
 - Further, once the decision was made that the reforms would be based on water services entities as the delivery model, the options assessment and recommendation for the entity sizes have been narrowed down to a single model of four water services entities. No modelling has been presented on alternative entity sizes, and how these may impact the results, and what the relative benefits with different options may be.
- 1.12. To conclude the analysis, it is considered that the additional investment that may be required could be over-stated for this district, the savings achievable by the entity also are likely to be overstated, there appears to have not been adequate robust options assessment for alternative service delivery models, and the wider changes in the local government sector such as RMA reform and the Future for Local Government review are being undertaken independently of this process, therefore potentially missing opportunities had the full set of reforms been considered collectively.
- 1.13. The government proposition that there is a case for some change in the sector is accepted, as it is acknowledged that there will be significant challenges that are faced in the future and a number of Councils are faced with aging infrastructure and static and aging populations. However, staff do not have sufficient confidence that the optimum outcome has been reached at this stage. It is considered that the process would benefit from a more holistic assessment, with a wider scope given to the options assessment to allow greater confidence that the outcome will provide the greatest benefits for New Zealanders.
- 1.14. Importantly, in addition to the above, any such future more comprehensive options assessment process needs to be undertaken in partnership with local communities to gain their views, and ensure they feel part of the process. The results from the community engagement process undertaken to date indicate that this has not been the case so far.
- 1.15. The attached submission attempts to shape the staff analysis, key conclusions, and community feedback into specific answers to the questions asked by the Government, as requested. This submission is attached (attachment i).

Attachments:

- i. Proposed submission to Minister for Local Government, LGNZ, DIA
- ii. Community Engagement – Survey Analysis
- iii. Taituarā “model report” template for Chief Executives – Version 0.2 - 5 August 2021
- iv. Waugh Infrastructure Management – DIA 3 Waters Modelling Review – August 2021
- v. Waugh Infrastructure Management – Three Waters Reform Response to Minister of Local Governments Letter – September 2021 - 210909145083
- vi. Castalia Limited - Advice on Water Reform Opt-Out Report to Whangarei District Council, August 2021
- vii. DIA Statement on Castalia Report for Whangarei District Council
- viii. DIA Financial Tool Dashboard
- ix. Letter to Minister of Local Government from Mayor Dan Gordon - 210713113525
- x. Minister of Local Government Response Letter - August 2021 – 210817135253
- xi. DIA Infographic – A new system for three waters service delivery
- xii. Three Waters Guidance for councils over the next eight weeks, 30 July 2021
- xiii. Heads of Agreement between Government and LGNZ

2. RECOMMENDATION

THAT the Council:

- (a) **Receives** Report No. 210910145944.
- (b) **Receives** the community engagement results and survey responses, noting Council has taken the opportunity to survey its community, and this has resulted in the largest level of community feedback in our Council’s history. A total of 3,844 responses have been received, and of these an overwhelming 95% of respondents indicated they want the Council to ‘opt-out’ of the proposed reforms.
- (c) **Approves** the attached submission (Attachment i) being provided to the Minister for Local Government, with a copy sent to Local Government New Zealand and Department of Internal Affairs.
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- (e) **Notes** that the key basis of the Council submission is;
 - i. The Waimakariri District Council opposes the New Zealand Government’s proposed model to establish four large water entities and remove the three waters assets and services from local councils.
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 - iii. The Council submits that it does not support the current government proposal for the following reasons:
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 - b. The outcome of the proposed structure is that the Council loses all of the normal benefits of ownership of the assets

- c. The accelerated timeframe, lack of true consultation, and lack of real alternative options has resulted in a flawed process
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 - e. The financial case in support of the proposal is based on information that does not reflect the New Zealand situation
 - f. The supporting information greatly exaggerates the efficiency gains expected, given the advances already made.
 - g. The case for lower borrowing costs under the new entity is questionable; it relies on government backing, and in fact the proposal may lead to increased averaged borrowing costs when both the councils and the water entities are considered.
 - h. The proposal would be detrimental to the wellbeing of the Waimakariri Community.
- (f) **Agrees** that the Three Waters sector faces many challenges and the status quo may not be sustainable at a national level, but believes that changes should be aligned and integrated with other local government reforms (Future for Local Government & Resource Management Act Reform). Importantly with the establishment of Taumata Arowai and the economic regulator, this should be given time to become imbed before major reform as is proposed is undertaken.
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- (i) **Notes** that the Chief Executive will report back further once additional information and guidance from the Government the Minister of Local Government, Department of Internal Affairs, LGNZ and Taituarā has been received on what the next steps will look like and how these should be managed.
- (j) **In noting the above, agrees** that the Council has given consideration to Part 6 of the Local Government Act 2002 for the purpose of providing feedback to Government on the current model. The Council however is not be able to support the current model on the basis that sufficient information and analysis that is proportionate to such a decision is not available.
- (k) **Circulates** this report to the Community Boards, for their information.

3. **BACKGROUND**

3.1. General

3.1.1. Over the past four years central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater, and stormwater), initially as part of the Three Waters Review and now under Three Waters Reform. Taumata Arowai became a new Crown entity in March 2021 and will become the dedicated water services regulator later this year.

- 3.1.2. This report provides the Council with staff analysis of the information provided by the Department of Internal Affairs (DIA) and assesses the Government's proposal including currently offered service delivery options. In preparing this report the Council staff have undertaken analysis of the information provided by DIA, received some independent analysis of both the Council's systems and the Government information, and summarised the community feedback. Where appropriate, portions of the Taituarā, proforma template document (as provided by DIA) have been used to inform this report, (refer attachment iii) in conjunction with our own assessment. This is to assist the Council in understanding the information that has been provided to date, whilst enabling the Council to prepare for future decisions, as well as possible consultation and engagement with its community. Independent advice sought by Waimakariri District Council (Waugh Infrastructure Management Ltd, attachments iv & v), advice sought by Whangarei District Council (Castalia Report, attachment vi), and the community engagement analysis (attachment ii) is also summarised in this report.
- 3.1.3. Managing transition (from three waters service delivery under Council control to Water Service Entity D) would pose a challenge for the Council (and others in its grouping), in addition to the risks associated with the Government proposal. If the Government's proposal were to proceed, effective management of the transition by the Council, Government and partners would be critical.
- 3.1.4. The law currently prohibits Council's deciding to opt-in to the current proposal (given section 130 of the Local Government Act 2002 and what we know about this option at present). Current decision-making requirements, including the need to take account of community views and strategic nature of the assets involved, would also preclude the Council deciding to opt-in at this time without consultation consistent with the Special Consultative Procedure (SCP) process. Currently under the Local Government Act 2002 this proposal would trigger Council's Significance & Engagement Policy in the Long Term Plan 2021-2031. Decision regarding further steps has not yet been made by Government.
- 3.1.5. Similar requirements apply if the Council wishes to consider alternative arrangements that involve asset transfers, divestment, change in ownership and/or the setting up of a Council Controlled Organisation (CCO) to deliver water services in the future.
- 3.1.6. It is noted that the government could choose to pass legislation that allowed this Council decision to take place, but this is not the case at this stage.
- 3.1.7. There are a number of issues, concerns and uncertainties for the Government and councils to work through before a robust Council decision (and decision-making process) can be made. This includes whether legislative change will enable or require the Water Services Entity approach to be adopted. Accordingly, DIA have made it clear that there is no expectation that the Council make a decision to opt-in (or out) or commence community engagement or consultation over the current eight-week period that Government is seeking feedback from councils.
- 3.1.8. The Government's guidance material stated;
- "We would encourage local authorities to share your feedback with us as it arises over this period - that way we can share insights and ideas on common issues across the sector and help each other benefit from each*

*other's work*⁴. Councils have been specifically asked to provide solutions to three outstanding issues during the next eight week period ending 30 September 2021:

- ensuring all communities have both a voice in the system and influence over local decisions
- effective representation on the new water service entities' oversight boards, including preventing future privatisation
- ensuring integration between growth planning and water services planning.

3.2. Havelock North Event and Inquiry Findings

3.2.1. Following the serious campylobacter outbreak in 2016 and the Government's Inquiry into Havelock North Drinking Water, central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater, and stormwater).

3.2.2. The focus has been on how to ensure safe drinking water, improve the environmental performance and transparency of wastewater and stormwater network and deal with funding and affordability challenges, particularly for communities with small rating bases or high-growth areas that have reached their prudential borrowing limits.

3.3. Announcement of Reforms

3.3.1. In July 2020, the Government launched the Three Waters Reform Programme to reform local government three waters service delivery arrangements, with the following objectives:

- improve the safety, quality, and environmental performance of water services
- ensure all New Zealanders have access to affordable three waters services
- move the supply of three waters services to a more financially sustainable footing, and address the affordability and capability challenges that currently exist in the sector
- improve transparency about, and accountability for, the delivery and costs of three waters services
- improve the coordination of resources and unlock opportunities to consider New Zealand's water infrastructure needs at a larger scale and alongside wider infrastructure and development needs
- increase the resilience of three waters service provision to both short and long- term risks and events, particularly climate change and natural hazards
- provide mechanisms for enabling iwi/Māori rights and interests.

⁴ Three Waters Guidance for Councils over the next eight weeks, 30 July 2021

3.3.2. The 2020 indicative timetable for the full reform programme is provided below. It was always subject to change as the reforms progressed and future Government budget decisions. Councils were advised that any further tranches of funding would be at the discretion of the Government and may depend on progress against reform objectives. Also in July 2020 the Government announced an initial funding package of \$761 million to provide a post COVID-19 stimulus to maintain and improve water three waters infrastructure, support a three-year programme of reform of local government water service delivery arrangements (reform programme), and support the establishment of Taumata Arowai, the new Waters Services Regulator.

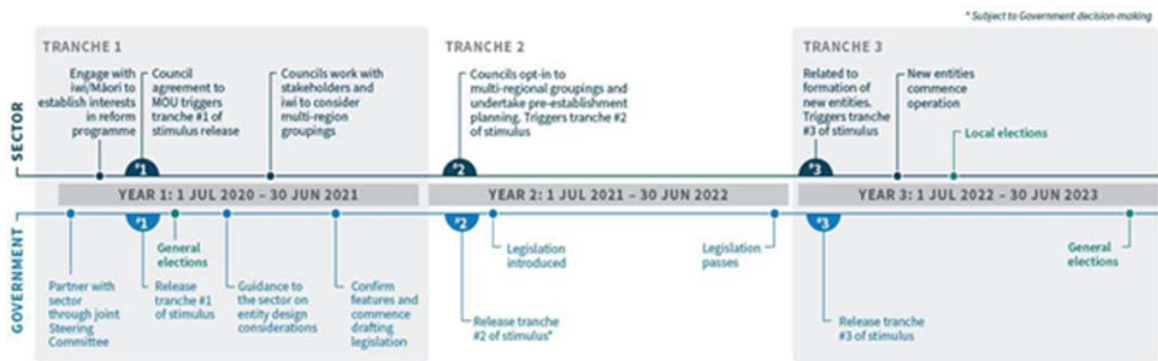


Figure 2: Government's 2020 indicative programme (note, now outdated)

3.3.3. The Government's stated direction of travel has been for publicly-owned multi- regional models (with a preference for local authority ownership). The Department of Internal Affairs (DIA), in partnership with the Three Waters Steering Committee (which includes elected members and staff from local government) commissioned specialist economic, financial, regulatory and technical expertise to support the Three Waters Reform Programme and inform policy advice to ministers.

3.3.4. The first stage was a voluntary, non-binding approach. It did not require councils to commit to future phases of the reform programme, to transfer their assets and/or liabilities, or establish new water entities. It involved the Council signing a Memorandum of Understanding (MoU) with the Government, the provision of an \$8.02 million Stimulus Grant to Council, and the Council committing to working in good faith with Government on providing information, via a Request for Information (RFI) process (refer report 200825110331 regarding the signing of the MoU). This agreement lapsed on 30 June 2021.

3.4. NZ Government Advertising Campaign

3.4.1. Elected members have articulated concerns about the Government's advertising campaign, which are expressed in the submission to Government.

3.5. Taumata Arowai

3.5.1. In line with Government policy, Taumata Arowai became a new Crown entity in March 2021 and will become the dedicated water services regulator when the Water Services Bill passes, expected to be in the second half of 2021

(the Select Committee was originally due to report back on 11 August 2021). They will oversee and administer, and enforce a new, expanded and strengthened drinking-water regulatory system, to ensure all New Zealand communities have access to safe drinking water. They will also provide oversight of the regulation, management, and environmental performance of wastewater and storm-water networks, including promoting public understanding of that performance.

- 3.5.2. An overview of local authority obligations under the Bill is provided below. The Bill provides for a range of compliance and enforcement tools including compliance orders, enforceable undertakings, infringement offences, and criminal proceedings, which can be taken against council officers (but not elected officials).
- 3.5.3. Taumata Arowai will have the authority to prepare standards and rules that water suppliers (such as councils) must comply with. Their initial working drafts are available online and are currently being updated. Consultation will occur later this year. Guidance to support the operational compliance rules is also being developed and will be available when the rules are consulted on.
- 3.5.4. It is anticipated that monitoring, compliance and enforcement of standards will increase substantially on the status quo with the passing of the Water Services Bill and as Taumata Arowai begins to operate. It is also likely that the drinking water standards and their coverage (including over non-Council water suppliers) and environmental standards will become more rigorous over time. This creates risks for the Council in meeting future standards as well as mana whenua and community aspirations (such as greater investment required than currently planned, and the risk of enforcement action).

3.6. The Government's Case for Change

- 3.6.1. While the Government and LGNZ consider that the national case for change⁵ has been made, each council will ultimately need to make a decision based on its local context, if the process to join one of the proposed entities remains voluntary.
- 3.6.2. The Department of Internal Affairs' (DIA) case for change report states the following;

It has become clear that New Zealand's three waters sector is facing a significant crisis, and will continue to do so without major, transformational reform. While there are pockets of good performance, in many parts of the country communities cannot be confident that their drinking water is safe, that the three waters sector is achieving good environmental outcomes, that it can accommodate population and housing growth, that the rights and interests of iwi/Māori are being upheld, and that climate change and natural hazard risks are being successfully managed.

The challenges the three waters sector faces in delivering health, customer and environmental outcomes and the sheer size of the infrastructure deficit that has developed, are symptomatic of a wider systemic failure underpinning the way three waters services are currently delivered. Significant investment is needed across the country to address the issues.

⁵ <https://www.lgnz.co.nz/assets/Three-Waters-101-Infographic.pdf>

Without a national, co-ordinated approach, the costs to householders will be high⁶.

3.6.3. The last 12 months have involved an intense phase of policy advice, commercial, legal and analytical work, engagement with local government and iwi/Māori. This work has been progressed under the oversight of a joint central-local government steering committee⁷.

3.6.4. The Government has concluded that the case for change⁸ to the three waters service delivery system has been made and during June and July 2021 it released information and made announcements on:

- The direction and form of Three Waters Reform, including four proposed new Water Service Entities, their indicative boundaries, their governance arrangements and public ownership;
- Analysis of individual council data undertaken by the Water Industry Commission for Scotland (WICS), based on the information supplied under the RFI process;
- The Government has announced a \$2.5 billion 'no worse off' and 'better off' funding package, and a further \$296 million to support establishment and transition. This funding includes the following:

Table 1: Summary of Funding Package

Component	Description	Amount
Better Off Component	Allocated on a formula taking into account population, deprivation, and land area. Funding to be used to support reform objectives and local wellbeing outcomes.	\$ 2 billion (50% crown funding, 50% from the new entities).
No Worse Off Component	To address costs and financial impacts on territorial authorities as a result of transfer of assets, liabilities and revenues.	Up to \$ 250 million
	Address impacts on the financial sustainability of territorial authorities	\$ 250 million
Establishment and Transition	Staff involvement in working with the establishment entities and transition unit, including legal, accounting and audit costs.	\$ 296 million

⁶ Transforming the system for delivering three waters services – The case for change and summary of proposals, Department of Internal Affairs, June 2021

⁷ Transforming the system for delivering three waters services – The case for change and summary of proposals, Department of Internal Affairs, June 2021

⁸ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf)

- An eight-week process for councils to understand the implications of the reform announcements, ask questions and propose solutions and for Government to work with councils and mana whenua on key aspects of the reform (including governance, integrated planning and community voice).

3.6.5. In June 2021 a suite of information was released by Government that covered estimated potential investment requirements for New Zealand, scope for efficiency gains from transformation of the three waters service and the potential economic (efficiency) impacts of various aggregation scenarios⁹.

3.6.6. The modelling indicated a likely range for future investment requirements at a national level in the order of \$120 billion to \$185 billion, an average household cost for most councils on a standalone basis to be between \$1910 and \$8690 by 2051. It also estimated these average household costs could be reduced to between \$800 and \$1640 per household and efficiencies in the range of 45% over 15-30 years if the reform process goes ahead. An additional 5,800 to 9,300 jobs and an increase in GDP of between \$14b to \$23b in (Nett Present Value, NPV) terms over 30 years were also forecast.

As a result of this modelling, the Government has proposed to:

- establish four statutory, publicly-owned water services entities that own and operate three waters infrastructure on behalf of local authorities
- establish independent, competency-based boards to govern
- set a clear national policy direction for the three waters sector, including integration with any new spatial / resource management planning processes
- establish an economic regulation regime
- develop an industry transformation strategy.

3.6.7. The proposed safeguards against privatisation can be found on page 26 of the DIA's summary of the case for change¹⁰, requiring that;

“any proposal for privatisation be (1) endorsed by the Regional Representative Group by at least a 75 per cent majority (including by mana whenua representatives) and (2) put to a referendum so that the public can have its say on whether this should occur. The referendum would require 75 per cent or more votes in favour of the proposal for it to proceed, at which point it would go through the legislative and select committee processes, which would provide a further democratic protection.”

⁹ This information, including peer reviews and the Minister's briefing can be accessed at: <https://www.dia.govt.nz/Three-Waters-Reform-Programme-and-release-of-second-stage-evidence-base-released-june-2021>

¹⁰ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf)

- 3.6.8. Both DIA and LGNZ have produced two page national overviews, available on the DIA website¹¹ and LGNZ websites¹² respectively.
- 3.6.9. Waimakariri District Council have been placed under Water Services Entity D which covers the entire Ngai Tahu Takiwā, although precise boundaries are still subject to future engagement processes. See the figure below for reference.

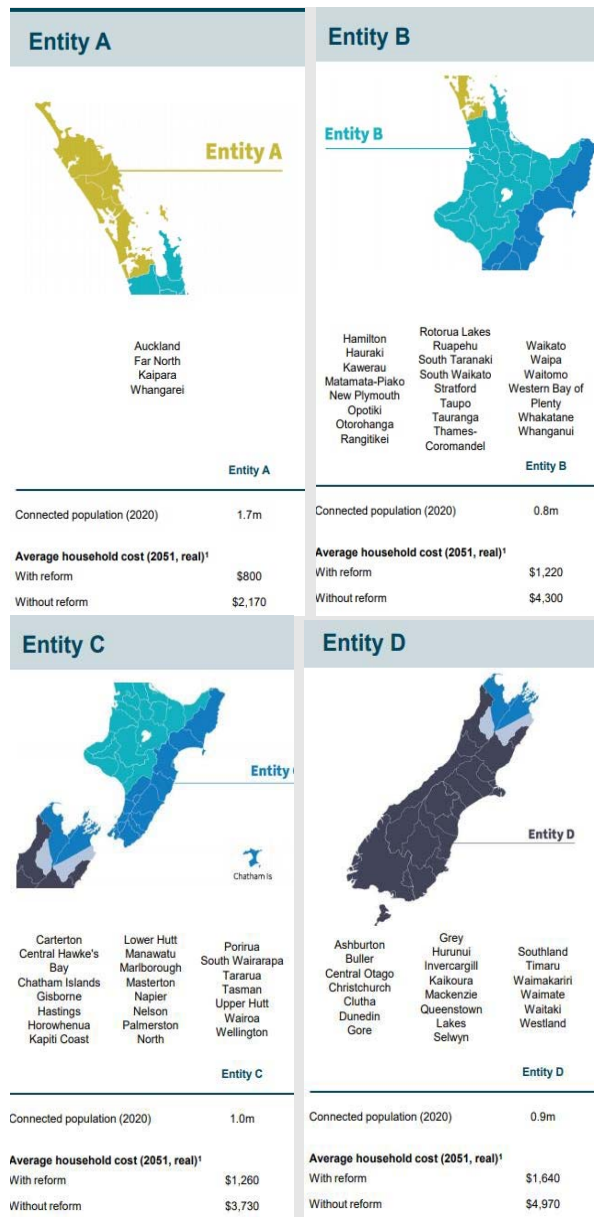


Figure 3: Waimakariri District Council included as part of Entity D in national three waters services reform proposal

¹¹ [2872-DIA-A3-A New Water with-without reform Map 20210526v2.7](#)

¹² [Three-Waters-101-Infographic.pdf\(lgnz.co.nz\)](#)

3.7. Information Presented Regarding Waimakariri District Following RFI Process

3.7.1. As well as the case for change¹³ presented at a national level by Government, information was provided specific to the Waimakariri District. Also provided was further information in general on the Government's modelling, and peer reviews of this modelling.

WICS Modelling and Peer Reviews (Beca, Farriersweir, Deloitte)

3.7.2. While prepared at the national level, the WICS methodology has been peer reviewed by Farriersweir¹⁴, Deloitte¹⁵ and Beca¹⁶. While the Government's position appears to be that these peer reviews have reinforced the key points behind their case for change, and this is true in some cases, other conclusions drawn or statements made throughout the peer reviews detract from the reliance that can be placed on the Government's modelling, or at least highlight some of the inherent uncertainties. Some statements from the Farriersweir peer review include:

- *“Due to the scope of our review, we cannot provide an opinion on whether the forecasts and estimates generated by WICS by applying its methodology and assumptions are reasonable.” (Page iv)*
- *“the [WICS] analysis is high-level and directional and should not be relied on to project actual expenditure, revenue and pricing outcomes.” (Page viii)*
- *“We consider there are several potential differences between the New Zealand and UK context that may make it difficult to achieve UK levels of operating efficiency”. (Page 33).*
- *“Core to the estimated benefits from amalgamation and associated reform is the projected investment over the 30-year horizon. Given such a long horizon and the difficulty in forecasting enhancement investment, the forecasts used by WICS are inherently uncertain.” (Page 35)*
- *“Significant care should be taken when relying on the capital efficiency gaps estimated by WICS” (Page 34)*

As assessment of this information, as well as other assessments undertaken are discussed further in the Issues and Options section.

3.7.3. At this stage it is not possible to fully test the projections as the standards for Aotearoa / New Zealand out to 2051 are not known, although it is reasonable to assume that there will be greater community and mana whenua expectations around environmental performance and quality, tougher standards to meet for water quality (drinking and receiving environment) and that monitoring, compliance and enforcement will be greater than it is now. This affects both operational and capital expenditure (costs will go up), including the number of staff (or contractors) that Council will need to ensure outcomes for water and community and legal requirements are met.

3.7.4. In July 2020, the Government adopted the National Policy Statement for Freshwater Management 2020. This introduced the concept of Te Mana o

¹³ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf)

¹⁴ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf)

¹⁵ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/deloitte-report-summary-final-economic-impact-&-affected-Industries-A3.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/deloitte-report-summary-final-economic-impact-&-affected-Industries-A3.pdf)

¹⁶ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/becca-report-dia-three-waters-reform-wics-modelling-phase-2.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/becca-report-dia-three-waters-reform-wics-modelling-phase-2.pdf)

Te Wai. The stated concept refers to the fundamental importance of water and recognises that protecting the health of freshwater protects the health and well-being of the wider environment. It protects the mauri of the wai. Te Mana o te Wai is about restoring and preserving the balance between the water, the wider environment, and the community. Te Mana o te Wai is relevant to all freshwater management and not just to the specific aspects of freshwater management referred to in this National Policy Statement. This statement is one of the mechanisms by which requirements could increase in the future.

- 3.7.5. There is always a level of uncertainty and therefore risk around assumptions and forecasts, whether prepared by us for our Long Term Plans (LTPs) or by others such as Government to facilitate policy decisions, such as the current Three Waters Reform process. It appears that in the Government's modelling, that due to these difficulties outlined above and the time and resource that would be required in projecting out future costs from a 'bottom up' approach, instead a 'top down' approach has been used. This top down approach has been largely based on looking at the Scotland scenario, and applying these rates and efficiencies to additional investment to New Zealand.
- 3.7.6. Using the methodology described above, the Government presented a dashboard¹⁷ for each local authority, including the Waimakariri District. The Waimakariri dashboard is shown in Figure 4 below, highlighting key results from the modelling.

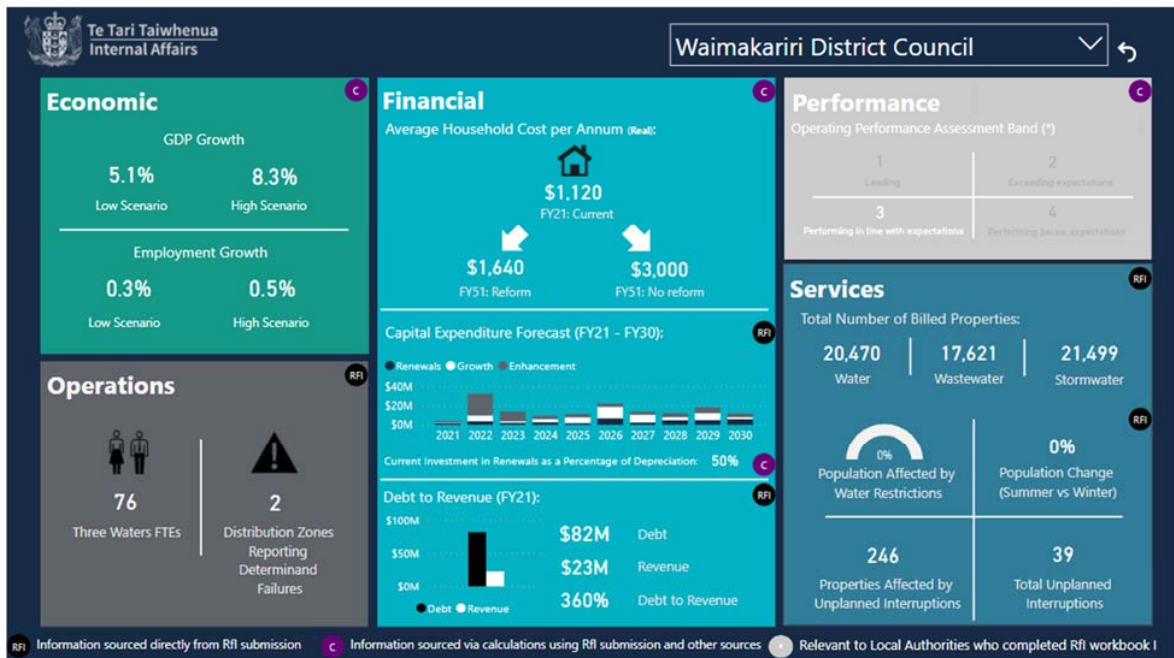


Figure 4: Waimakariri District Council dashboard published by DIA.

Key Modelling Results Compared to Council's Long Term Plan Projections

- 3.7.7. Some key outcomes of the modelling results are summed up below, alongside financial statistics from Council's own data. Figures are presented excluding inflation and GST:

¹⁷

<https://app.powerbi.com/view?r=eyJrjoiOGE1OTJlYWUtdZDZkNy00YWZlLTgzN2EiOTY1MzQxNGM5NzJmIiwidCI6ImY2NTIjYTVlZWZlNDctNGU5Ni1iMjRkLTE0Yzk1ZGYxM2FjYj9>

- As noted previously, in order to meet future regulatory requirements and challenges, it was forecast that \$120 billion to \$185 billion of additional investment would be required nationally over the coming 30 years. This compares to a total investment figure of \$115 billion to \$122 billion being identified through councils' RFI submissions (refer Table 2.1 in Castalia report, which references the WICS final report).
 - Alongside the dashboard (shown above), the Government also presented councils with individual spreadsheets showing the model inputs and assumptions. It was presented that the "modelled enhancement investment" for the district is in the order of \$980 million to \$1.0 billion, over the 30-year timeframe. These figures were stated as being calculated "based on disaggregated modelling of Council specific information". It is understood that this investment is over and above that allowed for within the Council's Long Term Plan currently.
 - For context, the total three waters asset value in the district currently is \$602 million, and the planned capital expenditure over the coming 30 years is \$282 million in total, as per Council's Infrastructure Strategy.
 - The Government's figures show average household costs for three waters services going from \$1,120 currently to \$1,640 if Council joins Entity D, or \$3,000 if the status quo remains, over the next 30 years.
 - Conversely, the Council's Long Term Plan presents average annual three waters rates per household going from \$1,225 currently to \$908 in 30 years.
 - There have been challenges understanding how on the DIA released dashboard specific to our District, the Council is rated as being within the Level 3 (out of 4) operating performance assessment band. This does not take into account that Waimakariri District Council is AA rated under the LGNZ Excellence Programme, AA+ rated by Standard & Poor's, or the Council's fully audited LTP and 30 year Infrastructure Strategy.
- 3.7.8. Based on the level of spending in the Council's Infrastructure Strategy, debt to revenue ratios are forecast to remain in the order of 150% over the coming 10 years, which is within the limit of 180% which is understood to be required for its AA+ Standard and Poor's Rating.
- 3.7.9. While the Government has modelled both new entities and local authorities being required to spend a significant increase in capital, the Government suggests that the new entities will be able to sustain this level of expenditure, through borrowing at discounted rates.
- 3.7.10. Conversely, using the Government projections of additional expenditure required, there would be challenges in how Council would service this debt under the status quo option. This reiterates the importance of the level of confidence that can be placed in the projections of how much additional expenditure would be required, over and above what has already been allowed for.

Current Council Infrastructure Strategy Allowances and Exclusions

- 3.7.11. A key to understanding the validity of the Government's model compared to the Council's Infrastructure Strategy (which clearly give distinctly different

projections in terms of future costs per household / rates), is understanding what is included or excluded from the Council's Infrastructure Strategy.

- 3.7.12. It is noted that it is not possible to explore what specifically is included or excluded within the Government figure of \$1.0 billion of additional expenditure, due to the 'top down' nature by which it was derived. Essentially, no specific projects have been identified as part of the Government's \$1.0 billion figure, but rather this is an averaged figure taken from Scotland, and applied to New Zealand, and averaged across councils using some coarse factors. This understanding of the Government approach was gained via the response from the Minister of Local Government sent to Mayor Gordon on 17 August 2021.
- 3.7.13. Generally, it can be stated that the Waimakariri District Council is AA rated by the Local Government New Zealand Excellence Programme, and AA+ rated by Standard and Poor's, which take into account the Council's financial planning and Infrastructure Strategy.

3.7.14. Future Compliance:

Drinking-water

3.7.14.1. Recently, the final capital upgrade was completed such that all Council water supplies can now fully meet the current Drinking-water Standards for New Zealand (DWSNZ).

3.7.14.2. Allowance has been made for ultra-violet (UV) disinfection of all Council water supplies, not already UV disinfected. This is in anticipation of potential changes from Taumata Arowai, and a subsequent review of the DWSNZ. The operating cost of applying chlorine treatment to all supplies has also been allowed for.

3.7.14.3. There are expected to be additional monitoring requirements in the next revision of the DWSNZ, which have not been fully allowed for, until the standards are released and consulted on.

Wastewater

3.7.14.4. Two upgrades are currently underway on Council wastewater schemes to join the two smallest supplies with the larger Eastern Districts Sewer Scheme, which has a compliant resource consent for discharge to the Ocean, following treatment. It is possible that when this consent is due for renewal in 2039, there may be additional treatment requirements over and above current levels, which are not allowed for within the Infrastructure Strategy currently.

3.7.14.5. Similarly, the Oxford Wastewater Treatment Plant, which has a consent to discharge to land, is currently generally operating within its resource consent. However, should additional treatment requirements be needed upon renewal of its resource consent in 2031, there may be additional costs over and above current

allowances. Master planning work is currently underway to investigate this further.

Stormwater

3.7.14.6. In terms of stormwater, the Council is in the process of obtaining four Network Discharge consents, to consolidate a large number of existing consents. With these, future requirements are in the process of being established. Some allowance has been made within the next 10 years to improve treatment outcomes, in anticipation of requirements from these new consents. These budgets currently are considered placeholders, as detailed work commences, as the first steps of implementing the consents.

3.7.15. Renewals Planning

3.7.15.1. The Council's Infrastructure Strategy outlines a sophisticated and robust renewals model, which forecasts costs out to 150 years. Each year depreciation funding is collected based on asset lives and replacement rates from up to date valuation information, and replacements are planned in accordance with the model outputs. Due to the low asset age within the district currently, surpluses are generated each year (i.e. more depreciation funding is collected than annual renewal expenditure required at present), and these funds are set aside in a ring fenced account to be spent on future renewals.

3.7.16. Growth

3.7.16.1. Through coordination between the Council's Planning and Utilities and Roading departments, growth within the district is enabled by Council, however is self-funding. Either developers construct their required infrastructure themselves, at their cost and vest the new assets to Council, or in some cases where the Council leads the project the costs are recovered through development contributions. Growth has a net positive affect on the affordability of services, with the schemes that have experienced the higher growth generally having the lower costs to service due to having increased ratepayer bases.

3.7.17. Carbon Emissions and Climate Change

3.7.17.1. In 2020 the Council adopted a Climate Change Policy as an initial statement to inform Council's role in climate change adaptation and mitigation. The next step in 2021 is to develop this into a Climate Change Strategy. There are some aspects of climate change already considered throughout work in the three waters space. This includes allowance for climate change when predicting runoff impacting on stormwater and wastewater system designs, as well as some consideration being given to changing weather patterns and potential impact upon aquifer levels and water supply sources. While this work does take into account some of the implications of Climate Change, there are further improvement projects to help better quantify some of the other potential impacts that may not be

captured by the initial works. Further information can be found in the Council's Infrastructure Strategy (see pages 36 – 39).

3.7.18. Private/Community/Rural Water Supplies

3.7.18.1. While the majority of the district is serviced by reticulated water, wastewater and stormwater servicing, there are some residents serviced by private wells and septic tanks, or small private water supplies.

3.7.18.2. Under the Water Services Bill, these individual suppliers would still remain responsible for providing their own services. However, where there are more than one property connected they are proposed to be classified as a reticulated water supply, and there would be additional obligations to meet the Drinking-water Standards. Further, there are requirements that if these small private supplies are unable to meet future standards, there may be a role for the territorial authority to work with Taumata Arowai on ensuring that they can comply going forward, which could ultimately result in the local authority being required to take over these supplies in some cases.

3.7.18.3. There is therefore some risk that there could be additional supplies that the Council could take over responsibilities for, over the coming 30 years. It is noted however that this is based on what is currently draft legislation, and the default position in the legislation is that no responsibilities change initially, and it is only after several other steps are completed that this could eventuate, and it would only occur on a case-by-case basis. Therefore, it is expected that these additional responsibilities with drinking-water supplies, if they occur at all, would likely occur at a slow rate at a relatively small scale.

3.7.18.4. There is no legislation or standards being considered currently that would require the Council to take over private wastewater schemes.

3.8. Proposed structure (Governance)

3.8.1. The Department of Internal Affairs have produced a diagram and supporting information to describe the proposed new system for three waters service delivery and how the governance structure would work. This information can be found on the DIA website¹⁸, as well as partly in the figure below.

¹⁸ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/three-waters-reform-programme-overview-a3-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/three-waters-reform-programme-overview-a3-30-june-2021.pdf)

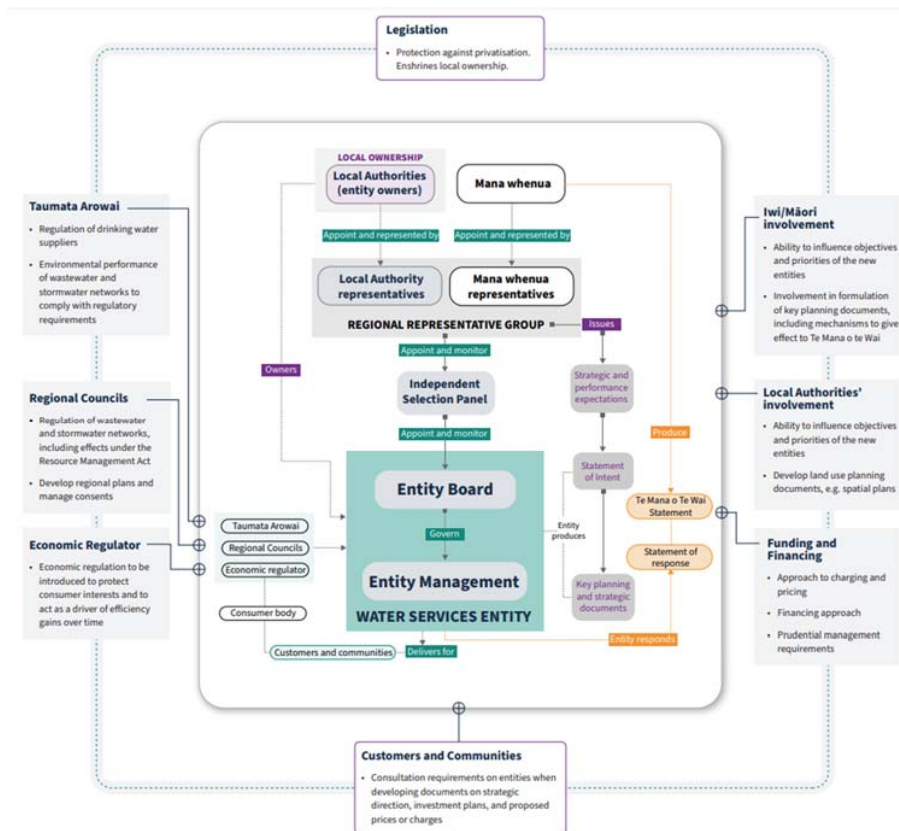


Figure 5: Proposed Governance structure

3.8.2. The key points to note regarding this proposed structure is:

- The complicated multi-tier approach to the governance, where a Regional Representative Group is appointed by local authorities (6 appointees) and mana whenua (6 appointees), the Regional Representative Group appoint an Independent Selection Panel, who in turn appoint the Board of the water services entity
- The lack of connection from the water services entity to the customers and communities, which appear to be at arm's length via a consumer body.
- That while Taumata Arowai¹⁹ and the proposed economic regulator will help, there is still no single agency at central government responsible for water services (similar to what exists for transport or electricity services).
- The Council would not have a direct say; rather it would need to work through the 6 local government appointees to have an indirect say on performance standards, statement of intent and key policy and strategic direction. The Council would need to submit on entity lead consultation documents on strategic direction, investment plans and proposed prices and charges.
- It is unclear who would have say writing the Te Mana o Te Wai Statement shown in the governance structure diagram above, based on the diagram it appears that mana whenua would create this with no opportunity for input from local authorities or the community.

¹⁹ <https://www.taumataarowai.govt.nz/for-water-suppliers/>

3.9. Letter from the Council to Minister seeking clarifications and response

- 3.9.1. Following the initial review of some of the information provided, staff and Councillors provided a list of questions and clarification requests to the Minister of Local Government, Nanaia Mahuta. These were generally to gain a better understanding of the information provided to date, and the next steps.
- 3.9.2. On 17 August 2021, the Minister responded to the questions. The response is attached to this report (refer to Attachment x). Further analysis of this response, alongside wider analysis, is provided under Issues and Options.

3.10. Engagement sessions between DIA and Councils

- 3.10.1. In July and August 2020 DIA ran a series of workshops throughout the country to inform relevant stakeholders of the reform programme ahead. Key points made at this time were:
- The reforms would be an 'opt-in' reform programme.
 - There would be an opportunity for councils to consult with their communities on opting in or opting out in the second half of 2021, with each council required to make a decision by December 2021.
 - The reform would be by way of water service delivery entities that are of significant scale (multi-regional), asset owning, and publicly owned.
 - There would be further packages of Stimulus funds (tranche 2 signalled around July 2021, and tranche 3 around July 2022).
- 3.10.2. There were discussions at the workshop on what the advantages and disadvantages of the proposal were, and some feedback sought (informally) on what size entities was preferred by attendees at the workshops.

Further information on these workshops is available online²⁰:

3.11. Government Announcements & New Timeline

- 3.11.1. The Government's 30 June 2021 and 15 July 2021 Three Waters Reform announcements signalled a change the reform process previously outlined in 2020.
- 3.11.2. In June 2021 a suite of information was released by Government that covered estimated potential investment requirements for New Zealand, scope for efficiency gains from transformation of the three waters service and the potential economic (efficiency) impacts of various aggregation scenarios, as discussed previously.
- 3.11.3. The original timetable for implementing the reform (attached) and for councils to consult on a decision to opt-in (or not), no longer applies. It is noted that at this time, the Government is seeking feedback, but not a final position on opting in or opting out. Other key changes that have emerged are:
- It is no longer certain that individual councils will be given the decision to opt-in or opt-out of the reform process.
 - It is unclear whether there will be an opportunity for formal community consultation.

²⁰ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/Slide-pack-from-July-Aug-2020-workshops.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/Slide-pack-from-July-Aug-2020-workshops.pdf)

- 3.11.4. The next steps are expected to be announced after 31 September 2021, which is expected to include the timeframes and responsibilities for any community or public consultation.
- 3.11.5. It is also important to note that the Government has not ruled out legislating for an “all-in” or mandatory approach to reform to realise the national interest benefits of the reform.
- 3.11.6. In the interim the DIA continues to engage with council staff on transition matters on a no regrets basis should the reform not proceed. These discussions do not pre-empt any decisions about whether to progress the reforms or whether any individual council will transition.
- 3.11.7. On the assumption that the reform does go ahead, it is anticipated that councils will continue to deliver water services until at least early 2024 and the Council’s involvement in transition will be required throughout.

3.12. **Heads of Agreement (HOA) with Local Government New Zealand (LGNZ) and Support Package Announcement**

- 3.12.1. On 15 July, in partnership with LGNZ under a Heads of Agreement²¹, the Government announced a package of \$2.5 billion to support councils to transition to the new water entities and to invest in community wellbeing. This funding is made up of a ‘better off’ element (\$500 million will be available from 1 July 2022 with the investment funded \$1 billion from the Crown and \$1 billion from the new Water Services Entities) and ‘no council worse off’ element (available from July 2024 and funded by the Water Services Entities). The “better off” funding can be used to support the delivery of local wellbeing outcomes associated with climate change and resilience, housing and local place making, and there is an expectation that councils will engage with iwi/Māori in determining how to use their funding allocation. In addition, the Government has a tagged contingency of \$296 million in the 2021 budget package for transition and implementation activities.
- 3.12.2. It is noted that LGNZ is a membership organisation for the local government sector, however there had not been engagement with each local authority prior to the signing of this HOA. While advice on the process followed has not been able to be obtained in the timeframe available, there are questions as to whether LGNZ had the mandate to prepare and sign this HOA on behalf of local authorities, without direct engagement with the local authorities on the contents of the HOA.
- 3.12.3. Waimakariri District Council’s funding allocation is \$22,178,799²². The detail of the funding (including expectations around the use of reserves) and the full list of allocations found in the Three Waters Guidance for Councils document attached²³. Conditions associated with the package of funding have yet to be worked through.
- 3.12.4. In addition to the funding announcements, the Government has committed to further discussions with local government and iwi/Māori over the next eight weeks on:
 - the boundaries of the Water Service Entities

²¹ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf)

²² <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>

²³ <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>

- how local authorities can continue to have influence on service outcomes and other issues of importance to their communities (e.g. chlorine-free water)
- ensuring there is appropriate integration between the needs, planning and priorities of local authorities and those of the Water Service Entities.
- how to strengthen the accountability of the Water Service Entities to the communities that they serve, for example through a water ombudsman.

3.13. **Better Off and No Worse Off Funding**

3.13.1. To assess whether the proposed better off and no worse funding [\$22,178,799] is sufficient, the Council needs further information on the conditions that will be associated with that funding. For the purposes of the following analysis it is assumed that this funding would provide the Council with an opportunity to address a range of issues and opportunities to improve community wellbeing in partnership with mana whenua and the communities' the Council serves. No consideration has been given at this stage about how this funding may be utilised.

3.13.2. It is noted that the funding was calculated on the basis of covering 2 years' worth of stranded overheads, rather than a net present value analysis covering a longer time period (i.e. 30 years) to fully compensate for the costs incurred by the residual organisation.

3.14. **8 week Period Concluding 30 September**

3.14.1. Government has asked councils to provide feedback specifically on the following three outstanding issues over an 8 week period ending 30 September 2021, with no guarantee of an opportunity to consult after this period.

- ensuring all communities have both a voice in the system and influence over local decisions
- effective representation on the new water service entities' oversight boards, including preventing future privatisation
- ensuring integration between growth planning and water services planning.

3.14.2. This analysis will provide some of the required information to enable the Council to make a decision and consult on opting in or out of the reform process at the end of the eight week period (but not all as there is further information to be developed and decisions to be made), although whether this is ultimately required will be dependent on where the Government gets to with the reform process and the decisions it makes after 30 September 2021.

3.15. **Other Review and Reform Processes**

3.15.1. This section highlights other related review or reform processes that are underway currently.

Future for Local Government

- 3.15.2. On 23 April 2021 the Minister of Local Government (the Minister) established a Review into the Future for Local Government (the Review). The Review is to consider, report and make recommendations on this matter to the Minister.
- 3.15.3. The traditional roles and functions of local government are in the process of changing. The work programmes the Government is advancing to overhaul the three waters sector and the resource management system are foremost among a suite of reform programmes that will reshape our system of local government. The sector, led by Local Government New Zealand (LGNZ) and Taituarā - Local Government Professionals Aotearoa, is calling for a programme of work to 'reimagine the role and function of local government', in order to build a sustainable system that delivers enhanced wellbeing outcomes for our communities.
- 3.15.4. The overall purpose of the Review is, as a result of the cumulative changes being progressed as part of the Government's reform agenda, to identify how our system of local democracy and governance needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the Treaty partnership.
- 3.15.5. The Minister is seeking recommendations from the Review that look to achieve:
- a resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities;
 - public trust/confidence in local authorities and the local regulatory system that leads to strong leadership;
 - effective partnerships between mana whenua, and central and local government in order to better provide for the social, environmental, cultural, and economic wellbeing of communities; and
 - a local government system that actively embodies the Treaty partnership, through the role and representation of iwi/Māori in local government, and seeks to uphold the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles through its functions and processes.
- 3.15.6. The scope of this matter comprises what local government does, how it does it, and how it pays for it. The scope should include, but not be limited to, a future looking view of the following:
- roles, functions and partnerships;
 - representation and governance; and
 - funding and financing.

Resource Management Act

- 3.15.7. The Government plans to repeal the Resource Management Act 1991(RMA) and replace it with three new pieces of legislation. The planned new pieces of legislation include:
- The Natural and Built Environments Act
 - The Strategic Planning Act
 - The Climate Adaptation Act.
- 3.15.8. The objectives of this suite of legislation is to:
- protect and restore the environment and its capacity to provide for the wellbeing of present and future generations

- better enable development within natural environmental limits
- give proper recognition to the principles of Te Tiriti of Waitangi and provide greater recognition of te ao Māori including mātauranga Māori
- better prepare for adapting to climate change and risks from natural hazards, and better mitigate emissions contributing to climate change
- improve system efficiency and effectiveness, and reduce complexity while retaining appropriate local democratic input.

3.15.9. It is expected that the Natural and Built Environments Act and the Strategic Planning Act will be formally introduced in late 2022.

3.15.10. While it is still early in this reform process, it has the potential to change the scale at which key planning processes are undertaken at. Rather than each Council having its own independent District Plan, there may instead be a Regional Plan, covering an entire region, for example. This obviously has implications for the future role of local government, if changes are made in this space.

4. ISSUES AND OPTIONS

4.1. While the Background section sets out factual information on the processes that have occurred to date, this section aims to present analysis on the implications of this information, and provide guidance on the way forward.

4.2. The basis for the Council to make a submission to Government is the information already presented (via the Background section), the analysis provided by Council staff and expert consultants, and the views of the community.

4.3. Decision Making Process and the Local Government Act

4.3.1. Before considering the analysis provided within this section, it is important to consider what is being asked of Council, and what can and cannot be provided as a response.

4.3.2. Advice has been gained concluding that a final opt-in or opt-out decision cannot be made at this time. This is both because this option has not been put in front of the Council at this time, and regardless, any such decision would trigger the Council's Significance and Engagement Policy, with a requirement to formally consult on such a decision. The community survey that has been taken did not meet these requirements.

4.3.3. A Government Bill to progress the reforms is understood to be required, for example removing the Section 130 requirements. For reference, Section 130 of the Local Government Act outlines councils' obligations to maintain water services, and the requirement to continue to provide these services, and as such, for the reforms to proceed, modification to this section of the Act would be required.

4.3.4. At this stage however no decision is required on future delivery arrangements. Based on the analysis in this report, the Council should wait until it has further information before formally consulting on and/or making a decision on the Government's proposal.

4.3.5. It is recommended that the Council therefore notes the options canvassed in this report, the [high-level] analysis of them and the information and decisions that are yet to be made.

- 4.3.6. If reform is not made mandatory, to ensure sufficient information is available to meet the moral and legal requirements of the Council decision-making staff will further develop the analysis of options (based on further information from the Government, advice on next steps, and regional discussions) prior to the Council decision making and consultation on future water services delivery. Whether this is ultimately required will be dependent on where the Government gets to with the reform process and the decisions it makes after 30 September 2021.
- 4.3.7. There is however sufficient analysis and information gained and presented in this report to the Council's to make a well informed submission to the Government as feedback on the proposal, and to give a suggested direction to the way forward from here.

4.4. **Waugh Analysis**

- 4.4.1. To assist Council staff in assessing the information provided by Government, to help provide feedback, Waugh Infrastructure Associates were engaged to provide specialist advice regarding the material provided. Two reports were provided:
- The first report (attachment vi - 210812132492) looked at variations between the Waimakariri context and the assumptions used to inform the Government's model, and the impact that these may have, and exploring assumptions around efficiency levels of Waimakariri District Council versus those that might be achieved by the proposed new entities.
 - A second report was commissioned following the response to the Council's questions from the Minister of Local Government, to provide further feedback taking into account these responses, and also to provide some advice on alternative entity structures, and the governance model proposed (attachment v - 210909145083).
- 4.4.2. The full reports are attached for a complete assessment. Some key findings are tabled and described below:

Table 2: Waugh Infrastructure Management Summary

Department of Internal Affairs Position	Do We Agree?	Our Opinion
National Level		
Water quality (Te Mana o te Wai) must improve	✓	<ul style="list-style-type: none"> Council's water and wastewater system including treatment is 100% compliant with current standards (2021/22) There is a strategy and funding in place to achieve compliance for stormwater and also to respond to expected higher regulatory standards for all 3 Waters
"No worse off" funding to mitigate financial impacts of reform on rest of Council	✗	<ul style="list-style-type: none"> The recognition of the value of the assets that will transfer from Council to the proposed new water entities is unclear, and puts at risk the value of Council's long term sustained investment in these assets The \$22m "no worse off" funding only covers 2 year's of direct cost and has not adequately considered stranded costs, which will have ongoing financial effect on the rest of Council
Takiwā Level		
Governance structure of Entity D allows for 5-6 non-mānā whenua representatives	✗	<ul style="list-style-type: none"> Council will lose all benefits of normal asset ownership, including the ability to determine future growth areas and infrastructure renewals, as well as financial benefits (e.g. lending ability) There is no assurance that Council's voice will be heard in the proposed new entities governance arrangements
The entity scale (0.86M population) including takiwā coverage area is the most efficient & effective approach	✗	<ul style="list-style-type: none"> Other entity models should be considered including strong integration with other reforms (Future of Local Government and Resource Management) The "8 weeks" to provide proper evaluation and responses on this vital "30-year change" is insufficient time - including assessment of integration with other reforms
DIA/WICS top down analysis shows averaged cost per connection within Entity D will be \$1640 in 2051	✗	<ul style="list-style-type: none"> The "spend to save" approach taken by the DIA is based a "first cut" Council supplied dataset. Auditing of that data should occur before the financial case for change and investment needs can be supported WDC's 30 Year Infrastructure Strategy (audited by Audit NZ and based on WDC specific data calculated using bottom-up approach) shows \$974 per connection in 2051, while DIA's assessment (undertaken by WICS based on UK data and a top down approach, with limited peer review) suggests a figure of \$3,000 per connection in 2051
Waimakariri District Council Level		
DIA's propose Entities will achieve > 50% efficiency by 2045 and no efficiencies are possible in the next 30 years at District scale	✗	<ul style="list-style-type: none"> Further efficiency gain at scale is supported in international literature. However, DIA have not detailed the initiatives required in New Zealand to deliver the 50% + gain across capital and operational services. The competing demand of an additional 6,000-9,000 person skilled workforce should be included in an assessment WDC have demonstrated >6% efficiency gain over the past 10 years and can anticipate some further efficiency gains over the next 30 years
Communities consulted via Consumer Forum (Funding, Pricing, Asset Plans)	✗	<p>The DIA's proposed governance structure does not currently demonstrate that communities will have:</p> <ul style="list-style-type: none"> an effective voice across their social, economic, environmental and cultural interests be assured they will be heard

- Unrecognised efficiencies of Council:** The Council achieves efficiencies currently in the order of 6% that are not recognised by the Government modelling. It is assumed in the Government model that any local authority of the scale of Waimakariri will not achieve any efficiencies. Unrecognised efficiencies are in the area of asset optimisation (i.e. joining smaller schemes to larger schemes to allow them to operate more efficiently), which has been carried out extensively across wastewater and water schemes throughout the district. There are also further efficiencies with procurement that are not recognised, with the Council benefiting from 'all of government' procurement for electricity being cited as an example of this.
- Over-estimation of efficiencies gained by entities:** It is noted that the level of efficiency gains the Government projects under the reform scenario is in the order of 50% to 53%. There was no evidence able to be found on how the figures of 50% to 53% reported as being achieved in Scotland would be able to be achieved in New Zealand. Waugh cited the Farriersweir report which stated *"No assessment as to the applicability of the WICS assessment for capital efficiency can be made for NZ. Care is recommended in relying on the capital efficiency gaps estimated"*. The overall conclusion about the basis of these gains was that it was 'unclear'.
- Examples of High Performance:** Waugh also cited examples of high performance by the Council, which has not been recognised in some of the underlying arguments for the reform. Examples include the effective management of the earthquake recovery, the Council's

nationally recognised Infrastructure Strategy, management of growth in the district, and high levels of compliance. Also cited were examples of cost effective delivery where the Council delivered works at a similar level of efficiency to larger organisations, which goes against the assumption that the scale of the Council restricts that efficiencies and value that can be achieved.

- **Prudent Management of Debt:** It has been demonstrated that the Council's level of debt will peak at approximately 150% of revenue, which is together with other factors generally less than the limit for the AA Standard and Poors rating (180%) and well within the Local Government Funding Agency (LGFA) maximum level of 280%, based on the Council's Infrastructure Strategy. Conversely, DIA have forecast a debt level of 360%, which is argued to be unmanageable for Council.
- **No worse off funding:** The two year limitation funding does not address the impact on long term costs (indirect) of stranded assets and services the Council delivers.
- **Local input to decision making:** Communities and councils have yet to gain assurance that their voice will be heard with respect to the proposed new entities governance arrangements. It is unclear what effective representation WDC will have on the Regional Representation Group. Current proposals show that Water Service Entity Boards will consult only on asset plans, pricing and funding. This does not appear to consider longer term (30+ year) strategic demands and requirements.
- **Further clarifications required:** While the Minister's response assisted with clarity in some areas, there are a number of other items where there would be benefit in seeking further information. These are outlined in the second Waugh report. Given the time constraints for feedback, this iterative process of seeking clarification on the many nuanced points is not possible, unless the time for engagement is extended. This point in itself however does highlight the need generally for further time to fully explore and understand the options.

4.5. Staff Analysis

4.5.1. As part of considering information provided by Government, staff have undertaken their own analysis, as well as reviewed analysis undertaken by others. Some initial key concerns highlighted by staff are:

4.5.1.1. **Level of Additional Investment Required:** A large part of the Government's case for change is based on the large amount of investment needed in the country, and the challenges that will be faced in delivering this. From this, it has been modelled that \$1 billion of additional investment will be required to be made in this district over the next 30 years, over and above existing allowances. Internal analysis has concluded that while it is plausible that there will be some projects that will be required within the next 30 years that are not allowed for within the Council's current Long Term Plan (LTP) and Infrastructure Strategy, the basis for the derivation of the \$1 billion of investment required in this district is questionable. It has been confirmed that this is an averaged figure calculated at a national scale, and spread throughout the country, without any specific analysis into the District's assets or needs in the coming

years. In reality this may mean that Waimakariri residents end up funding \$1 billion of investment in 3 Waters that does not get spent in the District.

4.5.1.2. **Efficiencies of New Entities Compared to the Council:** In addition to the work undertaken by Waugh, highlighting the unrecognised efficiencies of the Council currently, and the likely over-estimation of the efficiencies able to be gained by the new entities, staff noted that the Government model assumes that there will be no further efficiency gains made by the Council in the coming 30 years. This appears unlikely, given the continuous improvements that are being made in the Council's systems and processes and general operations.

4.5.1.3. **Assessment of Three Waters in Isolation:** The case for change has been made by looking at three waters delivery in isolation. It does not adequately consider inefficiencies that may result in other sectors of the residual organisation, and weigh these up against the gains that will be made the three waters sector, in order to determine the optimum model for all services that are currently provided by local government.

4.5.1.4. Furthermore, there is further reform processes underway, albeit not as advanced as the Three Waters Reform process. This includes the Proposed Resource Management System Reform a Future for Local Government Review, and the Resource Management Act reforms. The latter of is looking to consolidate planning responsibilities into regional entities. These parallel, but out of sync, processes makes the design of the optimum solution very hard to realise. An early decision on the future for Three Waters may inhibit other potentially superior options that could have otherwise been considered as part of the wider review and reform processes, with a more holistic view.

4.5.1.5. It is noted in the earlier stages of the Three Waters Reform process, there were a number of options for three waters service delivery that were considered. This included 9 different scenarios that were modelled by WICS and supplied to DIA. Ultimately, this was reduced to a four-entity model which has been presented. Concerns with this are:

4.5.1.5.1. By the time an option was presented to councils, key decisions had already been made that water services entities would be the model chosen for the reform. Evidence of alternative options other than water services entities has been hard to come by, let alone a robust options assessment process of these options being seen. This report does not aim to present or weigh up alternatives, but rather point out that there may be alternatives that could provide superior outcomes, that do not appear to have been adequately assessed.

4.5.1.5.2. Further, once the decision that the reforms would be based on water services entities as the delivery model, the options assessment and recommendation for the entity sizes have been narrowed down to a single model of four

water services entities. No modelling has been presented on alternative entity sizes, and how these may impact the results.

4.6. **Review of Other Available Material**

4.7. In addition to engaging experts (Waugh Infrastructure), and staff undertaking analysis of available information, a review of other available information and analysis has been undertaken. Key points that have been gleaned from this review are included below.

Farriersweir

4.8. Although the peer review undertaken by Farriersweir has been cited by Government as evidence of the robust process that has been undertaken in coming to their conclusions and ultimately recommending their proposed model, upon review of the peer review report in full, there are a number of questions raised. Examples include:

- *Looking at one case study (e.g. Scottish Water) is not an unreasonable starting point. However, it suffers from several limitations, including that Scottish Water's experience could differ markedly from what other case studies may suggest is achievable in New Zealand (Page 33).*
- *Although there clearly will be some opportunity for efficiencies to be realised if amalgamation and associated reform does not occur, it is not clear how great these will be (Page 34)*
- *Core to the estimated benefits from amalgamation and associated reform is the projected investment projected over the 30-year horizon. Given such a long horizon and the difficulty in forecasting enhancement investment, the forecasts used by WICS are inherently uncertain (Page 35).*

4.9. While some uncertainties are highlighted (with some examples cited above), there are other areas where Farriersweir agree with the approach used by WICS in informing the DIA.

4.10. A key conclusion from the Farriersweir review is that the analysis of the Government modelling to date is not as simple as either stating the Government analysis is correct or incorrect, but rather that it is hugely complex and uncertain. This in itself does highlight a key area of concern however, which is that for such a complex and significant decision, it is concerning the range of opinions on the methodology and assumptions used to come up with future projections to inform decisions.

Castalia

4.11. Castalia undertook analysis to assess the Government's model and conclusions, and test the robustness of their assumptions and conclusions on behalf of Whangarei District Council. The report has since been made available publicly. Their conclusions included the following points, which reinforce some of the concerns raised as part of both the Waugh and staff analysis:

4.11.1. The reform Scenario is based on faulty assumptions and flawed analysis. This statement was made in regard to the Government demonstrating the validity of the levels of investment required, and the savings that will be achieved by the new entities relative to existing Councils.

4.11.2. The required investment for Whangarei and for New Zealand as a whole is overstated. A comparison is made between Whangarei District Council's Long Term Plan projections of required expenditure, and that assumed by

the Government's model, which highlights a significant difference, similar to that seen for Waimakariri. It is suggested that there is a lack of justification for applying Scottish investment levels to New Zealand, and suggests an Australian model may have been more appropriate, and could have given a different outcome.

4.11.3. Efficiency assumptions are implausible. It is stated that;

“the capex saving is not grounded in any actual evidence, but rather on WICS’ observations. The implausibility of capex savings has also been addressed in previous analysis by Castalia for Local Government New Zealand and the Joint Steering Committee. Economies of scale in capex are not available in New Zealand water services, except for minor potential cost savings in procurement.”

DIA Response to Castalia Report

4.12. It is noted that following the public release of the Castalia report, the DIA released a response to some of the criticisms noted. This response has been attached and can be referred to.

4.13. **Conclusion of Staff and Expert Analysis**

4.14. It is considered that the additional investment that may be required could be overstated for this district, the savings achievable by the entity also are likely to be overstated, there appears to have not been adequate robust options assessment for alternative service delivery models, and the wider changes in the local government sector such as RMA reform and the Future for Local Government review are being undertaken independently of this process, therefore potentially missing opportunities had the full set of reforms been considered collectively.

4.15. While the above does not necessarily detract from the broad case for some change in the sector made by the Government, as it is acknowledged that there will be significant challenges that are faced in the future, it does not give sufficient confidence that the optimum outcome has been reached at this stage. It is considered that the process would benefit from a more holistic assessment, with a wider scope given to the options assessment to allow greater confidence that the outcome will provide the greatest benefits for New Zealanders.

4.16. Importantly, in addition to the above, any such future more comprehensive options assessment process needs to be undertaken in partnership with local communities to gain their views, and ensure they feel part of the process. The results from the community engagement process undertaken to date indicate that this has not been the case so far.

4.17. **Community Engagement Period**

4.18. Waimakariri District Council decided to seek community feedback through a public survey during the eight week period provided. The intent of the survey was to be able to include feedback on behalf of our community within our feedback to LGNZ and the Government. This is to ensure that the feedback given accurately represents the views of Waimakariri district ratepayers.

4.19. In order to survey our community a hardcopy letter from our Mayor Dan Gordon, an informative pamphlet and a feedback form were posted to all ratepayers in our district.

4.20. To provide an external view on the feedback material, Research First were engaged to undertake a review of this material prior to it being released.

4.21. The community survey was undertaken using the following process:

- Preparation and distribution of information on the Government's case for change, some concerns held by the Council, and the Council's rating projections from its Long Term Plan.
- Staff held an online event (this was held in place of a number of community drop-in sessions that were planned but disrupted by the Alert Level 4 COVID restrictions that were in place due to the August Delta outbreak) at which information was presented by the Mayor, Chief Executive and Manager Utilities and Roading through answering live questions put forward by members of the public.
- Answering of questions both online and via phone and email from residents.
- Collection of survey information, which asked residents based on the information available, whether they think the Council should opt-in or opt-out of the proposed reforms, and importantly the reasons for their views.

4.22. While it is acknowledged that an opt-in / opt-out decision is not appropriate or possible at this time, the reasons for framing the survey questions in this manner were:

- It was consistently signalled until 30 June 2021 when the MOU lapsed, that the reforms will be voluntary, and councils will get a choice whether they wish to take part. However, the next steps beyond this point are not well defined, and when pressed, the Government has been unable to provide a clear answer as to whether there will be a future opportunity to consult. Therefore, it is important that the Council takes this opportunity to gauge the community's overall view on the proposals at this time, to help inform not only the feedback that the Council gives at this time, but also to assist with any future decisions that the Council may be asked to make, if there is no future opportunity for formal consultation.

The reasons that the community gives as to why they think the Council should opt-in or opt-out of the reforms will help inform the feedback that Council is able to provide. In particular, this will assist with informing the Government about what the greatest areas of concern are, which will assist the Government in future decisions.

4.23. The key results from the community survey are:

- The Council received 3,844 submissions over a three week period, either in hardcopy or online. This is the largest response rate to any community engagement the Council has ever received, despite the significant disruptions to the engagement process.
- 95% responded that Council should opt-out of the process, based on the information available. Residents expressed concerns about:
 - Losing local say, knowledge and control on how water services are provided
 - Rates being used to subsidise upgrades in other areas

- Wanting local management and provision of three water services
- Appropriate compensation for transfer of Districts assets
- They sought for the reform proposals to take place alongside wider Future for Local Government and Resource Management Act (RMA) reforms
- Serious concerns were raised about the accuracy of the proposed efficiencies behind the proposal for change.

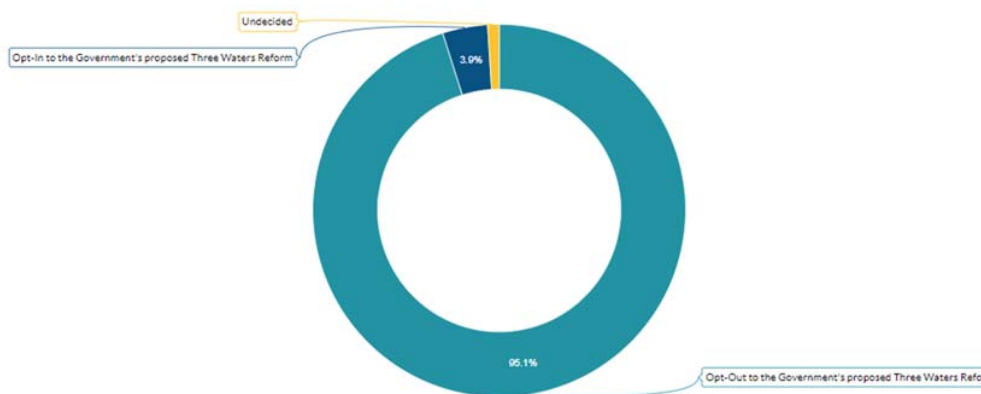


Figure 6: Percentage of survey responses by decision

- 3.9% submitted that Council should opt-in to the reform process, based on the information available. There were a range of reasons given, but key themes were;
 - we should be providing the same level of service for three waters across all of New Zealand
 - can see advantages of combining three waters assets into four large entities
 - the three waters entity will be better able to keep up with increased regulations and requirements
 - opting in will provide nationwide consistency
 - opting in will provide better outcomes
- There was also a lot of feedback given informally online. While this was unable to be formally assessed, generally the views expressed online through other channels was reflected in the formal submissions received.
- Staff continue to receive late feedback after the cut-off date, this has been recorded but is not included in the analysis above.

Taituarā Options Analysis

- 4.24. To assist Chief Executives with reporting back to councils throughout the country, Taituarā provided a template report document, for Chief Executives to draw from. Some of this material has been included within this report, and the full template is attached to this report for reference, including greater detail of options provided by Government.
- 4.25. Within this material, a template for an options assessment was provided. As noted earlier however, the full template document is attached and can be referred to. The key options presented in this document included:

- The Government's reform proposal;
- The Status Quo (The Council continues to provide services as it currently does);
- A Modified Status Quo;
- An Asset Owning Council Controlled Organisation (CCO);
- Do Nothing;

4.26. As staff have conducted their own analysis, drawing from their own experts and coming to conclusions independently from the Taituarā work, the full Taituarā options analysis is not presented within the body of this report, however can be referred to as further background.

4.27. **Transition**

4.27.1. Assuming some form of reform proceeds, managing transition risks are likely to pose a challenge for the Council (and others in its grouping). If the Government's proposal were to proceed, effective management of the transition by the Council, Government and partners will be critical.

4.27.2. It is understood that there is a transition team already established by DIA, starting to work on how this transition would work, on a 'no regrets' basis. In July when the next steps were announced at the LGNZ Conference, the material released included a commitment that staff currently involved in the delivery of three waters services would be able to transition to the new entities. It is positive to see this commitment made, if the reforms are to proceed, as this will assist with staff transition in what would otherwise be uncertain times in the coming three years for three waters staff. If not managed well, the loss of key staff during this transition period could hamper councils' abilities to continue to deliver services effectively. The following is made available on the DIA website²⁴.

"To give staff early certainty the Government has announced that council employees that primarily work on water services will be guaranteed a role with the new water service entities that retain key features of their current role, salary, location, leave and hours / days of work.

A more bespoke approach is required for senior executives and contractors. The Three Waters Reform team will work with councils, staff, and unions further on this through a transition period over the coming years, should the reforms proceed as proposed."

4.28. **Options for feedback to Government**

4.28.1. In considering the way in which the Council could respond to Government's request for feedback, there are several options for how this feedback could be provided. It is noted that all options considered involve providing feedback only, with none suggesting reaching a final "in" or "out" position, for the reasons already stated.

²⁴ <https://www.dia.govt.nz/three-waters-reform-programme-frequently-asked-questions>

- 4.28.2. The Council could indicate broad support for the reforms as proposed by the Government. This is not recommended given the level of doubt raised by the analysis undertaken, and does not reflect the views of the community.
- 4.28.3. The Council could indicate opposition to the proposed reforms, and provide feedback that the status quo remain. This is not recommended, as while there are doubts presented in the analysis provided and the conclusions reached by the Government, there are still significant challenges facing the sector that warrant consideration and a comprehensive review. If the status quo is maintained, it is highly unlikely each and every council in New Zealand could sufficiently handle the coming challenges, and the Government has made clear this is not an option. Therefore, this feedback is unlikely to be seen as constructive, or have a positive influence on the next steps.
- 4.28.4. The Council could propose an alternative approach to the reforms. This is not recommended, as while flaws have been highlighted with the current proposal, there has not been sufficient work undertaken to confidently propose an alternative. The Council does not have the resources to undertake modelling to the required level of detail to sufficiently justify an alternative proposal to the point of being able to confidently recommend it. As part of the community engagement, alternative models were not proposed, so it would be premature to propose any particular alternative model, without having sought the views of the community on this.
- 4.28.5. The Council could provide feedback that doesn't commit to a particular solution, but rather highlight the concerns with the current analysis, the lack of cohesion with other reform or review processes, and suggest adjustments to the review timeline and scope to undertake a more comprehensive options assessment to ensure the optimum solution is achieved. This is the recommended approach because:
- It is considered that there has not been sufficiently robust work undertaken to date to identify an optimum solution, taking into account all the functions of local government, and as such it would be premature to recommend any particular option. Therefore, the only logical next step from this conclusion is to undertake further work to ensure the process and assessment is sound.
 - This approach allows for constructive conversations and input with the Government to proceed, giving the best possible chance of having a positive influence on the process overall.
 - This approach takes into account the views of the community, who do not support the reforms in its current form.

4.29. **Conclusion**

- 4.29.1. Waimakariri District Council opposes the New Zealand Government's proposed model to establish four large water entities and remove the three waters assets and services from local councils. To date Council is not convinced that the current model provides the best outcomes for our District. As a result, based on the information available at present, Waimakariri District Council would seek to opt-out of the reform should this decision be required. This position is backed by our Community and reflects the feedback provided by elected-members.

- 4.29.2. If the Government is receptive to this feedback, there may be an opportunity to constructively work with the Government on addressing the concerns raised, and this should be suggested as a way forward.
- 4.29.3. As encouraged by Taituarā and LGNZ, Council provide the following feedback to the areas set out in the guidance document²⁵ which informed the purpose of the eight week period.
- 4.29.4. Ensuring all Communities have both a voice in the system and influence over local decisions
- 4.29.4.1. 'Press pause' on the process currently to allow alignment with other local government review processes, time for Taumata Arowai to be established and further clarity provided about the Economic Regulator allowing the standards and approach of each to be more clearly understood.
- 4.29.4.2. During the above pause, take the opportunity to properly assess various delivery options, with due consideration to how these options can integrate with other local government reviews and reforms, and how they can deliver a better balance between local decision-making and economies of scale. Consider the three reform and review processes together collectively, to ensure the best outcome for our communities when all factors are considered together.
- 4.29.4.3. Our community expressed that they wish to retain their local say in how services are provided. A key example of this is with regard to the chlorination of water supplies. While the Water Services Bill allows a pathway to maintaining chlorine free water, this will likely require additional investment to be made to achieve the required standards to gain such an exemption. The current local government model is well set up for councils to present their communities with options on what it would cost to pursue a chlorine free path, versus costs of chlorinating water. Residents could then submit on their preference, and the Council take that into account when making future decisions. This local say in how services are provided must be taken into account in future proposals, and under the current proposal, it is not clear how such matters would be addressed, which gave our community reasons for concern.
- 4.29.5. Effective representation on the new water service entities' oversight boards, including preventing future privatisation
- 4.29.5.1. Consider options to strengthen the Council's and community involvement in decision-making, noting that the current structure is a very watered-down version, which will result in a negligible say for our District, in the running of a critical District resource.
- 4.29.5.2. Consider options to strengthen the council's and community involvement in decision-making. The current structure is a very watered-down version, which will result in a negligible say for our District, in the running of a critical District resource. For example, prioritisation of growth projects, concerns about responsiveness, and decisions regarding discretionary level of service targets are all

²⁵ [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)

matters that our community currently have total say on, which will in future be made by a body with little or any linkage to our community.

4.29.6. Ensuring integration between growth planning and water services planning

4.29.6.1. Consider how to maintain the current ability of Councils to steer, direct and facilitate growth within districts (which can have positive impacts on overall community wellbeing), and how any reforms may impact upon this.

4.29.6.2. Require the mandatory involvement of any new entity in collaborative growth planning with local authorities

4.29.6.3. Consider the three reform and review processes together collectively, to ensure the best outcome for our communities when all factors are considered together. This should include a clear and robust options assessment on a wider range of options for service delivery methods, with involvement from the sector at this point, rather than being presented with a single proposal to consider against the status quo.

4.29.7. Based on information available to date, it is clear that our Community doesn't support joining the reforms as they are currently proposed. This was confirmed by our community engagement and public survey, and emphasised by the very large response that was received. Therefore in order to represent the Community accurately we cannot support the reform process as it is currently proposed. This is reinforced by the concerns raised both through the staff analysis, and external consultants whose opinions have been sought and shared within this report.

4.29.8. The Council believes that there must be a strong sense of community engagement throughout the future stages of the proposed Three Waters Reform. It is clear from the survey that we undertook that the community did not feel engaged with on the proposals, and as such were resistant to the proposed changes. For any change to be made, but especially such a significant once in a generation change to local government, the community as a whole must be brought on that journey to understand clearly the benefits and risks with each option available. This should form the basis of the Council's feedback to Government, with the submission outlining clearly the reasons for the Council taking this position.

The above conclusion is generally in accordance with the Canterbury Mayoral Forum submission, which requested a pause on proceedings to better align this process with other processes underway currently.

Implications for Community Wellbeing

There are implications on community wellbeing by the issues and options that are the subject matter of this report. These are dealt with in some detail above. In addition the following assessment has been undertaken with regard to impact to wellbeing's, the combined effect of which is considered to be detrimental to overall community wellbeing;

4.30. Financial

- 4.30.1. The Minister's response has left WDC with further questions that require additional clarification including the DIA (WICS) assumptions in its econometric modelling (2051).
- 4.30.2. The Council's audited (and nationally recognised) 30 Year Infrastructure Plan clearly describes funding and risks, confirming the Council's strong, long term asset and infrastructure management practices. There remains a significant and unexplained difference between the DIA (WICS) and WDC "bottom up" values.
- 4.30.3. Government is currently consulting on the boundary of Water Service Entity C and D. There is a strong case for a detailed assessment of other Entity options (scale/extent) – given Governments view that a population range between 0.5M – 1M can provide efficiencies.

4.31. Social

- 4.31.1. The "no worse off" two year limitation funding does not address the impact on long term costs (indirect) of stranded assets and services the Council delivers e.g. shared ICT, indirect staff, building and property assets.
- 4.31.2. Communities and councils have yet to gain assurance that their voice will be heard with respect to the proposed new entities governance arrangements. It is unclear what effective representation WDC will have on the Regional Representation Group e.g. vote, duration
- 4.31.3. Current proposals show that Water Service Entity Boards will consult only on asset plans, pricing and funding. This does not appear to consider longer term (30+ year) strategic demands and requirements.

4.32. Environmental

- 4.32.1. Current 3 Waters Levels of Service are well defined, routinely measured and audited. Service levels will change within the new regulatory environment. DIA (WICS) use of UK Overall Performance Assessment (OPA) scoring does not reflect the current NZ service level approach, or the anticipated requirements under new legislation. E.g. DIA (WICS) exclusion of stormwater measures
- 4.32.2. WDC are focussed on achieving required levels of compliance -drinking water and wastewater treatment (100%) and fund this.

4.33. Cultural

- 4.33.1. Engagement with mana whenua at a territorial and regional level is vital given the proposed governance structures (RRP, Board) and legislative changes. The current pace of reform has not allowed WDC to gain a better understanding of mana whenua's desired outcomes.

- 4.34. The Management Team has reviewed this report and support the recommendations.

5. **COMMUNITY VIEWS**

5.1. **Mana whenua**

Te Ngāi Tūāhuriri hapū are likely to be affected by, or have an interest in the subject matter of this report. Te Ngāi Tūāhuriri have been kept informed of the Council's processes, but have not been consulted specifically on this report due to time constraints. The Council will discuss implications with them in more detail once the government has provided further direction.

5.2. Groups and Organisations

There are groups and organisations likely to be affected by, or to have an interest in the subject matter of this report. They have had an opportunity to comment as part of the Council's wider survey.

5.3. Wider Community

The wider community is likely to be affected by, or to have an interest in the subject matter of this report. The process of seeking feedback is described in some detail above.

6. OTHER IMPLICATIONS AND RISK MANAGEMENT

6.1. Financial Implications

There are financial implications of the decisions sought by this report and these are covered within the relevant sections of the report.

The following table shows each of the 3 Water activities in relation to Council's combined activity

Table 3: Summary of three waters asset values and rates information

Summary	Assets (\$'000)	% Total Assets	Rates (\$'000)	% Total Rates	Debt (\$'000)	% Total Debt
Water	185,458	9%	9,036	11%	25,914	11%
Sewer	294,928	14%	11,536	14%	30,424	13%
Drainage	121,680	6%	5,371	6%	25,490	11%
Total	602,066	29%	25,943	31%	81,828	35%

The Government has provided councils with a 'Local Authority Indicative Financial Impact Tool'. This has been completed by the Council. The resulting dashboard is attached for reference, also with a resource provided to explain the numbers. This demonstrates how the 'no worse off' funding was determined.

6.2. Sustainability and Climate Change Impacts

The recommendations in this report do have sustainability and/or climate change impacts. These are considered as part of the wider discussion in the report

6.3 Risk Management

There are risks arising from the adoption/implementation of the recommendations in this report. In particular these relate to

- i. Ensuring the Council's and the community's views are properly heard
- ii. Ensuring that the Council's relationships with Ngai Tūāhuriri and other key partners is maintained and enhanced

6.3 Health and Safety

There are not health and safety risks arising from the adoption/implementation of the recommendations in this report. However these matters will require careful consideration as the Council considers this matter further.

7. **CONTEXT**

7.1. **Consistency with Policy**

This matter is not a matter of significance in terms of the Council's Significance and Engagement Policy, because the Council is not resolving to make any changes to its current asset ownership structure. However, the underlying issue is one of significance, and this will require consideration if and when the Council considers the issue of 'opting in' or 'opting out'.

7.2. **Authorising Legislation**

The Local Government Act is relevant in this matter.

In considering the contents of this report the Council has given consideration to Part 6 of the Local Government Act 2002 for the purpose of providing feedback to Government on the current model. The Council however is not be able to support the current model on the basis that sufficient information and analysis that is proportionate to such a decision is not available.

7.3. **Consistency with Community Outcomes**

The Council's community outcomes are relevant to the actions arising from recommendations in this report.

In particular;

7.3.1. GOVERNANCE

7.3.2. Effect is given to the principles of the Treaty of Waitangi

7.3.2.1. The Council in partnership with Te Ngāi Tūāhuriri Rūnanga, continue to build our relationship through mutual understanding and shared responsibilities.

7.3.3. There are wide ranging opportunities for people to contribute to the decision making that effects our District

7.3.3.1. The Council makes information about its plans and activities readily available.

7.3.3.2. The Council takes account of the views across the community including mana whenua.

7.3.3.3. The Council makes known its views on significant proposals by others affecting the District's wellbeing.

7.3.3.4. Opportunities for collaboration and partnerships are actively pursued.

7.3.4. ENVIRONMENT

7.3.5. There is a safe environment for all

7.3.5.1. Harm to people from natural and man-made hazards is minimised.

7.3.5.2. Our district has the capacity and resilience to quickly recover from natural disasters and adapt to the effects of climate change.

7.3.5.3. Crime, injury and harm from road crashes, gambling, and alcohol abuse are minimised.

7.3.5.4. Our District is well served by emergency services and volunteers are encouraged.

7.3.6. There is a healthy and sustainable environment for all

7.3.6.1. Harm to the environment from the impacts of land use, use of water resources and air emissions is minimised.

7.3.6.2. Cultural values relating to water are acknowledged and respected.

7.3.6.3. The demand for water is kept to a sustainable level.

7.3.6.4. Harm to the environment from the spread of contaminants into ground water and surface water is minimised.

7.3.6.5. The impacts from land use activities are usually only short term and/or seasonal.

7.3.6.6. Soils are protected from erosion and unsustainable land use practices.

7.3.7. SERVICES

7.3.8. Core utility services are provided in a timely and sustainable manner

7.3.8.1. Harm to the environment from sewage and stormwater discharges is minimised.

7.3.8.2. Council sewerage and water supply schemes, and drainage and waste collection services are provided to a high standard.

7.3.8.3. Waste recycling and re-use of solid waste is encouraged and residues are managed so that they minimise harm to the environment.

7.3.8.4. Renewable energy technologies and their efficient use is encouraged.

7.3.8.5. High-speed telecommunications services are readily available across the District.

7.4. Authorising Delegations

The Council is authorised to consider this matter.

Feedback to the
**Minister of Local Government,
Department of Internal Affairs
& Local Government New Zealand**

In the matter of the
Three Waters Reform

By
Waimakariri District Council

28 September 2021



1. Summary

1.1. The Waimakariri District Council opposes the New Zealand Government's proposed model to establish four large water entities and remove the three waters assets and services from local councils. To date Council is not convinced that the current model provides the best outcomes for our District. As a result, based on the information available at present, Waimakariri District Council would seek to opt-out of the reform should this decision be required. This position is backed by our Community and is reflected the feedback collected during the community engagement undertaken.

1.2. In particular, the Council submits that it does not support the current government proposal for the following reasons:

- 1.2.1. The loss of local decision-making is a major issue for our community, and cannot be compensated by 'fine-tuning' the proposal
- 1.2.2. The outcome of the proposed structure is that the Council loses all of the normal benefits of ownership of the assets
- 1.2.3. The accelerated timeframe, lack of true consultation, and lack of real alternative options has resulted in a flawed process
- 1.2.4. The lack of integration with other major local government reforms will lead to a sub-optimal outcome
- 1.2.5. The financial case in support of the proposal is flawed and based on information that does not reflect the New Zealand situation
- 1.2.6. The supporting information greatly exaggerates the efficiency gains expected, given the advances already made
- 1.2.7. The case for lower borrowing costs under the new entity is questionable, and in fact the proposal may lead to increased averaged borrowing costs when both the councils and the water entities are considered
- 1.2.8. The proposal would be detrimental to the wellbeing of the Waimakariri Community

1.3. In order to understand the views of the people we represent the Council has taken the opportunity to survey its community, and this has resulted in the largest level of community feedback in the Council's history. A total of 3,844 responses have been received over a three week period which is the largest feedback Council has ever received. An overwhelming 95% of our community have requested the Council 'opt-out' of the proposed reforms. This record response rate (with hundreds of responses still coming in past the deadline) shows the huge importance our community put on the issues being considered.

- 1.4. Despite the above comments, the Council agrees that the three waters sector faces many challenges and the status quo may not be sustainable nationally. However, we believe that the timing of any changes needs to align with other local government reforms, the options considered need to be assessed against the wider needs of local government reform and following the establishment and bedding in of both Taumata Arowai and the economic regulator, engagement with the sector needs to be considerably improved, and the process needs to allow for appropriate community consultation.
- 1.5. In terms of the current proposal, the Council would seek to opt-out but offers the following recommendations;
 - 1.5.1. 'Press pause' on the process currently to allow alignment with other local government review processes, time for Taumata Arowai to be established and further clarity to be provided about the Economic Regulator allowing the standards and approach of each to be more clearly understood.
 - 1.5.2. During the above pause, take the opportunity to properly assess various delivery options, with due consideration to how these options can integrate with other local government reviews, and how they can deliver a better balance between local decision-making and economies of scale. The Council contends that there are other options that have been discounted too quickly, including strengthened shared-service models, and entity sizing that better suits the likely local government boundaries that may result from the wider review outcomes. Importantly, there must be meaningful and open consultation with councils and communities throughout this process.
 - 1.5.3. Consider the Three Waters Reforms, the replacement provisions for the resource Management Act, and the Local Government review together collectively, to ensure the best outcome for our communities when all factors are considered together. This should include a clear and robust options assessment on a wider range of options for service delivery methods, with involvement from the sector at this point, rather than being presented with a single proposal to consider against the status quo.
 - 1.5.4. Consideration be given to how to maintain the current ability of councils to steer, direct and facilitate growth within districts currently (which can have positive impacts on overall community wellbeing), and how any reforms may impact upon this. Three waters is a big part of this, as well as clearly the RMA reforms, so there is a clear case for these matters to be considered together when determining options.
 - 1.5.5. Consider options to strengthen the Council and community involvement in decision-making, responsibility for services and ownership of assets. The current proposed structure is a watered-down version, which will result in a negligible say for our community in the running of a critical District resource. For example, prioritisation of growth projects, concerns about responsiveness, and decisions regarding discretionary level of service

targets are all matters that our community currently have total say on, which will in future be made by a body with little or any direct linkage to our community.

- 1.5.6. Our community expressed that they wish to retain their local say in how services are provided. A key example of this is with regard to the chlorination of water supplies. While the Water Services Bill allows a pathway to maintaining chlorine free water, this will likely require additional investment to be made to achieve the required standards to gain such an exemption. The current local government model is well set up for councils to present their communities with options on what it would cost and risks to pursue a chlorine free path, versus chlorinating water. Residents could then submit on their preference, and the Council take that into account when making future decisions. This local say in how services are provided must be taken into account in future proposals, and under the current proposal, it is not clear how such matters would be addressed, which gives our community reasons for concern.
- 1.5.7. Whatever the proposals and options that fall out of the above recommendations, we feel strongly that there must be a strong sense of community engagement, local decision-making and local elected democracy throughout the process. It is clear from the survey that we undertook that the community did not feel engaged with on the proposal, and as such were resistant to the proposed changes. For any change to be made, but especially such a significant multi-generational change to local government, the community as a whole must be brought on that journey to understand clearly the benefits and risks with each option available.
- 1.5.8. It is disappointing that the Government's advertising campaign on the Three Waters Reform shows sludge discharging out of a shower head and sludge in waterways, which is not an accurate representation of the current state of three waters service delivery. This concern is a view strongly shared by other councils and despite this feedback to the Minister of Local Government, DIA and LGNZ the inappropriate and misleading advertising continues to air.

2. Introduction

- 2.1. The Waimakariri District Council welcomes the opportunity to provide feedback on the proposed Three Waters Reform, specifically in relation to the following matters set out by the Government for councils to consider over the eight week period ending 30 September 2021.
 - a) engage with and understand the large amount of information that has been released on the nature of the challenges facing the sector, the case for change, and the proposed package of reforms, including the recently announced support package;

- b) take advantage of the range of engagement opportunities to fully understand the proposal and how it affects your local authority and your community; and
- c) Identify issues of local concern and provide feedback to LGNZ on what these are and suggestions for how the proposal could be strengthened.

2.2. Waimakariri District Council (the Council) thank the New Zealand Government, the Minister of Local Government, Local Government New Zealand (LGNZ), Taituarā and the Department of Internal Affairs (DIA) for the opportunity to offer meaningful and considered feedback on behalf of our community.

2.3. The Council recognises that we were not required or expected to make any formal decisions regarding the proposed reforms throughout this eight-week period, and that the request to provide feedback did not trigger the need for formal consultation with our community. However, we are also aware that we represent our community, and as such, our feedback should reflect not only our views, but the views of our community, after all they own and have paid for the three waters infrastructure.

2.4. As the proposal that sits in front of councils currently has only recently been presented, there has been no prior opportunity to seek community views. Therefore, we have taken the opportunity over the past weeks to engage with our community by way of the release of information to residents, and a survey of residents to seek their views on what is proposed. This information gained has been instrumental in helping inform our feedback, as has our own analysis and assessment of the information provided.

2.5. The Council provides the following feedback, taking into account the information provided to date, our own assessments, and our community's views. We trust that this will assist with the future decision-making process on the next steps.

2.6. The Waimakariri District Council reminds the New Zealand Government that we signed a Memorandum of Understanding (MOU) which gave an undertaking that the process was voluntary, councils were free to opt out, and that there would be an opportunity for councils to consult and engage with their communities before making any decision to opt in or out. Any move by the New Zealand Government to make the reform mandatory or to remove the ability for individual councils to opt out would be strongly opposed by the Waimakariri District Council and would be contrary to local democracy and a breach of good faith.

3. Engage with and understand the information

3.1. The Waimakariri District Council, with assistance from specialist consultants, consider they have a robust understanding of the information provided to date by the Department on Internal Affairs regarding the reforms, including the information provided back to Council in the response letter from Minister Nanaia Mahuta, dated 17 August 2021. We wish to thank the Minister for this additional detail provided, which is appreciated, and has helped inform our understanding.

- 3.2. We understand that there are significant challenges facing the three waters sector in the years and decades to come, as has been set out clearly in the Government's case for change. We are in agreement that nationally there are challenges in managing the renewal of aging infrastructure, meeting increased standards, legislation, and desired outcomes, while also tackling the challenges that will be posed by climate change. With these points in mind, we support the need to undertake a comprehensive review to ensure that these needs are met in a way that best serves New Zealand's communities.
- 3.3. There are still areas where the Council considers seeking further clarification is essential, which is in addition to the information already provided by Government through various avenues. However, it is acknowledged that at this stage Government are unable to provide detailed responses to all of our questions as this would rely on work that is currently underway or possibly yet to commence. Hence, given the time constraints and the deadline for which to provide feedback by, we are satisfied that we have sufficient information at this time to still provide meaningful feedback. Should there be an extension to the process, to allow for further engagement, we would welcome the opportunity to have further input, and work together with the Government on obtaining further information to further inform this.

4. Understand the proposal and how it affects your local authority and community

Positives

- 4.1. The Council acknowledges that the three waters sector faces a number of major issues over the coming years, and understands the government decision to address this. Issues regarding affordability, lack of consistent service delivery, lack of a robust regulatory regime, and approaching major issues relating to the environment, quality and resilience all mean that the status quo is unsustainable at a national level. Therefore, the Council endorses the need to review options to address these challenges.
- 4.2. We believe there is an opportunity to align the consideration of service delivery options for Three Waters with the Resource Management reform and the Future for Local Government work stream. This will lead to the optimal decision making for all of Local Government Services thereby best supporting community wellbeing.
- 4.3. We support the commitment to staff retention which would be important not only for establishing new entities, but also for providing certainty to existing three waters staff in the local government sector in the years to come. This is an important consideration, whatever the ultimate delivery model that is determined.

Issues of Local Concern

- 4.4. While we acknowledge the challenges facing the sector that have been established in the case for change made by the Government, we do have a number of issues of concern with the specific proposed structure that we outline below.

Ratepayer Equity and Recognition of Assets

- 4.5. Over the last 20 years the Waimakariri District Council and its ratepayers have invested over \$100m for high quality water infrastructure. Our assets have a relatively

young age, when compared to both national and international examples. Although the annual expenditure required to be invested in renewals currently is relatively low (due to the low asset age), we are actively building up renewal funds through a sophisticated renewals model which determines the appropriate amount of depreciation funding to collect each year. Depreciation funding that is being collected is set aside in a ring-fenced account that is building up surpluses currently, and will be used to fund renewals in the coming decades in the district. Council has an Infrastructure Strategy (IS) that identifies long term funding required. This information is also disclosed at front end of LTP so that our public are aware the funding required and the fact that it is provided for.

- 4.6. Effectively, today's ratepayers are setting aside funding for future renewals within the district. As not all councils have followed this approach, in the Government's proposal those councils that have, would effectively be penalised by having their funding which they've set aside be swallowed up by the new entities. There is no recognition currently within the proposals to address the discrepancies in the net value of what one council may contribute versus another.
- 4.7. Our district ratepayers have already paid for the high quality three waters assets and setting aside asset replacement funds in our district either through their rates or indirectly via the purchase cost of their properties. Any move to remove these assets and place them in the hands of a new entity to leverage off and cross subsidise other communities would be detrimental to the wellbeing of our community.
- 4.8. While it is acknowledged that the above is a local concern to a national issue, there is no recognition of addressing inequitable outcome of the proposals in the information released to date.
- 4.9. This concern outlined above was reflected in the results of the community survey process that was undertaken (see relevant section below for further detail).

Borrowing Ability of New Entities

- 4.10. There is an assumption made that following the proposed changes, the new entity will have access to cheaper finance and that the individual councils are currently paying 100 percentage points more. This is certainly not the case for Waimakariri District Council, which even after significant expenditure responding to the 2010 & 2011 earthquakes, maintains an AA credit rating.
- 4.11. The Council's enquiries suggest that the only way that the new entity will achieve lower lending costs, is if it is fully backed by central government. Arguably lower funding costs could also be achieved without having to restructure, if central government made debt available to local councils at or near its own borrowing rate under alternative models. Assuming a higher cost of debt for local councils is discounting other funding models available that could provide greater assurance into the future, particular in response to significant adverse weather or earthquake events.
- 4.12. Even assuming the capital assumptions are correct, instead of leveraging off councils who have combined revenue advantages, the proposal would be placing significant debt into a single entity and clearly placing additional risk on credit viability of that single entity. There are better servicing models that could have been

explored, including funding models that provide less risk to consumers. The argument of cheaper finance through the single entity is fraught and introduces greater risk.

- 4.13. In short, there are alternative ways in which the cost of borrowing within the current delivery model could be improved, that have not been explored. This gives the Government's proposed delivery model an unrealistic advantage when final costs of options are compared.

Governance Structure

- 4.14. Currently, ratepayers have a direct link through elected members who are available to hear community views. If the elected members do not perform to community expectations, then the community has the ability through local democracy to remove them at election time and vote in councillors who are aligned with the community's expectations. The proposed governance structure will result in less connection to local decision makers, and therefore mean our community has less of a say in how three waters services are provided. The proposed governance structure would create significant disconnect between the decision-makers and our community, adversely affecting local democracy and a sense of local ownership.
- 4.15. This lack of connection to decision makers, and loss of a democratic say, was one of the key concerns raised by the community in the feedback that was received.
- 4.16. Any delivery model considered would need to more effectively consider and address these concerns.

Financial Modelling of New Entities Relative to Council

- 4.17. It is understood that a large part of the evidence sitting behind the case for change is around the additional investment required in the coming decades, over and above what councils have already allowed for. This is based on a report by the Water Industry Commission for Scotland (WICS) that estimates that New Zealand will need to invest between \$120 billion to \$185 billion in our three waters infrastructure over the next 30 years to catch up with historical underinvestment, meet drinking water and environmental standards, provide for future population growth, and undertake ongoing maintenance and refurbishment of three waters assets.
- 4.18. Feeding into this modelling, as well as the sum of additional investment required, are assumptions around the most efficient way to deliver services, taking into account this additional investment.
- 4.19. It is also understood that the modelling of the additional investment (and therefore future costs) in the Waimakariri District includes \$1 billion of additional expenditure. This contrasts with our Infrastructure Strategy, which projects \$282 million over the coming 30 years (inflation excluded).
- 4.20. It is clear from the information provided there has been no specific work undertaken to assess the actual levels of investment required in the Waimakariri District, taking into account the state of assets currently owned, the funding mechanisms already in place, and the levels of compliance currently. Rather, this figure has been determined through averaging and apportioning of figures derived at a national scale, predominantly from data from overseas examples. While it is understandable why this approach has been taken, given the speed at which the

analysis is being carried out, this approach detracts from the reliability of the modelled figures for our District.

- 4.21. This has resulted in the dashboard published by the DIA for Waimakariri being flawed and misleading. The dashboard reports to give district specific information and in the eye of the public will be perceived as what they are likely to pay in future rates, even though the figures have been derived at a national scale.
- 4.22. There have been challenges understanding how on the DIA released dashboard specific to our District, the Council is rated as being within the Level 3 (out of 4) operating performance assessment band. This does not take into account that Waimakariri District Council is AA rated under the LGNZ Excellence Programme, AA+ rated by Standard & Poor's, or the Council's fully audited LTP and 30 year Infrastructure Strategy.
- 4.23. Further to the above, we have had independent analysis undertaken both of the assumptions made around current levels of efficiency in our district, versus what levels of efficiency will be achieved by the new entities. While the DIA modelling has been based on the assumption that Council currently has 0% recognition for efficiencies already gained, our advice is that we have efficiencies in asset optimisation and procurement processes in the order of 6%. Further, our advice on the 50 – 53% gains that the DIA modelling has assumed will be achieved by the new Entity D is either *implausible* (Castalia) or *significant care should be taken when relying on the capital efficiency gaps estimated by WICS* (Farriersweir). Despite this advice, this critical assumption is a large part of the basis for the key information presented to councils and the public in making the case for the proposed reform model.
- 4.24. The conclusion from the above is that we are concerned that the level of additional investment is over-stated for our District, our current efficiency levels not recognised, and the efficiencies able to be gained by the new entities on a national scale are overstated. All three points detract from the scale of difference in costs between the future entity and the status quo option, and therefore reduce confidence in the outputs of the DIA modelling.

Costs

- 4.25. Following from above, due to the significant discrepancies between the assumptions informing the DIA modelling, versus what we believe to be more accurate assumptions, there is a resultant significant discrepancy in the rates projections we have for the coming 30 years, versus those from the DIA modelling.
- 4.26. As with all councils, we recently released our Long Term Plan (LTP) and Infrastructure Strategy, which models our projected rates to 2051. Three waters rates are modelled to decrease moderately over time, when inflation is excluded. The current three waters average rate in our district is \$1,225 per connection per year, forecast to reduce to \$908 per connection per year in 2051. The reduction is reflective anticipated population growth in our main centres reducing the per-household costs over time. It is noted this takes into account all level of service and growth projects identified through our Activity Management Plan and Infrastructure derivation process.

- 4.27. Conversely, the DIA modelling has projected the average annual household cost for three waters within Waimakariri, assuming the reforms proceed as proposed, to be \$1,640 and project this to be \$3,000 per household without reform.
- 4.28. Clearly, there is a significant discrepancy between the DIA projections and our own. While it is conceivable that there may be some costs that arise over the coming decades that have not been accounted for fully within our Long Term Plan, based on the analysis and advice to date, we find it inconceivable that the extent of this discrepancy could be to the order of magnitude to result in future per household costs being \$3,000 per household relative to our projection of \$908 per connected property per year.
- 4.29. Based on the level of investment the Council proposes in our latest LTP, our long-term modelling up to 150 years and our 30 year Infrastructures Strategy, combined with our AA rating under the LGNZ Excellence Programme and an AA rating from Standard & Poor's, we consider our forecast for future costs to be more reliable than the alternative figures presented by DIA. Again, this detracts from the case being made in support of the Government's proposal.

Cohesive and Efficient Planning for Growth

- 4.30. Waimakariri District is considered a high growth area. The Council has an excellent track record of matching servicing and infrastructure delivery with zoning land for development, as well as coordination between planning, roading, green spaces and three waters teams to ensure this is delivered efficiently.
- 4.31. We have concerns that having a separate three waters entity that is relied upon for three waters servicing to accommodate growth, rather than the current model where there is cohesion and adaptiveness between all departments of the same council, could result in undesirable outcomes. At worst, this lack of cohesiveness could inhibit growth entirely in some cases, or at best growth may be able to still occur, but in a more disconnected and inefficient manner in terms of servicing.
- 4.32. Our district has benefited from growth allowing costs to be spread over a larger number of ratepayers, to ensure rates remain as affordable as possible. Our concern is without control of three waters servicing, our ability to enable growth may be taken out of our hands, which would be detrimental to outcomes overall in our district. This will be a risk throughout the country, and is not unique to our district alone.
- 4.33. There also appear to be misconceptions in the core assumptions made about growth in the DIA work. Growth is often cited as a future challenge to manage. In our experience, high levels of growth have created opportunities to extend schemes and upgrade services at the cost of developers, through collection of development contributions. At worst developments are cost neutral to the Council, but at best they can be mutually beneficial with the developer getting desired outcomes, and the servicing opening up opportunities for wider upgrades, as well as allowing scheme costs to be spread over a greater ratepayer base, reducing the cost of delivering services overall.

- 4.34. It appears that the potential benefits of cohesive planning for growth that is achieved through the current local government model has not been recognised, and the impacts of changing this model not considered.
- 4.35. It is recommended that for any future delivery model, legislation should be introduced to mandate the required level of integration between councils who undertaken planning functions, and three waters service delivery entities for the purpose of growth and development planning, facilitation and delivery.

Lack of a Range of Options Presented for Proposed Delivery Model

- 4.36. The Council understands that it is proposed to be part of Entity D which covers most of the South Island covering the Ngai Tahu Takiwā.
- 4.37. It was noted early on in the reform process, the Government favoured options to deliver services via either regional or multi-regional water services entities. While this is a valid option to explore, this is just one way in which the current delivery model could be reformed. There are a number of other models that could have been considered also to determine the optimum outcome, which do not appear to have been given a thorough degree of scrutiny before coming to the conclusion of 4 massive water services entities as the preferred option.
- 4.38. Once water services entities were determined by the Government to be the optimum model for the reforms, we are aware there was some options analysis that took place with regard to the scale of these entities. We understand 9 different options were considered at one point for the size of the entities, however we have not been made aware of any modelling outputs from these sub-options of the various entity sizes, and only presented with the modelling from the final recommended proposal. We note this information has been removed from the DIA website and it was necessary to obtain copies from our consultant. The retraction from the public arena of some of the early analysis that was undertaken has also inhibited our ability to gain any visibility on what level of options analysis has taken place, let alone being able to be engaged with this process.
- 4.39. It would be beneficial to know whether this detailed options assessment process has taken place, and to be more closely informed on the pros and cons of the various models. Without being aware of this process having taken place at all, let alone being privy to the conclusions drawn for each of the potential options, it is difficult to comment on the merits of the proposed reform option when all that we have to compare it against is the status quo. This does not give the impression of a thorough analysis of options, and restricts the ability to form a firm view on whether the proposed model is the best way to achieve the desired outcomes, compared to the alternative models that could be considered had they been assessed thoroughly and presented for consideration. This is particularly pertinent when the analysis has been carried out on the Water Entities only, rather than including all of Local Government services in the analysis.
- 4.40. The issue outlined above is considered further under item 6 'Suggestions for how the proposal could be strengthened'.

Cohesive Approach to Reforms

- 4.41. Despite the points of concern we have raised above, our view is not that we are opposed to change in the sector, and are certainly not opposed to a robust

analysis of options as to how services are delivered. As stated earlier, we are aware of the level of challenges that are to be faced by the three waters sector in the coming decades.

- 4.42. The Council understands the Government's concerns around regulation, the capability, capacity and efficiency of the services currently delivered by councils to differing standards, hence the national case for change within the sector as a whole.
- 4.43. However, as Government will be well aware, the Three Waters Reforms are not the only reform or review related to the local government sector that is underway currently.
- 4.44. While the urgency to address some of the concerns with three waters is noted, this appears to be being undertaken at the expense of a cohesive approach taking into account both the Resource Management Act (RMA) reforms, and the Future for Local Government Review.
- 4.45. It appears that the desire to optimise the outcome with regard to three waters is being managed and considered in isolation to other reforms. Our concerns are that a whole of local government approach with aligned direction and goals across all three reforms would be more beneficial for community outcomes and well-beings collectively. This approach may come to a different conclusion for a delivery model, taking into account the full roles of local government currently, than the recommended approach when three waters is considered in isolation.
- 4.46. We note in the DIA justifications that the case is made for a 'sweet spot' of approximately 1 million population for each water entity, in terms of balancing the benefits of economies of scale with the diseconomies of a larger scale. We note also that Entity A has a population of 1.7 million, which is much greater than this optimum size, based on the advice Government has received. This indicates that there is some acceptance of a loss of efficiency due to diseconomies of scale (i.e. entities being too large) but seemingly a reluctance to accept some marginal efficiency losses by reducing entity size to less than the 'sweet spot', despite the fact that a reduction in scale would improve other factors of value to communities, such as local voice for example.
- 4.47. A key concern is that in making the decision on what is best for one element of local government, a vital opportunity is being missed to achieve an appropriate 'sweet spot' for the whole sector. We suggest that if all of the functions of local government were considered together, then the 'sweet spot' could be considerably smaller. This is because many of the democratic and community focussed functions with have a weighting towards smaller entities, in order to be effective at the local level.
- 4.48. While it could be argued that a smaller or different model for three waters is sub-optimal, based on the DIA modelling for three waters, we suggest that there would only be marginal differences in economies of scale for entities with (for instance) anywhere between 0.3 million and 2 million.
- 4.49. While we are not specifically advocating for a particular different model of reform, or a different scale, at this time, our point is that the work has not been undertaken to determine what the optimum outcome for the sector as a whole is. This point is not a criticism of the work undertaken on the three waters reform analysis, but rather that this analysis has been undertaken in isolation and ahead of other reform packages for the sector, which means this all of local government

service delivery optimisation process has simply not been possible to have been completed at this time, given the different stages of the different reforms.

Scale

- 4.50. To help understand the significance of the decisions being made, and therefore the level of rigor for which the options assessment process should be subject to, it is worth noting the scale of what is proposed. Based on some high level analysis, we project that the scale of each of the entities proposed would easily eclipse the value of any company listed on the New Zealand Stock Exchange, by a considerable factor. This comparison is made, not to suggest the entities will be listed on the stock exchange, but to reinforce the size of the organisations envisaged. While the Government will no doubt be cognisant of this fact, it is worth keeping front of mind when making decisions as to how precisely they should be set up, and therefore ensuring that the delivery model achieves an optimal outcome.
- 4.51. It is also implicit that in removing this hugely significant value of assets from local councils, there will be significant impacts on the remaining businesses. While it is understood that the Future for Local Government Review is underway which is to consider some of these challenges, the scale of potential impact must not be underestimated, which further reinforces the need to better align processes, as indicated previously.

Timing

- 4.52. Consistent with the Canterbury Mayoral Forum submission to the Minister for Local Government, Waimakariri District Council would support the Government putting the reform process on hold in order to better align with other reforms, and allow for a more cohesive approach to achieve the optimum outcomes. This is a multi-generational decision, and the desire to keep to the original timeframe must not be prioritised over the need to ensure sound, well informed, and holistic decision-making processes take place.

Waimakariri Community Engagement

- 4.53. As noted earlier, in providing our feedback, it is vitally important that the views of our community be taken into account. To help inform this, we have presented our community with information on the case for change, the Government proposal, and some of our key concerns or considerations around the proposals. Information packs were distributed to all ratepayers in our district, and survey forms provided to gain feedback.
- 4.54. We had planned a number of drop-in sessions in which the community could come in and discuss the proposals with staff and elected members. Due to the August Level 4 COVID restrictions that were in place during this engagement period, this was not possible, however we were able to host an online question and answer session.
- 4.55. Through this engagement period, despite the tight timeframes to prepare and distribute material, and the disruption caused by the Alert Level 4 restrictions, we still received the highest level of engagement of any consultation process we have run before, with a total of 3,844 responses received formally, as well as a high number of comments posted informally online and over 260 late responses. The number of responses has been higher than during our entire Long Term Plan engagement

process, as well as previous consultation on the chlorination of some of our largest water supplies. What this demonstrates is what a vitally important issue this is to our community, which there are strong feelings about throughout our residents.

4.56. The survey questions we asked our residents were whether residents were in support of the proposals as they stand currently, and the reasons for their current position. The initial question was designed not to inform an opt-in / opt-out position currently (as we are aware this is not what we are being asked), but rather to help us understand generally the community's views towards the proposal overall. In asking for reasons to be given by residents for their views, this helps us understand what either the key concerns are (for those that think Council shouldn't participate in the reforms), or the key benefits of the reforms (for residents that think the reforms should go ahead as proposed).

4.57. In terms of the initial question, 95% responded that Council should opt-out of the process, based on the information available. Residents expressed concerns about:

- Losing local say, knowledge and control on how water services are provided
- Rates being used to subsidise upgrades in other areas
- Wanting local management and provision of three waters services
- Appropriate compensation for transfer of the District's assets
- They sought for the reform proposals to take place alongside wider Future for Local Government and Resource Management Act (RMA) reforms
- Serious concerns were raised about the accuracy of the proposed efficiencies behind the proposal for change.

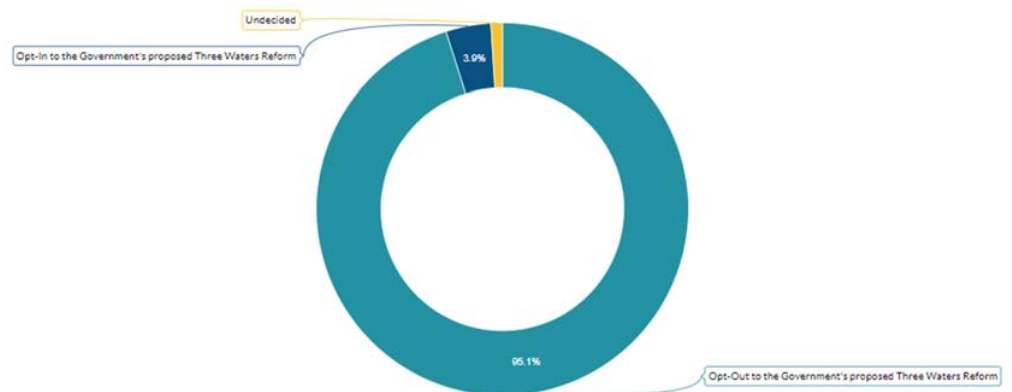


Figure 1: Percentage of survey responses by decision

- 3.9% submitted that Council should opt-in to the reform process, based on the information available. There were a range of reasons given, but key themes were;
 - we should be providing the same level of service for three waters across all of New Zealand
 - can see advantages of combining three waters assets into four large entities
 - the three waters entity will be better able to keep up with increased regulations and requirements
 - opting in will provide nationwide consistency
 - opting in will provide better outcomes

- 4.58. While there were a large range of views expressed, this process did highlight the level of concern the community has with what is currently proposed, as well as highlighting some of the key reasons for these concerns. These concerns should be considered carefully in any alternative options considered.

5. Alignment of current proposal with government Key Design Features

- 5.1. In the DIA provided information¹, Diagram 1 “A new system for three waters service delivery” outlines the Key Design Features that it is claimed are delivered with the proposed structure. With respect, the Council submits that in fact very few if any of these Features will be delivered.
- 5.2. Maintaining local authority ownership – while the proposal allows for ‘ownership’ of assets to remain with local authorities, this is ‘ownership’ in name only, with none of the usual characteristics usually associated with that status. The value of the assets has been transferred to another party (along with any borrowing power associated with ‘ownership’), and all effective decision-making has been transferred. In effect, the councils have lost all benefits normally associated with ownership, so in this sense ownership is given a far more abstract meaning than the usual definition.
- 5.3. Protecting against privatisation – the Council submits that this structure does not protect against ownership at all. As has been acknowledged, any future government can legislate to change the basis for the structure at any time, and this new structure would certainly make that easier than the current ownership regime. In addition, the Entity Board can at any time resolve to take steps towards privatisation, and given the mixed nature of the Regional Representative Group (RRG), there is the possibility that Board appointees (and therefore Board decisions) would allow privatisation in the future. It is suggested that rather than allow for privatisation with a 75% result in a referendum, the possibility of future privatisation could be legislated against entirely. However it is acknowledged that this would not prevent future legislation overturning this.
- 5.4. Retaining influence of local authorities and mana whenua over strategic and performance expectations – the Council submits that the proposed structure does not deliver this. With an anticipated 6 local authority representatives on the Regional Representative Group (RRG), who in turn make up only 50% of the voting power, the voice for Waimakariri will be virtually non-existent. It is clear that the major metropolitan areas will require a significant proportion of the 6 representatives, leaving 2 to 3 voices out of 12 representing all provincial councils.
- 5.5. It is also unrealistic to expect all provincial councils share the same view, meaning that there is no guarantee that views held by the Waimakariri community will be even considered, even with one of twelve votes on the proposed board. These factors are then greatly exacerbated by the distance of this RRG from true decision making. This issue is even acknowledged by the DIA diagram, which notes that mana whenua will have involvement in ‘formulation of key planning documents’, a description not included in the Local Authority involvement.

¹ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/three-waters-reform-programme-overview-a3-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/three-waters-reform-programme-overview-a3-30-june-2021.pdf)

- 5.6. Providing the necessary balance sheet separations from local authorities This Council would support alternative models being explored that would minimise the substantial redevelopment/duplication of systems and processes and the legal separation of assets. The establishment costs to both the new entities and to existing councils are significant. In effect, the proposal introduces an additional 4 new entities to the existing 67 Councils, which introduces a number of transactional complexities that will take a numbers of years to separate. The separation of these activities also ignores the synergies and savings that have been in place for decades across the array of activities the Council already delivers to its community.
- 5.7. An integrated regulatory system – the Council submits that this feature is not achieved under the proposal, as the separation of three waters regulation from the remainder of that which affects the Council will lead to less integration, not more. It is submitted that there are many structures that would better deliver this outcome. These include different sized structures to better accommodate local decision-making, as well as different ownership options to mitigate the majority of the Council's concerns.

6. Suggestions for how the proposal could be strengthened

As noted in the Summary section above, we provide the following suggestions about how the proposal could be strengthened. While the Government's proposal is not supported by the Council, these concerns should be considered as part of consideration of any alternative model proposed:

- 6.1. We support the call by the Canterbury Mayoral Forum, to 'press pause' on the process currently to allow time for Taumata Arowai to be established and further clarity provided about the Economic Regulator allowing the standards and approach of each to be more clearly understood.
- 6.2. During the above pause, take the opportunity to properly assess various delivery options, with due consideration to how these options can integrate with other local government reviews, and how they can deliver a better balance between local decision-making and economies of scale. The Council contends that there are other options that have been discounted too quickly, including strengthened shared-service models, and entity sizing that better suits the likely local government boundaries that may result from the wider review outcomes.
- 6.3. Consider the three reform (Future for Local Government & Resource Management Act Reform) and review processes together collectively, to ensure the best outcome for our communities when all factors are considered together. This should include a clear and robust options assessment on a wider range of options for service delivery methods, with involvement from the sector at this point, rather than being presented with a single proposal to consider against the status quo.
- 6.4. Consideration be given to the current ability of councils to steer, direct and facilitate growth within districts currently (which can have positive impacts on overall community wellbeing), and how any reforms may impact upon this. Three waters is a big part of this, as well as clearly the RMA reforms, so there is a clear case for these matters to be considered together when determining options.

- 6.5. Consider options to strengthen the council and community involvement in decision-making. The current structure is a watered-down version, which will result in a negligible say for our District, in the running of a critical District resource. For example, prioritisation of growth projects, concerns about responsiveness, decisions regarding discretionary level of service targets are all matters that our community currently have total say on, which will in future be made by a body with little or any linkage to our community.
- 6.6. Our community expressed that they wish to retain their local say in how services are provided. A key example of this is with regard to the chlorination of water supplies. While the Water Services Bill allows a pathway to maintaining chlorine free water, this will likely require additional investment to be made to achieve the required standards to gain such an exemption. The current local government model is well set up for councils to present their communities with options on what it would cost to pursue a chlorine free path, versus costs of chlorinating water. Residents could then submit on their preference, and the Council take that into account when making future decisions. This local say in how services are provided must be taken into account in future proposals, and under the current proposal, it is not clear how such matters would be addressed, which gave our community reasons for concern.
- 6.7. Whatever the proposals and options that fall out of the above recommendations, we feel strongly that there must be a strong sense of community engagement and local decision making throughout the process. It is clear from the survey that we undertook that the community did not feel engaged with on the proposals, and as such were resistant to the proposed changes. For any change to be made, but especially such a significant multi-generational change to local government, the community as a whole must be brought on that journey to understand clearly the benefits and risks with each option available.

Conclusion

The Waimakariri District Council opposes the New Zealand Government's proposal to establish four large water entities and remove the three waters assets and services from local councils. Based on the information we have been provided to date, the community feedback we have received and independent expert advice our current view is that the current proposal is not something we could support. We have received this feedback very clearly from our community.

We acknowledge that there is a case to review options, and understand the Government position that the status quo may not be sustainable nationally. With this in mind, we have a number of suggestions as to how this process could be improved which we have included within this submission under sections 6, and throughout this submission. We trust that these will be given due consideration, and look forward to working together on what are some critically important matters facing the local government sector currently.



Feedback Form

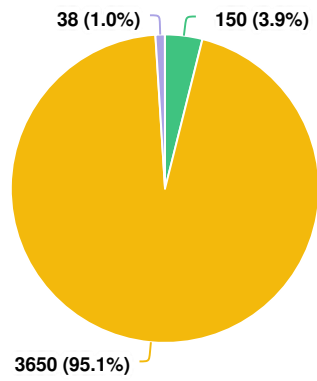
SURVEY RESPONSE REPORT

21 February 2020 - 14 September 2021

PROJECT NAME:

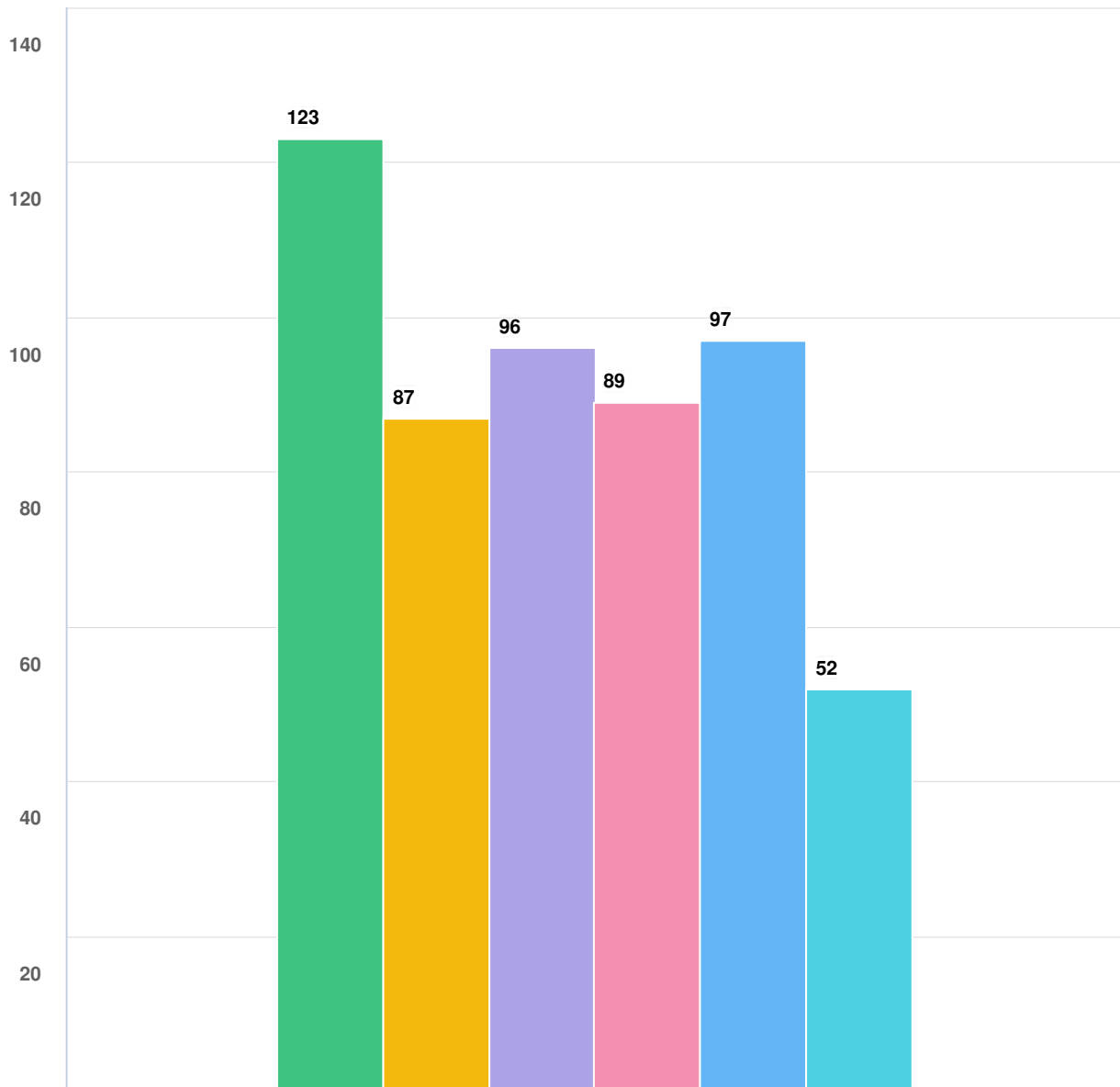
Government's Three Waters Reform

SURVEY QUESTIONS

Q1 | I think that the Council should**Question options**

- Opt-In to the Government's proposed Three Waters Reform
- Opt-Out to the Government's proposed Three Waters Reform
- Undecided

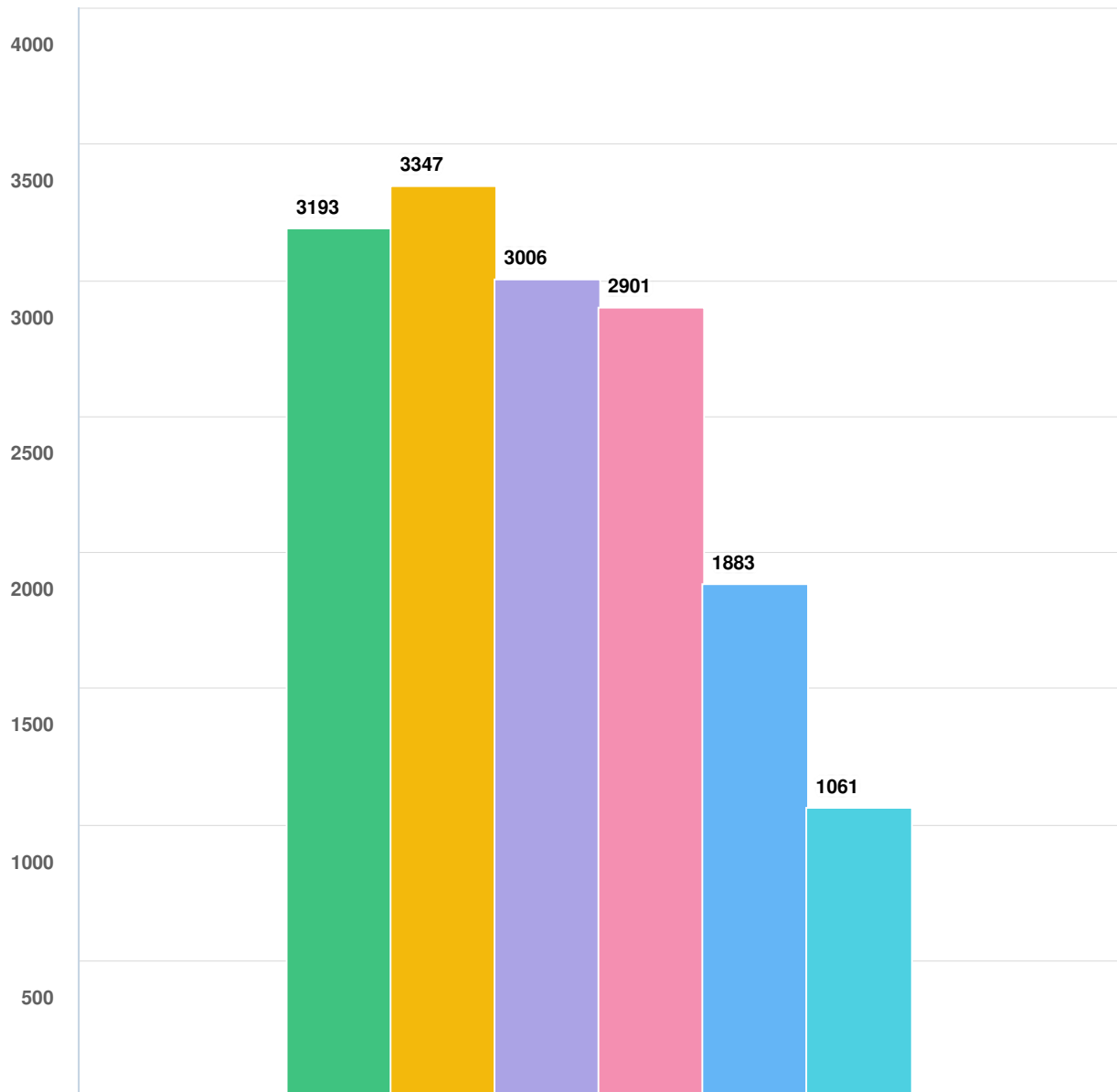
Optional question (3809 response(s), 35 skipped)
Question type: Radio Button Question

Q2 Please tell us why you chose Opt In

Question options

- I believe that we should be providing the same level of service for three waters across all of New Zealand
- I feel that I will get better value for money by merging 67 councils into four large entities
- I can see advantages of combining three waters assets into four large entities
- It will improve efficiencies across three waters services
- I think the new three waters entity will be better able to keep up with increased regulations and requirements
- Other (please state)

Optional question (141 response(s), 3703 skipped)

Question type: Checkbox Question

Q3 Please tell us why you chose Opt Out

Question options

- I'm concerned we won't have a strong democratic say in the way three waters services are provided
- I want our three waters services to be managed, built and operated locally, by people who understand our area
- I'm worried our water rates will end up funding upgrades in other areas
- I don't think it will improve efficiencies
- I think we should hold off on any decisions and consider this alongside the wider future for Local Government Review and Resource Management Act (RMA) reform
- Other (please state)

Optional question (3603 response(s), 241 skipped)

Question type: Checkbox Question

Q4 Undecided

Screen Name Redacted

8/17/2021 07:07 PM

DONT TAKE THEIR BRIBE AND GIVE AWAY OUR RESOURCES. THEY HAVD NOT DEMONSTRATED HOW THEY PLAN TO MANAGE THESE SERVICES MORE EFFICIENTLY. WE DO NOT WANT TO LOOSE LOCAL OWNERSHIP

Screen Name Redacted

8/19/2021 03:59 PM

To be honest, I don't trust that the current sitting Labour government has our (read Canterbury/Waimakariri) best interests in mind.

Screen Name Redacted

8/19/2021 05:38 PM

The Government has not proved to be good at managing anything and not transparent about this initiative

Screen Name Redacted

8/19/2021 06:18 PM

WDC services are inequitable across the district. WDC provides no water services to our property. Own bore, septic and soak pits. When will WDC provide equitable services?

Screen Name Redacted

8/20/2021 08:27 AM

We have a brilliant water system that has been well invested in. Costs will rise under three waters and we will lose both the rate payers asset and control. Opt out is the best way Thanks team

Screen Name Redacted

8/20/2021 10:19 AM

The council is doing a great job with providing services for us here why change it just because some other areas are having issues. This sort of thing being separated out has not gone well in the past and it will be the same this time. All services provided for the general populace need to be provided by one body. separating them out it is hard enough to maintain continuity of service with one body let along dividing things up in any rate it will be the same people doing the job anyway so what is it going to achieve apart from costing us more for the profit of some new company which doesn't give a shit about the people. I will not be happy if it goes private or split out and will be getting my own water supply and definitely not paying into any new scheme outside of the council.

Screen Name Redacted

8/20/2021 11:16 AM

I also think the government is setting up the larger water authorities so that they lend themselves to future privatisation, which I would strongly oppose. Even if that isn't the govt intention now, some time in the future it would become an option.

Screen Name Redacted

8/20/2021 11:23 AM

I feel the Government needs to provide more information to satisfy concerns of Councils that already have a good level of three waters infrastructure. The way it is presented in the information sent out to us is that Waimak ratepayers are going to be financially worse off with the new system. Is there a chance that if it does go thru, sometime in the future, it could get privatised and end like what happened with electricity and other previously Crown owned assets?? (Not saying that would necessarily be bad.) Over the 67 Councils what is the split between those who will benefit and those that will not benefit from these reforms?? Are the projected numbers provided by both the Govt and the council robust and fair? Surely on both sides there is a fair bit of crystal ball gazing about costs into the future outlined in the document sent out. What are the plans for the \$22m, if we say yes. It seems a cheap price to pay for a \$600m asset! what are the \$\$ other councils are going to receive? Especially those with a poor infrastructure. I feel if this is going to go ahead it has to be an 'all in' situation. If councils like ours pull out that will only make it more expensive for those left in and economy of scale will be diluted.

Screen Name Redacted

8/20/2021 03:46 PM

WDC hasn't cared about the Ashley rural water supply scheme for years anyway and they could run water and sewerage from Rangiora supplies across the bridge but have chosen not to. You are currently preparing to pipe Loburn Lea waste to Rangiora having failed to ensure that ridiculous development was viable.

Screen Name Redacted

8/20/2021 06:29 PM

I DO think that water services need to be consistent across all of NZ.

Screen Name Redacted

8/21/2021 12:16 PM

the govt track record on amalgamation and oversight of national bodies ie. dhbs,rail,rma,transport,roading is to abysmal to let them take over water.

Screen Name Redacted

8/21/2021 01:54 PM

The water is owned by the tax payers and managed by local councils that have been elected by those same tax payers. This new 3 water system will allow government to take ownership and control. Maori Iwi will be given 50%. This is not democratic governing. There is absolutely no history or evidence that state or Maori owned businesses on this scale are successful. There is evidence that locally managed infrastructure is, if the right council has been elected. Waimakariri appear to have successfully

managed our water to date, so there appears to be little if anything to be gained by rate payers, by changing it. I believe it is better to have rates paying for this resource than government taxation. At least then there is accountability

Screen Name Redacted

8/21/2021 05:01 PM

My family have lived in the Waimak for 46 years, always have had a input into local happenings, volunteering in sports clubs for a large part of our time here. Definitely do not want a oversized bureaucrat entity taking over our infrastructure, which we have paid for through our rates. Cheers.

Screen Name Redacted

8/22/2021 12:28 PM

strongly oppose erosion of local governance ...with no democratic process

Screen Name Redacted

8/22/2021 12:49 PM

The representative group should be truly representative, and preferably LOCAL There should be no race based appointments _ only the best for the job.

Screen Name Redacted

8/23/2021 04:01 PM

Centralization will only add to costs and inefficiencies.

Screen Name Redacted

8/23/2021 08:25 PM

I am happy with our existing water supply and drainage system.

Screen Name Redacted

8/24/2021 10:39 AM

Our water is excellent. Let's keep it that way.

Screen Name Redacted

8/24/2021 10:49 AM

It is an erosion of democracy by a govt wanting to centralise/nationalise many functions. The investment made by WDC will effectively be rendered null and void. The compensation offered is an insult. Further under the proposal put forward by govt the controlling body will have, because of its proposed makeup give Maori nthe right of veto of any water proposals. As less than 20 % of the population this is an afron to democracy

Screen Name Redacted

8/24/2021 02:31 PM

Opt out comment - I am proud to live in Waimakariri, I like this council. As much as I worry about rates being so expensive for me at the moment, I am happy to pay for a job well done. Please Waimak council, stay in control for all the people that trust in your care, management and organisation.

<p>Screen Name Redacted</p> <p>8/24/2021 09:07 PM</p>	<p>I feel that the Government doesn't understand what it is proposing in regards to the three water ways</p>
<p>Screen Name Redacted</p> <p>8/25/2021 03:51 PM</p>	<p>A lot to read and ponder, but I some initial thoughts which hopefully the rest of the survey will cover</p>
<p>Screen Name Redacted</p> <p>8/26/2021 11:34 AM</p>	<p>Considering that the funds will come from us regardless by way of extra money grabbing by the govt. to support their plans nationwide, I see absolutely no upside whatsoever to this. WE will fund our OWN system!</p>
<p>Screen Name Redacted</p> <p>8/27/2021 01:48 PM</p>	<p>I think the idea behind it is so the government can get control of water and then it will be GIVEN to Maori. No one owns the water and no one should, after all it falls out of the sky for all to use.</p>
<p>Screen Name Redacted</p> <p>8/27/2021 05:59 PM</p>	<p>All the above</p>
<p>Screen Name Redacted</p> <p>8/28/2021 04:27 PM</p>	<p>I think the idea of streamline is right bu it shouldn't be rushed</p>
<p>Screen Name Redacted</p> <p>8/28/2021 08:53 PM</p>	<p>Its the lack of democracy that most concerns me. I wonder too why half of the twelve representative group are mana whenau? Isn't that over representation? The \$22 million dollar government payout also seems on the light side given what the Waimakariri council has spent on improving water structure in the area.</p>
<p>Screen Name Redacted</p> <p>8/28/2021 11:50 PM</p>	<p>Keep it local, it is working well.</p>
<p>Screen Name Redacted</p> <p>8/31/2021 09:01 AM</p>	<p>After reading info provided info I agree with council that residents and council might loose their influence in local matters</p>
<p>Screen Name Redacted</p> <p>8/31/2021 09:07 AM</p>	<p>It appears New Zealand is moving to allowing a small groups of people with a narrow interest to control the country. We need the best people with the knowledge and passion to do the best for the whole of New Zealand and its local areas to guide us.</p>

Screen Name Redacted

8/31/2021 11:39 AM

Opt IN - we should provide the same level of service for all NZers - less bureaucracy could mean more efficient use of money - we could better keep up with regulations and requirements Opt OUT - a concern that we would not have a strong democratic say in the way services would be provided - I am worried our services would end up funding upgrades in other areas - Local people would better understand our area

Screen Name Redacted

8/31/2021 03:03 PM

I think the Govt regions are too big = managing water for Canterbury plains region is quite different to Sth Is West coast water. I can understand small councils struggling to fund what they need too. Plus I could go with certain regions amalgamating = those with similar water supply etc issues eg Canty Plains aquifer. But am generally unhappy with the current central gov proposal for the above reasons.

Screen Name Redacted

8/31/2021 06:31 PM

Need more information

Screen Name Redacted

9/01/2021 11:51 AM

I am still undecided, but swinging more towards the Opt-In, option. I am sure there are a lot of benefits of merging into 4 entities, but still not sure whether we are better off having a council managed system. Change management tends to be a lot slower once it is rolled up into a government agency.

Screen Name Redacted

9/01/2021 06:57 PM

What concerns me is that there is no clarity about the effect on our balance sheet. In theory, if central gov is taking responsibility, they should also take the liabilities, which would free up our balance sheet for other investment. Without that clarity, it is impossible to judge whether we should be part of this.

Screen Name Redacted

9/02/2021 08:57 AM

I'm totally apposed to the gov interference in our local body issues, The 50 /50 split in ownership is dividing NZ, and this gov will eventually sell out to the Chinese and we will be paying for something that is our natural right to have access to at the most minimal cost to ratepayers,

Screen Name Redacted

9/02/2021 03:21 PM

We need local people who know the area to be looking after the water for the district.

Screen Name Redacted

9/02/2021 05:26 PM

The concept of a larger more well funded provider for Water is appealing, but what will the cost be for each household? Will decisions be made by urban based people over how a rural scheme should operate? So much information is lacking, so impossible to make an informed decision.

Screen Name Redacted

9/03/2021 04:09 PM

Jacinda said herself re giving money for Maori and Pacifica that the best people do deal with use of money is the ones who know their area the best which i believe in this case would be our own district council

Screen Name Redacted

9/03/2021 08:49 PM

Screen Name Redacted

9/04/2021 07:31 AM

I also dont agree with the significant proposed Maori representation.

Screen Name Redacted

9/04/2021 03:30 PM

I think having a bigger pool of funding may be good for us. I also think that having a local focus is also good for us. My main worry is that there are bigger councils and some with bigger issues than us and we might get lost in the detail to the detriment of what has been achieved by WDC thus far.

Screen Name Redacted

9/05/2021 09:01 AM

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Screen Name Redacted

9/05/2021 12:15 PM

please say no , this council is doing a good job on upgrades on water,wastewater,stormwater

Screen Name Redacted

9/05/2021 04:21 PM

Feel this is rushed & unsubstantiated by govt. The peoples water needs protection by local govt agencies.

Screen Name Redacted

9/05/2021 07:20 PM

In principle sounds like a good way forward to guarantee water quality, but feels rushed and not fully thought through. It may sound insular to say our water quality is good because we have invested (and have been able to invest) in this area so we should opt out. I would prefer to find out more detail about the new entities, what powers they have and the impact they would have on our continued improvements to the quality of water in our communities

<p>Screen Name Redacted</p> <p>9/05/2021 07:57 PM</p>	<p>I do not support government interference of local council controlled responsibilities and neither do I trust that smaller councils will have much say.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 10:51 AM</p>	<p>A government could onsell the water and rates could increase? We have have good water in this town.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:41 AM</p>	<p>This Government has proven they are incapable of seeing any projects through to finality so why should this be any different.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:44 AM</p>	<p>When are you going to ban roundup. in the meantime human health is being compromised?</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:51 AM</p>	<p>1. It is very hard to sort out the best option when we have no knowledge of how many councils of the present 67 need their water supply's upgraded and how many will need millions spent on them, who will pay for this - the councils that have good standard of water?? 2. The councils that opt in to the scheme what will they do with their \$22million pay out. Will the rate payers share in this. 3. With so little in depth knowledge of the plan how can anyone make an informative decision. Get more information!!! 4. Would one scheme be better than three?? 5. Would water tanks with all new housing be considered in the new scheme as water is such a precious commodity!!!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:01 PM</p>	<p>We already pay a extra \$300 per year for our water etc. Will this cease if the Three Waters Reform takes over? From past experience it will be another level of bureaucracy sucking more money from ratepayers/tax payers. If our Council rates dropped accordingly, seems they would no longer be responsible for this service, I wouldn't mind. But we all know this will not happen.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:05 PM</p>	<p>We are on our own well water noting from council</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:18 PM</p>	<p>I can see how people would think that they are loosing control of an asset, but I feel over past decades water in Canterbury has been ambushed by local farming groups and the quality has deteriorated. Therefore Im swaying towards this option. Water quality is to important for everyone and maybe it should be outside</p>

local government control.

Screen Name Redacted

9/06/2021 02:21 PM

- I don't trust this Government. - It is another layer of non-productive bureaucracy. - Although this could be an opportunity to ditch ECan.

Screen Name Redacted

9/06/2021 03:04 PM

Don't know enough about it. Why do the govt want to do this? What is driving it.

Screen Name Redacted

9/06/2021 04:42 PM

More information . Pros & cons for both.

Screen Name Redacted

9/06/2021 05:39 PM

Much more information required from this Government and too short a time to decide on a long term plan.

Screen Name Redacted

9/07/2021 08:26 AM

I think I am not qualified to make a decision so I have ticked the boxes I agree with.

Screen Name Redacted

9/07/2021 08:51 AM

I see the benefits of a better managed water supply but would be concerned that a future national or ACT government would privatise

Screen Name Redacted

9/07/2021 09:25 AM

Indecent haste! Too much else going on WAIT - PAUSE - WAIT

Screen Name Redacted

9/07/2021 10:19 AM

I believe that we should be providing the same level of service for three water across all NZ I can see advantages of combining three water assets into four entities It will improve efficiencies across the three waters I think the new three waters entity will be better able to keep up with increased regulations and requirements I'm concerned we wont have a strong democratic say in the way three water services are provided I want our three waters service to be managed, built and operated locally by people who understand our area

Screen Name Redacted

9/07/2021 10:43 AM

1. National standards - we should all have clean water 2. Same service and standards throughout the whole country 3. Local implementation - our Council is best placed to administer and maintain. Should have Government support and oversight. A mix

of the options is probably best. Thank you

Screen Name Redacted

9/07/2021 11:32 AM

I am concerned if we opt in, our local water will be chlorinated. I believe that if we opt in there will be more control on who are given water rights. I believe that if we opt in there will be better control over water pollution & contamination (nitrate levels)

Screen Name Redacted

9/07/2021 11:38 AM

I'm strongly against this as lack of information example, i dislike Maori being employed over any person who is best for the job with experience and qualification. How much are the Maori being paid? What is the limit of their expenses? and what is the gratuity payment made each decision? The information is incomplete, confiscation of assets! Unfair increase in charges. It is racist to allocated portion of jobs/roles to Maori. This is wrong and doesn't reflect the local rate payers. Consultation is fine, but handing over control and the money to one specific race whom live locally is wrong. opt out run democratically who are best for the job.

Screen Name Redacted

9/07/2021 12:08 PM

I am unable to make a fully informed decision as the information that has been provided appears to be flawed. How can we expect our community to make an educated decision when the information they are provided with is so conflicting?

Screen Name Redacted

9/07/2021 12:17 PM

I m elderly aged 79, a widow. I do not understand all the whys and wherefores.

Screen Name Redacted

9/07/2021 12:34 PM

Agree that we should be providing the same level of service across New Zealand and can see advantages of combining three waters assets into four large entities. I think that we should hold off on any decisions and consider this alongside the wider future Local Government Review and Resource Management Act. I can see the argument for a national response but is very rushed and not very well thought out.

Screen Name Redacted

9/07/2021 01:58 PM

Waikuku Beach water is perfect as is!

Screen Name Redacted

9/07/2021 02:18 PM

I'm fence sitting here! there are elements of good in both options (Ticked - I believe that we should be providing the same level of service for three waters across all of NZ I don't think it will improve efficiencies I think we should hold off on any decisions and

consider this alongside the wider future for Local govt review and RMA reform)

Screen Name Redacted

9/07/2021 02:20 PM

With this government the way it is, the whole South Island will get swallowed up by the North Island votes 4-1.

Screen Name Redacted

9/07/2021 02:21 PM

I want the best local people to run our council and service. Not people from elsewhere with their own agenda and no CLUES.

Screen Name Redacted

9/07/2021 02:59 PM

We would like to see more information re the changes prior to a commitment etc

Screen Name Redacted

9/07/2021 03:41 PM

Dear Ms Hurley The three-waters problem is too difficult for an ordinary citizen like me to respond to using the Council feedback form. Instead I offer the following thoughts on the topic: Standards There need to be standards at national level for water quality, for coping with storm water (including emergencies), and for treatment of waste water. There should also be a standard for the acceptable cost to ratepayers of these services. But should these standards be the same for the entire country or are there regional variations? These standards should be acceptable to all councils, although no council should get away with a lower standard because of a polluting but profitable industry. Assessment An independent body needs to assess the performance of each council against the standards. Such assessments need to be done regularly because circumstances can change. Emergencies can also occur. Who serves on this assessment body? Will councils accept their judgement, which after all should be simply data-driven? Problems An assessment will reveal which councils are meeting or exceeding the standards, including the standard of acceptable cost. It will identify those councils that are struggling. Why are they struggling? It could be financial or technical or both. Find out what the problem is. And don't make struggling councils feel they are being criticized for failing. The purpose of the assessment is to find out who needs help. Solutions For those councils that are meeting or exceeding the standards I fail to see why government needs to be so bloody-minded as to mess with them. Above all, why force lower standards on a council that is exceeding them? Focus on the councils with problems. If the problem is financial, where does the money come from? Robbing the councils doing a good job might result in them failing too. And would it be fair? If the problem is technical, who provides the necessary expertise? Here, on the other hand, borrowing experts from a neighbouring council might be

acceptable. Otherwise government would have to find the necessary experts. For a body providing finance and expertise, see below. Management It seems to me that there are two levels. At the national level there needs to be one body that sets the standards and either the same body or a separate one that continually assesses performance against the standards. If there are only 67 councils, then there would be about 15 to 20 in each of the four regions mentioned. Why would it be so difficult to include at the national level one representative from each council in a particular region? These could ensure that regional peculiarities would be taken into account. At the lower level of management I foresee a task force given the job of bringing struggling councils up to standard -- perhaps one in each of the four regions. Such a task force would no doubt have to include both financial and technical experts, possibly co-opted on a temporary basis from those councils already doing a good job. The task force must be seen as there to help, not to punish. Conclusion Those are my thoughts on the matter, for what they're worth. Feel free to consign them to the recycling bin! I won't be offended. Kind regards [REDACTED]

Screen Name Redacted

9/07/2021 03:50 PM

Given the high rates we are paying at Oxford and the Councils ability to keep annual rises to acceptable level I am not confident the Council projections to reduce water rates could be kept. After all your track record is not flash in the area of rate rise control. On the other hand we are also not confident the government ability to keep costs to an acceptable level is doable either. We suspect that for both administrators rates will continue to rise whatever you may say. this cost of living including additional cost such as rates rises is a major concern to us and the general community.

Screen Name Redacted

9/07/2021 04:11 PM

I believe that we should be providing the same level of service for three waters across all of New Zealand. I'm concerned we won't have a strong democratic say in the way three waters services are provided. I want our three waters services to be managed, built and operated locally, by people who understand our area. I think we should hold off on any decisions and consider this alongside the wider future for Local Government Review and Resource Management Act (RMA) reform. A lot more discussions required, loose end tied up so no room for misinterpretation.

Screen Name Redacted

9/07/2021 04:38 PM

[REDACTED] Waimakariri District Council Water Reform Sought Feedback To Whom it May Concern, [REDACTED]

[REDACTED] have been closely monitoring the Water Reforms. They have

had speakers in to [REDACTED] meetings from Internal Affairs who are running the reform and have been working closely with Water NZ, Infrastructure NZ and others. [REDACTED] had invited both Local Govt NZ and Water NZ to be part of the “Pipeline of work panel” at our 2021 Conference but unfortunately that was impacted by the Te Papa bomb scare. [REDACTED] has not taken a fixed position on the specific proposals Government has developed but it is our view that the current system could be Improved? Key issues from a national point of view are

- 30% of waste water plants are operating outside the conditions of their consents.
- There have been cases around NZ where communities have been subject to boil water notices.
- In some cases we lack information on the actual state of our water infrastructure.
- The level of active and well informed asset management is wanting in many areas.
- There has been a massive under investment in water maintenance and renewals, and much of our water infrastructure needs replacement over the next 30 years.
- Smaller regions, particularly those impacted by an aging population and depopulation, will struggle/are struggling to fund maintenance and replacement.
- We understand that the all regions have different challenges that need to be handled to ensure levels of service are maintained or improved.
- We understand there are 73 entities managing the 3 waters across the country and that consolidation of some should improve their efficiency.
- Impacts of climate change will drive a need for more water storage and increased flood protection. While [REDACTED] does not have a view on the number of proposed water entities, we support the need for change, and what [REDACTED] wants to see is;
- Improved and more professional, active asset management of 3 water systems nationally
- Increased access to funding to allow more investment in o maintenance, renewals, replacements and new builds o consistent long term programmes of work that enable contractors to invest in their people, plant and systems
- More efficient management and governance (whatever number we go to)
- Increased standardisation of designs and components

However, we are also aware that the proposed changes to fewer governing entities will impact on the contractors currently doing their water work. With the changes above there should be more work and more consistency of work, which should be good for professional and committed contractors and good for the 3 water network in general. [REDACTED] at a National level are advocating around the importance of keeping those contractors with the expertise (many of them SME's) engaged and working in the system to create a healthy 3 waters construction and maintenance market. From a more local perspective, we understand that the new entity will be responsible for, amongst other things, providing the civil construction industry certainty / clarity. To date very little has been provided to Civil Contractors about the detail, the entity has not yet

been formed, so we expect to remain uncertain about the future for some time yet and cannot comment on the benefits, or otherwise, of any new entity being formed. We expect our industry will be tasked with achieving the Three Water Reform outcomes with regard to delivery. We note some of the following observations / comments;

- Nothing has or is currently planned by Taumata Arowai to understand the important issues at a local contractor level who provide services to the sector. One of the three key focus's of the regulator is assurance of fair and affordable pricing, transparency, efficiencies and appropriate levels of investment across three waters services. This may well be planned as a later step. Currently we have no visibility and it is concerning.
- Like all change there will be a transition period and contractors will be most vulnerable during this time. We need to understand how investment can be maintained through any uncertain transition period. Visible and consistent pipeline is lifeblood for our industry. The lack of visibility on this is concerning.
- With contracts in delivery, we expect the new entities will honour existing maintenance contracts for a period, depending on existing contract terms. We would expect any new entity to adopt Construction Accord principles into the establishment documents.
- The size of the Water Reform is likely to be of international interest. We would expect that the new reform will protect, as far as possible, New Zealand businesses and the work that they are capable of delivering. Local Contractors at a regional level also need to be considered and allowed for in any new delivery models.
- We are keen to ensure that business of all sizes have a place in this reform. In many regions a considerable amount of water work is undertaken by Small Medium Enterprise (SME) companies. [REDACTED] advocacy is already occurring around a healthy market, which includes representatives of both large companies and SMEs.
- Taumata Arowai are to work alongside the Regional Council regulators to monitor compliance with respect to environmental regulations. It is difficult to see exactly how this will be executed. We note that they are proposing infringement fines also.
- An Economic Regulator is also proposed, we assume this is to improve the chance that the expected benefits of the reform are achieved. Some of the goals that have been set with respect to cost savings without detail on how this will be achieved are of concern. The statements above do not take into account the individual circumstances of Waimakariri District Council (WDC), nor the level of investment, maintenance, or service, that it has undertaken on its 3 waters networks in the last 30 years. The [REDACTED] is aware that WDC (and other local Councils) have a 3 waters network that is in a far superior state compared to many in the country, and as a result may have a view that the reforms would not be in the best interests of the rate

payers, the council, or the networks themselves. The statements and opinions provided in this letter are only to outline some of the concerns we see at a National level as to how the 3 waters networks are currently managed, and the states they are in, and to outline some of the potential benefits if the reform is managed and implemented well. The statements and opinions are also to highlight the real concerns around the actual implementation of, or transition to, a new model, and the impact it may have on the rate payers, the councils, and the contractors who are responsible for carrying out the work. I would like to thank you for the opportunity to submit on behalf of [REDACTED], and we would be willing to support in any further discussion. [REDACTED]

Screen Name Redacted

9/07/2021 04:59 PM

Dear Mr Dan Gordon, I am very sorry I am unable to help you as I have not been here for very long. I like the water here to drink though. I am a female and I will be 90 years of age on September 9th 2021. Yours faithfully,

Screen Name Redacted

9/08/2021 09:39 AM

Need more information

Screen Name Redacted

9/08/2021 10:11 AM

Government keep out.

Optional question (79 response(s), 3765 skipped)**Question type:** Essay Question

Q5 Please feel free to expand on your answers below, or share any comments you think should be considered if the reform goes ahead. (Please feel free to add further pages inside if you wish)

Screen Name Redacted

9/06/2021 08:40 AM

WDC keep control. We know our area & what it needs.

Screen Name Redacted

9/06/2021 08:56 AM

NO! NO! NO! This whole thing stinks of Auckland making New Zealand pay to rectify their problems with our assets and money. A glance at Auckland City Council ignoring their infrastructure problems. Please fight this evil scheme. I apologise for dreadful printing but I have been very indisposed. Regards [REDACTED] & [REDACTED]

Screen Name Redacted

9/06/2021 08:58 AM

I am extremely concerned that beauraucrates who know nothing of local issues will be making decisions which are impractical, illogical, irrelevant and ludicrous to the local situation. The recent freshwater regulations for farmers are a good example of this and how beaucrates who have no idea what is practical or possible - let alone letting us have our democratic rights.

Screen Name Redacted

9/06/2021 08:58 AM

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Screen Name Redacted

9/06/2021 09:17 AM

ECan prime example of making decisions without listening to the local people.

Screen Name Redacted

9/06/2021 09:21 AM

Who knows what our region wants - our Council local people running local assets. Why would we give control to national level?

We would miss out on control of our valuable asset; funding from it; the cost of having it; income from it; keep it local.

Screen Name Redacted

9/06/2021 09:24 AM

I would like to go with the councils decision

Screen Name Redacted

9/06/2021 09:26 AM

Why change something that is working well for us now.

Screen Name Redacted

9/06/2021 09:29 AM

Happy with the Waimakariri District Council.

Screen Name Redacted

9/06/2021 09:35 AM

Don't think its fair for us to subsidise others who haven't done upgrades that we have.

Screen Name Redacted

9/06/2021 09:38 AM

Communist control of all water typical of this communist govt. Our rates will end up funding upgrades in other areas, for sure crate jobs for the boys and anyone else who feels left out. Working group, discussion panels etc etc not needed. We pay for all this unnecessary Bullshit! If its not broke don't try and fix it

Screen Name Redacted

9/06/2021 09:39 AM

The tremendous work the Council have done over the last 15-20 years needs to be for our benefit and has been paid via our rates and Government assistance.

Screen Name Redacted

9/06/2021 09:42 AM

I do not want Maori representatives to have equal members on the board. That would be over representation as having 50% say in relation to Maori numbers in NZ 15%. There should be a referendum so we can all have our say.

Screen Name Redacted

9/06/2021 09:42 AM

At the end of the day this will not benefit our community

Screen Name Redacted

9/06/2021 09:42 AM

Have no faith in this government to make the right decisions on Water or their appointees. Feel they have their own agenda.

Screen Name Redacted

9/06/2021 09:38 AM

Communist control of all water typical of this communist govt. Our rates will end up funding upgrades in other areas, for sure crate jobs for the boys and anyone else who feels left out. Working

	group, discussion panels etc etc not needed. We pay for all this unnecessary Bullshit! If its not broke don't try and fix it
<p>Screen Name Redacted 9/06/2021 09:46 AM</p>	<p>Local decisions for local areas as there maybe many variances provincially. Maybe have an annual meeting to share ideas with all Councils.</p>
<p>Screen Name Redacted 9/06/2021 09:50 AM</p>	<p>I am worried that the whole region will be treated the same eg chlorinated.</p>
<p>Screen Name Redacted 9/06/2021 09:58 AM</p>	<p>We have now a great system funded by ourselves - involving other councils less prepared will impact on our infrastructure. The more people involved the worse it gets. We should look after our selves.</p>
<p>Screen Name Redacted 9/06/2021 10:04 AM</p>	<p>I don't want fluoride in our water. I go to Christchurch and drink it when in there and its terrible.</p>
<p>Screen Name Redacted 9/06/2021 10:16 AM</p>	<p>Just another bureaucratic monster that will achieve nothing and increase the rates on the local rate payers</p>
<p>Screen Name Redacted 9/06/2021 10:19 AM</p>	<p>Centralisation brings its own inefficiencies. If the electricity reform of the 80s is anything to go by its a failure. The reasons given are similar, but the infrastructure of the electrical assets are not well maintained either. If government cant even stop the Chinese company bottling our water for practically nothing it cant be trusted with dealing with water in general.</p>
<p>Screen Name Redacted 9/06/2021 10:24 AM</p>	<p>If it aint broke dont fix it.</p>
<p>Screen Name Redacted 9/06/2021 10:26 AM</p>	<p>Dont sell our water overseas.</p>
<p>Screen Name Redacted 9/06/2021 10:28 AM</p>	<p>We have beautiful drinking water so dont stuff it up. No way should the government have a say in our water.</p>
<p>Screen Name Redacted 9/06/2021 10:30 AM</p>	<p>Race based policies incompatible with a democracy.</p>

<p>Screen Name Redacted</p> <p>9/06/2021 10:33 AM</p>	<p>It is stealth of our assets. Big government is inefficient costly and their budgets always over run. Look what happened to electricity, stolen and very expensive, compared to Australia. No democracy in New Zealand.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 10:42 AM</p>	<p>Dont let a Labour government rule. I think Kaiapoi and Rangiora is being well managed together without being merged with other places. 67 councils is not what we live here for. What a joke.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 10:49 AM</p>	<p>I dont wish to give control of assets owned by 100% of New Zealanders to a minority group of less than 20%.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 10:55 AM</p>	<p>Makes it easy for government to sell waterworks and Scottish water reforms problems.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 10:56 AM</p>	<p>Extremely satisfied with the services in place.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:01 AM</p>	<p>Its all too rushed with not enough information. I dont trust the agenda.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:08 AM</p>	<p>Why the rush to decide? The Council needs more time. It is dangerous to lose local control.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:15 AM</p>	<p>We currently have great localised knowledgeable qualified governance and management of our water infrastructure by Council, whom we trust and have good access to. Why would we sell our district infrastructure worth \$602M to the govt for \$22m. We don't agree with all the money wasted on the current TV ads on 3 waters which are just insulting. We don't agree with the He Puapua document, so also do not want our water schemes to be governed/managed by people dependent on their race. We want a democracy where we are all New Zealanders, Kiwis and the best most qualified people run things for all people with not one race getting preferential treatment and benefits above others.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:18 AM</p>	<p>\$22m is not acceptable for \$602m asset. Our money will be used for rundown systems in other areas. Keep local. Govt record not good running national systems - eg 'poly techs' and health.</p>

<p>Screen Name Redacted</p> <p>9/06/2021 11:20 AM</p>	<p>I see this as far from improving anything the Council has planned for and rate payer money has paid for. No to water reform.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:22 AM</p>	<p>Not all information has been released.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:27 AM</p>	<p>I do not agree with this proposal of the Government. It will end up being more expensive and no locals involved with the management and operating it.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:35 AM</p>	<p>This reform appears to be being pushed through way too quickly - our water should be available for all New Zealanders and operated locally by people who represent us.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:37 AM</p>	<p>Opt In – It's a case of how to do it. Opt Out – A bit like Bradfords Power electricity change system. It won't work. The Havelock incident is an excuse to change the methods and system. 1. Who will staff the Govt change, and how many. 2. Will there be redundancies in Council Water staffing? Or will they transfer to the new group? 3. Who will lose their job? 4. Fix those that can't afford the cost. 5. It will be political suicide to make it mandatory. Dictatorship!! Govt won't do it.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:41 AM</p>	<p>We havent been given enough detail on how this would work. It appears a very rushed decision!! Costing a lot of money in this time of Covid - spend this money helping councils who have water issues and need extra finance for upgrades. Three Waters is going to create ye another LARGE government department out of touch with local issues, leave good working local councils doing what is best for our community!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:43 AM</p>	<p>This is far too rushed under covid! Leave as is.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:43 AM</p>	<p>Do not allow the billionaire Maori Tribes to get their grasping fingers on any public water, especially fresh water, non-negotiable. As so called "Maori's" constitute approximately 16% of the population, why has this communist govt proposed to give them 50% of the group of 12? Marring the make-up of board for each</p>

entity. While we still have the right to live in New Zealand, let's be very careful to protect the last few Districts where we still have a (very minor) say. We are losing all our rights under this racist, communist Government.!

Screen Name Redacted

9/06/2021 11:43 AM

It must not go ahead. Our council has worked hard over the past years years to provide out district with good water system, if the government get the vote on this 3 waters reform all will fall flat and go down elsewhere.

Screen Name Redacted

9/06/2021 11:45 AM

I am strongly opposed to the existing proposed 3 waters reform. I believe it will impact heavily and inequitably on Council's districts with lower rateable populations; these will also be the regions with the least voice to objection to a centralised control, and this will be long term. Also the amount the Government is offering the Waimakariri District Council is ridiculously trivial especially as a 1 off payment.

Screen Name Redacted

9/06/2021 11:49 AM

I am strongly against the three waters reform!

Screen Name Redacted

9/06/2021 11:50 AM

Don't think that enough information given and understanding of local area will be lost in a larger Government Department. The current running of this service is adequate and forward thinking as it stands now and it's managed efficiently and effectively. The proposal does not seem to be well thought out – the areas are too big to manage/give information to local areas.

Screen Name Redacted

9/06/2021 11:52 AM

The existing infrastructure is the result of good planning and modernising plant as required for both water and sewerage projects. Both are extensive and long term in their duration. Any reasons are frustrated by the level 4 lockdown we have at present. Our WDC area is a large one and although geographically flat for the most part engineering problems of supply and delivery do arise. Our WDC as responded to both supply and delivery of water sources after adverse events prove local can work quickly.

Screen Name Redacted

9/06/2021 11:52 AM

Seems a 'confused' introduction/proposal. Lets solve Covid first. Concerned our water could be 'sold' to overseas owners. Concept sounds sensible - just seems currently too many unanswered questions.

<p>Screen Name Redacted</p> <p>9/06/2021 11:53 AM</p>	<p>I consider that this proposal is a underhand way for central government to take control of locally owned assets at a budget price. These could be sold off to overseas or private company owners at a later date. Remember – Ministry of works – Railways – Forest service – State hydro – State Insurance. Which was government guaranteed but was independent. The former were assets owned by tax payers. Keep these services local, one failure in the North Island and the proponents of this scheme want to change something that has worked well for years.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:53 AM</p>	<p>It's a straight takeover by Wellington bureaucracy and we don't want it</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:54 AM</p>	<p>Ratepayers own the infrastructure. Councils only manage it. Don't you dare give it away.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:54 AM</p>	<p>Having lived and worked in Rangiora since 1965 and witnessed the standard of work done on our water supply, I am sure the three water reform will not meet these standards.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:55 AM</p>	<p>Our local Council will be more in touch with what is required to look after our environment.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:56 AM</p>	<p>I don't want it to end up like ECan</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:57 AM</p>	<p>I don't think Government can run anything. I don't trust them</p>
<p>Screen Name Redacted</p> <p>9/06/2021 11:57 AM</p>	<p>Keep government out of our lives</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:00 PM</p>	<p>3 waters is not a centralised resource so should not be managed centrally</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:02 PM</p>	<p>It will likely cost more rather than less, over time with layers of decision makers involved, it is difficult to see the positives, if any. Once made to hand over the assets the decision is irreversible</p>

<p>Screen Name Redacted</p> <p>9/06/2021 12:03 PM</p>	<p>If it goes ahead: i. Local ratepayers should receive full value for the assets being seized. ii. Need cast iron assurances it would never be prioritised or commercialised as happened eg in the UK. Thames Water Debacle – partly controlled by Chinese Government and prioritising dividends to shareholders over service provision.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:04 PM</p>	<p>Please vote NO!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:04 PM</p>	<p>Everybody in NZ has a right to clean, healthy and safe drinking water. Having worked in construction for many years both in NZ and overseas, I think the government's approach will be better able to supply the infrastructure needed for the future. Thanks very much.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:06 PM</p>	<p>I don't trust this present Government, as I believe there is an ulterior motive with this present Government. They never seem to get anything right. And you certainly can't trust a communist Government</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:08 PM</p>	<p>I don't trust this particular government to make decisions independently of their political agenda. I especially don't believe that one racial group should have the right of veto on any decision regarding water.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:08 PM</p>	<p>Bigger is always better - It is often detrimental waiting to see the bigger picture makes sense</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:09 PM</p>	<p>We have some of the best pure water in the country (NZ) and it virtually comes out of the ground like this. Lots of areas have to purify their water which is an expensive process</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:12 PM</p>	<p>I believe decisions such as this allow a democratic country. The three water ways is slowly moving this country into dictatorship with every little thing.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 12:13 PM</p>	<p>Increase in already bureaucratic system. Littered with red tape. Delays and significantly increased costs by a country mile. Im</p>

	<p>worried costs will rise. Damn right they will. The offer of any improvement to both infrastructure or quality - what a joke. its all about the money. Hundreds of more shiny arses on team calls, spreadsheets, document control and much less actual physical work towards a better service or outcome.</p>
<p>Screen Name Redacted 9/06/2021 12:14 PM</p>	<p>Do not have anything to do with it. We have first class 3 waters now. How would we benefit from having local control/accountability taken away from us. A Central Govt control. We know best exercise.</p>
<p>Screen Name Redacted 9/06/2021 12:14 PM</p>	<p>If government wants to take over council assets council should keep them and lease them at going rates for their value.</p>
<p>Screen Name Redacted 9/06/2021 12:17 PM</p>	<p>No!No!No!</p>
<p>Screen Name Redacted 9/06/2021 12:17 PM</p>	<p>Waimakariri Council have maintained the required infrastructure for our needs - this reform will result in an inequitable situation for ratepayers.</p>
<p>Screen Name Redacted 9/06/2021 12:20 PM</p>	<p>Stupid idea that won't deliver.</p>
<p>Screen Name Redacted 9/06/2021 12:21 PM</p>	<p>I have lived in the Waimakariri district for 34 years and have paid property and water rates. At no time have we ever run out of Water. Maintenance staff have been good at maintaining service and fixing any leaks. They know their way around the district and where the water lines are. I see higher water rates as being a big concern. We could lose this "good service" if these water reforms are passed. I am totally opposed to any changes. [REDACTED] [REDACTED]</p>
<p>Screen Name Redacted 9/06/2021 12:21 PM</p>	<p>The drinking water in most parts of Canterbury are the best in New Zealand. We need to ensure that continues by opting out, or we will be brought down to the lowest common denominator by a government that is trying to save costs.</p>
<p>Screen Name Redacted 9/06/2021 12:25 PM</p>	<p>Keep it local. I don't believe 1 large area eg SI can be serviced efficiently. Suspect small efficient water boards will be used to</p>

subsidise Auckland and Wellington who are in trouble.

Screen Name Redacted

9/06/2021 12:25 PM

Thank you for seeking feedback.

Screen Name Redacted

9/06/2021 12:30 PM

I believe this will ultimately turn into a 3 headed monster that will be completely out of touch with local knowledge and require an incredible amount of staff, as opposed to local Council's looking after their own area.

Screen Name Redacted

9/06/2021 12:31 PM

Wait and see how well the hospital amalgamations go, its probably another form of tax

Screen Name Redacted

9/06/2021 12:34 PM

This mailout was ruined by mailperson. Sorry about condition

Screen Name Redacted

9/06/2021 12:35 PM

I believe that once in government hands water supplies will be transferred to lwi

Screen Name Redacted

9/06/2021 12:38 PM

I think a lot more information and discussions between all parties should take place before any option is accepted.

Screen Name Redacted

9/06/2021 12:40 PM

Bodies will be dominated by large population bases. No local focus.

Screen Name Redacted

9/06/2021 12:40 PM

If it aint broke - dont fix it!

Screen Name Redacted

9/06/2021 12:44 PM

It makes no sense to have staff sitting on their hands when not needed, but there won't be enough staff when issues arise. Opting in will ensure staff become many with not enough to do because they are too far away. Local means timely attendance, good messaging as it is currently and happy ratepayers.

Screen Name Redacted

9/06/2021 12:45 PM

Comments noted in Other field above.

Screen Name Redacted

9/06/2021 12:46 PM

3 Waters will not work!

Screen Name Redacted

9/06/2021 12:48 PM

As a duly elected members of the WDC "All of you must use whatever is available to OPPOSE the Three Waters Reform as outlined by the present Government. We believe that as ratepayers your Council has done a wonderful job to achieve the current water assets that we have acquired.

Screen Name Redacted

9/06/2021 12:50 PM

Thank you for the opportunity to provide feedback. Have other concern around ending up with similar outcome to electricity supply (90s) reforms. Promised efficiencies but outcome was higher prices.

Screen Name Redacted

9/06/2021 12:50 PM

Our rates are expensive enough. Why should we fund other areas'. The Government needs to ask all New Zealanders before this is decided

Screen Name Redacted

9/06/2021 12:50 PM

Consider that NZ Govt could have a regulator/inspection anchor. Areas with poor infrastructure could have some form of local GST type tax to help pay for upgrades

Screen Name Redacted

9/06/2021 12:53 PM

[REDACTED]

Screen Name Redacted

9/06/2021 12:54 PM

We believe our council is doing a great job overall, in how it is managed and run. This shows up in how it is measured in its ratings and 30 year strategy. They put down new wells after earthquakes, have sorted flooding issues in West Kaiapoi, and communicate well. A big thank you to WDC.

Screen Name Redacted

9/06/2021 12:57 PM

I have dealing with ECan over water. I find them out of control. There is no local oversight. I see exactly the same thing happening with Three Waters.

Screen Name Redacted

9/06/2021 12:57 PM

I believe in democracy and the crown minister has publicly stated that she will override all councils who opt out. This is not democracy.

Screen Name Redacted

9/06/2021 01:01 PM

Funds always seem to end up supporting bigger populated areas.

<p>Screen Name Redacted</p> <p>9/06/2021 01:03 PM</p>	<p>By combining other districts standards of infrastructure with Waimakariri our standards will be diminished. Government should not interfere with local infrastructure but help where needed only.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:04 PM</p>	<p>SHE WHO CONTROLS OUR WATER CONTROLS OUR LIVES</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:05 PM</p>	<p>I strongly oppose any dismantling of a communities democratic right to make decisions that affect them.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:06 PM</p>	<p>Amalgamation never worked for rural communities</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:08 PM</p>	<p>Reject any regulations designed to control the worst player. Wrong strategy and outcome.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:14 PM</p>	<p>I would support opt-out as long as Council has adequate insurance cover for any major emergency and subsequent damage.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:17 PM</p>	<p>As an aside, I think the govt. should do the same with the multitude of power distribution companies.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:22 PM</p>	<p>I do not want the Govt to give Maori any more control over water than they currently have</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:24 PM</p>	<p>Danger of enforced treatment of drinking water</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:27 PM</p>	<p>We should be responsible and accountable on a local basis. We would be under a possible dictorial party, with as they say 'no accountability /responsibility' and human nature being what it is benefits would go to 'our interested groups?' the next step would be then to remove local Councils and putting them into Taumata Arowai. Trying not to be emotional, but concerns of taking our rights away, when we should be the responsible ones on a local basis.</p>

<p>Screen Name Redacted 9/06/2021 01:28 PM</p>	<p>This proposal by government needs considerable more thought and time for Local Councils and Rate payers to be able to make sensible submissions to government. Covid 19 & Lock down procedures have put a block on rates payers being able to attend meetings to discuss this issue. This whole issue has been presented to rate payers as though it needs to rushed through.</p>
<p>Screen Name Redacted 9/06/2021 01:29 PM</p>	<p>Feel this is another underhand, sneaky way tis government tries to slip these things in without consulting the wider public/community. Will probably end up living in the pocket of Maori gaining more and more rights for no common good of the community. The system works OK now - leave it alone.!</p>
<p>Screen Name Redacted 9/06/2021 01:31 PM</p>	<p>Water is a vital resource that needs local representation: I fear any attempt to nationalise water in this country will result in a bureaucratic shambles. Every water way is different (flow catchment, area, usage). One size does not fill all.</p>
<p>Screen Name Redacted 9/06/2021 01:32 PM</p>	<p>\$22m for \$602 m, call that a fair deal. No way. Plenty of people will line up for a better deal.</p>
<p>Screen Name Redacted 9/06/2021 01:37 PM</p>	<p>We have a high quality water system that works. Not efficient for us to change in the Waimak.</p>
<p>Screen Name Redacted 9/06/2021 01:40 PM</p>	<p>Dear Dan & Council: I fully agree with the above reasons with your council! I think our democratic rights could be further eroded as well.</p>
<p>Screen Name Redacted 9/06/2021 01:42 PM</p>	<p>The waters are far to muddy (Govt) for this to seep thru</p>
<p>Screen Name Redacted 9/06/2021 01:44 PM</p>	<p>If the Govt get a hold of this it will be a complete mess.</p>
<p>Screen Name Redacted 9/06/2021 01:45 PM</p>	<p>I want to be able to drink clean water by right</p>
<p>Screen Name Redacted 9/06/2021 01:47 PM</p>	<p>Totally against it. Thank you for form to register my opinion.</p>

<p>Screen Name Redacted</p> <p>9/06/2021 01:48 PM</p>	<p>There are four (4) Rate payers at our address and this response is for EACH of the 4 rate payers.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:53 PM</p>	<p>Totally against it. Thank you for form to register my opinion</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:54 PM</p>	<p>Keep it Local</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:57 PM</p>	<p>This will be the same as other reforms, less efficient and will end up costing ratepayers more - also subsidising other districts.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:58 PM</p>	<p>Currently responsible for our own waste water and stormwater. On HDC water scheme – expensive. They have downgraded our water quality by changing our supply from Ashley (beautiful water) to water from Leithfield – this may be potable but it certainly isn't palatable. - It damages hot water cylinders and elements - It leaves hard white residue on tap wear, basins etc - Bug extra individual expense for filter system and it's still not drinkable Will either WDC or 'Three Waters' address this??!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 01:59 PM</p>	<p>Bureaucracy never equals efficiency nor does it lower costs as the rates will remain at the same level undoubtable.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:00 PM</p>	<p>Where will it end</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:02 PM</p>	<p>Concerns private or other groups could end up having too much monopoly or power over water.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:02 PM</p>	<p>We are concerned our Council and our residents won't have an influence or voice under this (three waters) governance.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:03 PM</p>	<p>Central govt has a track record of failing to deliver on promised outcomes. I trust local govt to administer local issues better!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:04 PM</p>	<p>Can Councillors have an opinion??</p>

<p>Screen Name Redacted</p> <p>9/06/2021 02:05 PM</p>	<p>Govt has a poor record on the infrastructure front, so why would you pass your asset to an entity that has a history of poor management</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:05 PM</p>	<p>The more the team of 5 million can do and share together, the better.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:09 PM</p>	<p>I have complete confidence in the WDC. They listen to us. We area treated with respect and fairness. I feel we have a voice in our community. I trust that they will make good decisions on our behalf.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:09 PM</p>	<p>I think this is another example of this Govt trying to take away our freedom of choice with more racial bias. Another example of this labour govt using the old plan of divide and conquer and end up with more control of the people. Jacinda Ardern is a marxist after all!!!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:11 PM</p>	<p>Who will be in charge of the reform?</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:12 PM</p>	<p>This proposed change must be refuted entirely, it is unworkable, unmanageable, will incur horrendous cost increases and will sadly decrease our water quantity.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:13 PM</p>	<p>Locally controlled is best line of efficiency as the knowledge is on the spot.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:17 PM</p>	<p>████████████████████</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:17 PM</p>	<p>Totally opposed to this option. 1. it will cost more, it won't enhance efficiencies and we as ratepayers will end up funding other broken infrastructures. i.e Dunedin/Kiritane water pipe. Electricity companies and towns with no money.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 02:17 PM</p>	<p>Government doin this so they can deliver control to Maori - Te Puapua in action. You don't sell your assets for any amount of money - loose control or any promises, it may not be perfect but it</p>

is working and Councilors work in the best interest of their own Council.

Screen Name Redacted

9/06/2021 02:18 PM

I doubt whether this will be possible in future. Letter provided: I support the Council position of not joining the Three Waters Reform as presently proposed by Government for the following reasons: 1. The current proposal appears greatly under developed and seems to have no connection with the revision of the RMA or Local Government Review and the interrelated changes these must bring. 2. The sheer size and diverse nature within each of the four entities proposed to control the three waters, can only head to a disconnect with many local communities. This in turn will lead to a resulting lack of equity in services provided, especially between rural and urban. The present contribution from 'User planning' and 'User paying' through rates will likely be lost along with a probably loss of local interest and involvement. 3. The inclusion of storm water seems inappropriate because of its more critical relationship with other infrastructure, especially town planning, roading, conservation and land development. 4. While there is undoubtedly need for heavy investment in infrastructure and co-ordination of standards in many parts of the Country, I believe this could be provided by a highly professional Nationally funded body operating between Central and Local Government. [REDACTED]

Screen Name Redacted

9/06/2021 02:21 PM

No increase in water rates

Screen Name Redacted

9/06/2021 02:21 PM

It is not democratic of central government to force local government bodies in this way.

Screen Name Redacted

9/06/2021 02:23 PM

Taking away what the ratepayer has paid for. Have excellent water now, keep our assets in house.

Screen Name Redacted

9/06/2021 02:25 PM

One group of any ethnic culture should (not?) have control of the community water supply it is for all.

Screen Name Redacted

9/06/2021 02:25 PM

We have lovely water here why fix what aint broke

Screen Name Redacted

9/06/2021 02:26 PM

As discussed at the recent Waikuku Beach Meeting which we attended, there are a number of issues relating to water and

drainage which may not be addressed by a wider government body. We found the meeting helpful and there was immediate action taken with stopbank because of local representation and input. As a district we don't believe we will be financially compensated for what ratepayers and council own and are working towards improving. A sole governing body will probably not have the best interest of the local people as their priority. Thankyou.

Screen Name Redacted

9/06/2021 02:26 PM

This resource is owned by ratepayers. Govt will buy for pittance Maoridom get 50% say. Ratepayer will pay rates but up \$1,000 plus straight away per annum. A sell out [REDACTED]

Screen Name Redacted

9/06/2021 02:26 PM

We would end up subsidising Auckland because of the large populations there and their water issues.

Screen Name Redacted

9/06/2021 02:29 PM

6 + 6.?? What happened to "We are one"

Screen Name Redacted

9/06/2021 02:30 PM

6 local authority and 6 Mana Whenua appointees. This is apartheid.

Screen Name Redacted

9/06/2021 02:30 PM

Losing control of a valuable asset to Central Government is definitely not a good idea.

Screen Name Redacted

9/06/2021 02:31 PM

Enough of this Maori entitlement nonsense. We should all be working for the good of the country as Kiwi. Tell this communist Government where to stick their three waters reform.

Screen Name Redacted

9/06/2021 02:32 PM

Rate payers have paid for services over generations. We own it, not minority vocal groups pushing their own agendas.

Screen Name Redacted

9/06/2021 02:34 PM

I heard Leanne Dalzell saying Auckland is already started they have watercare. That is the best reason I can think of to reject the idea!!! Big is NOT always better. Depends who is in charge of 'big'! Auckland City amalgamation could have been 'better' but in fact a disaster.

Screen Name Redacted

I like decisions of what should be added to water, made by WDC

9/06/2021 02:38 PM

with public consultation like now, no treatment. Would be great if the registration for online survey was actually working. Filled in, cluck register and nothing happens. Will mail it instead. I have emailed [REDACTED] [REDACTED]

Screen Name Redacted

9/06/2021 02:38 PM

Keep our water under our control. do not join EVER!!!

Screen Name Redacted

9/06/2021 02:39 PM

Leave alone what is already working

Screen Name Redacted

9/06/2021 02:43 PM

It works fine the way it is and to change it would be a massive waste of time & money

Screen Name Redacted

9/06/2021 02:47 PM

In principle the 3 waters reform sounds a good idea, but like most large organisations they will not be efficient or have local issues at heart. Our council appear to be doing a good job so i would like to see it remain as such. If the reform should go ahead our rates will not go down and more taxes will be required to manage the reform, thats the way these things always work.

Screen Name Redacted

9/06/2021 02:48 PM

Just a asset grab by govt, to allow in future to sell off to third party

Screen Name Redacted

9/06/2021 02:49 PM

The government lacks enough talent in depth to run the services under consideration and their wish is to reduce democracy to a minimum level. This must be stopped. I am suprised that the Council has shown an interest in anybody's views. Is there an election or something? The reason, or main reason, that people show low levels of interest at election times is the low level of interest shown by MP's or Councillors except when they want to get back into power. Letter enclosed: We think that the proposed reforms are ill thought out, not democratic and would rail to achieve any successful long term aims, should the government proceed cost would increase, amendments to legislation would be necessary with reviews a plenty. (This is how they work!). Projects finished would not achieve the desired promises. Democracy demands that governments are, eventually held to account. When they fail feudal systems are accountable to only closely related relatives. The world has evolved its systems of government and made the feudal system long dead. This country has embraced it. Regional rep groups of six locally elected and six mana whenua (not elected) only one result - diluted democracy. The appointed

'independent' etc. Result - talk fests for old friends or tribe members. Easy money with no accountability except for members of the same organisation. What tests will be undertaken to ensure the board etc members are competent and able to carry through and understand the projects they are controlling. If infrastructure projects are required and subsequently agreed by the Government, Government money should be allocated to local authorities or groups of same to administer. If they get it wrong, throw them out and get new councillors in. Speck the minister approved to the project. Let the Government have another one of reviews, by which time, they should be out of power. This is if more than 25% of the population can be bothered to vote. [REDACTED]
Sorry no ink in lockdown!

Screen Name Redacted

9/06/2021 02:49 PM

I don't want this Government to take our water at all.

Screen Name Redacted

9/06/2021 02:49 PM

Three Waters reform will be no different than electricity reform or hospital reforms more people at the top - useless!

Screen Name Redacted

9/06/2021 02:54 PM

1. I don't trust the government to run our essential services - it can't even build houses! 2. The govt. could subsidize councils in need if required - far simpler!

Screen Name Redacted

9/06/2021 02:54 PM

A few years ago the Council spent a lot of money on water - lets keep it.

Screen Name Redacted

9/06/2021 02:56 PM

The regional representative group should be proportional to population numbers not racial divided

Screen Name Redacted

9/06/2021 02:57 PM

We agree with all of the above statements as to why the Council should opt out of the Three waters reform.

Screen Name Redacted

9/06/2021 02:58 PM

Reject it OUTRIGHT - another example of Central Government taking over the NZ world. This is just another example of 1) Rushed legislation without considering the long term effects. 2) The current government has a long (short!) history of failures - kiwibuild, covid effectiveness, child poverty. 3) Not surprising, this government is tearing along towards a communist state - ie everything owned by central government. remember the PM was president of the Com

league at her university.

Screen Name Redacted

9/06/2021 02:58 PM

Will start a water tax

Screen Name Redacted

9/06/2021 02:58 PM

The wee rural town will get forgotten about!!!

Screen Name Redacted

9/06/2021 02:59 PM

The concern is increasing rates and subsidising other districts of NZ

Screen Name Redacted

9/06/2021 03:00 PM

I am concerned the figures given have not been reviewed. I am concerned about the propaganda advertising 3 waters blatantly untrue images. I dont want us subsidising other areas who have not kept their infrastructure up to date. I am disturbed by the imbalance of maori representation which is over represented according to population

Screen Name Redacted

9/06/2021 03:01 PM

Locally people understand our area and water sources.

Screen Name Redacted

9/06/2021 03:01 PM

Our property was flooded about 10 yrs ago. Council said cause would be rectified. This year there was no flooding at all. I bout very much we would get this service with the 3Water scheme

Screen Name Redacted

9/06/2021 03:03 PM

I liken this proposal to the electricity reforms of the 1990's. Look at the disaster that turned out to be. i.e overpriced electricity charges and no improvement to services. My main concern about this proposal is the representation on the proposed 4 entities and how it will be made up. I suspect that it will be made up of a majority of people from a minority groups of people because if my memory serves me correctly this is what the minister indicated some time ago was her preference.

Screen Name Redacted

9/06/2021 03:04 PM

Everything this government touches turns to shit. I wouldn't trust them to do anything properly.

Screen Name Redacted

9/06/2021 03:04 PM

I think we should all have rainwater tanks & composting toilets and the water quality in the rivers is a disgrace. Plus I don't like all the Loburn Lea Stormwater coming down our creek - it reaches our

back door in a flood.

Screen Name Redacted

9/06/2021 03:05 PM

Our water infrastructure is modern well maintained and fit for purpose as it is. Please note the reforms suggested would not have helped our recent flooding situation.

Screen Name Redacted

9/06/2021 03:06 PM

I think our elected Councillors should take the advice of our employed professionals.

Screen Name Redacted

9/06/2021 03:07 PM

The final in/out decision should be based on an appropriate measure of existing facilities being in place, along with an appropriate compensation package. Local body control of projects has in the past allowed dubious financing systems (e.g. Oxford Sewerage System), and this will be less easy to do in a large organisation.

Screen Name Redacted

9/06/2021 03:08 PM

This decision should not be made at this time 30/8/2021

Screen Name Redacted

9/06/2021 03:08 PM

As a current rural resident, i feel like the distribution, collection and disposal of all types of our regions water is best done by people who know the local conditions and equally are accountable to local voters. This would certainly be lost if the 3 waters reform was controlled by central govt.

Screen Name Redacted

9/06/2021 03:13 PM

Nothing wrong with the present system

Screen Name Redacted

9/06/2021 03:14 PM

1. Concerned at government agenda to incorporate selected groups into control function - eg tribes. 2. Government seeking to exercise control so as to facilitate drawing water from Waikato River for Auckland.

Screen Name Redacted

9/06/2021 03:15 PM

We through our rales have paid for the existing infrastructure and to be just giving it away to central government!

Screen Name Redacted

9/06/2021 03:16 PM

Feel very strongly for above reasons. How on earth does our water the same requirements over total south island - Get real. Thank you for options.

Screen Name Redacted

9/06/2021 03:17 PM

we need local people who understand. Look at our local open drains, a mess. Starvation Hill Road; a mess, no one cares. A waste of time reporting - nothing done.

Screen Name Redacted

9/06/2021 03:22 PM

I'm concerned they will get this then sell the asset to a private enterprise then gets owned by another country like China. Just look at Marsden Point Refinery. So short sighted.

Screen Name Redacted

9/06/2021 03:28 PM

I feel we need to opt out of this reform. Federal government and the NZ Labour Party have lost touch.

Screen Name Redacted

9/06/2021 03:29 PM

The Scottish water model works well. 4 large authorities must be make efficient than 67 Council's across a population of 5 million. I have worked with several Council's 3 waters teams across NZ - they are not efficient.

Screen Name Redacted

9/06/2021 03:30 PM

We feel that decisions are better made closer to the source and fear more beauracracy.

Screen Name Redacted

9/06/2021 03:33 PM

This Government applies blanket rules to everything and puts time pressure on decisions to their advantage not ours. "not working for New Zealanders"

Screen Name Redacted

9/06/2021 03:35 PM

Don't trust current Government to deliver this effectively. Too many fails already.

Screen Name Redacted

9/06/2021 03:36 PM

We need to keep the control of our water!!!

Screen Name Redacted

9/06/2021 03:38 PM

Don't want all decisions being made in Wellington. Some things Government have taken over aren't working all that well, e.g. DHBs. Maybe Government could give extra to smaller populated councils to help with water issues!

Screen Name Redacted

9/06/2021 03:45 PM

Couldn't endorse second box any more.

<p>Screen Name Redacted 9/06/2021 03:46 PM</p>	<p>The more the Government combines and controls things, the less say people have. MP's already don't listen to what public have to say - they won't care about water problems.</p>
<p>Screen Name Redacted 9/06/2021 03:50 PM</p>	<p>This proposal rewards local bodies that have not invested in 3 waters at the expense of those who have - by picking up the bill for poor management</p>
<p>Screen Name Redacted 9/06/2021 03:51 PM</p>	<p>Please avoid our three waters infrastructure to be sold off and as our community refused to let mainpower be sold, you must keep our local three waters under our Local Management.</p>
<p>Screen Name Redacted 9/06/2021 03:59 PM</p>	<p>If it is not need fixing please leave alone. I have lived in Rangiora all my life, i think what Waimakariri District Council provides us is excellent. Leave alone thanks Government you have more important things to work on. My rates over the years has paid for the excellent service that Waimakariri provides us. We don't want that to change thanks.</p>
<p>Screen Name Redacted 9/06/2021 03:59 PM</p>	<p>Controls will never end.</p>
<p>Screen Name Redacted 9/06/2021 04:00 PM</p>	<p>There can only be one answer. The Rangiora existing water is excellent and any change would probably involve adding chlorine and/or fluoride. I have studied the drinking water for 2 years and there is no build up of any type over this period of time.</p>
<p>Screen Name Redacted 9/06/2021 04:00 PM</p>	<p>We will lose all our equity in our own funded water assets, Daylight robbery</p>
<p>Screen Name Redacted 9/06/2021 04:00 PM</p>	<p>Its up to the Council to manage our water. I don't trust this Government to run anything!!!</p>
<p>Screen Name Redacted 9/06/2021 04:01 PM</p>	<p>Water is a universal asset. No one cultural identity should have a preferential right of influence</p>
<p>Screen Name Redacted 9/06/2021 04:01 PM</p>	<p>Hands off Jacinda!</p>

<p>Screen Name Redacted</p> <p>9/06/2021 04:03 PM</p>	<p>Big isn't always better. This proposal is just nationalisation of local assets by stealth. Look at the result of the amalgamation of individual authorities into Greater Auckland. Ask folk in the old Rodney County - as I have - whether they consider they have benefitted by the amalgamation. General opinion seems to be negative.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:04 PM</p>	<p>Why fix something that is not broken, some how we will end up paying more for option one</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:05 PM</p>	<p>Race based regional representative groups is undemocratic and favors one racial group on population bases</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:05 PM</p>	<p>I am proud to live in Waimakariri, I like this Council. As much as I worry about rates being so expensive for me at the moment, I am happy to pay for a job well done. Please Waimak Council, stay in control for all the people that trust in your care & organisation</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:06 PM</p>	<p>Above option is based on what is best for Waimakariri. Decision would be different if based on what is best for New Zealand. If all councils who have satisfactory three waters opt out the new system will not work.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:06 PM</p>	<p>More bureaucracy, more centralised government, more difficult to govern, more public servants. This is a move to a centralist communist system. Along with the health system, this government are out of their depth now just imagine running this from Wellington. No mention of costings!!</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:07 PM</p>	<p>I would like to see more funding from government for major works (to help poor communities) but control still within local authorities.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:09 PM</p>	<p>Rangiora water is the best as it is without chlorine!! Also I feel for the rural communities how it will affect them.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 04:09 PM</p>	<p>Leave it as it is. The government has no rights to do this. Another shocking idea of theirs. Form a group - petition if it does go ahead.</p>

<p>Screen Name Redacted 9/06/2021 04:11 PM</p>	<p>Hold a referendum at next election. This is a matter of public asset reformation and the whole population not just iwi should be consulted via a binding referendum at the next election.</p>
<p>Screen Name Redacted 9/06/2021 04:11 PM</p>	<p>I would like to think that Option 1, in the very long term (20-30 yrs) will be of affordable value for money and renewing outdated infrastructure and think that the South Island needs a greater participation in it's own 3 waters responsibility.</p>
<p>Screen Name Redacted 9/06/2021 04:11 PM</p>	<p>I think Waimakariri District Council is doing a good job now without Government interference.</p>
<p>Screen Name Redacted 9/06/2021 04:14 PM</p>	<p>I think the assets in our area have been paid for by our rate payers and belong to the area.</p>
<p>Screen Name Redacted 9/06/2021 04:16 PM</p>	<p>Currently WDC audited via the LTCCP process. This protects ratepayers. Our water at the beach is perfect.</p>
<p>Screen Name Redacted 9/06/2021 04:19 PM</p>	<p>Just a rip off now way.</p>
<p>Screen Name Redacted 9/06/2021 04:19 PM</p>	<p>*No recognition of past or present ratepayer investment and diligence in building good infrastructure assets - its 'theft'. *WDC will always be low priority because of small population - look how they split the areas up, almost all of S.I. because hardly anybody lives there! *WDC voters should continue to demand local efficiency and quality of management. That plus local knowledge should far exceed so-called better management from Wellington.</p>
<p>Screen Name Redacted 9/06/2021 04:22 PM</p>	<p>This initiative is theft by stealth. The ratepayers of Canty have invested millions of dollars over the years developing a satisfactory system. These assets must be protected.</p>
<p>Screen Name Redacted 9/06/2021 04:24 PM</p>	<p>The three waters assets are owned and paid for by the rate payers of the Waimakariri District. Under no circumstances do we agree to the appropriation of these assets to the government or any other such organisation. The rate payers should not be forced to give up the right to determine who will be responsible for administrating these services to the Waimakariri District.</p>

Screen Name Redacted

9/06/2021 04:24 PM

Also, if we have a good water system I know our rates won't come down but at least the money will still be spent in our district. Don't let the government take over we will all lose.

Screen Name Redacted

9/06/2021 04:25 PM

If this proposal goes the way of the Council amalgamation in times past (i.e. winners + losers) Kaiapoi (Loser - Rangiora winner) the effects of the proposal will be very uneven across the country and I want no part of it.

Screen Name Redacted

9/06/2021 04:27 PM

Privatization of natural resources is theft from our nations people. Nothing can be gained by granting control to entities who can take out loans on 'our' behalf from private investors.

Screen Name Redacted

9/06/2021 04:27 PM

This will not be better for us. Not in favour at all. We've spent a lot of money getting it right here and don't want to hand it over to a big bureaucracy. Bigger isn't better just look at the mess in Christchurch after the earthquake. WDC did it right here while they were still arguing. Mike Yardley said it all in the Press August 17. All those proposed reps on big salaries?? I don't think so!

Screen Name Redacted

9/06/2021 04:28 PM

I trust the Council more than I trust the Government.

Screen Name Redacted

9/06/2021 04:29 PM

Rates including water are high enough now option one will certainly increase yearly

Screen Name Redacted

9/06/2021 04:31 PM

Waimakariri has some of the best drinking water in NZ and I don't want this to change

Screen Name Redacted

9/06/2021 04:32 PM

Why do we need a new body which will cost a fortune in administration costs, if we already have the Council doing it!

Screen Name Redacted

9/06/2021 04:34 PM

Local knowledge is so important. It will be a great big fiasco.

Screen Name Redacted

9/06/2021 04:35 PM

Very happy with how things are at present.

Screen Name Redacted

9/06/2021 04:37 PM

The people of Waimakariri need local options, not a body that controls from south of Marlborough to Bluff

Screen Name Redacted

9/06/2021 04:41 PM

Having followed this story/reform proposal and read widely on it, the proposed claims of efficiencies are wildly overstated and this govt's history of non-delivery will mean any costings (error-ridden as they are) will likely blow out and be far greater than budgeted.

Screen Name Redacted

9/06/2021 04:42 PM

For some communities opting in could be better in terms of providing them with better service. For communities who have good systems in place it may be a hindrance - where we cannot make decisions for ourselves.

Screen Name Redacted

9/06/2021 04:44 PM

We have a goo workable infrastructure now and control it locally - why would you try to reinvent it, you will not be able to. I fear that already stated the new govt scheme will be more complicated to run and going forward the govt scheme will be possibly turned over fully to Maori - then we'll be properly in the dumps. As I am a rate payer to W.D.C for many years I would be very annoyed if you were to give away an asset I have worked hard and contributed to pay for. Totally opposed

Screen Name Redacted

9/06/2021 04:46 PM

I think the Kaiapoi ward is in a very strong position to stand on its own

Screen Name Redacted

9/06/2021 04:55 PM

In my opinion and based on past experiences I do not like or believe centralisation is the best way forward, equitable distribution of funding is difficult to achieve and economies of scale rarely occur. It is difficult to see any major benefits occurring to WDC

Screen Name Redacted

9/06/2021 04:57 PM

Govts vague proposal has totally no merit and should be resisted at all possible means. It is purely ideological rubbish! Waimakariri's 3 water management is good & shouldn't be tampered with.

Screen Name Redacted

9/06/2021 04:58 PM

Government loans to councils who do not have the infrastructure and/or who are not complaint to meet the standard required by the govt regulations. Any government (national) that does not consult its constituents prior to major reform is not acting democratically. In our view this national government is not interested in listening to those who are effected by their reform and are keen to push

through quickly and legislation that has negative impact on law abiding individuals and groups. Thank you for giving us the opportunity to have our say in regard to this proposed reform of the three waters.

Screen Name Redacted

9/06/2021 05:01 PM

Why should we subsidised those areas that haven't got what we have and have already paid for or are paying for already

Screen Name Redacted

9/06/2021 05:01 PM

I don't think the Government should expect the council to hand over assets created and paid for by the community for such a small amount. I think the Government projections could be quite inaccurate as it is over a thirty year period. Perhaps they are trying to make their reform seem very cheap and the projected Council they quote much clearer.

Screen Name Redacted

9/06/2021 05:09 PM

- Veto rights by only part of our culture concerns me. - Council 'loses' assets to the big scheme and therefore loses as element of control over their use and care. - Maintenance of a democratic process is important.

Screen Name Redacted

9/06/2021 05:13 PM

Merging Councils has never benefitted outlying areas. Infrastructure has to have local input, not from modelling. This can only lead to disaster for local areas with funding spend in 'favoured areas'. Infrastructure and services must be managed locally by fair minded, elected representatives. Not by government appointed officials with personal agendas. 98% of New Zealanders identify with two sides so to choose one is not who we are. Local people elect who they choose to manage.

Screen Name Redacted

9/06/2021 05:59 PM

Our area, Sandona in Ohoka has on-going problems of the flood water. So we need the upgraded plan and have to be solved these chronic problems by these new scheme of government preferentially.

Screen Name Redacted

9/06/2021 06:12 PM

It is a definite no to having to pay for the amount of water we use. In Waimakariri many of us enjoy flower and veg gardens, and also pride ourselves on good lawns. I fear this would go should we have to pay leaving the town looking unloved. I fear this would happen if Government took control charging us to visit beaches and rivers.

<p>Screen Name Redacted 9/06/2021 06:27 PM</p>	<p>Centralised systems do not add efficiencies. They help to build empires.</p>
<p>Screen Name Redacted 9/06/2021 06:38 PM</p>	<p>I think that the smaller areas will be lost in this scheme and have no say to future decisions. Please leave it to local councils whom know the areas and what people need!!</p>
<p>Screen Name Redacted 9/06/2021 07:19 PM</p>	<p>If it goes ahead government needs to ensure local say before changes happen. Doesn't have to be a one size fits all but have individual plan/service for local conditions as wide variation across Aotearoa in a fair way. Not sure what that will look like. Definitely a no from me to present proposal.</p>
<p>Screen Name Redacted 9/06/2021 07:29 PM</p>	<p>If you want your car fixed you take that advice from a mechanic. Government never contact the people or get the right information.</p>
<p>Screen Name Redacted 9/06/2021 09:12 PM</p>	<p>I am afraid that it gets to big and that they are not fully aware about local areas especially smaller places.</p>
<p>Screen Name Redacted 9/06/2021 09:20 PM</p>	<p>Any company that comes in to take over like [REDACTED] will be there to make money and maybe take short cuts in installations.</p>
<p>Screen Name Redacted 9/06/2021 09:23 PM</p>	<p>The pamphlet sent out with this was very informative. I trust the council to do the right thing. Thank you</p>
<p>Screen Name Redacted 9/06/2021 09:25 PM</p>	<p>Governments change, water etc. can be used as pawn - the less say Govt has the better</p>
<p>Screen Name Redacted 9/06/2021 09:33 PM</p>	<p>History shows that by changing ways that something is actually working - we get problems we never expected.</p>
<p>Screen Name Redacted 9/06/2021 10:03 PM</p>	<p>Small communities like ours would have our autonomy stripped away & we would be at the mercy of other larger areas. We are essentially giving away our ownership of a resource we have managed well. I believe the cost of our water is going to rapidly increase. The government could easily legislate to improve water quality - it doesn't need to take over control and ownership.</p>

<p>Screen Name Redacted</p> <p>9/06/2021 10:31 PM</p>	<p>It does not make sense to have it all lumped in together. It does not make sense to have it all together ei. West Coast water supply lumped in with Canterbury water. Why should the Maoris be involved with our water? After all we are supposed to be all one.</p>
<p>Screen Name Redacted</p> <p>9/06/2021 10:43 PM</p>	<p>A lot of life stylers have their own schemes. And have to pay rates on them with no compensation</p>
<p>Screen Name Redacted</p> <p>9/07/2021 07:53 AM</p>	<p>Keep as much work and expertise local.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 08:11 AM</p>	<p>In the case of CCC gross miss-management of it's water system it seems highly likely we will end up laying for and fixing that, which in turn will result in us being the poor forgotten sibling and miss out on much needed upgrades.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 08:13 AM</p>	<p>All seems a bit rushed. The Govt appear to want to push this through without due diligence & transparency</p>
<p>Screen Name Redacted</p> <p>9/07/2021 08:16 AM</p>	<p>Important to have local knowledge of waterways gathered over past years.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 08:23 AM</p>	<p>Not enough detail has been released. The government need to create the Act to cover this and then put it out in a referendum for all New Zealanders to vote on, and come into force 12 months after a "yes" vote. More detail is needed to make an informed decision.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 08:30 AM</p>	<p>I have ticked all the options in Option 2 because there are too many hidden agendas in the Opt-in proposal. Cost to rate payer, too many members on the different boards, and \$22m Government support for Waimak water assets of \$602m is a rip off. We have been a Waimak District rate payer for 46 years.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 08:31 AM</p>	<p>No-one owns the water but the reform could well put it into the hands of a commercial entity</p>
<p>Screen Name Redacted</p>	<p>1. The Sth Island needs to control the Sth Island on its own not</p>

9/07/2021 08:35 AM

from Wellington or Auckland. 2. We need to get a committee of bright business minds to sort this out. 3. The Romans worked out how to shift water about, over 2000 years ago. 4. We could shift enough water about for the Sth Island from the metres we waste every year from the Milford area. 5. Because we are minority in population we certainly cannot trust this Govt, even with their 22 million dollar bribe. 6. If we vote "yes" we are about to be "screwed". 7. If the Govt are that worried how come they are just starting to wake up? 8. As a country we need to start taxing people equally, not just screwing rate payers. 9. Doesn't everybody use water the same? Thank you for the opportunity to reply.

Screen Name Redacted

9/07/2021 08:39 AM

I am concerned that if we allow this Government to do this they will be encouraged to introduce anything they see fit without proper consultation

Screen Name Redacted

9/07/2021 08:44 AM

All councils have their particular needs and prioritise. One size does not fit all. Thank you.

Screen Name Redacted

9/07/2021 08:44 AM

The Council is better positioned to act in the best interests of its citizens than a South Island wide authority. The new body will be 50% lwi controlled and 50% council appointees too easy for lwi to gain control by having one sympathetic council appointee. These assets have been funded through generations of rate payers in the district. Giving them for a few dollars to another entity is simply wrong. Finally I simply dont trust the government. It its promoting it then its not in the best interests of the majority.

Screen Name Redacted

9/07/2021 08:45 AM

What happens to all the Council workers if this reform goes ahead? Is this the Government's way of a clean out or a legitimate way forward? I think we need a task force to oversee all work as needs are different around our New Zealand. Some like West Coast get lots more rain than Canterbury/Marlborough is hotter than Southland. Needs are different so more than 1 or 2 groups are needed. Don't put us out to pasture because we don't live in Nth Island.

Screen Name Redacted

9/07/2021 08:46 AM

In the future we plan to live at [REDACTED] so are very keen for water to be managed properly at local level

Screen Name Redacted

Once we lose local we will be in a worse situation and we pay rates

9/07/2021 08:49 AM

for our local area. Absolutely no.

Screen Name Redacted

9/07/2021 08:51 AM

Screen Name Redacted

9/07/2021 08:52 AM

It is obvious to us that the Three Waters proposal is political rather than what is best for the country. Also as pointed out they are saying that all people will pay for this service. What about those that have their own provision of which the Three Waters would not provide for. Therefore, why would we pay for it. I think outside of our situation that Waimakariri District Council do a far better job than what is proposed.

Screen Name Redacted

9/07/2021 08:52 AM

Pathetic offer by govt to compensate our investment in our water systems

Screen Name Redacted

9/07/2021 08:54 AM

Just do, can see the benefits

Screen Name Redacted

9/07/2021 08:56 AM

I'm concerned that our residential rates will also be increased for what return? Bureaucratic demands for services unseen!! I have complete confidence in the WDC determination to take a positive stand.

Screen Name Redacted

9/07/2021 08:58 AM

The "Reform" looks far too complicated Not enough information to the public or councils. Totally against water reform as it stands.

Screen Name Redacted

9/07/2021 08:59 AM

Big government coffers = by infrastructure investment Small council rates = small investment into infrastructure. Plain and Simple

Screen Name Redacted

9/07/2021 08:59 AM

We don't want anything put into our drinking water like chlorine it tastes better without it. My daughter comes from Christchurch and cant drink the water and fills up bottles from here and takes back with her. The government have no idea or less they are living in the district how things work. I have been through this before I came down here in Auckland and what a mess they are in now.

Screen Name Redacted

Also very concerned that large non-local companies (possibly

9/07/2021 09:10 AM

overseas companies) will win contracts to do the business nationally and squeeze out local businesses which is not good for our community or economy

Screen Name Redacted

9/07/2021 09:11 AM

The unacceptable water supply at Havelock North should not be used as an excuse for the Governments proposed Three Waters Reform. I believe most Councils in New Zealand provide acceptable standard of Three Waters Services in their areas of responsibility. In my opinion it would be more appropriate to establish a Three Waters Supervisory Authority to set the standards for the Three Waters, and then regularly review and oversea the standard and management of the Three Waters for each local authority. When it is established that the local council is not managing the Three Waters of their area of responsibility to the required standard, then the Three Waters Supervisory Authority should have the authority to direct the local council to bring the Three Waters in the area of responsibility up to the required standard. The National Three Waters Supervisory Authority should have the necessary administrative and engineering staff to carry out the review of the Three Waters of each local council, and be able, if necessary, to provide engineering and management support to any local council that need assistance to get any necessary upgrading work done. The supervisory Authority should also be able to provide financial assistance to assist the any small local council which need financial help to bring their Three Water up to an acceptable standard.

Screen Name Redacted

9/07/2021 09:12 AM

This is a very important topic to address. There are plus and minus for both sides of this argument. We do need to keep control to the three waters reform but we also need to participate in forums with the Government to get all ideas and input. There is a need for Government interaction. Firstly to keep everyone honest. The people chosen to control three waters at Council level need to be local, practical and of mature age. But we also need academic people with degrees in this field and young as well for a new perspective. An independent transparent company to consult on major projects who will be reasonably priced, who will charge the Council who will be reimbursed by the Government with quotes to be made public before any are accepted.

Screen Name Redacted

9/07/2021 09:14 AM

I can't see why we should subsidise other councils

Screen Name Redacted

In Pegasus we have relatively new water infrastructure and the

9/07/2021 09:18 AM

fresh water supply has already been modified once at our expense. The council has done a very good job in managing our needs and I believe our voice will be lost in a larger organisation. I do not believe there will be cost savings in fact quite the opposite as it will become more bureaucratic.

Screen Name Redacted

No [REDACTED]

9/07/2021 09:19 AM

Screen Name Redacted

We must have "Open" discussion. 12 months. Right of Refusal requested. Vote (general election) on the proposal

9/07/2021 09:21 AM

Screen Name Redacted

Major decisions require due consideration!!

9/07/2021 09:22 AM

Screen Name Redacted

Just say no - they want our water, land and houses - cars - trucks. We want democracy and freedom. Not agenda 2030.

9/07/2021 09:22 AM

Screen Name Redacted

Please do not let the idiots in Wellington touch our water schemes - they probably do not know where Waimakariri is!

9/07/2021 09:24 AM

Screen Name Redacted

It is just a layer of bureaucracy we don't want or need adding to more costs

9/07/2021 09:25 AM

Screen Name Redacted

Would like to see reforms considered as part of a package incl. changes to the RMA etc... suspicious of more centralised control and doubtful of efficiencies.

9/07/2021 09:25 AM

Screen Name Redacted

The way things are work well. Its not broken. Government should not be telling local government what to do.

9/07/2021 09:26 AM

Screen Name Redacted

Keep it local.

9/07/2021 09:27 AM

Screen Name Redacted

Historically centralising infrastructure has led to poorer outcomes for regions, increased bureaucracy and delayed maintenance and upgrades. We strongly oppose this proposal.

9/07/2021 09:28 AM

<p>Screen Name Redacted</p> <p>9/07/2021 09:28 AM</p>	<p>I just have more faith in council. This is based on your track record.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:33 AM</p>	<p>I think we need more info and discussion - I'm not ready to commit to one or the other yet. But i do want a fair way for all in Aotearoa NZ.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:34 AM</p>	<p>I am strongly opposed to any change to how we have our 3 waters controlled by another entity. Waimak drinking water is, I consider, high grade. I can see if this supposed entity comes into force not only are we going to pay more for our 3 waters but we will also be paying for the councils that are not doing such a great job with their water (ie Auckland etc)</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:35 AM</p>	<p>No, No, No 1) We only need to see what has happened to our electrical supply in New Zealand and how expensive power has got 2) Water will end up costing more to ratepayers 3) WDC rat payers will subsidise other areas in NZ 4) Chlorine and fluoride will be added to our water supply 5) Water is already badly mismanaged i.e Chinese bottling water and exporting Keep the system as it is</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:36 AM</p>	<p>If it's not broken don't waste money & time trying to fix it</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:37 AM</p>	<p>Govt could set up standards that need to be met by all Council's, they can audit each Council and take over control if the LTP and operators don't match - Like they do to school boards that don't function.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:38 AM</p>	<p>It should be managed by people who understand our area and water conditions</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:42 AM</p>	<p>We have an excellent water supply in our district and over most of Canterbury storm and waste water are well managed. We don't want to be linked in with other areas, nelson has a very limited water supply. The West Coast was too much.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 09:42 AM</p>	<p>Born and bred in Rangiora I have never had any problem with the water or waste water within the community. Our local team do a</p>

	great job and i feel should be left the way it is and not run by the Government.
Screen Name Redacted 9/07/2021 09:42 AM	We have an asset worth a lot more per year than the Govt are going to put towards it. \$22m? As a ratepayer we're worried about our water being looked after (or not) by an outside provider. WDC does an awesome job of managing this as it is.
Screen Name Redacted 9/07/2021 09:43 AM	Since assuming office the Labour government has pushed for water fluorination and chlorine treatment. They have tried to force this upon local authorities and having failed are now seeking to achieve their aims by taking over the water supply.
Screen Name Redacted 9/07/2021 09:44 AM	Too complex for the general public to understand.
Screen Name Redacted 9/07/2021 09:45 AM	The Acquisition of 3 water assets is nothing short of robbery
Screen Name Redacted 9/07/2021 09:45 AM	We are already being ruled by the Labour party so they should keep out of things they know nothing about.
Screen Name Redacted 9/07/2021 09:50 AM	Remember they tried to have a super city in Wellington and it got thrown out for good reason. This is being rushed through deliberately the short time given considering covet makes it even worse. What is happening to democracy.
Screen Name Redacted 9/07/2021 09:51 AM	Local government means governing locally
Screen Name Redacted 9/07/2021 09:51 AM	After paying rates into our local scheme for years, to get a good system, we need to keep control of the local asset
Screen Name Redacted 9/07/2021 09:54 AM	Centralisation (bigger is better) does not work, Bureaucratic layers are inefficient and costly don't dispose of our assets
Screen Name Redacted 9/07/2021 09:56 AM	We don't need more central Government interference in local issues

<p>Screen Name Redacted</p> <p>9/07/2021 10:00 AM</p>	<p>Undemocratic and rushed and not enough understood generally for informed decisions lack of constitution</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:03 AM</p>	<p>We definitely are against the Governments proposal to have three water services. We want our Council to control our water systems and keep providing our community with the quality water & services we currently have</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:04 AM</p>	<p>My husband [REDACTED] and I are deeply concerned about having a voice in the way Three Water services are provided. We prefer having this service provided by locals familiar with the Waimakariri District. We do not want our water rates to end up funding upgrades in other areas. Why restructure something that is not broken. Is the big picture/goal of this reform benefiting out district? Perhaps not.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:04 AM</p>	<p>Creating another entity doesn't deliver quality water. Building or improving the quality of equipment does. Use rates/funds to improve quality and not pay for more office desks.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:06 AM</p>	<p>There is absolutely no way I and 5 others can accept \$22m for an asset that has a valuation of \$602m</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:06 AM</p>	<p>It's worked so far so why change and loose control of our services. Leave it as is. Cheers [REDACTED]</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:12 AM</p>	<p>Every time we join up into one big organisation we finish up worse off. Look what happened when they closed all small country hospitals and small country schools, don't join up, just let us continue to look after ourselves PLEASE</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:14 AM</p>	<p>[REDACTED]</p>
<p>Screen Name Redacted</p> <p>9/07/2021 10:15 AM</p>	<p>There is no element of the government's 3 Waters proposals that will improve delivery of these services in Waimakariri. Transfer of responsibility for these services to an unelected and remote bureaucracy is of significant concern.</p>

<p>Screen Name Redacted 9/07/2021 10:15 AM</p>	<p>All farmers with stock trap their run off water into a catchment area for their own use and not into rivers and waterways. Let the Government proceed with their plans for the North Island but at this stage leave the South Island alone.</p>
<p>Screen Name Redacted 9/07/2021 10:18 AM</p>	<p>The larger the system, the less efficient it will become, hence more expensive</p>
<p>Screen Name Redacted 9/07/2021 10:18 AM</p>	<p>- Bigger is not always better. - The reform would facilitate privatisation in the future which I would oppose. - I believe the ability to make decisions at all levels should remain local. - Does the reform apply to all NZ households?</p>
<p>Screen Name Redacted 9/07/2021 10:19 AM</p>	<p>Wellington would have full control</p>
<p>Screen Name Redacted 9/07/2021 10:22 AM</p>	<p>Local water infrastructure is in good order, I don't want to have to pay or subsidise other areas with substandard water infrastructure</p>
<p>Screen Name Redacted 9/07/2021 10:25 AM</p>	<p>This must never happen. This council needs to opt out immediately and advise all other councils to do the same. Most New Zealanders are sickened by htis Labour government and the communist J Ardern dividing our nation, undermining our democracy, then handing everything to Maori tribes. Tribalism is heinous. Look at what just happened to Afghanistan. This is apartheid. Partnership with the Treaty of Waitangi is a lie. This is my country too. Good on WDC not having a Maori ward but having a referendum on 3 Waters.</p>
<p>Screen Name Redacted 9/07/2021 10:25 AM</p>	<p>The Waimakariri District Council's water asset belongs to the rate payers of the district. I look forward to the debate on this issue.</p>
<p>Screen Name Redacted 9/07/2021 10:28 AM</p>	<p>In adequate time frame for consultation to change the whole country because of one inefficient council is totally ridiculous. It seems to me to be a devious way of putting what rate payer own, into the hands of others.</p>
<p>Screen Name Redacted 9/07/2021 10:28 AM</p>	<p>It sounds like a lot of bureaucratic empire building, larger is not always efficient. Who will we direct any complaints to? How fast would a new reform operate quickly during the recent local floods?</p>

Decisions this large need more time for constructive discussion.

Screen Name Redacted

9/07/2021 10:32 AM

90% of our councils are doing a great job of managing their water infrastructure. So the government needs to only focus on those having issues and ensure they help them become complaint.

Screen Name Redacted

9/07/2021 10:33 AM

On past experience amalgamations of this kinds have worked out in reverse to promised benefits, such as country, roading ,maintenance, power prices, law and d etc. There is also the question of trust as it could make it possible to sell our water rights to foreign ownership.

Screen Name Redacted

9/07/2021 10:34 AM

Water entities not representative. Proposed organisation totally inadequate for control of major floods such as Louisiana whose power ? (illegible writing)

Screen Name Redacted

9/07/2021 10:37 AM

3 waters reform overlaps Local Govt review, these town need to be integrated [REDACTED]

Screen Name Redacted

9/07/2021 10:37 AM

Do we need more central control?

Screen Name Redacted

9/07/2021 10:38 AM

Having worked in the WDC area for a company involved in water treatment, I know the variance of water quality in this area very well and cannot believe a Sth Island run Govn dept would have the the knowledge and infrastructure to understand and act upon the issues without costing megabucks coming from rate/tax payers. Keep it local.

Screen Name Redacted

9/07/2021 10:39 AM

We prefer to be locally controlled and not having to support other areas who do not have good infrastructure and water quality.

Screen Name Redacted

9/07/2021 10:40 AM

At a time of dramatic climate change now worldwide - we need strong government leadership with its ability to provide large financial input to support science based solutions to ease the undoubted impacts of climate change on our environment. The days of parochial Council based decisions on environmental issues are long gone. We have far too many Councils in New Zealand. This has resulted in varying standards across the country when the

science clearly shows that their decisions have led to excessive applications of artificial fertilisers. Nitrates now have invaded our subterranean water systems, polluted our rivers and lakes aided and abetted by non-adherence to appropriate levels long signalled by scientists. This must stop. Councils should be amalgamated to cut the present number of 67 substantially and the four 3 Waters entities now being proposed should definitely be instituted. For far too long petty self-interest and political hijacking has driven Waimakariri Council decisions, a pattern right throughout the country. Not only that, but our Council have been reluctant to include our Maori people sufficiently in Council affairs. This too must stop. Our Maori people have much to contribute in environmental matters. The extraordinary bias shown by Mayor Dan Gordon's diatribes in the local Press and emanating from Matt Dooney reflect the considerable National Party bias in this Council. This is clearly an attempt to improve the Council's views of 3 Waters reform on our community. Sorry, it doesn't work that way - it is the people, the people and always the people who are most important here. This bullying approach is further reflected in the survey forms sent out by our Council to the community. The democratic process requires a secret vote in our general elections - why not in local referenda? Instead the names and addresses of our citizens and their phone numbers are required. As was pointed out in a succinct letter to the Press recently, this will deter people from dissenting from the Council's obvious views. In fact Mayor Dan Gordon attempted to ring the writer of this published letter soon afterwards. Sorry - not on. The survey clearly encourages citizens to expand on their answers if the 3 Waters reform goes ahead only - unfair. Quality water is a vital commodity that must be preserved for everyone. The myriad of small Councils simply don't have the money to pay for the infrastructure required and the ratepayers are already stressed to the maximum with existing rates. A reduction in the number of Councils will also increase the efficiency of the Resource Consent Process - the deficiencies of which were highlighted in the recent Taggart Quarry application in Rangiora Racecourse. The use of similar standards and procedures throughout country would produce more equitable results for our citizens, particularly in environmental matters. Climate change is happening now - it must be strongly addressed, not just for the present community but also for our future citizens, our children and grandchildren. Short-term Council views should not be allowed to bias what our communities want - safe environment. Unfortunately the Waimakariri Council's current stance smacks of self-interest attempting to influence the next local elections in favour of the present encumbrants. Such political hijacking should be resisted - follow the science.

<p>Screen Name Redacted 9/07/2021 10:40 AM</p>	<p>We are very concerned that this is being pushed through quickly without consultation and facts as to who will own the assets that the ratepayers own.</p>
<p>Screen Name Redacted 9/07/2021 10:40 AM</p>	<p>It could become like a road tax - we have to pay one way or other, best it rate payer sees where money goes</p>
<p>Screen Name Redacted 9/07/2021 10:41 AM</p>	<p>I believe Three Waters has merit but needs to be implemented at a local level, rather than bulldozed through. Many thanks for giving us this platform for feedback - keep up the excellent work! [REDACTED]</p>
<p>Screen Name Redacted 9/07/2021 10:42 AM</p>	<p>Takes away all local control and will negate any local knowledge. firm No!</p>
<p>Screen Name Redacted 9/07/2021 10:42 AM</p>	<p>I'm not going to sit back and be dictated to. Already lost too many rights and freedoms to elite - power increases in Aug - Masks in public - power and control. Its over the top.</p>
<p>Screen Name Redacted 9/07/2021 10:44 AM</p>	<p>Consider the government should have put this reform on hold during when the country is in covid-19 LOCKDOWN!</p>
<p>Screen Name Redacted 9/07/2021 10:45 AM</p>	<p>The process appears too rushed by Govt. More time for consultation needed. Also smacks of our socialist Govts aim of state control. I wish to commend WDC on the online Q&A session recently - well done and interesting.</p>
<p>Screen Name Redacted 9/07/2021 10:46 AM</p>	<p>Less is more. Local bodies have too many employees on high wages.</p>
<p>Screen Name Redacted 9/07/2021 10:47 AM</p>	<p>After reading the information provided and going into the web-site provided I feel at this stage opting in to the changes is not a real need for our Waimakariri council at this stage. I feel the government are trying to push their agenda through too quickly and I admire our council for allowing us to have our say. Any more rate increases make it very hard on people on a fixed income.</p>
<p>Screen Name Redacted 9/07/2021 10:48 AM</p>	<p>We have too much state control in new Zealand now.</p>

Screen Name Redacted

9/07/2021 10:48 AM

Mayor Dan Gordon two explanations in the Oxford Observer were very good and put it to the government clearly and to the point. One point I would like to hear more is the treatment of our water. This household does not like the invasion of any substances to the extent we are now buying bottled water

Screen Name Redacted

9/07/2021 10:54 AM

██████████ Dear Members I am concerned the Government proposal to pursue drastic changes with their "Three Water Reform", has been hastily put together. Local body elected representatives have many and varied skills. They are rate payers themselves. They know the area well, often lived there for many years. They tender for projects to get best value for ratepayers, often contractors are local as well, and know the area. Conditions vary greatly to propose over 80% of the South Island under one body is quite ridiculous. I do hope sanity will prevail. Yours Faithfully, ██████████

Screen Name Redacted

9/07/2021 10:57 AM

Having land in Selwyn and Waimakariri I really do think we could improve our sewage by running it through Chch Bromley. Selwyn tried to put human sewage over land next to me while you tried to put it over Mumsforestry if all three councils ran the sewage through Bromely it would be treated better and safer. This merger sounds like ECan a headless beast. That demands \$\$ and delivers very little. I do believe we need to provide quality water and insure our stormwaste pipes and sewage pipes have no leaks. It would be lovely to have a drainage board again with common sense and skill. All three councils need to get their 'shit together' literally and run it through Bromely. Then each council should get their pipes checked for leaks in drinking water, storm water and waste systems, even when mother nature shook and cracked the ground under them. We can do this without government and small councils that can't budget. We had a small bach in Lumsden Southland, value at \$85K paid same rates as house in Cashmere valued at \$600K. They need to get their rates right like Southland. You can buy cheaper in small towns but rates need to be higher.

Screen Name Redacted

9/07/2021 10:59 AM

They want control of everything - it would be an extremely wrong move.

Screen Name Redacted

9/07/2021 11:04 AM

I believe as a Council you are doing a good job but there would be smaller councils without the income from rates that would not. We need a level playing field. Water is our most precious commodity &

needs to be protected & managed well for future generations.

████████████████████

Screen Name Redacted

9/07/2021 11:07 AM

Don't trust this Government to run a kids party as they are not able to "run" anything efficiently!! (or Honestly)

Screen Name Redacted

9/07/2021 11:09 AM

As for as Im concerned Kaiapoi drinking water is far superior to Christchurch tap water. For this reason why change a good think. Fluoride not an option or more chemicals

Screen Name Redacted

9/07/2021 11:09 AM

More water could be harnessed before reaching the sea. Water quality is good Government leverage against primary production is painfully obviously over done our council has spent the money wisely keep this asset in local government

Screen Name Redacted

9/07/2021 11:10 AM

Climate change is being blamed in many instances whereas experts need to look at the history. Since the beginning of time the world has experienced numerous heat waves (warm periods - interglacials), and cold periods (ice ages), named huronian, cryogenian, adean-saharan, paelozoic and the latest quaternary ice age. Heating/warming is caused by the sun. Also the interior of our planet which in addition to maintaining crust temperatures, it also disperses by thermal activity - volcanoes, thermal activity. The Canterbury Plains were formed by rivers finding their own way to the sea, contouring them to a particular route requires regularly maintenance. This is not practised in some instances to protect wildlife!!

Screen Name Redacted

9/07/2021 11:11 AM

Keep Waimak Council as is. A change of current Govt would be a good start

Screen Name Redacted

9/07/2021 11:11 AM

If it ain't broke, don't fix it

Screen Name Redacted

9/07/2021 11:12 AM

Please remain steadfast in your position to not join the Government's reform program at this point or in the future.

Screen Name Redacted

9/07/2021 11:13 AM

The record of government run services are poor. They soon forget where the money comes from and it get easier to keep asking for more. Keep it local where I see the mayor & council and can make

comments where it is more personnel.

Screen Name Redacted

9/07/2021 11:13 AM

Its an asset grab by a left wing government. Look at electricity, promises of better performance cheaper prices du to the competition (promises of harbour in the 1980's) give me a break! I will not vote for any councillor who votes yes to this. 1st electricity, rail, and now we are opening ourselves to paying for water from the tap

Screen Name Redacted

9/07/2021 11:13 AM

There does need to be some way to ensure that small or under resourced Councils are enabled to improve their water services, but I do not believe large centralised entities are the way to go. Local knowledge and flexibility are important.

Screen Name Redacted

9/07/2021 11:14 AM

Please opt out. It's an asset grab and we all know as in the past Govt does a shit job at service.

Screen Name Redacted

9/07/2021 11:15 AM

Can see smaller areas absorbed overlooked with little or no comeback with increased costs.

Screen Name Redacted

9/07/2021 11:16 AM

I think this Government's given the Maoris enough. Sick of tina cocco this and fartoas that. leave the water as is.

Screen Name Redacted

9/07/2021 11:16 AM

This was the 1st farm on the rural water scheme and it seems to have gone very good ever since without Govt regulations so opt-out.

Screen Name Redacted

9/07/2021 11:17 AM

HUMANS SHOULD NOT BE DRINKING CHEMICALS I myself have started doing research on the effects of chlorine.

Screen Name Redacted

9/07/2021 11:18 AM

Bigger isn't better. The minster in charge has already stated that the proposal is going to increase the number of job!! Doesn't sound like increased efficiency. I am concerned that our voice will be diluted amongst all the other interests, especially if Waimak is considered to have good services we will be subsidising areas that haven't. Local people have the best idea of what our community wants. We are getting more and more GOVT interference in our lives about time to stop them. We do not need further govt interference

Screen Name Redacted

9/07/2021 11:18 AM

The Council is not getting paid a fair value for the current infrastructure

Screen Name Redacted

9/07/2021 11:20 AM

If its not broken and working well then don't change it. I'm happy the way it is now. I don't like the proposed management structure.

Screen Name Redacted

9/07/2021 11:20 AM

ECAN is full of red tape and demands, but very rarely can give input how to fix their perceived problems will this reform become the same?

Screen Name Redacted

9/07/2021 11:21 AM

The drinking water in Rangiora is excellent. Did not the Council and (ratepayers) pay for a milutimillion dollar improvement to the water scheme a decade or so ago? The Government should be aware that not all regions in the country have poor quality water. And, by the way, those water advertisements on TV are terrible - it sounds like the whole country is drinking sludge

Screen Name Redacted

9/07/2021 11:22 AM

Is the decision on this matter to be pushed through in haste without local input as many reviews are being rushed through Parliament at the moment. ie reviews that are not conducive to NZ people. We need a voice. I recommend we keep three waters in the hands of Waimakariri who have & are dealing with our local infrastructure adequately.

Screen Name Redacted

9/07/2021 11:22 AM

I don't believe one word of what the government says, the future of this proposal is so uncertain and ownership could end up anywhere.

Screen Name Redacted

9/07/2021 11:23 AM

I can understand how some of the smaller councils are unable to afford major repairs and upgrading but may be the larger ones could expand to include parts of these areas. Just do not agree with all or most of the South Island being under one body.

Screen Name Redacted

9/07/2021 11:24 AM

We are very comfortable with the present system as provided and maintained by WDC. We do not see any advantage in changing the proposed scheme.

<p>Screen Name Redacted 9/07/2021 11:24 AM</p>	<p>Some consideration should be giving to those who don't "e-mail" or "go on-line"</p>
<p>Screen Name Redacted 9/07/2021 11:25 AM</p>	<p>\$602 m (asset) - \$22 m (purchase) = \$580 m (loss) Asset = total value infrastructure assets - Waimakariri District Council Purchase = Government support package - Reform transition Status quo, what we already have works and paid for</p>
<p>Screen Name Redacted 9/07/2021 11:25 AM</p>	<p>Don't let the government our water they will give it away to overseas.</p>
<p>Screen Name Redacted 9/07/2021 11:26 AM</p>	<p>These reform types have been tried and failed in UK, Denmark, Austria and Canada and all were wholly rejected by the majority of the population. Under a new regime who will verify and quantify what work is necessary and what work in construed or deemed as absolute. I consider our local body has done an excellent job of carrying out and following central government and health guidelines. I find the manner of which 3 Waters is being implemented and thrust upon us abhorrent and dictatorial and theft by stealth. [REDACTED]</p>
<p>Screen Name Redacted 9/07/2021 11:27 AM</p>	<p>Ref second tick box: At least partly locally, perhaps in conjunction with a central body. Ref fifth tick box: Three waters reform needs a lot more work and concrete proposals, then consultation with the public before going ahead.</p>
<p>Screen Name Redacted 9/07/2021 11:27 AM</p>	<p>No to the proposes changes!</p>
<p>Screen Name Redacted 9/07/2021 11:29 AM</p>	<p>This would turn out like the power reforms more expensive less efficient</p>
<p>Screen Name Redacted 9/07/2021 11:29 AM</p>	<p>Government run entities never work. They will end up selling the water companies more than likely to overseas interests (remember kiwi rail) and they will not be interested in making our water better only more expensive for profit</p>
<p>Screen Name Redacted 9/07/2021 11:30 AM</p>	<p>No way will this increase efficiency. This is non other than a self serving power grab by govt and iwi. No No No. Think Auckland S City shambles.</p>

Screen Name Redacted

9/07/2021 11:30 AM

(email address is illegible) My fear is assets including rivers, stream and water courses will be lost from NZ control and no sensible control plan because how will iwi and Government work together fairly for all New Zealanders. Costs of developments work will have to increase because there would be more layers of management with differing interests so decision making would be harder. Also I think the TV advert is disgusting and wrong

Screen Name Redacted

9/07/2021 11:31 AM

Regarding potable water. Water in Canterbury from deep water aquifers is incredibly high quality but I would like to know more about other areas where infrastructure is poorer and smaller Council's which can't afford upgrades. So, while I am concerned Waimakariri should not opt in, how can other areas be helped? The Government advertisement is ridiculous, does slime come out of taps? It is important that communities have the ability to direct outcomes in their areas. Local Government reform and RMA reform needs to be addressed before Three water reform. Communities need a say in chlorination of water, as it seems to be unnecessary in some catchments.

Screen Name Redacted

9/07/2021 11:32 AM

There is no clear benefit yet seen across any of the key service areas that show centralisation of control and decision making has benefited local communities. In our case a council and community project which has been beneficial to all, but paid for the users would be managed by a sector group with no engagement. How is contributing locally developed assets without clear understanding or involvement a positive step forward. If the community assets are not owned by the local council then what accountability is there for ratepayers?

Screen Name Redacted

9/07/2021 11:33 AM

Why fix something that is not broken?

Screen Name Redacted

9/07/2021 11:34 AM

Our resources fall into hands of one control 'govt' and can be passed on to other entities

Screen Name Redacted

9/07/2021 11:34 AM

At the moment I am extremely happy with the water system and would like to keep it as is. I do not trust any changes to be made as it sounds good to be true and it is probably to good to be true.

<p>Screen Name Redacted 9/07/2021 11:35 AM</p>	<p>My wife and I moved to Rangiora in 1970 & raised our family here. Being a ratepayer for over 51 years & having experienced the changes over those years with our drinking water, we now have the best quality water ever. WDC are doing a great job. Please opt out of the Govt's proposed Three Waters Reform</p>
<p>Screen Name Redacted 9/07/2021 11:35 AM</p>	<p>The current services have been built by rate payers. The Government want smaller Councils to fund the cities like Wellington who have been woeful in keeping their infrastructure up to date.</p>
<p>Screen Name Redacted 9/07/2021 11:35 AM</p>	<p>I worry about groups with no experience in this field making all the wrong decisions and the cost of our water supplies going through the roof.</p>
<p>Screen Name Redacted 9/07/2021 11:36 AM</p>	<p>The 2010 Earthquake has been the only interruption to the water supply in the 15 years we have lived here and it was repaired in a very short time by local council staff with local knowledge and good old fashion know-how. These people are a community asset which would likely be lost through restructuring under option #1</p>
<p>Screen Name Redacted 9/07/2021 11:37 AM</p>	<p>Water should stay local, where we can have a say via elected councillors.</p>
<p>Screen Name Redacted 9/07/2021 11:37 AM</p>	<p>It will be a long road to getting it right. A lot of people will lose their jobs but a lot of jobs will be created. It will be 10 years before it works!</p>
<p>Screen Name Redacted 9/07/2021 11:38 AM</p>	<p>An impractical plan designed to create some well paid CEO positions.</p>
<p>Screen Name Redacted 9/07/2021 11:38 AM</p>	<p>Absolutely opposed to this Government grab. Thank you for the opportunity to have a say</p>
<p>Screen Name Redacted 9/07/2021 11:39 AM</p>	<p>Time could be an advantage for more ideas.</p>
<p>Screen Name Redacted 9/07/2021 11:43 AM</p>	<p>I agree in principal with the 3 waters statement that there be the same level of service across NZ for 3 waters but there also needs to be accountability to the rate payers. A huge concern with 3 water</p>

as is being proposed No accountability to the public.

Screen Name Redacted

9/07/2021 11:44 AM

Government very rushed in this change, no alternative offered to this extreme change

Screen Name Redacted

9/07/2021 11:46 AM

The council should do everything in its power to fight this

Screen Name Redacted

9/07/2021 11:46 AM

Chlorinated water is not essential, if it was then all bottled water would be, and its not which is why companies (off shore) draw our crisp clean clear water for sales within their countries, What about NZ?

Screen Name Redacted

9/07/2021 11:46 AM

Being the largest area of the reform it concerns me that we will be financing other areas if problems arise. We only have to look back to the problems with water further south, but it could happen anywhere.

Screen Name Redacted

9/07/2021 11:48 AM

Qualified engineers at WDC and they are audited 3 yearly via TTCCP. No such checks if proposal proceeds. Pure water at Pines Beach now.

Screen Name Redacted

9/07/2021 11:51 AM

The South Island waters are pristine at the moment, they should leave well alone, and not take over something else to get more and more control of our lives and assets.

Screen Name Redacted

9/07/2021 11:52 AM

I strongly DO NOT want any Government intervention on our 3 Waters, that us ratepayers have paid for. It will never be as good as it is now.

Screen Name Redacted

9/07/2021 11:54 AM

You will need to keep up the good work you are doing and good results

Screen Name Redacted

9/07/2021 11:55 AM

We have had several examples of big is better & has not delivered local bodies, hospitals, primary & secondary schools. No body knows how to reverse these & admit they got it wrong. Set the standard that councils need achieve! Tourist locations , financial support for the few small councils so they meet the standard.

These types of changes that include businesses (eg supermarkets, hardware stores, medical etc) has forced people into cars to access products & services - no longer walk & cycle to these places for the majority. Big organisations become remote! In North Canterbury several farmers dealt with the problem, with a flooding river - local knowledge sorted the problem. Often large organisations need several costly attempts to sort a problem because of lack of knowledge about the affects of weather past and current in relation to the problem. Seen often in flood damage

Screen Name Redacted

9/07/2021 11:56 AM

I have little faith in any government to do what is absolutely correct. As for the 'other party' involved I have even less!! Too much PC nonsense nowadays.

Screen Name Redacted

9/07/2021 11:58 AM

I don't like people appointed by an outside authority - Locally elected - certain ethnic groups should not have any greater say; the vote is for all of us - only qualified, experienced administrator should be in key positions - local engineers know what their users need.

Screen Name Redacted

9/07/2021 11:58 AM

Local Councils are best informed to look after our towns

Screen Name Redacted

9/07/2021 12:01 PM

Concern that a large entity could be the target privatisation or sale either locally or overseas. This would probably result in a lack of accountability to the consumer and put in the hands of others a basic requirement for life which is totally unacceptable.

Screen Name Redacted

9/07/2021 12:02 PM

I don't want my water rates paying for water in Mckenzie Basin when Auckland water rates only pay for Greater Auckland.

Screen Name Redacted

9/07/2021 12:02 PM

I don't believe that this proposal will generate any efficiencies or saving.

Screen Name Redacted

9/07/2021 12:05 PM

I feel we in Canterbury were upgraded after earthquakes and should have no interest in upgrading Auckland and Wellington.

Screen Name Redacted

9/07/2021 12:07 PM

x this response by 4 as we have 4 properties in area.

Screen Name Redacted

9/07/2021 12:08 PM

More time needs to be given to this so that the information can be fully and accurately presented for consideration. Rushing things through will lead to errors in judgement on both sides, or hands being forced with no option but to go ahead. That is not democracy!

Screen Name Redacted

9/07/2021 12:09 PM

We have been paying high rates and taxes for years, in order for the assets to be upgraded continually

Screen Name Redacted

9/07/2021 12:09 PM

Large regulatory bodies do have lack of local knowledge; for example a golf-course is blocking a Woodend bypass and continuation over the Ashley River to Salt Water Creek. We have lived in many parts of the world, things work best where local people make decisions based on their knowledge they have as locals. Federal states look after people better than centralized governments. If the Government passes legislation to remove these services from local councils, we will become a borderline democracy, one step close to dictatorship.

Screen Name Redacted

9/07/2021 12:13 PM

The government has not clearly communicated full details of it's 'plan' other than it will be based on the Scottish model. I understand the need for reform, but the lack of certainty and detail is disconcerting. Further, any time things are done for 'the greater good', those who have had the foresight to take their own steps towards remedying issues are 'lumped in' with those who have not. Concerned that Waimakariri will be seen to need no further capital expenditure (despite rapidly increasing population) towards infrastructure and our assets will deteriorate and/or become overloaded.

Screen Name Redacted

9/07/2021 12:16 PM

In my mind it is essential that water infrastructure be overseen by people who are accountable to the users and beneficence of the infrastructure under the proposed governance structure, which is unwieldy and designed to limit democratic accountability, we would go from directly electing the board (i.e the council) to at most having on representative on an electoral college dominated by Ngai Tahu. We would in short, end up having no say in a vitally important component of community and household infrastructure. Everything else flows from this.

Screen Name Redacted

9/07/2021 12:19 PM

Don't believe Maori should have more say than anyone else. Equal rights with water, which fall from the sky and nobody owns it.

Screen Name Redacted

9/07/2021 12:19 PM

██████████ I would like to commend and thank the Waimakariri District Council for conducting this survey. Now back to the “topic”. It’s quite simple; the people of the Waimakariri District Council own the water infrastructure within their council area. If this Government legislates to take this water infrastructure then it is blatant theft!! Where is the democracy, and where is the transparency and honesty that this Government is always promoting?? This policy has nothing to do with providing cleaner water throughout N.Z., as the vast majority of responsible local councils throughout N.Z. already do this. Why should these responsible councils and their long suffering rate payers be forced to give up such a valuable asset in order that the useless socialist councils in Wellington and Auckland get a free ride to fix up their messes?? They chose to spend their rate payers money on noncore Council activities such as gay parades, Maori activities, over paid managers and consultants, and other cultural activities in order to buy votes, instead of sticking to core Council responsibilities of roads, sewage, water, parks and libraries etc etc. This Government lost one of the Maori seats to the Maori Party and they are determined to buy this seat back along with virtually the total Maori vote. To do this they are going along with the long held policy / view of the Maori elitist that the water belongs to Maori. It is no coincidence that the four mega water entities that this Governments wants to set up just also happen to fall into the same four main Maori tribe areas of N.Z. Under the new reforms, of the 23 councils’ water assets that will make up the new South Island water authority, there will be only six representatives from all of these councils on it, with the other six coming from iwi representatives. What right do Maori have in a “free ride” to be on this authority?? I thought we were all one nation!! People of the Waimakariri District Council will lose all say in the running of its water infrastructure, in particular what is ‘unique’ to the Council region. You can bet your bottom dollar that once this scheme is up and running and the Maori tribes have their say in running it, that irrigation consents will be harder to obtain and will cost more. Exactly the same will apply to water supply to rural towns. Recreational access to waterways, such as for fishing or boating, could easily be denied. If anyone believes that the cost of running this new water system is going to be less than what it is now, then they have been living under a rock for the last 5 years. Since this Government came to power nearly an additional 10,000 bureaucrats have been employed; the Prime Minister’s own department alone has more than trebled in size. The number of Government bureaucrats earning over \$100,000 per year has nearly doubled. Apart from the Maori vote that they are purchasing, the more bureaucrats they employ, on inflated salaries,

the additional votes that they can also purchase. Do not be fooled for one second that this giant bureaucratic entity will cost less; it just won't!! It is estimated that there are up to 75,000 water suppliers throughout New Zealand that will be affected by these new reforms, including most farms. These suppliers through their own efforts and monetary input, supply water to homes, schools, farms, sports clubs, industry, and businesses under their own arrangements that are unique and specific to the needs of both the supplier and the user. All this will be lost to tick boxing bureaucrats!! The flashy advertisements, paid for by tax dollars, expounding the virtues of this water scheme is just plain and simple Government sponsored propaganda!! The responsible Councils that are already providing efficient water schemes should be howling from the pulpits over this propaganda. Councils have to wake up to the fact that in order for this Government to gain its centralised (Communist) control, they are being "bribed" with all sorts of flashy unworkable handouts which may look good in the short term, but will result in Councils trying to operate with their hand tied behind their backs. I therefore press upon this Council to join the other responsible Councils that have already said "NO" to the Three Waters scheme. Your actions will be judged at the next local council elections!! Regards, [REDACTED]

Screen Name Redacted

9/07/2021 12:20 PM

Govts ability to deliver vaccines to 'team of 5 million' shows its inability to do things equitably and efficiently. Local is best.

Screen Name Redacted

9/07/2021 12:21 PM

This must not happen! There is nothing to be gained.

Screen Name Redacted

9/07/2021 12:22 PM

Considering Waimakariri DC water management. If it aint broke why fix it!

Screen Name Redacted

9/07/2021 12:22 PM

If any Govt is looking at taking over water, Councils etc they will want \$\$ for setup costs and whatever else they can get their mitts on. Clean up their own backyard before getting dirty in ours (signed)

Screen Name Redacted

9/07/2021 12:22 PM

All testing of water done by locally trained people

Screen Name Redacted

9/07/2021 12:23 PM

Don't want to support something that i see will only cost the rate payers and be of no benefit to Waimakriri

Screen Name Redacted

9/07/2021 12:24 PM

As this is a most important legislation for all New Zealanders a referendum should be held at the next general election. Water does not belong to Government, but to the people. Congratulations Waimak District Council on our excellent water services

Screen Name Redacted

9/07/2021 12:25 PM

Why can't we stand alone. Don't think our area has a problem, our infrastructure is good. Don't trust Government to run it properly

Screen Name Redacted

9/07/2021 12:27 PM

I am happy with water system, don't want any Govt. interference, ie like Chch having chlorine in water etc. Prefer local who understand condition - NZ has diverse land and water depending on area.

Screen Name Redacted

9/07/2021 12:28 PM

Strongly prefer these services to be provided & managed by as local an organisation as possible. Strongly against centralisation of these critical services. Local management of our water services works and we benefit from great water services supplied at reasonable cost and managed by people truly accountable to the ratepayers who fund the services. I'm certain this wouldn't be the case under the Governments three waters proposal

Screen Name Redacted

9/07/2021 12:32 PM

Why should we be paying for water when it is being given away overseas? (Bottled) We should be looking after it, and thinking about the future.

Screen Name Redacted

9/07/2021 12:32 PM

We the rate payers have paid for our water infrastructure not to be given away to central govt who in turn will hand to other parties

Screen Name Redacted

9/07/2021 12:34 PM

Why change what is working now

Screen Name Redacted

9/07/2021 12:36 PM

I don't believe handing over 50% of all water rights/decisions to iwi or other single group is a democratic way to offer any kind of important service or not for future profit. Any individual control isn't any benefit to anybody, local control over local issues is best for our local community.

Screen Name Redacted

9/07/2021 12:36 PM

If Govt is concerned about 3 waters, they can set up a body to audit councils and compel them to fix. Havelock North was terrible,

but we can't make knee jerk reactions to one off's. Leave our water infrastructure responsibility with our local council & set up a governing body to audit ?? and assist. The council is local Govt and understands it's particular needs in it's particular distribution. I can't see how setting up a massive body to handle the complexity of different areas will possibly be efficient. It will cost considerably more & be much less efficient

Screen Name Redacted

9/07/2021 12:37 PM

I am concerned the resources will go to bigger cities - particularly in the north island. Who in the government is trying to push this thru, they are not being transparent.

Screen Name Redacted

9/07/2021 12:39 PM

I vehemently oppose any form of centralised control which takes away local decision-making, constituents voice, and local governance, especially regarding water.

Screen Name Redacted

9/07/2021 12:41 PM

Why should we (the ratepayers) hand over control of our water to mana whenua. I understand that they will have the right of veto. We need to have more clarity from the Government, and more time to examine the fishhooks

Screen Name Redacted

9/07/2021 12:41 PM

Sir John Key says 'no one owns the water' and this is the first step - the Moaris to get their hands on it.

Screen Name Redacted

9/07/2021 12:43 PM

This is communism at work, ceasing public assets for state control. There are no benefits for Waimakariri District to change. the support package from Government to change is way short of the asset value, and then to give half the value to Maori is unbelievable!!!

Screen Name Redacted

9/07/2021 12:46 PM

Our Council are doing a fantastic job especially as we're a fast growing district. They understand the district more than Government. Our rates would be prohibitive for us to manage

Screen Name Redacted

9/07/2021 12:46 PM

I prefer this to be in Council control

Screen Name Redacted

9/07/2021 12:46 PM

Would strongly support the WDC to oppose this idiotic, bureaucratic legislation. These assets must be retained by WDC which currently does an excellent job with the water resource.

<p>Screen Name Redacted</p> <p>9/07/2021 12:47 PM</p>	<p>System works ok, why change</p>
<p>Screen Name Redacted</p> <p>9/07/2021 12:48 PM</p>	<p>I've included my husbands name on response, as we only got this one form. We are in agreement to opt out.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 12:50 PM</p>	<p>I am quite happy with our council the way they handle our area after the earthquake</p>
<p>Screen Name Redacted</p> <p>9/07/2021 12:53 PM</p>	<p>I want the water to stay with local council</p>
<p>Screen Name Redacted</p> <p>9/07/2021 12:54 PM</p>	<p>The central govt is keen to privatise water this then could enable them to get more tax - same as power, telephone etc as in past. Some of their claims are outrageous, eg 9000 more jobs. The govt has not been honest with citizens in past, esp the claim of number of houses to be built. This claim for control of water is all spin and heading to increase govt power and control (as at this time we are more communist than the communist countrys)</p>
<p>Screen Name Redacted</p> <p>9/07/2021 12:54 PM</p>	<p>I can see the merit in the Government's proposals as it relates to smaller councils which lack resources, but based on WDC projections and the investment in water infrastructure over the past 20 years, I would opt out at this stage. My concerns are: The higher rates cost would be higher. The WDC would have to compete with other Councils for the likes of capital expenditure. The new entity maybe a cumbersome beast that may not respond in a timely manner to the likes of flood repairs and infrastructure upgrades. Stronger councils may end up subsidising weaker ones.</p>
<p>Screen Name Redacted</p> <p>9/07/2021 12:54 PM</p>	<p>The ratepayers of the WDC already own the three waterways and the council run these efficiently to suit our local area's situation and requirements. I am worried that if the Government takes control, they may in time bow to pressure and pass ownership onto a private organisation which could be profit driven rather have the interests of the community as the top priority. This has happened many a time as experience shows, eg: privatisation of the power companies. The other problem with the three waterways being handed to some other organisation is that it could end up being top heavy with administrators. With less experience and local</p>

knowledge, it could be less efficient and could well end up costing ratepayers considerably more in the end for a less satisfactory service. Currently the local council workers are on hand to react to any problem or emergency swiftly but with a long chain of command from a distant organisation this could take an unnecessarily long time. [REDACTED]

Screen Name Redacted

9/07/2021 12:57 PM

There is a huge difference in how water is managed between Waimak and Hurunui let alone someone in Wellington trying to manage it. Every time something is centralised they have a huge increase in middle management and the cost goes sky high to pay for this even though there is no direct link to improving the asset. If you look at other situations like Telecom, Roothing (Transit, railways) there is a down grade in product and everyone on the tools loses out due to drop in pay and its all about the share holders no the product and people.

Screen Name Redacted

9/07/2021 01:03 PM

I believe the Council should strongly resist any moves by the Government to control the services as outlined in the Three Waters publications. The Government has no experience at all with the provision and operation of the services other than the regulatory functions, with Local Government units undertaking the planning, construction and delivery of the three services. Central Government has never had success in carrying out delivery of services and this is well evidenced by say Air New Zealand for a start! There are far more important issues Central Government should address e.g. poverty, housing needs, health needs to name just three... Local Government has great success of attending to the needs of our country and Central Government can contribute financially by continuing with subsidies if appropriate. There will always be times when issues like Havelock North occur but in my experience it is absolutely absurd to split the country into four divisions for the services mentioned with most of the South Island being mainly one subdivision. There is of course the old maxim that Government should stick to its knitting and this is so true in today and tomorrow's world. If the Government refrained from trying to be all things to all people and attend to all the country's current issues New Zealand could be a far better place. To date the current Government has failed completely in promoting the proposal. The Three Waters Reform should be directed to Local Government for attention and action with Central Government continuing to deal with regularity issues i.e. legislation etc.

<p>Screen Name Redacted 9/07/2021 01:04 PM</p>	<p>I have heard this is already a done deal with the government and Maori and nothing will stop this. But I really hope our council will give it 100%. How can the government take our assets and give them to others</p>
<p>Screen Name Redacted 9/07/2021 01:05 PM</p>	<p>My wife and I both think that the Council are doing a great job of the water. We are VERY happy with them.</p>
<p>Screen Name Redacted 9/07/2021 01:06 PM</p>	<p>Keep it local as the funding will improve our local districts.</p>
<p>Screen Name Redacted 9/07/2021 01:08 PM</p>	<p>- We feel there is no need to change something that's working - The 'efficiency' to handle this would be lacking - We believe in 'democracy'.</p>
<p>Screen Name Redacted 9/07/2021 01:11 PM</p>	<p>I want the PC left our of it. Elect the best people no matter who they are.</p>
<p>Screen Name Redacted 9/07/2021 01:17 PM</p>	<p>Another beaurocracy. Whenever infrastructure has been centralised it has a negative affect on local communities. It is actually a loss of democracy over a critical piece of NZ infrastructure. As a ratepayer we have been paying for improvements & upkeep, why should we give that away.</p>
<p>Screen Name Redacted 9/07/2021 01:18 PM</p>	<p>The proposed farming requirements where crops must be planted by a certain date is a prime example of central government being out of touch with the South. This isn't for us south of Cook Strait.</p>
<p>Screen Name Redacted 9/07/2021 01:22 PM</p>	<p>No one knows your particular part of the country except your local council, too easy for others to make comments on how our area should work if they don't live here. And I'd like to challenge that larger entities are more cost effective. Our rates are dear enough.</p>
<p>Screen Name Redacted 9/07/2021 01:22 PM</p>	<p>Government has too much control.</p>
<p>Screen Name Redacted 9/07/2021 01:23 PM</p>	<p>[REDACTED] As a three term Community Board member from 2010 I attended Ecan Water presentation, read water zone reports, was impressed by the</p>

Councils rapid post-earthquake remediation of the district with its emphasis on the social needs of its people as well as repairing its infrastructure. During that time the council also responded effectively to many other issues and needs. Waimakariri District Council has every right to be proud of its service to its people. • I have ready your posted information • Viewed the website information • Read newspaper articles about the council concerns • Watched and took notes on your hour long video presentation • Researched the proposed reforms • And also the water services Taumata Arowai bill I agree we should be providing the same level of service across NZ. It will mean supporting districts which do not have the rating base that Waimakariri can draw on, there are two to the north of us and three to the west. Many of our taxes already do this, eg our health service and infrastructure, Cross subsidisation? Poyntz Roadyes, but Rangiora's new water supply was target rated. lb a personal level I would like to know that my Waiheke family have a secure urban supply rather than their dependence on rain water tanks and that my brother in Waikouatit has safe drinking water. Better value. May reading of the success of the scheme in Scotland, which has been checked by a multitude of NZ ministries and department and resulting consultant reports suggests that if discussions are continued an affordable way of providing these three water services into the future can be expected. Why start again from scratch? Four entities? Perhaps more entities which would be regional, but I recognise that would mean more governance and operation costs. Thought I think governance should be simplified. Improve efficiencies – should result in districts/entities sharing better ways and means of providing the required infrastructure. I note that the council is seeking an exemption from the Taumata Arowai requirement that household drinking water be chlorinated. I support the request for an exemption I'm sure the reform will go ahead and a bill drafted. Therefore I thin its is important that the council continues to be involve and has its concerns heard, and many met, in the final draft Nga mihi

Screen Name Redacted

9/07/2021 01:24 PM

I am opposed to central controls

Screen Name Redacted

9/07/2021 01:24 PM

Dont think Govt will do good job, more govt depts huge wage bills

Screen Name Redacted

9/07/2021 01:27 PM

I wouldn't trust this present "socialist" government with any control of our precious water

<p>Screen Name Redacted 9/07/2021 01:27 PM</p>	<p>Government should not be asserting and changing legislation and policy without due process and consultation with all New Zealanders. Too mess and complicated</p>
<p>Screen Name Redacted 9/07/2021 01:28 PM</p>	<p>I believe we should fight against central Govt. running all of our infrastructures. Promised savings never appear and locally we have good people already doing a great job.</p>
<p>Screen Name Redacted 9/07/2021 01:29 PM</p>	<p>As currently our water is from our private well we have concerns about potentially being required to contribute to a national entity.</p>
<p>Screen Name Redacted 9/07/2021 01:32 PM</p>	<p>The wasting of money on software programs to 'control' workers, shifting blame to workers, disregarding sensible inputs from workers of the water authorities neccesiraly lead to enormous high costs ie. \$35M-\$1225M.</p>
<p>Screen Name Redacted 9/07/2021 01:33 PM</p>	<p>Because I dont think central government can run a water scheme successfully as I have seen other schemes that dont work. It appears to me there is an agenda been put forward by the right Hon Willie Jackson & the Hon Nanaia Mahuta. If it becomes law it will be put up for sale on given to the Maori as a Treaty Settlement then they will sell it.</p>
<p>Screen Name Redacted 9/07/2021 01:34 PM</p>	<p>The govt advertising is completely misleading and the figures quoted have no factual evidence. The offer of \$22m is an absolute insult. If the 3 waters is going to be administered like a lot of other depts, No thanks. If it did happen there is no guarantee that it would remain in govt hands</p>
<p>Screen Name Redacted 9/07/2021 01:39 PM</p>	<p>Essential services, like water management being co-ordinated and governed by a national entity, will be at risk of corporisation. Corporistation leads to risk of decisions being based on statistical data, at the cost of local and/or specific needs and preferences. Efficiency and cost-savings should not be a primary goal for these essential services.</p>
<p>Screen Name Redacted 9/07/2021 01:40 PM</p>	<p>The Government is pushing that this will save us money - we don't see how this can be on the information that we have been given. Thank you.</p>

Screen Name Redacted

9/07/2021 01:41 PM

I do not think we should lose control of our water services nor allow a minority of the population to dictate/control these vital services for the total population.

Screen Name Redacted

9/07/2021 01:41 PM

Cheaper in the long term

Screen Name Redacted

9/07/2021 01:50 PM

Waimakariri rate payers have invested \$ in our drinking, storm and waste water systems over man years so that we now have a reliable and robust system to meet present and foreseeable needs. Under the government proposed changes we will likely finish up subsidising other areas which have failed to invest.

Screen Name Redacted

9/07/2021 01:52 PM

The most feared expression "Hi I'm from the government I'm here to help you"

Screen Name Redacted

9/07/2021 01:58 PM

More paperwork includes more charges. Council is ok.

Screen Name Redacted

9/07/2021 01:59 PM

Additional response to WDC lets talk 3 waters from [REDACTED]. I have assumed the opportunity to make presentations at Oxford Town Hall wed 25 Aug has had to be abandoned? My presentation would have been in support of the Govt proposals to unify 3 waters across the whole of NZ. My reasons follow:-

1. The Nation's health depends in large part on its management of water. It would be a very UN - KIWI response if one area was to decide it was to close ranks and ignore the health of other Kiwis in areas less well provided for by income. Yes in Waimakariri we have been able to capitalize on a clean supply from out of area and consequently have enjoyed unchlorinated water for most districts until recently. This was not only because of investment from previous councils but the good fortune that our water comes from the clean mountains out of our area. To now only look at this as a WDC issue is blinkered and selfish.....It also overlooks the risks and CLEAN GREEN reputation of our National tourist industry, both home based and from abroad. ; I \ , '1
2. Very few organizations can demonstrate efficiency by staying small. A larger funded body would be able to cut down on the use of external consultants, make more widespread use of existing staff no longer being "poached" from other employers, share major items of equipment across to whole area, invest in better and wider monitoring to examine water contamination from pollutants not currently routinely

checked, take instant action in cases of urgency without time consuming consultation. 3. The assets of each separate Council have been accrued over many years from residents all over the area. They do not belong to a particular elected Council. By accepting compensation for this money already spent, a wise Council would use it to off set the massive loan that has been incurred in funding the splendid new and expensive Sports facilities in Rangiora. This facility is funded by us all for the benefit of a minority. This would demonstrate a FAIR REDISTRIBUTION OF THE RESIDENTS RATES. It would also relieve the council of future repayments and interest charges! 4. I have address the issues of efficiency under 2, value for money. The logic of treating the origins, public supply and management of waste and storm water has been recognized in many other countries. Rain is where it comes from! Clouds know no barriers nor do they act in a regulated way as they drop their load! It is totally illogical that one small group should assume control of water when they are not in overall control of the origins or its final destination in the sea. 5. The science has been telling us for years that serious damage is being done to our water quality . Even the government scientists who have the expertise and data have struggled to be heard by the law makers. Democracy is what we all see as ideal, but too often it is money that has the loudest voice. 20 years ago New Zealand river water eutrophication was being quoted as the outcome from the intensification of farming in a Masters degree course in Environmental Pollution Technology in UK. It was pointed out then that change was unlikely to arrest this damage until the economic value of water out weighed that of milk and beef. Joined up thinking is at last realizing the price of water has an impact on the costs of other Government departments like Health. The new regulations are designed to improve the whole environmental health and biodiversity of New Zealand where the free market economy has put it in severe jeopardy. A unified approach will ensure that issues like consents from local bodies for water extraction and sale in bottles will be under an elected government's eyes. Where farming practice has to be curtailed or regulated the Government is in a financial position to compensate, where a council would be powerless. Increased regulations and requirements may become apparent if the current legislation is shown to be inadequate. These are unknowns to Councils at the moment. If Councils retain the responsibility they could also be committed to further heavy expense.....and then there is the promise to infra structure of THE GREAT DIVIDE! 6. My considered advise is take the money, re invest in debt/ rates reduction and do not put your reduced sphere of influence before the clear benefits to your rate payers!

Screen Name Redacted

9/07/2021 02:02 PM

The New Zealand government is no longer looking after our interests. They are wanting to steal from the people. A revolution will be coming.

Screen Name Redacted

9/07/2021 02:04 PM

To Whom It May Concern. I'm not happy with the Government's Three Waters Reform Proposal for the following reasons: 1. To me it seems dishonest to commandeer Local Councils' Assets that have been acquired and funded by ratepayers over generations... and then to do so without sufficient time for proper authority from ratepayers is not democratic. 2. In fact I am concerned about the rapid pace of the Three Waters Proposal to transfer 50% of Council's water infrastructure assets away from Councils. Although all ratepayers who wish to voice their opinions about this can do so, I think more time is needed to ensure that people can fully understand all the likely implications to them of the enactment of this proposal. 3. Currently all ratepayers have the right to connect and communicate their views with Council as they wish but when/if The Three Waters is enacted this privilege is likely to diminish or finish. 4. My understanding is that Our Government is proposing to transfer water infrastructure assets owned by 67 local council authorities (which have all been funded by ratepayers) to just four new massive water agencies all of which will be 50:50 co-governed by Iwi... Does this mean that 50% of this country's billions of dollars of water infrastructure assets which is owned and operated by our councils and funded by nearly 100% of us will now be 50% transferred to Iwi who are 16% of us? 5. The following is an excerpt from online media and I am wondering whether or not the Waimakariri District Council believes that if and when The Three Waters Proposal is put into action, that the W. D. Council will still retain 100% ownership of their water assets? Excerpt follows: Although the Government will argue Local councils will still "own" the water in frastructure, they will receive no compensation for transferring their multi-million -do llar assets . The tenuous nature of their "ownership" is further exposed by the fact that councils will receive no shareholding in the new water services entities, only a collective right to occupy half of the governing seats. That discretion will itself be constrained by government oversight as well as the 75 percent majority decision -making with Iwi. In other words, claims that Local authorities will remain the "owners" of their water assets is pure fiction and must surely go down as one of the Largest political Lies ever told in New Zealand. [REDACTED]

Screen Name Redacted

9/07/2021 02:04 PM

No control over additives.

Screen Name Redacted

9/07/2021 02:05 PM

THANK YOU!

Screen Name Redacted

9/07/2021 02:06 PM

Unlikely to have money spent in this district. Already have good drinking water and waste water disposal. There would need to be a separate rate to pay salary of CEO and staff. The price per litre would be horrendous. These staff and costs are now included in council operations. People say they want clean or better quality water but they do not always want to pay a high price for it. Too much central government control with a communistic approach.

Screen Name Redacted

9/07/2021 02:09 PM

It will just end up costing us more and getting less say.

Screen Name Redacted

9/07/2021 02:13 PM

The Council needs to stand up for rate payers and protect our assets. A referendum should be held so rate payers are fully involved in the decision. Also the govt must explain He Puapua which will give total control of water to unelected and unaccountable private Iwi corporations.

Screen Name Redacted

9/07/2021 02:15 PM

Waimakariri Drinking water is some of the best in NZ. It would be a tragedy to see it reduced to choline tasting water ie: Nelson

Screen Name Redacted

9/07/2021 02:15 PM

Don't trust this Government - Remember they tried to take the airport off the ChCH City Council under the Helen Clark Regime.

Screen Name Redacted

9/07/2021 02:17 PM

Waimakariri DC is doing a good job, there is no need to change.

Screen Name Redacted

9/07/2021 02:18 PM

From what I've read - it seems WDC has done a good job on 3 waters. I can see there are probably advantages for small councils, so having control in one entity won't please everyone. Such is life.

Screen Name Redacted

9/07/2021 02:19 PM

Thank you for your caution in this matter.

Screen Name Redacted

9/07/2021 02:19 PM

This is just another step taking the local out of local government. If the government is concerned about managing the steep increases in local body rates this amalgamation will certainly not help. If

previous amalgamation are a guideline, for information my rates on the same property I have occupied since 1970 have increased 10 fold since 1982, were \$302 in 1982 now \$3200 2021

Screen Name Redacted

9/07/2021 02:20 PM

I do agree that some areas need more spent on them than others, but my questions is ... How long would a project take eg sewer in a small central Otago town? or small town off the main road? How can we have clean water if it gets shipped overseas.

Screen Name Redacted

9/07/2021 02:21 PM

This is of no benefit to our ratepayers who have already contributed to these assets, Let's keep them and maintain them for our future generations. Bigger is not best as has been proved when Waimari County Council was swallowed up by the Christchurch City council. Trust me, I Know, I was there.

Screen Name Redacted

9/07/2021 02:22 PM

I'm happy with our water management the way it is. Sick of the govt. trying to make decisions for us.

Screen Name Redacted

9/07/2021 02:25 PM

Lost faith in this present Government to make decisions that effect the countries future.

Screen Name Redacted

9/07/2021 02:27 PM

The more drinking water is doctored the worse citizens are e.g flouride. Ecan is now far removed from citizens and follows its own program. Input is hit and miss - probably BIN material. So will 3 Waters (sound like a Chinese Company) *own Council is ALREADY moving from being accountable to the people. Labour wants central control. Not acceptable ever.

Screen Name Redacted

9/07/2021 02:29 PM

Please keep the three waters program within the Waimak Council. We 100% support opting out of the Govts proposal. It will be detrimental for our district and community if we move these assets into a large entity that does not have the peoples best interests at heart.

Screen Name Redacted

9/07/2021 02:32 PM

If anyone thinks that the people that ran the advertising campaign, that quite frankly was insulting, could run a water system must be stupid.

Screen Name Redacted

All just a central government power grab. Same with hospital

9/07/2021 02:35 PM

boards.

Screen Name Redacted

Our freedom should not be taken from us!

9/07/2021 02:35 PM

Screen Name Redacted

ECAN is a prime example of very poor control of water both of rivers and underground water use.

9/07/2021 02:35 PM

Screen Name Redacted

Some Councillors have their own personal agendas, which do not align with those whom they represent.

9/07/2021 02:37 PM

Screen Name Redacted

On our property we have to deal with ECAN and believe we have no say in what they decide or change. I want to be able to have a say!

9/07/2021 02:37 PM

Screen Name Redacted

Waimakariri rates are not cheap compared to other councils. But... you get what you pay for. We have great water & sewer etc.. for those rates invested and I'd hate to pay again to "prop up" some councils who may not have invested so much. Leave it as is.

9/07/2021 02:40 PM

Screen Name Redacted

Just another tax take by an incompetent government. "Sustainable Growth" Sustainable "Tax Take". Its a great country to live in but boy - do we pay to live here! "Wake up New Zealanders"

9/07/2021 02:41 PM

Screen Name Redacted

I vehemently oppose any change. We have an excellent system now. Tell Government to leave our water alone. How could someone who lives away from our area possibly know about the workings of our water system. HANDS OFF!!

9/07/2021 02:41 PM

Screen Name Redacted

our water is excellent as it is. We dont want to alter anything. There is no advantage to Waimak to go with the rest of N.Z our rates are already to high

9/07/2021 02:42 PM

Screen Name Redacted

It seems ludicrous to take away the knowledge, control and ownership of local assets from local councils BEFORE even announcing the changes to come in the duties of local government (local bodies). One would have to assume the decisions have already been made PRIOR to the reviews preparation, completion and publication to the general public - in other words, the review is

9/07/2021 02:42 PM

a "sop" to the general public and the Government is NOT acting in GOOD FAITH, but in STEALTH!

Screen Name Redacted

9/07/2021 02:42 PM

I have lived in North Canterbury for over 55 years and have never had a problem with any of these services.

Screen Name Redacted

9/07/2021 02:44 PM

we are being rail roaded by government that is not listening. Its time to make our voice heard. Thank you Waimakariri Council

Screen Name Redacted

9/07/2021 02:44 PM

1. Central Govt control over local assets is a bad idea 2. It takes away our democratic right. 3. The RMA is being reviewed. Wait until that review is completed before starting this process. 4. Our present water assets are being well managed at a local level.

Screen Name Redacted

9/07/2021 02:46 PM

When a system is working well WHY change it. water concerns should be addressed to a local body that has knowledge of the area. Our council should have the right to care for the 3 waters in its own area. Other areas may be paying less rates than we are therefore we, the ratepayers, subsidising other 3 waters. why?

Screen Name Redacted

9/07/2021 02:47 PM

If its not broken, why fix it. This government is forever creating new committees and authorities. We are becoming a nation of managers, advisers, inspectors and consultants. and then they are stupid enough to wonder why productivity is dropping

Screen Name Redacted

9/07/2021 02:47 PM

There is an urgent need to clean up our waterways and our drinking water especially nitrated level and the best way to do this is by united effort

Screen Name Redacted

9/07/2021 02:48 PM

We need to stop the Government taking over everything.

Screen Name Redacted

9/07/2021 02:48 PM

Although I support the proposal in principle, I agree that the infrastructure in Waimakariri has been grossly undervalued and I ask that the council fight for a fairer assessment of this if they decide to "opt in". I also agree that the Waimak residents will be subsidising other parts of NZ if it goes ahead. I am actually ok with this as long as steps are taken to soften the blow. These could include a cost adjustment that happens in stages over 10 years or something along those lines.

Screen Name Redacted

9/07/2021 02:49 PM

All set ups can be faulty due to the quality of the builders at the supply (e.g road/bridge builds) or the standards applied by inspectors (e.g the mining industry!) However broad rules applied by bureaucratic organisations can lead to local disasters and cost expansions leading ultimately to revolution. (beware the future in NZ due to housing manipulation through finance & supply interests)

Screen Name Redacted

9/07/2021 02:50 PM

This government will only give it away to a race based group to take over and then it will cost a fortune and less efficient

Screen Name Redacted

9/07/2021 02:51 PM

This proposal must not proceed. Look what happened to the electricity industry. The Politian's ignore the farmers 'hour of protest' at their own peril. If this goes ahead we will have to sort it out at the ballet box!!

Screen Name Redacted

9/07/2021 02:51 PM

Three years ago we move here from Auckland. As consumers of the Auckland 'Super City' we can attest to the fact that 'efficiencies' rapidly become a bloated organisation with many employees eating extremely well. it is too large and takes no account of local needs. its more important to stay local with our rates

Screen Name Redacted

9/07/2021 02:53 PM

At current trying to deal with the Waimak Council is a waste of bloody time with staff dodging calls and enquires rather than providing a sustainable infrastructure and ensuring that rates and money paid towards is used correctly to provide all properties with 3 waters within the town boundaries.

Screen Name Redacted

9/07/2021 02:55 PM

Local people know their local area best and therefore can make informed decisions about their environment which feeds into local Council. We are very concerned that this freedom will be taken from us. If we go ahead with this proposal rather than improve efficiencies we feel it will do the opposite as one entity to take care of the majority of the south island will not have the capacity to do so

Screen Name Redacted

9/07/2021 02:55 PM

This is obviously a political move, because of the perceived desire to rush this through parliament.

Screen Name Redacted

9/07/2021 02:55 PM

No No No

Screen Name Redacted

9/07/2021 02:56 PM

This is an asset owned by WDC and ratepayers, once handed over will (most probably) never be regained back. By handing over to Govt, I would imagine price increases, and many new projects/renewals/upgrades may be stymied or delayed for long periods due to lack of agreements - all resulting in additional costs and disruption to the community. This asset could possibly (in the future) be sold off to another entity from anywhere in the world. WDC need to stand firm and unite with other like minded Councils, have a united front against this proposed reform and not be tempted by the \$ on offer.

Screen Name Redacted

9/07/2021 02:57 PM

stick to the status quo

Screen Name Redacted

9/07/2021 02:58 PM

As a professional ex director this governance move is the worst I have seen . Its design will ensure local voices and actions will never overcome this bureaucracy madness.

Screen Name Redacted

9/07/2021 02:59 PM

I would prefer our council to manage our water rather than Nga Tahu

Screen Name Redacted

9/07/2021 02:59 PM

We feel quite satisfied with the way h2o is delivered at the present and cannot see any advantage by a larger entity in charge. Our council is doing fine to date so why does change seem necessary?

Screen Name Redacted

9/07/2021 03:01 PM

Just a formation of more and more layers of bureaucracy that we do not want or need. Looks like a 'jobs for the boys' effort

Screen Name Redacted

9/07/2021 03:02 PM

Our water here is great. Our Council has been looking after it and us.

Screen Name Redacted

9/07/2021 03:02 PM

water will become more important than oil or gold we need enough for all who live here

Screen Name Redacted

9/07/2021 03:05 PM

The labour government has bleed small business and now wants rate payers to fund north island interest. W need to cut the power

cable to the north island

Screen Name Redacted

9/07/2021 03:05 PM

We are reluctant to let control of water assets to be given to and run by Maori Iwi. Assets bought and paid for by Waimakariri rate payers.

Screen Name Redacted

9/07/2021 03:05 PM

It seems strange why there is such a difference in the projected annual costs. Is this accurate? I think the local knowledge of the infrastructure is important in terms of improvements and efficiencies. What would the the proposal entity for South Island be based? Would they have local offices employing local staff and use the same water maintenance contractor, (who will have local knowledge)?

Screen Name Redacted

9/07/2021 03:05 PM

We paid for these assets and they should remain in our ownership. Just another govt dept being set up which will cost us all.

Screen Name Redacted

9/07/2021 03:07 PM

our daughter works for the Palmerston north regional council - we are well aware of the ramifications government make up the trade scheme the police, the hospitals, we must not let them get their hands on our water. Thank you for asking our opinions

Screen Name Redacted

9/07/2021 03:08 PM

No way should this go ahead. We have seen Government regulations manage water resources in the past. The Belfast Bottling plant is an example, then declare water restrictions in Christchurch. Giving the water away is not on.

Screen Name Redacted

9/07/2021 03:09 PM

Big is not always best.

Screen Name Redacted

9/07/2021 03:10 PM

Rates will go up - Dunedin Council say theirs would go up by \$1,000 on average. If that happened here that is a very big increase. This will push retired people and people on the benefit out of the area. In Oxford our rates are the highest in the district, nearly \$4,000 or over in township. This is very, very high. I work for Council at Oxford I have been processing rates rebates with our customers and I have had super amounts said to me if they get any higher they will need to sell up. One customer was selling a couple said they will need to re-mortgage their home. Three quarters of them say its a real struggle to make ends meet. The income of these groups does not keep up with increases. In time

Oxford may end up with retirees fleeing due to this issue and demographics will change and not for the better. Imagine having rates take up one sixth of your income this is the case for a single retiree in Oxford.

Screen Name Redacted

9/07/2021 03:14 PM

This govt has got no idea how things work in our rural areas. They are incompetent and we would not benefit from any advice they give. I am strongly against the new proposal. This would give them too much control and they will fail us and we will pay dearly

Screen Name Redacted

9/07/2021 03:19 PM

Deal with low income/poor infrastructure areas separately with govt grants one off capital govt injection to fix. One size does not fit all

Screen Name Redacted

9/07/2021 03:19 PM

As with the Christchurch City Council's proposal to spread across all rate payers the cost of upgrading stormwater/flood protection in certain areas. I can envisage that the Waimak DC would be liable for the cost of upgrading systems in the North Island where Councils have failed to upgrade/maintain them, prioritising other areas of spending.

Screen Name Redacted

9/07/2021 03:19 PM

The chlorination of the water plus inclusion of fluoride is also best decided by government in the interests of all water safety the SW + WW systems will be adequately funded for expansion in all regions - ie Marlborough who otherwise cant afford it alone

Screen Name Redacted

9/07/2021 03:22 PM

Also dislike labour.

Screen Name Redacted

9/07/2021 03:23 PM

Three waters reform will be a bureaucrat nightmare leading to privatisation. Not a good idea. Water should be NZ

Screen Name Redacted

9/07/2021 03:24 PM

Waimak council do an excellent job of managing our water quality here and would not like to see this changed

Screen Name Redacted

9/07/2021 03:24 PM

Keep it local.

Screen Name Redacted

9/07/2021 03:26 PM

Regarding the proposed 3 Waters reform, I am in favour of reform for all the reasons listed in the feedback from. Water is a

commodity that should be managed for the good of all New Zealanders, right across the country. Boundaries are totally arbitrary, man made inventions that have little relevance for this commonly owned commodity. A long term holistic view and practical management strategies are needed if we are to meet the challenges of the future. It's time to put aside parochialism and start viewing this sparsely populated country as a whole. I also think the paper based feedback form (only one per household) is a very antiquated method of surveying residents. Surely, with all the modern tools available, some more effective way could be offered to those who are computer literate. Why not add "Three Waters Reform" to you contact menu options for a start.?

Screen Name Redacted

9/07/2021 03:29 PM

I understand that the 3 Waters Reform is an integral part of the Governments He Puapua Report that will divide New Zealand along racial lines with the reforms outlined in the report such as 3 Waters being managed by unelected individuals that will give rise to resentment and friction in the wider community.

Screen Name Redacted

9/07/2021 03:29 PM

P.S. I hope this process is not just a "dog & pony show" & that you guys will put up a good fight if the govt tries to ride rough shod, if the billion \$ bribe doesn't work!

Screen Name Redacted

9/07/2021 03:30 PM

Councils have put in 100% of asset then they will no longer have the ability to have a say based on their own local needs it will go into other areas. Governance structure has been proposed 50% Councils who have put in 100% of the asset and 50% Iwi why would you do that? I say NO.

Screen Name Redacted

9/07/2021 03:30 PM

- Another problem - the payment the govt expect us to accept is tiny in comparison to the assets they want to take over. - If this occurs will any of us ever have a say in the future re the "three waters" in our area. - I have my own water supply, sewage system and stormwater drainage. Where do I fit in?

Screen Name Redacted

9/07/2021 03:32 PM

If Waimakariri becomes an entity will they be housed in the council building at the rate payers expense?

Screen Name Redacted

9/07/2021 03:34 PM

If Option One: a) difficult issues passed onto Ecan b) who fixed water leaks? c) an administrative nightmare with huge staff costs. Top-heavy management d) large increases unaffordable to elderly

Screen Name Redacted
9/07/2021 03:36 PM

We don't need others running our waters. we have best water in Waimakariri without there interference

Screen Name Redacted
9/07/2021 03:38 PM

Take it to a referendum. Let the people decide. Centralising things doesn't seem to represent the little people.

Screen Name Redacted
9/07/2021 03:39 PM

The 3 waters project is as much about progressing the governments He Puapua report as anything co-governance with Maori is about power sharing with iwi and gives them a power of veto. Central government proposing to "steal" billions of \$ worth of assets from the local citizens and rate payers.

Screen Name Redacted
9/07/2021 03:39 PM

This proposal will end up costing us a lot more and a burden to younger generation. this is a communist idea where we lose control of our assets

Screen Name Redacted
9/07/2021 03:40 PM

The ratepayers and taxpayers already pay for water infrastructure - we gain nothing by handing it over to large entities whether Government or private other than another layer of overpaid executives and jobs for the Wellington boys.

Screen Name Redacted
9/07/2021 03:41 PM

Whats Nonia McHuitas expertise in water anyway a trip back to the stone age...ha!

Screen Name Redacted
9/07/2021 03:43 PM

Don't give our heritage away

Screen Name Redacted
9/07/2021 03:44 PM

GOVERNMENT PROPOSAL FOR THE MANAGEMENT OF THREE WATERS I am opposed to the Government proposal to remove the direct control of three waters from local government and to consolidate the management of three waters into three organisations for the whole country. My reasons for opposing this change are: 1. It penalises the local authorities that are managing their three waters infrastructure responsibly and are making provision for its future management. The means that there is potential for the Waimakariri District to be significantly disadvantaged if the plan is implemented as currently understood. 2. The Government is presenting the argument that all district councils are equally poor at managing their water infrastructure

assets, which is clearly not true. There is also no attempt to distinguish between those organisations that have the resources but have simply been negligent in this regard and the ones where the ability to meet standards is limited because of socio-economic disadvantage. 3. There are regulatory mechanisms available for the enforcement of drinking water and environmental standards and where territorial authorities clearly have the resources to meet these standards but are failing to do so then these powers should be used. It is also possible for community activism to support the enforcement of regulations. For example, community pressure brought the Waimakariri District Council into line with respect to the consents for the discharges from Rangiora sewer ponds, the establishment of the Cam River fund, and ultimately led to the development of the Eastern Districts Sewer Scheme. 4. In cases where the deprivation index shows that a community not able to meet these standards because of a lack of resources, the central government should step in to ensure that the health of the community and environmental standards are not compromised by providing direct financial assistance. In the early 2000s the government had such as scheme, and the upgrading of the Oxford urban water supply received government assistance based on the deprivation scores for the area. Unfortunately, the Tuahiwi village did not qualify because the meshblock in which it was located included some small holdings/lifestyle blocks and the result was a less deprived score which did not qualify for assistance. Had there been a meshblock which solely encompassed the Tuahiwi village it is almost certain that it would have qualified for this assistance. 5. It is very hard to accept the Government claims that the proposed scheme will provide lower costs to the consumer than with continued management of three waters by territorial authorities. The Government is asking us to accept that new organisations plus the promise of creating more job will reduce cost. 6. The Council's concern about the separation of the management of three waters from the other planning and the management of urban development is warranted. It is very difficult to see how an organisation responsible for the management of three waters across most of the South Island will have the level of detail readily available that the Waimakariri District Council when undertaking major development. The contribution of the Council's Policy Unit to the future population calculations for the eastern district sewer scheme is an example of the "in house" understanding of future developments and population numbers was significantly greater than that of the consultants who were basing their assessments on Statistics NZ's projections. At a district wide level these projections are very valuable but are not always relevant at locality level. Experience in other spheres also indicates that a detailed grasp of what is happening "on the ground" is very valuable, and this is

something that is often lacking in organisations responsible for wider areas, including at regional council level. 7. The recent article published in The Press on 31 August by Garry Law (former works director at the Auckland Regional Council and former Chief Executive of Auckland Watercare) raises some important issues that need to be considered and other that are more contentious. It is contended that scale is considered important to engage the expertise needed for water and sewage, and that this helps to achieve efficiency. This view assumes that all expertise needs to be located “in house”, while local governments frequently access expertise from consultancies and on occasions bring in specialist project managers as required. The employment of Peter Marks to head the Waimakariri Eastern District Sewer Scheme is an example of local government bringing in a person with extensive experience and the required skill sets for a ground-breaking project which was brought in on-time and on-budget. The case for scale warrants attention, particularly with respect to the delivery of potable water. Large metropolitan areas have multiple sources of water and are responsible for network reticulation serving all, or almost all, of their areas. The rural and peri-urban councils are responsible for multiple potable water schemes, which bring a different set of challenges. It is difficult to see how the monitoring of these various schemes will improve by having a large overarching organisation responsible for a significantly larger area. It is what happens on the ground that matters and there is always scope for smaller councils to collaborate voluntarily where this offers advantages. The introduction of a stand-alone central government potable water monitoring agency is supported by the author, to replace the existing system which is described as a liberal regime of self-monitoring and self-reporting. Across the country there is likely to be variability in the testing and reporting, and there would be advantages in having a specialist organisation involved, but this does not justify the radical reorganisation of the whole sector. Stronger regulation will undoubtedly identify the councils that are not providing an acceptable level of testing and delivering potable water that meets the require standard, but attention also needs to be paid to whether the failure to meet drinking water standards is an issue of lax organisation or a lack of resources in a relatively disadvantaged community. In the later cases the provision of financial assistance by central government as in the early 2000s has already been discussed. The article acknowledged that water and wastewater are highly capital intensive and is concerned that past underfunding of depreciation and delays have left too many areas with deficits that will not be overcome by quick fixes. Local government finances are regularly subject to intensive scrutiny by Audit, and this would surely the time when problems of failure to

adequately make financial provision for the maintenance of water and wastewater assets should have been addressed. The failure of one of the state agencies overseeing local government does not necessarily warrant the reorganisation of the whole. It is not a reason for the councils that have got their “house in order” as far as the management of these assets is concerned should be penalised because of those who have been negligent, and this would seem to include some of our larger metropolitan areas. While being critical of the lack of provision for the maintenance of these assets, the article also has a warning about the tendency for the engineers involved with water and wastewater to generate extensive “wish lists” for projects that are not tested as to the “need, size or technology”. This observation was supported with an example from the English water industry. It would also seem to be an observation relevant to the whole scheme being proposed by the government in its entirety and not just to the upgrading of assets. The concept of “three waters” is challenged. It is argued that stormwater is less technical and does not demand scale, and there is no natural linkage to the delivery of potable water in terms of user charges. The article suggests that the management of stormwater should be left with local government as it is linked closely with roading in terms of matters such as urban design to ensure secondary flow paths. As roads, development controls and urban form are core matters of local government this is where the management of stormwater should reside. Finally, the article argues that it is regional councils should be responsible for water and wastewater management to achieve the favoured scale of operations. It is worth noting that this view is being advanced by a commentator with extensive experience of water management in Auckland which is a unitary authority. Many of the smaller territorial authorities are to be found in the North Island, particularly in the Waikaro area and such a comment could be relevant to this area. In the South Island there a few very small local authorities that are under extreme pressure in terms of many aspects of their operations, which are exacerbated by pressure from tourists and addressing their issues is something that can be seen as a national issue. The remainder have relatively large populations compared with many of their northern counterparts, some including the Waimakariri District Council have experienced considerable recent growth and have demonstrated the ability to manage their water and wastewater assets in response. [REDACTED]

Screen Name Redacted

9/07/2021 03:45 PM

It is essential our water is managed by people who understand it.
Well done to management and council for taking this stance.

Screen Name Redacted

9/07/2021 03:45 PM

Hello, Can you forward this attached document on to the right department please. My father has filled out this form that you sent him in the mail, but he is unable to post it back to you due to still being in isolated lockdown. I have looked on your website because I was going to do it for him on there myself, but I see that I need to register with the Council to do that. But to do that there is a whole lot of waffle that they want to know about us that is not really their business in this situation. They want to know which gender identify best describes me... grr what next! There are far too many nosey questions. They are supposed to be asking if we say yes or no about this new three waters idea. And I want to say NO, leave it like it is. It could have been done on purpose, but the Council have made it very difficult for the ordinary person to respond. I have submitted a few times over the years to the Council on different matters but I've never needed to register. We want to say leave the water system like it is but I draw the line at registering to do it, especially since it entails such nosey questions. Unfortunately you haven't given anyone much time to respond, and with the current lockdown, it's made it pretty much hopeless for most people. And it needs to be done before Sunday, which is impossible now. There is no way that I can mail this paper to the Council before that now. Unfortunately all of my family are still in Lockdown or locked up and there has been no chance to post any mail. So can you please forward this attached document on to the right department. I trust you understand. Thank you Regards [REDACTED]

Screen Name Redacted

9/07/2021 03:45 PM

Local people have paid into the local scheme for decades. Why would we want to surrender our assets only to the group pay for other regions. It does not help us

Screen Name Redacted

9/07/2021 03:46 PM

Feedback Water Reform I'm sorry I could not access the specific form as I have no computer at the moment and my smart phone wouldn't open it. I like the idea of NZ as a whole working together towards water reforms HOWEVER I oppose that being taken out of the hands of the local councils. We already have infrastructure in place to manage local water supplies. No matter how this is managed in future we need to do all we can to continue to clean up our water ways and this means educating all residents on household chemicals cleaners that can damage our waterways.

Screen Name Redacted

9/07/2021 03:47 PM

You only need to read Dr Muriel Newmans article on this subject to see there is a hidden agenda to this reform!! There is no way the Waimakariri Council should go along with these reforms and should opt out!!!!

Screen Name Redacted

9/07/2021 03:50 PM

[REDACTED]

Screen Name Redacted

9/07/2021 03:52 PM

Risk of privatisation, Govt is inefficient DHBs an example.
Electricity System proof that Government interference ruins a workable operation

Screen Name Redacted

9/07/2021 03:53 PM

If the public dont want this to go ahead, should we stop paying our rates in protest. We are meant to be a democratic country, not communist.

Screen Name Redacted

9/07/2021 03:53 PM

Locals have paid for our infrastructure. We have the right to hold onto this and manage it by locals for locals. Price increases to fund others is not on

Screen Name Redacted

9/07/2021 03:54 PM

About time Waster Water is connected to Pineacres Holiday Park & surrounding areas.

Screen Name Redacted

9/07/2021 03:55 PM

This government wants too much state control

Screen Name Redacted

9/07/2021 03:57 PM

I am concerned about the cost of water. We have our own supply from a well for stock & personal use. I am also concerned by the Government forcing Maori representation on us for local Government, Ecan and now this three waters. We are all one. There is no need for separate representation

Screen Name Redacted

9/07/2021 03:59 PM

And a resounding OPTION 2 (OPT OUT) For all the reasons that are listed in your flier on the right hand side and also because - One size doesn't fit all. Individual areas know whats needed to push forward. National level solutions normally only suit the big urban centers from where the dictators hail. - I wouldn't trust central government to walk my dog let alone take over (and mismanage) our local assets , especially the socialist lot that have the helm now. There is never any democratic process, certainly no accountability and when it comes to money they have not a single clue. I may say differently if I was a supplier of some parts or service that was required for the three waters , the prices would go up exponentially and I could retire a lot earlier on the tax dollar! - I

think there is over representation of maori on the selection boards, in some places where half the population is maori that may work better but south island? Quotas of race religion sex or whatever is crazy! We need the very best people driving the bus, proven performers on many levels, not a box ticking exercise trying to appear woke. - My slightly cynical Crystal ball sees this , if it goes the Govt way, ten years down the track once everything turns to custard, the run down system that's made a few millionaires along the way will have to be chopped up and councils will have to buy their stake back, at a huge cost and then play catch up with the under nourished systems left behind. On a final note , at a risk of sounding like a cry baby... I really hate forms that ask " what do I identify as" to the point I normally refuse to continue with the form. Especially on something like this... what difference does it make to the question what the gender of the person who answers it is for starters, and why cant it just have the boxes there ... 'male' 'female' and if you must 'other'. Asking what people identify as just gives more traction to the madness that everyone is special and different, and the more different you can be, the more weight your opinion has. The aim of the last paragraphs was not to upset or offend anyone, just voice my honest opinion. It's a tough job pleasing everyone (aka impossible) and I don't envy you guys positions at all, keep up the good work. Regards, [REDACTED]

Screen Name Redacted

9/07/2021 03:59 PM

Why should we pay for others in comp Any group that acts like ECAN is bad news. Look at Quarry did not even say nothing even tho it could effect water.

Screen Name Redacted

9/07/2021 04:01 PM

I say NO to this going ahead... Could you please advise which four entities are proposed to be involved and of which countries?
Cheers, [REDACTED]

Screen Name Redacted

9/07/2021 04:03 PM

Our Council has done a very good job so leave things the way they are. Why does central government always have to meddle with things.

Screen Name Redacted

9/07/2021 04:04 PM

Rate payers have paid for our water services. Please don't sell out to this Govt offer.

Screen Name Redacted

9/07/2021 04:08 PM

Three Waters Reform This feedback is made on behalf of the Mandeville Residents Association Committee (MRA) The MRA selects Option 2 – Opt out We choose this option for the following

reasons raised on the feedback from: YES - I'm concerned we won't have a strong democratic say in the way three waters services are provided YES - I want our three waters services to be managed, built and operated locally, by people who understand our area YES - I'm worried our water rates will end up funding upgrades in other areas YES - I don't think it will improve efficiencies YES - I think we should hold off on any decisions and consider this alongside the wider future for Local Government Review and Resource Management Act (RMA) reform

Other feedback from the MRA:

- How will equity be established across all regions? Some areas are well-ahead with water reform and others face huge development work. There are varying levels of assets and debts across the regions. Will there be compensation for councils already ahead with developing water infrastructure?
- Waimakariri area already has very good water infrastructure – much of which has undergone development, maintenance and improvement since the earthquakes. We have safe drinking water and good sewerage infrastructure.
- There would be potential loss of local knowledge, expertise and jobs when it comes to decision-making, planning and work. How would works involving a combination of services be coordinated?
- Currently, in the event of major or minor failures, land-owners receive very good service from the existing WDC Water Unit. There is uncertainty as to how these service standards would be maintained if the proposed reforms occur.
- There are potential cost increases to local households. Similar models overseas have seen rates increase (England and Wales). Will people/larger properties who have no reticulated water (and where grey water is returned to the land) have a rate imposed on them even though they can't/don't have access to these services?
- Service calls: Would the first point of contact would be a call centre (at more cost)? Would this be centralised and if yes, lack of local knowledge would be a great disadvantage. Also, would the service techs be employees (and of whom?) or would the work be subcontracted out? If subcontractors were used, how and to whom would they be held accountable?
- Centralisation is championed as bringing the benefit of economy of scale. Conversely, there is traditionally much more bureaucracy and lack of any real focus to deliver an efficient and effective service at a reasonable price. Who becomes their direct customers? Is it local Councils or individual households? How and to whom would a central body be held accountable for both the service delivered and control of costs? How would actual outputs be measured? Who would devise the KPIs?
- If the 3 waters services are centralised, who will set water quality and environmental standards? Will the standards be reasonable, achievable and appropriate for the whole of the country?
- Of enormous concern is the potential for ownership of the authority

being transferred to others. With everything neatly packaged in one place it could be achieved without too much fuss or chance of preventing it. • Is this the best model for NZ? Have studies been made of similar situations overseas? Have alternatives been evaluated? Members of the Mandeville Residents Association Committee would be willing to meet with relevant WDC staff to discuss this further. Many thanks [REDACTED]

Screen Name Redacted
9/07/2021 04:10 PM

Too much bureaucracy and not enough real physical progress if it is centralised

Screen Name Redacted
9/07/2021 04:14 PM

Hi There I'm extremely concerned about this proposal. Local communities of all races need to manage the water around them, not single groups or Maori alone. I don't trust the way this government is taking NZ, it's segregation and dividing us based on race. Yes we need to improve the waterways and get nitrate levels down so the rivers are clearer, I 100% agree with that, but this proposal isn't the way. I'm extremely worried, and don't support this. Please opt out. Many Thanks [REDACTED], Christchurch

Screen Name Redacted
9/07/2021 04:15 PM

Mayor Gordan and Councillors, My request of you all is to opt out of the three waters reform. I can't see any advantage for Waimakariri or its rate payers. A central government entity cannot possibly work as efficiently or effectively as our own organisation with the wealth of local knowledge that we have built up over the years. Also in times of disaster such as the May 2021 flood event who would be in charge. Please stick with the status quo for everyone's peace of mind. Thanking you all in anticipation, [REDACTED]

Screen Name Redacted
9/07/2021 04:20 PM

[REDACTED]

Whom It May Concern [REDACTED]
Feedback for Waimakariri District Council (WDC) on Three Waters Reform The New Zealand government is reviewing how to improve the regulation and supply of drinking water, wastewater and stormwater (the three waters) in New Zealand. The government's

proposal would transfer management of water services and assets from local councils into four big regional water authorities, with the relevant authority for Waimakariri covering the Ngāi Tahu takiwā. As the contractor appointed by WDC to maintain a large portion of the District's stockwater races, WIL is concerned about the potential implication of the Three Waters Reform for management of stockwater. The reform is proposed to be limited to council-owned drinking water, wastewater and stormwater supplies. However:

- the DIA advises that rural water schemes with mixed ownership that receive council assistance to run the supply will need to transition to arrangements with new entities – the advice does not specifically address schemes where assets are owned by councils, but suggests that council water services beyond drinking, waste and stormwater will be captured in the reform;
- there otherwise appears to be no consideration of the potential implications for stockwater management and assets in the government's documentation supporting the reform; and
- the Waimakariri District Council DIA 3 Waters Modelling Review specifically excludes consideration of stockwater on the basis that stockwater is not considered in the Water Services Bill and are considered to stay in council ownership and management; but
- the Water Services Bill does not specifically exclude stockwater from regulation, and as drafted there would be a risk that water intended to be used for stockwater could be considered drinking water (or stormwater), and that the Bill could change before it is finalised in a way that would capture stockwater. Stockwater is a significant Council asset and vital component of Waimakariri's thriving rural economy. WIL is concerned that the transfer of ownership and/or management of this asset will have a detrimental impact on users of the race and the wider community. The lack of consideration for stockwater races by the government, alongside the recent freshwater reforms that were not adequately tested against the realities of the rural economy, give WIL little confidence that the government's proposed regime can continue to provide this service in a reliable manner. For this reason, WIL would support WDC opting-out of the proposed regime. WIL would be happy to discuss this issue further if it would be of assistance to WDC. Yours sincerely, [REDACTED]

Screen Name Redacted

9/07/2021 04:22 PM

Due to Covid I think this reform should be extended and shy I have emailed this to you. Thank you

Screen Name Redacted

9/07/2021 04:25 PM

I think the Council should opt out of the Governments proposed 3 Water reforms. I believe the best people to manage and operate a local service are the local people themselves. Combining all water

assets into four large entities does not necessarily mean an efficient system and local Governments will not have any say about what happens to the water sources for our area. Having a complicated Governance arrangement does not allow for our needs to be presented fairly and I strongly hope the Waimakariri Council will opt out of the 3 Waters reform.

Screen Name Redacted

9/07/2021 04:29 PM

I am very concerned our services cost will be dictated by some entity not part of the Waimak Council or Waimak residents

Screen Name Redacted

9/07/2021 04:32 PM

There is no evidence to show that large bodies controlling the whole country make savings or do the best possible for individual areas. we are totally against the control that this government seems determined to bring about. They have little or no understanding of rural area requirements.

Screen Name Redacted

9/07/2021 04:38 PM

Local knowledge experience and capital investment have provided a very good water scheme for us. we control our own destiny let not others interfere.

Screen Name Redacted

9/07/2021 04:47 PM

I have my own water supply and have no interest in having to pay for this "reform". The water should stay with local Council.

Screen Name Redacted

9/07/2021 05:03 PM

Three waters Reform. Comment from [REDACTED]. I strenuously oppose the government reform for the following reasons. 1. The waimak 3 waters infrastructure, as I understand it, is in pretty good shape, having a standard and poor's AA+ rating. We don't need new management. 2. Because our systems are in such good shape, we will likely get no support from a government reform entity. They will take the attitude that we (waimak) are OK and give priority to other districts with greater needs. 3. Waimak rate payers have invested in, and Waimak Council has wisely managed, our assets to provide us with great facilities. Why should we hand over control to some untested authority. 4. Projected costs at 2051 are \$908 if we stay with Council control. Corresponding govt reform cost is \$1640. Why would we chose to pay more (almost double) when our current service is perfectly good. 5. Govt is predicting \$3000 cost at 2051 if we stay with council control. This is three times more than the council projected 2051 cost of \$908. I think Council knows their own three waters business better than the govt. I feel that the govt projection is a scare tactic to get people to accept their proposed

reform. I think govt should be held to account for such a potentially hugely inaccurate projection. 6. On the management side, I don't believe that bigger is better. I think the standard and poor's rating speaks for itself and confirms the council is doing an ok job at managing our 3 waters. I can't believe that a larger south island entity could do it better. 7. I think the offer of \$22m settlement by the govt to take ownership of the waimak 3 waters assets is a massive insult to ratepayers. We have invested in this asset over many years and the value of the asset is many many times the amount. 8. I think we would end up paying a lot more for a govt controlled system and get a much poorer service. I think we would be nuts to agree to this proposed reform. 9. If Govt want to improve the quality of 3 waters services to other districts, they should offer them some sort of funding package. But leave the performing district alone.

Screen Name Redacted

9/07/2021 05:11 PM

The strongest part of public responses in my attached notes on the CWMS meetings was the instance that water management decisions must be made locally by informed local people. Any debate, mediation, etc must be locally resolved & people were clear that this did not mean by a group in Chch. ie. Local is Waimak!! (I was either a speaker or the chair at everyone of these public meetings & so have no doubt about the above message). The 3 Waters proposal totally contradicts this public feeling, and further, the proposed governance structure & appointments, would be seen as un-democratic more like the model we see now in Eastern Bloc. countries. WDC water management currently operates within & is consistent with the principles of the Cauty Regional Water Plan/Strategy. These principles were established in a process over 6 years driven by the Canterbury Mayoral Forum. They were unanimous in establishing the principles & system we have now & which has been in place with legal status since 2010. Jim Gerard was Mayor. I'm happy to discuss further detail on this with staff or Councillors at any time.

Screen Name Redacted

9/07/2021 05:24 PM

WDC will have to fight for projects and funding from the new body. Additional administration overheads in coordinating between WDC and the new body. WDC will have no/limited say in chlorination and fluoridation. Duplication/incompatibilities between databases, maps and records. More complicated programming of the new body's capital and operational works with works that remain under WDC control. WDC staff are close to elected members and rate payers. Will the new body be elected or will we be stuck will whatever we get and whatever they charge? More efficiently produced outcomes when staff are all under the same roof and know each other. WDC

staff are more likely to respond to ratepayers' queries and concerns than a more distant body. WDC drinking water is superb!

Screen Name Redacted

9/08/2021 08:34 AM

The government wants to buy an asset we already own, with my tax money, at a miserly % of what it is worth, then they will charge me to use it. It is like selling your house for less than 1/2 its value and then renting it back for more than you were paying for your mortgage. And you still have to pay the existing mortgage off. Don't sell out to the commies. If it is sold for less than full value I will join any legal action against councillors to recoup the outstanding amount.

Screen Name Redacted

9/08/2021 08:37 AM

Sorry this is 2 days late due to COVID disruption

Screen Name Redacted

9/08/2021 09:22 AM

If have option 1, in years to come any Government could sell asset off. Happened in the past, pay more eg: electricity as example

Screen Name Redacted

9/08/2021 09:37 AM

Keep chemicals out of our drinking water

Screen Name Redacted

9/08/2021 09:40 AM

WDC during and after the Sept 4 earthquake were just great over the last 10 years they have gradually replaced a lot of water & sewerage works at great cost, taking out a loan with all rate payers paying their share via small rate increases. If our council lost control of our water etc at what cost? And how long would the council have to wait to get through the bureaucratic red tape. I have lived in Kaiapoi over 40 years and know we in Waimakariri district have the best run council in the country. Parliament leave well alone

Screen Name Redacted

9/08/2021 09:44 AM

The present arrangement works well. All the people do a great job. Thank you. God bless you

Screen Name Redacted

9/08/2021 09:47 AM

The process of these changes is far too quick & there is too little information on how they will deliver these promises. We should not be giving away our infrastructure that has been paid for by local communities. Also the 4 entities they are setting up have an unfair representation of NZ population 6 of 12 directors from one segment of our population (Maori) is not acceptable in this age where our Prime Minister says "we are one". Nationalising our

water resources will not make it cheaper, better or more efficient than locally run & overseen by national body

Screen Name Redacted

9/08/2021 10:00 AM

One can just imagine another govt run board of directors etc a junket for the (old boys network) over paid and pretty useless

Screen Name Redacted

9/08/2021 10:03 AM

Also it seems in this day and age there seems to be a lot of change seemingly for changes sake. "It it's not broke don't fix it". Scared it will end up another massive stupid mistake. Chlorine/Fluoride are not natural and un-needed. If you want you could put it in yourself.

Screen Name Redacted

9/08/2021 10:09 AM

- I think the current water supply is excellent - as a property developer, I'm concerned at how contributions will be charged and I feel that development contributions I've paid will have been wasted - I think implementation costs will be high - I fear maintenance, new connections, queries etc. will become bureaucratic and complex - I would however like to see local streams maintained to a higher standard e.g. middle brook - silt management and runoff catchment.

Screen Name Redacted

9/08/2021 10:09 AM

A lot of Canterbury has a unique water supply. I worked for Bisleys some years ago and a visiting American who worked for Johnsons Screens said that Chch especially had one of the best natural water supplies in the World (for purity) and he said it would be a crime to add anything to it including chlorine or fluoride. If this Government got hold of Canterbury's water then both of these would be added. I personally worked on many wells throughout Canterbury and would hate to see this happen.

Screen Name Redacted

9/08/2021 10:11 AM

Our present water supply is 1st class and does not need any Govt interference which obviously will increase costs without any improvements. [REDACTED]

Screen Name Redacted

9/08/2021 10:12 AM

If it goes ahead I can see it being sold off. Bitten once before re power

Screen Name Redacted

9/08/2021 10:18 AM

Any future improvements, expansions, adjustments can only be based on local knowledge and expertise, not on bureaucratic hierarchy. What Waimakariri achieved can be exemplary for the

other councils. "Water is a precious commodity" I am worried the new proposal will create conflict, unfairness and injustice.

Screen Name Redacted

9/08/2021 10:19 AM

We need all ratepayers to be allowed to vote in the WDC decision voice

Screen Name Redacted

9/08/2021 10:20 AM

Note: There is a lot going on behind the scenes and behind closed doors that the general public are not aware of and will not be until it is too late.

Screen Name Redacted

9/08/2021 10:21 AM

WDC do a great job, continue the good work, great Mayor & well run council.

Screen Name Redacted

9/08/2021 10:22 AM

Stay as is. Our water is the best in the world in our Council area!

Screen Name Redacted

9/08/2021 10:24 AM

Management: Why have Iwi 50% control? No guarantee WDC have any say - 4 Cities/West Coast all need a say, Chch maybe 2 on population.

Screen Name Redacted

9/08/2021 10:26 AM

Great to have chance for public feedback, thanks.

Screen Name Redacted

9/08/2021 10:35 AM

I am watching agenda 2030 roll out and am not happy. This has impacted farmers, our food, tradies lifestyles. It's over reach by the Council and Government. We are managing our services well thanks, are happy and do not want ANY Maori ownership!!

Screen Name Redacted

9/08/2021 10:40 AM

Marxist central planning does not work. Ask the Russians and the Chinese.

Screen Name Redacted

9/08/2021 10:57 AM

Bigger has not be proven to provide better efficiencies or capabilities. Waimakariri has a first rate water provider/treatment system in place within their scope - well done. Why is there such a rush by Government - 8wk timeframe. This does not enable FULL PUBLIC CONSULTATION. This is all part of the centralisation plan of the Govt to take away the rights of the individual & local communities.

Screen Name Redacted

9/08/2021 10:59 AM

Irresponsible timing and should link to RMA reform timing. I think enlarged areas for water management are justified by current planned changes are not appropriate.

Screen Name Redacted

9/08/2021 11:08 AM

Should consider the water shortage & drought may be within the ten years from now.

Screen Name Redacted

9/08/2021 11:09 AM

To opt in means giving away valuable assets. The Govt are not realistic

Screen Name Redacted

9/08/2021 11:17 AM

see attached paper clipping The Press Monday, September 6, 2021 News .Water woes in full flow : [REDACTED]

[REDACTED] Canterbury's future water health is murky as a new report reveals that a region-wide conservation like northeast Ashburton, Tinwald, and the lower Hekeao/ Hinds plains. Most of the goals related to freshwater health and biodiversity targets. By last year, just one had been achieved - understanding the risk posed by potential contami plan has met just two of more than nant,s, which ECan managed 30 goals it set itself a decade ago. The Canterbury Water Manage ment Strategy (CWMS) was created in 2010 in a partnership between Environment Canterbury (ECan), local councils and iwi. It established 10 target areas with more than 30 goals to improve water health and management. A progress report released this week revealed that, 11 years on, just two of those goals had been achieved. One target area was drinking water, which had three specific goals, all unmet. The first of those was that more Cantabrians had water that met Drinking Water Standards for New Zealand (DWSNZ) health guidelines. The report blamed changes to the DWSNZ and the Ministry of Health's annual drinking water quality survey, made in 2019. "[The survey] now notes that drinking water suppliers 'must' comply with the standards, where previously they had to take 'all practicable steps' to comply." Some supplies didn't meet the new threshold, the report said, while others had not yet been tested against it. Another goal was to reduce nitrate concentrations in shallow groundwater, but the report found concentrations were instead increasing in many Canterbury wells, including "high-ris k areas" through monitoring programmes. The only other fully met goal was in recreational water quality. Of Canterbury's lakes and rivers used for swimming, more now met recreational water quality guidelines Other important goals included all high-country rivers and lakes being either in good ecological health or on the mend, better water quality in at least 60 per cent of lowland rivers and lakes, all of Canterbury's wetlands protected and native fish populations bounc ing back. All

were listed in the report alongside a glaring assessment, highlighted red: not met. Of its six kaitiakitanga goals, working with n1nanga with mana whenua over the land, progress had been made on two, but the other four had not been achieved. That included a goal for all marae to have access to clean drinking water. Other missed targets included making irrigation water supplies more efficient and ensuring high standards of nutrient management on farms. ECan science director Tim Davie said: "We've made great strides in some areas, such as riparian planting, river mouth protection and setting nutrient discharge limits, but we're not meeting the goals we set for ourselves in some other target areas."

Optional question (628 response(s), 3216 skipped)

Question type: Essay Question

“Model report” – for Chief Executives to draw from when reporting to/briefing their councils on the next stages of three waters service delivery reform

Version 0.2 5 August 2021

[EXAMPLE] Purpose

This report updates the [Name] Council on

- the Government’s 30 June 2021 and 15 July 2021 Three Waters Reform announcements, which change the reform process previously outlined in 2020
- the specific data and modelling Council has received to date
- the implications of the revised Three Waters Reform proposal for Council and alternative service delivery options
- next steps (including uncertainties).

[EXAMPLE] Recommendations

That Council:

- 1) **notes** the Government’s 30 June and 15 July 2021 Three Waters Reform announcements
- 2) **notes** officer’s advice on the accuracy of the information provided to Council in June and July 2021 as a result of the RFI and WICS modelling processes
- 3) **notes** officer’s analysis of the impacts of the Government’s proposed three water service delivery model on the [XX] community and its wellbeing, including the impacts on the delivery of water services and water related outcomes, capability and capacity, on [NAME] Council’s sustainability (including rating impact, debt impact, and efficiency) and
 - a) **[BEST PRACTICE - INCLUDE HIGH LEVEL CONCLUSION HERE SO IT CAN EXIST AS A STANDALONE DECISION IN YOUR MINUTES WITHOUT GOING BACK TO THE REPORT]**
- 4) **notes** the analysis of three waters service delivery options available to Council at this time provided in [Report XX/YY]
- 5) **notes** that a decision to support the Government’s preferred three waters service delivery option is not lawful (would be ultra vires) at present due to section 130 of the Local Government Act 2002 (LGA), which prohibits Council from divesting its ownership or interest in a water service except to another local government organisation, and what we currently know (and don’t know) about the Government’s preferred option
- 6) **notes** that Council cannot make a formal decision on a regional option for three waters service delivery without doing a Long Term Plan (LTP) amendment and ensuring it meets section 130 of the LGA
- 7) **notes** that the Government intends to make further decisions about the three waters service delivery model after 30 September 2021

- 8) **notes** that it would be desirable to gain an understanding of the community's views once Council has further information from the Government on the next steps in the reform process
- 9) **requests** the CEO to seek guidance on and/or give feedback to the Government on
- a) the following areas of the Government's proposal that Council needs more information on [INSERT AREAS]
 - b) the following changes to the Government's proposal/process [Insert areas]
- 10) **notes** that the CEO will report back further once they have received further information and guidance from Government [,LGNZ and Taituarā] on what the next steps look like and how these should be managed
- 11) **in noting the above, agrees** it has given consideration sections 76, 77, 78, and 79 of the Local Government Act 2002 and in its judgment considers it has complied with the decision making process that those sections require (including, but not limited to, having sufficient information and analysis that is proportionate to the decisions being made).

1. [EXAMPLE] Summary

- 1.1. Over the past four years the central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater, and stormwater) – Three Water Reform. The background is provided in Attachment 1 including information on Taumata Arowai (which became a new Crown entity in March 2021 and will become the dedicated water services regulator later this year).
- 1.2. The Government has concluded that the [case for change](#)¹ to the three waters service delivery system has been made [please see Attachment 2 for further information] and during June and July 2021 it released information and made announcements on:
- the direction and form of Three Waters Reform, including [proposed new Water Service Entities \(four and their indicative boundaries\)](#), their governance arrangements and public ownership
 - individual (WICS) Council data based on the information supplied under the RFI process
 - a package of investment (\$2.5b) for councils to invest in the future for local government, urban development, and the wellbeing of communities, ensuring no council is worse off as a result of the reforms, and funding support for transition
 - an eight-week process for councils to understand the implications of the reform announcements, ask questions and propose solutions and for Government to work with councils and mana whenua on key aspects of the reform (including governance, integrated planning and community voice).
- 1.3. Council has been placed in Entity [X] and our better off funding allocation is [XX]

¹ [Transforming the system for delivering three waters services \(dia.govt.nz\);
https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf)

- 1.4. While the Government and LGNZ consider that national case for change has been made, each council will ultimately need to make a decision based on its local context if the process to join one of the proposed entities remains voluntary.
- 1.5. This report provides Council will the staff analysis of the information provided and assesses the Government’s proposal and currently available service delivery options. In preparing it officers have [note – adjust this section for your own process] used the Local Government New Zealand, Taituarā, and Te Tari Taiwhenua Internal Affairs [guidance](#)² and [our risk framework and policy](#) to assist Council to understand the information that has been provided to date and enable Council to prepare for future decisions and consultation and engagement with communities. Key risks considered are documented in the report and attachments [five and seven](#).
- 1.6. In summary, **[to be completed by each Council using information in this report and underlying council analysis. An example follows. You can insert any summary tables that assist you to paint the picture at a glance, eg the table at section 6]**
- Our Council specific information looks broadly correct **[insert any issues raised with DIA for correction]**.
 - Given the peer reviews of the modelling and underlying assumptions (which always carry a degree of uncertainty) no further analysis of this work has been done or is proposed and staff have focussed on the reasonably practicable options and their implications for Council and the community.
 - Doing nothing is not an option, as Council must continue to deliver services
 - **Option A - Government proposal:** The greater financial capability, efficiency, affordability and community/water benefits (as published by Government) of delivering three waters to the community by the proposed new Water Services Entities are likely to be of significant value if they can be realised.
Our analysis suggests there should be reduced risk to council (non-compliance with standards and processes, lower costs for delivery, procurement). Council also would not be responsible if a non-council supplier couldn’t meet standards. There are risks that need to be mitigated including integration with spatial, growth and local planning and transparent prioritisation, households’ ability to pay, and Council’s financial sustainability **[some councils will be able to state whether the risks fit within their council’s risk appetite]**. There are several risks associated with transition to this model, many of which are outside of Council’s control and are noted in the transition section of the report.
 - **Option B - Delivery of three water services by Council:** The potential benefits of this option include greater Council control and more certainty over local infrastructure integration (planning and delivery) with land use plans and council objectives. Council however faces [significant] risks over the [short/medium/longer term], including potentially high costs, in meeting the new water standards, environmental requirements and achieving compliance. The ability of non-Council water supplies to meet standards and requirements also poses a [small/medium/high...] risk to Council and the community.

² <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>

- The causes of most of these risks are not within Council’s control. This makes mitigation difficult, and many potential mitigation options (such as greater investment, larger costs than currently planned, lower levels of service, compliance risk) may not be palatable to Council or the community. **[some councils will be able to state whether the risks fit within their council’s risk appetite].**
- **Option C - Delivery of three water services by Council at a higher level of service level and investment** is a realistic but difficult to assess option within the eight week timeframe. The issues and opportunities associated with this option are broadly the same as for Council delivering three waters at the service levels forecast in the LTP 2021-31. There is likely better integration with Council outcomes, objectives and plans, but even if Council can predict the investment required to meet the new water standards, environmental requirements and compliance requirements in the short term, the costs of service provision and levels of service may change significantly over the next 30 years, causing affordability issues for households, lower levels of service and compliance risks for Council.
- **Option D - Regional aggregation of three waters services in a Council Controlled Organisation [asset owning]:** While councils would still need to be satisfied that the changing regulatory environment was adequately provided for, including ensuring there was sufficient funding to meet legal and regulatory obligations due to scale, this option (better) addresses the risk that the size of investment required to meet new standards and community expectations is greater than forecast by individual councils
 - it enables an organisation to focus on the group’s three water challenges and prioritise investment decisions across the region, which should lead to better environmental and community outcomes
 - it provides for greater strategic, management and operational capacity and capability, workforce development and planning
 - it enables efficiencies (in planning, programming, procurement and delivery)
 - and should as a result reduce household costs and increase affordability.
 - There are however integration risks with spatial, growth and local planning and uncertainties around the future costs to households.

- **[TABLE SUMMARY IF AVAILABLE / PREFERRED CAN BE INSERTED]**

- 1.7. Under all options except the Government proposal, Council bears the risk of meeting the new water standards, environmental requirements and achieving compliance. There are also implications and challenges for non-Council supplies to meet water quality requirements, with the risk that these supplies might default to Council in the future.
- 1.8. Other Government reforms (Resource Management Act, Future of Local Government) pose opportunities and challenges for each option.
- 1.9. Managing transition risks are likely to pose a greater challenge for Council (and others in its grouping) than the risks associated with the Government proposal. If the Government’s proposal were to proceed, effective management of the transition by Council, Government and partners will be critical.

- 1.10. The law currently prohibits Council's deciding to opt-in to the current proposal (given section 130 of the Local Government Act 2002 and what we know about this option at present). Current decision-making requirements, including the need to take account of community views and strategic nature of the assets involved, would also preclude Council deciding to opt-in at this time without consultation.
- 1.11. Similar requirements apply if the council wishes to consider alternative arrangements that involve asset transfers, divestment, change in ownership and or the setting up of a Council Controlled Organisation (CCO) to deliver water services in the future.
- 1.12. There are a number of issues, concerns and uncertainties for the Government and councils to work through before a robust Council decision (and decision-making process) can be produced, including whether legislative change will enable or require the Water Services Entity or CCO approach to be adopted. Therefore, there is no expectation that councils will make a decision to opt-in (or out) or commence community engagement or consultation over the eight-week period.
- 1.13. Councils have been specifically asked to provide solutions to three outstanding issues during the next eight weeks:
 - ensuring all communities have both a voice in the system and influence over local decisions
 - effective representation on the new water service entities' oversight boards, including preventing future privatisation
 - ensuring integration between growth planning and water services planning.
- 1.14. Staff therefore request Elected Members consider the issues that arise from the Government's proposal and any potential solutions so these can be raised with Government and LGNZ before the end of September 2021.
- 1.15. Government decisions on entity boundaries, governance and transition and implementation arrangements will occur after the eight week-process ends (30 September 2021).
- 1.16. On the assumption that the reform goes ahead, it is anticipated that councils will continue to deliver water services until at least early 2024 and council involvement in transition will be required throughout.

NB Author advice - Don't attach the legal advice or refer to it (e.g. our legal advice said ...; quotes etc) as you will risk waiving legal privilege for the sector on the reform – not just your council.

2. Background and context [to edit down / or add information from attachments 1, 2 and 3 based on previous levels of reporting / briefing to council]

- 2.1. Following the serious campylobacter outbreak in 2016 and the Government's Inquiry into Havelock North Drinking Water, central and local government have been considering the issues and opportunities facing the system for regulating and managing the three waters (drinking water, wastewater, and stormwater).
- 2.2. The focus has been on how to ensure safe drinking water, improve the environmental performance and transparency of wastewater and stormwater network and deal with funding and affordability challenges, particularly for communities with small rating bases or high-growth areas that have reached their prudential borrowing limits.
- 2.3. The Government's stated direction of travel has been for publicly-owned multi-regional models for (with a preference for local authority ownership). The Department of Internal Affairs (DIA), in partnership with the Three Waters Steering Committee (which includes elected members and staff from local government commissioned specialist economic, financial, regulatory and technical expertise to support the Three Waters Reform Programme and inform policy advice to ministers).
- 2.4. The initial stage (Tranche 1 - MOU, Funding Agreement, Delivery Plan and RFI process) was an opt in, non-binding approach. It did not require councils to commit to future phases of the reform programme, to transfer their assets and/or liabilities, or establish new water entities. The 2020 indicative reform programme and then anticipated next steps can be found in **Attachment 1**.
- 2.5. Council completed the RFI process over Christmas and New Year 2020/21 and the Government has used this information, evidence, and modelling to make preliminary decisions on the next stages of reform and has concluded that the case for change has been made **[Attachment 2]**.

3. Government's June and July 2021 announcements and information releases [to edit / place in an attachment / use attachment information provided based on previous levels of reporting to council]

- 3.1. In June 2021 a suite of information was released by Government that covered estimated potential investment requirements for New Zealand, scope for efficiency gains from transformation of the three waters service and the potential economic (efficiency) impacts of various aggregation scenarios.³

³ This information, including peer reviews and the Minister's briefing can be accessed at: <https://www.dia.govt.nz/Three-Waters-Reform-Programme> and [release-of-second-stage-evidence-base-released-june-2021](#).

3.2. In summary the modelling indicated a likely range for future investment requirements at a national level in the order of \$120 billion to \$185 billion, an average household cost for most councils on a standalone basis to be between \$1910 and \$8690 by 2051. It also estimated these average household costs could be reduced to between \$800 and \$1640 per household and efficiencies in the range of 45% over 15-30 years if the reform process went ahead. An additional 5,800 to 9,300 jobs and an increase in GDP of between \$14b to \$23b in (Nett Present Value, NPV terms over 30 years were also forecast.

3.3. As a result of this modelling, the Government has decided to:

- **establish four statutory, publicly-owned water services entities that own and operate three waters infrastructure on behalf of local authorities**
- **establish independent, competency-based boards to govern**
- set a clear national policy direction for the three waters sector, including integration with any new spatial / resource management planning processes
- establish **an economic regulation regime**
- develop an industry transformation strategy.

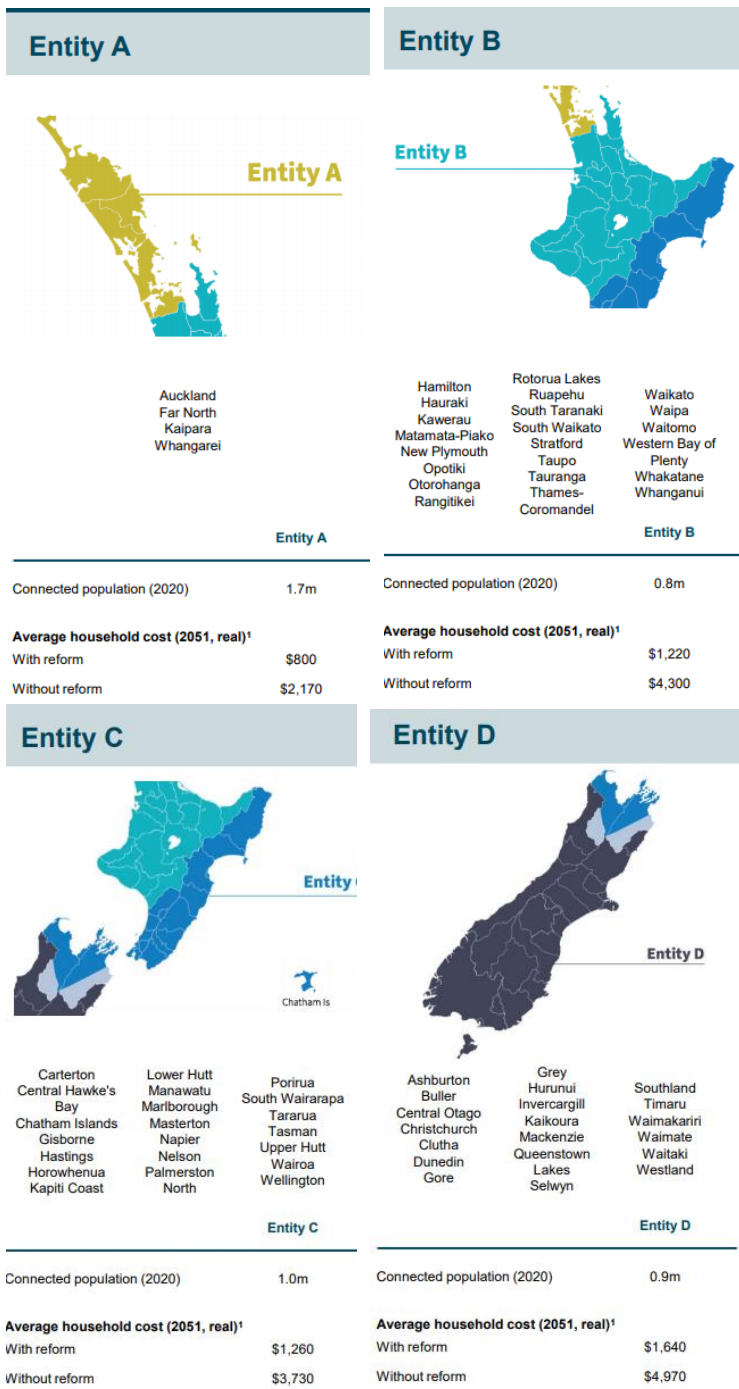
The proposed safeguards against privatisation can be found on page 26 of the DIA's [summary of the case for change](#).

3.4. Both DIA and LGNZ have produced two page national overviews, available on the DIA [website](#)⁴ and [LGNZ websites](#)⁵ respectively. **Attachment 2** contains more detail on the national context and **Attachment 3** provides the DIA/LGNZ overviews. **[You don't need to include both but for ease of reference they are both there if you wish to include either of them]**

3.5. We have been placed in Water Services Entity X **[can describe boundaries or use one of the following maps enlarged / reformatted as required]**, although the precise boundaries are still up for discussion.

⁴ [2872-DIA-A3-A New Water with-without reform Map 20210526 v2.7](#)

⁵ [Three-Waters-101-Infographic.pdf \(lgnz.co.nz\)](#)



- 3.6. On 15 July, in partnership with LGNZ under a [Heads of Agreement](#)⁶, the Government announced a package of \$2.5 billion to support councils to transition to the new water entities and to invest in community wellbeing. This funding is made up of a **'better off' element** (\$500 million will be available from 1 July 2022 with the investment funded \$1 billion from the Crown and \$1 billion from the new Water Services Entities) and **'no council worse off' element** (available from July 2024 and funded by the Water Services Entities). The **"better off"** funding can be used to support the delivery of local wellbeing outcomes associated with climate change and resilience, housing and local placemaking, and there is an expectation that councils will engage with iwi/Māori in determining how to use their funding allocation.
- 3.7. **Council's funding allocation is [XX]**. The detail of the funding (including expectations around the use of reserves) and the full list of allocations found in [Attachment 4](#). Conditions associated with the package of funding have yet to be worked through.
- 3.8. In addition to the funding announcements, the Government has committed to further discussions with local government and iwi/Māori over the next eight weeks on:
- the boundaries of the Water Service Entities
 - how local authorities can continue to have influence on service outcomes and other issues of importance to their communities (eg chlorine-free water)
 - ensuring there is appropriate integration between the needs, planning and priorities of local authorities and those of the Water Service Entities
 - how to strengthen the accountability of the Water Service Entities to the communities that they serve, for example through a water ombudsman.
- 3.9. As a result, the original timetable for implementing the reform (outlined in [Attachment 1](#)) and for councils to consult on a decision to opt-in (or not), no longer applies. [Further advice on the difficulties and risks of making a decision to opt-in or not is included at section X of this report.](#)
- 3.10. Next steps are expected to be announced after 31 September 2021, which would include the timeframes and responsibilities for any community or public consultation.
- 3.11. It is also important to note that the Government has not ruled out legislating for an "all-in" approach to reform to realise the national interest benefits of the reform.
- 3.12. In the interim the DIA continues to engage with council staff on transition matters on a no regrets should the reform proceed. These discussions do not pre-empt any decisions about whether to progress the reforms or whether any individual council will transition.
- 3.13. On the assumption that the reform goes ahead, it is anticipated that councils will continue to deliver water services until at least early 2024 and council involvement in transition will be required throughout.

4. Council specific information and analysis

- 4.1. While the Government and LGNZ consider that national case for change has been made, each council will ultimately need to make a decision based on its local context.

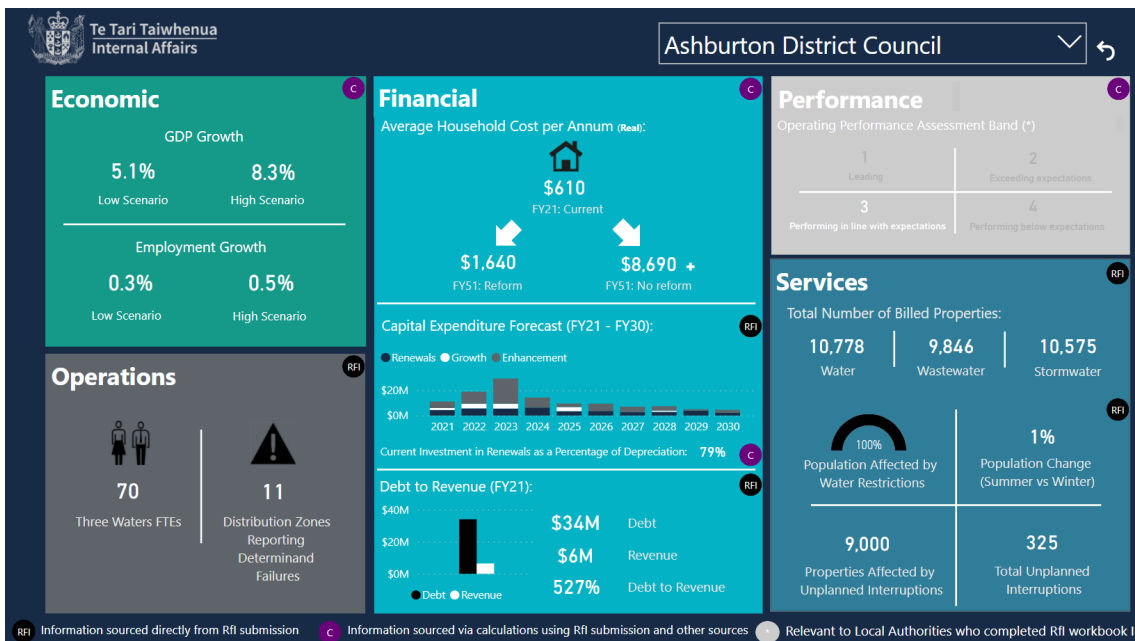
⁶ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf)

4.2. Councils do not have a national interest test for their decision making. Councils are required to act in the interests of their communities and the community’s wellbeing (now and into the future), provide opportunities for Māori to contribute to their decision-making processes, ensure prudent stewardship and the efficient and effective use of its resources in the interests of the district or region (including planning effectively for the future management of its assets) and take a sustainable development approach⁷.

[Can insert a table version of the below if you wish. Suggest appendix can be used for more comprehensive analysis if the Council has it]

4.3. Council currently delivers three waters as [INSERT AS APPROPRIATE - a standalone entity – contracted out service/ mix of inhouse and contracted out etc /part of a shared service/through a CCO (non-asset owning) etc].

4.4. Our dashboard looks like this:



[INSERT OWN DASHBOARD]

4.5. It, and the dashboards of other councils, can be accessed on this [site](#)⁸.

4.6. The key aspects Council should note are detailed below.

4.7. Average cost of per household -

- the DIA (based on several assumptions) states it is \$X,XXX; our council based on the 2021/22 Plan is \$X,XXX
- projected out to 2031 (again based on assumptions) is \$X,XXX (DIA – inflation stripped out) and our council (based on year 10 of the LTP 2021-31) is \$X,XXX (inflation stripped out)

⁷ See for example sections 5 and 14 of the LGA.

⁸

<https://app.powerbi.com/view?r=eyJrIjojOGE1OTJlYWUtZDZkNy00YWZjLTgzN2EtOTY1MzQxNGM5NzJmIiwidCI6ImY2NTJlYTVjLWZjNDctNGU5Ni1iMjRkLTE0YzktZGxkM2FjYjI9>

- DIA's reform (Entity X) projects \$x,xxx by 2051

4.8. Debt –

- [in addition to own numbers of modelling, could include a graph with three waters debt transferred/gone.]
- [Also insert here any issues re lower debt because of the use of rates/depreciation to fund asset renewals / upgrades, low debt because Council hasn't invested in necessary upgrades / new plant etc using debt/at all]
- [Insert here any issues with delivering necessary upgrades / new plant etc because at / near debt ceiling and /or interest and depreciation costs affecting rates affordability etc.]

4.9. Capital Expenditure Forecast –

- The DIA are forecasting \$x
- Our own information demonstrates that there is significant [moderate] investment required over the next 10 years of our Long Term Plan and out across 30 years in our infrastructure strategy, underpinned by assumptions that regulatory standards will tighten and that there will be more monitoring and enforcement in the future.
- [can insert own LTP / Infrastructure strategy information if useful, including any limitations known – e.g. debt ceiling, rate affordability]
- In addition, Council has the following upgrades / additional plant and treatment capital works and investment planned beyond the 10 years of the LTP 2021/31:

○ XX at \$YY in [Year]

○ XX

○ XX

○ XX

Only works a,b, c have a fully costed business case against known standards. The remainder [and the works required to meet future standards and resource consent renewals beyond the next 10/15/20/30 years] are only [rough] estimates [based on XX e.g. historic investment] or largely unknown and will/will not be able to be quantified with any degree of accuracy before October 2021.

- Council investment in stormwater

NB for many councils you might only be able to say that there will be further costs associated with investment in stormwater in the future. However, at this stage Council does not know what these standards may be or the investment required so the Council's own information on the costs beyond year 5 [or 10] are unreliable.

4.10. Our asset condition, performance (and confidence) levels for

- water are [low, medium, high]
- wastewater are [low, medium, high]
- stormwater are [low, medium, high]

Our maintenance budgets are [adequate for today, the next 3 years, next 10 years, next 30 years – or suitable alternative for your situation].

4.11. [Insert statement about carbon emissions or put this in your analysis of the status quo E.g Wastewater dominates/is a significant contributor to Council’s carbon emissions. Our emissions reduction plan and funding for it is / is unlikely to be sufficient to address our short, medium and long term responsibilities including NZ Emissions Trading requirements.]

4.12. [Insert climate change impacts on three waters service delivery – e.g. from your LTP assumptions or studies]

4.13. [Inset any challenges in developing resilience to respond to floods, slips, infiltration and coastal inundation if not covered above]

4.14. **[FOR COUNCILS WITH PRIVATE/COMMUNITY/RURAL WATER SUPPLIERS** - There is also the potential for Council to have to work with and potentially take over the following water supplies if they are unable to meet quality standards and regulatory requirements:

- Mm [risk – low, medium, high – and why and any mitigation in place]
- Mm [risk – low, medium, high – and why and any mitigation in place]
- Mm [risk – low, medium, high – and why and any mitigation in place]

4.15. There are a few other specific items that I would like to draw Council’s attention to. They are:

- [INSERT HERE ANY CONCERNS / OPPORTUNITIES / ISSUES COUNCIL IS FACING E.G. matching infrastructure to growth (to enable housing etc), previous conclusions on three waters service delivery – e.g. studies carried out - Hawkes Bay , Council’s Audit opinion – matters of emphasis/qualifications/changes made to address affordability/debt ceiling issues, Joint ventures / water storage / CCOs and loans, other matters affecting social, cultural and environmental wellbeing]

4.16. Council has not budgeted to not comply with the law (and any applicable standards, rules or regulations or enforcement undertakings).

4.17. Against the above information, in general the Dashboard and underlying information for the next 10 [30] years

- [looks broadly accurate when compared with council’s own information and LTP 2021-31/contains some inaccuracies/is fundamentally flawed and Council [staff] have conveyed this to DIA and corrections have been made/we are awaiting corrections].

4.18. While prepared at the national level, it has been peer reviewed by [Farrierswier](#) and [Beca](#) to ensure that both the modelling and underlying assumptions are reasonable in the New Zealand context. It therefore provides a reasonable indication of the “order of magnitude”⁹ of the gains that can be delivered though the new system and the level of future investment Council is likely to need to make over the next 30 years.

⁹ Page iv, 2021, Farrierswier, Three Waters Reform, Review of methodology and assumptions underpinning economic analysis of aggregation available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf)

- 4.19. At this stage it is not possible to fully test the projections as the standards for Aotearoa/New Zealand out to 2051 are not known, although it is reasonable to assume that there will be greater community and mana whenua expectations around environmental performance and quality, tougher standards to meet for water quality (drinking and receiving environment) and that monitoring, compliance and enforcement will be greater than it is now. This affects both operational and capital expenditure (costs will go up), including the number of staff (or contractors) that council will need to ensure Council outcomes for water and community and legal requirements are met.
- 4.20. There is always a level of uncertainty and therefore risk around assumptions and forecasts, whether prepared by us for our LTPs or by others such as Government to facilitate policy decisions, such as the current Three Waters Reform process. [I/we/staff] consider that it would not be a good use of Council's limited resources to spend time and money on a detailed review of the assumptions and modelling.
- 4.21. Council staff have used the above dashboard and additional information, and Council plans and studies (as described above) to define the status quo option in section 5 below.
- 4.22. To assess whether the proposed better off and no worse funding to Council [\$XX] is sufficient Council needs further information on the conditions that will be associated with that funding. For the purposes of the following analysis it is assumed that this funding would provide Council with an opportunity to address a range of issues and opportunities to improve community wellbeing in partnership with mana whenua and the communities Council serves. [Taituarā suggest not indicating what/the detail at this stage particularly if there has not been considerable discussion with mana whenua around priorities for this money.]

5. Options available to Council for three waters service delivery

- 5.1. Section 5 provides an overview of the options available to Council and is followed by an analysis of the Council's reasonably practicable options.
- 5.2. This analysis will provide some of the required information to enable Council to make a decision and consult on opting in or out of the reform process at the end of the eight week period (but not all as there is further information to be developed and decisions to be made), although whether this is ultimately required will be dependent on where the Government gets to with the reform process and the decisions it makes after 30 September 2021.
- 5.3. Staff have used [delete if have not used] the Local Government New Zealand, Taituarā, and Te Tari Taiwhenua Internal Affairs [guidance](#)¹⁰ and our risk framework and policy [plans and previous studies] to understand the potential impact of reform and other practicable options (both today and in the future) in terms of service, finance and funding, economic development and growth, workforce, delivery and capability and social, cultural and environmental wellbeing.

5.4. Option A - Government Proposal

¹⁰ <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>

- Under this option, we are in entity X, a publicly owned water services entity that owns and operates three waters infrastructure on behalf of councils, mana whenua and communities.
- The ownership and governance model is a bespoke model, with councils listed in legislation as owners, without shareholdings or financial interests, but an advocacy role on behalf of their communities. Iwi/Māori rights and interests are also recognised and representatives of local government and mana whenua will sit on the Regional Representative Group, issue a Statement of Strategic and Performance Expectations and receive a Statement of Intent from the Water Services Entity. Entities must also consult on their strategic direction, investment plans and prices / charges.
- The law currently prohibits Council deciding to opt-in to the current proposal (given section 130 of the LGA, which prevents councils from divesting their ownership or interest in a water service except to another local government organisation such as a Council Controlled Organisation) and what we know about this option at present.

[The following needs to be tailored to reflect your actual status quo situation and reasonably practicable options]

5.5. Option B - Council as a standalone deliverer of three waters [for some the Status quo]

[NB for Councils in an aggregated model or delivering through a CCO you could assess this option as not practicable either because you are legally obliged to deliver through the CCO e.g. Auckland or the significant threats inherent in unwinding complex governance, management and delivery arrangements – costs, time, difficulties in maintaining current levels of service]

- Council [currently] delivers three waters services itself / through a contracted model / through a mixed model of in-house and contracted services.
- While the RFI information, dashboard and supporting information provided to Council suggests that this might not be a sustainable future model for the country, we have used the information in section 4 to analyse whether this is a viable option for Council and our communities.

5.6. Option C - Council continues to deliver three waters but at a higher level of service and investment [modified status quo]

- A modified version of Council continuing to deliver services to reflect the anticipated regulatory environment for three waters delivery.
- This option requires making assumptions about
 - the future regulatory requirement (potentially using the assumptions underpinning the WICS modelling and the Government's proposal and draft/emerging standards and compliance regimes e.g. those coming from Taumata Arowai)
 - the ability of non-Council water supplies to meet standards and requirements and the risks to Council

and would ideally include the production of business cases for investment and enhanced activity and asset management planning to be robust.

- Council staff have assessed our ability to do this work in the current operating environment (delivering business as usual, stimulus projects, other Government reform workloads, consultant availability etc) and concluded that only a very high level of analysis of this option could be done in the available timeframe. This is included in section 6 below. **[Change if this work has been done – place analysis in attachment 5]**
- Please note that any changes to levels of service or material changes to the cost of service would require consultation and an LTP amendment (or consultation on those changes as part of the next LTP 2024-34 and potentially later ones).

5.7. Option D – Asset owning CCO - [adapt as necessary e.g. Wellington Water to asset owning]

- The geographic region that has been assessed as part of the group delivering three water services under this option is **[INSERT REGION / SUB REGION / Multi REGION]**
- While it is possible that a group could be set up as a shared service, at scale this is likely to be suboptimal to the CCO option.¹¹
- This option has therefore been developed as council-controlled organisations (CCOs) as provided for in the LGA with governance, management and operational oversight.
- This option enables assets to be transferred.
- Although both a management CCO and an asset owning CCO have benefits, the detailed analysis in the [Hawkes Bay report](#) demonstrates that a regional asset owning CCO is a more effective service delivery model than the management CCO and best met the investment objectives and principles set by the participants in that review.
- **This option has therefore been developed assuming that assets are owned by a CCO.**
- There are existing examples of CCOs [WaterCare](#) (water and wastewater services) and [Wellington Water](#) (who don't own but do manage all three waters on behalf of their owners) and studies such as [the Hawkes Bay study ..] that have been considered in developing and analysing this option.
- Please note that both the Auckland Council and the owners of Wellington Water are affected by the Government's proposal and are assessing their options, e.g. for Wellington Water to become an asset owning company.

[INSERT OTHER OPTIONS OR VARIATIONS YOU HAVE EXAMINED, INCLUDING VARIATIONS ON THE ABOVE]

5.8. Do-nothing

- While the do-nothing option is conceptually always an option, the reality is that Council needs to continue to deliver its water, wastewater and stormwater responsibilities. Doing nothing is therefore not a practicable option and is not assessed further.

¹¹ [HB-3-Waters-Delivery-Detailed-Analysis-29.07.20-Full-Report.pdf \(hb3waters.nz\)](#)

6. Options analysis

[Insert high level summary / table of options analysis if possible – following is just an example NB Guidance

focuses on service, finance and funding, economic development and growth, workforce, delivery and capability and social, cultural and environmental wellbeing, but you could have your own objectives too if there are other criteria that are known to be important; or just use your risk framework]

Option	Water objectives and service levels met	Financial capacity and funding	Legal / compliance risk (assuming higher stds in future)	Workforce Capability and Capacity	Achievement of Wellbeings and integration with Council wellbeing outcomes	Key Threats (Risk) mitigations e.g. Affordability	Key Opportunities (Risk) mitigations e.g.	Other e.g. Te Tiriti Mana whenua; R and D
A - Govt proposal								
B - Council delivery								
C -Modified for new stds								
D - CCO (Asset own)								
Other								

6.1 Risks (opportunities and threats) considered for the various options included [a prompt for your analysis / inclusion – edit as you see appropriate]:

- Financial sustainability
- Underestimating the investment Required
- Compliance failure
- Cost of Works
- Workforce, skills, Technical Capability
- Economies of Scale
- Council Plan Implementation and Integration
- Council Risk (and capacity for it)
- Household Ability to Pay
- Long Term Outcomes and wider wellbeing outcomes
- Gaps in Service Delivery and Funding Responsibilities
- R&D Funding Opportunities
- Increased Incident Response Time
- Additional Water Capacity (water source)
- (Reduction in the) Local Contractor Capacity
- Partnerships (ineffective)
- Compliance Monitoring
- Industry support
- Impact on business
- Value of Council Services
- Community perception; Loss of interest in Council – effect on candidacy
- Regional investment (lack of additional in the district due to current asst condition)
- More efficient water use
- Reduced ability to Promote Sustainable Resource Use
- Failure to Recognise Cultural Knowledge in Design
- Business Priorities Differ to Council Goals
- Loss of Community Engagement
- Lack of service integration
- Lack of Understanding of Growth Constraints
- Unclear responsibility for environmental impacts
- Gaps in infrastructure data
- Procurement outcomes
- Litigation
- Reduced levels of service / optional service level increases

6.2 Option A - Government Proposal

- 6.2.1 In summary, the greater financial capability, efficiency, affordability and community/water benefits (published by Government) of delivering three waters to the community are likely to be of significant value if they can be realised.
- 6.2.2 The key opportunities our own analysis identifies include reducing the Council's current risk profile (when considered against the status quo) including compliance risk and the risk of not meeting standards [etc].
- 6.2.3 Our analysis suggests that (a) key risk theme(s) is/are:
- [XX]

- 6.2.4 Risks that need to be mitigated include integration with spatial, growth and local planning and transparent prioritisation, households' ability to pay, and Council's financial sustainability [some councils will be able to state whether the risks fit within their council's risk appetite].
- 6.2.5 The full analysis can be found in Attachment 5.
- 6.2.6 Transition risks are dealt with in section 7 below and attachment 6.

6.3 Option B - Council as a standalone deliverer of three waters

- 6.3.1 In summary, the potential benefits of this option include greater Council control and more certainty over local infrastructure integration (planning and delivery) with land use plans and council objectives.
- 6.3.2 However, Council faces [significant] risks over the [short/medium/longer term], including potentially high costs, in meeting the new water standards, environmental requirements and achieving compliance. In addition, contractor availability is limited, the construction pipeline is already substantial and inflationary pressures are growing, meaning costs are rising.
- 6.3.3 The ability of non-Council water supplies to meet standards and requirements also poses a [small/medium/high...] risk to Council and the community.
- 6.3.4 These present affordability challenges for households in the future, exacerbating our current affordability challenges [rates/charges, population/rating base]
- 6.3.5 Council is also experiencing workforce challenges to meet the current requirements of three waters service delivery, Government reforms and an enlarged investment programme created by stimulus funding. [Expand as required e.g. technical skill gaps, including any risk mitigation in place such as shared services, training / cadet / graduate programmes]
- 6.3.6 This option becomes less sustainable if those around us move to some form of aggregated model (which will adversely affect our ability to retain and attract workers, access technical, financial or construction support, and procure cost effective contracts to deliver services and capital works).
- 6.3.7 The causes of most of these risks are not within Council's control. This makes mitigation difficult, and many potential mitigation options (such as greater investment, larger costs than currently planned, lower levels of service, compliance risk) may not be palatable to Council or the community. [some councils will be able to state whether the risks fit within their council's risk appetite].
- 6.3.8 Given the Government has rejected this as a sustainable solution for three waters service delivery there should not be an expectation that the Government would be willing to financially support councils to meet the new regulations beyond existing Tranche 1 stimulus funding.
- 6.3.9 There may also be broader implications for our relationship with Government, iwi/Māori and key stakeholders.
- 6.3.10 Given the analysis to date, Council continuing to deliver the three waters as a standalone entity is [not / is unlikely to be...] sustainable in the medium to long term.
- 6.3.11 The full analysis can be found in Attachment 5.

6.4 Option C - Council continues to deliver three waters but at a higher level of service and investment [modified status quo]

6.4.1 The full options analysis can be found in Attachment X – or if not done you could use the following:

6.4.2 The issues and opportunities associated with this option are broadly the same as for Council delivering three waters at the service levels forecast in the LTP 2021-31.

6.4.3 There is likely better integration with Council outcomes, objectives and plans, but even if Council can predict the investment required to meet the new water standards, environmental requirements and compliance requirements in the short term, the costs of service provision and levels of service may change significantly over the next 30 years.

6.4.4 As in the case of the status quo:

- should one or more non-Council water supplies default to Council this would exacerbate Council's risk profile and financial position
- if Council's neighbours voluntarily joined a larger water services grouping or entity, we would likely experience negative impacts on our workforce capability and capacity, on our pipeline of construction and ability to deliver cost effectively and on our ability to get professional services, advice and support.

6.4.5 Again, there should not be an expectation that the Government would be willing to financially support councils to meet the new regulations beyond existing Tranche 1 stimulus funding.

6.4.6 This presents affordability challenges for households in the future and there may also be broader implications for our relationship with Government, iwi/Māori and key stakeholders.

6.5 Option D – CCO asset owning

6.5.1 Under this option the entity and councils would still need to be satisfied that the changing regulatory environment was adequately provided for, including ensuring there was sufficient funding to meet legal and regulatory obligations.

6.5.2 However, due to scale, this option (better) addresses the risk that the size of investment required to meet new standards and community expectations is greater than forecast by individual councils;

- it enables an organisation to focus on the groups three water challenges and prioritise investment decisions across the region, which should lead to better environmental and community outcomes
- it provides for greater strategic, management and operational capacity and capability, workforce development and planning
- it enables efficiencies (in planning, programming, procurement and delivery)

and should as a result reduce household costs and increase affordability.

6.5.3 As with the above options, should one or more non-Council water supplies default to the CCO then this would need to be funded from the group or consumers, however the risk is [may be] reduced.

- 6.5.4 There are some integration risks with spatial, growth and local planning and ensuring transparent prioritisation, the achievement of Council objectives and ensuring there is sufficient funding and that costs are affordable.
- 6.5.5 There is Council oversight and input. A statement of intent would be prepared by the CCO (and it would be best practice for the councils to prepare a letter of expectation to guide this) and half yearly and annual reports would be prepared. Councils would need to monitor the performance of the CCO. Consideration would need to be given to governance arrangements, including the involvement of iwi/Māori in both decision making and governance, and how council, community and mana whenua aspirations and needs will be met.
- 6.5.6 This option is still constrained in its ability to raise debt as the connection to council balance sheets remains under the available funding models.
- 6.5.7 There would also need to be agreement from all councils and each would need to undertake public consultation, which would take time and creates uncertainty about the outcome.
- 6.5.8 If a new CCO is to be set up this will require council(s) to use the Special Consultative Procedure (section 83 of the LGA) and arrangements (and a policy) for the appointment of directors or trustees will need to be made (as the councils appoint the “board”), as well as transition arrangements (including workforce transition), prioritisation of investment and integration with planning at the regional and local level.
- 6.5.9 If the CCO already exists, consultation would still be required to transfer control or ownership of council’s three waters strategic assets (unless it is explicitly allowed for in an adopted LTP or empowering legislation).
- 6.5.10 Councils would need to adequately resource the establishment or transition process (if they are changing to an asset owning arrangement).
- 6.5.11 The Government has stated that it is “not clear if sector-led reform under existing legislation would deliver the kind of transformation required to address the root causes of the challenges the sector is facing” so there should not be an expectation that the Government would be willing to financially support councils to transition to this model or change the law to enable different funding setting.

7 Transition

- 7.1 Managing transition risks to the Government’s proposed model are likely to pose a greater challenge for Council and others in its grouping than the risks associated with the Government proposal. If the Government’s proposal were to proceed, effective management of the transition by Council, Government and partners will be critical.

[Add in any other key points from your analysis e.g. risk appetite]

NOTE Risks to consider could include

- Staff/Contractor Retention
- Stranded Overheads
- Transfer of Contracted Services
- Loss of Customer Experience
- Maintaining Good Quality Assets
- Resistance to Change

- Speed of Change - an increase in mistakes
- Lack of Business Confidence
- Transition Team – would help but will require resourcing. Staff workloads
- Limited Transfer of Water Debt – reserve funds collected for water related services affecting Council's financial position.
- Development / Financial Contribution Refunds - may affect Council's charges linked to debt (including the possibility of refunds).
- Current System Unable to Cope
- Scope of Agency Service - continuing / picking up for e.g. stormwater [and / or wastewater]
- Different Local Approaches - to regional neighbours may reduce the economies of scale making regional water solutions more expensive.
- Unreasonable Economic Influence - from existing industry players
- Asset Valuation - returning a much different value than expected affecting Council's financial position
- Deferred Decision Making - development projects to stall.
- Community Uncertainty - owners continue to call Council delays in resolving faults.
- Poor Transition Management - cause delays and confusion over responsibility exposing Council to liabilities and affecting continuity of service delivery.
- Existing Contract Liabilities - Council may be liable for compensation if contractors take legal action.
- Liability for Environmental Damage - Lack of clarity for monitoring environmental impacts may expose Council to liabilities
- Loss of Asset Management Systems & Data - unclear responsibilities - loss of data or failure of systems affecting continuity of service delivery.
- Impact on Bylaws -.

7.2 That said, transition away from the status quo to any other option, carries inherent risks, with potential mitigations to reduce both impact and likelihood and therefore residual risk and sticking with the status quo may not be sustainable in the short, medium or long term.

7.3 A high-level overview of what we know of the transition process [and risks] is contained in Attachment 6 [insert your specific risk analysis of this process – and remove HASTINGS EG].

8 Council decision making and consultation

8.1 Part 6 of the LGA, sections 76 to 90, provide the requirements for decision making and consultation, including the principles of consultation and information that needs to be provided including the reasons for the proposal and the reasonably practicable options.

- 8.2 In particular, section 76 requires that in making a significant decision, which a decision on the future management and or ownership of three waters assets will be, councils must comply with the decision-making provisions. This is a ‘higher bar’ than the “promote compliance with” that applies for ordinary decisions.
- 8.3 Section 77 states that councils must seek to identify all reasonably practicable options and then assess the advantages and disadvantages of each option.
- 8.4 Section 78 requires that in the course of making a decision a Council must consider community views but section 78(3) explicitly says that consideration of community views does not require consultation, which is reinforced by case law.
- 8.5 Section 79 gives Council discretion to decide how the above Part 6 requirements are met including the extent of analysis done etc. Therefore, while a decision could be challenged, a judicial review is unlikely to be successful unless the decision made by council was manifestly unreasonable, the process was flawed or the decision was beyond its powers (as given in law, ie the council did not act within the law).
- 8.6 However, despite section 79 of the LGA, a decision to transfer the ownership or control of a strategic asset from the council (or to it) must explicitly be provided for in the council’s Long Term Plan (and have been consulted on specifically in its consultation document).
- 8.7 Council’s existing LTP and the consultation information and process used to develop it will not suffice to meet this test, as Council did not itself have adequate information on the options and the implications earlier this year when it consulted on the LTP. An LTP amendment and commensurate consultation process on the ownership and governance arrangements and asset transfers proposed would be necessary.
- 8.8 There are also provisions in the LGA that relate to unlawful decisions to sell or dispose of assets, which can be investigated by the Auditor-General.¹²
- 8.9 A decision to opt-out would also be affected by the consultation and decision-making requirements set out in this report, including the need to follow a robust process that could survive a judicial review, as well as make a final decision that was not manifestly unreasonable in the circumstances.
- 8.10 Given the Government’s
- 8 week period of engagement with mana whenua and councils
 - commitment to explore issues such as council and community influence of service outcomes, integration with other reform proposals, spatial and local planning
 - request for councils to give feedback on the proposal, identify issues and solutions
 - and uncertainty around next steps, including whether the reform may become mandatory or legislative change will remove legal barriers to opting in
- it would be premature to make a decision to opt out of the reform process and may expose the Council to litigation risk.

¹² See sections 43 to 47 of the LGA.

- 8.11 A Government Bill to progress the reforms could address the issues raised above, for example removing the section 130 requirements has explicitly been raised.
- 8.12 At this stage no decision is required on future delivery arrangements. Based on the analysis in this report, Council should wait until it has further information before consulting on and/or making a decision on the Government's proposal.
- 8.13 It is recommended that the Council therefore notes the options canvassed in this report, the [high-level] analysis of them and the information and decisions that are yet to be made.
- 8.14 If reform is not made mandatory, to ensure sufficient information is available to meet the moral and legal requirements of Council decision-making staff will further develop the analysis of options (based on further information from the Government, advice on next steps, and regional discussions) prior to Council decision making and consultation on future water services delivery. Whether this is ultimately required will be dependent on where the Government gets to with the reform process and the decisions it makes after 30 September 2021.

9 Information that the Council requires or potential solutions to outstanding issues that it would like to convey to Government and LGNZ

- 9.1 There are still several issues that need to be resolved, including:
- the final boundaries
 - protections from privatisation
 - consultation with mana whenua and communities
 - how will community voice be heard and what influence will local authorities have (and what can the community realistically expect the council to influence particularly if it is not on the regional Representation Group)
 - representation from and on behalf of mana whenua
 - integration with other local government reform processes
 - integration with spatial and local planning processes and growth
 - prioritisation of investment
 - workforce and capability – we don't have enough of the right people now to deliver three waters and we need to retain our people through the transition
 - what will a Government Bill cover and whether the reform will be mandatory
 - conditions associated with the Government's package of funding for local government
 - transition arrangements, including our own workforce challenges (without transition challenges on top) and due diligence for asset transfers etc.
- 9.2 Council is invited to discuss whether there are specific information needs, issues or solutions that the Council would like staff to convey to the DIA or LGNZ.

10 Conclusion

- 10.1 While there is uncertainty about the future steps in the Government's reform proposal, and current legislative impediments to it, the current eight-week period gives Council the opportunity to understand the information it has received (and will continue to receive) from the RFI and modelling processes.
- 10.2 It also provides an opportunity for Council to understand its potential options, including the financial, workforce and sustainability impacts for Council and the wider economic, social and cultural implications of each option, using the guidance that has been issued. It also provides an opportunity to engage in discussions with other councils in its entity grouping, share information and ask questions and propose solutions to issues it sees to Government and LGNZ.
- 10.3 All of this information will be useful to inform future decision making by both council and Government and consultation and engagement with mana whenua and communities.

11 Decision making compliance statements

To be completed on basis - no decisions recommended. Use your standard format

Significance

The future of water services delivery is a significant issue. This report however does not commit to the council to a decision relating to that reform. Instead it provides initial analysis of the reform proposals for Council's information and highlights the uncertainties around information and next steps. As such the significance of this report is [use your significance and engagement policy eg low]

Risks / Legal and Financial implications

Significant risks, legal responsibility and financial implications have been identified in analysing the reform proposals and completing an analysis of options for this report. However, there is not decision required, other than to note those issues and to request further information from Government if Council wishes to, to reduce the risks and implications to Council and its communities

Te Tiriti/Treaty of Waitangi and involvement of Māori in decision making considerations

The issues covered in this paper are important for Māori. The Crown is currently leading the engagement with iwi/Māori, mana whenua. Council has done XX with YY.

Climate Change / environmental impact

Climate considerations (both mitigation and adaptation), resilience and environmental impacts are drivers of the reform process. While there are no specific impacts arising from this report the decisions that occur post September 2021 will have an impact on climate and environmental issues. Some of these impacts have been canvassed in this report as appropriate to the options analysis that can be done with currently available information.

Engagement and Consultation

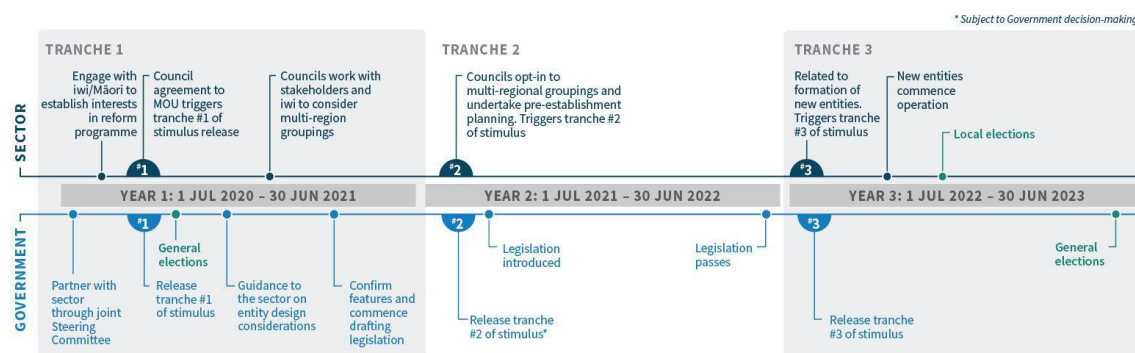
Council is not required to consult at this time as provided for in section 8 of this report. Further advice regarding any future consultation requirements will be provided after September 2021. In the interim Council has [talk to what engagement and information has been provided on websites, public briefings etc.]

Attachment 1 – 2020 Background (including Taumata Arowai information and Indicative Reform Programme)

In July 2020, the Government launched the Three Waters Reform Programme to reform local government three waters service delivery arrangements, with the following objectives:

- improve the safety, quality, and environmental performance of water services
- ensure all New Zealanders have access to affordable three waters services
- move the supply of three waters services to a more financially sustainable footing, and address the affordability and capability challenges that currently exist in the sector
- improve transparency about, and accountability for, the delivery and costs of three waters services
- improve the coordination of resources and unlock opportunities to consider New Zealand's water infrastructure needs at a larger scale and alongside wider infrastructure and development needs
- increase the resilience of three waters service provision to both short and long-term risks and events, particularly climate change and natural hazards
- provide mechanisms for enabling iwi/Māori rights and interests.

The 2020 indicative timetable for the full reform programme is provided below. It was always subject to change as the reforms progressed, future Government budget decisions and Councils were advised that any further tranches of funding would be at the discretion of the Government and may depend on progress against reform objectives.



Also in July 2020 the Government announced an initial funding package of \$761 million to provide a post COVID-19 stimulus to maintain and improve water three waters infrastructure, support a three-year programme of reform of local government water service delivery arrangements (reform programme), and support the establishment of Taumata Arowai, the new Waters Services Regulator.

Following initial reports (that used publicly available council information) from the Water Industry Commission for Scotland (WICS), between October 2020 and February 2021, (all) 67 councils participated in the Government's Request for Information (Rfi) on council's three waters assets, including future investment requirements. In return they received what was known as Tranche 1 stimulus funding (under a MoU and funding agreements with Government) for operating or capital expenditure that supported the reform objectives, economic recovery through job creation and maintaining, increasing and/or accelerating investment in core water infrastructure delivery, renewals and maintenance. [OPTIONAL - Council received XX under this arrangement and is currently completing the agreed delivery plan. Previous Council reports [xx] detail the reasons for Council participation and resolutions [or insert resolutions].

In line with Government policy, Taumata Arowai became a new Crown entity in March 2021 and will become the dedicated water services regulator when the Water Services Bill passes, expected to be in the second half of 2021 (the Select Committee is due to report back on 11 August 2021). They will oversee and administer, and enforce a new, expanded and strengthened drinking-water regulatory system, to ensure all New Zealand communities have access to safe drinking water. They will also provide oversight of the regulation, management, and environmental performance of wastewater and storm-water networks, including promoting public understanding of that performance.

An overview of local authority obligations under the Bill is provided below. The Bill provides for a range of compliance and enforcement tools including compliance orders, enforceable undertakings, infringement offences, and criminal proceedings, which can be taken against council officers (but not elected officials).

Taumata Arowai will have the authority to prepare standards and rules that water suppliers (such as councils) must comply with. Their [initial working drafts](#) are available online¹³ and are currently being updated. Consultation will occur later this year. Guidance to support the operational compliance rules is also being developed and will be available when the rules are consulted on.

It is anticipated that monitoring, compliance and enforcement of standards will increase substantially on the status quo with the passing of the Water Services Bill and as Taumata Arowai begins to operate. It is also likely that the drinking water standards and their coverage (including non-Council water suppliers) and environmental standards will become more rigorous over time. This creates risks for council in meeting future standards and mana whenua and community aspirations (such as greater investment required than currently planned, risk of enforcement action).

¹³ www.taumataarowai.govt.nz/for-water-suppliers/

Water Services Bill obligations of local authorities

Table 2 from [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf)

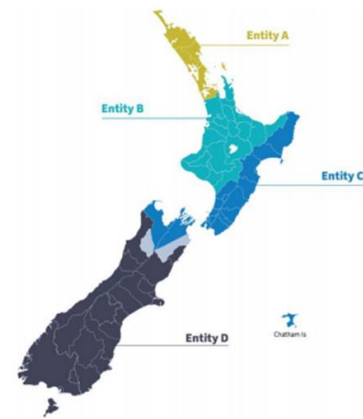
Local authorities as suppliers of water services	General obligations of local authorities
<ul style="list-style-type: none"> • Duty to provide safe drinking water and meet drinking water standards, and clear obligations to act when water is not safe or fails to meet standards • Key provisions include: <ul style="list-style-type: none"> ○ Suppliers need to register with Taumata Arowai ○ Local authority suppliers will need a drinking water safety plan and a source water risk management plan ○ Water suppliers must give effect to Te Mana o te Wai • Taumata Arowai will have significant compliance and enforcement powers, including powers to direct suppliers and enter into enforceable undertakings with suppliers • Officers, employees and agents of suppliers will have a duty to exercise professional due diligence • Complying with these new requirements is expected to require significant capital and operating expenditure by local authorities (including paying levies to Taumata Arowai for operation of the regulatory system) 	<ul style="list-style-type: none"> • Local authorities will have a duty to ensure communities have access to drinking water if existing suppliers face significant problems in complying with drinking water standards including: <ul style="list-style-type: none"> ○ Requirements to work with suppliers and consumers to identify solutions ○ Intervention responsibilities if a supplier is unable to meet standards, including potentially taking over management and operations of private or community supplies • In rural communities, this could represent a significant risk (contingent liability) for local authorities • Local authorities will be required to make assessments of drinking water, wastewater and sanitary services to ensure communities have access to safe drinking water • Local authorities will need to assess drinking water services available to communities at least once every three years, including private and community supplies (excluding domestic self-supplies)

Attachment 2 – the Government’s conclusion that the case for change has been made

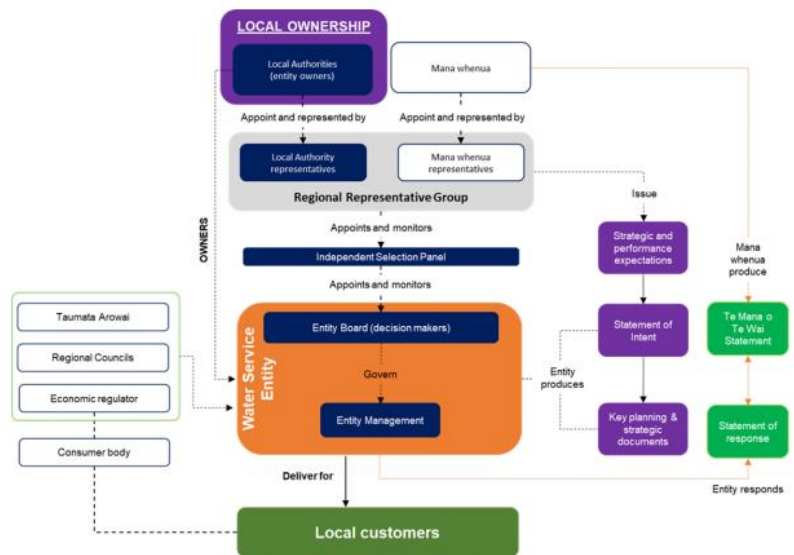
1. The modelling has indicated a likely range for future investment requirements at a national level in the order of \$120 billion to \$185 billion, an average household cost for most councils on a standalone basis to be between \$1910 and \$8690 by 2051.
2. It also estimated these average household costs could be reduced to between \$800 and \$1640 per household and efficiencies in the range of 45% over 15-30 years if the reform process went ahead.
3. The efficiencies noted are underpinned by evidence across a range of countries based on joined up networks (the conclusion is that 600,000 to 800,000 connections achieve scale and efficiency), greater borrowing capability and improved access to markets, procurement efficiencies, smarter asset management and strategic planning for investment, a more predictable pipeline and strengthened benchmarked performance, governance and workforce capabilities.
4. The [briefing to the Minister](#) notes that this “investment is what WICS has estimated is necessary for New Zealand to meet current United Kingdom levels of compliance with EU standards over the next 30 years, which in its assessment (and confirmed by Beca) are broadly comparable with equivalent New Zealand standards.”.
5. However, this is caveated as a conservative estimate that does not take into account iwi goals and aspirations, higher environmental standards or performance standards that are anticipated in future legislation, uncertainties in asset lives, seismic and resilience risk, supply chain issues, and the current workload to manage and deliver improvements as well as address renewal backlogs.
6. For councils with non-council drinking water suppliers in their areas there is additional risk if they are unable to consistently provide safe drinking water to their consumers, including the potential for council to have to take on the water supply. Council operating on expired consents or with consent renewals in the next 15 years also face uncertainty over the standards they will need to meet in the future and therefore the level of investment that needs to occur.
7. Councils could also add to the above list of uncertainties and challenges their business as usual workload, the workload associated with delivering on stimulus packages and associated with responding to other government reform initiatives such as reform of the Resource Management Act, and general workforce retention and attraction issues, which are exacerbated by public sector competition for talent and skills.
8. The modelling indicated that between one and four water services entities would provide the most efficiencies and reduce costs to individual households.
9. When this is added to
 - a. known variations across the nation in water suppliers’ compliance with drinking standards, including permanent and temporary boil water notices
 - b. evidence of poor health and environmental outcomes, including expired resource consents for wastewater treatment plants (and the need for 110 of these plants to go through the resource consenting process in the next 10 years)
 - c. stormwater overflows and other challenges
 - d. climate change

- e. Te Tiriti obligations and the need to uphold Te Mana o te Wai
- f. the size and scale of current service delivery units and workforce issues
- g. the obligations and responsibilities that councils (and other water suppliers) will face when the Water Services Bill and associated regulations are enacted
- h. the Government has concluded that the status quo is not sustainable and that the case for change has been made.

10. The four entities and their proposed boundaries (which may yet change) and the proposed structure for the system are as follows:

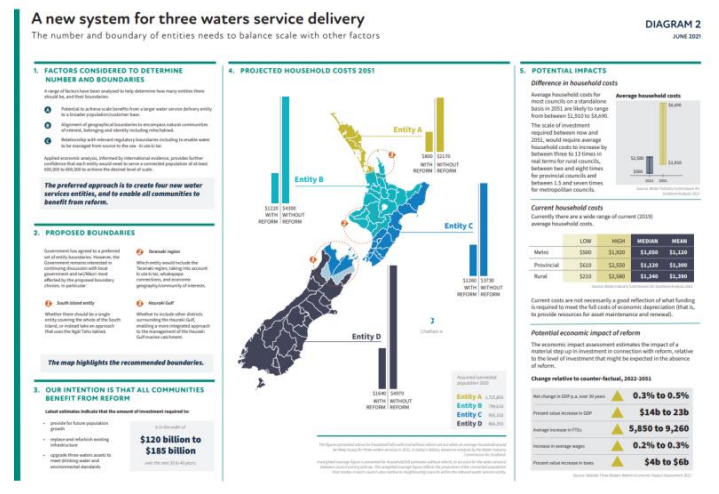
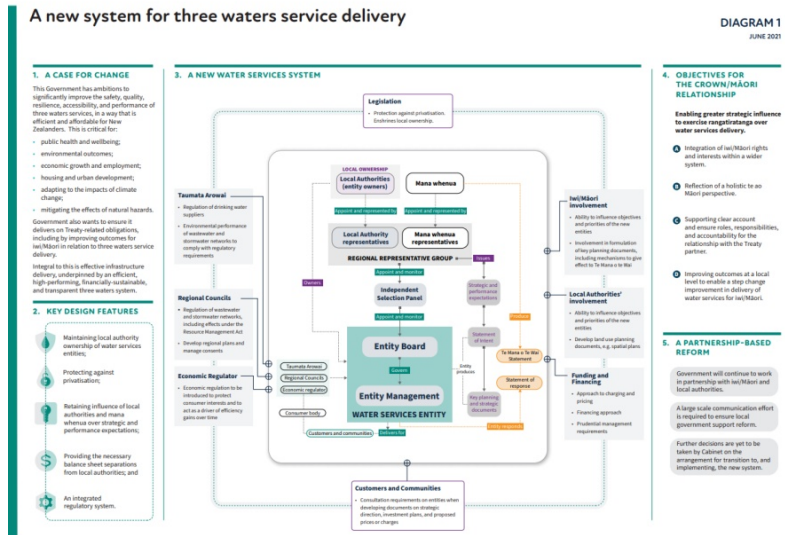


	Entity A	Entity B	Entity C	Entity D
Connected population (2020)	1.7m	0.8m	1.0m	0.9m



Attachment 3 – DIA two-page summary

For you to format/resize if you use it



LGNZ two-page summary

For you to format/resize if you use it

THREE WATERS 101.

The Government is proposing major reform of New Zealand's drinking water, wastewater and stormwater system. Here LGNZ synthesises the issues, the opportunities and what it means for local government.

**We are.
LGNZ.**
Te Kāhui Kaunhera o Aotearoa.

1. What's the problem?

Councils currently own and operate three waters services, which cover drinking water, wastewater and stormwater. More investment is needed in water infrastructure to meet the environmental and public health aspirations of our communities. The Government has estimated that dealing with 30 years of systemic failure will require an investment of more than \$18b over the next 30 years.

This scale of investment would be extremely challenging for councils to fund on their own. Climate change will only exacerbate this challenge.

- Significant investment needed in water infrastructure
- Councils can't carry future costs

The current system lacks:

- Economic regulation
- Consistent data collection
- Enforcement of standards

2. Government's proposed solution

The Government has told us it wants to deliver water services more cost effectively. It also wants to deliver them in an equitable and sustainable way. It proposes changing the whole system:

- A new water regulator called Taumata Arowā
- A smaller number of large, specialist water service entities
- Water services are delivered on a significantly larger scale
- Water entities remain publicly owned
- Water services providers meet standards or face significant penalties for noncompliance
- Entities have strong strategic links to councils and mana whenua

3. Impact on councils

The Government's proposal would mean significant change to the delivery of water services. For a start, councils would shift their focus from delivery to kaitiakitanga of water services. Requirements on local authorities to ensure safe drinking water for private and community supplies would transfer to new entities.

For most councils, removing water-related debt from their balance sheets would improve their financial position. It would potentially create more opportunity to focus on delivering wellbeing to their communities.

- Three waters kaitiakitanga focus
- Water-related debt removed from balance sheet
- Increased capacity to borrow to fund community services

LOCAL GOVERNMENT CAN HELP SHAPE THREE WATERS REFORM.

**We are.
LGNZ.**
Te Kāhui Kaunhera o Aotearoa.

What's important to the sector in this reform?

- Everyone has access to safe drinking water and the same level of three waters service.
- Infrastructure and systems are resilient and well-funded.
- Three waters are delivered in partnership with iwi.
- Delivery is responsive to climate change.
- Catchments are managed from the mountain to the sea.
- Districts retain high-paying, skilled jobs.
- Any transition is well-managed and people are looked after.
- Local voices are heard and local priorities are responded to.

What the sector needs from central government

- Transparency about the process and what's on the table.
- A robust transition plan that makes sure the benefits of reform are delivered.
- Government to support councils so they can keep delivering. This means makes sure councils are economically sustainable without water.
- A fair deal, including that councils are not financially worse off, and that communities are better off.
- To support and grow effective local democracy.
- That any new system reflects the relationship with mana whenua under Te Tiriti o Waitangi

LGNZ is working for councils

Our work on Three Waters is guided by the principle that we need to seize any opportunity to create the best possible outcome for local government.

We're using our influence to work with the Government on a model that better includes the perspective of our communities. Representatives from local government are helping to steer this work and pose the hard questions. We are also actively working with government on what a package to go with reforms might look like. We'll work to optimise this package before decisions are made.

Find out more

We encourage you to stay informed and up to date of the reforms as they evolve. We'll be with you every step of the way. Here's where you can start:

Read what DIA has published: www.dia.govt.nz/three-waters-review

Check out the info on our website: www.lgnz.co.nz

Get in touch if you have questions: feedback@lgnz.co.nz

We know there's not universal agreement on the ease for change. But to meet councils' own RFI projections, spending across New Zealand as a whole would need to increase by 50 percent annually for the next 10 years. With strong regulatory enforcement, the picture would be very different for councils, creating difficult trade offs if large investments are required to meet water standards.

Attachment 4 - funding to invest in the future of local government and community wellbeing

1. On 15 July, in partnership with LGNZ under a [Heads of Agreement](#)¹⁴, the Government announced a package of \$2.5 billion to support councils to transition to the new water entities and to invest in community wellbeing.
2. The **'better off' element**: an investment of **\$2 billion** into the future for local government and community wellbeing.
 - The investment is funded \$1 billion from the Crown and \$1 billion from the new Water Services Entities. \$500 million will be available from 1 July 2022. The funding has been allocated to territorial authorities (which includes unitary authorities)¹⁵ on the basis of a nationally formula that takes into account population, relative deprivation and land area.
 - The funding can be used to support the delivery of local wellbeing outcomes associated with climate change and resilience, housing and local placemaking, and there is an expectation that councils will engage with iwi/Māori in determining how to use their funding allocation.
3. The **'no council worse off' element**: an allocation of up to around \$500 million to ensure that no local authority is in a materially worse position financially to continue to provide services to its community as a direct result of the reform.
 - This element is intended to ensure the financial sustainability of councils and address reasonable costs and financial impacts associated with the transfer of assets, liabilities and revenues to new water services entities.
 - Up to \$250 million is available to meet the unavoidable costs of stranded overheads and the remainder for other adverse impacts on financial sustainability of territorial authorities (including future borrowing capacity).
 - Of this \$250 up to \$50 million is allocated to Auckland, Christchurch and Wellington Water councils, the remainder is available to other councils.¹⁶ This funding is not available until July 2024 and is funded by the Water Services Entities.
4. Council's funding allocation is [XX].

¹⁴ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/heads-of-agreement-partnering-commitment-to-support-three-waters-service-delivery-reform.pdf)

¹⁵ Please note that any allocation to Greater Wellington Regional Council (the only regional council affected by the proposed changes) is not clear at this stage.

¹⁶ Due to their size and in the case of Wellington Water and Auckland's WaterCare having already transferred water service responsibilities (to varying degrees)

5. The package is in addition to the \$296 million announced in Budget 2021 to assist with the costs of transitioning to the new three waters arrangements. The Government will “meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and provision for reasonable legal, accounting and audit costs.”¹⁷
6. The Government is also encouraging councils to use accumulated cash reserves associated with water infrastructure for this purpose. There are likely to be practical limitations on a council’s ability to do this set by councils’ own financial strategy and policies (including conditions on the use of the reserves ie targeted reserve funds must be used for the purpose they were collected for in the first instance e.g. if collected for capital works).
7. There are also political and / or community acceptance challenges with this approach - if the assets are transferred under a voluntary or mandatory process the reserve balances are expected to be used to invest those funds in the communities that paid for them, consistent with the conditions under which they were raised rather than pooling as a general fund. Councils and communities are unlikely to embrace using these funds instead to enable the transition.
8. The proposed national allocations are as follows:

[Some Councils might find it useful if these were put these amounts in groupings – e.g. entity groups/Zones etc]

¹⁷ 15 July 2021 FAQ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/three-waters-reform-programme-support-package-information-and-frequently-asked-questions.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/three-waters-reform-programme-support-package-information-and-frequently-asked-questions.pdf)

Council	Allocation
Auckland	\$ 508,567,550
Ashburton	\$ 16,759,091
Buller	\$ 14,009,497
Carterton	\$ 6,797,415
Central Hawke's Bay	\$ 11,339,488
Central Otago	\$ 12,835,059
Chatham Islands	\$ 8,821,612
Christchurch	\$ 122,422,394
Clutha	\$ 13,091,148
Dunedin	\$ 46,171,585
Far North	\$ 35,175,304
Gisborne	\$ 28,829,538
Gore	\$ 9,153,141
Grey	\$ 11,939,228
Hamilton	\$ 58,605,366
Hastings	\$ 34,885,508
Hauraki	\$ 15,124,992
Horowhenua	\$ 19,945,132
Hurunui	\$ 10,682,254
Invercargill	\$ 23,112,322
Kaikoura	\$ 6,210,668
Kaipara	\$ 16,141,395
Kapiti Coast	\$ 21,051,824
Kawerau	\$ 17,270,505
Lower Hutt	\$ 38,718,543
Mackenzie	\$ 6,195,404
Manawatu	\$ 15,054,610
Marlborough	\$ 23,038,482
Masterton	\$ 15,528,465
Matamata-Piako	\$ 17,271,819
Napier	\$ 25,823,785
Nelson	\$ 20,715,034
New Plymouth	\$ 31,586,541
Opotiki	\$ 18,715,493
Otorohanga	\$ 10,647,671
Palmerston North	\$ 32,630,589
Porirua	\$ 25,048,405
Queenstown Lakes	\$ 16,125,708
Rangitikei	\$ 13,317,834
Rotorua Lakes	\$ 32,193,519
Ruapehu	\$ 16,463,190

Selwyn	\$ 22,353,728
South Taranaki	\$ 18,196,605
South Waikato	\$ 18,564,602
South Wairarapa	\$ 7,501,228
Southland	\$ 19,212,526
Stratford	\$ 10,269,524
Taranua	\$ 15,185,454
Tasman	\$ 22,542,967
Taupo	\$ 19,736,070
Tauranga	\$ 48,405,014
Thames-Coromandel	\$ 16,196,086
Timaru	\$ 19,899,379
Upper Hutt	\$ 18,054,621
Waikato	\$ 31,531,126
Waimakariri	\$ 22,178,799
Waimate	\$ 9,680,575
Waipa	\$ 20,975,278
Wairoa	\$ 18,624,910
Waitaki	\$ 14,837,062
Waitomo	\$ 14,181,798
Wellington	\$ 66,820,722
Western Bay of Plenty	\$ 21,377,135
Westland	\$ 11,150,183
Whakatane	\$ 22,657,555
Whanganui	\$ 23,921,616
Whangarei	\$ 37,928,327
Total	\$ 2,000,000,000

Attachment 5 – Options analysis

[Place here the fuller options analysis for each of the options you have assessed.] **ACKNOWLEDGEMENTS AND THANKS TO HASTINGS DISTRICT COUNCIL FOR THE FRAMEWORK AND FORMAT – Council to use/replace based on own work – Hastings has kindly circulated their information so not all is reproduced here as each council will do their own work]**

Option A - Government Proposal

Key Threat Risks: **[EG ONLY]**

Description	Inherent	Possible Mitigation	Target
Compromised Growth Plan Implementation		Regulation to give effect to Council land use planning.	
Household Ability to Pay		Economic regulation	
Gaps in Service Delivery and Funding Responsibilities		Agencies required to participate in development of regional spatial plans.	
Increased Cost of Works		Key supplier partnerships.	
Increased Incident Response Time		CDEM Coordinated Incident Management System	
Vague Growth Objectives/Lack of strategic Direction		Spatial plan	
Lack of Programme Coordination		Robust programme planning	
Limited Technical Capability		Professional development pathway	

Key Opportunity Risks:

	Description	
A2	Reduced Council Risk	
A4	Better Long Term Outcomes	High
A6	R&D Funding Opportunities	High
A19	More Efficient Water Use	Med

§

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Possible Mitigations	Target Impact	Target Likelihood	Target Risk
	Threat	Compromised Growth Plan Implementation Due to loss of control over Major strategic asset communities may not be able to give effect to growth plans (eg Long Term Plan integration) or adapt timing of developments delaying economic growth opportunities.				Regulation to give effect to Council land use planning.			
	Opportunity	Council Risk Reduced Because Council is no longer responsible for water service delivery there may be risk capacity available to enable other activities to be performed.							
	Threat	Household Ability to Pay Independent agencies (i.e. Water, Power, Council) passing on costs of higher compliance obligations (e.g. increase in water service standards or environment adaptation related costs such as carbon counting) based on lack of understanding of other cost overheads may result in total household costs that are beyond the householders ability to pay (including Council rates) adversely affecting community social and economic wellbeing.				Economic regulation includes a level of inflationary control.			
	Opportunity	Better Long Term Outcomes Due to the scale and mandate of water agencies they have the potential to deliver better long term outcomes (aka step change Asset Management Planning as seen in electricity sector).							

	Threat	Gaps in Service Delivery and Funding Responsibilities Due to multiple agencies involved in delivery of interrelated services there may be gaps between the responsibility of the various agencies (particularly storm water) resulting in lack of funding or ownership of the customer experience (customer ends up being passed around in circles).	Major (25% - 50% service level impact)	Likely	High (24)	Agencies required to participate in development of regional spatial plans.	Major	Possible	Medium (16)
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Option B - Council as a standalone deliverer of three waters

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Possible Mitigations	Target Impact	Target Likelihood	Target Risk
	Threat	Financial Sustainability Increased cost operation (to meet best practice) or need to refund Government funds may require unacceptable rates increases affecting Council's financial sustainability and/or reducing the funding available for other Council services.				Reduce spending in other areas.			
	Threat	Lack of Technical Skills Due to the relatively small scale of the Council service it may not be possible to attract or retain people with the required competency resulting in failure to achieve the required service standards.				Council provides a professional development pathway			
	Threat	Unable to Leverage Economies of Scale Not being part of the regional water agency may mean Council is unable to access the same level of funding or expertise resulting in substandard services.				Strategic partnerships			
	Threat	Lack of Water Sector Support Few Council's delivering water services - Council may become isolated and unable to access adequate support (technical, financial or construction) causing failure to deliver the required services.							

Threat	Excessive Development Contributions The higher cost of service delivery may cause Development /Financial Contributions to become very high restricting regional growth								
Threat	Inability to Attract Business Commercial operators may consider the water supply as less secure and decide not to locate industry here adversely affecting economic growth.								
Threat	Compliance Failure Because of the significant increase in water standards Council may not be able to meet the new requirements resulting in liability/prosecution and/or loss of Governance control (Commissioner being installed).				1.				

Attachment 6 - Transition

1. Consideration is being given to establishing a national transition unit and local establishment entities mirroring the boundaries of the (proposed) Water Services Entities and supporting, through a reprioritisation of stimulus funding if required, council staff costs related to reform and transition, enabling staff to participate in transition priority working groups, gathering and sharing data.
2. Current considerations, in addition to funding for backfilling and / preparing for change, are:
 - support for three waters workers – including:
 - if a staff members role is primarily three waters related, an automatic transfer to the new Water Services Entity in a similar role on the same salary at the same location with the same conditions
 - advice, including Employee Assistance Programmes, legal and union representation
 - the need to increase staffing levels to implement the transition, continue business as usual and deliver current and increased infrastructure investment
 - staff and contractor retention in a time of uncertainty (and competition for resources)
 - the speed of change and the risk of mistakes and service interruptions
 - stranded overheads and the no worse off element of the funding package
 - asset transfers and valuations
 - existing contracts and contractors and any residual liabilities
 - development and financial contributions
3. What isn't clear (but will be worked through) is:
 - where the bulk of managerial and support staff (eg communications, financial, asset management) will be located, although the presumption is that they will be (at least notionally in post COVID flexible working world) located in the regional headquarters of the Water Services Entities
 - what the principles and any threshold would be for a staff member that does some three waters related work (say 50% of their time) and whether it would be their choice to move to the Water Services Entity and the implications for their employment situation
 - if all three water services are included and will transfer at the same time

DRAFT TRANSITION RISK/PESTLE ASSESSMENT –

ACKNOWLEDGEMENTS AND THANKS TO HASTINGS DISTRICT COUNCIL (AND THE HAWKES BAY COUNCILS) FOR THE FRAMEWORK AND FORMAT – Council to use/replace based on own work

Our Goals is: our / XX regional communities continue to receive water services without disruption during the transition, the risks (threats and opportunities) for moving Council services, assets and data to ...

The following benefits of reform are taken from information published by the Department of Internal Affairs:

- Greater financial capability
- More efficient providers
- Cost sharing across communities
- Improved outcomes for communities – affordable way to meet costs of water services now and into the future.

The following risks have been identified: INSERT RISKS AND RATINGS for YOUR COUNCIL/GROUP – THIS BASE MAY HELP

Threat Risks:

No	Description	Inherent	Possible Mitigation	Target
	Staff/Contractor Retention		Attractive employment contracts	
	Stranded Overheads		Alternative funding or restructure overheads	
	Loss of Customer Voice		Advocating for community outcomes	
	Resistance to Change		Education programme	
	Speed of Change		Change management programme.	
	Lack of Business Confidence		Public relations campaign	

Opportunity Risks:

Description	Inherent
Maintaining Good Quality Assets	
Transition Team	

NB Hastings also had Easy Transfer of Contracted Services which may be applicable to you

Risk [Appetite] Assessment:

The risk in transition is much greater than the risk profile for operation once entities are established and operating. Many of the causes for the transition risks are outside Council's control, so minimal mitigation is possible.

[State risk appetite assessment against Council's risk appetite or develop one e.g. within/well outside etc]

Insert conclusions e.g.

- Work proactively with the Government in the development of the framework
- Work collaboratively with other group members, Taituarā, LGNZ, iwi/Māori and partners
- Ensure forward planning caters for any possible delays in transition, and
- Adapt quickly and efficiently to handle new obligations that might arise.

Risk analysis and Risk Register if desired. Extract from Hastings eg below to help you. Risks noted are in body of report and in Hastings doc if you wish to use them

Ref	Type	Risk Description	Inherent Impact	Inherent Likelihood	Inherent Risk	Possible Mitigations	Target Impact	Target Likelihood	Target Risk
	Threat	Staff/Contractor Retention Due to greater employment opportunities presented by water agencies there may be a loss of key Council or contractor staff, or an inability to recruit new technical staff reducing Council's ability to plan or deliver infrastructure projects.				Attractive employment contracts. Keeping staff informed.			
		Transfer of Contracted Services							
	Opportunity	Maintaining Good Quality Assets By maintaining infrastructure investment it may be Possible to reduce the transition impacts on the community.							
	Threat	Stranded Overheads Because the overheads will not change significantly after divestment the cost of other services may be impacted by the redistribution of overhead costs				Alternative funding or restructure support overheads			
	Threat	Loss of Customer Experience Because of the scope of change community voice may be lost affecting customer experience and relevance of services delivered.				Advocating for community outcomes			

Infrastructure Management

**Waimakariri District Council
DIA 3 Waters Modelling Review
August 2021**



WAUGH

ideas | analysis | solutions



Quality Record Sheet

Waimakariri District Council

DIA 3 Waters Modelling Review

Issue Information	
Issue Purpose	Final R2
Issue Date	13 August 2021
Version Number	1.3
Authorisation	
Waimakariri District Council	Gerard Cleary
Prepared By	Hugh Blake-Manson, Ross Waugh
Reviewed By	Katherine Hill
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1.0 EXECUTIVE SUMMARY / INTRODUCTION

1.1 The Right Debate

The New Zealand Government has, since 2016 embarked on a review of 3 Waters (drinking water, wastewater, stormwater). The catalyst for this was the 2016 Havelock North water contamination event, which resulted in four attributed deaths and system wide illness. On this basis, Government has considered that significant improvements in the quality of water supplied to consumers taps was required, irrespective of a Council's achievement of compliance against the Drinking Water Standards.

A water sector reform programme has resulted, with three pou (pillars) – water services legislation, a regulatory body (Taumata Arowai) and potential rationalisation of 3 Waters service delivery. This review considers possibly the most contentious of those pou, service delivery rationalisation.

The Department of Internal Affairs (DIA), utilising data supplied by Local Authorities, has produced econometric models for each local authority. Waimakariri District Council (WDC) provided all the requested information in February 2021 and on 30th June 2021 received its modelled data.

The model was utilised in February 2021 to determine the level of efficiencies including capital, operations and asset optimisation that could be achieved over a 30-year period – to 2051.

Models by their nature rely on many specific inputs “data points” – which by themselves may be of high confidence and quality. Sensitivity analysis is normally undertaken, to allow for variable data point quality. The base model utilised by DIA's agent – the Water Industry Commission of Scotland (WICS) - utilised a 2004 United Kingdom econometric model and sensitivity analysis. Scottish Water reform efficiencies were utilised as a reference point.

WDC is working with its community and elected members to make an informed decision on its way forward. There is some time to do this, Local Government New Zealand (LGNZ) has stated that they are “seeking feedback on the potential impacts of the proposed reform and how it could be improved”¹ with an eight week window to undertake this. That could include WDC taking the opportunity to “understand their individual council data and the potential impacts”

We consider that the “right debate” centres not on WDC demonstrating it can provide safe drinking water, but on highlighting:

- i) the differences between Scotland and New Zealand which were not considered in the DIA (WICS) model – particularly coverage including population density and rural water supplies
- ii) Current levels of efficiency and optimisation of water and wastewater treatment

1.2 Disclosures

Waugh Infrastructure Management have been commissioned to undertake this review. Based on the time available and the scope, we have met with selected WDC staff and assessed the information provided. We acknowledge that some information which could have influenced our opinion was not accessible at the time. We cannot comment on the materiality of this.

We also refer you to our Statement of Independence.

1.3 Methodology

Waugh Infrastructure Management undertook the following general process in producing our findings:

- Conversations and targeted workshops with WDC staff
- Scheduled feedback with the WDC Project Control Group (PCG) – 3 Waters team
- Assessment of information supplied by WDC

We formed our findings based on this information.

¹ <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>, 30th July 2021

1.4 Our Findings

Our assessment has included discussions with Waimakariri District Council (WDC) staff, review of material provided by them and information publicly available from the Department of Internal Affairs (DIA).

1.4.1 Findings In Brief

WDC 3 Waters services include rural and urban services coverage. Population densities vary significantly between these serviced areas. The “95% urban standard coverage” which DIA (WICS) consider is achievable by 2051 does not appear to consider the New Zealand specific infrastructure arrangements. The benefit and cost in providing 3 Waters services to the standards should be considered with further modelling to be undertaken to validate assumptions, costs and outcomes.

WDC have demonstrated through the evidence provided that efficiencies of approximately 6% have already been achieved. Through planned funded work we consider this can be extended by a further 1% to approximately 7%, benchmarked against the DIA(WICS) maximum of 20% - Watercare threshold.

DIA(WICS) state that for Water Serviced Entity “D” (WSE), there will be 53% and 50% operational and capital efficiency improvement respectively between 2025-2040. For this to be realised, it requires all associated reform² e.g. RMA and economic regulation to have occurred. It is difficult to predict what the impact other associated reform³ will have on this modelled efficiency and how social objectives will be accounted for.

“The further away from the current predominant New Zealand direct democracy service delivery model that three waters service delivery moves, the more likely it is that the inclusion of wider social policy objectives will be required of the regulated water authorities”⁴

1.4.2 Findings - Expanded

WDC encompasses 2,225 square kilometres of land on the Te Waipounamu – South Island’s east coast - New Zealand. They provide 3 Waters services including 24/7/365 operations and design staff, with 66% having a tertiary qualification. Their water supplies include large rural schemes and relatively denser (persons per square kilometre) urban townships, located on strategic transportation corridors.

WDC have effectively managed the exceptional challenge of earthquake response and recovery, along with continuing sustained high population growth. Their 30 Year Infrastructure Strategy⁵ which was nationally recognised as an exemplar articulates how they intend to manage future risks while working within a prudent financial envelope.

As agreed with WDC, we have focussed on the “right debate” namely recognition of their coverage of services, efficiency, and asset optimisation practices. Utilising criteria provided by DIA and their advisor – Water Industry Commission of Scotland (WICS), we have assessed the relative levels of operations and capital expenditure efficiency and asset optimisation. Our dashboard provides an overview of our view on WDC’s performance in these areas.

We consider that there is a case to be made by WDC for recognition of their efficiency. We have assessed WDC as having achieved a 6% “efficiency challenge” now compared to the DIA (WICS) assessment of 0% while delivering water and wastewater levels of service. There are opportunities to address inefficiencies which we have identified in this review, through investment while also lifting levels of service particularly in stormwater (via newly implemented stormwater network discharge consents).

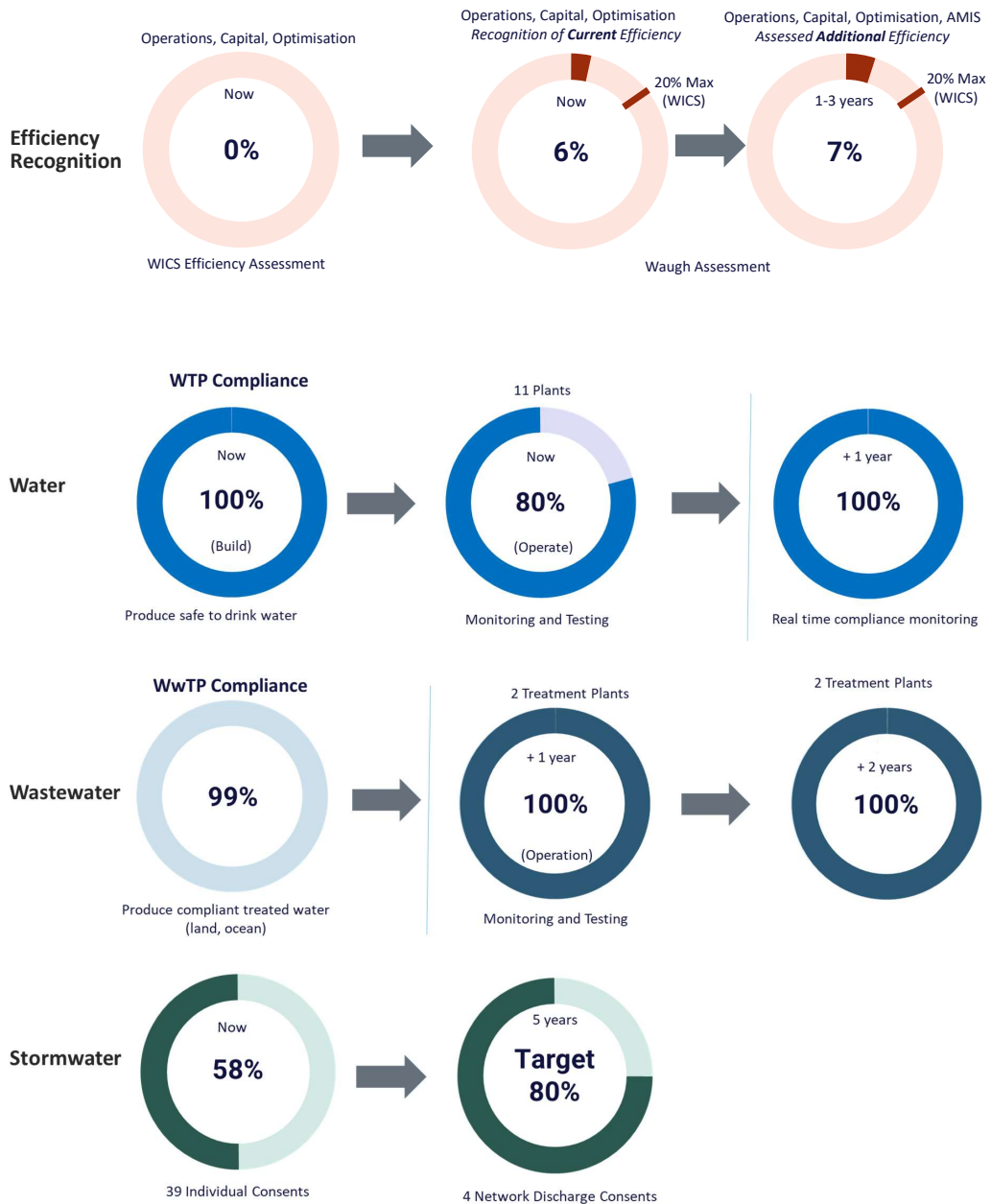
² “Entity-D-slide-pack---WICS-report”, Pp 32, WICS “The scope for cost reduction will, however, require a commitment to a full package of reform: investment; financial freedoms, clarity in objective setting, empowered regulation and incentivised management. • They also require management to face a ‘hard budget constraint’ and not have an easy ‘out’ from the scrutiny and pressure of both quality and economic regulation.

³ Reform includes RMA (Natural and Built Environment Act, Strategic Planning Act and Climate Change Adaptation Act), Climate Change Response (Zero-Carbon) Amendment Act; Local Government Act amendments

⁴ Investigation into the Current State of Procurement Practices in New Zealand Prepared by Ross Waugh, Purvi Pancholy (PhD), Theunis Henning (PhD), Larry Bellamy (PhD), and Greg Preston, B IP, July 2020

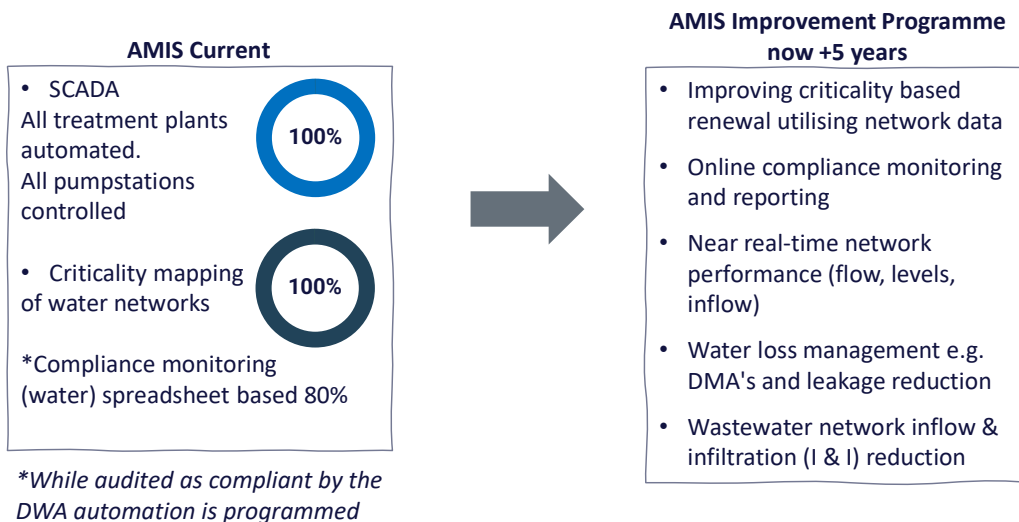
⁵ WDC 30 Year Infrastructure Strategy 2048

Our assessment of compliance is outlined below.



We consider that WDC have further opportunity to identify and target efficiencies (actions) including through the information that their programmed Asset Management Information System (AMIS) development will provide.

Asset Management Information Systems (AMIS)



While the report should be read in full for context our summary of findings - Table 1.1 is provided below.

Table 1.1: Summary of Findings – WDC and DIA (WICS)

Factor	DIA (WICS) Assumption	Waugh Infrastructure Response
Coverage (Rural and Urban Waters)	95% "urban standard"	DIA (WICS) do not appear to have included "vast" rural scheme networks in their supplied model output Affordability versus value benefits need to be considered. "Uplift" modelling could be undertaken
Expenditure Efficiency – Operations and Capital	No recognition of efficiencies <60,000 persons NZ Maximum 20% efficiency opportunity without reform (c.f. Scottish Water 45%)	Recognition of current and near future efficiencies is appropriate Capital: SCIRT – WDC earthquake efficiency internationally recognised, built into WDC "business as usual" National energy procurement savings of 32%. Operational: Inhouse delivery (PDU) with SCADA systems integrated into treatment and pumpstations. Improvements underway e.g., online compliance scheduling and monitoring
Asset Optimisation	No recognition	Recognition of existing optimisation is appropriate. This is an ongoing process. Water Schemes – 16 to 11 schemes Wastewater Treatment – 11 to 2 plants

Factor	DIA (WICS) Assumption	Waugh Infrastructure Response
Other		
Scale	Scale drives efficiencies	<p>WDC have a high level of optimisation, particularly given the rural water “trickle feed supply” density of 15 persons per square kilometre.</p> <p>There are strong transportation connections in place, which are used to effectively move people, plant and materials.</p> <p>Governance and management efficiencies could be made, though the value of these potential benefits are not clear</p>
Contractual Commitment	At scale programmed stream of work provides market certainty, the ability to bring maintain a skilled workforce and technologies that will reduce capital works costs	WDC have provided 3-5 year contracts e.g., water well. Work packages are tailored to local contractors, who pride themselves in serving the community
Improved Procurement	Procurement or services at scale will attract suppliers/contractors who provided economically efficient services	WDC have a civil contractors pre-qualification process. Via a trades panel, minor works are efficiently undertaken by a skilled workforce
Innovation	Innovation is core to increasing productivity	WDC demonstrate continued innovation e.g., online wastewater network level monitoring. Improvements can be made in this area
Asset Management Processes	Whole of life asset management practices will improve delivery of 3 Waters services	<p>WDC have identified, via a maturity assessment areas of improvement – to achieve a “high” score</p> <p>The 30 Year infrastructure plan (2048) forecasts, optimises and budgets for renewals over a 150 year horizon</p>

2.0 BACKGROUND

2.1 Context

The New Zealand Government is undertaking a water reform programme, covering drinking water, wastewater and stormwater services “3 Waters”. This was initiated following the internationally significant Havelock North water contamination event of August 2016.

The Government embarked on a two stage Inquiry in 2016, into the quality of water services delivery. The Stage One report included Six Fundamental Principles of Drinking Water Safety which water suppliers should apply against their water service. The Stage Two Terms of Reference included a requirement to report on:

3(a) Any legal or regulatory changes or additions necessary and desirable to prevent or minimise similar incidents

The Stage Two report was released December 2017. Government has acted on this, undertaking a reform programme with three pou (pillars). One of the pou is proposed reform of 3 Waters service delivery via aggregation and amalgamation of existing council assets and services into four “water service delivery entities”.

The Department of Internal Affairs (DIA) engaged the Water Industry of Scotland (WICS) to provide an economic assessment of the future state of 3 Waters delivery in New Zealand. Via two phases of work, WICS provided a model with assumptions also referred to as the factual approach. Waimakariri District Council (WDC) provided the DIA (WICS) with Request for Information (RFI) data in February 2021. DIA (WICS) assessed this data based on overseas metrics and on 30th June 2021, released WDC specific comparator information against its model data⁶.

WDC consider it appropriate that they better understand the DIA (WICS) supplied information against their own information and planning and have engaged Waugh Infrastructure Management specifically to provide additional analysis for this purpose.

2.2 The Right Debate

Government has made it clear that they have, to a large degree lost confidence in New Zealand’s councils ability to manage and provide safe drinking water for the communities they serve - the Havelock North contamination events being the catalyst for this position.

In providing their modelling report to WDC, it could be argued by DIA (WICS) that they have presented sufficient evidence and justification for the economic benefits of establishing water service entities.

Waugh Infrastructure analysis shows that the DIA (WICS) evidence and justification is subject to several significant assumptions which this report further examines and tests. The test of DIA (WICS) data modelling and assumptions is focussed on the following aspects:

- Coverage Level of Service –
 - o Explaining the differences between the Scottish based assumptions and those of New Zealand’s and WDC
 - o Service extension to meet the DIA (WICS)s stated 95% coverage of water and wastewater at “urban standards”
- Efficiency –
 - o Providing specific evidence of WDC capital delivery efficiencies benchmarked against post Canterbury earthquake recovery work completed by SCIRT
 - o Providing evidence of capital and operational delivery efficiencies
 - o Providing evidence of existing asset optimisation (wastewater and water treatment)

⁶ “Simplified financial model and sensitivity analysis from the Water Industry Commission for Scotland” – provided to WDC via email 30th June 2021

This in turn can assist WDC in informing its community regarding:

- known and near future (likely) financial, management, engineering and legislative requirements
- the associated estimated costs and certainty of those costs

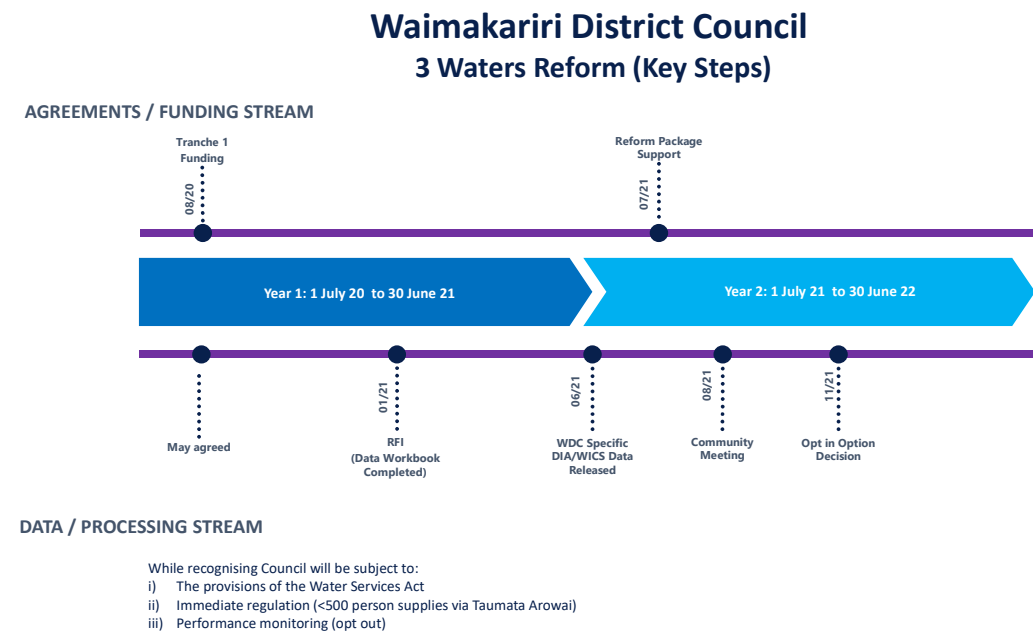
This report does not take a position for or against 3 Waters reform, rather the report has considered the facts at hand against the modelled assumptions provided by DIA (WICS).

In undertaking this assessment and drawing its independent conclusions, Waugh Infrastructure Management have worked with WDC staff and assessed information available to it – refer **Information Assessed**.

2.3 WDC’s Current Position

At the time of the preparation of this report (August 2021) community consultation engagement had commenced.

Figure 2.1: Waimakariri District Council 3 Waters Reform (Key Steps)



3.0 WATER SERVICES ENTITY (WSE)

We have outlined the proposed water service entities' (WSE) responsibilities. To provide context, we have then generally described the same for WDC's 3 Waters services.

3.1 Proposed WSE - Scope and Responsibilities

Asset ownership and broad responsibilities are outlined in Table 3.1.

Table 3.1: Water Service Entities (WSE)– Overarching Responsibilities

Service/s	Broad Scope and Responsibilities
Drinking Water and Wastewater	<u>All</u> service delivery arrangements and infrastructure including taking over applicable services and assets currently held by local authorities
Stormwater	Only services and infrastructure related to <u>quality and quantity</u> including taking over applicable services and assets held by territorial authorities <u>Excludes</u> Road Controlling Authorities stormwater services and infrastructure

It is still unclear where the specific point of receiving environment demarcation or “perimeter”⁷ is between stormwater and connected assets e.g., urban-rural-roading receiving environment. It is also unclear where responsibility for land drainage will fall. As a result, we have used our judgement with respect to this matter. This is particularly relevant as WDC have identified future stormwater needs.

We have excluded stock water (water races) managed by Waimakariri Irrigation Limited (WIL) in our review. Schemes providing 100% stockwater are not considered in the Water Services Bill and are considered to stay in council ownership and management irrespective of the opt in/out position.

We have provided details on the current coverage WDC's 3 Waters Service below in Section 3.2.

3.2 WDC 3 Waters – 3 Waters Services Coverage

WDC notes⁸ that “*more than 80% of the population is concentrated in the eastern part of the District in the main urban areas of Rangiora, Kaiapoi, and Woodend/Pegasus*”

And that

“The District also has a large number of people living on small holdings in the rural areas with approximately 3,500 households living on lots of between 0.5 and 4 hectares. Many of these properties have their own sewerage system and some have their own water supply systems”

WDC have stated in their Infrastructure Plan 2048 that the 2020 population was 64,700 persons and is expected to increase by 35,300 to 100,000⁹ persons by 2048.

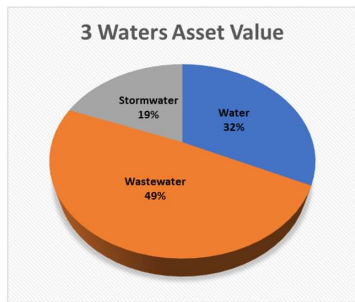
⁷ CAB-21-MIN-0226

⁸ [Long-Term-Plan-2021-2031.pdf \(waimakariri.govt.nz\)](#)

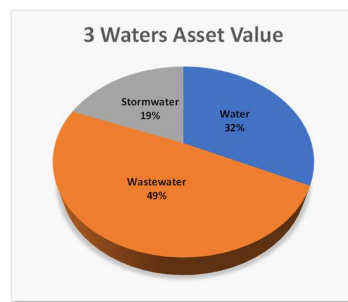
⁹ WDC Infrastructure Plan 2048 Figure 3.2

Figure 3.1: WDC 3 Waters Asset Value

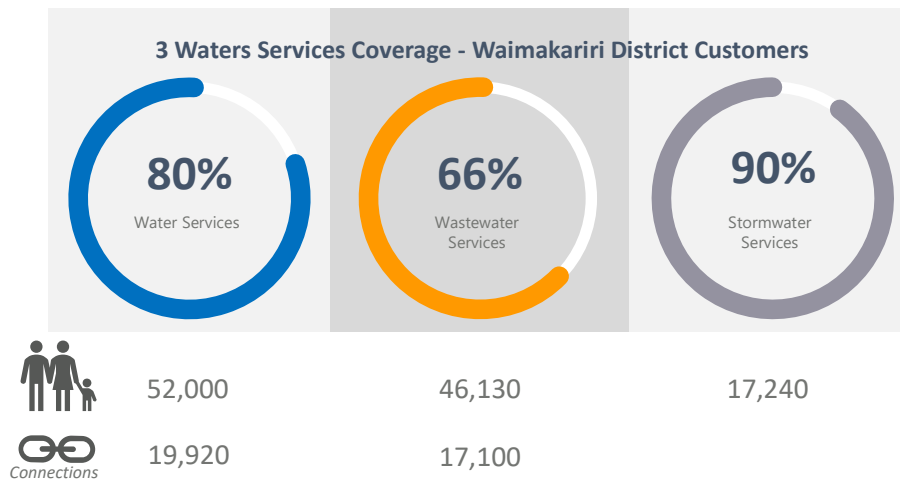
Figure 3.2: WDC 3 Waters Annual Revenue



3 Waters assets have a total value (depreciated replacement cost) at 2020 of \$608M being 32/49/19% water, wastewater, and stormwater respectively. Annual revenue via targeted rates is \$21.5M being 35/44/21% water, wastewater and stormwater respectively.



WDC's 3 Waters services¹⁰ are utilised by a significant portion of the district's population:



Water Supply

The Council owns and operates 11 separate water supplies. Schemes are either 'on-demand' urban (unrestricted), 'restricted/trickle feed' (a specific amount of water per day is made available), or 'semi restricted' (connections are allocated 19m³ per day which is close to an on-demand supply). Prudent rationalisation of treatment plants is undertaken as a matter of course. This is demonstrated through the ongoing reduction from 16 schemes in 2012 to a proposed 11 schemes in 2021/22.

Wastewater Service

Just over 16,155 of properties are connected to the Eastern District Sewer Scheme (EDSS) which provides for nine towns and settlements in the eastern part of the district and disposes of effluent via a 1.5km ocean outfall and land (Oxford). Rationalisation of treatment plants is a core focus on WDC. By the end of 2021 there will be two treatment plants – a reduction from 11 in 2005.

Stormwater Service

There are seven rural and five urban rated drainage areas within the district which cover approximately 10% of the District's land area but service approximately 90% of the district's population. The Council has piped stormwater networks in the urban areas and maintains drains and waterways in rural areas. To effectively manage quality outcomes, Council is in the process of obtaining five network discharge consents covering five urban catchments. The timing of the lodgement of the network discharge consents has been agreed with the Canterbury Regional Council (ECan) via the Canterbury Stormwater Forum.

¹⁰ WDC's DIA RFI – worksheets E6, E7 (rounded values)

4.0 WDC MODELLED RESULTS

For the purposes of context, we have provided a short summary of the basis for the modelled information.

A Memorandum of Understanding (MoU) was signed between the Crown and WDC in August 2020, providing 3 Waters focussed Stimulus funding to support economic recovery following COVID-19. This included a condition requiring WDC to provide Three Waters information to the DIA (WICS), commonly referred to as the Request for Information (RFI). Two workbook options – the first more onerous in terms of detailed requirements than the second were provided. WDC voluntarily completed the first workbook¹¹, to enable it to be assessed against a national cohort.

4.1 The DIA(WICS) Econometric Model

DIA(WICS) released four proposed water service entities (WSE) based geographical boundaries in June 2021. WDC is included in the Entity D covering the Ngai Tahu Takiwā. Following this, DIA (WICS) provided their entity specific econometric model¹² information in June 2021¹³.

DIA (WICS) have gone to some effort to reinforce the validity and appropriateness of their model – its basis and fit for purpose application to New Zealand. Given the pace the reform programme, information produced by DIA (WICS) does not necessarily align with Government's position at this time. This is the case with some of the Entity D information supplied. This has made it difficult to obtain underlying detailed information matching Government's preferred model scenario.

The basis for the New Zealand derived model originates from a 1990s Ofwat (Water Services Registration Authority for England & Wales) project to measure relative operating cost efficiencies between English and Welsh water companies. DIA (WICS) state that:

“The models are based on well established relationships between factors such as population, geography, topography, assets and the level of operating cost”

DIA (WICS) applied this model in 2001 and 2005 when considering the Scottish Water operating cost reduction target. Minor changes were applied in 2008 - cost driver changed in two of the models (water distribution and water resources and treatment). WICS state they have applied these model versions to New Zealand and an amended suite of models that include base data from the New Zealand Three Waters industry.

DIA (WICS) also state that the models have also been applied in New Zealand (Watercare), Australia (Sydney Water), The Netherlands and in other jurisdictions in Europe (work for the European Commission).

“The relationships between these factors and operating costs have been shown to hold in all these jurisdictions”

Our comment: Relative to the UK environment, New Zealand's east coast has different (hydro) geological conditions which determine in part achievable civil, asset optimisation and operational efficiencies.

The RFI was based on Long Term Plan and Infrastructure Strategy data. WDC provided the information as requested receiving their modelled data on 30th June 2021. On 30th June 2021, DIA (WICS) supplied WDC with its specific information. This was based on RFI data provided by WDC in February 2021.

The publicly available output –

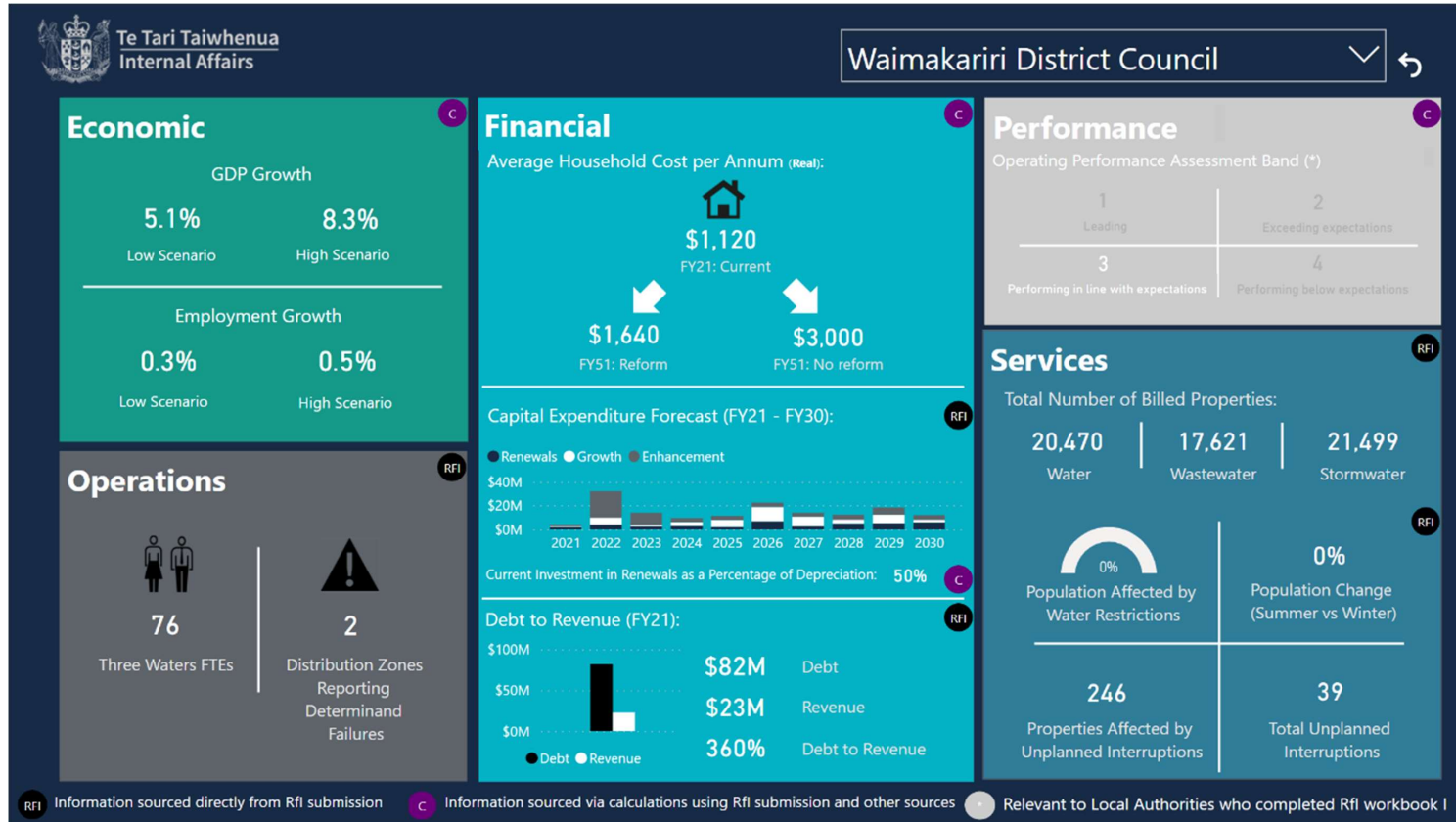
Figure 4.1 includes a prediction of 2051 3 Waters per household (average) costs:

¹¹ Pers Comm WDC L. Huxley - approx 1000 questions, 67 worksheets

¹² Entity D Slide Pack – WIC Report, [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/\\$file/Entity-D-slide-pack---WICS-report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/$file/Entity-D-slide-pack---WICS-report.pdf)

¹³ Provides Scenario 2 or 3 outputs, differs from Governments preferred Scenario 30

Figure 4.1: DIA (WICS) - WDC Specific Data¹⁴



¹⁴ Source: <https://www.dia.govt.nz/Three-Waters-Reform-Rfi#latest-update>

DIA (WICS) note that “the probability of a citizen of Waimakariri being financially worse off with reform is 4.6%”¹⁵. This is one of several model outputs provided for WDC.

Further, DIA (WICS) state that citizens are “likely be considerably better off financially” and “be more able to afford initiatives to respond to climate change, enhancing seismic resilience and Iwi and Māori aspirations – all of which have not been incorporated into our modelling”.

A range of other benefits are outlined including resilience and ability to respond to growth.

In their response to WDC, DIA (WICS) noted five factors which they considered most influenced charge (cost) levels “both now and in the future”¹⁶ are:

DIA (WICS) Factor Influencing Charge Level (\$household/annum)
1. Operating efficiency expenditure
2. Opportunity to access efficiency improvement - the level of costs relative to the levels of service provided
3. Asset refurbishment and replacement (economic depreciation)
4. Levels of service improvement and growth investment
5. The financing structure of the service provider

We have assessed DIA (WICS) and Farrierswier ¹⁷review and provided our response as relevant to WDC – Section 5. Farrierswier provided a publicly available review report of the methodology and assumptions provided by DIA (WICS).

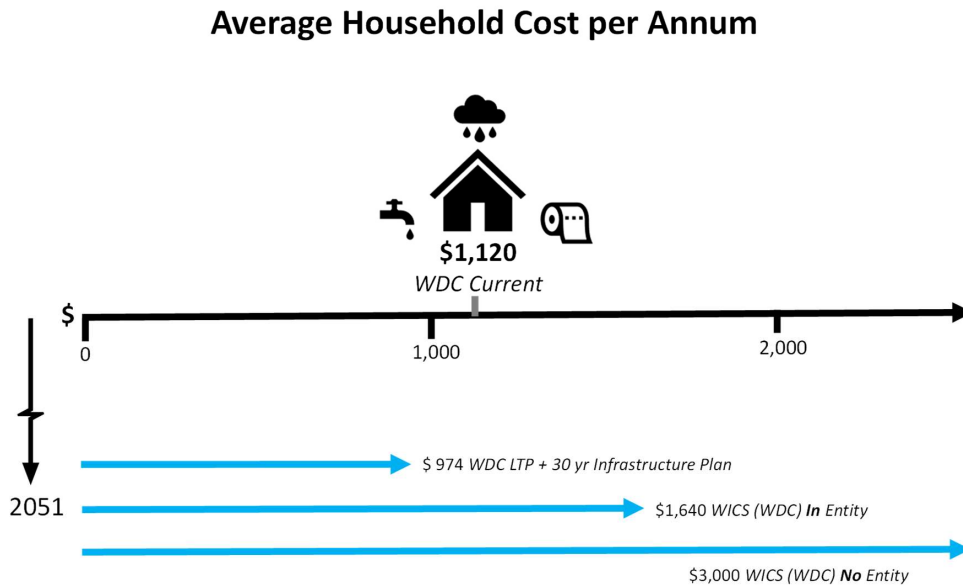
Figure 4.2 provides \$ household/annum costs from both DIA (WICS) and WDC. We note that WDC data has been subject to independent audit which includes detailed assessment of the quality and relevance of assumptions.

¹⁵ Scenario 30, Entity D, <https://www.dia.govt.nz/Three-Waters-Reform-Individual-council-models-and-slidepacks>

¹⁶ WICS, March 2021. “What the DIA’s Request for information tells an economic regulator about the prospects for charges in Waimakariri District Council” Pp 8 “The factors that most influence charge levels both now and into the future are...”

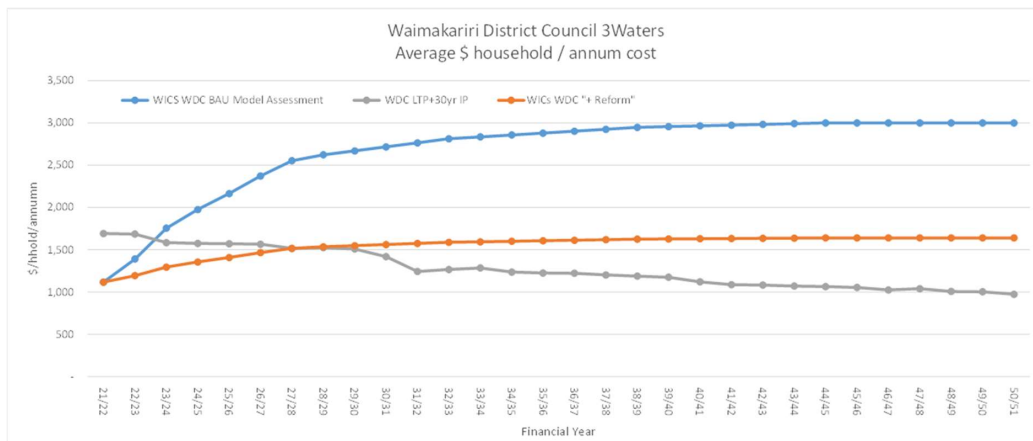
¹⁷ A regulatory economics consultancy based in Victoria, Australia

Figure 4.2: Average Household Cost per Annum (excl GST, inflation)



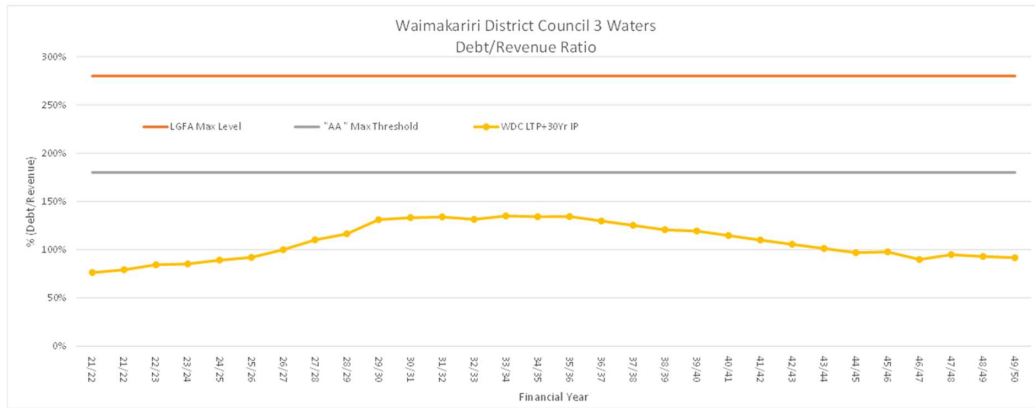
The WDC and DIA(WICS) forecasts are provided in Figure 4.3.

Figure 4.3: Average Household Cost per Annum Year (excl GST, inflation)



We have also considered the resulting debt-revenue ratio—based on WDC 2051 audited data. DIA(WICS) have forecast a ratio of 360%.

Figure 4.4: Debt to Revenue Ratio



5.0 ASSESSMENT OF THE DIA (WICS) ASSUMPTIONS

All models have a number of inbuilt assumptions that when collectively utilised produce a resulting “output”. Several assumptions were made by DIA (WICS) in the economic analysis of water services aggregation. Sensitivity analysis is generally undertaken on modelled data and was noted as being undertaken via the Monte-Carlo model simulation.

5.1 Comparison – Scotland and New Zealand (Te Waipounamu – Waimakariri)

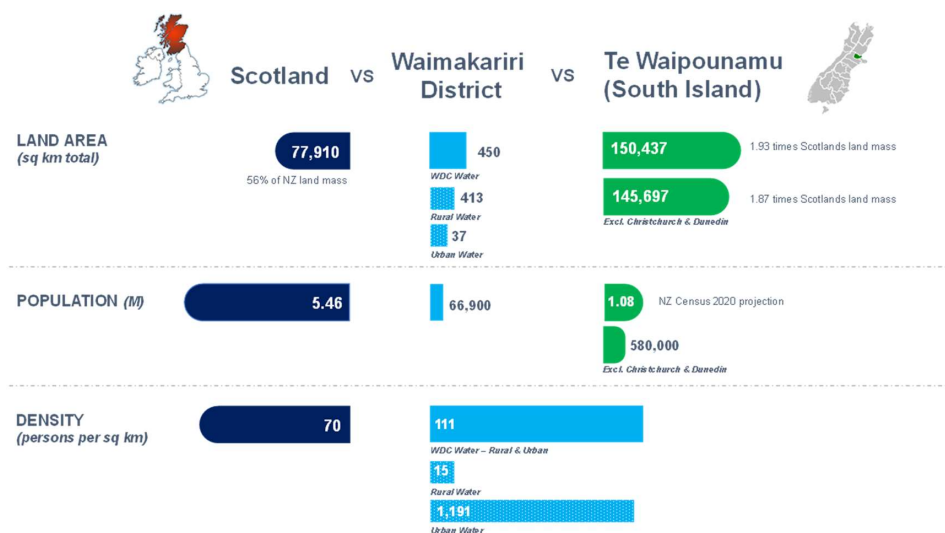
Amongst the assumptions made in the DIA (WICS) report is the fundamental assertion that Scottish and New Zealand conditions are similar. Subsequent reviews undertaken by Farrierswier and Beca highlight the differences between Scotland and New Zealand and discuss the risks of assuming similarity.

We have undertaken an assessment of respective population densities against that for Scotland. This has been done to demonstrate the relative extent of rural water schemes and the populations they serve. The significant extent and relatively low density highlight the challenges faced by the service entities to deliver “95% coverage to urban standard” water to the households, particularly those in rural or low-density environments.

Figure 5.1: Population and Land Area Comparison



Figure 5.2: Density Comparison



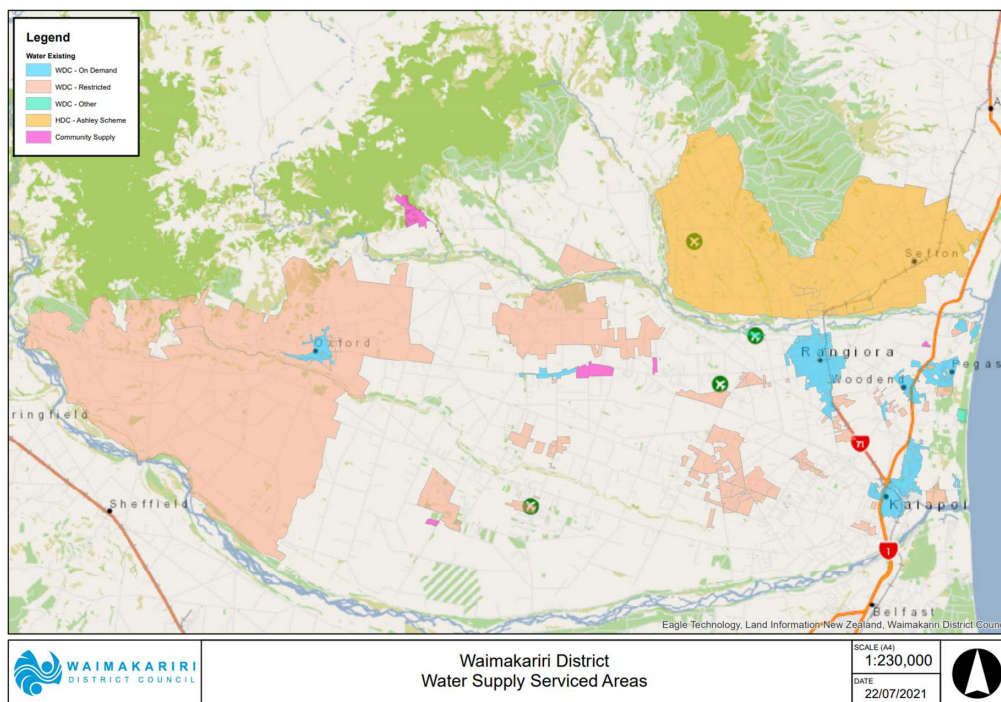
It can be seen from Figure 5.2 that there is both significantly higher land area and lower population density in Te Waipounamu than Scotland.

Typically, there are much larger distances between settlements in the South Island, which in turn impacts infrastructure deployment patterns, relative costs of infrastructure, and restricts the potential asset level optimisation scale and efficiency gains that were available to Scotland.

WDC is considered to fit into this category. We also recognise that it has both relatively sparsely populated rural areas and strong eastern area transportation links to Christchurch (SH1) along with high growth urban four eastern towns (Rangiora, Kaiapoi, Woodend, Pegasus).

In addition to demographic differences, climatically the east coasts of both the North Island and South Island require rural water supply systems for the extensive agriculture, which is not a feature of Scotland's different farming practices. This has been highlighted in the DIA (WICS) response to WDC and other councils where it is clear there is limited understanding of rural (stock) water drinking supplies. Figure 5.3 describes the extent of both rural and urban water supplies.

Figure 5.3: WDC Urban and Rural Water Supply Coverage¹⁸



This lack of understanding is also embedded into the DIA (WICS) models around the use of urban water pricing and coverage structures rather than acknowledging and adjusting for rural stock water drinking system coverage and pricing structures.

5.1.1 Conclusion

The relative benefits and costs of delivering 3 Waters services to this large, low density rural stock water serviced area of WDC (and an elsewhere across the east coast of the South Island) should be considered in the DIA (WICS) if that is not already the case.

¹⁸ Note that the Ashley Scheme (administered by Hurunui District Council) is included in Rural Water Supplies

5.2 Assumptions Comparison

Farrierswier completed an assessment of the assumptions made by WICS regarding applicability to the New Zealand system. These assumptions consider the potential benefits of amalgamating and reforming water, wastewater and stormwater services within New Zealand with a potential shift from management by 67 councils to a small number of new operationally and financially independent WSE. While the assumption of comparability with Scotland is an appropriate starting point in analysis key differences need to be considered.

These assumptions of efficiency and financial and commercial viability were made in a number of areas. It is important to note that assessment of the applicability of assumptions used by DIA (WICS) have been considered at a national level and may not necessarily have the same level of applicability to South Island rural areas such as the Waimakariri District. Efficiency gains identified in DIA (WICS) are acknowledged as resulting from a combination of amalgamation, economic reform and other conditions acting in the UK at the time; efficiencies of amalgamation are not considered in isolation.

Farrierswier, while refraining from commenting on the reasonableness of the efficiency assumptions, confirmed the direction (approximately positive or negative) and order of magnitude (appropriate scale) for reasonable estimation of potential impacts of amalgamation and reform on efficiencies.

We have provided a summary of the major assumptions made by the DIA (WICS) and Farrierswier review of these assumptions and have made comment of our view on their impact on WDC's model results for Waimakariri District.

Table 5.1: 3 Waters Scale Comparison

	Scotland	New Zealand	Waimakariri
Scotland vs NZ	Demographic and Geographic Differences		
	Population: 5.46 million Land area: 77,910km ² Density: 70 persons per km ² Settlement patterns: 83% of population in urban areas - highly urbanised through the central belt and along areas of the east and west coast Connection: modelled at 95% population coverage of public water supplies	Population: 5.11 million Land area: 268,021km ² (3.44 times larger than Scotland) Density: 18 persons per km ² Settlement patterns: 86% of population in urban areas Connection: water 80% and wastewater 68% DIA (WICS) modelled growth in connections at 2.49 % per annum Agricultural and stock water supplies were not included within the DIA (WICS) model	Population: 64,700 (1.3% ¹⁹ total population) Land area: 2,255km ² (0.84% of New Zealand) Density: 11 persons per km ² within rural and urban water serviced areas. Settlement patterns: 80% of population in five urban areas, with remaining population in smaller rural villages, four beach communities and low density, rural areas Connection: water 80% and wastewater 66% Growth in connections: 2.49% (3% over 10 years ²⁰) Rural restricted use of water – 9 restricted domestic supply schemes, including the Ashley scheme administered neighbouring Hurunui District Council

¹⁹ June 2020 population 5,090,800 <https://www.stats.govt.nz/indicators/population-of-nz>

²⁰ 2019 Infometrics Waimakariri Data

	Scotland	New Zealand	Waimakariri
	Scale of Reform		
	12 Councils, (9 regional, 3 island councils) (1975) 12 Councils to 3 water entities (1996) 3 entities amalgamated into a single water entity (2002)	Proposal: From 67 councils to 4 amalgamated water entities	One of 20 councils proposed to have water responsibilities amalgamated into WSE D with 864,350 connected properties

Table 5.2: 3 Waters Assumptions (Comparison)

	DIA (WICS)	Farrierswier	Waimakariri District
	Levels of Service		
	<p>WICS estimated the efficiency gap on the assumption that observed difference in level of service are entirely the result of enhancement investment yet to occur</p> <p>WICS suggest use of same service level standards as the UK i.e., European water and discharge standards</p> <p>The regulator – Taumata Arowai is updating the drinking water standards. A maximum acceptable value (MAV) approach and strict baseline monitoring were similar to the UK. Until Brexit, the UK was subject to European Union directives on water standards but may now diverge</p>		<p>Set in line with DIA mandatory performance measures in consultation with our community</p> <p>Impacts of nationalised levels of service:</p> <ul style="list-style-type: none"> • Drinking water – minimal
	End State Productivity		
Scotland vs NZ	<p>Key NZ differences may lead to lower future operating efficiency:</p> <ul style="list-style-type: none"> • Low levels of economy-wide productivity growth despite generally good macroeconomic and structural policy settings due to geographic location and small population as well as connection, qualification and skills mismatches, weak competitive pressures and low rates of investment and research & development (R&D) activity • Relatively high construction costs related to the small, concentrated, and remote nature of the NZ market • Skills constraint in NZ • Whether public vs private ownership is an influence on efficiency levels 	<p>Due to the small, concentrated nature of construction market in NZ, associated costs are higher in NZ. This impacts on the water industry. This challenges the ability for councils or new water entities to match efficiency measured in the UK</p> <p>Nationally there is a recognised qualification and skills mismatch, between the skills that job seekers have and those which employers are looking for, relative to the UK. This is exacerbated by wage pressure in high-skill industries (including engineering and technology)</p> <p>Beca (subsequent review) noted under “Workforce – capacity and capability” that there was a “major/some” degree of difference between Scotland and New Zealand. Further, they noted there is a lack of resources and skills</p>	<p>Waimakariri have addressed known challenges with skills constraints through the employment of a high level of qualified staff (30 staff comprising 22 qualified engineers) and supplemental use of expert consultants as required</p>

	DIA (WICS)	Farrierswier	Waimakariri District
Modelling	Econometric modelling		
	A series of econometric models drawn from the UK (2003-2004 base model) to measure relative operating cost performance of different water service providers were employed due to the nature of comparable service areas regarding geography, population, installed asset base and operational characteristics with adjustments made for NZ expenditure and cost driver information	Identified limitations with the model and application (e.g., Use of UK data from 2003-2004), differences between UK and NZ operating environments including regulatory frameworks, and access to resources (e.g., Service providers, experienced management teams), scaling challenges and data quality concerns regarding the supplied RFI information from councils	The model has been used to generate New Zealand wide output of amalgamation options analysis. Some of the assumptions made may differ for provincial / rural areas such as Waimakariri We do not have access to the model and sensitivity data. We have read the DIA(WICS) WSE D ²¹ information.
Modelling cont.	Ownership models		
	The Government has confirmed that the proposed new, amalgamated entities will remain in public ownership. By comparison, the majority of the UK (excluding Scottish Water and Welsh Water) are privately owned. There is much debate internationally as to relative efficiency gains under private ownership models as compared to public ownership. WICS cites a number of public water entities internationally which compare with private entity productivity and concludes that this model does not prevent achievement of leading-edge performance	Based on the intention for the NZ model to be governed by competency-based boards with significant operational autonomy and a mandate to operate commercially, ownership should not have a significant impact. However, there is no guarantee that the water entities will achieve leading edge business performance. Governance arrangements and economic regulation could affect performance levels. It would be prudent to account for the potential for decreased efficiency due to ownership choice (amongst other matters)	Currently assets are owned by the community and managed on their behalf by Waimakariri District Council
Modelling cont.	Efficiency gap		
	WICS made two downward factor adjustments to the model for relative council size and gains expected in absence of reform. This confirmed the benefit to amalgamation of small water entities (≤60,000 connections) which are assumed to have no efficiency gains under the status quo) and a smaller benefit for medium sized entities The resulting assumption is that Watercare is assessed as being able to achieve 20% of the efficiency gap, Christchurch 11%, the remaining medium sized councils 10% and small councils were assessed as 0% The model focusses on <i>catch up efficiency gains</i> , being an efficiency shift from a point in time change, as compared to gains over time. WICS employs a 0.405% ongoing efficiency gains measure, determined as 50% of the total factor productivity (ratio of aggregate outputs, e.g., GDP, to aggregate inputs) for the NZ economy	The WICS approach is directionally consistent with economic literature consensus that amalgamation gains for smaller entities are greater than those for larger sized entities which already benefit from economies of scale Farrierswier noted that it was “unlikely” that UK based efficiency assumptions will capture the important “nuances” of future NZ regulatory and policy context There remains room for debate regarding whether medium sized and larger councils could achieve efficiency improvements beyond those assumed by WICS and those reported in the RFI could be conservative views. It is recommended that these assumptions be tested with stakeholders as part of a cost	We have undertaken an efficiency review covering operations and capital works – Operational and Capital Expenditure Efficiency . We consider that there is a high level of efficiency in capital efficiency and asset optimisation, recognising growth, compliance and community levels of service are being met or exceeded. We note that improvements are programmed including: a 3 Waters wide asset information system “AMIS”.

²¹ <https://www.dia.govt.nz/Three-Waters-Reform-Individual-council-models-and-slidepacks>

	DIA (WICS)	Farrierswier	Waimakariri District
	WICS employ efficiency as operating and capital efficiency which are discussed further below	benefit assessment of medium and larger sized councils. Farrierswier confirm the assumption of 0.405% ²² ongoing efficiencies as appropriate, in lieu of known productivity realisation over a 30-year horizon for NZ. The 50% adjustment is consistent with their assessment of reduced productivity of the water industry as compared to the national economy due to higher material costs and lower potential for productivity improvements of the relatively standardised activities of the water industry	
	Natural disasters		
	Excluded from model	Identified as an exclusion from modelling	Currently planning for and responding to natural disasters is well integrated across multiple council functions
	Economies / diseconomies of scale		
Improved efficiency	<p>Significant potential for improved operating and capital efficiency of amalgamated entities compared with the status quo were identified as including the following economies of scale:</p> <ol style="list-style-type: none"> 1. Reduced overheads, rationalisation, and elimination of duplicated functions, 2. Improved ability to attract and retain skilled management and staff, 3. More effective procurement functions and scale efficiencies that arise from amalgamated water entities undertaking a larger scale of capital investment, 4. Improved long term planning and increased continuity in deploying operating and capital resources over time, 5. Introduction of consolidated economic regulation pressures for efficiency, 6. Asset level optimisation – amalgamation of assets cross boundary. <p>Entities supplying ≤800,000 citizens would likely be unable to realise all potential efficiency benefits. There is also an accepted risk that entities exceeding the optimised threshold may be vulnerable to diseconomies of scale</p>	<p>Farrierswier considered it appropriate to include the efficiency assumptions from amalgamation and associated reforms but that these need to be quantified. In addition, they observed:</p> <ol style="list-style-type: none"> 1. Substantial costs to separation of water functions from councils to standalone amalgamated entities including separation of management teams, IT systems, and asset management systems and that the costs of amalgamation should not be considered in isolation of the entire reform package, 2. The benefits of reduced corporate overheads, staff rationalisation and duplicated function elimination resulting from amalgamation are likely to be substantial, although challenging to quantify, 3. Economies of scale will be magnified for amalgamation of multiple entities. <p>Assessing the DIA WICS four amalgamation scenarios, Farrierswier consider that all options remain within appropriate limits to reduce risk of diseconomies of scale</p>	<p>Multidisciplinary roles of many Council staff – economies of scale within local government and council outside into other areas from water management have not been acknowledged</p>

²² Pp14 of the Farrierswier Report. 0.405% from 2022. Farrierswier state “this reflects 50% of the total factor productivity (TFP) assumed for New Zealand of 0.81% per year observed by New Zealand Treasury covering a business cycle”

	DIA (WICS)	Farrierswier	Waimakariri District
	Investment efficiency		
	DIA(WICS) acknowledged that the remoteness of NZ may be a constraint on achieving UK levels of efficiency	On balance, note likely efficiency improvements available from amalgamation and associated reforms. However, due to the small, remote nature of the NZ economy and other factors (e.g., skill mismatches) there are likely to be ongoing constraints to achieving efficiency levels equivalent to those achieved in the UK (larger market and proximity to European market)	Revenue is directly allocated and utilised for the services. Depreciation is ring fenced for renewals
	Capital efficiency		
Improved Efficiency cont.	Based on a 50% reduction in capex unit costs in Scottish Water in 2020/21 compared to 2002, WICS adopted a top-down capex efficiency assumption for NZ (before adjusting for scale)	<p>The WICS assessment is limited to one case study (Scottish Water). In addition, the top-down efficiency model was not adjusted for differences in key expenditure drivers between Scotland and NZ, differences in the potential for asset optimisation and operating efficiency differences and special factors</p> <p>No assessment as to the applicability of the WICS assessment for capital efficiency can be made for NZ. Care is recommended in relying on the capital efficiency gaps estimated. This is key to the significant step in investment forecast for the next 30 years and the role of the capex efficiency assumption in the proposed amalgamation and reform programme. While alternative modelling has been made, this does not consider changes to capex efficiency in isolation</p>	
	Asset level optimisation – connecting systems across Council boundaries		
	<p>Optimisation is focussed on water and wastewater treatment plant rationalisation</p> <p>Concern is noted that economies of scale may not be realised in water networks and production will be limited to areas where increases in urban density can be achieved and that opportunities for combining proximate urban areas may have already been exhausted</p>	Farrierswier consider that there remain opportunities for asset level optimisation and identified one such case (similar opportunities likely exist). In addition, growth and intensification have not been identified or quantified, and there remains potential for substantial population growth within larger and medium sized provincial cities and semi urban areas. It is noted that, asset level optimisation is unlikely for NZ's population residing in small urban areas	<p>Limited opportunity for asset level optimisation within the Waimakariri District due to geographic spread of the population</p> <p>We have provided asset optimisation details in our report. In short, we consider there is a very high level of optimisation, and this is undertaken as a matter of good engineering practice refer Asset Optimisation</p> <p>We note limited recognition of rural water supplies in the DIA (WICS) analysis presented to date</p>



	DIA (WICS)	Farrierswier	Waimakariri District
Financial	Financial		
	Households are projected to fund 70% of projected revenue	Capped debt raising for local councils are 2.5 times revenue	When running these models including assumptions, over the 30 horizon values of up to \$185 Billion were produced. Fundamentally we consider this is because the growth model assumed 15% more coverage of water and wastewater systems in our relatively sparsely populated country
	Cap of \$70,000 per connected property modelled based on observed spending in rural Scotland		
Improved ability of amalgamated entities to raise debt with lower interest than Councils			

6.0 EXPENDITURE EFFICIENCY AND ASSET OPTIMISATION

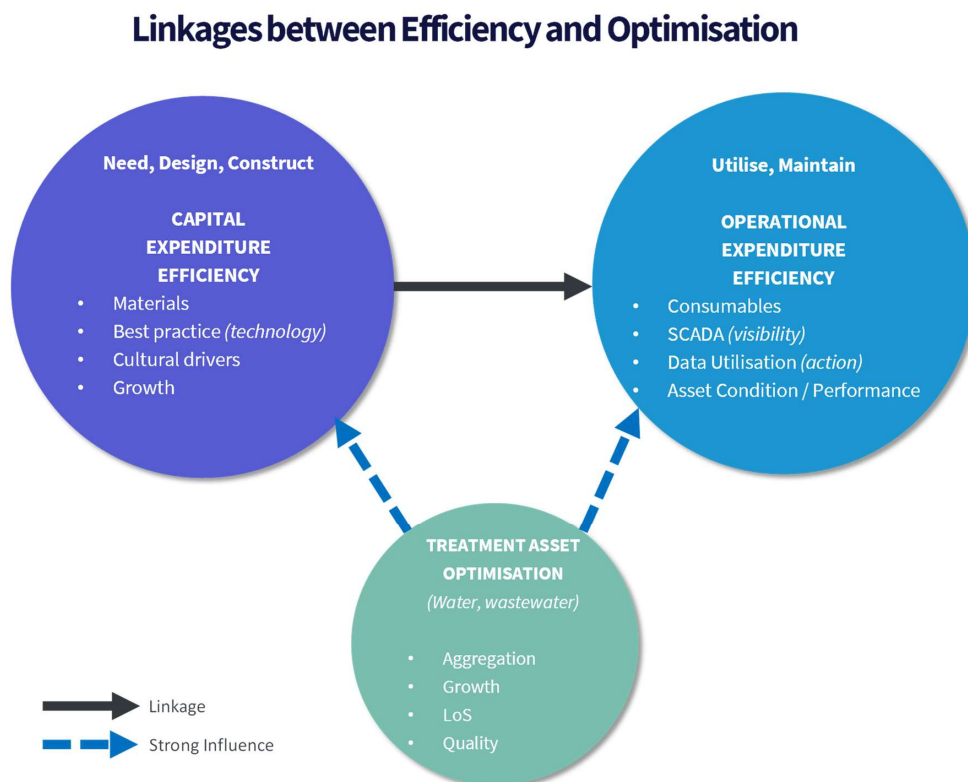
6.1 Background

There are linkages between capital and operations expenditure efficiency and asset optimisation – Figure 6.1. These in part determine several values which DIA (WICS) have modelled, namely:

- debt/equity ratio, and
- annual per connection unified cost (\$household/annum)

DIA (WICS) modelled the 2051 per household cost both at a WSE scale and on the basis that WDC continue to deliver services itself. Considering current and assessed efficiency and optimisation are therefore important in providing a level of confidence of the DIA (WICS) modelled results.

Figure 6.1: Linkages between Efficiencies and Optimisation



DIA (WICS) have stated that special factors “*factors outside of management control that are not included in the models, but which impact (operational) costs and disadvantage a company in the regulator’s assessment of its relative costs*” should be considered to allow for a ‘like with like’ comparison.

We do not have access to the DIA (WICS) basis for calculation of these values. Instead, we have utilised this approach in considering the net efficiency increases or decreases based on assessed information, irrespective of the outcome. This may result in a net increase (less efficient) or decrease (more efficient) in WDC’s observed expenditure. Further, and in accordance with DIA (WICS)’s statement, “special factor adjustments” would be one-way, reducing WDC’s observed expenditure.

6.2 DIA (WICS) – Basis of Expenditure Efficiency

DIA (WICS) Phase Two Economic Analysis²³ elaborates further regarding operation and capital expenditure efficiency. Their basis of efficiency along with our response is provided in Table 6.1:

Table 6.1: DIA (WICS) Efficiency Basis

DIA (WICS) Efficiency Statement	Our Response
“There appears to be a clear pattern where smaller entities achieve a smaller gain in efficiency than larger entities”	Local factors need to be considered particularly coverage (rural water schemes) and existing optimisation
Using data from 1994-1996 populations <800,000 “only managed efficiency improvements of 10-50% of the best performing larger companies (R ² -0.67)” DIA (WICS) applied a 53% operating efficiency and 50% capital “efficiency challenge” from 2025 – to be achieved by 2040 across WSE D	The R ² fit is based on large populations in a UK economic system adjacent to Europe (greater access to skilled labour, resources). DIA (WICS) limit this to a maximum of 45% (Scottish Water)
Observed data from the UK demonstrated that entities with >60,000 “connected citizens” could achieve reductions in operating costs	WDC (water connected) population is 51,970 persons with a current total population of 64,700 persons
Two adjustments have been applied: #1 adjustment – for Council size (population served relative to Watercare)	WDC was not assessed as meeting the “efficiency challenge” criteria. WDC has 4% of the Auckland (Watercare) population
#2 adjustment – gain expected in absence of economic regulation, effective financing, and governance framework. “Larger NZ Councils” of sufficient size could close the efficiency gap” by up to 20%	“Sufficient size” assumed to be “>60,000 connected citizens” 20% maximum efficiency is assumed to be based on current Council delivery
Scottish Water “investment unit costs 45% lower than 2002”, and they have committed to annual 0.75% year on year real improvement in capital expenditure unit costs	WDC have a high level of assessed asset optimisation – refer Asset Optimisation Operations and capital efficiency gains can be made, though there is demonstration of this particularly in capital efficiency

In their WSE D²⁴ – broadly the Ngai Tahu takiwā, DIA (WICS) state that:

“In line with regulatory precedent in Great Britain, WICS models that amalgamated entities close 60% of the assessed efficiency gap in the first five-year period, 60% of the remaining efficiency gap in the next five-year period and close the remaining efficiency gap in the following five-year period. This means that the full efficiency gap is closed by 2040”

While DIA (WICS) have stated that WDC have not demonstrated any efficiency improvements given their serviced population and size, we consider that not to be the case.

We have assessed information provided by WDC against the criteria above. Our view is that some efficiency gain has been effectively demonstrated. This efficiency gain is highlighted below with our efficiency weighting being offered.

²³ Water Industry Commission for Scotland, “Economic Analysis of Water Services Aggregation” released 30th June 2021, [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf)

²⁴ <https://www.dia.govt.nz/Three-Waters-Reform-Individual-council-models-and-slidepacks>

6.3 Asset Management Maturity – Strengths and Improvements

In considering WDC's current and near future efficiencies, we have briefly reviewed their Asset Management Maturity. Asset management maturity is assessed against WDC's asset plan alignment with the International Infrastructure Management Manual (IIMM), a cornerstone asset management reference document. WDC's asset maturity is assessed every three years, last occurring on June 2021²⁵ –Table 6.2 and provides a summary of strengths and areas of improvement that could inform our review. We note the strengths in service delivery and capital works planning (also an area of improvement). Opportunities for improvements in information systems and operational planning were identified.

Table 6.2: WDC Draft Asset Management Maturity Assessment Score

	As Assessed	Target
Maturity Score	61 - Low Intermediate	80 - High Intermediate
Strengths and improvements	Strengths:	Improvements to achieve:
	<ul style="list-style-type: none"> - Asset Management Plans - Financial Planning - Service Delivery - Capital Works Planning - Decision Making 	<ul style="list-style-type: none"> - AM Policy and Strategy - Asset Register Data - Managing Risk - Operational Planning - Capital Works Planning - Management Systems - AM Information Systems - Audit and Improvement

We have not quantified the specific "gaps", instead we have utilised this information to direct further discussions.

6.3.1 Asset Confidence and Improvements

WDC apply IIMM practices, utilising asset age to apply a condition grade and remaining useful life. This is verified from actual pipe material condition sampling to improve the datasets confidence to a 'B', or 'reliable'. At this level, data set accuracy is considered to be +/- 10%.

Water Assets

WDC utilise hydraulic models (water), updated on a quarterly basis to reflect growth and monitor capacity and performance constraints across the asset base (source, treatment, storage, reticulation). Funding is aligned with the projected constraints and managed through the 3-yearly LTP cycle.

Wastewater Assets

WDC commenced a 20-year CCTV pipe inspection programme in 2008. Asset renewals works are, where possible, integrated with roading works. Confidence in the data for the pipe network is a grade 'B' or 'reliable'. At this level, data set accuracy is considered to be +/- 10%

Improvements

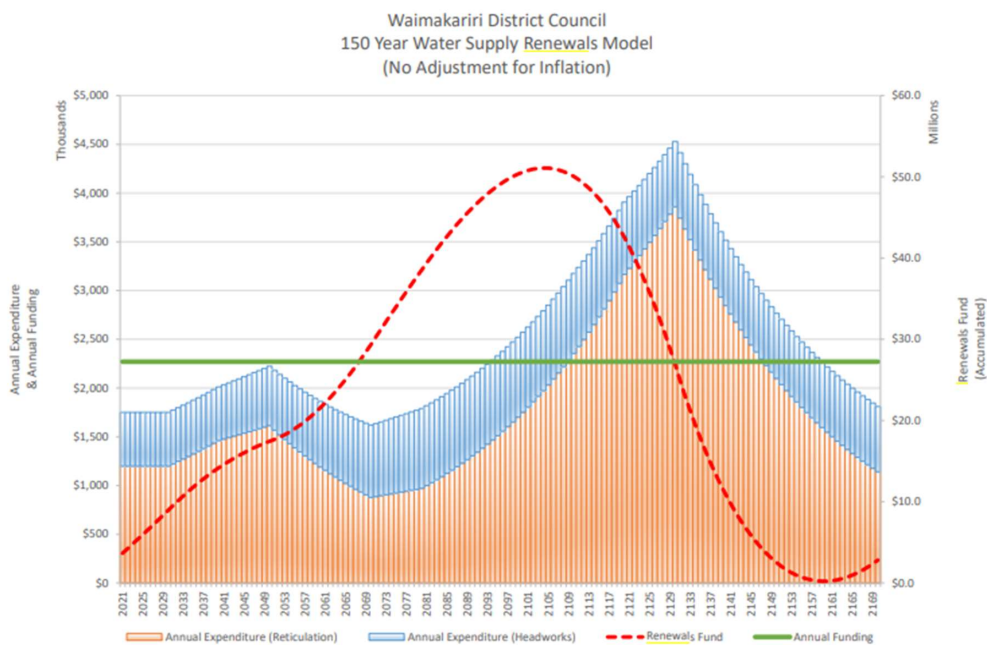
WDC notes in its LTP 2021-2031 that it is undertaking a two-phase asset systems improvement programme. Phase One (field recording of maintenance costs) has been completed. Phase Two has commenced with two critical components: i) online maintenance schedules and ii) based on a suitable dataset, analysis, and optimisation of asset maintenance costs.

²⁵ Draft Asset Management Maturity Assessment Report, June 2021, Infrastructure Associates Limited. TRIM 210702107939

6.3.2 Asset Renewals

WDC noted in its 30 Year Infrastructure Strategy that they have adopted a “risk-based renewals policy in conjunction with a 150-year renewal programme that ensures renewal investment” – refer Figure 6.2 - WDC Water Supply Renewals Model²⁶

Figure 6.2: WDC Water Supply Renewals Model



A risk-based model is used to inform renewal investment decisions. This model incorporates the following criteria to establish a relative likelihood and consequence of failure:

- Condition rating (includes CCTV survey data)
- Burst and blockage history
- Seismic vulnerability to liquefaction
- Asset criticality.

WDC also state that:

“Improvements have been made to the Council’s risk-based renewals model, so that different levels of acceptable risk can be applied to the various categories of criticality. While the model allows for highly critical assets to be renewed before 85% of their expected life, the lowest criticality assets may not be replaced until 120% of their expected life”

We consider this a prudent approach to asset renewal on the basis that compliance and quality levels of service are maintained.

²⁶ Infrastructure Strategy 2048 Figure 4.3

6.4 Operational and Capital Expenditure Efficiency

There are linkages between capital and operational expenditure efficiencies. When considering the 3 Waters, traditionally capital works rely heavily on availability and utilisation of steel, concrete and modified plastics, along with sophisticated high reliability SCADA²⁷ systems to provide control, remote management and information (actions). There is a move to constructed naturalised systems particularly for stormwater treatment, supported by cultural, environmental and social drivers.

Operational expenditure efficiencies are generally locked in at the point of (capital) design approval. Where quality uplift is required, technologies such as filtration and UV treatment can be retrofitted but may result in reduced operational efficiency to ensure achievement of compliance (quality) outcomes e.g., increased energy, maintenance, and materials requirements.

In DIA's (WICS) view, the improvement in capital expenditure efficiency is a function of five factors:

- I. Economy of scale
- II. Clarity of policy priority
- III. Robust water quality and environmental regulation
- IV. Economic regulation and
- V. Excellence in management.

DIA (WICS) consider that the first four of these factors were not currently in place in New Zealand. The framework of legislation, rules and policies WDC operates under do not, obviously reflect the Scottish model. DIA (WICS) therefore assume that the New Zealand industry's current capital expenditure efficiency performance is unlikely to be any better than that in Scotland in 2002 when Scottish Water was established.

We have sought evidence within WDC's 3 Waters activities of the presence of factors stated by DIA (WICS).

6.4.1 WDC 3 Waters –Structure and Resources

Before commenting further on expenditure, it is useful to note WDC's 3 Waters structure and level of skilled resources. The 3 Waters group has a client focussed division (management/governance and asset management), with the remaining two arms being consulting (Project Delivery Unit) and operations.

There are 30, 3 Waters focussed staff comprising 22 qualified engineers with nine recognised as Chartered Engineers (CPEng). This is a very high ratio of suitably qualified staff. WDC undertake the majority of 3 Waters related tasks in-house ranging from investigations, modelling, design, consenting, and delivery of both renewals and capital works. A graduate and intern programme typically employ two to three interns annually.

The in-house consulting team delivers work at an average hourly rate (\$118/hour) being 33% lower than the industry average (\$175/hour based on recently tendered rates). The Project Delivery Manager has noted²⁸ that *"the quality of work delivered in-house meets or exceeds quality from external delivery based on feedback from peer reviews"*.

Operations Team

This team provide services across the 3 Waters network²⁹. Five staff are dedicated to overseeing operation and maintenance of all water and wastewater treatment plants and pumpstations, and eleven are engaged in reactive (24/7/365 response), programmed maintenance including backflow testing and minor capital works across the piped networks.

Given the coverage (distance between, and extent) of water and wastewater networks along with criticality of treatment plants, we consider this an appropriately scaled resource pool.

²⁷ Synchronised Control and Data Acquisition

²⁸ Personal comment. Kelly LaValley Project Delivery Manager, CPEng, CMEngNZ, 28.7.2021

²⁹ Personal comment Joshua McIndoe Water Unit Manager, 26.7.21

6.4.2 Operational Expenditure Efficiency

We met with WDC staff to identify operational efficiencies. The following elements describe the current level of operational efficiency:

- A mixture of large rural schemes and denser urban supplies
- Water treatment specific to raw water and catchment risks including ultraviolet light, liquid chlorine, and pH adjustment
- SCADA systems at all treatment plants which provide remote visibility and alarming. Onsite local controls e.g., high wet well level at wastewater pumpstations
- Spreadsheet based compliance programmes, programmed, and funded, an intended change to a nationally recognised cloud-based system in the near future
- Procurement of materials via a tender process (underway) to deliver day-day requirements and critical spares

We consider that there are further opportunities for improvement in workflow management based on investment in asset management tools (AMIS) integrated with innovation in network performance monitoring e.g., DMA zone pressure and acoustic monitoring, wastewater network level monitoring. AMIS funding is in place.

Energy Supply (Electricity)

The energy intensity of water services is 0.00168 GJ/ML, marginally below the national average. The energy intensity of wastewater services is 0.004063 GJ/ML, approximately twice the median value³⁰. This results from pumpstations and treatment process energy requirements.

The UK Department of Business, Energy and Industrial Strategy (BEIS annual international comparison of electricity costs for industrial users) shows that electricity costs per KW/h are around 10% lower in New Zealand. WDC have via an All of Government purchase arrangement, achieved an additional 32% saving in energy costs.

6.4.3 Capital Expenditure Efficiency

We identified two relevant examples of capital economic efficiency which highlight the high level of capital efficiency which WDC operates at. These are:

- SCIRT – WDC 2010-2012+ earthquake recovery capital efficiency
- WDC “inground” pipe installation efficiency compared to other councils

WDC – SCIRT Efficiency Comparison

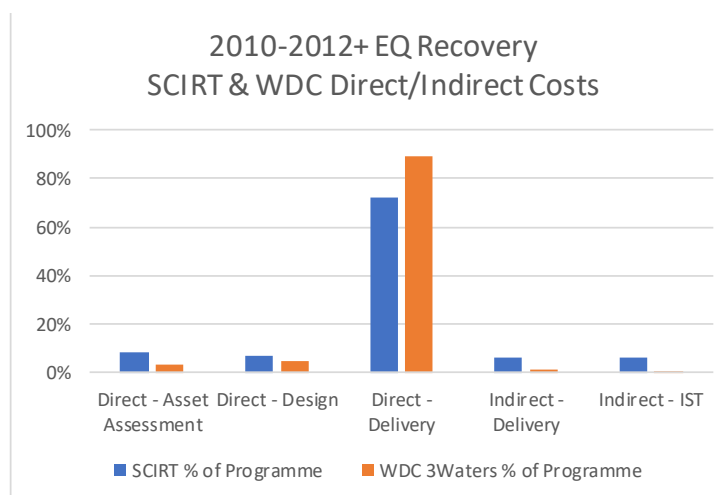
Following the Canterbury Earthquake (EQ) sequences 2010-2012, WDC responded with a capital recovery programme. At the same time, the adjacent Christchurch City Council and its partners delivered the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) programme of works. SCIRT were recognised internationally for their efficient and effective delivery of capital works across 3 Waters, the roading network and parks.

We have considered and compared final outturn data from both the WDC and SCIRT recovery programmes. While the financial scale of work was significantly different, a direct / indirect cost comparison is sufficiently relevant. Both programmes were undertaken in the greater Christchurch area at similar times, in similar geological conditions e.g., lateral spread, recent marine sediments and utilised common contractors and construction techniques. Figure 6.3 provides a comparison of the direct and indirect costs.

³⁰ WaterNZ 2019-2020 National Performance Review

Figure 6.3: WDC and SCIRT EQ Direct and Indirect Cost Comparison

Cost Item	SCIRT % of Programme	WDC 3 Waters % of Programme
Direct – Asset Assessment	8%	3%
Direct – Design	7%	5%
Direct – Delivery	72%	89%
Indirect – Delivery	7%	2%
Indirect – IST	6%	1%
	100%	100%
Total \$ [3 Waters]	\$1,712,000,000	\$46,196,000



We note the following:

- The SCIRT % allocation includes roading and parks
- A reasonable comparison can be made between these EQ capital works recovery programmes, both programmes delivered very efficient and effective capital programmes
- The learnings and efficiencies achieved in undertaking this work continue to be employed by WDC 3 Waters team

Water and Wastewater Inground Pipe Efficiency Comparison

We have also assessed the capital delivery efficiency by utilising inground rates for water and wastewater pipe installation on a \$/metre basis. This utilises the Christchurch City Council AAIF ³¹cost averaging approach and covers data from the period 2018-current. Comparison Councils include Christchurch City and Selwyn District – the Greater Christchurch local authorities. For reasons of commercial confidentiality their efficiencies have not been specifically identified. The data is utilised by WDC for valuation purposes which is an audited process.

Local factors will, to a degree, define the inground costs, including:

- Traffic management / health and safety
- Average installation location and restoration requirements within the urban environment i.e., road carriageway vs berm vs footpath

³¹ Christchurch City Council Asset Assessment Intervention Framework

We understand that the data presented excludes “extra overs” which may include dewatering, shoring, additional excavation and backfilling. These are generally location specific.

Figure 6.4 and Figure 6.5 demonstrate that WDC remain within the lower end of the cost envelope. On this basis WDC demonstrates a high level of efficiency within local market comparators.

Figure 6.4: Inground Water Pipe \$/metre Comparison

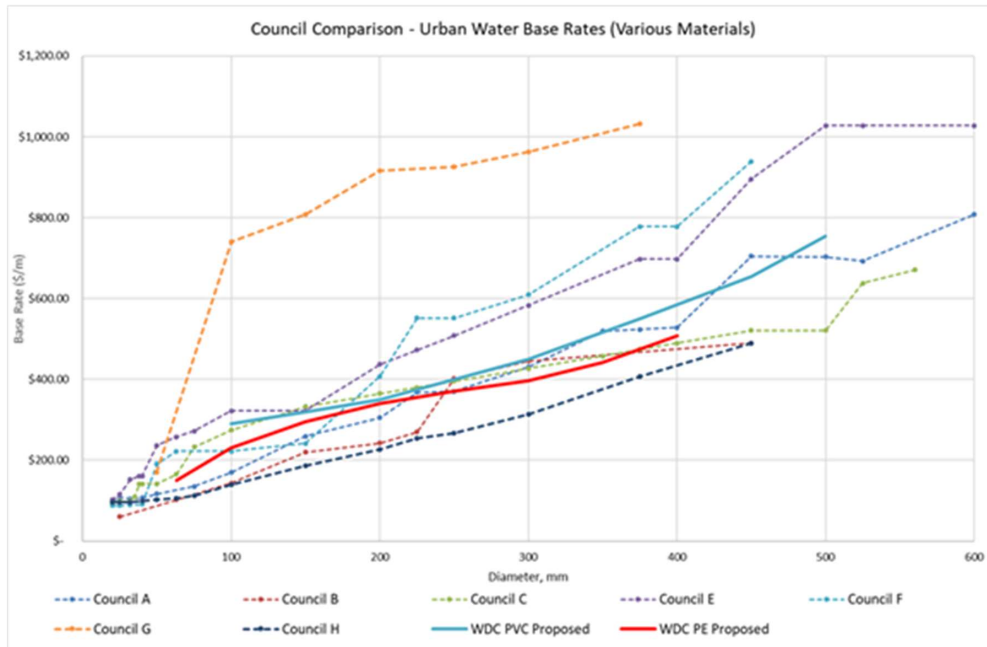
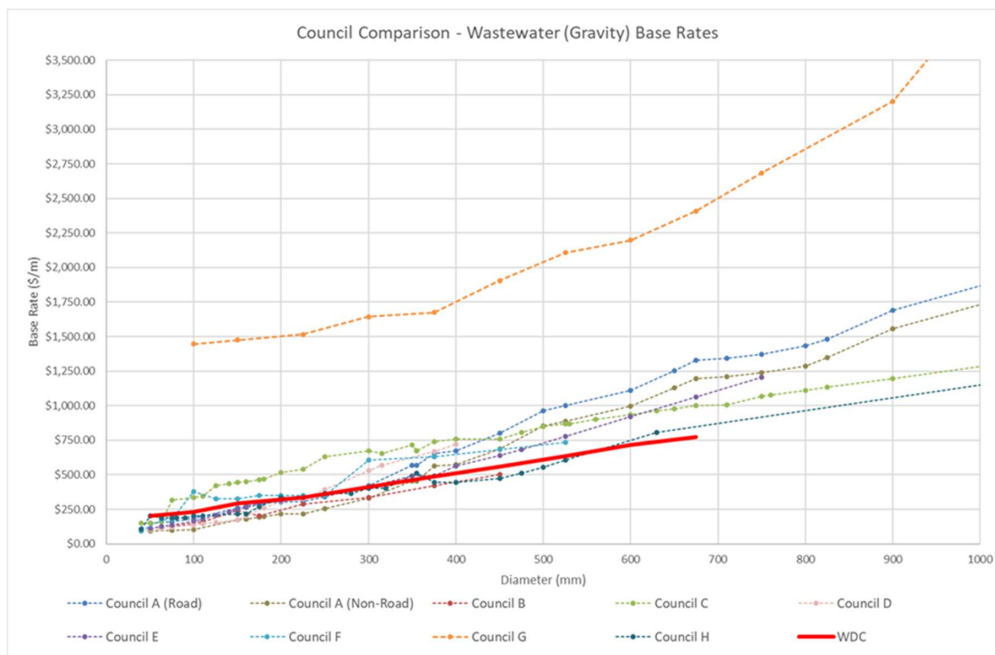


Figure 6.5: Inground Wastewater Pipe \$/metre Comparison



We were unable to, given time constraints, compare water and wastewater treatment plant costs.

Procurement.

Prudent capital expenditure practices have been demonstrated by WDC in the examples provided. In addition to this, WDC have commenced a Procurement Improvement Project for the benefit of further increases in efficiency and cost effectiveness. Initiatives include:

- Trade Services Panel - for routine minor works
- Pre-qualification panel for civil works –including complex, high risk, and high value projects – more efficient tender preparation and evaluation
- Long Term contracts – long-term contracts for maintenance and routine works. This includes electrical services and generator maintenance
- Improved Procurement planning particularly combining projects to improve delivery efficiency and cost effectiveness

Inclusion of Cultural Requirements

Farrerswier note DIA (WICS) testing a notional 10% uplift to projected investment as a “forecast investment to reflect Māori expectations”.

Partnership with iwi is an important component of WDC’s 3 Waters operations and capital works planning. WDC have allowed for integration of Māori expectations in future 3 Waters projects, including the development of services in Māori Reserve MR873 in Tuahiwi. WDC have invested in both capital works projects, to improve wastewater discharges, and operational projects, such as the Stormwater Network Discharge Consent work, in close consultation with the local Runanga, in order to give effect to the objectives of the Mahaanui Iwi Management Plan as identified the Infrastructure Strategy 2048.

6.4.4 Asset Optimisation

DIA (WICS) state that, via the proposed four entities, asset optimisation at water and wastewater treatment plants (current and future) will occur above that achieved by WDC. We have assessed the optimisation approach taken by WDC. In short this is driven by growth, levels of service (quality) and funding.

It is important to recognise that coverage has defined the location of water treatment plants. They have been positioned to access source water and enable its effective distribution. This includes minimising the number of network booster pump stations and reservoirs, defined by the local geography.

In the same manner, wastewater treatment plants have been aggregated based on the most appropriate social and economic factors, while recognising that cultural requirements e.g., strong preference for land-based treatment have been considered. DIA (WICS) have stated that seismic design factors in structures have been excluded. We note that WDC have had to, as a matter of course, ensure seismic allowances are included in capital (design) and operational works.

The number of water supply and wastewater schemes have significantly reduced over recent years, as a result of optimisation processes to improve the overall efficiency in the way services are delivered across the district

In short, water supplies (treatment) have reduced from 16 to 11 proposed sites and wastewater from 11 to two sites.

Table 6.3: Asset Optimisation – Water and Wastewater Treatment**Water Supplies**

Year	Number of Water Supplies	Changes
2012	16	<ul style="list-style-type: none"> Upgrades to Rangiora water supply. The Options Assessment resulted in an upgrade to the pipe route from Kaiapoi Oxford Urban water supply
2015	15	<ul style="list-style-type: none"> Pines Kairaki water supply joined to Kaiapoi as a result of options assessment following earthquake damage
2018	13	<ul style="list-style-type: none"> Oxford Urban and Rural No.2 supplies joined together Ohoka water supply options assessment undertaken, considering joining supplies, and concluded drilling a new well and remaining a standalone scheme as preferred option. Oxford Rural No.1 supply upgraded to meet DWSNZ requirements. A number of options were considered (point of entry treatment, treat existing source, join with Oxford Urban scheme) before the preferred option of drilling a new well was recommended
2021	12	<ul style="list-style-type: none"> Woodend and Pegasus water supplies were joined, following options assessment process to determine the optimised long-term strategy for serving the area with drinking water. Public consultation process. Upgrade completed in 2019 Garrymere water supply was upgraded to a filtration and UV treatment system, following an options assessment process. Other options considered but not proceeded with were drilling a deep well, connecting to the Summerhill scheme, connecting to the Ashley Rural scheme, or point of entry treatment
2022	11	<ul style="list-style-type: none"> Poyntzs Road water supply to be connected to West Eyreton / Summerhill supply in 2021

Wastewater Supplies

Year	Number of Wastewater Supplies	Changes Since Previous AMP
2006	11	Rangiora, Kaiapoi, Woodend, Waikuku Beach, Oxford, Ohoka Meadows, Mandeville, Swannanoa, Ohoka Utilities x 3, Loburn Lea, Fernside
2009	8	<p>Eastern Districts Sewerage Scheme (EDSS) commissioned.</p> <ul style="list-style-type: none"> In 2007 a project was completed to combine all the major wastewater schemes in the eastern part of the district into a common treatment system, and discharge to the ocean via an ocean outfall, rather than individual discharges to streams. This covered the Rangiora, Kaiapoi, Woodend and Waikuku supplies, and later picked up Pegasus once it was developed
2015	4	<ul style="list-style-type: none"> In 2013 the Mandeville, Ohoka Meadows, Swannanoa, and 3 previously private Ohoka Utilities schemes were combined and joined to the EDSS. This was to optimise treatment processes, meet consent and environmental outcomes in the most efficient manner

Year	Number of Wastewater Supplies	Changes Since Previous AMP
2021	2	<ul style="list-style-type: none"> In 2021, as part of the Council's Stimulus programme of works, the Fernside and Loburn Lea wastewater schemes are being connected into the larger Eastern Districts Sewer Scheme. A master planning exercise is currently being undertaken for the Oxford wastewater scheme, looking at options to meet future consent conditions upon renewal of the consent, versus alternatives of joining with the EDSS. Upgrading the existing plant is identified as the preferred option

Given coverage, location of townships, consent "effects based" process, existing investment in the EDSS conveyance and treatment plant infrastructure we consider that a very high level of asset optimisation has been demonstrated by WDC.

6.5 Waugh Efficiency Score

DIA (WICS)'s consider that the improvement in capital expenditure efficiency is a function of five factors - Table 6.6 DIA (WICS) Efficiency Basis. With respect to operating efficiencies, they also state that Scottish Water has achieved a 50% efficiency gain "per head" and improved levels of service. They concluded that a maximum 20% efficiency gap can be "closed in the absence of reform" in New Zealand and that:

"the net of projected cost efficiency reduction of c.1% per annum" is anticipated.

We note and agree with the Farrierswier statement that:

"It is unlikely that the efficiency assumptions drawing on the UK experience would capture all the important nuances of the future New Zealand regulatory and policy context that are likely to affect actual realised investment and efficiency outcomes"

Asset optimisation also provides both operations and capital efficiencies. With respect to this, we consider that the following Farrierswier statement is not entirely correct (bold added for emphasis) with respect to the evidence provided by WDC.

*"These include evidence in New Zealand of low levels of economy wide productivity growth (related to New Zealand's remote location and small population), **qualification and skills mismatches, and weak competitive pressures including in the construction industry. There are also likely to be differences in the ability of amalgamated water entities to capture asset level optimisation benefits**".*

We consider that WDC has demonstrated that it has already "closed the efficiency gap" particularly via gains made through EQ recovery capital works, its delivery and optimisation practices. Via future funded, programmed works it could make further gains, though not to a 20% level. Scale and physical coverage challenges (e.g. distance between 3 Waters schemes, length of rural trickle feed networks) will limit WDC's maximum upper efficiency ceiling.

We consider that WDC has demonstrated that it could reasonably be included in the group of councils receiving an "efficiency challenge" positive value, irrespective of the 60,000 (0%) to 800,000 (100%) population. In other words, WDC should receive recognition of the operations and capital efficiencies it has made.

We are unable to comment on the materiality of other reform processes underway or to be programmed including economic regulation and Resource Management Act reform.

6.5.1 Basis for % Efficiency Value

Our evaluation is based on the WDC-SCIRT comparison assessment and the two step adjustment provided by DIA (WICS) in their report³². It is not possible, without availability of the model, to directly apply our base information, and it is possible that it would not accommodate the base information in any case given its UK/European design basis.

The boundaries for our analysis are:

- Maximum of 20% efficiency gain achievable as a standalone council (achieved by Watercare)
- Scottish Water “investment unit costs 45% lower than 2002”, and they have committed to annual 0.75% year on year real improvement in capital expenditure unit costs
- Special factors assessment is excluded - considered to apply at a WSE level only

It is possible that this averaged operations expenditure is not appropriate to WDC’s specific circumstances. We refer to the Farrierswier³³ explanation on this criteria, underlining specific relevant points:

Special factors adjust the estimate of efficient opex for a water entity to account for unique characteristics that are outside of the control of management. WICS explains that these may relate to inherited assets, geography, topography, environment, or differences in legislative requirements. WICS only applied special factors if they reduced the estimated efficiency gap [Waugh – between the current and 2040 level]. Special factors were assumed to account for 5.1% of modelled water and wastewater expenditure for all councils (except Auckland). The 5.1% was estimated as the average special factor identified by the 25 councils that replied to WICS’ information request [Waugh – assumed to be Workbook #1 responses, which included WDC]. WICS observes that the 5.1% is 3 times higher than what it allowed for Scottish Water in 2005

We refer to the Table 6.4 which state the DIA (WICS) the efficiency challenge³⁴ for WSE D.

Table 6.4: DIA(WICS) Efficiency Assumptions

Efficiency Component	Value	Notes
Operating expenditure efficiency	53%	DIA (WICS): For WSE D
Capital expenditure efficiency	50%	DIA (WICS): Based on GB (UK)

This results in a modelled investment range by WICS of NZ\$12-28 Billion. The upper value includes “10% to reflect Maori expectations”. The “efficiency challenge” commences from 2025 and would be achieved by 2040 – over 15 years for both capital and operational efficiency evaluations.

The closest council fit we considered appropriate was with Hamilton City Council – Table 6.5. We acknowledge the differences both regionally and with respect to density and scale. That does not mean that WDC does not have sufficient overlapping (similar) and specific efficiency advantages. We summarise these further in Table 6.6.

³² WICs “Economic Analysis of Water Services Aggregation – Final Report”, May 2021

³³ “Three Waters Reform Review of methodology and assumptions underpinning economic analysis of aggregation”, Farrierswier, pp 16 Footnote 48, 2 May 2021

³⁴ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/\\$file/Entity-D-slide-pack--WICS-report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/$file/Entity-D-slide-pack--WICS-report.pdf)

Table 6.5: WDC Efficiency Challenge Alignment

DIA (WICS) Adjustment Factor	WDC Current Value	WDC Adjusted Value (maximum)
One – Council Size	0%	Hamilton – 162,000 (water)
Two – Gains expected via absence of economic regulation, effective financing and governance	n/a	“Hamilton” 6%

Our efficiency assessment identifies net gain “positive” and loss “negative” values – Table 6.6. We have connected DIA(WICS) efficiency headline criteria with WDC’s relevant demonstrated efficiencies. Where there is a current efficiency “deficit” we have identified this as a negative value and noted that it could be addressed in the future.

Again we note that irrespective of the DIA(WICS) log-linear calculation approach, there is evidence that WDC have delivered efficiencies and built them into their business-as-usual management and delivery practices.

Table 6.6: Waugh Efficiency Assessment

DIA Factors (WICS)	Our Response	Our Efficiency Value Gain (20% maximum)
I. Economy of scale	Positives <ul style="list-style-type: none"> - Proximity to Christchurch City (strategic corridors), materials, skilled consulting and contracting providers - High level of water + wastewater treatment plant rationalisation (includes capital efficiency) - Inhouse Design-Delivery Team provide competitive value services 	2.5
	Negatives <ul style="list-style-type: none"> - Low rural scheme population density (15), though common east coast (Te Waiponamu South Island). Addressed through asset optimisation 	
II. Clarity of policy priority	<ul style="list-style-type: none"> - Alignment with, and demonstration of integration with national Policies, Acts, and agreements e.g., global stormwater consents, consistent quality engagement with mana whenua 	0.25
III. Robust water quality and environmental regulation	Positives <ul style="list-style-type: none"> - Capital Improvement programme (water treatment) completed in 2021 to meet DWS 05/18. Have identified further improvements to meet Water Services Bill (Act) and allocated funding 	-0.5
	Negatives <ul style="list-style-type: none"> - Technical non-compliances recorded (water). 	
IV. Economic regulation	<ul style="list-style-type: none"> - Works within AA Debt/Revenue ratio LGFA, funding clearly hardwired to meet LoS, growth and compliance (quality/quantity) - Services e.g., energy procured at national scale (32% saving All of Government) 	0.5

DIA Factors (WICS)	Our Response	Our Efficiency Value Gain (20% maximum)
V. Excellence in management	Positives: <ul style="list-style-type: none"> - Robust asset management practices (criticality, improvements, allocation of funding) - Audited and nationally recognised LTP (and 30 Year Infrastructure Plan (criticality, renewals) - SCADA insight at all treatment plants, dedicated operations team assigned 24/7/365 to provide continuity, quality outcomes. - AMIS improvements funded and scheduled for 2021-2024. Highly skilled 3 Waters Team (>66% tertiary qualified) 	3.75
	Negatives: Generally, takes a reactive network and pumps management approach. Proactive operations investment has commenced though could increase to reduce leakage e.g., DMA (water zone), pressure/acoustic monitoring	-0.5
	(a) Current Value (20%) Maximum	6%
	(b) Potential Efficiency Improvement (1-3 years)	1%
	(a) + (b) Future Estimated Efficiency	7%

We consider that currently DIA(WICS) have not recognised an estimated WDC efficiency gain of 6%. WDC could lift this to 7% over time. While unclear based on the information available, there may be further efficiencies resulting from WDC completing a special factors efficiency review and implementing review findings.

We are unable to estimate what a one percent (1%) efficiency gain translates to in [\$ household/annum, excl GST and inflation]. This would require access to the DIA(WICS) model.

7.0 CONCLUSION AND FINDINGS

Our assessment has included discussions with Waimakariri District Council (WDC) staff, review of material provided by them and information publicly available from the Department of Internal Affairs (DIA).

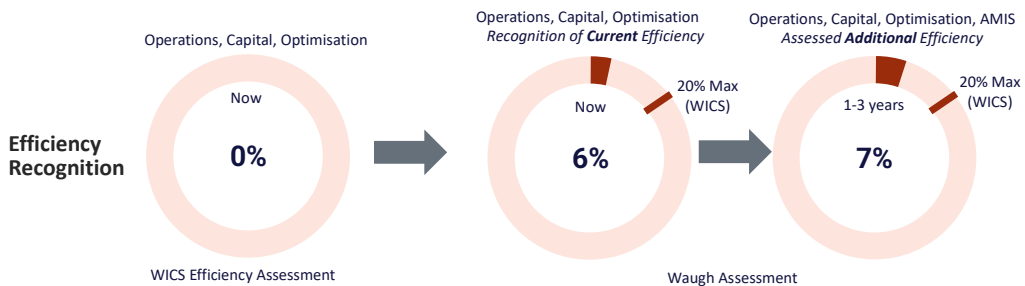
We consider that WDC have efficiencies that are unrecognised in the current DIA (WICS) analysis model, which will translate into \$ (cost) household/annum. We do not have access to the DIA(WICS) model therefore are unable to determine what this value would be.

WDC encompasses 2,225 square kilometres of land on the Te Waipounamu – South Island’s east coast – New Zealand. They provide 3 Waters services including 24/7/365 operations and design staff, with 66% having a tertiary qualification. Their water supplies include large rural “trickle feed” water schemes and relatively denser (persons per square kilometre) urban townships, located on strategic transportation corridors.

WDC have effectively managed the exceptional challenge of earthquake response and recovery, along with continuing sustained high population growth. Their nationally recognised 30 Year Infrastructure Strategy³⁵ articulates how they intend to manage future risks while working within a prudent financial envelope.

As agreed with WDC, we have focused on the “right debate” namely recognition of their coverage of services, efficiency, and asset optimisation practices. Utilising criteria provided by DIA and their advisor – Water Industry of Scotland (WICS), we have assessed the relative levels of operations and capital expenditure efficiency and asset optimisation. Our dashboard provides an overview of our view on WDC’s performance in these areas.

We have assessed WDC as having achieved a 6% “efficiency challenge” compared to the DIA (WICS) assessment of 0% while achieving the stated water and wastewater levels of service. There are opportunities to address inefficiencies which we have identified, through investment while also lifting levels of service particularly in stormwater (via newly implemented network consents).

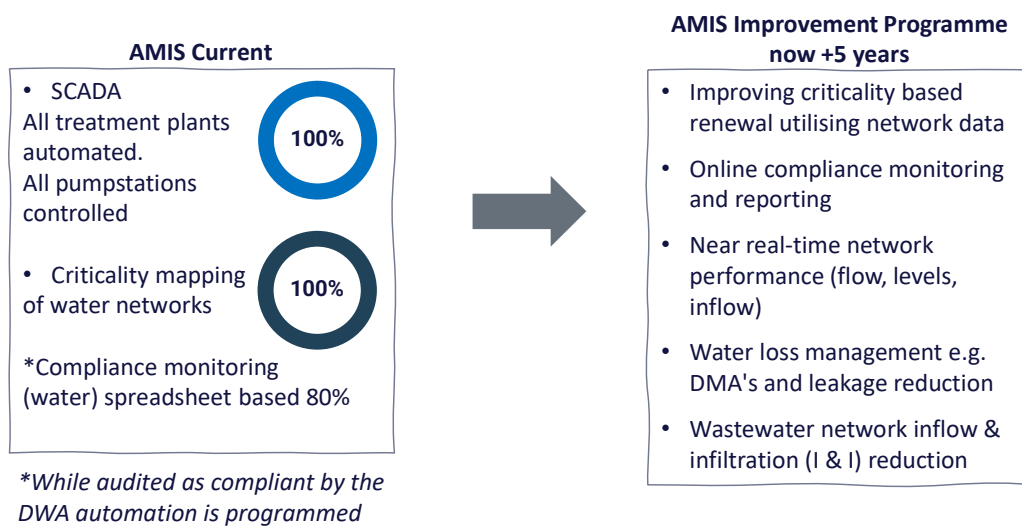


In arriving at this we also assessed the relative compliance in water, wastewater, stormwater and Asset Management Infrastructure Services:

³⁵ WDC 30 Year Infrastructure Strategy 2048



Asset Management Information Systems (AMIS)



8.0 REFERENCE DOCUMENTS (SELECTED)

DIA (WICS) “Waimakariri District Council: the use and analysis of the RFI information and other benchmarks”, June 2021 (supplied by Waimakariri District Council)

DIA, “Transforming the system for delivering three waters services The case for change and summary of proposals”, [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf) 30th June 2021

DIA, “Water Services Entities – Overview”, [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/water-services-entities-overview-30-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/water-services-entities-overview-30-june-2021.pdf) 30th June 2021

DIA, “Regulatory Impact Assessment Decision on the reform of three waters service delivery arrangements” [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/department-of-internal-affairs-regulatory-impact-analysis-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/department-of-internal-affairs-regulatory-impact-analysis-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf), 30th June 2021

Cabinet material related to progressing the three waters service delivery reforms, 14th June 2021

Farrierswier, “Three Waters Reform Review of methodology and assumptions underpinning economic analysis of aggregation”, [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf) 2nd May 2021 (released 2nd June 2021)

Beca Limited, “DIA Three Waters Reform – WICS Modelling Phase 2 Review of Assumptions between Scotland and New Zealand Three Waters Systems Prepared for Department of Internal Affairs (NZ)”, [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/beca-report-dia-three-waters-reform-wics-modelling-phase-2.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/beca-report-dia-three-waters-reform-wics-modelling-phase-2.pdf) 15th April 2021 (released 2nd June 2021)

9.0 INDEPENDENCE – WAUGH INFRASTRUCTURE MANAGEMENT

Waugh Infrastructure Management Limited is a specialist niche infrastructure asset management consultancy, that has operated independently of major consultancies and contractors in New Zealand for the past 22 years. Waugh Infrastructure has had the privilege of serving communities in Councils across New Zealand, government departments, and internationally working with MFAT and the World Bank.

We are New Zealand subject matter experts across a range of infrastructure management subjects including service delivery procurement (Grant Holland IIMM section author), optimised decision making (Theuns Henning, IDS Manager), asset information systems and data management (Jennifer Fox and Ross Waugh (IIMM section author), performance based contracting deployment (Theuns Henning – World Bank, wide range of briefs and papers), and infrastructure operations and maintenance management (Hugh Blake-Manson).

Waugh Infrastructure is a team of highly qualified and highly experienced professional staff with a breadth and depth of experience in asset systems, service planning and service delivery processes, Infrastructure management planning and asset management governance. We act as independent trusted advisers in the New Zealand and international infrastructure management sectors. The following projects are a small example of our previous assignments at this level of importance:

NZTA Road Maintenance Task Force – Better Asset Management, Planning and Delivery

Involvement: Ross Waugh and Grant Holland

Ross was co-author (with Grant Holland) of the “Better Asset Management” paper as part of the 2012 NZTA Road Maintenance Task Force. Waugh provided a summary of research investigation and Technical Working Group consideration of the Road Maintenance Task Force: Better Asset Management, Planning and Delivery. The research report, incorporated results of the 2011/12 NZ Road Maintenance Task Force Stakeholder Survey, and feedback from the Technical Working Group, to address the hypothesis and problem definition statement.

Napier City Council AM Lifecycle Review – 2014

Involvement: Ross Waugh, Theuns Henning

In the Napier City Council (NCC) Pre-Election Report from the Chief Executive, July 2013 it was noted ‘Recently, some uninformed comment suggested that Napier is underfunding infrastructure renewals, delaying asset replacement and failing to plan and prepare for future growth to lower rate levels and ensure debt remains low’. This was an incorrect conclusion. The report addressed the issue by providing an independent review and analysis of Napier City Councils major network assets (Wastewater, Stormwater, Water Systems and Roading Network) and reports on findings.

Hastings District Council’s Water Change Programme – 2017-18

Involvement: Ross Waugh, Bruce Robertson (R Bruce Robertson Limited)

We were engaged, with the assistance of Neil Taylor, to review the capability and capacity of Hastings District Council’s (HDC’s) water service operations following the 2016 Havelock North water contamination event.

We tabled our report on May 2017. Having reviewed to report findings, the Chief Executive (CE), Ross McLeod undertook with Council to implement a programme that adopted the report findings without modification, to ensure efficient and effective water services delivering safe water to the Hastings District communities.

10.0 GLOSSARY OF TERMS

Abbreviation	Meaning
3 Waters	Water, wastewater (sewerage) and stormwater management
AAIF	Asset Assessment Intervention Framework
AMIS	Asset Management Information Systems
DIA	Department of Internal Affairs
DWS	Drinking Water Standards
Ecan	Canterbury Regional Council or Environment Canterbury
EDSS	Eastern District Sewer System
EQ	Earthquake
IIMM	International Infrastructure Management Manual
LGNZ	Local Government New Zealand
LTP	Long Term Plan
PCG	Project Control Group
PDU	WDC 3 Waters Professional Delivery Unit
RFI	Request for Information
SCADA	Supervisory Control and Data Acquisition – data management system
SCIRT	Stronger Christchurch Infrastructure Rebuild Team
WDC	Waimakariri District Council
WICS	Water Industry Commission of Scotland
WSE	Water Services Entity
WwTP	Wastewater Treatment Plant

Waimakariri District Council

Three Waters Reform

**Response to Minister
of Local Governments Letter**



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Quality Record Sheet

Waimakariri District Council

Three Waters Reform Response to Minister of Local Governments Letter

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Waimakariri District Council	Gerard Cleary
Prepared By	Hugh Blake-Manson
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1.0 EXECUTIVE SUMMARY

Waimakariri District Council (WDC) have exchanged a significant body of information with Government and the Department of Internal Affairs (DIA). We have specifically assessed the Ministers response of 17th August 2021 against the questions raised by WDC and provided our opinion. We have also assessed alternative Water Service Entity options at a high level, keeping in mind the impact on associated Council services. Key issues have been identified - Table 1.1.

We consider that:

- i) To enable a well informed community discussion, clarification of items in the Ministers response should be requested
- ii) The DIAs request to consider the Water Service Entity D boundary is too narrow in scope. Other Water Service Entity options (boundaries, scale) should be considered in detail to provide a reasonable comparison.
- iii) Our experience is that better service outcomes result from well delivered broader community engagement. DIAs proposed governance structure does not provide communities with a voice and assurance that provision of 3 Waters in their areas will be given appropriate focus. DIA consumer engagement is focussed on 10 year horizon asset management, funding and pricing. The Local Government Act already has a number of aspects which enable a strong community voice (engagement, consultation) and should be brought into the governance arrangements.
- iv) Noting the matters above, alignment (timing) of this programme with the Future for Local Government review should provide a better outcome for Council and the communities

Table 1.1: 3 Waters Reform – Review of Key Issues

Department of Internal Affairs Position	Do We Agree?	Our Opinion
<p>National Level</p> <p>Water quality (Te Mana o te Wai) must improve</p>	<p>✓</p>	<ul style="list-style-type: none"> • Council's water and wastewater system including treatment is 100% compliant with current standards (2021/22) • There is a strategy and funding in place to achieve compliance for stormwater and also to respond to expected higher regulatory standards for all 3 Waters
<p>"No worse off" funding to mitigate financial impacts of reform on rest of Council</p>	<p>✗</p>	<ul style="list-style-type: none"> • The recognition of the value of the assets that will transfer from Council to the proposed new water entities is unclear, and puts at risk the value of Councils long term sustained investment in these assets • The \$22m "no worse off" funding only covers 2 year's of direct cost and has not adequately considered stranded costs, which will have ongoing financial effect on the rest of Council
<p>Takiwā Level</p>		
<p>Governance structure of Entity D allows for 5-6 non-mana whenua representatives</p>	<p>✗</p>	<ul style="list-style-type: none"> • Council will lose all benefits of normal asset ownership, including the ability to determine future growth areas and infrastructure renewals, as well as financial benefits (e.g. lending ability) • There is no assurance that Council's voice will be heard in the proposed new entities governance arrangements
<p>The entity scale (0.86M population) including takiwā coverage area is the most efficient & effective approach</p>	<p>✗</p>	<ul style="list-style-type: none"> • Other entity models should be considered including strong integration with other reforms (Future of Local Government and Resource Management) • The "8 weeks" to provide proper evaluation and responses on this vital "30-year change" is insufficient time - including assessment of integration with other reforms

Department of Internal Affairs Position	Do We Agree?	Our Opinion
DIA/WICS top down analysis shows averaged cost per connection within Entity D will be \$1640 in 2051	✘	<ul style="list-style-type: none"> • The “spend to save” approach taken by the DIA is based a “first cut” Council supplied dataset. Auditing of that data should occur before the financial case for change and investment needs can be supported • WDC’s 30 Year Infrastructure Strategy (audited by Audit NZ and based on WDC specific data calculated using bottom-up approach) shows \$974 per connection in 2051, while DIA’s assessment (undertaken by WICS based on UK data and a top down approach, with limited peer review) suggests a figure of \$3,000 per connection in 2051
Waimakariri District Council Level DIAs propose Entities will achieve > 50% efficiency by 2045 and no efficiencies are possible in the next 30 years at District scale	✘	<ul style="list-style-type: none"> • Further efficiency gain at scale is supported in international literature. However, DIA have not detailed the initiatives required in New Zealand to deliver the 50% + gain across capital and operational services. The competing demand of an additional 6,000-9,000 person skilled workforce should be included in an assessment • WDC have demonstrated >6% efficiency gain over the past 10 years and can anticipate some further efficiency gains over the next 30 years
Communities consulted via Consumer Forum (Funding, Pricing, Asset Plans)	✘	The DIAs proposed governance structure does not currently demonstrate that communities will have: <ul style="list-style-type: none"> • an effective voice across their social, economic, environmental and cultural interests • be assured they will be heard

1.1 The Right Debate

The New Zealand Government has, since 2016, embarked on a review of 3 Waters (drinking water, wastewater, stormwater). To date, a significant volume of information has been released by various parties particularly the Crown, Department of Internal Affairs (DIA) - including its contracted consultants, Local Government New Zealand (LGNZ), Councils and the media.

There are a number of overlapping workstreams underway at central and local government levels, which provide insight into the policy and technical work which is occurring. Keeping fully abreast of this body of information is challenging for all interested parties.

Our first report to Waimakariri District Council (WDC) – *Waimakariri District Council DIA 3 Waters Modelling Review* – assessed their level of efficiencies including capital, operations and asset optimisation. We provided this to WDC in mid-August 2021. While we were undertaking this work, WDC wrote to the Minister of Local Government (the Minister), with a number of questions regarding 3 Waters Reform. A response was received on 17th August 2021.

We were engaged to provide a second report covering the following matters which, we consider continues the “right debate” conversation:

- i) a review of the Ministers response of 21st August 2021;
- i) a high-level consideration of alternative Water Service Entities structures/scales, including the linkage with “stranded Council services”; and
- ii) the governance structure as proposed by DIA and its issues and challenges.

WDC is working with its community and elected members to make an informed decision on its way forward. There is some time to do this with Local Government New Zealand (LGNZ) having stated that they are “seeking feedback on the potential impacts of the proposed reform and how it could be improved”¹ with an eight week window to undertake this. This could include WDC taking the opportunity to “understand their individual council data and the potential impacts”. This period ends 1 October 2021.

1.2 Disclosures

Waugh Infrastructure Management have been commissioned to undertake this review. Based on the time available and the scope, we have met with selected WDC staff and assessed the information provided. We acknowledge that some information which could have influenced our opinion was not accessible at the time. We cannot comment on the materiality of this.

We also refer you to our **Statement of Independence**.

1.3 Methodology

Waugh Infrastructure Management took the following steps in producing our findings:

- Discussions with WDC staff – clarification of local issues and challenges;
- Assessment of information supplied by WDC and available from the Department of Internal Affairs; and
- Assessment of other national and international information – including Australian water entities and Scottish Water

We formed our findings based on this information.

¹ <https://www.lgnz.co.nz/assets/Three-Waters-Guidance-for-councils-over-the-next-eight-weeks-FINAL.pdf>, 30th July 2021

2.0 OUR FINDINGS

2.1 Review of the Ministers Response

We have reviewed the Ministers Response (17.08.21) against the questions raised by WDC (21.07.21). In general, we conclude that:

- The Minister responded directly and specifically to a limited number of questions
- At this stage of the reform process, Government and the DIA are unable to provide some detailed responses – this may rely on work that is underway or possibly yet to start
- There are a number of areas where WDC could seek clarification irrespective of the Governments reform programme – we have identified these opportunities
- WDC could seek to engage early in a number of matters e.g. the detailed tool being developed to assess its financial and Levels of Service information, stormwater service “boundaries” and the Water Service Entity scale and governance model

2.2 Water Service Entity – Scale

The Crown has requested feedback on the boundaries for its four proposed Water Service Entities (WSE). We took a different approach to this request and considered, at a high level, four alternative WSE entities. While we did not undertake an econometric assessment, we consider there is merit in assessing other models including sub regional and “Canterbury Region” WSE. The potential for the latter WSE was considered by DIA (WICS) but not progressed given its econometric focus.

Fundamentally, we consider that in developing the WSE models, the DIA (WICS) have not reasonably considered the non-financial elements of disassociation from other Council services. We recognise that the Crown has provided “no worse off” reform funding which, in part, provides some supporting funding to these other “stranded” Council services – but, at this stage, this is limited to a two-year period.

Referring to DIA (WICS) modelled values, we consider that there remains some merit in balancing \$household/annum 3 Waters charges with smaller WSE, where a stronger connection to the community can be demonstrated. Councils provide services to metropolitan, provincial, and rural communities and these community connections could be lost through the proposed governance structure e.g. proposed consultation arrangements, voting arrangements and duration/rotation timeframes.

A smaller WSE may already fit within the econometric modelling undertaken by DIA (WICS). We note that the Ministers response refers to a WSE scale of 0.5 – 1 million persons. By 2048, Statistics New Zealand predict that the “Greater Christchurch” area (Christchurch City, Waimakariri and Selwyn Districts) will have 630,000 persons.

2.3 Governance

An assessment of DIA's proposed governance structure has been undertaken. We have raised a number of issues and challenges which may affect WDC and those accessing the 3 Waters services. We note:

*"The further away from the current predominant New Zealand direct democracy service delivery model that three waters service delivery moves, the more likely it is that the inclusion of wider social policy objectives will be required of the regulated water authorities"*²

The immediate issues and challenges we have identified include:

- The ability of the community to effectively engage with the WSE and Regional Representative Group (scale of representation/voting rights, rotation of membership etc), including proportionality – will a larger Council have proportionally more votes, will they have any different duration/rotation on the regional representative group
- Yet to be determined consumer protections and economic regulatory framework

² Investigation into the Current State of Procurement Practices in New Zealand Prepared by Ross Waugh, Purvi Pancholy (PhD), Theuns Henning (PhD), Larry Bellamy (PhD), and Greg Preston, B IP, July 2020

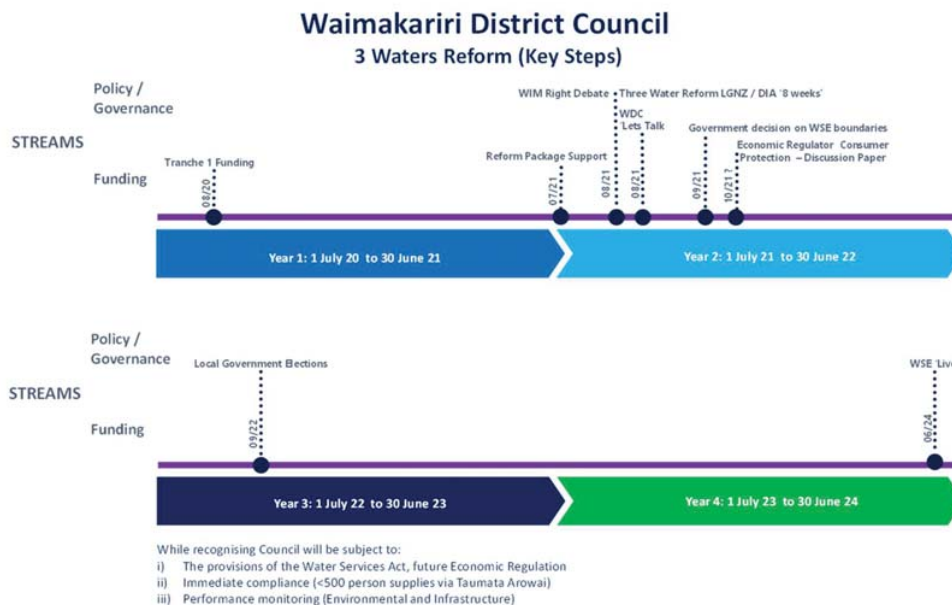
3.0 BACKGROUND

Waimakariri District Council (WDC) wrote to The Minister of Local Government (the Minister) on 21st July 2021 with queries covering 28 areas of the Department of Internal Affairs (DIA) Three Waters Reform proposal (3 Waters Reform). WDC were particularly interested in gaining a deeper and clearer understanding of the information released on the economic analysis modelling which supported its inclusion in Water Service Entity D – (WSE-D)³

A response was received from the Minister on 17th August 2021. In the intervening period a number of activities occurred in the 3 Waters programme. We have specifically noted some of these – refer Figure 3.1 and below:

- 13th July – WDC engaged Waugh Infrastructure Management Limited (WIML) to consider specific aspects of the basis for the reform proposal as it applies to them. We provided a report focusing on “the right debate” which was made publicly available⁴
- 30th July – Local Government and the DIA jointly released guidance for Councils “to consider the impact of the reforms (including the financial support package) on them and their communities and the opportunity to provide feedback” due 1st October 2021
- 17th August - WDC commenced a public discussion process – feedback due 5th September 2021

Figure 3.1: Waimakariri DC 3 Waters Reform (Key Steps)



Government has identified the broader outcomes of 3 Waters Reform. We have provided these and the link to Water Service Entities and delivery the Water Services Act in Figure 3.2.

³ The districts and regions in the rest of the South Island, including those parts of the Marlborough and Tasman Districts that comprise the Ngāi Tahu takiwā. Source: [Folder \(waternz.org.nz\)](https://www.waternz.org.nz/)

⁴ “Waimakariri District Council DIA 3 Waters Modelling Review August 2021”, Source: <https://letstalk.waimakariri.govt.nz/71429/widgets/347835/documents/211803>

Figure 3.2: Linkages – Water Reform – Water Services Act



We note that, irrespective of outcome of WSE creation (scale, role/responsibility), the DIA have stated that the:

“status quo that we have had around these water services is gone, whether or not structure reform of water entities emerges or not, the Government has indicated it is going to change the regulatory environment and the rules and scrutiny and investment into them”⁵

Water quality, safety and reliability have been firmly identified as “non-negotiable” matters. From November 2021:

- Two regulators will focus on 3 Waters quality and performance
 - Taumata Arowai (primarily safe drinking water compliance and assurance along with proposed Infrastructure Performance Measurements); and
 - Regional Councils (discharges into the environment – wastewater and stormwater)
- A third and new economic regulator, with a mandate including quality, price and level of investment proposed and delivered by each Entity. A related example of an Economic Regulator is the economic regulation of the New Zealand electricity industry.

⁵ Prangell, A., Partnership Director, Department of Internal Affairs, WaterNZ Webinar 10th August 2021: Source: [Folder \(waternz.org.nz\)](#)

3.1 Our Brief – The Right Debate

WIML have been requested to consider the Minister’s response and provide our opinion on matters included. We were also asked to consider whether other WSE options should be considered, outside that proposed by the DIA.

We consider the debate should focus not on whether an aggregated WSE (irrespective of legal structure) is created but on:

- I) Review the Ministers Response – Appendix One
- II) Identifying the attributes which DIA state support suitable scale – are these both appropriate for and found in the WDC (Greater Christchurch). Note, at a high level, any alternatives, separate to the economic analysis; and
- III) Governance – assessment of the structure proposed by DIA and any alternatives. This includes considering engagement outcomes – for example, does the WDC community, which has invested in and collectively owns this asset, have sufficient democratic “say” in the model, recognising the place of mana whenua.

WIML note that, in providing this advice, we have to a degree an understanding of the Selwyn and Christchurch City Councils 3 Waters Services. While this advice is focussed on WDC, we can comment generally on asset management, capital and operational scale efficiencies that a wider, but different WSE could bring. Further work on entity scale and governance would be required.

3.2 Exclusions

No economic analysis has been undertaken. That includes current debt/revenue position, “shovel ready”, stimulus and “not worse off” funding. We have not considered the possible impact of various legislation including the near future Water Services Act e.g. non-Council supplies, Resource Management Act and Future for Local Government review as there is a high level of uncertainty (detail, progress) regarding these matters.

4.0 REVIEW OF THE MINISTER'S RESPONSE

WDC received a response to the letter to the Minister on 21st August 2021. The letter to the Minister included 28 questions, generally covering: consultation, governance, water service entity requirements and investment. WIML have undertaken an assessment of the Minister's response against the questions raised by WDC detailed in Appendix One. We have provided our view, where we have included information and suggested opportunities for requests to clarification of specific matters.

In general we consider that:

- The Minister was able to respond directly and specifically to a limited number of questions
- At this stage in the reform process, Government and the DIA are unable to provide some detailed responses – this relies on work that is underway or possibly yet to start
- There are a number of areas where WDC could seek clarification, irrespective of the Government's reform programme – we have identified these; and
- WDC could seek to engage early in a number of matters e.g. the detailed tool being developed to assessing its financial and Levels of Service information, stormwater service “boundaries” and governance

Table 4.1: Summary – Review of the Ministers Response to WDC

WDC Question 17.7.21	Ministers Response 21.08.21	Waugh Infrastructure Management Our View 10.9.21
1) Efficiencies of the New Entity a) Key assumptions b) Recognition of efficiency gains	General response to query	Seek clarification. WDC could seek further information on the breakdown of efficiency elements comprising the DIA “efficiency challenge” of 53%
2) Financial Assumptions – Dashboards Points 1-3: Dashboard assumptions including Development Contributions	General response to query – joint steering committee to provide details	Seek clarification. Steering committee work programme
3) Methodology based on population	Responded to query. Differences between Scotland and New Zealand have been taken into account	Seek clarification. Spatial and density differences between Scotland and New Zealand. High level of optimisation has already occurred in WDC water and wastewater services
4) Density 2.7 persons per household versus WDC 2.5	Responded to query Utilise a national average	Seek clarification. Using the “tool update” process, apply the 2.5 factor
5) Cost increase – 30% - assumptions and calculations	General response to this query Set within a debt/revenue limit of x2.5	Noted

WDC Question 17.7.21	Ministers Response 21.08.21	Waugh Infrastructure Management Our View 10.9.21
6) Funding for the cost of Level of Service a) capital and operations works above that forecast in the LTP b) Increased Levels of Service funding	General response to this query A broad estimate of future requirements at a national level has been provided, allowing for likely future regulatory standards and under investment	Seek clarification. Note the WDC Infrastructure Strategy – a “bottom up approach” which has been audited, defines investment and states the assumptions and inclusions. Allowance for quality uplift, resilience, climate change has been made
7) Councils as a collection agency for 3 Waters revenue a) recovery of costs b) duration of this responsibility	Responded to query DIA will need to work with Councils to agree reasonable costs and the period this role covers	Seek clarification. Clarification could include determining “reasonable costs” and the likely period responsibilities will extend to
8) Funding reserves – a) Current funding held for the benefit of those who have contributed b) Allowance for build up of depreciation c) Alternative – no forward funding – future loans?	Responded to query Material reserves will be transferred to the WSE “for the purpose for which they were raised” An economic regulatory regime will consider the pricing factors	Seek clarification. Confirm the (asset) extent of the funds benefit Note WDC’s community of interest have contributed directly to these reserves and have a reasonable expectation they will directly receive the benefit
9) Credit Rating of WSE and Councils post transfer of 3 Water assets	Responded to query Issuer credit rating of AA+	Noted
10) Credit rating, a) cost of lending assumptions, b) Revenue # calculation c) Use of debt/rates, debt/revenue and other ratios	General response to queries - Cost of debt is 3.5% - Revenue numbers sourced from Council supplied workbook information - Analysis presented is indicative only	Noted and Seek clarification WDC could seek clarification regarding what is included in “key financial metrics”
11) Financial assumptions a) Inclusion of stockwater costs in dashboards b) Income shown as operating revenue c) Inclusion on insurance receipts	General response to queries DIA utilised WDC audited accounts. Rural supplies were included Response to query. DIA cannot see insurance receipts in their supplied information	Seek clarification. Does “rural supplies” include stockwater?. Is DC income shown in operating revenue?. Are insurance receipts included in operating costs? Note Stockwater races are river stream sourced water provided to stock via open channel. Rural water supplies a generally small diameter piped networks supply water on a “trickle feed” basis to consumer tanks

WDC Question 17.7.21	Ministers Response 21.08.21	Waugh Infrastructure Management Our View 10.9.21
12) Combined efficiencies – accounting for stranded assts a) Cost to community b) What is included in the assessment of stranded assets?	General response to this query \$250M has been allocated over a two year period on “No worse off” basis to allow for stranded assets costs WSE may be contracted to manage some assets – connected water services e.g. stockwater	Seek clarification The assets and services covered by the \$250M are not clearly defined. Note: 3 Waters service contribute at least 4% of Councils indirect costs. The impairment to other services, connected ICT/GIS, and shared facilities has not been adequately considered and could extend beyond the two year funding
13) Performance Indicators a) Providing the OPA parameters b) Determination against other Councils	Response to this query. The overall performance assessment (OPA) criteria and values were provided	Seek clarification Refer s20) There may be an opportunity to update WDC values via a tool (to be released)
14) Rural Water Schemes a) Below the required Level of Service? b) Inclusion in draft standards	Response to query There is a relatively low level of uniform performance across the sector currently	Seek clarification/Confirm what constitutes a “high level” of uniform performance – the measures comprising the OPA – future infrastructure and environmental performance measures. Note 3 Waters Levels of Service are well defined and connected efficiency and investment decisions - WaterNZs National Performance Review
15) Accounting for community priorities <u>and</u> 16)	Response to query The WSE will be required to meaningfully and effectively engage with the community – consumer forums and regional representative groups will provide pathways for this	Seek clarification WDC could consider what Governance means for them, the issues and challenges including level of representation/rotation etc
17) Determination of Regional Representative numbers	Response to query 12 members – preference of 10, evenly allocated between iwi and local councils	Seek clarification Clarification could include: what does proportional voting look like? what is the duration of any term?
18) Opt-in, Opt-Out	General response to this query The Minister noted the common obligations on any future entity – quality, environmental and economic regulation	Seek clarification Refer 15, 16 and 17
19) Comparison between the UK and New Zealand – asset condition and value of investment	Response to query DIA (WCIS) consider that New Zealand is in the same position at Scotland prior to the 1990’s	Seek clarification Obtain access to the base model and assumption or tool and test inputs
20) Receipt of further financial analysis and A)	Response to query Councils will be provided with access to a detailed tool to enable analysis to be verified and sensitised	Seek early engagement with DIA regarding development and testing of this tool – if this is not available

WDC Question 17.7.21	Ministers Response 21.08.21	Waugh Infrastructure Management Our View 10.9.21
21) Ideal population for a WSE - evidence	Response to query Links to seven international examples was provided. The range of a WSE between 0.5-1 million was noted.	Noted. Also refer alternative WSE options
22) Quality and confidence in AU and UK datasets to allow for comparison	Response to this query 20 years or more information from the UK, independent reviews in both the AU and UK examples. Likelihood WDC citizens would be financially worse off with reform is 4.6%	Noted
23) a) Will Council still own the assets post enablement of an WSE? b) Legal supporting advice	Response to this query The WSE would own the asset, local authorities would be the owners of the WSE on behalf of the communities. No reference to legal supporting advice was provided	Noted
24) Cost benefit analysis for transfer of the assets	Response to this query DIA has undertaken a Regulatory Impact Assessment	Noted
25) Management of stormwater in urban areas	Response to this query The stormwater technical working reference group is assessing this. It could be managed during transition	Seek clarification: WDC could engage with the SWTG to clarify this matter.
26) Working in partnership – development of the dashboards	Response to this query. The DIA tested the dashboard with some local Council representatives and LGNZ	Noted
27) Is extra spending predicated on all properties receiving the full three waters?	General response to this query The scale of investment is indicative to meet current and future regulatory requirements	Seek clarification DIA (WICS) modelled investment on extending connection rates across NZ to 95%. Beca noted Scotland as 95% connections (water, wastewater). Confirm with DIA which services are included in the 95% coverage uplift to urban standards
28) Will the proposed WSE meet NPS Freshwater requirements? Is this costed and included already?	General Response to this query DIA(WICS) modelled investment in NZ to meet UK requirements. Beca noted that they are comparable (direction only)	Seek clarification WDC could request further information on the confidence of the direction

5.0 GOVERNANCE

5.1 Considering a Future State

We note that substantive changes to legislation and governance were last made between 1989-1991 – local government reform and resource management. We are now 30 years on, and in the process of further potential, substantive changes.

Given that DIA (WICS) have undertaken an econometric assessment to 2051 (30 years), considering future communities needs over this timeframe is also appropriate. In general a future state could include (not exclusive):

- Increased urban growth/density e.g. Greater Christchurch is projected to increase by 150,000 persons or a population of ~650,000. Spatial planning including urban density requirements can be expected to have changed – potentially increased density
- Increased diversity in ethnicity and cohort profiles could and will be significantly different – driving different community needs
- Changing demographics – greater proportion of the population will be 65 years or older
- Different transportation (modes, corridors) and communication methods
- Climate and resource constraint impacts e.g. seasonal and acute events, currently utilised resources not available, red zones

We have drawn from the LGNZ/DIA questions raised in their 8 week consultation process. We have identified some issues in Table 5.1 and consider that these are relevant in the context of the proposed Governance structure. Further analysis is provided below.

Table 5.1: LGNZ/DIA Questions

#	Details	Issues
1	Ensuring all communities have both a voice in the system and influence over local decisions. This includes <u>assurance</u> that water service entities will understand and respond appropriately to communities' needs and wants, including responding to localised concerns.	<ul style="list-style-type: none"> - Communities are diverse, and this diversity is determined by factors including economic e.g. relative financial security, cultural e.g. "family, mountain, river..." social e.g. whanau connection, education, physical capabilities, access to community services, environmental e.g. access to greenspaces - Mechanisms for "voice" and "influence" at a local level are not currently clear in the DIA structure - The Consumer Forums terms of reference are not clear, and how they relate to, or are representative of the wider communities - The proposed WSE are a significant change and departure from the current direct democracy of elected Council owned and managed public water services. The justification for the proposed major change in community democracy is still under discussion as part of the Change Proposal

#	Details	Issues
2	<u>Effective representation</u> on the new water service entities' <u>oversight boards</u> so that there is strong strategic guidance from, and accountability to, the communities they serve, including iwi/mana whenua participation. This also covers <u>effective assurance</u> that entities, which (assets) will remain in public ownership, cannot be privatised in future.	<ul style="list-style-type: none"> - Oversight boards assumed to be WSE Board. - Iwi/mana whenua participation is via a Kaupapa process – for WSE-D Ngai Tahu manage this - The steps to enable privatisation have been described. Effective assurance is limited - a future Government could privatise Three Waters Services
3	Making sure councils' plans for growth, as reflected in spatial plans, district plans or LTPs, are appropriately integrated with water services planning. This includes that planning and delivery of water infrastructure investment is integrated with transport and other related infrastructure.	<ul style="list-style-type: none"> - To be effective, a WSE would need a high and ongoing level of engagement with Councils (Local and Regional), Government agencies e.g. Waka Kotahi and other agencies - Agency and WSE measures and outcomes will differ (timing and location) dependant on priority and funding unless an integrated "forward works viewer" approach is mandated

5.2 Proposed Governance Structure

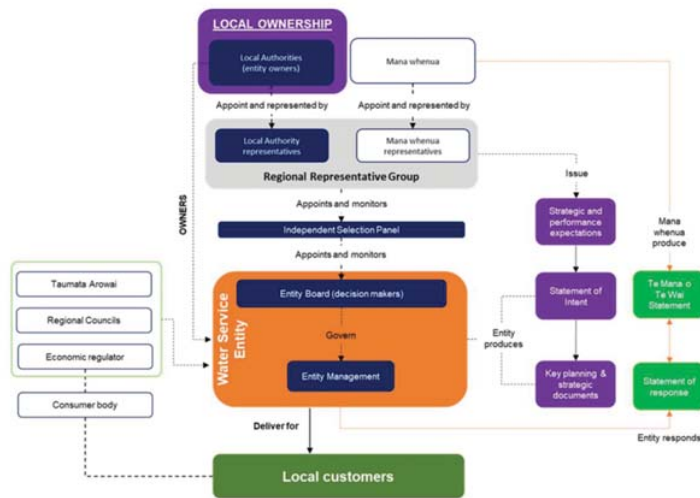
DIA has stated that the WSE "will own and operate three waters infrastructure on behalf of territorial authorities, including transferring ownership of three waters assets and associated debt"⁶. Cabinet Paper Two sets out the design features for the 3 Waters Entities. Of note i) there is no financial recognition of Council ownership ii) WSE would have a commercial arrangement similar to body corporate structure – no shares or shareholders.

The DIA has provided a Governance Structure – Figure 5.1 which they note include but are not limited to:

- i) A suite of mechanisms to protect and promote iwi/Māori rights and interests
- ii) Economic regulatory regime to protect consumers interests
- iii) Stewardship objectives and priorities to support the new system in meeting national objectives and is fit for purpose

⁶ "Summary of reform proposals", Source: [Folder \(waternz.org.nz\)](https://www.waternz.org.nz), 10th August 2021

Figure 5.1: DIA Water Service Governance Structure



Source: Department of Internal Affairs⁷

Cabinet papers⁸ provide further details on roles and key responsibilities. We have applied a lens over this considering the current governance framework (Local Government Act) and the proposed

We have taken two aligned steps in considering how community views and assurance could be provided. These are:

- i) Assessment of the current, approach to assurance, guided by the Local Government Act 2002, including possible improvements and
- ii) Assessment of the DIAs proposed governance structure, and where clarity could be obtained

These assessments are provided in Figure 5.2 and Figure 5.3

The key elements of our assessment are:

- i) A “community to Crown” view
- ii) Inclusion of requirements/framework of the Local Government Act 2002
- iii) Identification of current proposed community engagement points, referenced from DIA and Government information
- iv) A brief explanation of matters we consider could be resolved to advance the understanding of how the community could effectively engage and obtain assurance

Information yet to be provided by Government including the functions of the economic regulator will assist in clarifying their view on the communities role and functions.

⁷ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/faqs-transforming-the-system-for-delivering-three-waters.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/faqs-transforming-the-system-for-delivering-three-waters.pdf)

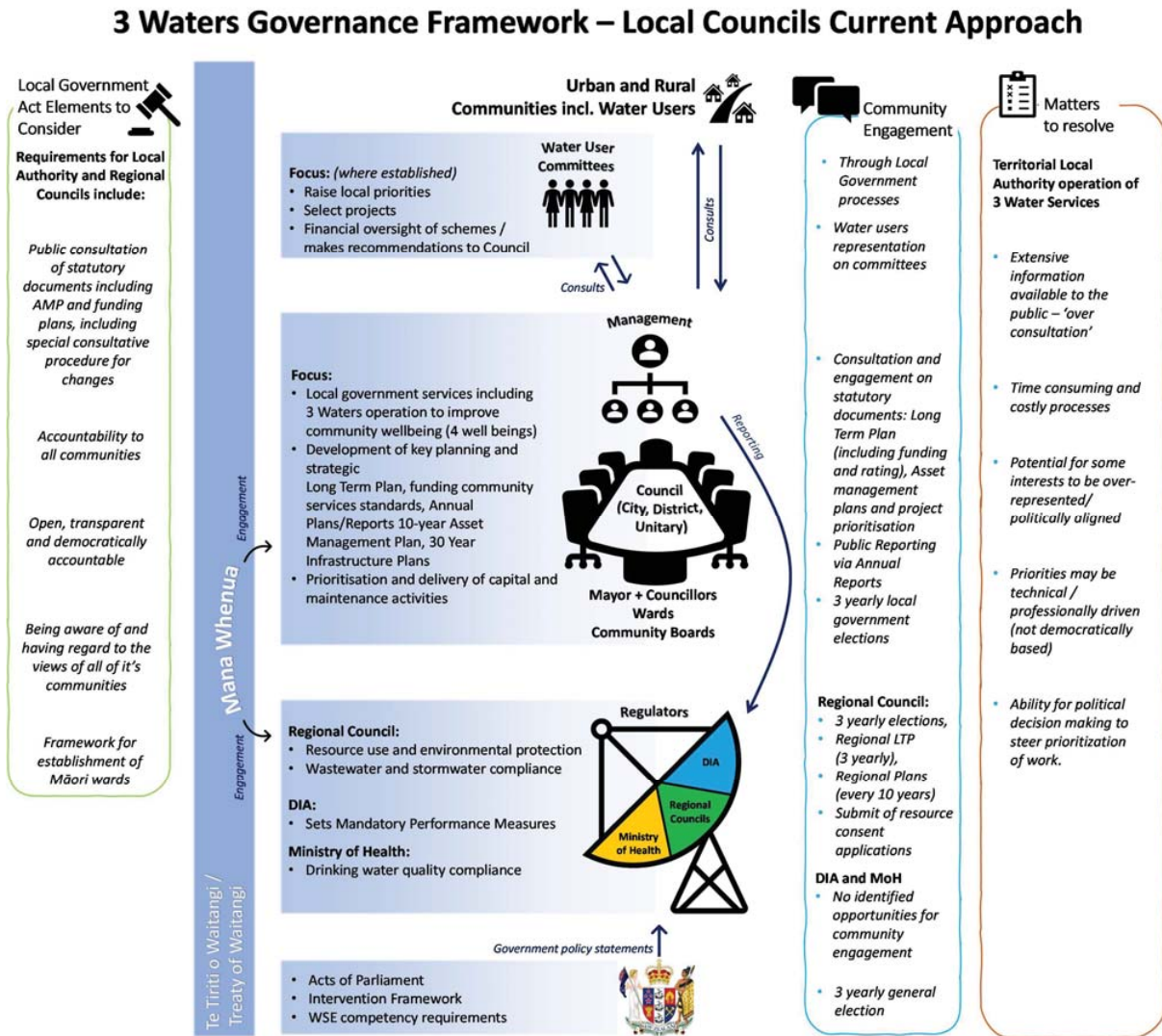
⁸ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/cabinet-paper-two-and-minute-designing-the-new-three-waters-service-delivery-entities-30-june-2021.002.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/cabinet-paper-two-and-minute-designing-the-new-three-waters-service-delivery-entities-30-june-2021.002.pdf)

5.3 Assessment of Current Three Waters Governance Framework - Territorial Local Authorities

To aid the comparison of community engagement within the proposed model, the current service delivery including roles and engagement is has been outlined.

At present, Three Waters management is provided by local authorities (City, District and Unitary councils). The Local Government Act 2002 requires community engagement around the setting of infrastructure management, performance standards and the funding of activities. Regulation of these functions are undertaken by Regional Councils and central government agencies.

Figure 5.2: Three Waters Governance Framework Local Councils Current Approach



5.4 Assessment of Three Waters Governance Approach – DIA Proposal

We have mapped the proposed governance structure and taking a customer-centric perspective, identified where communities can engage and obtain assurance that their voice will be heard – Figure 5.3. Consideration of changes to the current opportunity for community engagement have been made against the ‘at large’ community engagement as currently required by the Local Government Act 2002. This assessment has been demonstrated through the following qualitative scoring approach:

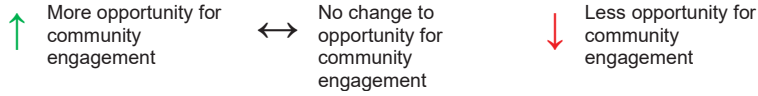
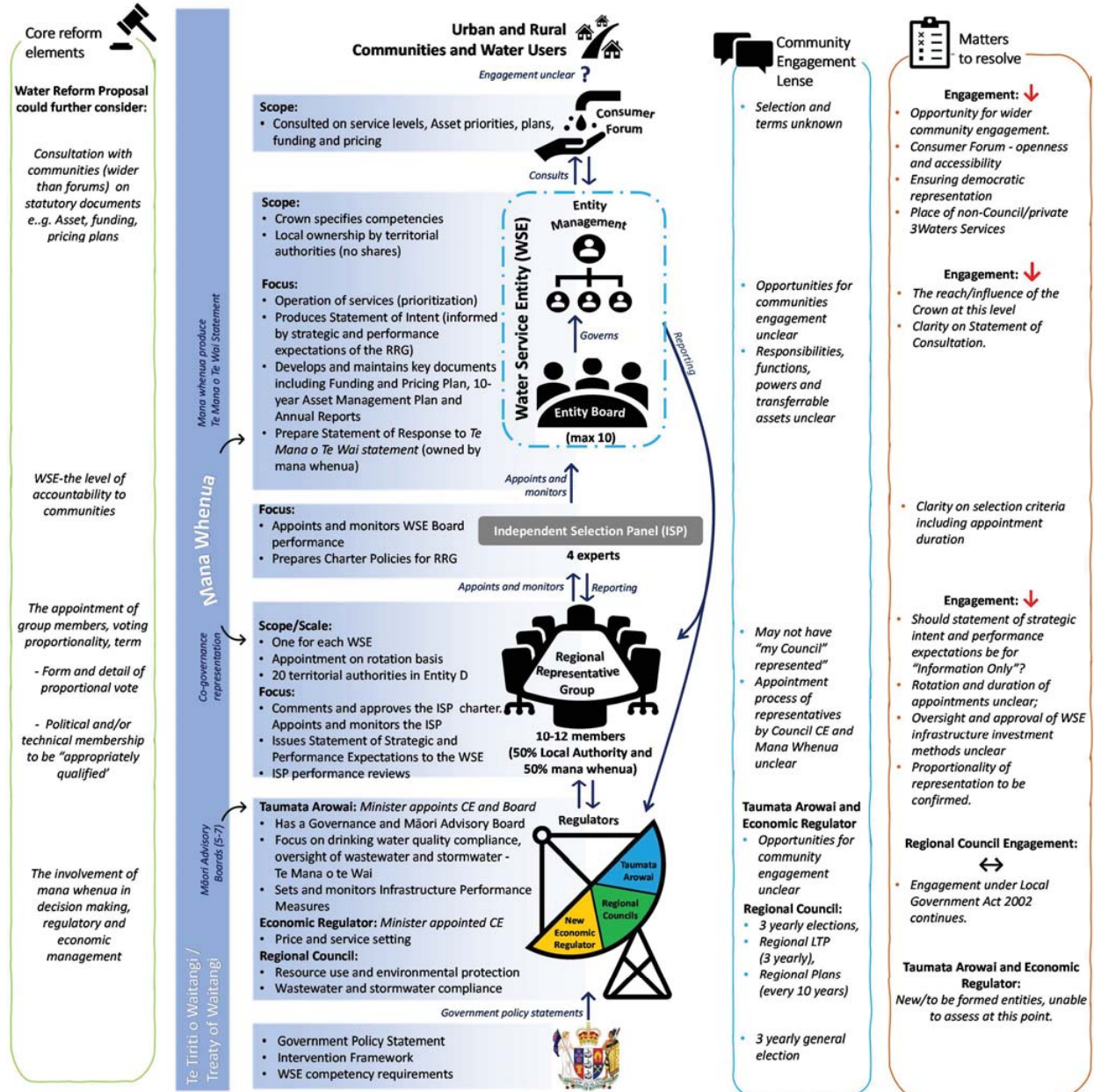


Figure 5.3: Three Waters Governance Framework DIA Approach



There are a number of areas where it would be beneficial for clarity to be obtained – these are identified in Figure 5.2 and Figure 5.3 and in **Points of Note**.

Points of Note

- The involvement of mana whenua is embedded in and a core part of the 3 Water Reform. Accordance with Te Tiriti O Waitangi (Treaty of Waitangi) - Article Two, Ngai Tahu Claims Settlement Act 1998 and Te Mana O te Wai statements at a local water body level would be expected.
- Local authorities would be listed in legislation as the collective owners of the WSE and, mana whenua would not be listed. Oversight and strategic direction (at the Regional Representative Group) would be via a partnership between mana whenua and territorial authorities in the WSE.
- DIA state, with respect to community voice and WSE accountability, the *“WSE will be subject to engagement consultation requirements the same as Councils now”* including strategic direction, investment, pricing, charging (including water metering) and service level obligations. The relevant Cabinet paper does not provide clarity on this.

5.5 Accessibility to elected/appointed members

Proportionality of representation has been considered briefly – refer Table 5-2. We have considered current representation for Auckland and Christchurch Cities, on an electoral and proposed WSE basis. Some notes:

- Auckland has an elected council of 20 representing 1.7million (1 to 86,000) compared to Christchurch’s 1 to 26,000.
- 72 electorates in NZ, with 5.1M residents (provisional) - 1 to 85,000
- The proposed WSE-D would have a representation of 1 to 86,500

Table 5-2: Proportionality Assessment

Area/Zone	Population	# Members	Ratio			
Auckland City	1,717,500	20	85,875			
Christchurch City	394,700	15	26,313			
MP	5,100,000	72	70,833			
			RRG Ratio	RRG 5 TA reps on rotation	ISP of 4	WSE Board of 10
WSE A	1,725,853	10	172,585	345,171	431,463	172,585
WSE B	799,608	10	79,961	159,922	199,902	79,961
WSE C	955,154	10	95,515	191,031	238,789	95,515
WSE D	864,350	10	86,435	172,870	216,088	86,435

The ratio of RRG members to population under WSE models B-D could result in a lower level of effective community access to decision makers.

5.6 WDC – Points of Note

Notwithstanding the Matters to be Resolved, we note the following:

i) Regional Representative Group (RRG) - maximum 12 members

A maximum of six local government and six mana whenua representatives, with 10 being reasonable. Where there are more than six councils in the WSE catchment, a rotation process would be applied, distributed between urban (metro) and provincial/rural councils across the takiwā. The terms of appointment are unknown at this stage. There is also an indication that proportional representation may be considered by the Government.

- WDC may not be directly represented on the RRG for some period – the duration is currently not defined.
- If proportional representation is considered, voting strength (but not individual super majority dominance $\geq 75\%$) may be enabled for local authorities with higher populations. For example, in the proposed WSE-D takiwā – Christchurch and Dunedin (approximately 369,000 and 126,250 persons respectively)⁹ could have a significant influence.

ii) WSE Board – maximum 10 members

The Crown will direct requirements for the Entity Board. The Board will, amongst other matters, prepare a Statement of Intent (linked to the RRG's Statement of Strategic and

⁹ StatsNZ (2018 Census)

Performance Expectations) and a 10 Year Asset Management Plan. While the RRG will be consulted on it will not have the authority to approve the key documents e.g. AMP and Funding and Pricing Plan.

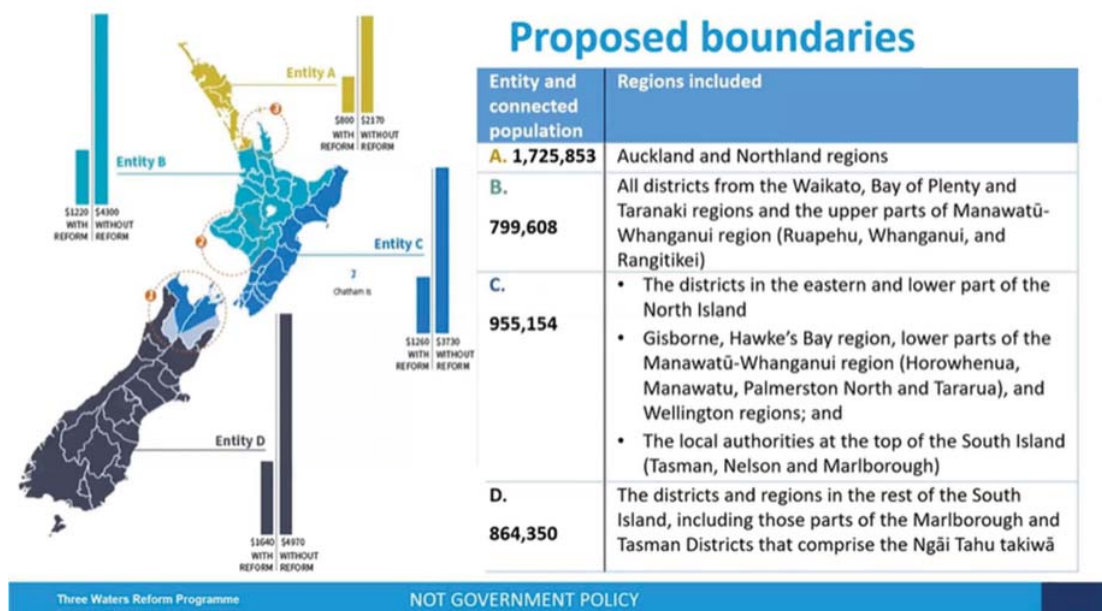
The Asset Management Plan requirements focussed on the investment priorities for the entity and describes how the entity will operate, maintain and renew its existing assets and provide new assets over a 10-year period and is in accordance with the Statement of Intent.

- Government has established a 10 year Asset Management Plan horizon. Local authorities provide 30 year horizon Infrastructure Plans. Clarification of the AMP requirements including infrastructure planning horizons, environmental and infrastructure performance measurement should be considered.
 - The RRG will not have the explicit right to direct the WSE on matters such as targeted investment in major projects and pricing
- iii) Privatisation of a WSE would require that 75% of the RRG endorse the recommendation, followed by 75% community support via a referendum. Government states that this protects the public ownership model of the entity, excluding a future amendment to the requirements by Government.
- It is possible that a future Government could, via a 51% vote, amend WSE asset ownership conditions. Voting weighting of some member Councils may influence 75% RRG vote
- iv) Refer Figure 5.1. Note this is a major change in the current direct democracy ownership management of 3 Waters assets, which as provided give a degree of protection that individual community views/voice has been considered in 3 Waters delivery.

6.0 WSE – THE PROPOSAL AND ALTERNATIVES

DIA as stated that “that four entities is what they are proposing but they are all ears on whether they have got the boundaries around those entities right” - refer Area 1 – Figure 6.1. This aligns with the Cabinet Paper¹⁰ on this matter.

Figure 6.1: Proposed WSE Boundaries



The proposed four national WSE boundaries have been determined from a range of factors, but directed strongly by the DIA econometric assessment that a minimum population between 0.8-1 million people is required within a WSE to deliver the modelled economic benefits. This is clarified in the Ministers response¹¹ to WDC as follows:

“The international evidence base suggests a range of between 500,000 to one million connected customers is needed to achieve a level of efficient scale, with the exact number dependent on a range of factors, including population density, rurality, topography, and geography”

DIA (WICS) have focussed on the expectation of year-on-year modelled efficiency gains, referring to examples from Australia, the United Kingdom and Scotland where these have been realised.

A 50-53% efficiency challenge would be set for proposed WSE-D over the period 2025-2040, delivering an annual per household target cost of \$1,640 amongst other outcomes.

¹⁰ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/cabinet-paper-one-and-minute-a-new-system-for-three-waters-service-delivery.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/cabinet-paper-one-and-minute-a-new-system-for-three-waters-service-delivery.pdf), Clause 16-17

¹¹ Response to WDCs Request for Information (21st July 2021), The Minister of Local Government, 17th August 2021

Such a level of efficiencies could only be achieved when a range of economic and social factors are complementary to the delivery of water services. This would be challenging in an environment of competing economic and social drivers.

Efficiencies are reliant on cost being the key driver and the entity not being constrained by other requirements such as regional employment, social impact and other matter. This is does not appear to be consistent with other Government programmes focused on regional economies and social procurement.

To obtain a clearer understanding of the reasons why DIA (WICS) have proposed four WSE, we have assessed information issued by them – particularly on the DIA Three Waters portal. We are clear that the DIA approach is strongly financially focussed, while delivering mana whenua and quality statutory outcomes.

We have previously assessed asset optimisation, capital and operations efficiencies with respect to WDC Three Waters services, with a focus on drinking water and wastewater services. We considered that there was a demonstration of existing and unaccounted efficiency improvements of 6%¹². Further efficiencies could be obtained but, would be limited by scale and the already realised significant gains in asset optimisation – essentially rationalisation of drinking water treatment and wastewater treatment/disposal.

We previously noted that DIA have not provided the detailed assumptions behind their modelling. This meant we were unable to directly align the observed WDC efficiency achievement with that of DIA. DIA have subsequently provided further information about efficiencies, supporting their four WSE proposal. They specifically state that *“the benefits of scale are not primarily the result of more joined up networks”*. We have represented this in Table 6.1.

Table 6.1: WSE Boundary Factors

WSE Boundary Factor	Outline	Detail
One	Scale	<ul style="list-style-type: none"> - population - greater borrowing capabilities, - improved access to capital markets - stronger governance and workforce capability - procurement efficiencies - smarter asset management, strategic planning and investment - improved performance (environmental, infrastructure) driven by economic regulation
Two	Water Catchment	Takiwā / rōhe considerations, intergenerational linkages, environmental outcomes (ki uta ki tai approach) community of interest

¹² Refer 2

6.1 Minimum Common Anticipated Changes

Irrespective of the WSE scale – the following common changes are expected to apply to 3 Waters services:

- Water Service Act
 - Drinking water quality uplift
 - Te Mana o te Wai – recognition of and integration of cultural values at a catchment / source level
- Water Service Act and Resource Management Act
 - Performance measures and reporting retained and developed specific to the services (Environmental & Infrastructure)
- Economic and consumer regulation – considered an essential supporting element to achieve DIA (WICS) modelled outcomes
- Regional Planning requirements

Environmental and Infrastructure performance of WSE are anticipated to be consistent with best practice. There is likely to be a continuation of measurement and reporting in the areas of:

- Environmental standards - regulatory compliance (consent compliance, overflow events etc);
- Infrastructure performance - network condition and reliability (leakage, faults, response and resolution times etc);
- Customer satisfaction (quality of service, complaints etc)

A review of water entity performance reporting (community service obligations) within Australia highlights commonality of standards and reporting which largely align with the requirements of the Local Government Mandatory Performance Measures set by the DIA in 2013.

Productivity and innovation measures may be determined by the future economic regulator. The review of Australian water entity reports highlight potential inclusion of financial and corporate performance measures in future WSE requirements.

6.2 Assessment of WSE Options

We have considered a number of alternatives to DIA's WSE, and alignment with current established boundaries. We note that this is a concept level approach and unless done so already, has not been subject to modelling or consultation with respective Councils. It is provided to demonstrate in-principle benefits and challenges a different scale WSE could bring.

This is supported by graphical representation of the WSE option and metrics including scale, asset base and water quality performance.

Table 6.2: Assessment of WSE Options

WSE Option	Governance	Mana Whenua	Economic, Assets Uplift to 95% urban standards	Performance - Infrastructure, Environmental
WSE D DIA(WICS) Model	One WSE (20 territorial authorities) – rotation-based representation Five regional councils	Aligns with Ngāi Tahu takiwā	Improvement opportunity: Currently strongly differing levels of asset condition and performance across the takiwā. Challenges: Many low-density areas with high geographic and climatic diversity. Large, separated rural networks (uplift to 95% urban standard) will increase costs.	Currently high variability in performance (drinking water, wastewater and stormwater). Five Regional Councils with different environmental performance/compliance requirements. Future (10 years- 2034) Some standardisation of environmental performance. Majority of treatment plants standardised to deliver reliable quality
Canterbury Region ¹³ Includes: Christchurch, high growth (Waimakariri, Selwyn), large rural (Ashburton, Waimate, Waitaki, Kaikoura, Mackenzie) Hurunui), Provincial (Timaru)	One WSE (10 territorial authorities) – rotation-based representation One Regional Council	Within Ngāi Tahu takiwā, may not encompass catchments	Improvement opportunity: Differing levels of asset condition and performance. Large rural networks will increase costs. Challenges: Geographic and climatic diversity. Remote rural networks will increase costs.	Currently variable performance (drinking water, wastewater and stormwater) Future (10 years- 2034) Full standardisation of environmental performance. All treatment plants deliver reliable “production water” quality
Sub-canterbury regionals (3) North (Waimakariri, Hurunui, Kaikoura), Central (Christchurch), South (Selwyn Ashburton, Timaru) Very high population growth areas, rural and urban communities.	Ability to have clear linkages between the Water “Entity” and communities interests and issues. One Regional Council	Within Ngāi Tahu takiwā, may not encompass catchments	Improvement opportunity: Closing gaps in levels of asset condition and performance can be closely coordinated and managed. Challenges: Some geographic and climatic diversity. Remote rural networks will increase costs.	Currently variable performance (drinking water, wastewater and stormwater) Future (10 years- 2034) Full standardisation of environmental performance. All treatment plants deliver reliable “production water” quality

¹³ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf) Economic-analysis-of-water-services-aggregation-Stage-One-Report DIA(WICS) Stage One Modelling Scenario 4 (Group K)

WSE Option	Governance	Mana Whenua	Economic, Assets Uplift to 95% urban standards	Performance - Infrastructure, Environmental
Greater Christchurch Christchurch City, Waimakariri, Selwyn Population: (2048): 653,000 ¹⁴	One WSE – equal representation One Regional Council	Within Ngāi Tahu takiwā, may not encompass catchments	Benefits: High growth areas with very strong transportation and communication links. Have quality asset data and systems resulting from EQ recovery. Procurement (materials and specialists) well utilised. Treatment plants predominantly fit for purpose (peak, compliance) Challenges: Effective utilisation of scale (procurement, infrastructure pipeline), could utilise “forward works” type planning tools	Currently good level of performance supported by growth and targeted investment (water safety plans, wastewater treatment upgrades, stormwater global/network treatment and discharge) Future (10 years- 2034) As for Canterbury Region above
Waimakariri District (status quo)	One WSE (current representation) One Regional Council	Within Ngāi Tahu takiwā, may not encompass, rohe / hapū catchments	Benefits: High growth area with very strong transportation and communication links. Quality asset information and strategic infrastructure planning based in part on EQ recovery work. Procurement of specialists well utilised Challenges: Scale will limit the ability for ongoing efficiencies “shared services” could be considered	Currently high level of performance supported by growth, focused strategic investment, with improvements programmed – particularly stormwater Future (10 years- 2034) As for Canterbury Region above

6.3 Entity Service Delivery – Options and Considerations

We have briefly considered alternative delivery structures which could be applied to a model - Table 6.3. This is considered at a delivery level.

For clarity – water service entities are expected to be prescribed the role of owning and delivering drinking water, wastewater and stormwater assets. While drinking water and wastewater services are delivered through manmade assets, for which operational and ownership arrangements are broadly understood, stormwater passes through natural and manmade systems, with various “owners”, legal requirements and affected parties.

¹⁴ <https://www.stats.govt.nz/information-releases/subnational-population-projections-2018base2048>

Stormwater ownership and service delivery is therefore inherently more complex to manage. The Stormwater Technical Reference Group appointed by DIA is understood to be considering this matter.

We have briefly considered service delivery options, which include the following interlinked components:

- Operations and maintenance – the 24/7 provision of people, plant and materials to deliver planned and reactive maintenance. Includes monitoring network performance, with adjustments to processes/practices as required (“Business as Usual”)
- Technical / Professional Services – design, planning, and project delivery of renewals and capital works. Includes modelling and optimisation, considering future demands including climate adaptation, resilience, growth/decline
- Renewals and new asset construction
- Asset/Activity Management – providing strategies and plans including 30 year Infrastructure Strategies, and 10 year Activity Management Plans. The confidence in these documents is based on critical information including robust asset condition, performance and capacity details, financial and lifecycle processes.
- Emergency Response
- Safety (Quality)

Management and governance of these components should be aligned to enable them to deliver against appropriate organisational performance measures.

We note the following exclusions:

- There are various funding approaches and options which are not considered here. These would include 'hybrid' models of two or more of the Service Delivery Options described
- Existing contracts (term, conditions, services provided) should be considered against any option
- Non-council water supplies which may seek support via the service delivery “entity” and their needs would be considered at that time

Table 6.3: Service Delivery Structure Options

Option	Notes	Matters to Consider
Current / Status Quo Council delivery services	Many models nationally – both in-house and external contracted delivery of components.	<ul style="list-style-type: none"> - Shared services can provide increased efficiency (s17a) - Model depends on Council(s) size (scale) - Access to external services and asset base (complexity)
Shared Services (can include a dedicated business unit)	Sharing of specific services (internal/external) between two or more adjacent Council – particularly where there are resource constraints, geographic similarities and 3 Waters service currently cross boundaries	<ul style="list-style-type: none"> - Scope and effective utilisation of Services e.g. valuation, asset management, modelling, water testing. - Staffing – identification and allocation to focus on shared service requirements - Separate or common levels of service -

Option	Notes	Matters to Consider
Unitary Authority e.g. Tasman District Council	Regional and District or City Council environmental, regulatory, planning, and infrastructure requirements are coordinated “under one roof”.	Current Territorial Local Authority boundaries
Council Controlled Organisation (CCO) – asset owner e.g.. Watercare	Owns and manages assets. Coordinates infrastructure requirements with other agencies e.g. housing, transport. Manages people and capital resources against performance targets	<ul style="list-style-type: none"> - Composition of Board of Directors (Mana whenua, technical, independent, Council) - Communities voice and assurance that service provision is fair

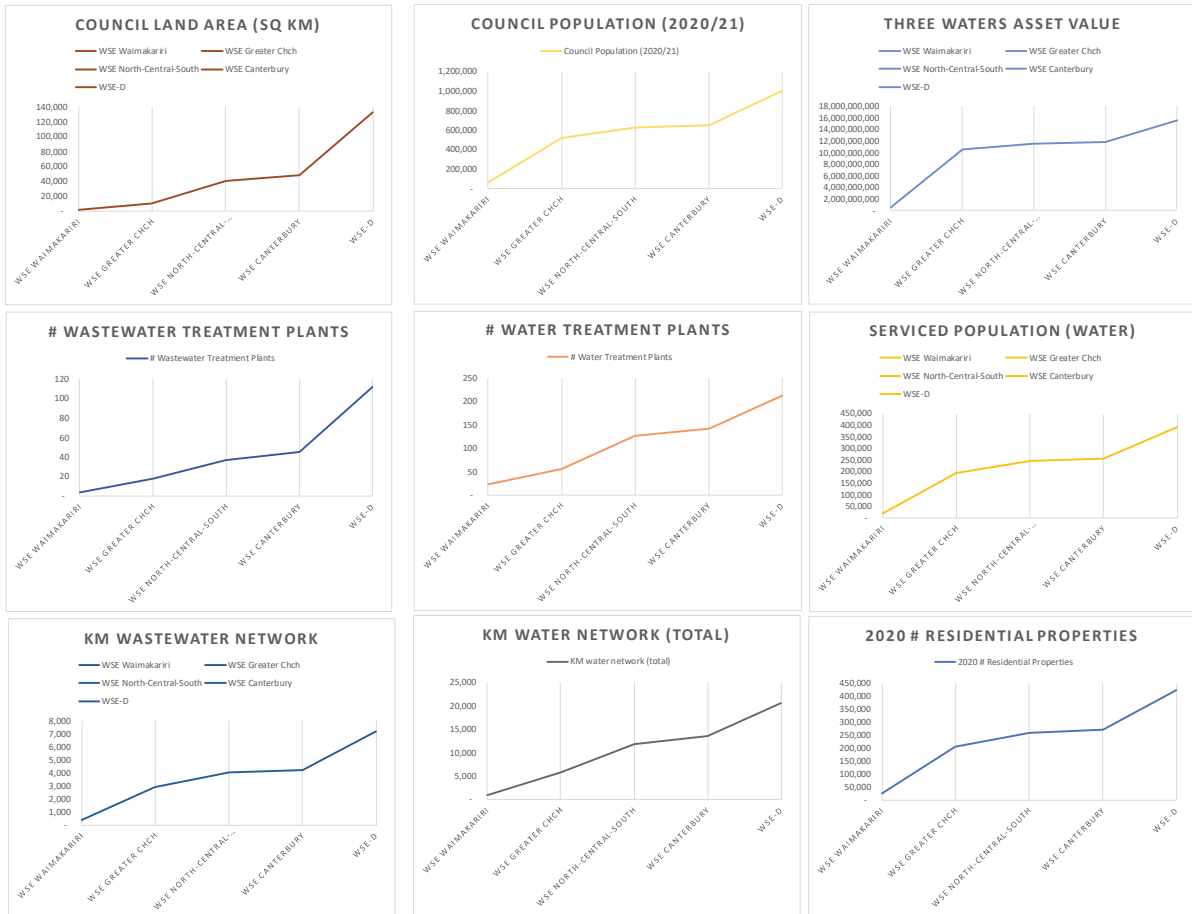
6.4 Water Service Entities Alternatives - Metrics

We consider some key metrics which could guide discussion on the scale of alternative entities including governance and delivery. We have represented this in **Table 6.4**

Table 6.4: Metrics for Alternative WSE Model Consideration

We note the following:

- There are a significant number of wastewater treatment plants outside the Canterbury region servicing a relatively small population.
- The majority of assets by value are located in the Canterbury region



7.0 SUMMARY

We have assessed and provided review following the “right debate” approach agreed with WDC on the following:

- The Ministers response to Waimakariri District Council – 21st August 2021
- Governance – an assessment of the DIA’s proposed structure, issues and challenges
- Water Services Entities – a high level review and comparison of the WSE-D against three other options

We consider that there could be an opportunity to engage with DIA on all the matters outlined above. We have provided suggestions based on how this could be done. We note that some components of reform are continuing at pace, and it is possible that some matters e.g. the detailed toolbox may have or are ready to be provided to WDC.

8.0 INDEPENDENCE – WAUGH INFRASTRUCTURE MANAGEMENT

Waugh Infrastructure Management Limited is a specialist niche infrastructure asset management consultancy, that has operated independently of major consultancies and contractors in New Zealand for the past 22 years. Waugh Infrastructure has had the privilege of serving communities in Councils across New Zealand, government departments, and internationally working with MFAT and the World Bank.

We are New Zealand subject matter experts across a range of infrastructure management subjects including service delivery procurement (Grant Holland IIMM section author), optimised decision making (Theuns Henning, IDS Manager), asset information systems and data management (Jennifer Fox and Ross Waugh (IIMM section author), performance based contracting deployment (Theuns Henning – World Bank, wide range of briefs and papers), and infrastructure operations and maintenance management (Hugh Blake-Manson).

Waugh Infrastructure is a team of highly qualified and highly experienced professional staff with a breadth and depth of experience in asset systems, service planning and service delivery processes, Infrastructure management planning and asset management governance. We act as independent trusted advisers in the New Zealand and international infrastructure management sectors. The following projects are a small example of our previous assignments at this level of importance:

NZTA Road Maintenance Task Force – Better Asset Management, Planning and Delivery

Involvement: Ross Waugh and Grant Holland

Ross was co-author (with Grant Holland) of the “Better Asset Management” paper as part of the 2012 NZTA Road Maintenance Task Force. Waugh provided a summary of research investigation and Technical Working Group consideration of the Road Maintenance Task Force: Better Asset Management, Planning and Delivery. The research report, incorporated results of the 2011/12 NZ Road Maintenance Task Force Stakeholder Survey, and feedback from the Technical Working Group, to address the hypothesis and problem definition statement.

Napier City Council AM Lifecycle Review – 2014

Involvement: Ross Waugh, Theuns Henning

In the Napier City Council (NCC) Pre-Election Report from the Chief Executive, July 2013 it was noted ‘Recently, some uninformed comment suggested that Napier is underfunding infrastructure renewals, delaying asset replacement and failing to plan and prepare for future growth to lower rate levels and ensure debt remains low’. This was an incorrect conclusion. The report addressed the issue by providing an independent review and analysis of Napier City Councils major network assets (Wastewater, Stormwater, Water Systems and Rooding Network) and reports on findings.

Hastings District Council's Water Change Programme – 2017-18

Involvement: Ross Waugh, Bruce Robertson (R Bruce Robertson Limited)

We were engaged, with the assistance of Neil Taylor, to review the capability and capacity of Hastings District Council's (HDC's) water service operations following the 2016 Havelock North water contamination event.

We tabled our report on May 2017. Having reviewed the report findings, the Chief Executive (CE), Ross McLeod undertook with Council to implement a programme that adopted the report findings without modification, to ensure efficient and effective water services delivering safe water to the Hastings District communities.

Waimakariri District Council's 3 Waters Modelling Review Report 2021

Involvement: Ross Waugh, Hugh Blake-Manson, Katherine Hill

We were engaged to review the 3 Waters modelling information (Workbook One) provided by DIA (WICS) specific to Waimakariri District Council. We tabled our report in August 2021. Having reviewed the report, Waimakariri District Council published this as part of its 3 Waters "Lets Talk" community discussion process.

9.0 GLOSSARY OF TERMS

Abbreviation	Meaning
3 Waters	Water, wastewater (sewerage) and stormwater management
DIA	Department of Internal Affairs
DWS	Drinking Water Standards (2015/18)
LGNZ	Local Government New Zealand
LTP	Long Term Plan
OPA	Overall Performance Assessment
SCADA	Supervisory Control and Data Acquisition – data management system
WDC	Waimakariri District Council
WICS	Water Industry Commission of Scotland
WSE	Water Services Entity

10.0 APPENDIX ONE: REVIEW AND COMMENT ON MINISTERS RESPONSE

Appendix Table 1: Review of and Response to Ministers Letter (17.08.2021)

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>Efficiencies of the New Entity</p> <p>1. What are the key assumptions underlying the predicted 45% efficiency gain by 2051 and how have these been determined in the Waimakariri context?</p>	<p>General response to this query</p> <p>Basis is the Scotland reform (1990s) with gains achieved over ~20 years. WICS econometric modelling allows for achievement in New Zealand over 30 years.</p> <p>Basis of the model are engineering, geographical and demographic differences.</p> <p>WSE – D efficiency challenge of 53% applied over 15 years, commencing 2025 60% (0-5 years), 60% (6-10 years), remaining in last 5 years (2035-2040).</p> <p>No specific response provided to this query</p>	<p>Our view: Seek clarification</p> <p>DIA(WICS) have not provided access to their model. We have previously utilised WDC data and the DIA(WICS) “Scope for Efficiency” framework to estimate WDCs current unrecognised efficiencies.</p>
<p>a) Please provide analysis that shows the percentage gain attributed to each component of the assumptions.</p> <p>b) Do these assumptions recognise the efficiency gains that have already been achieved by the sector through amalgamation of schemes, use of technology, procurement processes, MBIE procurement and operational efficiencies (including SCADA, network BAU self-management, and generator optimisation)?</p>	<p>No specific response provided to this query</p>	<p>Our view: Seek clarification</p> <p>DIA(WICS) have not provided access to their model. We are unable to comment further.</p> <p>Our view: Seek clarification</p> <p>Please refer our report 13th August 2021 – we considered 6-7% efficiency gains had already been achieved.</p>

Waimakariri District Council Question 21.07.21 Financial Assumptions	Ministers Response (abridged) 17.8.2021 General response to this query	Waugh Infrastructure Management Limited Assessment
<p>2. The dashboard analysis presented gives the impression that the figure shown is what each household will be charged on an annual basis (currently as rates), under the reforms as a water bill.</p> <ul style="list-style-type: none"> In the calculations informing the dashboard it is assumed that 70% of required revenue will come from households. Does this 70% of income from households therefore exclude: <ul style="list-style-type: none"> - Three Waters Rates from Commercial Properties - Income from Development Contributions (DC/ DCs) - Rural Properties (Farms)? The dashboard figure also includes cost for growth-related infrastructure that is currently paid for by Development Contributions. Are these, and/or third-party contributions, factored into the amount payable by each household (shown on the dashboard)? Will the entity set up and charge Development Contributions for new infrastructure to serve growth? Or will this be added to and paid as a rate? This is important to understand in order to understand the difference between what is referred to as a 'household' vs. each connection cost. 	<p>Household cost figures are not projections of likely water charges in 2015 but are an indication of how the economic costs of investment might be spread across households.</p> <p>General response to this query Noted that the DIA "is undertaking further policy work around the charging and pricing mechanisms that would be available to the new WSE". A joint central and local government steering committee will work on these issues "in the coming months".</p> <p>General response to this query A joint central and local government steering committee will work on these issues "in the coming months".</p> <p>General response to this query "will likely include some form of charging to serve growth" A joint central and local government steering committee will work on these issues "in the coming months".</p>	<p>-</p> <p>Our view: Seek clarification DIA have not confirmed or otherwise this exclusion.</p> <p>Our view: Seek clarification including a role in this steering committee Government will respond via a local/central government steering committee. Scope and date not determined.</p> <p>Our view: Seek clarification including a role in this steering committee Government will respond via a local/central government steering committee, Scope and date not determined.</p>



Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>3. Why is it considered appropriate to apply the methodology based on population used in Scotland to New Zealand, when NZ is over three times the size of Scotland in land mass with Scotland more densely populated in narrow corridors?</p>	<p>Responded to query “The WICS methodology takes account of differences in both density and land mass between New Zealand and Scotland”. Fairrierswiler identified significant opportunities for “asset level optimisation” (their term).</p>	<p>Our view: Seek clarification noting the earlier work completed including a comparison between WDC and Scotland Scotland does not have type and spatial extent of rural water supplies. We have not observed an understanding and inclusion of this in the DIA(WICS) reports. High level of asset level optimisation already demonstrated for WDC, very limited future ability particularly with respect to wastewater conveyance and treatment. DIA discounted this as a significant driver for WSE creation.</p>
<p>4. Why has a factor of 2.7 people per household been applied over the population to determine the number of households? This is not consistent with 2018 census information that shows Waimakariri District household average to be 2.5 people.</p>	<p>Responded to query Utilised national average for household occupancy (Stats NZ) to enable consistency between reform/non reform models. WDC can adjust this assumption in their supplied modelled spreadsheet data.</p>	<p>Our view: Seek clarification</p> <ul style="list-style-type: none"> • Please refer Question 20 “update to assessment tool” • Apply 2.5 persons/household during assessment tool process
<p>5. How has a cost increase of 30% from 2022 been determined? Please provide assumptions and calculations.</p>	<p>General response to this query 30% set to stay within a debt/revenue limit of x2.5. Avoidance of higher future tariff increase in future years set as a model factor.</p>	<p>Our view: Noted We have previously reported WDC's debt/revenue ratio (Figure 4.4 – Waimakariri DC DIA 3 Waters Modelling Review) will sit under 150% to 2051, which includes delivery of the audited 30 Year Infrastructure Plan</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>6. How will the cost of Level of Service improvements be funded?</p> <p>a) Please provide details of the proposed capital and operational works that will be carried out in Waimakariri District that are over and above what is currently forecast in our Long-Term Plan and Infrastructure Strategy.</p>	<p>General response to this query</p> <p>“DIA (WICS) analysis provides a broad estimate of the future investment requirements over 30 years at a national level”</p> <p>and</p> <p>“based on likely regulatory standards that will apply, based on similar standards currently applying in the UK”</p> <p>and</p> <p>“treated as indicative of the scale of investment that will be needed to address historic underinvestment, addressing growth needs, and meeting future regulatory requirements”</p> <p>and Beca noted WICS assumptions</p> <p>“do not take into account the costs of meeting iwi/Maori aspirations or strengthening seismic resilience”</p> <p>and WICS itself is clear</p> <p>“estimates do not take into account investment to adapt to, or mitigate against the impact of climate change”.</p>	<p>Our view: Seek clarification, utilising the Infrastructure Strategy as a reference point.</p> <p>WDC have demonstrated via the audited 30 Year Infrastructure Plan¹⁵ that funding for future works (growth, Levels of Service, Quality) has been provided. Assumptions and risks have been stated including seismic resilience (integrated into 3 Waters capital design), allowing for climate change, meeting reasonably anticipated future regulatory needs.</p> <p>DIA(WICS) requested that the Drinking Water Quality Regulator (DWQR) completed a high level review¹⁶ of NZ’s water quality standards “in broad terms there appears to be a high degree of consistency with the prevailing standards in Scotland and the EU”</p> <p>and</p> <p>“the policing of (or reporting on) standards, however, appears to be less rigorous” e.g. negligible/nil sampling at customers taps”</p> <p>DIA(WICS) requested that the Scottish Environmental Protection Agency (SEPA) completed a high level review¹⁷ of NZ’s wastewater discharge consents – focussed on Mangere (Watercare).</p>

¹⁵ Infrastructure Strategy 2021-2051 “Leaving a positive print on the future of our district”, https://www.waimakariri.govt.nz/_data/assets/pdf_file/0032/48695/210602088763-Infrastructure-Strategy-2021-2051.pdf

Waimakariri District Council, issued June 2021.

¹⁶ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf) “Comparing current water quality standards in New Zealand against those in Scotland...” pp 20

¹⁷ [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/Economic-analysis-of-water-services-aggregation-Stage-One-Report.pdf) “Comparing current wastewater quality standards in New Zealand against those in Scotland...” pp 21



Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
		<p><i>"there is a high degree of consistency between the European Urban Wastewater Treatment Directive (UWWTD) standards in Scotland and the EU"</i></p> <p><i>and</i></p> <p><i>"the policing of (or reporting on) standards, however, appears to be less rigorous" e.g. negligible/nil sampling at customers taps"</i></p> <p>Stricter requirements in Scotland than Mangere for biological oxygen demand (BOD) 5 ppm, Chemical Oxygen Demand (COD) no limit in NZ, utilise BOD and suspended solids, nitrogen (winter "relaxation" in New Zealand) <u>Stricter requirements in New Zealand than Scotland for suspended solids 15ppm versus 100 ppm.</u></p>
b) Has the increased level of service been quantified and defined both for our District and the South Island entity?	<p>General response to this query</p> <p>Please refer 6a).</p>	<p>Our view: Noted</p> <p>The Ministers response indicates that a national level approach has been taken, not a WSE or WDC level response.</p>
7. From the Roadshow provided by the DIA, it is understood that the Councils will be the collection agency for revenues, including rates, post 1.7.2024.	<p>Responded to query</p> <p>WSE will be responsible for collection of payments for the services they provide.</p>	<p>Our view: Noted</p>
a) If this is correct, what revenue streams can Councils expect to recover from setup costs to collect revenue and debt collection?	<p>The Department (DIA) will need to work through the administrative requirements establishing cost effective collection arrangements</p> <p>"We will need to work with councils to agree a collection agreement, reasonable council costs"</p>	<p>Our view: Seek clarification</p> <p>WDC could request clarification, including defining "reasonable council costs"</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>b) How long are Councils expected to support revenue collection and systems to support the new entities?</p> <p>8. WDC has strategic asset management modelling over the whole life of the assets e.g. 150 years. The Council holds replacement funds to equate to the replacement of the assets as modelled. This ensures current users pay for their share of the asset and intergenerational equity principles are maintained for future generations.</p> <p>a) Will these replacement funding reserves be held for the benefit of the current households/connections within the District boundaries? And will this prudent strategic asset and financial management policy/practice be maintained by the new entity for our District?</p> <p>b) Specifically, please confirm whether depreciation will be built up in renewals accounts under the proposed model? We ask as this will make clear if there will be funding available at the end of the asset life to replace it.</p>	<p>“for a period until collection services can appropriately transfer to the water services entities”</p> <p>Response to this query All material reserves will be transferred to the new WSE. “commensurate with the obligations placed on WSE that these funds can only be used for the purposes for which they were raised”.</p>	<p>Our view: Seek clarification WDC could request what the expected duration “for a period” covers – is there a maximum?</p> <p>Our view: Seek clarification WDC could request clarification on this matter from the Minister. It is not clear whether “obligations placed on WSE” mean that funds use will be dedicated “for the purposes for which they were raised” i.e. WDC current households/connections.</p> <p>Our view: Seek clarification The Minister has referred to “mature regulatory frameworks such as Scotland”. Assessment of this framework could provide early guidance on elements a New Zealand economic regulatory regime could follow.</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>c) Or, alternatively please confirm whether this cost will not be funded now and will be left for future generations to pay for by taking out loans to fund renewals at the time of replacement?</p>	<p>Response to this query “it is likely that a future regulatory regime will require a prudent approach... whole of life costs...recognises the inter-generational benefits...collection of depreciation through charges”.</p>	<p>Please refer to b) above</p>
<p>9. What credit rating will the proposed entities achieve, and what is the credit rating used by DIA in their comparison of what is achieved via the current Local Government Funding Agency?</p>	<p>Response to the query Proposed WSE are anticipated to achieve an issuer credit rating of AA+ (Scenario Four).</p>	<p>Our view: noted</p>
<p>10. What is the expected Local Government Funding Agency credit rating going to be post-Three Waters services and assets being transferred to the new entities?</p>	<p>Response to the query (refer Q 9.) The work with S&P also confirmed that ... Would achieve balance sheet separation, with no negative implications ... of the current sovereign credit rating of ... the LGFA to be affirmed at AA+”</p>	<p>Our view: Seek early engagement with DIA regarding involvement in the base values, calculations and assumptions in the “detailed tool” The Minister has stated that WDC (and other Councils) will be provided with access to “a detailed tool” to “enable this analysis to be verified and sensitised using internal council assumptions and scenarios” WDC could request further detail on this tool – availability, trialling etc.</p>
<p>a) What are the ‘cost of lending’ assumptions for the new entity, including the respective interest rates compared to those being used for Councils as displayed in the dashboard figures?</p>	<p>General response to query Cost of debt is 3.5% - used for both WSE and Councils.</p>	<p>Our view: noted</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>b) It appears that Debt to Revenue forecast uses different parameters to those used by S&P and LGFA, particularly in the determination of revenue. How has the revenue number been determined to calculate the Debt to Revenue ratio?</p>	<p>Response to Query The FY2021 revenue number has been sourced from Three waters revenue: Sheet F10, item F10.62 "Total revenue", Three waters debt: Sheet F3, item F3.14 "Total borrowings".</p>	<p>Our view: noted</p>
<p>c) Why have Debt to Rates as well as the Debt to Revenue formula and other ratios that the Credit agencies and LGFA use to provide affordability and credit worthiness not been followed in presenting the information?</p>	<p>General Response to Query "The Department (DIA) have undertaken significant analysis to understand the potential impacts of the Reform on key financial metrics of local authorities across New Zealand" We note the analysis presented in the local dashboard is intended to be indicative only and will be subject to due diligence through the transition.</p>	<p>Our view: Seek clarification The Minister has indicated that "key financial metrics" have been used as part of "significant analysis"</p>
<p>Financial Assumptions of WDC</p> <p>11. Why have numbers extracted from this Council's Annual Report been used without reference back to the Council as to the validity or understanding of the numbers?</p>	<p>Response to this query The use of the audited account number was raised through the formal DIA feedback process after the submission of the RFI.</p>	<p>Our view: noted DIA appear to state that discussions occurred with Council on the use of the values (financial assumptions).</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>a) It appears that Stockwater race costs and income are included within the totals of the dashboard figures. Is this correct?</p>	<p>General response to this query DIA(WICS) utilised WDC's audited accounts. Rural supply activities were included.</p>	<p>Our view: Seek clarification It is unclear from the response whether "rural supplies" includes stockwater race costs. We note that stockwater has been specifically excluded from 3 Waters Services "in principle" refer 12) – therefore is not the responsibility of WSE.</p>
<p>b) It appears that DC income is shown as an operating revenue to ascertain cost per household and not the numbers provided within our RFI. Is this correct?</p>	<p>General response to this query DIA(WICS) utilised WDC's audited accounts.</p>	<p>Our view: Seek clarification</p>
<p>c) Why do operating numbers include over a million dollars in insurance receipts, and included within the determination of cost?</p>	<p>Response to this query The Minister cannot identify an insurance receipt in the relevant details it has.</p>	<p>Our view: Seek clarification</p>
<p>12. It appears that the combined efficiencies of Councils have been ignored as the information has been presented. Please provide the financial assessment for Waimakariri District Council of stranded assets/overhead and services as a result of the removal of Three Waters Departments. This would include Rural Drainage and Stockwater services.</p>	<p>General response to this query There is no specific response to the "combined efficiencies" query Response to this query Stranded costs include organisational overheads "previously allocated by the local authority to three (3) waters that are not able to transferred or avoided in the short-term as part of Three (3) Waters Reform" \$250 million has been provided (nation wide estimate) covering two years unavoidable stranded costs. \$50 million of this is for demonstrable, unavoidable and materially greater stranded costs that provided for otherwise"</p>	<p>Our view: Seek clarification WDC could, working with the DIA or independently determine criteria for "stranded 3 Waters services", undertake an assessment of the associated stranded costs in line with the Ministers description then present this to the DIA.</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>a) What will the cost to the community be as a result of this, and has that been accounted for in the efficiency number of 45%?</p>	<p>General response to this query The DIA(WICS) “also includes the cost of reform, with provision of “Spend-to-save” A key principle of the WSE transition is to “ensure we limit the impact of any stranded responsibilities” and “it may be necessary to contract the WSE to manage these assets”</p>	<p>Our view: Seek clarification The cost to the community appears to have been allowed for in the two year, \$250M “no worse off” lump sum funding. It is unclear whether it has been allowed for in the 45% efficiency assessment. The value benefits for/against having WSE entities managing stranded water services e.g. land drainage, stockwater have not been considered. Associated levels of service, cost and contracted capabilities would form part of a value benefits assessment.</p>
<p>b) Please confirm if this assessment includes: staffing, buildings, assets, service delivery, service levels, financing and Governance related costs.</p>	<p>General response to this query Please refer 12) above</p>	<p>Our view: Seek clarification Please refer to 12) above</p>
<p>13. In relation to Performance Indicators, we note that WDC has been assessed at Level 3 of the four levels which indicates ‘performing in line with expectations’ a) Can the parameters, weightings, underlying information and assessments be provided which have been used to determine our performance indicator level?</p>	<p>Response provided to this query This is an overall performance measure, and should not be interpreted as a standalone measure of performance. Refer to <i>WICS Supporting Material Part 2 – Scope for Efficiency</i> for parameters and underlying information.</p>	<p>Our View: Seek clarification Confirm what OPA measures could be used that are applicable to New Zealand. Note: There are 12 levels of service criteria: (Service, # in service, total weight). • Drinking Water, 5, 3.5 • Wastewater, 5, 3 • Stormwater, 0, 0 • Customer Service, 3, 0.56 The total OPA (top of Level Four) is 7.06</p>



Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>b) It is understood from the dashboard DIA presented that Buller has a rating of Level 1 for Performance, Chatham Islands has a rating level of 2. Auckland has a Level of 1 despite their recent severe water shortage. However, Hurunui, Selwyn and Waimakariri are rated Level 3 (one-off performing below expectations). How was this determined?</p>	<p>Response provided to this query “...as there was no audit process for the RFI and it was the first attempt at collecting information, there are likely to be some gaps and inconsistencies”</p>	<p>Our view: Seek clarification Noting this is unaudited, WDC could undertake a review of this data, and provide that for auditing to DIA.</p>
<p>14. In the RFI response, WDC reported a number of properties on our rural schemes that have 'restricted', trickle feed style connections. The questions in the RFI seemed to class these questions as below the required level of service (i.e. inadequate flow / pressure at boundary).</p> <p>a) Has the assumption that restricted trickle feed connections are not adequate been carried through to our assessment in terms of how well we meet current and future flow / pressure standards / requirements?</p>	<p>Response provided to this query. The Minister notes “a relatively low level of uniform performance measurement across the sector currently” They refer to OPA – 13) above. Performance is measured consistently for all NZ Councils “in order to have a like-like comparison with performance in Great Britain and other jurisdictions”</p>	<p>Our view: Seek clarification It is likely that the assumption restricted connections are not adequate has been carried through – the OPA assesses supplies against and urban standard levels of service. Confirm why this is appropriate (UK vs NZ) Water NZ undertakes an annual National Performance review. For 2019-2020, 40 of 64 territorial authorities covering 88% of the population took part. The completeness and breadth of performance criteria are stated. WDC could request clarification regarding:</p> <ul style="list-style-type: none"> • what constitutes a “high level” of uniform performance measurement • rational for comparing restricted schemes to the UK etc • the place of future infrastructure and environmental performance measures

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>b) If so, are you aware that this style of connection is being allowed for by Taumata Arowai in their draft new standards? The proposed standards would therefore be at odds with the assumption that this style of connection is not a suitable level of service.</p>	<p>No response to this query</p>	<p>Our view: Seek clarification Please refer 14 a)</p>
<p>General</p> <p>15. How will the priorities of each community be taken into account by the proposed entity? For example, we have had strong feedback over the years around not chlorinating water supplies.</p>	<p>Response provided to this query Taumata Arowai will regulate drinking water. The WSE will be required to engage in a meaningful and effective manner with their consumer sand communities</p> <ul style="list-style-type: none"> • Preparation of the investment prioritisation methodology • Asset management plan • Funding and pricing plan <p>The WSE will be required to establish their own consumer forum to</p> <ul style="list-style-type: none"> • Assist with communication and engagement on the technical aspects of key business documents • Ensure a range of consumer interests are considered when finalising important decisions <p>The Regional Representative Group will provide a mechanism for inclusion of more local and regionalised priorities and objectives</p>	<p>Our view: Seek clarification Please refer to the Governance section of this report.</p> <p>We have noted some issues and challenges including from a consumer perspective.</p> <p>The Minister has noted that MBIE will release a discussion paper on the consumer and economic regulation proposals "later this year".</p> <p>"work to design consumer protection mechanisms and develop an economic regulation regime"</p>
<p>16. How will communities be able to influence or have a say in decision-making of the proposed entity as they do now?</p>	<p>Response provided to this query Please 15) above</p>	<p>Our view: Seek clarification Please see 15) above</p>



Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>17. In the new entity six Council and six Tangata Whenua representatives are proposed - how was this number decided?</p>	<p>Response provided to this query</p> <p>A balance between the need to have a workable number of representatives and ensure there is an effective ability to make decisions</p> <p>There will be no more than 12, with a preference of 10 or fewer members</p>	<p>Our view: Seek clarification</p> <p>Please refer to the Governance section of this report. We have noted some issues and challenges regarding the distribution of metropolitan, provincial and rural local authorities including:</p> <ul style="list-style-type: none"> • duration • voting equity based on population
<p>18. What are the implications for the proposed reforms if some Councils opt-out, including governance and compliance compared to opt-in?</p>	<p>General Response to this query</p> <p>The Minister has noted that "Councils will want to consider the changing nature of the regulatory environment... greater focus on":</p> <ul style="list-style-type: none"> • Environmental performance • Enforcement of drinking water standards • Economic regulation (infrastructure investments, delivering efficiencies, fair prices for water users) <p>Compliance pressures are projected to require substantial additional investment by water providers in infrastructure and services</p>	<p>Our view: Seek clarification</p> <p>WDC could seek clarification on governance arrangements.</p> <p>The Minister and DIA have stated that regulations will apply whatever position Councils take (opt in, opt out)</p> <p>The governance structure and general conditions proposed by DIA are designed with a large scale WSE e.g. WSE-D in mind.</p>
<p>19. Is Great Britain's starting base considered the same as New Zealand's current state in terms of infrastructure condition and estimated value of investment?</p>	<p>Response provided to this query</p> <p>DIA(WICS) consider this is the case – New Zealand is in a similar position to Scotland prior to reform in the late 1990's.</p>	<p>Our view: Seek Clarification</p> <p>Request access to the base model and its assumptions</p> <p>Noted</p> <p>DIA (WICS) have utilised information provided during the RFI (workbook) phase.</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>20. Please confirm whether WDC will receive any further financial information or analysis specific to our District, or the proposed South Island water entity?</p> <p>a)) Information we are seeking includes: Detail on the breakdown of the extra-investment required in our District, other than what has been derived from the Scotland example?</p>	<p>Response provided to this query.</p> <p>Councils will receive a tool to:</p> <p>“ examine their financial position re and post the proposed transfer of assets to the new entities”</p> <p>From Q 10) The Minister has stated that WDC (and other Councils) will be provided with access to “a detailed tool” to “enable this analysis to be verified and sensitised using internal council assumptions and scenarios”</p>	<p>Our view: Seek early engagement with DIA regarding involvement in the base values, calculations and assumptions in the “detailed tool”</p> <p>Please also refer Q 10) above</p>
<p>21. Can you provide rationalisation, evidence, and source for stating an ideal population of 600,000 to 800,000 for each entity?</p>	<p>Response to this query</p> <p>The Minister provided seven reference documents</p> <p>“Well accepted in the economic literature that there is a ‘U’ shaped average cost function... indicating an optimal range for water utilities”</p> <ul style="list-style-type: none"> • Aggregation of smaller water providers would likely result in lower average costs • As water suppliers become larger economies of scale affects may be exhausted <p>A range between 0.5 – 1 million connected customers is needed to achieve a level of efficient scale subject to (including):</p> <ul style="list-style-type: none"> • Population density, rurality, topography, geography 	<p>Our view. Noted</p> <p>The Minister and DIA(WICS) have provided information on this.</p> <p>Please refer to the section “WSE – The Proposal and Alternatives” in this report</p> <p>Statistics New Zealand note that the Greater Christchurch is projected to have 653,000 persons by 2048</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>22. Considering Three Waters are NZ's second biggest asset in Land Assets (after roads), how is the Office of the Auditor-General (OAG) involved in the reform process? Furthermore, WICS have used averaging assumptions based on AU and UK data. What is the quality (confidence and reliability) of those datasets to allow for an appropriate comparison?</p>	<p>Response to this query</p> <ul style="list-style-type: none"> The OAG is not typically involved in policy development The OAG noted that local authorities might not be reinvesting enough in three waters Asset information in the UK has been consistently collected for more than 20 years and independently reviewed, DIA(WICS) model for WDC shows the probability of citizens being financially worse off with reform is 4.6% 	<p>Our view. Noted</p> <p>We have reviewed the DIA(WICS) information in our first report, noting we were not able to access their model therefore unable to determine at a technical (values) level the assumptions and relative weighting of assumption</p>
<p>23. We understand that the entity will own the Three Waters assets.</p> <p>a) Please provide details to support the statement that Councils will still own the assets. This does not appear to be the case as Councils will not be able to show them on their balance sheet or assert any direct control over the assets or services within their District. This does not appear to meet the definition of ownership.</p> <p>b) Does DIA have legal advice to support the statement that the assets will remain in Councils' ownership, and can we have a copy of that advice confirming the proposed model meets the legal definition of ownership?</p>	<p>Response to this query</p> <p>The WSE will own the assets. Local authorities will be identified as owners of the relevant WSE on behalf of their communities.</p>	<p>Our view. Noted</p>
	<p>No specific response to this query</p>	<p>Our view. Seek clarification</p> <p>The Minister has noted the ownership model. WDC could seek clarification to determine the form of legal basis for this.</p>

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>24. In determining a cost benefit analysis for a transfer of assets to the new entities, has the MBIE Business Case model been followed?</p>	<p>Response to this query Government has undertaken a Regulatory Impact Assessment (DIA) – based on interdependent components including</p> <ul style="list-style-type: none"> • Strengthened governance • Structural aggregation • Economic regulation 	<p>Our view. Noted</p>
<p>25. How does the reform propose that stormwater discharge be managed within the urban environment? Specifically, where run-off from private sections discharges to the network, often via the road, in addition to road run-off that also enters the drainage network via kerb and channel. It is difficult to delineate the two discharges occurring within the same environment. Would private stormwater be required to be separated from roading stormwater discharge?</p>	<p>Response to the query The Stormwater Technical Reference Group STWG has proposed a framework to guide the transfer of stormwater responsibilities from local councils to WSE.</p> <p>The Minister notes:</p> <ul style="list-style-type: none"> • Specific cases will be worked through during the transition phase • It is likely existing arrangements will be continued by the new WSE 	<p>Our view. Seek clarification Clarification against the SWTG proposed approach could be undertaken.</p> <p>Please also refer to 12) a – where The Minister has indicated that WSE could be contracted to manage stranded assets</p>
<p>26. Why were Councils not given the opportunity to work in partnership with DIA prior to the release of the dashboards on 30 June, as per the Memorandum of Understanding (MOU)?</p>	<p>Response to the query Prior to the release, the approach and dashboard were tested with some local council representatives including LGNZ and the joint central/local government steering committee. The Department (DIA) did not undertake engagement with each individual local authority given the significant time it would have required, delaying the release of the dashboard</p>	<p>Our view. Noted</p>



Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>27. Is the extra spend across New Zealand for drinking water, sewage treatment and stormwater infrastructure and treatment predicated on all properties, whether urban or rural, receiving the full Three Waters services?</p> <p>For Waimakariri this would be a considerable extension to the Three Waters services provided at present by the Waimakariri District Council. In other words, is the scope of the Three Waters Reform to deliver the present 'urban-standard' infrastructure across the entire District and the entire country? And to bring the discharges from those water services up to a standard which meets the NPS FW</p>	<p>General response to this query</p> <p>"The scale of the investment is indicative of the step up in investment to meet current and future regulatory requirements"</p>	<p>Our view: Seek clarification</p> <p>Does DIA(WICS) modelling including investment cover uplift all three waters services to 95% of the population?</p> <p>Beca and DIA(WICS) have both identified the services where 95% coverage has and will be provided - Scotland and New Zealand respectively.</p> <p>Beca noted: (Scotland) "Of the total population of 5,463,300, 95% (or 5,216,172) are connected to networked water and wastewater services"¹⁸</p> <p>WICS modelled growth investment based on extending connection rates across New Zealand to 95%¹⁹.</p> <p>Water Service Entities will be responsible for "three waters" – drinking water, wastewater and stormwater". A reasonable conclusion is that WICS modelled 95 % coverage for all three waters services across New Zealand</p>

¹⁸ "DIA Three Waters Reform – WICS Modelling Phase 2", 15th April 2021 (released 2nd June 2021), [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/becca-report-dia-three-waters-reform-wics-modelling-phase-2.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/becca-report-dia-three-waters-reform-wics-modelling-phase-2.pdf)

¹⁹ "WICS Final Report economic analysis of water service aggregation", released, pp 14 [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-final-report-economic-analysis-of-water-services-aggregation.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-final-report-economic-analysis-of-water-services-aggregation.pdf)

Waimakariri District Council Question 21.07.21	Ministers Response (abridged) 17.8.2021	Waugh Infrastructure Management Limited Assessment
<p>28. Will the proposed Three Waters entities ensure all fresh, marine and groundwater receiving environments meet the NPS-Freshwater 2020? If not, what is the contaminant level for fresh, ground and marine receiving waters inherent in these reforms and where can we find this information?</p> <ul style="list-style-type: none"> Does the cost allowance in the dashboard include achieving NPS freshwater standards for all waterways in New Zealand? 	<p>General response to the query</p> <p>DIA(WICS) modelling included future investment requirements – utilising United Kingdom environmental regulatory requirements. Beca's review of these standards found them to be comparable to existing New Zealand or likely future requirements (direction).</p>	<p>Our view: Seek clarification</p> <p>WDC could via the detailed review process – refer s 20) confirm what has been and could be allowed for with respect to future costs.</p>



Advice on Water Reform Opt-Out

Report to Whangārei District Council

AUGUST 2021

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Definitions

WDC	Whangārei District Council
WICS	Water Industry Commission for Scotland
RFI	Request for Information
DIA	Department of Internal Affairs
LGNZ	Local Government New Zealand
IPART	Independent Pricing and Regulatory Tribunal

Executive summary

The government is proposing to reform the drinking, waste and storm water (three waters) sector. The reform will involve amalgamating the water services of the 67 local authorities into four new regional statutory corporations, with centralised management and a new governance structure. The structure will have indirect Board appointment rights for local authorities to be shared with mana whenua representatives.

The government proposes to amalgamate Whangārei District Council (WDC) into a new statutory corporation called “Entity A” together with the water services of Far North District Council, Kaipara District Council and Watercare Services Limited (owned by Auckland Council) (the Reform Scenario).

The government has given WDC two choices, join the Reform Scenario or Opt-Out. WDC, along with other local authorities, has been asked by the government to consider the evidence and whether the government’s proposal to reform the water sector will deliver benefits to its residents. The government also committed to providing Whangārei with \$38 million in funding under the “better off” package, an additional \$5 million for stranded overhead costs under the “no worse off” package, and further compensation for any loss in WDC’s debt headroom. These amounts are to be part-funded from the balance sheet of the new entity.

Key question: will the Reform Scenario deliver the claimed benefits?

The key question for this report is whether the benefits for WDC that are claimed by the government are robust, and whether the Whangārei community is likely to be better off with the Reform Scenario.

The Reform Scenario uses analysis provided by Water Industry Commission for Scotland (WICS), the Scottish government’s regulator of its monopoly water provider Scottish Water. The WICS analysis and modelling underpins the case for reform. The government has relied on WICS for the claims that significant capital investment is needed in the New Zealand water sector, and that amalgamation into four separate entities with accompanying institutional changes is the only way to achieve the cost-efficiencies to make the reform affordable.

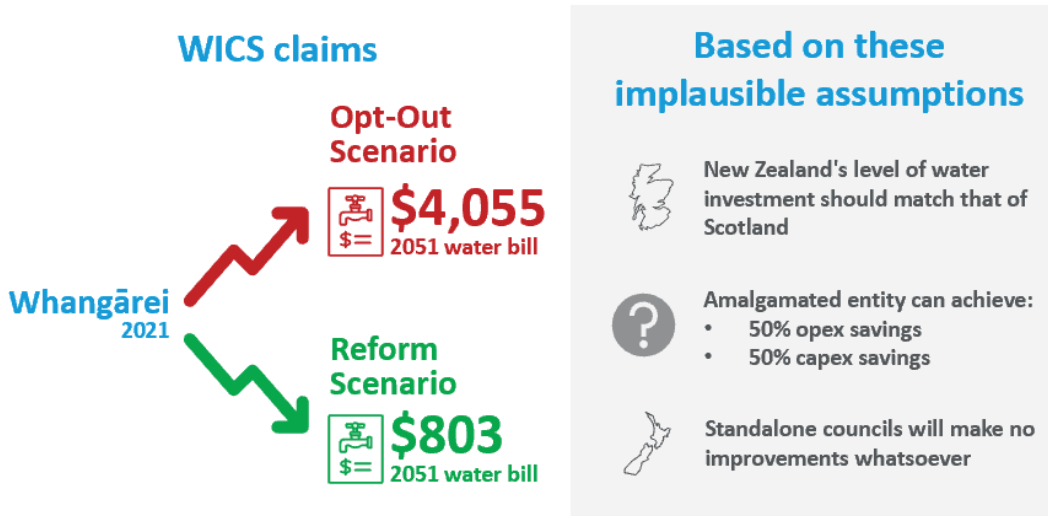
The government is promising that household bills will be four times lower in Reform Scenario than in Opt-Out

The government is promising that the Reform Scenario will deliver household bills that are more than four times lower than the bills that would exist in the Opt-Out Scenario. The government claims that the Reform Scenario will deliver Whangārei residents:

- Household bills that average \$803 by 2051
- Improvements in service delivery and affordability
- Improvement in the ability to raise finance

In contrast, the government’s WICS analysis claims that if WDC provides water services as an opt-out provider, household bills will rise to \$4,055 by 2051.

Figure 0.1: Government's predicted outcomes in Reform Scenario and Opt-Out Scenario



Reform Scenario is based on faulty assumptions and flawed analysis

The Reform Scenario is based on faulty assumptions and flawed analysis. The government has not shown with sufficient certainty to WDC that the claimed benefits of the Reform Scenario will materialise.

The benefits of the Reform Scenario rest on three key claims:

- That WDC (and New Zealand as a whole) needs to invest to match Scottish levels of water sector capital stock per resident
- The amalgamated entity will be able to halve its opex and capex relative to existing opt-out entities
- WDC as an opt-out entity will not improve over the next 30 years.

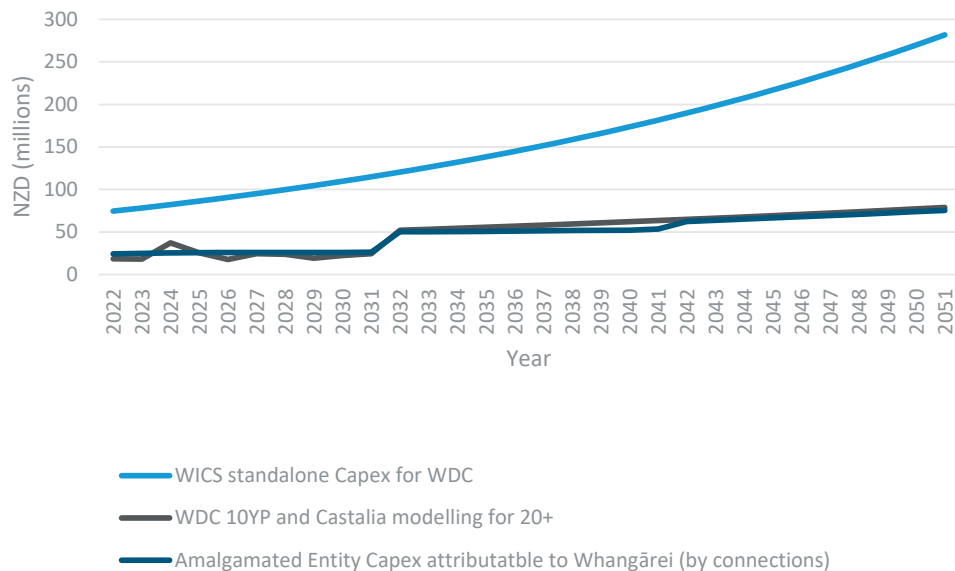
Required investment for WDC and for New Zealand as a whole is overstated

The Reform Scenario rests on WICS' modelling and manual adjustments that assume New Zealand will need significantly higher levels of capital investment over the next 30 years than is currently estimated in local authorities' own 10-year plans. The required capital investment, compared to WDC's own planned investment is illustrated below.

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Figure 0.2 shows how WICS models a significant difference in net investment for WDC in the Opt-Out Scenario compared to WDC's own planned capital investment.¹ However, when the capital investment attributable to WDC in Entity A is calculated using WICS' model, the profile of planned investment is almost identical to WDC's own investment plans.²

Figure 0.2: Net investment scenarios for Whangārei under WICS models and WDC's own plan

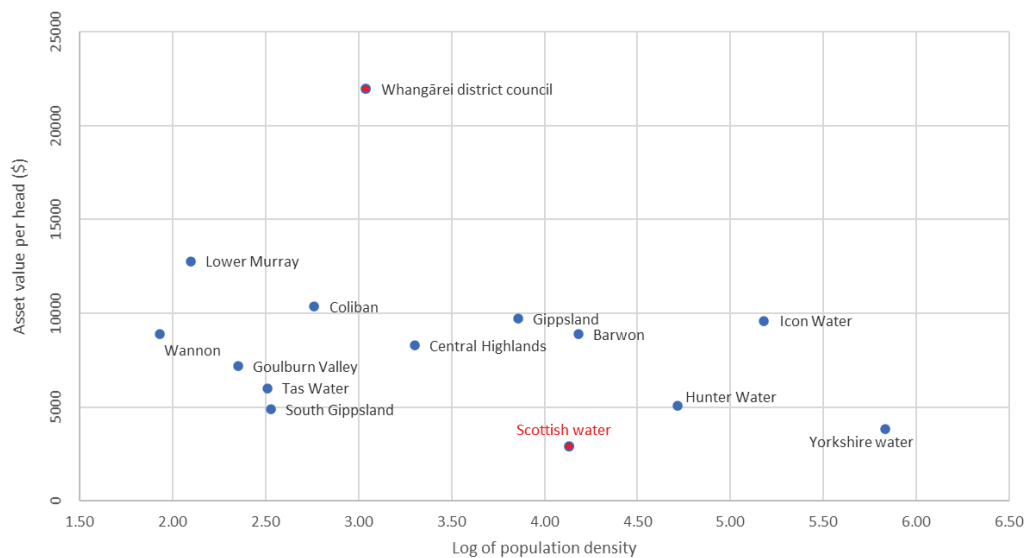


However, in modelling the Opt-Out Scenario, WICS claims that WDC needs large capital investment increases from 2021 because WICS selectively and mechanically applies a model based on Scotland, that WICS suggests shows that New Zealand requires water asset capital stock of up to \$70,000 per capita. However, there is no strong evidence that Scottish asset levels are relevant to New Zealand in general, or to Whangārei in particular. When we compare asset levels per capita to a wider range of water entities in Australia, which has closer similarities to New Zealand's urban geography than Scotland, the choice of the Scottish model is less clear.

¹ Total investment for WDC unconstrained scenario is derived from their Long-Term plans until 2031. After 2031, the investment requirements for years moving forward are projected as an average of total investment from 2022-2031 adjusted for inflation. It has been noted in the RFI that a further investment of \$226 million, \$78 million, and \$55 million will be required for wastewater, water, and stormwater projects respectively. These figures have also been added to the projected investment requirements for 2031-2050.

² Amalgamated entity investment attributable to Whangārei has been calculated by attributing the net investment from the WICS models for Entity A proportionate to the total number of connections for Whangārei.

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Figure 0.3: Asset value per connected citizen for selected water utilities

Note: Castalia could not reconcile WICS' estimated asset value per connected citizen for Scottish Water and Yorkshire Water based on those entities' annual reports. It is possible that WICS may be using undepreciated replacement values for the assets of those entities. For our analysis, we used asset values from the relevant entities' annual reports. As a result, the asset value per connected citizen in this figure for Scottish Water and Yorkshire Water do not match the WICS figures illustrated in Figure 2.1. We included all vertically integrated Australian water utilities where recent replacement values were available.

Efficiency assumptions are implausible

WICS' modelling makes implausible assumptions about the efficiency in the Reform Scenario. The government assumes that the Reform Scenario will deliver 50 percent capital expenditure (capex) savings and 53 percent operating expenditure (opex) savings.

The capex saving is not grounded in any actual evidence, but rather on WICS' observations. The implausibility of capex savings has also been addressed in previous analysis by Castalia for Local Government New Zealand and the Joint Steering Committee. Economies of scale in capex are not available in New Zealand water services, except for minor potential cost savings in procurement.

The opex saving is also derived from Ofwat and Scottish observations. However, for WDC the opex efficiency is implausible because WDC already has comparable opex to Watercare. Furthermore, the government and LGNZ representatives have assured councils that no jobs will be lost in the water sector. Given the profile of WDC's opex (mostly power, labour and outsourced services), it seems unlikely that significant further savings are possible.

WDC is likely to improve water service delivery if it opts out, yet WICS assumes no such improvements

In any case, WDC is likely to improve its services over the next 30 years, yet WICS' modelling assumes that WDC will make no efficiency gains under the Opt-Out scenario. As a result, the Opt-Out scenario, as modelled by WICS, likely overstates WDC's costs.

WDC will be subjected to water quality regulation, and obtain guidance and expertise from Taumata Arowai. Corporatisation and improved performance of other water service providers will lead to changes at WDC that drive better performance as WDC seeks to match the benchmarks set.

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Economic regulation is likely to apply across the sector, not just to four amalgamated entities. The government's assumption that it cannot regulate all council-owned water services is inconsistent with the Commerce Commission's regulation of electricity distribution businesses and inconsistent with the experience in multiple overseas jurisdictions where economic regulators are capable of regulating many entities. Economic regulation is also likely to enable benchmarking and comparisons.

WDC should examine how it can provide a constructive counter-proposal to the government

Water services are critical to wellbeing, so it is very important that options are considered that are locally appropriate. Water services should be safe, resilient, reliable, and customer responsive, at least cost. Some reform of the sector is necessary in some parts of New Zealand. However, the analysis needs to be done to determine where water services fall short of this objective, and for what reasons.

Other than opting out, the Reform Scenario is the only option that has been presented to WDC and other local authorities.

This report has shown that the Reform Scenario is founded on unsound evidence and faulty analysis. The promised benefits of reform are unlikely to materialise. There are risks to the Whangārei community from losing control of water services, and accountability of those tasked with governance to local customers.

We recommend that WDC carry out a proper net benefit analysis, potentially with other local authorities that have a similar viewpoint. This is likely to be many councils, since the WICS analysis has consistent faults that apply to all local authorities. Such an analysis should include the full range of options together with transparent data and sound and contestable analysis so these options can be properly evaluated. There is plenty of analysis, evidence and now a rich data set in the RFI responses for WDC and like-minded local authorities to be able to identify alternative and better reform options. WDC could prepare a constructive counterproposal that achieves desirable objectives, while avoiding the risks and costs of the Reform Scenario.

1 Introduction

The New Zealand government is proposing to reform the drinking, waste and storm water (three waters) sector. It proposes to amalgamate the three waters services of the 67 local authorities into four regional public corporations.

The government is proposing to amalgamate WDC's water services into a new statutory corporation called "Entity A" together with the water services of Far North District Council, Kaipara District Council and Watercare Services Limited, owned by Auckland Council (the Reform Scenario). The government has presented the only alternative to the Reform Scenario as being a situation where WDC remains as a standalone water service provider under council control (the Opt-Out Scenario).

This report analyses the evidence underpinning both the Reform Scenario and the Opt-Out Scenario as follows:

- The Reform Scenario is analysed, and its underlying assumptions tested to determine whether the stated level of household bills is robust (section 2). Specifically the analysis reviews:
 - The estimates of the required level of assets for the Reform Scenario (section 2.1)
 - The estimated efficiencies apparently available in the Reform Scenario (section 2.2)
 - Other aspects of the methodology that raise questions (section 2.3).
- The Opt-Out Scenario is analysed and its underlying assumptions tested to determine whether the stated level of household bills is robust (section 3)
- Finally, the risks and costs to the WDC community with the Reform Scenario are examined (section 4).

2 Government's Reform Scenario produces implausible household bill estimates

The Reform Proposal predicts household bills for 2051. The WICS analysis rests on two key assumptions: First, that the capital stock invested in New Zealand water services needs to increase by a very large amount. Second, that the Reform Scenario will deliver large efficiency gains compared to the Opt-Out Scenario. In our view, WICS' assumed scale of required increase in capital stock, and of the achievable efficiency gains under the reforms, are both implausible.

2.1 Required investment estimate is overstated

The government's case for reform rests on a claim that New Zealand water services require a significant capital investment over the next 30 years. The government relies on WICS advice and analysis to set the level of investment for the Reform Scenario from 2021 to 2051.

WICS' modelling is entirely based on a top-down, New Zealand-wide assumption that a massive nationwide investment programme is necessary for all council water services. This is

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despite WDC and all other local authorities submitting detailed bottom-up information about planned capital investment.

Capital investment is needed in some parts of New Zealand now and in the next 30 years to meet the demands of growth and due to historical deferred and underinvestment. There have been high-profile asset failures. However, it is not clear that the investment is needed in all places, at the scale WICS claim.

WICS are selective in estimating the nationwide required investment amount. WICS also use inappropriate Scottish comparators to support its claim that New Zealand needs to invest at equivalent levels. WICS' estimate of required investment is significantly higher than the levels of investment that asset-owner WDC has estimated will be required.

WICS used projected investment requirements across three investment types that include replacement or renewal investment, enhancement investment, and growth investment projections. These projections are based on assumptions relating to asset lives, replacement costs, inflation, population density, and projected connections growth.

2.1.1 WICS approach to estimating required investment is unsound

In order to estimate the required investment, WICS uses English and Scottish comparators. WICS allocated New Zealand-wide investment requirements for councils based on statistical relationships and observed experiences in England and Scotland. The total investment required is made up of two key components that include 'enhancement and growth' and 'asset replacement and refurbishment'.

WICS modelled the required investment using three approaches. WICS then cross-checked the modelled investment against information gathered from councils' RFI responses. The modelled investment from the three approaches, plus investment specified in councils' RFI responses are summarised in Table 2.1.

WICS took three steps with each of its three modelling approaches:

- Step 1 is to apply econometric models to predict New Zealand's investment needs
- Step 2 is to manually adjust the Step 1 estimate for differences in growth
- Step 3 is to apply a cap of \$70,000 to reflect an assumption about the ability to pay for the investment.

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Table 2.1: WICS modelling approaches for required investment

	Approach	Enhancement and Growth Investment (\$ billions)			Asset replacement and refurbishment (\$ billions)	Total Investment ³ (\$, billions)
		Step 1: Unadjusted model output (NZ \$, billions)	Step 2: Manual adjustment for "differences in growth"	Step 3: Apply cap of \$70,000 per connected citizen		
1	Great Britain comparative Models	49 – 69	63-83	57-77	63-77	120-154
2	Scotland only comparative models (WICS preferred)	73- 99	87 -113	77-100	70-86	148-185
3	Asset value comparisons with UK ⁴	52-57	81-85	77-81	70-79	148-160
	Information included in councils' RFI	53	N/A	N/A	61-69	115-122

Source: WICS Final Report

WICS makes no adjustment for the overlapping nature of growth and replacement investment

We note that, in practice, when enhancement and growth investment takes place, the new upgraded assets often replace at least some ageing assets, thus reducing the need for replacement expenditure. WICS' approach appears to have made no adjustment for this, since the total investment is calculated as the simple sum of 'enhancement and growth' and 'asset replacement and refurbishment', and the estimates for the two categories are derived separately, with no consideration of interaction between the two. This means that WICS' total investment estimate will be overstated.

WICS' preferred model appears highly selective

WICS' models in approaches '1' (Great Britain comparative) and '3' (comparing asset values) produce a level of enhancement and growth investment in Step 1 that is broadly consistent with councils' RFI responses.

Yet despite the consistency with councils' own estimates of investment, WICS' preferred model is approach '2'. Approach '2' reports significantly higher required levels of investment.

³ Total investment is calculated adding enhancement and growth estimates taken from estimates after applying a cap of NZ\$70,000 per connected citizen and the asset replacement and refurbishment expenditures. The range represents the modelled low and high values of investment requirements.

⁴ This approach is briefly explained by WICS to use projected investment that is required to match the levels of asset values per connected citizen in the UK and Scotland for 2020 after adjusting for depreciation and connection differences.

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WICS Step 2 and Step 3 adjustments to its models are unsound

WICS' 'enhancement and growth investment' models in approaches '1' and '2' are apparently driven by population density.⁵ That is to say, the models should automatically predict the required level of investment, given population density in New Zealand. However, WICS has manually increased the required level of investment to "adjust for differences in growth".

WICS then make a further manual adjustment and impose an investment constraint cap of \$70,000 per connected citizen due to affordability concerns, because mechanically applying the Scotland comparator (Step 1) and manual adjustments (Step 2) leads to even higher and even more implausible levels of investment.

WICS ignored local authorities' own estimates of required investment

All local authorities in New Zealand agreed to provide the government with comprehensive information about water services during the Request for Information (RFI) phase in mid-2020. The RFI responses included a full picture of all local authorities' planned water sector investment.

Local authorities, as asset owners with accountability to local communities, have a sound understanding of the investment needs required in three waters' services. WICS could have used this detailed and rich data source to estimate the required investment levels. WICS could have made adjustments to the RFI data to account for any conservatism, or to account for differences in the sophistication of management in estimating investment needs. However, WICS preferred top-down modelling using overseas comparators.

2.1.2 Required investment level is based on inappropriate Scottish comparators

WICS estimate of New Zealand's water investment needs is based on an assumption that it must match investment levels in Scotland. This is justified on the grounds that NZ has a relatively lower level of urbanisation.⁶ However, WICS does not use urbanisation figures in its analysis. Instead, it uses population density, which is a different concept.

WICS concludes that Scotland is the most appropriate guide for the required level of investment because of New Zealand's low population density compared to other areas in the United Kingdom.

WICS predicts New Zealand's water investment needs based on correlation with population density

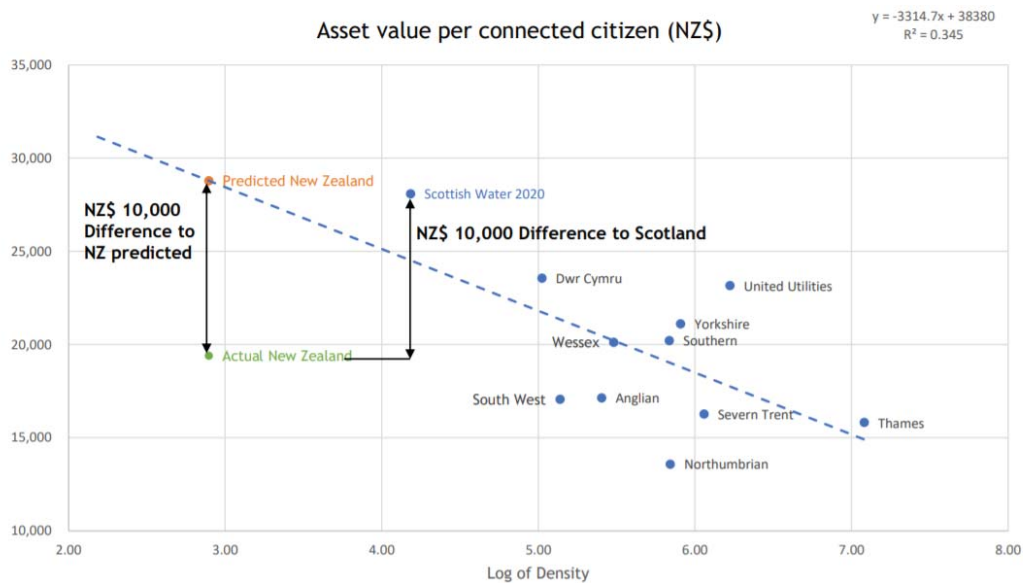
WICS identifies a correlation between English and Scottish drinking water and wastewater asset value levels and population density. This is illustrated in Figure 2.1, which we reproduced from WICS report. Based on the correlation between asset value levels and population density, WICS suggests that NZ investment needs to rise significantly. According to this correlation, New Zealand's top-down, national-level required investment is \$10,000 lower than it should be.

⁵ WICS supporting material 1 – required investment (slide 33), [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supporting-material-1-required-investment.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supporting-material-1-required-investment.pdf)

⁶ WICS supporting material 1 – required investment (slide 19), [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supporting-material-1-required-investment.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supporting-material-1-required-investment.pdf)

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Figure 2.1: New Zealand's asset gap according to WICS



Source: WICS final report

Population density is not a good predictor of required asset value levels

However, WICS does not show how the weak correlation in Scotland and England might predict water investment needed in New Zealand. No causal link is drawn. We were also unable to reconcile WICS' Asset value per connected citizen figures for Scottish Water and Yorkshire. They are much higher than what is implied by the asset values listed in those entities' annual accounts. It is possible that WICS may be using undepreciated replacement values for the assets of those entities, which should not be compared to the optimised depreciated replacement values submitted by WDC.

We analysed other regulated water utilities, including in Australia, to determine whether there was a clear relationship between asset level per connected citizen and population density. Australia has some similarities with New Zealand in that its population is highly urbanised, but overall population density is quite low, because towns are far from each other. Australia's towns developed at a similar time to New Zealand's and therefore follow the same typical geography (detached houses on suburban sections). Figure 2.2 shows a plot of asset value per connected citizen for water utilities in Australia, Scottish Water, Yorkshire Water and WDC.

For our analysis, we used asset values from the relevant entities' annual reports. As a result, the asset value per connected citizen in this figure for Scottish Water and Yorkshire Water do not match the WICS figures in Figure 2.1.

There is a very weak relationship between population density and asset value per connected citizen as identified by WICS. Figure 2.2 shows that by adding or removing comparator water providers, the correlation line could change markedly.

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Figure 2.2: Asset value per connected citizen for selected water utilities



Note: Castalia could not reconcile WICS' estimated asset value per connected citizen for Scottish Water and Yorkshire Water based on those entities' annual reports. It is possible that WICS may be using undepreciated replacement values for the assets of those entities. For our analysis, we used asset values from the relevant entities' annual reports. As a result, the asset value per connected citizen in this figure for Scottish Water and Yorkshire Water do not match the WICS figures illustrated in Figure 2.1. We included all vertically integrated Australian water utilities where recent replacement values were available.

There are significant differences between Scotland and New Zealand geographies

Scotland is not a relevant comparator for New Zealand water services because of fundamental differences between the two countries' geography. In water services, geography is important for the cost and quality of service. Denser urban areas tend to have lower average costs of service. Water services with more dispersed customers have to distribute drinking water, and pump wastewater over longer distances with more pipes, dispersed treatment infrastructure and higher costs. Aside from some high-level discussion of available water sources, and similar populations, WICS has not investigated why Scotland's geography is a good predictor of New Zealand's water investment needs.

The total land area and the geographical distribution of the populations are very different. WICS incorrectly assumes that lower population density in New Zealand implies lower levels of urbanisation. Table 2.2 illustrates how New Zealand's population is more urbanised than Scotland's, but despite this, New Zealand still has a lower population density. A larger majority of New Zealand's population live in urban areas and the urban population is more likely to grow in New Zealand as compared to Scotland.

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Table 2.2: Urban population statistics of New Zealand and Scotland

	Population Density(people per sq. km of land are)	Urban population (% of population)	Population in the largest city (% of urban population)	Urban population growth (annual %)
New Zealand	18.6	86.7	36.4 (Auckland)	2.2
Scotland	65	83.04 ⁷	11.6 (Glasgow)	-0.06 ⁸

Source: World Bank Indicator Database, 2020

2.1.3 WICS' required investment estimate is much higher than WDC's investment plans

WDC's investment plans in its 10-year plan and longer-term investment planning are significantly lower than the WICS estimates for the Opt-Out Scenario. WDC's RFI response reveals that its planned investment is orders of magnitude below the level that WICS' model predicts. This is despite the WDC having a similar level of asset value per connected property as Auckland's Watercare, the largest water provider and, according to WICS, the most sophisticated. The net assets per connected property was \$23,732 for Auckland and \$22,831 for WDC in 2020.⁹ Moreover, WDC compares even more favourably than Scottish Water in terms of asset values per connected citizen, as illustrated in Figure 2.2

Figure 2.3 illustrates the significant difference between WICS' modelled net investment needs for WDC, and WDC's own planned capital investment.¹⁰ We also calculated the capital investment attributable to WDC in Entity A using WICS' model and find that it is remarkably similar to WDC's own investment plans.¹¹

⁷ <https://www.gov.scot/publications/rural-scotland-key-facts-2018/pages/2/>

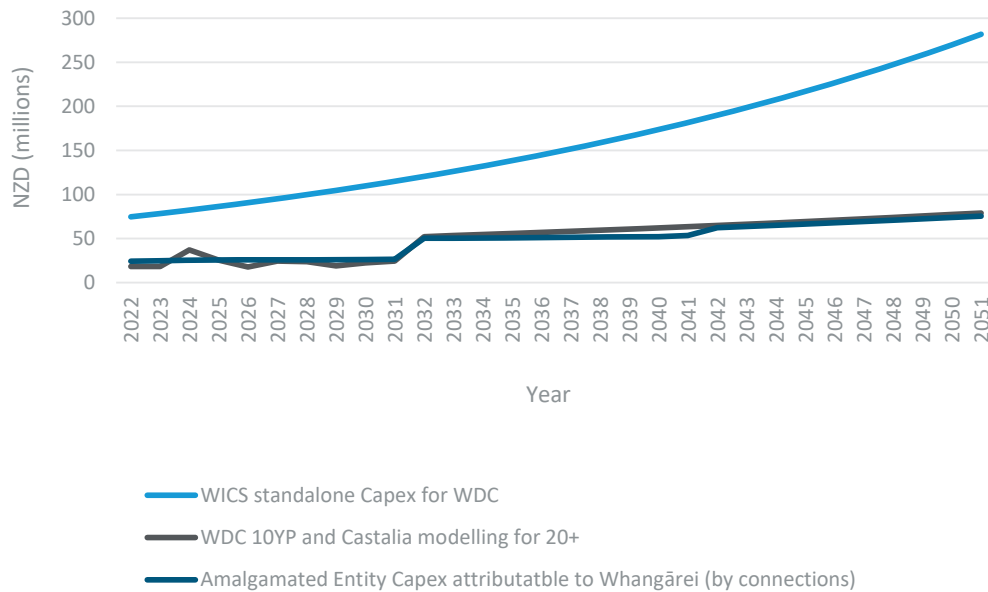
⁸ Urban population as a percent of total population has decreased by 0.06 percent between 2018 and 2019. <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/2011-based-special-area-population-estimates/population-estimates-by-urban-rural-classification>

⁹ Calculated from WDC and Auckland Council's RFI responses.

¹⁰ Total investment for WDC unconstrained scenario is derived from their Long-Term plans until 2031. After 2031, the investment requirements for years moving forward are projected as an average of total investment from 2022-2031 adjusted for inflation. It has been noted in the RFI that a further investment of \$226 million, \$78 million, and \$55 million will be required for wastewater, water, and stormwater projects respectively. These figures have also been added to the projected investment requirements for 2031-2050.

¹¹ Amalgamated entity investment attributable to Whangārei has been calculated by attributing the net investment from the WICS models for Entity A proportionate to the total number of connections for Whangārei.

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Figure 2.3: Total Net Investment scenarios

2.2 Efficiency estimates for Reform Scenario are implausible

WICS uses efficiency assumptions in its analysis of the amalgamated entity (Entity A). The efficiency assumptions drive significant cost savings for the Reform Scenario. WICS assumes that:

- Capital expenditure (capex) efficiency will reach 50 percent
- Operating expenditure (opex) efficiency will reach 53.3 percent

It also assumes a total factor productivity efficiency improvement of 0.4 percent per annum for the Reform Scenario but not for WDC as an opt-out entity. These efficiency estimates are highly implausible.

2.2.1 Capex efficiency estimates are implausible

WICS claims that the Reform Scenario will result in 50 percent lower capital costs. WICS claims that Entity A will progressively improve its capex efficiency so that by 2041 it is saving 50 percent per annum. That is, by 2041, for each \$0.50 invested, Entity A will get \$1.00 of capex value. This is an implausible assumption for the following reasons:

- The assumption is not sourced to any credible authority or from any observed experience that is relevant to New Zealand
- WICS has not shown how Scottish Water capex has any bearing on New Zealand water services and geography

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- Only very minor economies of scale are available in New Zealand water services
- The assumption has been criticised by government-appointed peer reviewers
- The assumption does not consider diseconomies of scale.

The Entity A model results are highly sensitive to this assumption, so if it is wrong, the benefits of the Reform Scenario change drastically.

WICS capex efficiency is based on a single source of information

WICS capital expenditure assumption is based solely on a belief that it “seems reasonable to expect a reformed three waters industry in New Zealand to match the efficiency improvement of the industry in Scotland and by the water and sewerage companies in England and Wales.” The only quantitative analysis WICS says it has undertaken to support this belief is an observation that Scotland improved capital expenditure efficiency from 2002-2021. This quantitative analysis has not been substantiated in any documents released to WDC. There are many reasons why Scottish Water may have improved reported capital expenditure efficiency. These reasons are likely to be specific to Scottish Water. Decision-makers need an explanation of those reasons to understand whether the same improvements can be achieved in New Zealand entities. WICS provides no such explanation.

The citation used in the Entity A model¹² is also misleading. WICS incorrectly cites the source for the capital efficiency improvement as “based on observed experience from GB”. However, the actual source of WICS’ capital efficiency assumption is not Great Britain at all. Rather WICS cites¹³ the single observation of claimed efficiency improvements by Scottish Water from 2002-2021.

WICS claims that the capex efficiency will come from:

- Economies of scale
- Clarity of policy priority
- Robust water quality and environmental regulation
- Economic regulation
- Excellence in management.

WICS does not disclose the relative contribution of these factors to the total 50 percent efficiency gain. In section 3 below, we discuss how water service providers in the Opt-Out Scenario are likely to improve as a result of the improved water quality regulatory regime, how management may improve, and how it is possible that economic regulation could apply to other water services (not just the amalgamated entities).

Scotland is an inappropriate model for Entity A—Auckland, Whangārei, Kaipara and Far North

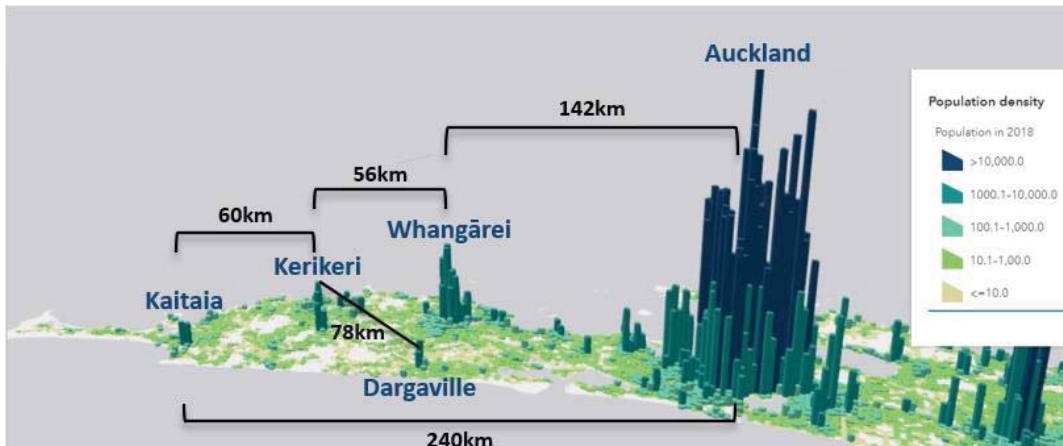
The population within the Entity A boundaries almost all live in urban areas. There are significant distances between each urban area. Figure 2.4 illustrates the population densities and distances between Entity A towns.

¹² And in the models for Entity B, Entity C and Entity D.

¹³ WICS slidedeck “Entity A: the use and analysis of the RFI information and other benchmarks”, available at: <https://www.dia.govt.nz/Three-Waters-Reform-Individual-council-models-and-slidepacks>

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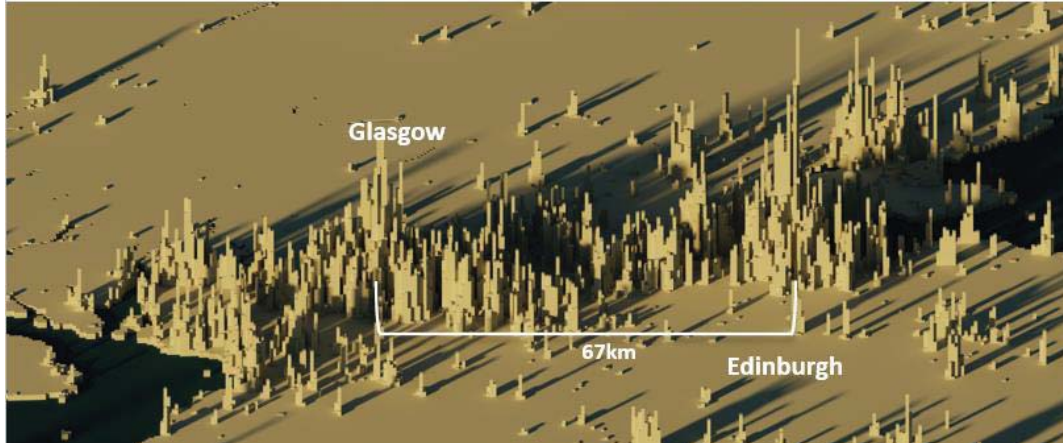
Figure 2.4: Major cities within the proposed Entity A and the distances between them



Source: NZ Population in 3D, Stats NZ

This is different from Scotland, where most of the population lives in the narrow band that is between and around Glasgow and Edinburgh (Figure 2.5). There is potential for agglomeration efficiencies and for networks to achieve some scale benefits based on proximity alone.

Figure 2.5: Population density (persons per square kilometre) in Scotland



Data Source: <https://www.worldpop.org/> (3D map generated by Castalia)

In contrast, almost 99 percent of the total population of proposed Entity A live in urban areas with significant distances between them. This means that the “asset optimisation” (that is, the ability to consolidate water networks between towns) is likely to be much lower than as claimed by WICS due to significant distances between New Zealand towns.

Economies of scale are not available in water services from amalgamations at the level WICS claims

Castalia has previously advised DIA, LGNZ and the Joint Steering Committee that the economies of scale claimed in WICS’ 2020 slidedecks from administrative amalgamations were

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implausible. In New Zealand, only minor economies of scale are achievable through institutional reform, and these will be mostly in management and procurement (not infrastructure capex).¹⁴ Castalia showed that economies of scale are unlikely to be available in New Zealand on the basis of the evidence presented by WICS, Frontier Economics and in the economic literature relied on by the government. The findings in Castalia's 2020 Economies of Scale report have not been rebutted.

WICS claims that the 50 percent capex efficiency gain emerges when water entities achieve a population of 800,000 or more. It also claims that entities serving a minimum population of 59,000 increase capex efficiency as they approach the 800,000 population number. This claim has no basis in the economic literature.

In fact, the literature that looks at the specific question of whether economies of scale are available from administrative amalgamations find that there are none except in highly specific circumstances, not present in New Zealand. Economies of scale estimate is based on non-credible evidence

When preparing the 2020 Economies of Scale report, Castalia reviewed the WICS 2020 slidedecks. Access to the underlying models and assumptions was refused. In the 2020 Economies of Scale report, we were advised¹⁵ that the economies of scale assumption was based on England, Wales and Scotland observations. However, we now know that the supporting evidence for the 53 percent capex efficiency is a single Scottish observation from 2002-2021.¹⁶

WICS economies of scale claims are rejected by peer reviewers FarrierSwier

FarrierSwier peer-reviewed WICS' approach and had access to the underlying models. It found that "WICS analysis cannot be used to definitively conclude that amalgamation in and of itself will lead to material efficiency gains in New Zealand"¹⁷ Its review did not assess whether the outputs from the WICS analysis are reasonable or free from error.¹⁸

FarrierSwier also state "significant care should be taken when relying on the capital efficiency gaps estimated by WICS. This is particularly important, given the significant step up in investment forecast for the 30-year period and the role that the capex efficiency assumption plays when estimating benefits from amalgamation and associated reform." Like Castalia, FarrierSwier express concern with the sensitivity analysis approach.

Diseconomies of scale not considered

Diseconomies of scale can emerge from administrative amalgamations in water services. This was not considered in WICS' modelling.

WICS has overlooked a relevant case from Australia. In 1992, Melbourne and Metropolitan Board of Works merged with several smaller urban water authorities to form Melbourne

¹⁴ Castalia (2020), Analysing Economies of Scale in New Zealand Water Services: Report to Local Government New Zealand

¹⁵ Conference call between Castalia and WICS (Alan Sutherland) on 20 August 2020

¹⁶ WICS (2021), Slidedeck "Entity A: the use and analysis of the RFI information and other benchmarks", available at: <https://www.dia.govt.nz/Three-Waters-Reform-Individual-council-models-and-slidepacks>

¹⁷ FarrierSwier (2021), Three Waters Reform: Review of the methodology and assumptions underpinning economic analysis of aggregation, page 29

¹⁸ FarrierSwier (2021), Three Waters Reform: Review of the methodology and assumptions underpinning economic analysis of aggregation, pp. iv-v

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Water. However, in 1995, the entity was disaggregated, and Melbourne Water reformed to become a wholesale water company only. City West Water, South East Water and Yarra Valley Water became separate retail water companies...¹⁹ Several studies confirm that the three disaggregated retail water entities achieved significant cost efficiencies and service level improvements compared to Australian and international water companies since the disaggregation of Melbourne Water...²⁰ A benchmarking analysis using data from 2002-2003 concluded that the three separate retailers performed “at or near the determined efficiency frontier”...²¹ It also made major improvements in customer services in comparison to major urban water authorities in Australia. Melbourne’s disaggregated water entities even performed better than UK water companies, according to Ofwat...²²

2.2.2 Opex efficiency estimates are implausible

Efficiency estimates derived from econometric studies in the UK are used in the Reform Scenario to drive a claimed 53.3 percent saving in opex.

WICS use econometric models to claim that opex efficiencies of 50 percent are possible

WICS has used an Ofwat 2004 econometric model to estimate that, after reform, larger New Zealand water entities can achieve up to a 53.3 percent efficiency improvement to operating expenditure (opex).

To estimate the opex efficiencies, WICS combined 2003-2004 data from the UK with recent data from New Zealand councils to estimate a performance baseline to measure New Zealand water entities against. To ensure compatibility of the estimates with New Zealand’s operating environment, the gaps in efficiency between New Zealand entities and the benchmark were adjusted with ‘special factors’ related to regulatory, geographic and environmental factors that were considered unique to New Zealand.

Based on observed efficiency gains from UK water reforms, WICS assumes that New Zealand water reforms may achieve the same operating efficiency results – roughly a 50 percent improvement.

It is important to note that these estimates are an assumed benchmark that provides a guide to what might be possible based on experiences in the UK water sector but, as peer reviewer FarrierSwier notes, care needs to be taken as it is not possible to conclude that those efficiencies can be realised...²³

From observations of UK data, larger water entities – those serving populations greater than 800,000, realised larger efficiency improvements than smaller entities. As such, WICS assumes

¹⁹ <https://www.melbournewater.com.au/water-data-and-education/water-facts-and-history/history-and-heritage/timeline-our-history>

²⁰ Water Ways: Inquiry into Reform of the Metropolitan Retail Water Sector (2007). <https://www.dtf.vic.gov.au/sites/default/files/2018-02/reform-of-the-metropolitan-retail-water-sector-inquiry.pdf>

²¹ Coelli and Walding (2006), "Performance measurement in the Australian water supply industry: A preliminary analysis." Performance measurement and regulation of network utilities, 29-61.

²² Annual Report 2007-08 (Ofwat) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/250280/0589.pdf

²³ FarrierSwier (2021), Three Waters Reform: Review of the methodology and assumptions underpinning economic analysis of aggregation, page 60

that given the small size of individual councils in New Zealand, the councils will not be able to fully realise the predicted efficiency improvements if they do not amalgamate.

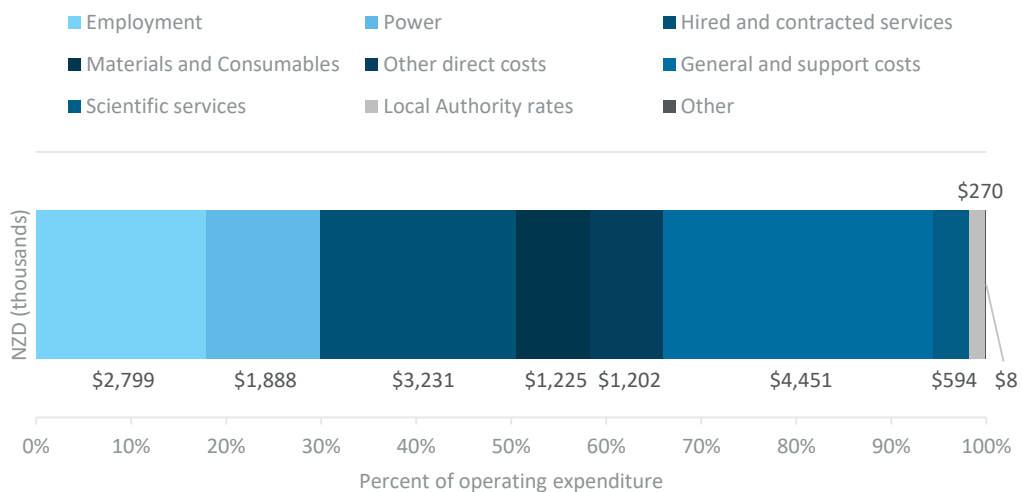
WDC does not appear to have significant opportunity for opex savings

A 50 percent reduction in WDC’s opex costs appears implausible given the nature of those costs. Approximately 58 percent of WDC’s opex costs are made up of employment, hired and contracted services, power, and materials and consumables. Power costs will not reduce significantly as a result of administrative amalgamations. Some minor cost savings are possible for materials and consumables in the Reform Scenario (for example, as a result from buying in bulk). However, none of the opex costs are likely to fall by 50 percent.

Labour cost reductions, including direct employment costs and hired and contracted services, would not be expected to decrease, based on promises of no job losses from government representatives and Three Waters Steering Committee members:

- Rachel Reese, Mayor of Nelson and Three Waters Steering Committee member stated: “all of our staff in our organisations... you will have a guaranteed role in the new service entities. The role will retain the features of your current role; your salary, your terms, and your location.”²⁴
- Grant Robertson, Minister of Infrastructure said, “The recognition of the workforce... the current workforce involved in this space... this is more work here, more jobs here, higher paid jobs here, that transitional process must include that workforce and must include you, and I want to give that commitment to you today.”²⁵

Figure 2.6: WDC three waters operating expenditure breakdown



Source: Whangārei District Council RFI, averaged data from 2019-2021

²⁴ Rachel Reese, Mayor of Nelson and Three Waters Steering Committee member – Thursday 15th July 2021, LGNZ Conference Speech [00:23:12:00], available at <https://www.lgnz.co.nz/about/lgnz-conference/2021-lgnz-conference/videos-conference-2021/>

²⁵ Grant Robertson, Minister of Infrastructure – Thursday 15th July 2021, LGNZ Conference Speech [00:33:40:00], available at <https://www.lgnz.co.nz/about/lgnz-conference/2021-lgnz-conference/videos-conference-2021/>

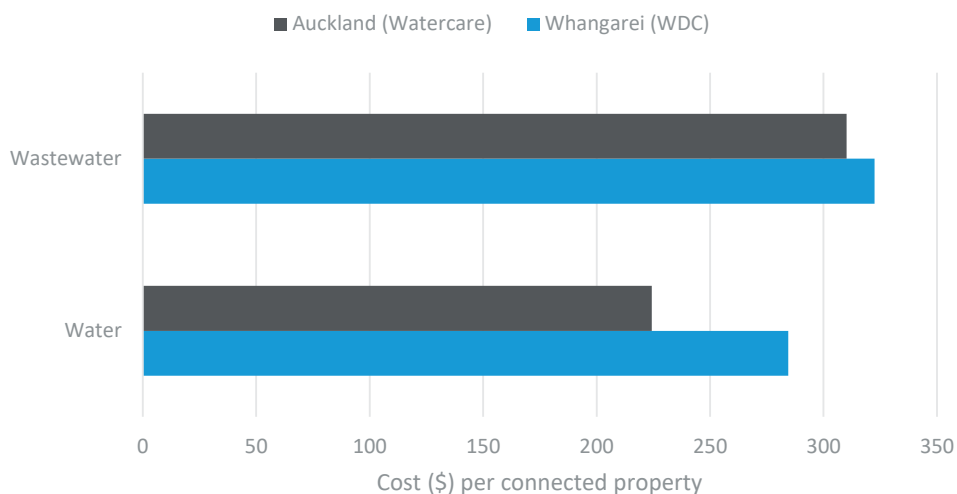
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WDC's opex costs are similar to Watercare's suggesting WDC is already performing efficiently

Despite serving a significantly smaller customer base compared to Auckland (~25,000 compared to ~525,000 connected properties) WDC has similar opex per connected property for water as Watercare in Auckland: \$284 compared to \$224. The relative difference in opex per connected property for wastewater is even lower for WDC and Watercare: \$322 compared to \$310.

This suggests that Whangārei is already operating to a level of efficiency close to that of Watercare, which already represents 95 percent of the connections of the Reform Scenario Entity A. It is difficult to understand how scale could improve opex efficiency at WDC given that it has comparable opex costs to Watercare.

Figure 2.7: Operating expenditure cost per connected property



Source: Whangārei and Auckland RFI

WDC, and other local authorities already outsource operational capability to scale providers

Many New Zealand water companies already outsource operational capability to specialist providers. Several large-scale providers deliver services across all of New Zealand, such as Downer, CityCare Water and Veolia (a global specialist water services company). Other large-scale providers operate on a regional basis, such as Watercare (which provides services around Auckland).

Outsourced services amount to around 20 percent of WDC's annual opex costs. Outsource providers already achieve economies of scope and scale across regions and New Zealand. This is because outsourced service providers can offer specialist expertise on a contracted basis, where full-time employment of staff may not be warranted. Outsource providers also compete with one another for council contracts. This ensures prices tend towards costs and it incentivises efficiency improvements. Cost reductions of up to 50 percent in the already competitive outsource service provider market is implausible.

2.3 WICS analytical approach has other methodological flaws

WICS' analytical approach has a range of other flaws.

WICS uses an unconventional method that back-solves the revenue path

Typical best practice for calculating the cost of service and tariff levels for water utilities and other regulated services in developed and developing countries is to use the "building blocks approach". The building blocks approach is used by the New Zealand Commerce Commission for a range of regulated infrastructure industries, Australian water economic regulators such as IPART and Essential Services Commission, and by Ofwat in the UK. The building blocks approach reveals a more accurate cost of service, and therefore the revenues required to meet costs.

However, WICS uses a novel method to estimate household bill levels. The projected revenues which result in the "household bills" are calculated based on a hard coded revenue path. Typically, a model used to predict costs (and therefore revenues required to cover costs) should determine the revenue path as an output of the model, informed by the assumptions. However, the revenue path is back solved and has been hard-coded to align with the debt ratios (250 percent of revenue for the Opt-Out Scenario).

Key discretionary assumptions made by WICS inevitably lead to the Reform Scenario demonstrating superior results

WICS modelling approach uses a number of key discretionary assumptions that are highly favourable for the Reform Scenario and highly unfavourable for the Opt-Out Scenario. With such assumptions, it was inevitable that WICS modelling would reach the conclusions that it did.

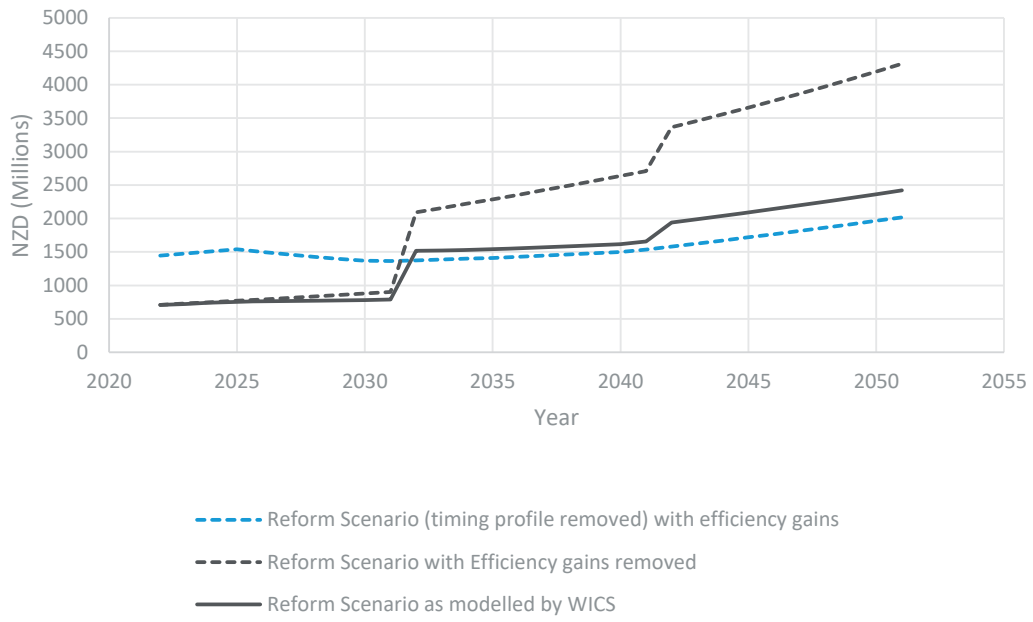
The model assumes that capex efficiency can only begin to be realised if the council's population size is greater than 59,000. The efficiency factor increases progressively to 50% when a threshold of 800,000 population is crossed. This 'limit' set by WICS automatically assumes that many councils, including WDC, will not realize any efficiency gains, while every amalgamated entity will realize efficiency gains of over 50%.

Further, the net investment profile is modelled differently in the Reform Scenario compared to the Opt-Out Scenario. In the Reform Scenario, WICS has only included the large investment requirements after 2031. Yet, in the Opt-Out Scenario, WICS included the large investment requirements from 2021. The effect is that, in the Reform scenario, the benefits of the new investment are delayed by up to a decade, while the costs arrive just in time to be reduced by the maximum efficiency gains assumed in the model. We note that 2031 is the first year when the WICS model allows maximum efficiency gains to be realised.

The figure below demonstrates the effect of WICS' time-profile adjustment on the Reform Scenario. The solid black line shows WICS' stated new investment path, while the blue dashed line shows what that path would have been without the manual adjustment WICS made to the time-profile of the investment. For illustrative purposes, the black dashed line also shows what the new investment path looks like before WICS applies efficiency gains.

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Figure 2.8: Impact of time-profile adjustment on new investment path under the reform scenario



3 WDC's Opt-Out household bills are likely to be much lower than government estimates

The government's analysis of the benefits of reform compares the Reform Scenario to a situation where no reform and no service improvement takes place (the Opt-Out Scenario). This is an incorrect assumption and leads to significant overstatement of the modelled and claimed benefits. In the Opt-Out Scenario, several factors are likely to lead to improved water services, as well as efficiencies, even if more investment is required.

3.1 WICS overlooks WDC's current high relative performance

WICS have overlooked WDC's current performance relative to other water service providers across a range of measures. Because WICS's analysis is conducted at a top-down, national level, it cannot incorporate WDC's current high relative performance. WICS prediction of WDC's performance under the Opt-Out Scenario is much worse than the performance WDC can actually expect, given its track record.

WDC is performing well compared to other Entity A water providers

WDC is already meeting high performance standards for drinking water quality, environmental outcomes and economic performance. WDC had only 9 drinking water complaints per 1,000 properties compared to 7, 13 and 78 for Watercare, Kaipara District and Far North District respectively. WDC has significantly fewer wastewater complaints than Watercare, Kaipara District and Far North District per 1,000 properties in FY2020.²⁶ WDC water services "continued to produce A-grade water from all seven water treatment plants"²⁷ achieving 100% Health Act compliance in FY 2020. WDC had 88.9% discharge permit compliance compared to 50% in Auckland in FY 2020. Non-compliance was related to smaller schemes reflected by a 2.3% population equivalent metric. WDC also recorded 0 wastewater sewer collapses in FY2020.²⁸

Whangārei has significantly lower levels of three waters debt compared to Auckland Far North and Kaipara. WDC retained a Standard and Poors credit rating of AA+, on par with the Crown.²⁹ WDC is expected to increase capex by \$231 million until 2031 under current capital expenditure plans.

WDC has close to 100 percent metering—unlike other parts of New Zealand and unlike Scotland

Water meters enable service providers to monitor consumption, detect leaks, and target investment where it is most needed. Water meters enable opex efficiency savings and can lower overall capex. Demand management initiatives are enabled. Demand management can

²⁶ Castalia review of local authority and water provider annual reports.

²⁷ Whangārei District Council 2020 Annual Report, p. 50

²⁸ Castalia review of local authority and water provider annual reports.

²⁹ Local Government Funding Authority, List of LGFA Guarantors, available at: <https://www.lgfa.co.nz/files/documents/List%20of%20LGFA%20Guarantors%2016%20March%202021%20CURRENT.pdf>

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include peak demand pricing, or pricing during periods of drought or other water scarcity. Demand-side management can reduce a provider's need to invest in additional capacity, thereby reducing overall investment requirements.

Very few households have water meters in Scotland. 2016/17 data reported to the Scottish Parliament states that only 0.016 percent of all households in Scotland had water meters (400 out of 2.4 million households)...³⁰ In England (which has been subject to regulation and a privatised sector since 1989) and Wales (subject to regulation, owned by a not-for-profit corporation) only around half of all households have water meters...³¹

Therefore, the claim that WDC cannot match the improvements WICS claims to observe in Scotland and elsewhere in the UK is likely wrong.

3.2 Improved regulatory regimes will incentivise improved performance by WDC

The New Zealand regulatory regime for water services has been suboptimal. The government is reforming water quality regulation to improve compliance and lift the performance of water providers. The Reform Scenario also proposes to create a new economic regulator. Environmental outcome regulation will remain the responsibility of regional councils.

The government and WICS have assumed that WDC and other councils that opt-out of the Reform Scenario will not improve performance because of the new regulatory regimes, or that regulation will not apply. These underlying assumptions are flawed.

3.2.1 Water quality regulation will likely lead to improved performance by WDC

The New Zealand water reforms also involve significant change to the water quality regulatory regime. The Ministry of Health has been responsible for water quality regulation over the past 60 years (and pursued a solitary prosecution). The government introduced the Water Services Bill in July 2020. It is at the second reading stage. The Bill will formally establish the drinking water quality regulator Taumata Arowai.

The governments' objective for the Bill is to set a clear national policy direction for the three waters sector, ensure people can access water that is safe to drink, effectively manage risks to drinking water safety, and strengthen compliance, monitoring and enforcement...³².

The government claims the new regulator will provide sector leadership, technical and scientific expertise, greater clarity on what is expected of councils and increased support for compliance. Specifically, the government claims that WDC, and other water service providers will improve performance as a result of Taumata Arowai's assistance and intervention. The government notes that Taumata Arowai will:

³⁰ Committee on Climate Change (2016), Scottish Climate Change Adaptation Programme: An Independent Assessment for Scottish Parliament, available at: <https://www.climatechange.org.uk/media/3578/bw-briefing-note-uptake-of-water-metering-2018.pdf>

³¹ Water UK website: <https://www.water.org.uk/advice-for-customers/water-meters/>

³² 1 July 2019, Cabinet Paper: Strengthening the Regulation of Drinking Water, Wastewater and Stormwater, Offices of the Ministers of/for Local Government, Health and Environment, pg 2, available at: [Cabinet-Paper-and-minute-Strengthening-regulation.pdf \(dia.govt.nz\)](#)

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- be “responsible for oversight and monitoring of drinking water safety, public communications, ensuring coordination across the sector, leading or overseeing the response to drinking water emergencies, and emergency response planning” ³³.
- “strengthen the approach to drinking water compliance, monitoring and enforcement” by centralising these functions and responsibilities leading to more consistent application ³⁴.
- “work with suppliers and training providers to ensure suitable training is available and being taken up, and ensure the sector has sufficient capability to fulfil its responsibilities.” ³⁵
- “become a centre of technical and scientific expertise. It would provide best practice advice and guidance to suppliers, councils, and other entities involved in drinking water safety, supply and management; and facilitate research into drinking water science.” ³⁶

The government also notes that it will ensure the new regulator “has the powers and resources needed to perform these functions consistently and effectively” ³⁷.

Water quality regulation will improve the performance of WDC and other councils in supplying water services. There will be greater clarity regarding what requirements WDC must fulfil and resources to assist WDC in meeting these requirements.

3.2.2 Possible improvements from economic regulation regime have been overlooked

The proposed economic regulation regime could improve WDC’s performance. Economic regulation, if well-designed, can enable benchmarking between providers and incentivise water service providers to improve service quality and lower costs. The details of the economic regulation regime have not been designed, and only high-level descriptions of the regime are available.

However, the government and WICS have assumed that the proposed economic regulation regime either cannot apply to councils that opt-out of the Reform Scenario, or will have no material effect on the performance of those councils. This assumption is flawed. Even if WDC is not subjected to economic regulation, it is likely to make improvements based on benchmarking and performance comparisons.

Government’s assumption that economic regulation cannot apply to numerous council-owned water services is seriously flawed

The government assumes that it is not feasible to regulate 67 water service providers. The government and its advisors at Ministry of Business, Innovation and Employment and

³³ 1 July 2019, Cabinet Paper: Strengthening the Regulation of Drinking Water, Wastewater and Stormwater, Offices of the Ministers of/for Local Government, Health and Environment, page 24

³⁴ 1 July 2019, Cabinet Paper: Strengthening the Regulation of Drinking Water, Wastewater and Stormwater, Offices of the Ministers of/for Local Government, Health and Environment, page 16

³⁵ 1 July 2019, Cabinet Paper: Strengthening the Regulation of Drinking Water, Wastewater and Stormwater, Offices of the Ministers of/for Local Government, Health and Environment, page 25

³⁶ 1 July 2019, Cabinet Paper: Strengthening the Regulation of Drinking Water, Wastewater and Stormwater, Offices of the Ministers of/for Local Government, Health and Environment, page 25

³⁷ 1 July 2019, Cabinet Paper: Strengthening the Regulation of Drinking Water, Wastewater and Stormwater, Offices of the Ministers of/for Local Government, Health and Environment, page 16

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Department of Internal Affairs have not identified a maximum number that would be feasible...³⁸

The government and its advisors have overlooked the global evidence of effective regulation applied to multiple water service entities. Some examples include:

- In Florida, the Public Service Commission regulates 147 investor-owned water utilities...³⁹.
- In Victoria, the Essential Services Commission regulates 15 businesses providing urban water and sewerage services to residential customers...⁴⁰.
- In Western Australia, the Economic Regulation Authority regulates 30 licensed water service providers...⁴¹.
- Columbia has a regulatory regime spanning 1,122 municipalities that provide water services either directly or via public service companies. It is a much less developed country than New Zealand, with a GDP per capita of just over \$5,300 US...⁴² and has experienced benefits of economic regulation. The resources available for investment in the water service provisions have increased significantly over the last 15 years since regulation began...⁴³.

New Zealand's Commerce Commission already has experience regulating multiple electricity distribution businesses. The Commerce Commission regulates electricity distribution under Part 4 of the Commerce Act 1986. It sets price and quality controls for 17 local lines companies and sets quality standards in the form of annual limits for the average number and duration of power outages across the region. The Commission applies information disclosure regulation to a further 12 consumer-owned lines companies, thus having oversight for 27 entities. In the period following the electricity reforms of the late 1990s until 2006, the Commission undertook price regulation of all electricity distribution businesses (even consumer-owned ones).

The Commerce Commission is likely to be the institution that regulates the water sector (adding to electricity distribution, gas pipelines, airports, dairy and telecommunications). It has demonstrated an ability to regulate more than four entities concurrently, and therefore the assumption that it could not regulate more than the four proposed water entities is mistaken.

Benchmarking and performance comparisons with regulated water corporations possible

Even if regulation is not applied to WDC and other councils that opt-out, benchmarking and performance comparisons will be possible. Until now, the only benchmarking tools available to council-owned water providers have been WaterNZ's annual performance report and high-

³⁸ Castalia email correspondence with MBIE and DIA 2020-2021.

³⁹ Florida Public Service Commission Annual Report (2020), available at www.floridapsc.com/Files/PDF/Publications/Reports/General/Annualreports/2020.pdf

⁴⁰ ESC website, <https://www.esc.vic.gov.au/water/water-prices-tariffs-and-special-drainage/average-household-water-bills-victoria>

⁴¹ On Tap: Water Consumers Guide - Economic Regulation Authority Western Australia (erawa.com.au)

⁴² World Bank Data (2020), Available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CO>

⁴³ World Bank Report, charting a New Course: Structural Reforms in Colombia's Water Supply and Sanitation Sector (2010), edited by Luis A. Andres, David Sislen and Philippe Marin, Bogota, Colombia

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level financial reporting in annual reports and statutory reporting to DIA. With a dedicated economic regulator collecting a wider range of standardised financial performance information and with Taumata Arowai collecting performance information, WDC will be able to better assess the performance of its water services. This is likely to lead to improvements in performance over time.

3.2.3 WDC management and operational competence likely to improve with competition between entities for staff

The government has noted that larger, corporate water entities are likely to improve management and operational competence. If this is the case, then one should expect WDC to also lift competence of its management and operations. This is because WDC will have to match the working conditions at the larger corporate entities, leading to improvements in performance over time.

3.3 WDC can increase access to finance to lower short-term costs

WICS base assumption is that WDC's financing headroom is 2.5 times revenue. In fact, the Local Government Funding Authority has approved WDC (and other local authorities with a credit rating of A+ or above) to borrow up to 2.8 times revenues⁴⁴. Furthermore, the Opt-Out Scenario assumes that WDC can make no improvements to its financing arrangements.

Efficient use of finance can lower costs of service

Efficient financing is an important consideration in investment planning for water utilities. The term of loans should ideally match the useful life of the asset the loans are financing. If the loan is repaid over a shorter period of time, then water bills after the loan is repaid will be lower than they otherwise would be.

WICS assumes that amalgamated entities have greater access to financing and can make more efficient use of finance to lower the cost of service. We tested the change in average cost per household for 2051 across different financing option scenarios for both WDC in the Opt-Out Scenario and for the Reform Scenario (amalgamated entity). Table 3.1 and Table 3.2 show that a significant proportion of the claimed reduction in average cost per household for the Opt-Out Scenario compared to the Reform Scenario is due to changing the financing requirements.

Table 3.1: Average bill per household under different financing options for WDC in Opt-Out Scenario

	Average bill per household	% Change (Decrease in costs)
250 % Debt to revenue limit (WICS model assumption)	7,838.76	
280 % Debt to revenue limit	7,223.55	7.85
500 % Debt to revenue limit	4,574.92	41.64

⁴⁴ LGFA Annual Report (2020), page 53, Available online at: https://www.lgfa.co.nz/files/documents/LGFA_AnnualReport_2020_web%20version.pdf

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Table 3.2: Average bill per household under different financing options for Reform Scenario

	Average bill per household	% Change (Increase in costs)
582.44% Debt to revenue limit (WICS model assumption)	1,577.33	
280 % Debt to revenue limit	2,832.71	79.59
250 % Debt to revenue limit	3,075.51	94.98

Changes to financing arrangements for the Opt-Out Scenario cannot be ruled out

There are other ways that access to finance by New Zealand water providers can be improved. The government's Opt-Out Scenario does not consider these other options. Currently, almost all three waters services are provided by local authorities. Local authorities' borrowing limits, whether imposed by LGFA or due to ratings agency policies, are generally considered to impose limits on optimal investment planning in the water sector. In the Reform Scenario, the new statutory corporations will have separate balance sheets to local authorities, and will be able to raise finance without being impacted by these borrowing limits.

A number of other financing arrangements are already available for the water sector and could apply in the Opt-Out Scenario. Other financing changes could be implemented with law and other institutional reform:

- Central government has recently introduced the Infrastructure Financing Facility⁴⁵ which enables finance to be raised from the private sector, ring-fenced from eligible local authorities' balance sheets
- Long-term concession contracts have been used in New Zealand (in Papakura, signed by Papakura Council prior to the creation of Auckland Council) under which a third-party provides water services for a fixed term (30 years in Papakura) and collects water rates or tariffs directly from customers. Usually, the concession contract requires the third-party to invest in and maintain the water assets and network and meet certain performance metrics. The third-party provider accesses private capital markets to finance the capital investment needs (growth, renewals and maintenance)
- Revenue bonds are a common way for municipal government entities in the United States to raise finance for infrastructure investment, often in the water sector. Investors in these bonds are repaid from income created by the projects the bonds fund. These are separate from the general obligations debt raised by the municipal government.

⁴⁵ Minister for Urban Development statement, 24 July 2020: <https://www.beehive.govt.nz/release/law-help-infrastructure-financing-passes>

4 WDC residents face risks and costs from Reform Scenario

There are risks and costs to the Whangārei community from the Reform Scenario.

4.1 Local accountability for significant public asset and public service will be lost

Accountability to customers is important for water service performance. Under the Reform Proposal, Whangārei water customers will lose the ability to hold those tasked with governing water services to account. Elected councillors are accountable to voters, and water issues can be election issues.

Under the Reform scenario, local government's autonomy to appoint board members to water utilities will be constrained, thus accountability to customers and coordination in planning will be mostly lost. It is more difficult for the local community to have any issues heard at the regional or national political level in the Reform Scenario. If there are management or governance problems, it is more difficult for the Whangārei community to influence the indirectly appointed board. Whangārei's representation for water services will be diluted.

4.2 Local variability in service and quality levels will be lost

The regional Entity A is likely to be managed from Auckland. This reduces the ability for the service provider to reflect local differences in service expectations. Wastewater services often need to consider local needs. There are different options of treating and discharging treated wastewater. Some communities, including local hapu, may have different expectations and needs in respect of wastewater. A water services entity headquartered in Auckland is unlikely to have the same ability to reflect these local variations in demands.

4.3 Loss of economies of scope increases average cost of remaining council services by \$1.9 million per annum

WDC currently incurs a range of costs shared across a range of services (water, transport, parks and recreation, and other services). WDC achieves economies of scope by providing these services together; it lowers costs for WDC to provide all the services together compared to if these were provided separately. Following reform, WDC will continue to incur fixed costs related to non-water council services.

WDC's RFI reports that for FY 2020, the total operating cost for water services was \$16,806,000. There are multiple overhead cost items that will not reduce even when WDC provides no water services. As estimated from the RFI, these include nine indirect general

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management and support employees and 460 square metres of office/ laboratory space. This shared overhead cost amounts to \$1.9 million⁴⁶ per annum.

5 Recommended next steps

This report has shown that the Reform Scenario is founded on unsound evidence and faulty analysis. The promised benefits of reform are unlikely to materialise. There are risks to the Whangārei community from losing control of water services, and accountability of those tasked with governance to local customers.

Water services are critical to wellbeing, so it is very important that the full range of options are considered that are locally appropriate. Other than opting out, the Reform Scenario is the only option that has been presented to WDC and other local authorities. Water services should be safe, resilient, reliable, and customer responsive, at least cost. Some reform of the sector is necessary in some parts of New Zealand. However, the analysis needs to be done to determine where water services fall short of this objective, and for what reasons.

We recommend that WDC carry out a proper net benefit analysis, potentially with other local authorities that have a similar viewpoint. This is likely to be many councils, since the WICS analysis has consistent faults that apply to all local authorities. Such an analysis should include the full range of options together with transparent data and sound and contestable analysis so these options can be properly evaluated. There is plenty of analysis, evidence and now a rich data set in the RFI responses for WDC and like-minded local authorities to be able to identify alternative and better reform options. WDC could prepare a constructive counterproposal that achieves desirable objectives, while avoiding the risks and costs of the Reform Scenario.

⁴⁶ Average salary for Whangārei District Council Employee = NZ\$ 100,000

Cost of each employee = 2*100000

Assuming annual rent of \$300 per sq. m.

Economies of scope lost = 200000*9 + 300*460 = 1,938,000



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Departmental Statement on the Castalia Report for Whangārei District Council

Purpose of this document

The Department has been requested by councils to provide commentary on the Castalia Report for Whangārei District Council (WDC). This Department has issued this statement in the context of several other councils having commissioned similar reports from Castalia, which may also attract public comment and media coverage.

The Department considers the Castalia report for WDC misrepresents the evidence base and analysis supporting the reform proposals, and reaches conclusions that are not well supported by the available empirical evidence from similar reforms undertaken in other jurisdictions.

The evidence base for the Three Waters service delivery reform proposals has been developed with oversight of the joint Central-Local Government Three Waters Steering Committee, comprising Mayors, council chief executives, Local Government New Zealand, Taituarā and senior government officials. The analysis has been subject to significant independent expert peer review.

The Chair of the Steering Committee, Brian Hanna, wishes to note that:

‘We’re very familiar with Castalia’s perspective on the WICS analysis, which is why the committee commissioned two further companies, Farrierswier and Beca New Zealand, to conduct independent reviews of the WICS approach. Within the bounds of some inevitable uncertainty when modelling out over 30 years, these peer reviews confirmed the general reliability of the WICS approach. Reform in Australia, Europe and the United Kingdom has clearly shown the benefits that come from aggregating small water suppliers into large entities.’

Previous Castalia reports on Three Waters Reform

Castalia prepared an earlier report for LGNZ on the extent to which there are economies of scale in New Zealand water services. The report concluded there is limited potential for efficiency gains from amalgamation. However, based on its own review of the evidence and independent expert advice, the Department considers that Castalia’s conclusions in this report are not well supported by the available empirical evidence from similar reforms undertaken in other jurisdictions. The Castalia report lacks balance, in that it focuses in particular on the question of whether there are scale economies in joining-up physical networks and downplays the scope for efficiency gains through more specialist asset management, procurement and innovation. See the previous Castalia report here: <https://www.lgnz.co.nz/assets/LGNZ-release-of-Castalia-reports-context-and-response-v2.pdf>

Castalia has previously advised the Department that many New Zealand councils lack sophisticated asset management practices, and that this is due to their small scale, which contrasts with the conclusions in the report for WDC. Indeed, Castalia previously recommended amalgamating three-waters management across a number of local councils as the most effective way to improve asset management maturity. [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-documents/\\$file/Castalia-ThreeWaters-Asset-Management-Maturity-in-NZ-\(final-report\)-Oct-2017.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-documents/$file/Castalia-ThreeWaters-Asset-Management-Maturity-in-NZ-(final-report)-Oct-2017.pdf)



September 2021

Following concerns raised by the Three Waters Steering Committee when it considered Castalia's earlier report into economies of scale, the Department commissioned an independent expert opinion on the report from FarrierSwier. A copy of the letter is embedded below



(Attachment) Letter
to DIA FSC comment:

The Steering Committee also requested two independent reviews of the WICS modelling, including a review by Farrierswier of WICS assumptions and methodology and a review by Beca New Zealand to ensure the analysis is sensitive to, and recognises differences in, the three waters regulatory regime and industry practices between Scotland and New Zealand.

FarrierSwier's fuller review of the modelling the Water Industry Commission for Scotland (WICS) concluded that the overall approach that WICS takes to its analysis should give reasonable estimates of the potential impacts of reform in terms of direction and order of magnitude. That review can be found here - [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf)

Beca New Zealand's report concluded that, on balance, the forecasts from WICS modelling may underestimate the future investment requirements and timeframes, suggesting that WICS modelling of future investment may be conservative. That report can be found [Beca report – DIA Three Waters Reform – WICS Modelling Phase 2 – 2 June 2021](#).

Castalia's report for Whangarei District Council

It is important to note that the WICS modelling compares a scenario in which reform goes ahead with a scenario where reform does not occur. In contrast, Castalia's report implicitly compares the outcomes for Whangarei District Council (WDC) under a reform scenario against a scenario where reform goes ahead but WDC chooses to opt out of amalgamation into Entity A.

There are two primary lines of criticism of the WICS modelling in this report:

- Investment projections are overstated
- Efficiency gains are unlikely to be realised to the extent assumed in the modelling

Accuracy of investment projections

The Castalia report claims that the WICS modelling assumes that WDC (and by implication New Zealand as a whole) needs to invest to match Scottish levels of water sector capital stock per resident. This is incorrect and is a significant misrepresentation of the WICS modelling approach.

The investment estimates are not based on Scottish levels of investment. The WICS modelling takes WDC asset values and asset lives (reported to DIA through the Request for Information process) and projects future renewals investment based on the applicable rates of economic depreciation. It also uses WDC provided population growth estimates to estimate the cost of providing for growth.

In assessing the likely costs of meeting water quality and environmental standards, WICS use WDC population density, topography and geographic variables to model the likely scale of investment required, based on what water services providers that operate across the United Kingdom, and which share similar population and geographic characteristics, have made to achieve current levels of compliance with EU standards (note in some cases these providers are non-compliant as well). The



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modelling includes adjustments to reflect differences in New Zealand input costs relative to the UK. The models used were originally developed by OFWAT (the English water economic regulator) and have been used and applied by WICS and other economic regulators throughout Europe.

In estimating future investment levels, past (or planned) capital expenditure by councils does not necessarily represent a good estimate of required future investment for at least three reasons:

- First, the future will see greater enforcement of drinking water standards and higher standards for environmental discharges. Water suppliers will be held to higher standards than they have in the past, and this will have implications for asset quality and investment requirements. Note also, that under provisions in the Water Services Bill, councils will face a duty to ensure safe drinking water within their districts, including in relation to communities and households serviced by private and community supplies. Given variable compliance with standards, and the relatively high proportion of unconnected properties in Northland, this represents a potential contingent liability for these councils once the Bill is passed and requirements enforced.
- Second, with economic regulation, it will no longer be acceptable for councils, including WDC, to maintain assets at a rate below the economic rate of depreciation (effectively borrowing from future generations). Data gathered by DIA indicates that Whangarei District Council's current investment in its renewals programme represents ~40% of the rate of depreciation over the period 2017 to 2020. This is not dissimilar to what we see with many councils across New Zealand and is why, over a period of decades, we now face a nationwide infrastructure deficit.
- Third, while not included in the WICS modelling, climate change will likely push investment requirements higher again, particularly in areas such as Northland that are prone to drought. In some parts of the country, seismic risk is significant and has not been factored into the modelling.

On the applicability of EU standards that underpin WICS modelling to meet water quality and environmental standards, Beca NZ has provided an independent review that finds these to be similar to the future direction of New Zealand regulations but are likely to underestimate the likely requirements in New Zealand as they do not account for the aspirations of iwi/Māori or seismic resilience requirements. Beca concludes that, if anything, the WICS investment projections may be understated.

Castalia's report does not make any investment projections of its own (i.e., it does not present a counterfactual investment scenario for WDC). By comparing WICS projections with WDC's own LTP, it can be interpreted as implying that WDC's projections are a good representation of the level of investment required. What the WICS modelling implies is that this level of investment is not backed-up by standard regulatory approaches to determining economic depreciation (a function of replacement asset costs, asset age and industry standards on useful asset lives) or technical analysis of the applicable drinking water quality and environmental standards (Beca NZ).

WICS and the independent reviewers of their report acknowledge there is significant uncertainty associated with projecting investment over 30 years. Projecting investment requirements with a high degree of accuracy requires better information on assets than is available in New Zealand. While the RFI exercise that informed the modelling was thorough, many councils (including WDC) have poor quality information when compared with what would be required by an economic regulator.

Some of the information provided through the RFI process came with a significant 'health warning'. The WICS analysis accounts for this uncertainty by using sophisticated simulation methodologies to stress-test the modelling results to a wide range of investment scenarios. This includes running scenarios where the investment projections are constrained to half that estimated by their models.



The conclusion that households are better off with reform - in terms of net present costs and average household costs in 2051 - hold-up under this sensitivity testing.

In WDC's case, the analysis shows that the chance of a scenario under which average household costs for Whangarei households would be less than the worst possible outcome under the amalgamated entity is remote. Page 30 of the Whangarei slidepack contains the sensitivity analysis showing the robustness of the finding to changes in investment projections. [Whangarei slide pack – WICS report](#)

A similar pack has been prepared for each council and can be found here: [Individual council models and slide packs page](#)

Efficiencies from reform

The Castalia report claims that WICS' analysis assumes that the amalgamated entity will be able to halve its opex and capex relative to existing opt-out entities. In the report, Castalia explores reasons why the efficiency gains may not materialise but has not considered reasons why they may.

WICS' assumptions about potential efficiency gains are based on international precedent in the UK. Similar gains have also been observed in several Australian states that have undergone reform. The evidence for these efficiency gains have been well documented.

For an accessible study, see the Frontier Economics study of efficiency and service level improvements in England following reform, which found that "Cumulative TFP growth over the period of analysis has increased by 64% over the period of analysis on a quality adjusted basis, and 27% on the most conservative basis without quality adjustment. Figure 3 in that report shows the cumulative improvement in total factor productivity (with and without service quality adjustments) in England following reform - <https://www.water.org.uk/wp-content/uploads/2018/11/Water-UK-Frontier-Productivity.pdf>.

Scottish Water more than halved its operating and capital efficiency following the water reforms there, and this is well documented by WICS in its analysis. WICS also shows that many of the UK water companies have achieved similar levels of efficiency improvement so the Scottish Water experience is not unique.

The efficiency assumptions in the WICS report are large when considered over a 30-year timeframe, but Castalia's analysis neglects several key considerations:

- a 45% improvement in operating efficiency equates to ~2-4% per annum depending on whether the efficiency gains are made over 30 or 15 years
- New Zealand councils have been assessed through the RFI process as significantly below industry-standard benchmarks for service efficiency – there is significant potential for 'catch up' efficiency in New Zealand, not dissimilar to other jurisdictions at the beginning of their reform journey
- The Board of Watercare, which is by far NZ's most efficient provider of water services, has accepted that separation from Auckland Council and relaxation of debt constraints would allow it to make 4.5% per annum improvements in efficiency for 10 years. This is equivalent to a 37% level shift in efficiency over 10 years.
- Australian water utilities are typically set targets for efficiency improvement of between 2-4% per annum. This is in a more mature sector with less opportunity for catch-up efficiency. For example, the Western Australian Water Corporation has been set an efficiency challenge of more than 12% over the 5 years to 2025/26.



September 2021

Castalia omit some important considerations when it comes to capex savings, including discounting the potential for procurement savings. In their analysis they do not comment on:

- The potential for procurement efficiencies due to:
 - a larger and more certain pipeline for each entity with which to engage with the construction sector
 - the potential for procurement efficiencies for capital investment to flow into lower costs of network and production services in water provision
- WICS analysis of Scottish Water that shows better procurement was the single largest source of capital expenditure efficiency gains observed in the Scottish water industry for the 2002–06 regulatory control period, reducing the proposed investment programme by around 11% in just one regulatory period.
- Given the large investment programme – even small savings (1%) on half the projected \$120bn investment estimate would equate to savings of \$600m.

As noted in the letter from FarrierSwier, Castalia appear to downplay opportunities for improved governance and management, asset level optimisation, procurement efficiencies and technological innovation. The letter from FarrierSwier provides some counterpoints to these perspectives.

Even if one makes the argument that efficiency gains might be smaller in New Zealand than in the UK, for example due to smaller market size / less competition or other factors, the conclusions that communities are likely to be better off with reform holds up with much lower levels of assumed efficiency improvement. As with the investment projections, there are a wide range of possible outcomes in terms of what efficiency benefits could be realized. Again, WICS has been conservative in its modelling and has run a wide range of scenarios. The conclusions that households would face lower costs without reform do not hinge on achieving 45% efficiency gains. There would be sufficient justification for reform even if the actual efficiency gains were only half that level.

In WDC's case, the arguments for reform are not reliant on efficiency gains at all. Rather, Whangarei residents would benefit from reform through having access to lower cost structures for the water services entity serving the much larger customer base across the Auckland and Northland regions, even if the entity was no more efficient than councils currently. Sensitivity analysis conducted by WICS varied the efficiency assumptions underpinning the modelling and illustrates that the conclusions that Whangarei would be better off under reform are not sensitive to the efficiency assumptions – see Page 21 of the Whangarei slide pack. [Whangarei slide pack – WICS report.](#)

Alternatives to reform considered by the Department

The Department considered a number of alternatives to the reforms, including sector-led reforms, regulatory reform only, and funding solutions through central government or similar to the transport FAR rate.

The regulatory impact analysis undertaken by the Department considered these alternatives, including the 'regulation-only' scenario, as recommended in the Castalia report, but this was not favoured on cost-benefit grounds. You can read this report here: [Department of Internal Affairs - Regulatory Impact Analysis - Decision on the reform of three waters service delivery arrangement – 30 June 2021](#)

DIA Financial Tool Dashboard

Local Authority

Financial Impact Tool

Please select local authority and scenario from the drop down lists (NB: It may take a while to update, thanks for your patience):

Waimakariri District TP

1. Assumptions
2. Instructions
3. Inputs
4. Charts

LTP status: Draft
Assumed transfer date: 30 June 2024

Summary

A With transfer, the Lending and Foundation Policy covenant change in compliance is as follows:

- > Lending Policy - 1 fewer breach
- > Foundation Policy - no change in compliance

B The financial information is presented exclusive of any Government support package.

With transfer, the indicative change in Waimakariri District's debt headroom is: **\$42m**

Better off package: **\$22m**

From the \$2bn 'better off' package, the following support package has been allocated to Waimakariri District:

No worse off package:

From the \$500m 'no worse off package' and subject to detailed due diligence, indicative

Stranded cost (indicative allocation): **\$4m**

Financial sustainability (indicative allocation): **\$-**

[Click here for further details on the support package](#)

C With transfer, Waimakariri District's indicative credit rating will change by 0 notches

D With transfer, the Balanced Budget benchmark and Debt Servicing benchmark change in compliance as follows:

- > Balanced Budget - no change in compliance
- > Debt Servicing - no change in compliance

Local Government Funding Agency (LGFA)

Net Debt to Total Revenue Financial Covenant

Foundation Policy Covenant:
Estimated number of breaches above the dashed line:
> With Transfer - 0
> Without Transfer - 0

Lending Policy Covenant:
Estimated number of breaches above the dashed line:
> With Transfer - 4
> Without Transfer - 5

* High level LTP data has been applied to the LGFA methodology. Actual results will depend on individual council circumstances.

Financial Position

Debt Headroom (FY24) **\$42m** change with transfer

Debt to Revenue (FY24)	With Transfer	Without Transfer	Three Waters
Debt	\$107m	\$200m	\$93m
Revenue	\$70m	\$107m	\$27m
Debt to Revenue	134%	187%	

Overall Indicative Credit Rating Impact

Based on Standard & Poor's methodology*

No change

0 notches

This assessment is based on:

- > Reduction in the Budgetary Performance
- > Improvement in the Debt Burden assessment
- > No change in the Economy, Financial Management and Liquidity assessments which are assumed to remain consistent

*Please note: A high level application of Standard & Poor's rating methodology has been applied to all local authorities as a proxy. In practice, local authorities may be rated by other rating agencies or unrated.

Prudential Benchmarks

Balanced Budget

Balanced Budget:
Estimated number of breaches below the white line:
> With Transfer - 0
> Without Transfer 0

Debt Servicing

Debt Servicing:
Estimated number of breaches above the 15% dashed line:
> With Transfer - 0
> Without Transfer 0

Disclaimer

The analysis contained within this Financial Impact Tool is indicative and based on information and estimates trends that local authorities supplied or published as part of the Long Term Planning and Request for Information processes, and has not been subject to validation or audit. It does not reflect Standard and Poor's actual credit rating assessments, confirmed Local Government Funding Agency financial covenants nor Prudential benchmarks.

Any additional work to accurately estimate financial impacts and determine what support could be provided to local authorities will likely require further work with each local authority, including but not limited to a potential due diligence process that will determine matters like debt and revenue on a robust and nationally consistent basis.

Our Reference: EXC-51-04.01 / 210713113525
21 July 2021

Hon Nanaia Mahuta
Minister of Local Government
Parliament Buildings
WELLINGTON 6160

n.mahuta@ministers.govt.nz

Tēnā koe e te Rangatira

Three Waters Reform Programme

Thank you for providing the package of information to us on 30 June 2021. The Council appreciates the ongoing communication with the Department of Internal Affairs around the national Three Waters Reform programme.

I am sending this correspondence with the support of the full Council. Waimakariri District Council (WDC) has a legal and community responsibility to engage and consult with its community regarding significant matters. Furthermore, we would want to seek the views of our partners Ngāi Tūāhuriri, within whose takiwā our district falls.

Water reform is a significant matter and, based on our current knowledge, will have a significant impact on our community as a whole.

We seek the opportunity to continue engagement with you and your officials in a constructive and informative manner to better understand the basis of the information and assumptions sent through in June, as well as the earlier Water Industry Commission for Scotland (WICS) information.

This will help us fulfil our statutory and partnership requirements under the Local Government Act 2002. Similarly, it will enable the Council to fully understand the proposal and consult effectively with our community.

The appendix accompanying this letter details the further information we require for our community in order to make an informed decision on the proposals. It is essential that this information is supplied to the Council by early August so that we can consult with our community as soon as possible.

On this point, we were disappointed to learn at the Local Government conference that the timetable for community engagement, as well as for the Council forming a view, has changed.

We were further disappointed to learn that this timetable had been agreed through a Heads of Agreement between LGNZ and the Crown. Until this point we understood we had until December. It appears we now have until September, with the date yet to be finalised.

This proposed reform is a significant issue for our community and it is important that we

understand all the information in detail before we seek the views of residents.

Based on the limited information presented so far, the view of the Councillors, and my own, would be that we do not join the Government's Three Waters reform programme. At this point we are not convinced there are benefits for the Waimakariri community.

Over the last 20 years our Council has worked hard to upgrade our Three Waters infrastructure. We are proud of this. This reform programme appears to us to ask our ratepayers to subsidise other communities. This isn't fair or equitable. At this point we see no gains, but higher costs for our community.

However, we are seeking to address this deficiency in understanding through the request in this letter and by continuing the dialogue with your office and the DIA.

We look forward to the opportunity to work through these questions, and others that may arise, and await your response.

Thank you.

Nāku noa, nā



Dan Gordon
MAYOR

cc: Prime Minister Jacinda Ardern
j.ardern@ministers.govt.nz

Allan Prangnell, Executive Director Three Waters – Ue te Hīnātore (Local Government Branch)
allan.prangnell@dia.govt.nz

Department of Internal Affairs
threewaters@dia.govt.nz

Zone 5 and 6 Local Government New Zealand

Local Government New Zealand
feedback@lgnz.co.nz

Appendix One – Questions for DIA

Efficiencies of the New Entity

1. What are the key assumptions underlying the predicted 45% efficiency gain by 2051 and how have these been determined in the Waimakariri context?
 - a. Please provide analysis that shows the percentage gain attributed to each component of the assumptions.
 - b. Has modelling been done on the timeframes when the efficiencies are provided? Please provide the modelling of the costs and efficiencies broken down over time
 - c. Do these assumptions recognise the efficiency gains that have already been achieved by the sector through amalgamation of schemes, use of technology, procurement processes, MBIE procurement and operational efficiencies (including SCADA, network BAU self-management, and generator optimisation)?
 - d. Are the factors that make up the efficiency gains only achievable through the new entity scenario? Or can some of the efficiencies proposed be gained under the current model?

Financial Assumptions

2. The dashboard analysis presented gives the impression that the figure shown is what each household will be charged on an annual basis (currently as rates), under the reforms as a water bill.
 - In the calculations informing the dashboard it is assumed that 70% of required revenue will come from households. Does this 70% of income from households therefore exclude:
 - Three Waters Rates from Commercial Properties
 - Income from Development Contributions (DC/ DCs)
 - Rural Properties (Farms)?
 - The dashboard figure also includes cost for growth-related infrastructure that is currently paid for by Development Contributions. Are these, and/or third party contributions, factored in to the amount payable by each household (shown on the dashboard)?
 - Will the entity set up and charge Development Contributions for new infrastructure to serve growth? Or will this be added to and paid as a rate? This is important to understand in order to understand the difference between what is referred to as a 'household' vs. each connection cost.
3. Why is it considered appropriate to apply the methodology based on population used in Scotland to New Zealand, when NZ is over three times the size of Scotland in land mass with Scotland more densely populated in narrow corridors?
4. Why has a factor of 2.7 people per household been applied over the population to determine the number of households? This is not consistent with 2018 census information that shows Waimakariri District household average to be 2.5 people.
5. How has a cost increase of 30% from 2022 been determined? Please provide assumptions and calculations.

6. How will the cost of Level of Service improvements be funded?
 - a. Please provide details of the proposed capital and operational works that will be carried out in Waimakariri District that are over and above what is currently forecast in our Long Term Plan and Infrastructure Strategy.
 - b. Has the increased level of service been quantified and defined both for our District and the South Island entity?
7. From the Roadshow provided by the DIA, it is understood that the Councils will be the collection agency for revenues, including rates, post 1.7.2024.
 - a. If this is correct, what revenue streams can Councils expect to recover from set-up costs to collect revenue and debt collection?
 - b. How long are Councils expected to support revenue collection and systems to support the new entities?
8. WDC has strategic asset management modelling over the whole life of the assets e.g. 150 years. The Council holds replacement funds to equate to the replacement of the assets as modelled. This ensures current users pay for their share of the asset and intergenerational equity principles are maintained for future generations.
 - a. Will these replacement funding reserves be held for the benefit of the current households/connections within the District boundaries? And will this prudent strategic asset and financial management policy/practice be maintained by the new entity for our District?
 - b. Specifically, please confirm whether depreciation will be built up in renewals accounts under the proposed model? We ask as this will make clear if there will be funding available at the end of the asset life to replace it.
 - c. Or, alternatively please confirm whether this cost will not be funded now and will be left for future generations to pay for by taking out loans to fund renewals at the time of replacement?
9. What credit rating will the proposed entities achieve, and what is the credit rating used by DIA in their comparison of what is achieved via the current Local Government Funding Agency?
10. What is the expected Local Government Funding Agency credit rating going to be post-Three Waters services and assets being transferred to the new entities? Further detailed questions include:
 - a. What are the 'cost of lending' assumptions for the new entity, including the respective interest rates compared to those being used for Councils as displayed in the dashboard figures?
 - b. It appears that Debt to Revenue forecast uses different parameters to those used by S&P and LGFA, particularly in the determination of revenue. How has the revenue number been determined to calculate the Debt to Revenue ratio?
 - c. Why have Debt to Rates as well as the Debt to Revenue formula and other ratios that the Credit agencies and LGFA use to provide affordability and credit worthiness not been followed in presenting the information?

Financial Assumptions of WDC

11. Why have numbers extracted from this Council's Annual Report been used without reference back to the Council as to the validity or understanding of the numbers?
 - a. It appears that Stockwater race costs and income are included within the totals of the dashboard figures. Is this correct?
 - b. It appears that DC income is shown as an operating revenue to ascertain cost per household and not the numbers provided within our RFI. Is this correct?
 - c. Why do operating numbers include over a million dollars in insurance receipts, and included within the determination of cost?

12. It appears that the combined efficiencies of Councils have been ignored as the information has been presented. Please provide the financial assessment for Waimakariri District Council of stranded assets/overhead and services as a result of the removal of Three Waters Departments. This would include Rural Drainage and Stockwater services.
 - a. What will the cost to the community be as a result of this, and has that been accounted for in the efficiency number of 45%?
 - b. Please confirm if this assessment includes: staffing, buildings, assets, service delivery, service levels, financing and Governance related costs.

Performance

13. In relation to Performance Indicators, we note that WDC has been assessed at Level 3 of the four levels which indicates 'performing in line with expectations'.
 - a. Can the parameters, weightings, underlying information and assessments be provided which have been used to determine our performance indicator level?
 - b. It is understood from the dashboard DIA presented that Buller has a rating of Level 1 for Performance, Chatham Islands has a rating level of 2. Auckland has a Level of 1 despite their recent severe water shortage. However Hurunui, Selwyn and Waimakariri are rated Level 3 (one-off performing below expectations). How was this determined?

14. In the RFI response, WDC reported a number of properties on our rural schemes that have 'restricted', trickle feed style connections. The questions in the RFI seemed to class these questions as below the required level of service (i.e. inadequate flow / pressure at boundary).
 - a. Has the assumption that restricted trickle feed connections are not adequate been carried through to our assessment in terms of how well we meet current and future flow / pressure standards / requirements?
 - b. If so, are you aware that this style of connection is being allowed for by Taumata Arowai in their draft new standards? The proposed standards would therefore be at odds with the assumption that this style of connection is not a suitable level of service.

General

15. How will the priorities of each community be taken into account by the proposed entity? For example, we have had strong feedback over the years around not chlorinating water supplies.

16. How will communities be able to influence or have a say in decision-making of the proposed entity as they do now?
17. In the new entity six Council and six Tangata Whenua representatives are proposed - how was this number decided?
18. What are the implications for the proposed reforms if some Councils opt-out, including governance and compliance compared to opt-in?
19. Is Great Britain's starting base considered the same as New Zealand's current state in terms of infrastructure condition and estimated value of investment?
20. Please confirm whether WDC will receive any further financial information or analysis specific to our District, or the proposed South Island water entity?
 - a. Information we are seeking includes:
 - i. Detail on the breakdown of the extra-investment required in our District, other than what has been derived from the Scotland example?
21. Can you provide rationalisation, evidence and source for stating an ideal population of 600,000 to 800,000 for each entity?
22. Considering Three Waters are NZ's second biggest asset in Land Assets (after roads), how is the Office of the Auditor-General (OAG) involved in the reform process? Furthermore WICS have used averaging assumptions based on AU and UK data. What is the quality (confidence and reliability) of those datasets to allow for an appropriate comparison?
23. We understand that the entity will own the Three Waters assets.
 - a. Please provide details to support the statement that Councils will still own the assets. This does not appear to be the case as Councils will not be able to show them on their balance sheet or assert any direct control over the assets or services within their District. This does not appear to meet the definition of ownership.
 - b. Does DIA have legal advice to support the statement that the assets will remain in Councils' ownership, and can we have a copy of that advice confirming the proposed model meets the legal definition of ownership?
24. In determining a cost benefit analysis for a transfer of assets to the new entities, has the MBIE Business Case model been followed?
25. How does the reform propose that stormwater discharge be managed within the urban environment? Specifically where run-off from private sections discharges to the network, often via the road, in addition to road run-off that also enters the drainage network via kerb and channel. It is difficult to delineate the two discharges occurring within the same environment. Would private stormwater be required to be separated from roading stormwater discharge?
26. Why were Councils not given the opportunity to work in partnership with DIA prior to the release of the dashboards on 30 June, as per the Memorandum of Understanding (MOU)?

27. Is the extra spend across New Zealand for drinking water, sewage treatment and stormwater infrastructure and treatment predicated on all properties, whether urban or rural, receiving the full Three Waters services?
- For Waimakariri this would be a considerable extension to the Three Waters services provided at present by the Waimakariri District Council. In other words, is the scope of the Three Waters Reform to deliver the present 'urban-standard' infrastructure across the entire District and the entire country? And to bring the discharges from those water services up to a standard which meets the NPS FW 2020?
28. Will the proposed Three Waters entities ensure all fresh, marine and groundwater receiving environments meet the NPS-Freshwater 2020? If not, what is the contaminant level for fresh, ground and marine receiving waters inherent in these reforms and where can we find this information?
- Does the cost allowance in the dashboard include achieving NPS freshwater standards for all waterways in New Zealand?

Office of Hon Nanaia Mahuta

MP for Hauraki-Waikato

Minister of Foreign Affairs

Minister of Local Government

Associate Minister for Māori Development



17 August 2021

Dan Gordon
Mayor
Waimakariri District Council

dan.gordon@wmk.govt.nz

Tēnā koe Mayor Gordon,

Thank you for your email of 21 July 2021 regarding the Three Waters Reform Programme, and for engaging with the information that the Government has released on the Three Waters Reform proposal.

I agree that the reform programme is a significant and complex matter and it is important that local authorities are given the time and opportunity to engage with, and understand, what is being proposed and the impacts it could have on their local communities. We need to balance this with the significant need to mitigate the challenges we face in the way we deliver three waters services, and the heightened pressure local authorities will face in coming years to meet rising expectations around the provision of healthy, safe, environmentally friendly and affordable three waters services for their communities.

I am pleased to hear that Waimakariri District Council wishes to continue engaging in a constructive way to better understand the information that has been released, in order to form its own view around the case for change and the Government's proposed package of reform. I am also pleased to see your intention to take a partnership approach with Ngāi Tūāhuriri.

What we are seeking from local authorities prior to the end of September is not a decision on whether you wish to opt-out of the reform programme, but feedback on the set of reform proposals that have been released, the impacts these might have on local communities and how these can be improved. Further guidance on what the engagement period intends to cover and the expectations of councils over the next eight weeks is now available through Local Government New Zealand (LGNZ) or the Department of Internal Affairs.

I understand that you are concerned about the potential impact of reform on your communities, and I note your comments about the potential for cross-subsidisation of other communities. It is important to note that the analysis undertaken to date shows that the proposed package of reforms will lead to greater scale, borrowing capacity, and autonomy for new water services entities to deliver infrastructure and services more efficiently for local communities.

I would urge you to think about the reform as an opportunity for all to access lower cost structures, rather than a focus on cross-subsidising neighbouring communities. We believe the evidence clearly demonstrates that every community in New Zealand will receive improved service outcomes for every dollar spent on three waters services.

I also encourage you to continue to engage with the large amount of evidence and analysis that the Government has released to date, which has informed the decision to pursue an integrated and extensive package of reform to the current system for delivering three waters services and infrastructure.

To assist you with your consideration of the reform proposal, I have asked my officials to prepare answers to your detailed questions and have attached them to this letter.

I trust that these answers will assist with your consideration of the proposed reform package.

Heoi anō,

A handwritten signature in black ink, appearing to read 'N. C. Mahuta', written in a cursive style.

Hon Nanaia Mahuta
Minister of Local Government

Answers for Waimakariri District Council

Efficiencies of the New Entity

1. What are the key assumptions underlying the predicted 45% efficiency gain by 2051 and how have these been determined in the Waimakariri context?

- a) **Please provide analysis that shows the percentage gain attributed to each component of the assumptions.**
- b) **Has modelling been done on the timeframes when the efficiencies are provided? Please provide the modelling of the costs and efficiencies broken down over time**
- c) **Do these assumptions recognise the efficiency gains that have already been achieved by the sector through amalgamation of schemes, use of technology, procurement processes, MBIE procurement and operational efficiencies (including SCADA, network BAU self-management, and generator optimisation)?**
- d) **Are the factors that make up the efficiency gains only achievable through the new entity scenario? Or can some of the efficiencies proposed be gained under the current model?**

Answer

The extensive evidence base released includes analysis that the New Zealand water sector is in a broadly similar position to where Scotland was prior to reform in the late 1990s, in terms of relative operating efficiency and levels of service. In just under two decades, Scottish Water has lowered its unit costs by 45% over that period. The Water Industry Commission for Scotland (WICS) considers that New Zealand can achieve similar outcomes to Scottish Water over a longer period (30 years). This represents efficiency improvements in the vicinity of 2% per annum. This is a conservative estimate. There might also be an expectation that catch-up efficiency could take no longer than 15 years, which is 4% per annum.

In its analysis, WICS has used regulatory models developed in the United Kingdom (UK) and applied in other jurisdictions. These models have been adjusted to take account of New Zealand-specific observed costs. The models allow for the assessment of the differences in operating expenditure between local authorities and frontier companies in the UK, given the operating environment faced by each modelled entity. These econometric models seek to understand the impact of different engineering, geographical and demographic differences on the operating costs of an entity. They exclude the material drivers of cost that are outside the control of management and therefore represent real differences in performance between entities and not simply the difference in quality of management. These models have been used in a wide range of jurisdictions and have been subject to regulatory and legal review.

The efficiency challenge applied to Entity D was 53%. The financial model for entity D¹ shows the profile of efficiency that has been used in the analysis. WICS assumes that operating efficiencies are realised from 2025 onwards. Consistent with the regulatory approach first used in England and Wales by the Water Services Regulation Authority (Ofwat), WICS assumes that the new water services entities close 60% of the assessed efficiency gap in the first five-year period (2025 to 2030), 60% of the remaining efficiency gap in the next five-year period (2030-2035) and close the remaining efficiency gap in the following five-year period (2035-2040). This means that the full efficiency gap is closed in 15 years, by 2040. In its initial price setting for Scottish Water, WICS adopted a more challenging efficiency target to close 80% of the gap in four years. It is interesting to note that it took Scottish Water 8 years to close the full efficiency gap. During this time, operating costs per connected citizen reduced from NZ\$295 to NZ\$150. Current operating costs per connected citizen for both Waimakariri and Entity D are around NZ\$290.

WICS has also factored into its analysis some increase in efficiency of certain larger council providers in the absence of reform. These are documented in page 24 of the *WICS Supporting Material Part 2 – Scope for Efficiency*, which also sets out the general approach WICS has taken to assessing the potential for efficiency gains post-reform.²

The approach WICS has taken was independently peer reviewed by Farrierswier, a regulatory economics consultancy in Victoria, Australia, with deep understanding of the water services industry. Farrierswier found that the approach WICS takes to assessing the potential efficiency gains is reasonable, and they agree with WICS on the factors that will promote efficiency gains in the water sector, including the quality of management, clear policy priorities, and an appropriate economic regulatory regime.

Significant improvements in efficiency have been achieved in overseas jurisdictions that have pursued reform of a similar nature to that proposed in New Zealand. Some examples are provided below:

- A report for the United Kingdom water trade association³ found that **reform of the water industry in England resulted in annual productivity growth of 2.1% or 64% over 24 years** when adjusted for service quality improvements.
- WICS⁴ reports that **Scottish Water has been able to reduce its operating costs by over 50% since reform**, while improving levels of service to customers and absorbing the new operating costs associated with its investment programme.

¹ Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/\\$file/Scenario-30-Entity-D---WICS-report.xlsx](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/$file/Scenario-30-Entity-D---WICS-report.xlsx)

² Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supporting-material-2-scope-for-efficiency.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supporting-material-2-scope-for-efficiency.pdf)

³ Frontier Economics (2017). Productivity improvement in the water and sewerage industry in England since privatization. Available at <https://www.water.org.uk/wp-content/uploads/2018/11/Water-UK-FrontierProductivity.pdf>

⁴ Water Industry Commission for Scotland (2021). Supporting Materials Part 2: Scope for Efficiency. Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supportingmaterial-2-scope-for-efficiency.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supportingmaterial-2-scope-for-efficiency.pdf)

- Frontier Economics,⁵ in its review of the experience with water services aggregation in Australia, Great Britain, Ireland and New Zealand (Auckland and Wellington) finds that there is **“strong and consistent evidence” that reforms have led to significant improvements in productivity and efficiency.**
- Farrierswier,⁶ in its review of WICS methodology, comments on the potential that exists for efficiency gains from amalgamating water services in New Zealand, and notes **significant improvements are possible through aggregation and associated reforms**, including improving the ability to attract and retain skilled management and staff, more effective procurement functions, asset level optimisation and reduction in corporate overheads and duplicative functions.
- In Australia, the Productivity Commission⁷ found that **service delivery reform has helped to improve efficiency and deliver significant benefits for water users** and communities.

Financial Assumptions

2. The dashboard analysis presented gives the impression that the figure shown is what each household will be charged on an annual basis (currently as rates), under the reforms as a water bill.

- In the calculations informing the dashboard it is assumed that 70% of required revenue will come from households. Does this 70% of income from households therefore exclude:
 - Three Waters Rates from Commercial Properties
 - Income from Development Contributions (DC/ DCs)
 - Rural Properties (Farms)?
- The dashboard figure also includes cost for growth-related infrastructure that is currently paid for by Development Contributions. Are these, and/or third-party contributions, factored in to the amount payable by each household (shown on the dashboard)?
- Will the entity set up and charge Development Contributions for new infrastructure to serve growth? Or will this be added to and paid as a rate? This is important to understand in order to understand the difference between what is referred to as a ‘household’ vs. each connection cost.

Answer

As noted in the dashboard, the average household cost figures are not projections of likely water charges in 2051 but are presented as an indication of how the economic costs of investment might be spread across households with and without reform.

⁵ Frontier Economics (2019). Review of experience with aggregation in the water sector. Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-documents/\\$file/Frontier-Economics-review-of-experience-with-aggregation-in-the-water-sector.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-documents/$file/Frontier-Economics-review-of-experience-with-aggregation-in-the-water-sector.pdf)

⁶ Farrierswier (2021). Review of methodology and assumptions underpinning economic analysis of aggregation. Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reformprogramme/\\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-andassumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reformprogramme/$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-andassumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf)

⁷ Productivity Commission (2021). National Water Reform 2020: Productivity Commission Draft Report. Available at <https://www.pc.gov.au/inquiries/completed/water-reform-2020/draft/water-reform-2020-draft.pdf>

The revenue assumed in the dashboard includes all revenue sources that a particular Council included in its Request for Information submission. The information and references are set out in the table below.

Line reference	Description	2019/20 (NZ\$'000)
F10.13	Total water revenue	7,669
F10.33	Total wastewater revenue	9,337
F10.46	Total Secondary revenue - Water Related	113
F10.52	Total secondary revenue - wastewater related	3,812
F10.57	Total Stormwater revenue	4,812
F10.70	Revenue from developer contributions (including financial contributions and infrastructure growth charges)	2,975
Calculated	Total revenue modelled	28,718

The sources for the information that was used for the modelling can be found in the slide presentation 'Waimakariri District Council: the use and analysis of the RFI information and other benchmarks'.⁸

The new water services entities will have access to a wide range of pricing measures and flexibility to determine what approach they take to charging. They will be required to engage with the representative groups, iwi/Māori, communities, and consumers when developing a charging and pricing strategy.

The Department of Internal Affairs (the Department) is undertaking further policy work around the charging and pricing mechanisms that would be available to the new water services entities. This will likely include some form of charging to serve growth, but further work is required to determine what form this might take and how existing mechanisms are dealt with (e.g. grandfathering). The Department will be working on these issues with the joint central/local government steering committee in the coming months.

3. Why is it considered appropriate to apply the methodology based on population used in Scotland to New Zealand, when NZ is over three times the size of Scotland in land mass with Scotland more densely populated in narrow corridors?

Answer

We are not sure what methodology this is referring to. If this relates to the methodology used to estimate future enhancement investment requirements, the WICS methodology takes account of differences both in density and land mass between New Zealand and Scotland. WICS's favoured set of models for required levels of investment took account of disaggregated regional data across Scotland, reflecting the differences between more urban areas such as Glasgow or Edinburgh (much less densely populated than Auckland) and extremely rural areas and island communities with population density consistent with the most rural parts of the South Island, outside of national parks.

⁸ Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/\\$file/Waimakariri%20slide%20pack%20-%20WICS%20report.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/$file/Waimakariri%20slide%20pack%20-%20WICS%20report.pdf)

Beca has reviewed the use of United Kingdom three waters standards and practices and their relevance to New Zealand, given WICS has used United Kingdom data and benchmarks as part of its analysis. Beca finds that the forecasts from WICS modelling may underestimate the estimated investment requirements and timeframes, suggesting that WICS modelling of future investment may be conservative.

If this question refers to the methodology used for assessing the potential for efficiency gains that can accrue from joining up physical networks, these are not limited in New Zealand by a lower relative density to Scotland. In their peer review of the analysis by WICS, Farrierswier considered the question of whether opportunities might be limited in New Zealand to combine physical networks in a way that achieves scale benefits. They found that significant opportunities are likely to exist to achieve what they term 'asset level optimisation'; they provide two illustrative examples:

- the potential for aggregation and greater scale to lead to optimised use of existing infrastructure and reduce the need for new capital investment (e.g., new treatment plants avoided by leveraging capacity in neighbouring plants).
- the potential for significant opportunities in the future for asset-level optimisation in fast growing provincial cities and semi urban areas, which would be facilitated by aggregation and greater scale (e.g., combining wastewater or water resources across neighbouring districts to achieve lower costs or to leverage greater scale to meet the costs of serving fast growing population centres).

4. Why has a factor of 2.7 people per household been applied over the population to determine the number of households? This is not consistent with 2018 census information that shows Waimakariri District household average to be 2.5 people.

Answer

WICS has used the national average for household occupancy as reported by Statistics New Zealand to enable a consistent comparison of results both with and without reform.

The model spreadsheet provided to Waimakariri District Council allows for this assumption to be adjusted.

5. How has a cost increase of 30% from 2022 been determined? Please provide assumptions and calculations.

Answer

If this relates to the price increase in the 'price and financial ratios' tab of the council financial model, then this has been set to stay within a debt-to-revenue limit of 2.5 times in line with prudential borrowing limits over the period. One of the modelling principles is to avoid higher future increases in tariffs in future years.

6. How will the cost of Level of Service improvements be funded?

- a) Please provide details of the proposed capital and operational works that will be carried out in Waimakariri District that are over and above what is currently forecast in our Long-Term Plan and Infrastructure Strategy.**
- b) Has the increased level of service been quantified and defined both for our District and the South Island entity?**

Answer

It is important to note that the WICS analysis seeks to provide a broad estimate of the future investment requirements over 30 years at a national level that is based on our current understanding of service performance across the country and the likely regulatory standards that will apply in the future, based on similar standards that currently apply in the UK. There is inherent uncertainty in seeking to project outcomes over 30 years, let alone specifying the natural and form of the capital and operational works that might be carried out.

The WICS analysis should be treated as indicative of the scale of investment that will be needed to address historic underinvestment, addressing growth needs, and meeting future regulatory requirements. Beca reviewed the WICS assumptions, which are based on the UK water industry, relative to a New Zealand context, and found that these were broadly comparable, but do not take into account the costs of meeting iwi/Māori aspirations or strengthening seismic resilience. Therefore, the eventual investment requirement could be even higher. WICS itself is clear that its estimates do not take into account investment to adapt to, or mitigate against, the impact of climate change.

What the analysis demonstrates, is that the current service delivery system will struggle to address this significant investment requirement without the need to impose large costs on households. As a result of the reform package, improved governance and management, greater debt capacity, access to capital markets, and improved efficiencies, the new water services entities will be in a much stronger position to meet these costs without having to significantly increase charges on households.

It is difficult to quantify the level of service impacts for the reasons outlined above. In broad terms, the additional investment enabled through reform can be expected to contribute to improved and more consistent health and environmental performance within Waimakariri District, the South Island and the rest of the country.

7. From the Roadshow provided by the DIA, it is understood that the Councils will be the collection agency for revenues, including rates, post 1.7.2024.

- a) If this is correct, what revenue streams can Councils expect to recover from set-up costs to collect revenue and debt collection?**
- b) How long are Councils expected to support revenue collection and systems to support the new entities?**

Answer

Under the reform proposal, it is expected that water services entities will be responsible for collection of payments for the services they provide, to ensure accountability. The Department will need to work through the administrative requirements of establishing cost effective collection arrangements (including the associated rating information requirements). To the extent this can be efficiently and effectively completed through the transition phase, water services entities will be expected to undertake collection services from 1 July 2024.

If the new water services entities are not in a position to undertake collection services from 1 July 2024, councils would be expected to undertake a collection agency role for a period until collection services can appropriately transfer to water services entities. The Department will seek to minimise any such period to ensure councils are not expected to undertake this role for longer than is necessary. In the event this approach is taken, we will need to work with councils to agree a collection agreement; reasonable council costs of undertaking the collection function would be met by water service entities.

8. WDC has strategic asset management modelling over the whole life of the assets e.g. 150 years. The Council holds replacement funds to equate to the replacement of the assets as modelled. This ensures current users pay for their share of the asset and intergenerational equity principles are maintained for future generations.

- a) Will these replacement funding reserves be held for the benefit of the current households/connections within the District boundaries? And will this prudent strategic asset and financial management policy/practice be maintained by the new entity for our District?**
- b) Specifically, please confirm whether depreciation will be built up in renewals accounts under the proposed model? We ask as this will make clear if there will be funding available at the end of the asset life to replace it.**
- c) Or, alternatively please confirm whether this cost will not be funded now and will be left for future generations to pay for by taking out loans to fund renewals at the time of replacement?**

Answer

Through the Government's recently announced reform support package, the intention is for all material reserves to be transferred to the new water services entities, with commensurate obligations placed on water service entities that these funds can only be used for the purposes for which they were raised. We note that the debt associated with water investment will also be transferred to the new water service entities

Issues around the approach to depreciation and renewals are likely to be the subject of a future economic regulatory regime, which is currently under development by the Ministry of Business Innovation and Employment. It is likely that a future regulatory regime will require a prudent approach to the management of whole-of-life costs of water infrastructure that recognises the inter-generational benefits of such infrastructure, including the collection of depreciation through charges. Such an approach is followed in mature regulatory frameworks such as Scotland. The WICS analysis assumes that the new entities evenly spread the costs of maintaining and replacing water assets over the lifetime of the assets.

9. What credit rating will the proposed entities achieve, and what is the credit rating used by DIA in their comparison of what is achieved via the current Local Government Funding Agency?

Answer

In June 2020, Cabinet agreed 'in principle' that new entities – if established – would be asset-owning and have separation from local authorities to ensure the ability to borrow on similar terms to other utilities. Independent, competency-based governance of water services entities is critical to achieve the governance and organisational capability improvements that will be required to realise the benefits of reform.

Achieving balance sheet separation and appropriate credit worthiness are crucial for ensuring the entities' long-term financial sustainability and the ability to fund current and future investment needs.

The Department undertook a ratings evaluation service with Standard and Poor's Global Ratings Agency (S&P) to understand the credit rating implications of the reform proposals and to explore several potential structural, system and entity design options to achieve the objectives of the Reform Programme. S&P was asked to consider:

1. the credit rating of entities; and
2. any impact on the credit rating of the following entities resulting from the implementation of the Reform Programme:
 - a. large and small metro local authorities
 - b. provincial local authorities
 - c. the Sovereign
 - d. Local Government Funding Agency

The assessment by S&P of potential credit ratings associated with the Reform Programme was made across six different scenarios to ensure officials were fully informed about the implications of a number of potential structural, system and entity design options.

The first, or 'Base Case', scenario provided to S&P in support of the rating evaluation service, included the following features: entities established under statute, having a "no shareholding" ownership structure and a balance between entity autonomy and a level of input and influence from both local authorities and iwi/Māori. The five other variations tested with S&P were:

1. Scenario 2: Base Case, but with very low degree of council influence;
2. Scenario 3: Base Case, but with very high degree of council influence;

3. Scenario 4: central Government support variant;
4. Scenario 5: ownership structure variant; and
5. Scenario 6: variant on the number of entities in the system.

Scenario 4 aligns most closely with the proposals agreed to by Cabinet in July 2021. Scenario 4 is anticipated to achieve an issuer credit rating of AA+.⁹ The work with S&P also confirmed that the Government's proposed arrangements would achieve balance sheet separation, with no negative implications for S&P's assessment of the current sovereign credit rating of New Zealand or that of the LGFA, with both continuing to be affirmed at AAA and AA+ in respect of local and foreign currency respectively. Officials do not anticipate water services entities facing a higher financing cost than the status quo arrangements.

10. What is the expected Local Government Funding Agency credit rating going to be post-Three Waters services and assets being transferred to the new entities? Further detailed questions include:

- a) **What are the 'cost of lending' assumptions for the new entity, including the respective interest rates compared to those being used for Councils as displayed in the dashboard figures?**
- b) **It appears that Debt to Revenue forecast uses different parameters to those used by S&P and LGFA, particularly in the determination of revenue. How has the revenue number been determined to calculate the Debt to Revenue ratio?**
- c) **Why have Debt to Rates as well as the Debt to Revenue formula and other ratios that the Credit agencies and LGFA use to provide affordability and credit worthiness not been followed in presenting the information?**

Answer

As discussed above, the Department undertook a ratings evaluation service with S&P to understand the credit rating implications of the Reform proposals. The work with S&P confirmed that the Government's proposed arrangements would have no negative implications for S&P's assessment of the current credit rating of the LGFA.

The modelling undertaken assumes a cost of debt of 3.5%, based on analysis of Treasury forecasts and market data at the time the modelling was undertaken. The modelling uses the same cost of debt for the amalgamated entities and councils. This reflects officials' expectations that water services entities will not face a higher financing cost than the status quo arrangements.

The debt to revenue ratio presented in the local dashboard reflects the estimated debt to revenue ratio for three waters assets. The FY21 values for revenue and debt related to three waters are sourced from the RFI, specifically:

- Three waters revenue: Sheet F10, item F10.62 "Total revenue"
- Three waters debt: Sheet F3, item F3.14 "Total borrowings".

⁹ Most Local Authorities currently maintain credit ratings of AA and AA+.

The Department has undertaken significant analysis to understand the potential impacts of the Reform on key financial metrics of local authorities across New Zealand and their associated credit ratings. The Department is in the process of preparing a detailed tool that will be provided to local authorities to enable this analysis to be verified and sensitised using internal council assumptions and scenarios. We note the analysis presented in the local dashboard is intended to be indicative only and will be subject to due diligence through the transition.

Financial Assumptions of WDC

11. Why have numbers extracted from this Council's Annual Report been used without reference back to the Council as to the validity or understanding of the numbers?

- a) It appears that Stockwater race costs and income are included within the totals of the dashboard figures. Is this correct?**
- b) It appears that DC income is shown as an operating revenue to ascertain cost per household and not the numbers provided within our RFI. Is this correct?**
- c) Why do operating numbers include over a million dollars in insurance receipts, and included within the determination of cost?**

Answer

Consistent with the approach taken for other local authorities, WICS has used all sources of revenue and costs to provide a complete view of each local authority's position. There were local authorities who provided RFI information for both their rural supply activities and their regular three waters activities.

WICS used an audited accounts number if there was a material difference to what was in the RFI. In the case of Waimakariri, the use of the audited accounts number was raised through the formal DIA feedback process after submission of the RFI. Based on the response from Waimakariri District Council, the WICS team included the rural supply activities to ensure that the modelling approach was consistent across all local authorities.

On the third question, from reviewing the RFI and published information, we can see a one-off recovery from a contractor of over NZ\$3 million. We cannot see an insurance receipt. The baseline revenue for Waimakariri includes the one-off recovery. This reduces future price increases for local residents. Removing the one-off has only a very marginal impact on the modelled end point, but does increase markedly the percentage price increases required to be paid by residents.

12. It appears that the combined efficiencies of Councils have been ignored as the information has been presented. Please provide the financial assessment for Waimakariri District Council of stranded assets/overhead and services as a result of the removal of Three Waters Departments. This would include Rural Drainage and Stockwater services.

- a) What will the cost to the community be as a result of this, and has that been accounted for in the efficiency number of 45%?**
- b) Please confirm if this assessment includes: staffing, buildings, assets, service delivery, service levels, financing and Governance related costs.**

Answer

The Government has recognised that councils will face stranded costs as a result of the transfer. Stranded costs refer to the organisational overheads previously allocated by the local authority to three waters services that are not able to be transferred or avoided in the short-term as part of the Three Waters Reform, and therefore remain with the local authority for a period and be required to be reallocated by the local authority to their remaining activities.

The “no worse off” package includes an allocation of up to \$250 million to support councils to manage stranded costs. This represents a nationwide estimate of two years of unavoidable stranded costs for councils with two years considered to be a reasonable period for these costs to be managed. The “no worse off” package will be paid as a lump sum on transfer and is intended to ensure the community does not bear this cost.

The nationwide estimate is necessarily high level however is intended to capture all organisational overheads that may be stranded, which represents most of the expenditure identified in your question. We note there is an element of the “no worse off” package (up to \$50 million) that will support councils with demonstrable, unavoidable and materially greater stranded costs than provided for otherwise.

Our stormwater technical working group that comprised experts from across the local government sector reached an “in principle” position that rural drainage and stockwater services would not transfer to the new water service entities however it may be necessary to contract the water service entities to manage these assets. We would work with councils (including Waimakariri) during the transition to ensure we limit the impact of any ‘stranded’ responsibilities remaining with councils, which is also a key principle of the transfer.

The efficiency modelling represents WICS estimate of the savings that can be achieved by the water service entities through the Three Waters Reform, but also includes the costs of reform, with provision for a “spend-to-save”¹⁰ allowance for each entity, and provision for meeting the costs associated with the “no worse off” support package.

¹⁰ Around \$1 billion allocated across the 4 entities, as a notional allocation towards the costs of amalgamation and other initiatives required to realise projected efficiency savings.

Performance

13. In relation to Performance Indicators, we note that WDC has been assessed at Level 3 of the four levels which indicates 'performing in line with expectations'.

- a) **Can the parameters, weightings, underlying information and assessments be provided which have been used to determine our performance indicator level?**
- b) **It is understood from the dashboard DIA presented that Buller has a rating of Level 1 for Performance, Chatham Islands has a rating level of 2. Auckland has a Level of 1 despite their recent severe water shortage. However, Hurunui, Selwyn and Waimakariri are rated Level 3 (one-off performing below expectations). How was this determined?**

Answer

To clarify, Buller did not receive a rating on the local dashboard as they did not participate in the more detailed RfI submission and therefore WICS did not have the information required to complete the assessment for Buller.

As advised in the local dashboard, the Overall Performance Assessment (OPA) score should not be interpreted as a standalone measure of performance.

The OPA was developed by Ofwat to measure the performance of water utilities on areas significant to customers (e.g. service disruptions, response to complaints). The OPA relies on the collection of information year-on-year, with information typically improving over time as processes and systems are put in place and enhanced. In addition, when used in Great Britain, Ofwat and WICS have used independent technical reporters to review the accuracy and reliability of the information provided.

WICS used the OPA to compare New Zealand's current level of service performance with that of regulated water utilities in the United Kingdom. Further information on the parameters and underlying information used to inform the OPA score are contained in pages 116 to 128 of *WICS Supporting Material Part 2 – Scope for Efficiency*.¹¹

The OPA assessment is indicative only as it is based on the submissions of a subset of local authorities in response to the Request for Information process and the assessment relies on councils' self-reporting. It is useful for understanding relative differences in performance between local authorities in New Zealand and water providers in the UK.

However, as there was no audit process for the RfI and it was the first attempt at collecting this information, there are likely to be some gaps and inconsistencies between the information local authorities provided that informed the OPA assessment.

¹¹ Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supporting-material-2-scope-for-efficiency.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supporting-material-2-scope-for-efficiency.pdf)

14. In the RFI response, WDC reported a number of properties on our rural schemes that have 'restricted', trickle feed style connections. The questions in the RFI seemed to class these questions as below the required level of service (i.e. inadequate flow / pressure at boundary).

- a) Has the assumption that restricted trickle feed connections are not adequate been carried through to our assessment in terms of how well we meet current and future flow / pressure standards / requirements?**
- b) If so, are you aware that this style of connection is being allowed for by Taumata Arowai in their draft new standards? The proposed standards would therefore be at odds with the assumption that this style of connection is not a suitable level of service.**

Answer

As noted above, the OPA is only an indicative measure, used to provide a gauge for how New Zealand local authorities are currently performing relative to international peers. This is particularly useful given the relatively low level of uniform performance measurement across the sector currently, and reflects early steps in a move to greater performance monitoring. While it may not pick up certain differences between regulatory practice, particularly while the New Zealand standards are still under development, it provides a useful basis for understanding relative differences in performance between local authorities in New Zealand and water providers in the UK.

The relevant OPA measure is calculated as the number properties below reference level at end of year divided by the total connected properties at year end. The properties below reference level at end of year is reported in B2.9 of Waimakariri's RFI submission which includes customers on a restricted trickle feed connection. This has been done consistently for all councils in New Zealand in order to have a like-for-like comparison with performance in Great Britain and other jurisdictions.

General

15. How will the priorities of each community be taken into account by the proposed entity? For example, we have had strong feedback over the years around not chlorinating water supplies.

Answer

Firstly, in relation to the example of chlorination, that decision will sit with the new water services regulator Taumata Arowai. Taumata Arowai will take over from the Ministry of Health as the current drinking water regulator when the Water Services Act is commenced, expected to be in the second half of 2021. More information on Taumata Arowai can be found on their website: <https://www.taumataarowai.govt.nz/>

Under the proposed Water Services Bill, there is a residual disinfection exemption power that allows the chief executive of Taumata Arowai to exempt a supply from the requirement to treat a reticulated supply with residual disinfection (such as chlorination). This will allow a supplier (in this example the new water services entity) to adopt arrangements or use treatment methods other than chlorination to make drinking water safe. For further detail, see clause 57 of the proposed Water Services Bill:

<https://legislation.govt.nz/bill/government/2020/0314/latest/whole.html#LMS374564>

More broadly, the water service entity will be required to engage in a meaningful and effective manner with their consumers and communities on the preparation of the investment prioritisation methodology, the asset management plan, and the funding and pricing plan. This will provide consumer and communities with opportunities to give direct feedback to the entities before final prioritisation decisions are made.

The entity will be required to take the feedback into account, will be required to make public the final documents and publish a report outlining how the feedback was incorporated into their decision making. This means that communities will have the ongoing opportunity to directly input into prioritisation decisions and will provide a level of transparency for how the decisions were made by the entity.

Additionally, to strengthen the engagement and consultation of the wide range of stakeholders and communities within an entity, each water service entity will be required to establish their own consumer forum. The purpose of this forum will be assist with the communication and engagement on the technical aspects of the key business documents, and to ensure the range of consumer interests are being considered by the entity when finalising important decisions.

Community priorities will also be considered through the role of the Regional Representative Group. This group will be made up of mana whenua and local authority representatives and will provide a mechanism for the inclusion of more local and regionalised priorities and objectives to guide entities' behaviours and decisions. The Regional Representative Group will be setting a Statement of Strategic and Performance Expectations for the water services entity, which will set the specific objectives and priorities for the board of the entity. The board must then take the Statement of Strategic and Performance Expectations into account when producing their Statement of Intent (how they will deliver on the objectives and priorities).

For more information on how the consumer and community voice will be incorporated throughout the entity and system design, please see Part B in "*Cabinet Paper Two and minute – Designing the new three waters service delivery entities – 30 June 2021*", which has been proactively released on the DIA Three Waters Reform Programme website: <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

To help protect and promote consumer interests, the Ministry for Business, Innovation and Employment (MBIE) are undertaking policy work to design consumer protection mechanisms and develop an economic regulation regime. The key role of the economic regulator will be to ensure the water services entities are acting in the best interests of their consumers. The MBIE will be releasing a discussion document on the consumer protection and economic regulation proposals later this year, which you will be able to provide feedback on.

16. How will communities be able to influence or have a say in decision-making of the proposed entity as they do now?

Answer

Mechanisms for communities to influence the decision-making of the proposed water services entities are set out in the answer above.

17. In the new entity six Council and six Tangata Whenua representatives are proposed - how was this number decided?

Answer

It is proposed that the number of representatives for each entity is not more than 12, with a preference for 10 or fewer members. In determining the number, our advice balanced a need to have a workable number of representatives to ensure there is an effective ability to make decisions.

Half the members must be mana whenua representatives. If an entity comprises more member local authorities and mana whenua representatives than can be accommodated on the Regional Representative Group, then Representatives:

- must comprise a distribution of metropolitan, provincial and rural local authorities (noting 50:50 partnership with mana whenua); and
- represent a geographical spread across the jurisdiction of the entity.

As soon as practicable, following establishment of an entity, local authorities and mana whenua must appoint representatives to the Regional Representative Group.

It is proposed that the mana whenua nomination process be a kaupapa Māori process. As you are aware, Ngāi Tahu are already well advanced in their thinking on how this could occur within Entity D.

18. What are the implications for the proposed reforms if some Councils opt-out, including governance and compliance compared to opt-in?

Answer

The Government is confident that the case for reform is compelling. Through the recent Heads of Agreement, LGNZ has also acknowledged that the Three Waters Reform Programme is a tested and robust package of reforms that will:

- a) affordably and sustainably address the water services delivery objectives over the next 30 years; and
- b) require all-in participation of local authorities to do so.

For that reason, it is important that all councils participate to give the reforms the best chance of success and to deliver safe, affordable and environmentally appropriate three waters services for all communities into the future. There is an expectation that over the next two months all councils will take the time to consider the information provided to them on their respective positions, and that of their communities, with and without reform, so that they understand the opportunities, benefits, impacts and challenges associated with reform.

After councils have had the opportunity to consider and provide feedback on the reform proposal, the Government will take decisions on the next steps for the reform programme, including expectations of councils post-September. Councils are strongly encouraged to engage with the issues over the next two-month period, rather than the question of whether or not to opt-out of the reform programme.

In terms of compliance, councils will want to consider the changing nature of the regulatory environment and the impact of this on reform-related considerations. Greater focus on environmental performance and the enforcement of drinking water standards by Taumata Arowai, alongside economic regulation to ensure water providers meet appropriate infrastructure investments and deliver efficiencies and fair prices for water users, are critical parts of the overall Three Waters Reform Programme. These factors will apply regardless of whether councils continue to participate in the reform programme. Compliance pressures are projected to require substantial additional investments by water providers in infrastructure and services. The status quo with respect to three waters services as experienced by councils today will no longer exist.

19. Is Great Britain’s starting base considered the same as New Zealand’s current state in terms of infrastructure condition and estimated value of investment?

Answer

Based on the comparisons of performance of companies in Great Britain and New Zealand’s current state, WICS considers that New Zealand is at a similar position to where Scotland was prior to reform in the late 1990s. This applies to future investment requirements, current levels of service and the scope for reducing operating expenditure.

20. Please confirm whether WDC will receive any further financial information or analysis specific to our District, or the proposed South Island water entity?

a) Information we are seeking includes:

- **Detail on the breakdown of the extra-investment required in our District, other than what has been derived from the Scotland example?**

Answer

The Department intends to provide councils with a tool to enable them to examine their financial position pre and post the proposed transfer of assets to the new entities. The aim is to allow councils to input their financial information and assess the impact of the reforms on their revenue and financial position, and likely implications for their credit rating and borrowing capacity, as well as provide an understanding of the impact of the Crown’s support packages. We will pre-populate the tool using LTP data (where available).

21. Can you provide rationalisation, evidence, and source for stating an ideal population of 600,000 to 800,000 for each entity?

Answer

The Department has looked at a wide range of international evidence on the benefits of scale, which is summarised in its regulatory impact assessment supporting the decision on the reform of three waters service delivery arrangements.¹²

¹² Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/department-of-internal-affairs-regulatory-impact-analysis-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/department-of-internal-affairs-regulatory-impact-analysis-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf)

It is well accepted in the economic literature that there is a 'U-shaped' average cost function (comparing average cost per unit of output), indicating an optimal range of size for water utilities. This means that aggregation of smaller water providers would be likely to result in lower average unit costs, but that at some point – as a water utility becomes larger – economies of scale effects may be exhausted. As a water entity becomes larger still it may start to operate with diseconomies of scale. The international evidence base suggests a range of between 500,000 to one million connected customers is needed to achieve a level of efficient scale, with the exact number dependent on a range of factors, including population density, rurality, topography, and geography.

In New Zealand, it is important to separate efficiency benefits that are likely to accrue to larger, professionally managed organisations from scale benefits that arise from the provision of the water services (including network benefits). Both arguments hold, but the first is difficult to separate from the wider benefits of reform including professional governance, specialist management, and good regulatory discipline.

A sample of the international evidence includes:

- Abbott and Cohen (2009). Productivity and efficiency measurement in the water industry. https://www.nzae.org.nz/wp-content/uploads/2011/08/Productivity_and_efficiency_measurement_in_the_water_industry.pdf
- Farrierswier (2021). Three Waters Reform: Review of methodology and assumptions underpinning economic analysis of aggregation. [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf)
- Ferro (2017). Global study on the aggregation of Water Supply and Sanitation Utilities. <https://openknowledge.worldbank.org/bitstream/handle/10986/27981/119098-WP-P159188-PUBLIC-ADD-SERIES-50p-stat-analysis-24-8-2017-13-34-31-W.pdf?sequence=1&isAllowed=y>
- Ferro, Lentini, and Mercadier (2011). Economies of Scale in the water sector: a survey of the empirical literature. <https://iwaponline.com/washdev/article-abstract/1/3/179/28777/Economies-of-scale-in-the-water-sector-a-survey-of?redirectedFrom=fulltext>
- González-Gómez and García-Rubio (2008). Efficiency in the management of urban water services. What we have learned after four decades of research. https://www.researchgate.net/publication/23565871_Efficiency_in_the_management_of_urban_water_services_What_have_we_learned_after_four_decades_of_research
- Independent Pricing and Regulatory Tribunal (2007). Literature Review: Underlying costs and industry structures of metropolitan water industries. https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/final_report_-_literature_review_-_underlying_costs_and_industry_structures_of_metropolitan_water_industries_-_september_2007.pdf
- Water Industry Commission for Scotland (2021). Supporting materials part 2: Scope for efficiency. [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supporting-material-2-scope-for-efficiency.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supporting-material-2-scope-for-efficiency.pdf)

WICS concludes that, based on information from Great Britain, there appears to be a clear pattern where smaller entities achieve a smaller gain in efficiency than larger entities. The analysis in page 18 of supporting material 2: scope for efficiency¹³ shows that companies serving less than approximately 800,000 people have done much less well; they only managed to close between 10% and 50% of what the best performing larger companies have been able to realise.

It is also important to note that an entity serving 800,000 people would still be smaller than South West Water, which serves around 1.6 million people and is the smallest three waters entity in Great Britain.

On balance, in applying the international literature to New Zealand, a connected population of 600,000 to 800,000 seems likely to achieve a level of efficient scale sufficient to contribute to meeting the investment deficit and improving service outcomes.

22. Considering Three Waters are NZ's second biggest asset in Land Assets (after roads), how is the Office of the Auditor-General (OAG) involved in the reform process? Furthermore, WICS have used averaging assumptions based on AU and UK data. What is the quality (confidence and reliability) of those datasets to allow for an appropriate comparison?

Answer

The Office of the Auditor General (OAG) is typically not involved in policy development. Following its review of Long Term Plans for 2018-2028, it is worth noting that the OAG reported that local authorities might not be reinvesting enough in three waters assets, suggesting that these assets could be deteriorating to an extent that they are unable to meet the levels of service that their communities expect.

They also noted that Councils are modelling renewal forecasts using incomplete information on the condition and performance of their major assets, creating greater uncertainty about when assets need to be replaced or when the councils' renewal peaks will be.¹⁴

The asset information from the UK has been collected consistently for over 20 years and in some cases for approaching 40 years. It has been reviewed by independent reporters. The information from Australia is also taken from submissions to economic and competition regulators and has been reviewed by firms such as Deloitte and Atkins. It has also been collected for several years.

The WICS further modelling in the slide presentation titled 'Entity D: the use and analysis of the RFI information and other benchmarks' dated July 2021 also examined the impact of using each council's own assumptions for:

- the percentage split of assets between short-medium and long-life assets; and
- asset lives.

¹³ Available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/wics-supporting-material-2-scope-for-efficiency.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/wics-supporting-material-2-scope-for-efficiency.pdf)

¹⁴ Office of the Auditor-General (2019). Matters arising from our audits of the 2018-28 long-term plans. Available at <https://oag.parliament.nz/2019/ltps/docs/ltps.pdf>.

The results of this analysis showed that the probability of a citizen of Waimakariri being financially worse off with reform was 4.6% (slide 39). In such a scenario, citizens of Waimakariri would also receive much lower enhancement and growth investment (NZ\$232m versus NZ\$1,210m with reform) and materially worse outcomes in terms of levels of service.

23. We understand that the entity will own the Three Waters assets.

- a) Please provide details to support the statement that Councils will still own the assets. This does not appear to be the case as Councils will not be able to show them on their balance sheet or assert any direct control over the assets or services within their District. This does not appear to meet the definition of ownership.**
- b) Does DIA have legal advice to support the statement that the assets will remain in Councils' ownership, and can we have a copy of that advice confirming the proposed model meets the legal definition of ownership?**

Answer

The local authority ownership mechanism is a bespoke model, designed to deliver on the three waters reform objectives. Water assets will be owned by the water services entities. Local authorities will be identified as owners of the relevant water services entity on behalf of their communities.

Providing local authorities with collective 'ownership' of the proposed entities ensures that community ownership of water services is retained and recognises the important role of the community interest in water services delivery. Under the proposed model, as local authorities are to be listed as owners in legislation, any alternative ownership structure will require legislative reform, providing a protection against privatisation.

In designing the proposed water services entities, the Government has sought to design an entity structure that: maintains and protects public ownership of water assets, ensuring strong protection against privatisation; provides for strong and transparent oversight, governance and accountability through various mechanisms, importantly via the joint oversight of water services entities between local authorities and iwi/Māori; and achieve balance sheet separation.

There is no existing entity structure in New Zealand that would provide water services entities with these key features – the capability and capacity to deliver on the reform objectives – or provide water services in the way contemplated by the reform programme, hence the need to create a bespoke ownership model.

A bespoke governance model is also proposed. Robust oversight, governance and voting arrangements will provide for an appropriate level of influence and oversight of the entities. The water services entities will each have a Board. Board members will be subject to bespoke duties and frameworks, and the establishing legislation will set these out.

Local authorities will play key roles in the oversight of water services entities – the appointments process and strategic direction. In terms of the appointments process, local authority representatives will act collectively with mana whenua representatives as a Regional Representative Group in respect of each entity. Each Regional Representative Group will appoint (and remove) and monitor an Independent Selection Panel which in turn appoints and monitors the Board. In terms of strategic direction, each Regional Representative Group will provide the entity with a Statement of Strategic and Performance Expectations that will influence the Statement of Intent that an entity produces.

24. In determining a cost benefit analysis for a transfer of assets to the new entities, has the MBIE Business Case model been followed?

Answer

The decision to reform the three waters service delivery arrangements involves several interdependent components, such as strengthened governance, structural aggregation and the introduction of economic regulation, in addition to the transfer of assets. Cabinet requires that policy proposals are subject to careful and robust analysis and has set out an impact analysis framework for this that all government agencies are required to follow.¹⁵ The Department of Internal Affairs prepared a Regulatory Impact Assessment on the basis of this framework. The Regulatory Impact Assessment also builds on three years' worth of work through the Three Waters Review and the Government Inquiry into Havelock North. An independent panel reviewed the Department's Regulatory Impact Assessment and concluded that it met the quality assurance criteria.

The Department's Regulatory Impact Analysis is available on its website at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/department-of-internal-affairs-regulatory-impact-analysis-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/department-of-internal-affairs-regulatory-impact-analysis-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf).

¹⁵ Available at <https://www.treasury.govt.nz/sites/default/files/2020-06/guide-cabinet-ia-requirements-june2020.pdf>

25. How does the reform propose that stormwater discharge be managed within the urban environment? Specifically, where run-off from private sections discharges to the network, often via the road, in addition to road run-off that also enters the drainage network via kerb and channel. It is difficult to delineate the two discharges occurring within the same environment. Would private stormwater be required to be separated from roading stormwater discharge?

Answer

Cabinet has agreed that *“the water service entities will be responsible for: services and infrastructure relating to stormwater quality and quantity including taking over the related services and assets currently held by territorial authorities (though not including stormwater services and infrastructure related to their role as road controlling authorities)”*.¹⁶

A Stormwater Technical Reference Group (STWG), drawing on expertise within the water industry, local government and central government, was formed to explore the issues associated with the transfer of responsibilities, and provide advice on an approach to transition stormwater to the new water services entities.

The STWG report, a “Proposed approach to the transfer of stormwater functions and delivery to new water service entities” provides a framework to guide the transfer of stormwater responsibilities from territorial authorities to the new water service entities, but further work and engagement with the sector and key agencies will still be required to implement that transfer framework. This further work and engagement will happen in partnership with local authorities during the transition period. The report will be made available on the three waters reform programme website in August. <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

Discharges to the stormwater system from private property is an area that was considered by the STWG. As a general principle, the STWG view was that Stormwater from private property is the responsibility of land owners, but the STWG noted that across the country, this is managed differently by councils, with some councils requiring landowners to manage stormwater within land, while others require or permit land owners to connect to the municipal stormwater network, often through the roading system. The specific arrangements are often related to particular topographical and/or geological characteristics of locations.

While the specific cases will be worked through during the transition phase, where existing arrangements permit or require stormwater from private sections to discharge into the municipal stormwater network, it is likely that these arrangements will be continued by the new water service entities.

¹⁶ Cabinet decision and supporting paper available at [https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\\$file/cabinet-paper-one-and-minute-a-new-system-for-three-waters-service-delivery.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/$file/cabinet-paper-one-and-minute-a-new-system-for-three-waters-service-delivery.pdf)

26. Why were Councils not given the opportunity to work in partnership with DIA prior to the release of the dashboards on 30 June, as per the Memorandum of Understanding (MOU)?

Answer

The local dashboards play back for councils the information that was supplied as part of the request for information (RfI) undertaken between November 2020 and February 2021. In addition, they include outputs from analysis undertaken for the reform programme by WICS and Deloitte, results which had already been shared with local authorities. No information marked as confidential has been released, consistent with guidance issued earlier this year.

Prior to the dashboard being released, the approach and dashboard was tested with some local authority representatives, including with LGNZ and the joint central/local government steering committee. The Department did not undertake engagement with each individual local authority given the significant time this would have required, which would have delayed the release of the dashboard. There was a strong desire from the sector to have this information available as soon as possible after the conclusion of the RfI process.

27. Is the extra spend across New Zealand for drinking water, sewage treatment and stormwater infrastructure and treatment predicated on all properties, whether urban or rural, receiving the full Three Waters services?

- **For Waimakariri this would be a considerable extension to the Three Waters services provided at present by the Waimakariri District Council. In other words, is the scope of the Three Waters Reform to deliver the present 'urban-standard' infrastructure across the entire District and the entire country? And to bring the discharges from those water services up to a standard which meets the NPS FW 2020?**

Answer

The investment estimates developed by WICS assume a level of connections growth that is based on what councils provided through the RfI process. The scale of the investment is indicative of the step up in investment required to meet current and future regulatory requirements.

28. Will the proposed Three Waters entities ensure all fresh, marine and groundwater receiving environments meet the NPS-Freshwater 2020? If not, what is the contaminant level for fresh, ground and marine receiving waters inherent in these reforms and where can we find this information?

- **Does the cost allowance in the dashboard include achieving NPS freshwater standards for all waterways in New Zealand?**

Answer

The water services entities will be subject to the NPS Freshwater Management 2020. As a general principle, the water services entities will be subject to the same environmental regulatory requirements as would any local authority three waters provider.

The future investment requirements modelled by WICS were prepared based on the environmental regulatory requirements that apply in the United Kingdom. As noted above, Beca reviewed these standards and found them to be comparable either with existing standards in New Zealand or the likely direction of travel with future regulatory requirements.

A new system for three waters service delivery

DIAGRAM 1

JUNE 2021

1. A CASE FOR CHANGE

This Government has ambitions to significantly improve the safety, quality, resilience, accessibility, and performance of three waters services, in a way that is efficient and affordable for New Zealanders. This is critical for:

- public health and wellbeing;
- environmental outcomes;
- economic growth and employment;
- housing and urban development;
- adapting to the impacts of climate change;
- mitigating the effects of natural hazards.

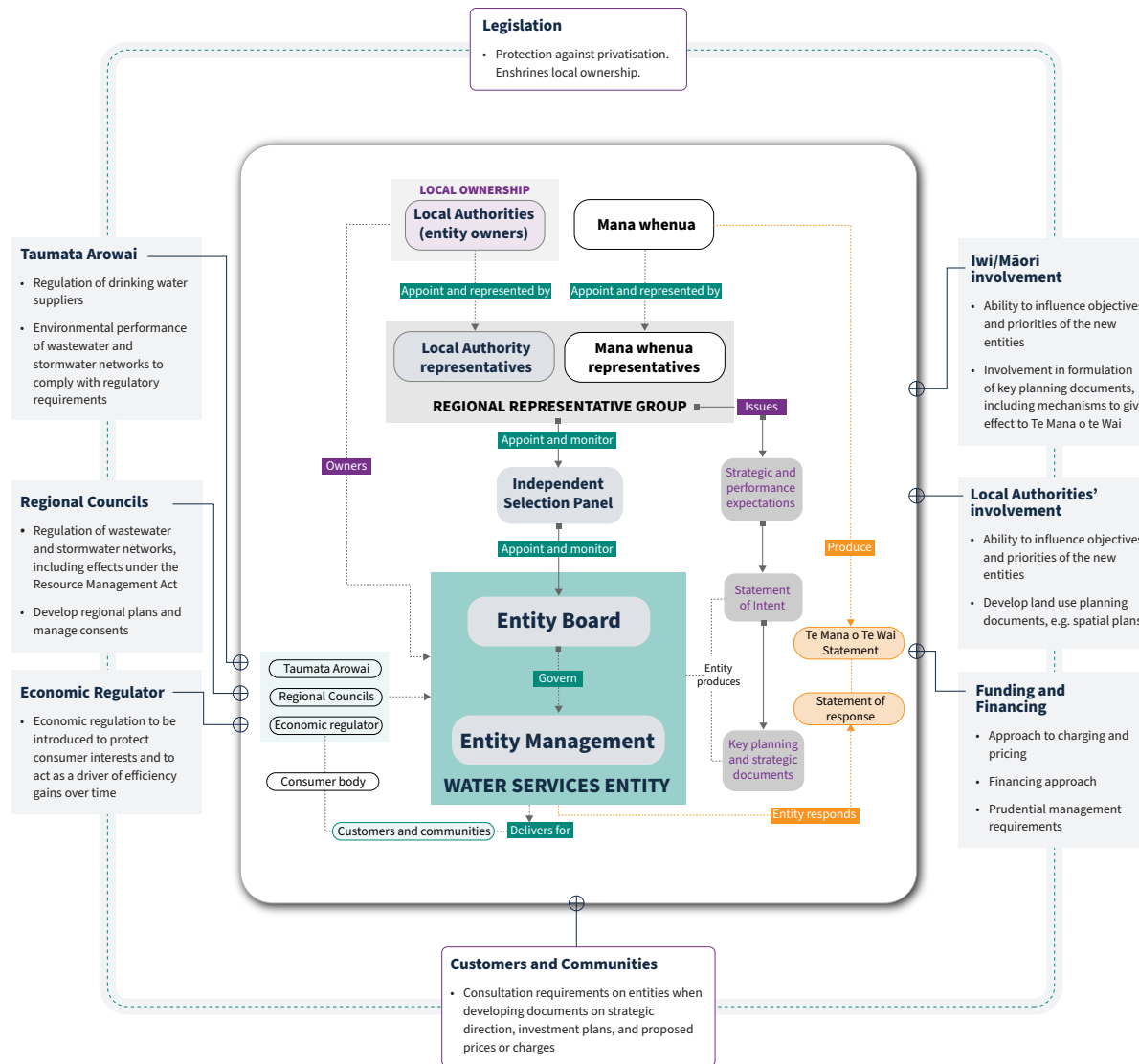
Government also wants to ensure it delivers on Treaty-related obligations, including by improving outcomes for iwi/Māori in relation to three waters service delivery.

Integral to this is effective infrastructure delivery, underpinned by an efficient, high-performing, financially-sustainable, and transparent three waters system.

2. KEY DESIGN FEATURES

- Maintaining local authority ownership of water services entities;
- Protecting against privatisation;
- Retaining influence of local authorities and mana whenua over strategic and performance expectations;
- Providing the necessary balance sheet separations from local authorities; and
- An integrated regulatory system.

3. A NEW WATER SERVICES SYSTEM



4. OBJECTIVES FOR THE CROWN/MĀORI RELATIONSHIP

Enabling greater strategic influence to exercise rangatiratanga over water services delivery.

- A Integration of iwi/Māori rights and interests within a wider system.
- B Reflection of a holistic te ao Māori perspective.
- C Supporting clear account and ensure roles, responsibilities, and accountability for the relationship with the Treaty partner.
- D Improving outcomes at a local level to enable a step change improvement in delivery of water services for iwi/Māori.

5. A PARTNERSHIP-BASED REFORM

- Government will continue to work in partnership with iwi/Māori and local authorities.
- A large scale communication effort is required to ensure local government support reform.
- Further decisions are yet to be taken by Cabinet on the arrangement for transition to, and implementing, the new system.

A new system for three waters service delivery

The number and boundary of entities needs to balance scale with other factors

1. FACTORS CONSIDERED TO DETERMINE NUMBER AND BOUNDARIES

A range of factors have been analysed to help determine how many entities there should be, and their boundaries:

- A** Potential to achieve scale benefits from a larger water service delivery entity to a broader population/customer base.
- B** Alignment of geographical boundaries to encompass natural communities of interest, belonging and identity including rohe/takiwa.
- C** Relationship with relevant regulatory boundaries including to enable water to be managed from source to the sea - ki uta ki tai.

Applied economic analysis, informed by international evidence, provides further confidence that each entity would need to serve a connected population of at least 600,000 to 800,000 to achieve the desired level of scale.

The preferred approach is to create four new water services entities, and to enable all communities to benefit from reform.

2. PROPOSED BOUNDARIES

Government has agreed to a preferred set of entity boundaries. However, the Government remains interested in continuing discussion with local government and iwi/Māori most affected by the proposed boundary choices. In particular:

1 South Island entity

Whether there should be a single entity covering the whole of the South Island, or instead take an approach that uses the Ngāi Tahu takiwa.

2 Taranaki region

Which entity would include the Taranaki region, taking into account ki uta ki tai, whakapapa connections, and economic geography/community of interests.

3 Hauraki Gulf

Whether to include other districts surrounding the Hauraki Gulf, enabling a more integrated approach to the management of the Hauraki Gulf marine catchment.

The map highlights the recommended boundaries.

3. OUR INTENTION IS THAT ALL COMMUNITIES BENEFIT FROM REFORM

Latest estimates indicate that the amount of investment required to:

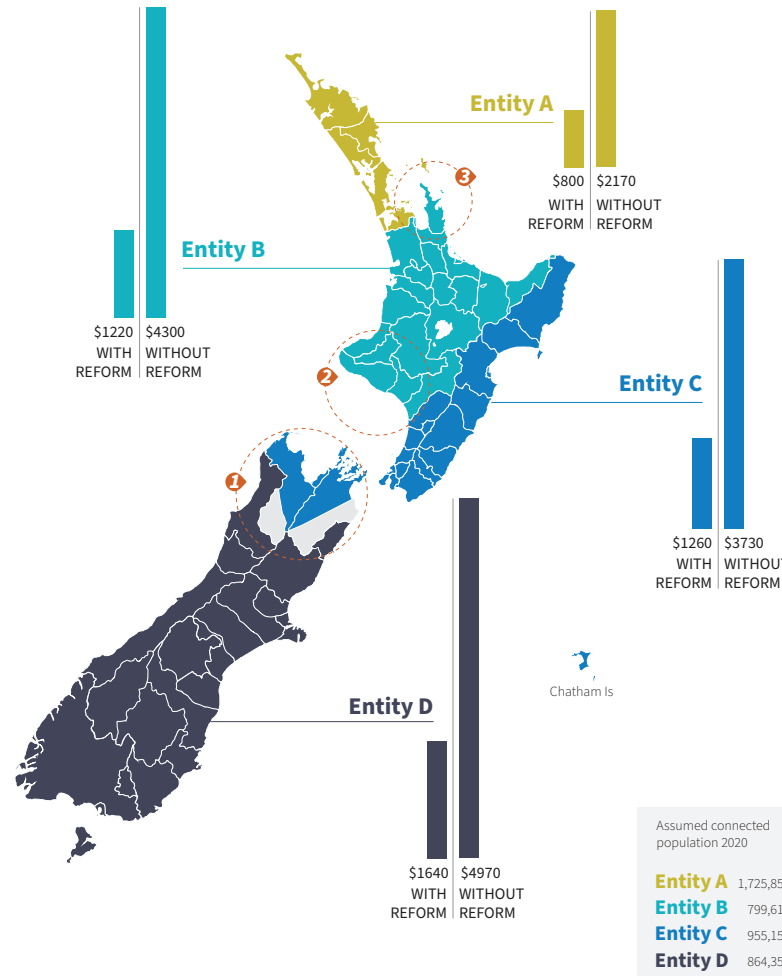
- provide for future population growth
- replace and refurbish existing infrastructure
- upgrade three waters assets to meet drinking water and environmental standards

Is in the order of

\$120 billion to \$185 billion

over the next 30 to 40 years.

4. PROJECTED HOUSEHOLD COSTS 2051



The figures presented above for household bills with and without reform set out what an average household would be likely to pay for three waters services in 2051, in today's dollars, based on an analysis by the Water Industry Commission for Scotland.

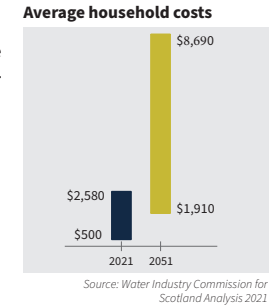
A weighted average figure is presented for household bill estimates without reform, to account for the wide variance between council pricing policies. This weighted average figure reflects the proportion of the connected population that resides in each council area relative to neighbouring councils within the relevant water services entity.

5. POTENTIAL IMPACTS

Difference in household costs

Average household costs for most councils on a standalone basis in 2051 are likely to range from between \$1,910 to \$8,690.

The scale of investment required between now and 2051, would require average household costs to increase by between three to 13 times in real terms for rural councils, between two and eight times for provincial councils and between 1.5 and seven times for metropolitan councils.



Current household costs

Currently there are a wide range of current (2019) average household costs.

	LOW	HIGH	MEDIAN	MEAN
Metro	\$500	\$1,920	\$1,050	\$1,120
Provincial	\$610	\$2,550	\$1,120	\$1,300
Rural	\$210	\$2,580	\$1,340	\$1,390

Source: Water Industry Commission for Scotland Analysis 2021

Current costs are not necessarily a good reflection of what funding is required to meet the full costs of economic depreciation (that is, to provide resources for asset maintenance and renewal).

Potential economic impact of reform

The economic impact assessment estimates the impact of a material step up in investment in connection with reform, relative to the level of investment that might be expected in the absence of reform.

Change relative to counter-factual, 2022-2051

Net change in GDP p.a. over 30 years	▲	0.3% to 0.5%
Present value increase in GDP	▲	\$14b to 23b
Average increase in FTEs	▲	5,850 to 9,260
Increase in average wages	▲	0.2% to 0.3%
Present value increase in taxes	▲	\$4b to \$6b

Source: Deloitte Three Waters Reform Economic Impact Assessment 2021



Three Waters Guidance for councils over the next eight weeks

Local Government New Zealand, Taituarā, and Te Tari Taiwhenua Internal Affairs

30 July 2021

Context

The Government has recently announced an integrated and extensive package of reform proposals together with a comprehensive financial support package. These announcements build on an intensive 12-month period of policy, commercial, legal and analytical work that has been progressed through a constructive partnership-based approach with the local government sector, under the oversight of a joint central-local government steering committee. Throughout this period the government has also undertaken multiple periods of engagement with local government and iwi/Māori.

The sector, through LGNZ's National Council, Taituarā and the Joint Steering Committee, have been working with the Government on their preferred model to ensure the Government's policy proposal worked within the broader local government "operating" system. We have shared the sector's concerns with DIA and challenged and tested policy as it's been developed. This has significantly influenced the shape of the reform. We are confident that there is a sufficient and evidence-based national case for change, including that the current approach to three waters service delivery is not capable of delivering the outcomes required in an affordable and sustainable way into the future.

What's the Government's proposing?

The Government is proposing four new, large water service delivery entities. Their scale and balance sheet separation from councils means they will be able to borrow enough to fund the investment needed, a position that has been thoroughly tested with ratings agency Standard & Poors. The scale is also important to build and develop capability and capacity in the water services industry, as well as creating operating efficiencies and for effective quality and economic regulation. Without the new WSEs, councils will be directly responsible for all quality and economic regulatory obligations.

To support the sector through this massive change, LGNZ and the Crown (through DIA) jointly developed a [national-level package](#) to wrap around the reform proposals that addresses the sector's concerns and supports our communities now and into the future. The package is detailed in a [Heads of Agreement](#), signed in July, between LGNZ and the Government.

A summary of the proposed reform and support package can be found in [Appendix 1](#). [Appendix 2](#) provides an overview of the resources available to local authorities seeking further detail around the case for change and the decisions taken to date.

The Government and LGNZ have recommitted to working in partnership with the local government sector not just on these reforms, but on other challenges and opportunities. This is reflected in a [joint central/local government statement](#) released by the Government and LGNZ and underpinned by the Heads of Agreement.

Through the Heads of Agreement, the Government and LGNZ have agreed that local authorities will be provided a reasonable period from the end of the LGNZ conference through to 1 October to consider the impact of the reforms (including the financial support package) on them and their communities and an opportunity to provide feedback. The agreement and support package signal the Government's confidence in local government as a critical partner, both in this reform and in the future. We have heard strongly that Ministers want to work in partnership with our sector.

They have committed to doing so and LGNZ has made the same commitments. That is how we can be most effective and influential going forward.

No formal decisions are required between now and 1 October, but we are seeking feedback on the potential impacts of the proposed reform and how it could be improved.

The purpose of the next eight weeks

The purpose of this period is to provide time for all local authorities to:

- engage with and understand the large amount of information that has been released on the nature of the challenges facing the sector, the case for change, and the proposed package of reforms, including the recently announced support package;
- take advantage of the range of engagement opportunities to fully understand the proposal and how it affects your local authority and your community; and
- identify issues of local concern and provide feedback to LGNZ on what these are and suggestions for how the proposal could be strengthened.

You are not expected to make any formal decisions regarding the reform through this period. This is an opportunity for the sector to engage with – and provide feedback on – local impacts and possible variations to the proposed reform package outlined by the Government.

This engagement period does not trigger the need for formal consultation.

We would encourage local authorities to share your feedback with us as it arises over this period – that way we can share insights and ideas on common issues across the sector and help each other benefit from each other's work.

Who's doing what over the next eight weeks

Over the next eight weeks:

- DIA and the Steering Group will continue to work on policy development so they can refine and enhance the model based on feedback from the sector.
- LGNZ and Taituarā will continue to support councils to understand their individual council data and the potential impacts the proposal will have on them and their communities.
- LGNZ will also facilitate workshops and council meetings to gather your feedback and provide clear guidance and ideas to DIA, the Steering Group and the Minister on the remaining unresolved areas of concern.
- The Steering Committee will maintain a role in informing ongoing policy issues, informing the implementation of the reform package, and providing oversight of and input into the transition processes.
- Councils can use this time to work through the proposal and information provided by DIA, including to test the 'no worse off'/'better off' proposition underpinning the financial support package.

Engagement with iwi/Māori

Over the next eight weeks, the Government will continue to lead engagement with iwi/Māori over the reform programme. You should be aware of this occurring but not let it stop you from maintaining your own constructive relationships. You should also be aware that as part of the [Heads of Agreement](#) and the funding allocation attached, it is proposed that to recognise the role that iwi/Māori will play in the new delivery system as partners, local authorities will be expected to engage with iwi/Māori in determining how it will use its funding allocation.

What happens next - decision making and consultation

Following the engagement period, the Government will consider the feedback and suggestions provided by local authorities, in partnership with the joint steering committee. It will also consider the next steps, including the transition and implementation pathway, and revised timing for decision-making, which could accommodate the time required for any community or public consultation.

The Government will not be taking further decisions until after this engagement period.

Engagement on boundaries

The Government is keen to engage with those most affected by boundary issues, with discussions already underway. This engagement will be ongoing and is not limited to the eight week period.

What councils need to do over the next eight weeks

This is an opportunity for the sector to engage with the model and the proposal, at the national level and very specifically as it relates to your district/city. In this period Chief Executives should provide advice, for noting, to their council on the implications for the district/city. (Taituarā will develop a report format for chief executives to use). A decision on the advice, apart from noting, is not required, but the advice could form the basis of consultation with the community at a later date if required.

We would encourage councils to share your feedback with us as it arises over this period – that way we can share insights and ideas on common issues across the sector and help each other to benefit from each other's work.

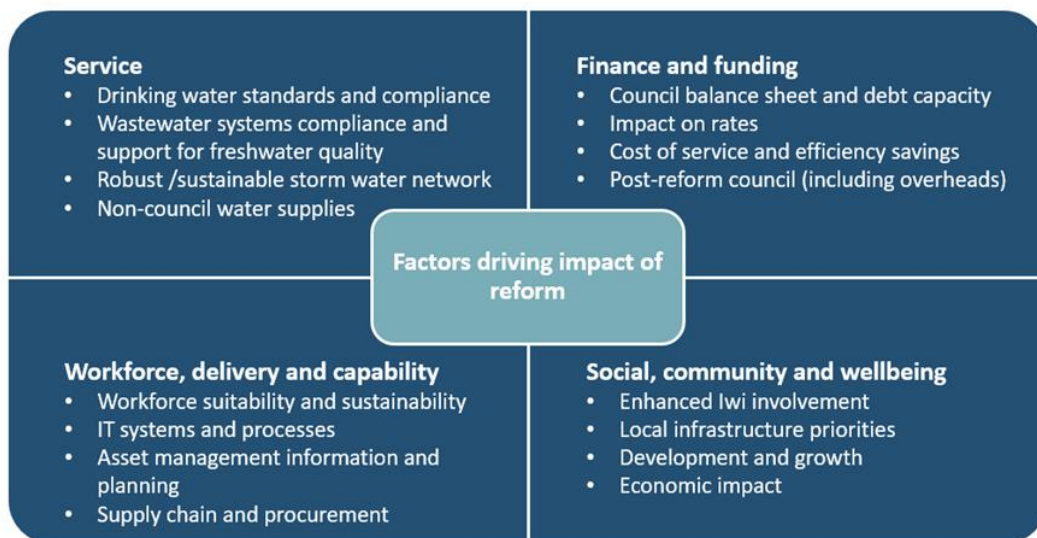
Local authorities are encouraged to review and consider the reform package and its implications for the communities they serve.

From now till 1 October, councils should carry out analysis to understand the potential impact of the reform by taking these steps:

1. Understand the key features of the proposed model and how it is intended to work (LGNZ will provide resources to help with this – see below).
2. Apply the proposed model to your circumstances (consider impacts on your community) for today and for the future (we would propose a 30 year horizon).

3. Consider the model holistically – in terms of service, finance and funding, workforce, delivery and capability and social, cultural, environmental and economic well-being. LGNZ can help with this analysis.
4. Using the Taituarā pro forma report framework, chief executives should report the outcome of this analysis as advice to their councils, for noting. The pro forma report will specify all the parameters to be covered. Please provide a copy of the advice to LGNZ.

Local authorities are encouraged to consider the impacts of the proposed reform holistically, in terms of service outcomes, economic development and growth, finance and funding, workforce capability and social, community and economic well-being. The diagram below provides a helpful framework for thinking through these impacts. LGNZ can help with this analysis.



Local authorities are also encouraged to provide feedback or participate in targeted workshops to develop solutions on outstanding issues identified by LGNZ and the Government.

As part of the agreement between LGNZ and the Government, we are also looking for feedback on and solution refinements for issues that councils have raised that aren't fully resolved 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' needs and wants, including responding to localised concerns.
2. Effective representation on the new water service entities' oversight boards so that there is strong strategic guidance from, and accountability to, the communities they serve, including iwi/mana whenua participation. This also covers effective assurance that entities, which will remain in public ownership, cannot be privatised in future.

3. Making sure councils' plans for growth, as reflected in spatial plans, district plans or LTPs, are appropriately integrated with water services planning. This includes that planning and delivery of water infrastructure investment is integrated with transport and other related infrastructure.

You can either provide potential solutions and refinement ideas in writing to us or participate in targeted workshops. If you would like to be part of a workshop, please email feedback@lgnz.co.nz.

Appendix 1: Summary of reform proposal and support package

Government reform package

The Government has decided, based on the substantial work undertaken over the past year in partnership with the sector, to pursue an integrated and extensive package of reform to the current system for delivering three waters services and infrastructure. The package comprises the following core components:

- establish four statutory, publicly-owned water services entities to provide safe, reliable and efficient water services;
- enable the water services entities to own and operate three waters infrastructure on behalf of local authorities, including transferring ownership of three waters assets and access to cost-effective borrowing from capital markets to make the required investments;
- establish independent, competency-based boards to govern each water services entity;
- introduce mechanisms that protect and promote the rights and interests of iwi/Māori in the new three waters service delivery system;
- introduce a series of safeguards against future privatisation of the water services entities;
- set a clear national policy direction for the three waters sector, including expectations relating to the contribution by water services entities to any new spatial / resource management planning processes;
- establish an economic regulation regime, to ensure efficient service delivery and to drive the achievement of efficiency gains, and consumer protection mechanisms; and
- develop an industry transformation strategy to support and enable the wider three waters industry to gear up for the new water services delivery system.

Financial support package

The Government has developed, in close partnership with Local Government New Zealand, a package of \$2.5 billion to support the sector through the transition to the new water services delivery system, and to position the sector for the future. There are two broad components to this support package:

- \$2 billion of funding to invest in the future of local government and community well-being, while also meeting priorities for government investment (the “better off” component).
- \$500 million to ensure that no local authority is financially worse off as a direct result of the reform (the “no worse off” component).

The better off component of the support package, which comprises \$1 billion Crown funding and \$1 billion from the new water services entities, is allocated to territorial authorities on the basis of a nationally consistent formula that takes into account population, relative deprivation and land area. This formula recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs, and differences across the country in the ability to pay for those needs.

Territorial authorities will be required to demonstrate that the use of this funding supports the three waters service delivery reform objectives and other local well-being outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:

- supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards; and
- delivery of infrastructure and/or services that:
 - enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available; and
 - support local place-making and improvements in community well-being.

The no worse off component of the support package is intended to address the costs and financial impacts on territorial authorities directly as a result of the three waters reform programme and associated transfer of assets, liabilities and revenues to new water services entities. It includes an up to \$250 million allocation to support councils to meet unavoidable costs of stranded overheads, based on:

- \$150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils;
- Up to \$50 million allocated to the Auckland, Christchurch and Wellington Water councils excluded above based on a detailed assessment of two years of reasonable and unavoidable stranded costs directly resulting from the Water Transfer, as the nationally-consistent formula is likely to overstate the stranded costs for these councils due to their significantly greater scale and population. Stranded costs should be lower with respect to Watercare and Wellington Water as these Council Controlled Organisations have already undertaken a transfer of water services responsibilities, albeit to varying degrees; and
- Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for by the per capita rate (the process for determining this will be developed by the Department of Internal Affairs working closely with Local Government New Zealand).

The remainder of the no worse off component will be used to address adverse impacts on the financial sustainability of territorial authorities. This will require a due diligence process that will need to be worked through in the coming months.

In addition to the support package, the Government expects to meet the reasonable costs associated with the transfer of assets, liabilities and revenue to new water services entities, including staff involvement in working with the establishment entities and transition unit, and

provision for reasonable legal, accounting and audit costs. There is an allocation for these costs within the \$296 million tagged contingency announced as part of the 2021 Budget Package for transition and implementation activities. This allocation is additional to the \$2.5 billion support package.

The Department of Internal Affairs is continuing to work with Local Government New Zealand and Taituarā, including through the joint Steering Committee process, to develop the process for accessing the various components of the support package outlined above, including conditions that would be attached to any funding. More information and guidance will be made available in the coming months.

Better off funding allocation

Council	Allocation
Auckland	\$ 508,567,550
Ashburton	\$ 16,759,091
Buller	\$ 14,009,497
Carterton	\$ 6,797,415
Central Hawke's Bay	\$ 11,339,488
Central Otago	\$ 12,835,059
Chatham Islands	\$ 8,821,612
Christchurch	\$ 122,422,394
Clutha	\$ 13,091,148
Dunedin	\$ 46,171,585
Far North	\$ 35,175,304
Gisborne	\$ 28,829,538
Gore	\$ 9,153,141
Grey	\$ 11,939,228
Hamilton	\$ 58,605,366
Hastings	\$ 34,885,508
Hauraki	\$ 15,124,992
Horowhenua	\$ 19,945,132
Hurunui	\$ 10,682,254
Invercargill	\$ 23,112,322

Kaikoura	\$ 6,210,668
Kaipara	\$ 16,141,395
Kapiti Coast	\$ 21,051,824
Kawerau	\$ 17,270,505
Lower Hutt	\$ 38,718,543
Mackenzie	\$ 6,195,404
Manawatu	\$ 15,054,610
Marlborough	\$ 23,038,482
Masterton	\$ 15,528,465
Matamata-Piako	\$ 17,271,819
Napier	\$ 25,823,785
Nelson	\$ 20,715,034
New Plymouth	\$ 31,586,541
Opotiki	\$ 18,715,493
Otorohanga	\$ 10,647,671
Palmerston North	\$ 32,630,589
Porirua	\$ 25,048,405
Queenstown Lakes	\$ 16,125,708
Rangitikei	\$ 13,317,834
Rotorua Lakes	\$ 32,193,519
Ruapehu	\$ 16,463,190
Selwyn	\$ 22,353,728
South Taranaki	\$ 18,196,605
South Waikato	\$ 18,564,602
South Wairarapa	\$ 7,501,228
Southland	\$ 19,212,526
Stratford	\$ 10,269,524
Tararua	\$ 15,185,454

Tasman	\$ 22,542,967
Taupo	\$ 19,736,070
Tauranga	\$ 48,405,014
Thames-Coromandel	\$ 16,196,086
Timaru	\$ 19,899,379
Upper Hutt	\$ 18,054,621
Waikato	\$ 31,531,126
Waimakariri	\$ 22,178,799
Waimate	\$ 9,680,575
Waipa	\$ 20,975,278
Wairoa	\$ 18,624,910
Waitaki	\$ 14,837,062
Waitomo	\$ 14,181,798
Wellington	\$ 66,820,722
Western Bay of Plenty	\$ 21,377,135
Westland	\$ 11,150,183
Whakatane	\$ 22,657,555
Whanganui	\$ 23,921,616
Whangarei	\$ 37,928,327

Appendix 2: Three Waters Reform Programme key resources

The table below summarises the key resources that have been published in relation to the Government's recent announcements around the proposed three waters service delivery reform and financial support package.

Further information is available at the three waters reform programme webpage at:

<https://www.dia.govt.nz/Three-Waters-Reform-Programme>

Title	Description
Cabinet papers and decisions	
Cabinet paper one and minute – A new system for three waters service delivery	Paper summarising the case for change and seeking Cabinet agreement to the overall reform package.
Cabinet paper two and minute – Designing the new three waters service delivery entities	Paper seeking Cabinet agreement to the proposed structure of water services entities, associated oversight, governance and ownership arrangements and mechanisms that provide for communities and consumers to have a voice within the new structure.
Cabinet paper three and minute – Protecting and promoting iwi/Māori rights and interests	Paper summarising iwi/Māori rights and interests in the three waters service delivery reforms, and seeking agreement to a number of specific mechanisms for protecting and promoting rights and interests in the new service delivery model.
Summary of case for change and reform proposal	
Transforming the system for delivering three waters services - the case for change and summary of proposals	An overview of the case for change and the Government's proposed package of reform.
A3 Overview of the Three Waters Reform Programme	A3 summarising the case for change, proposed new delivery system.
Financial support package information and FAQs	Overview of the financial support package, allocations and responses to frequently asked questions.

Title	Description
Models, tools and dashboards	
Local Dashboard	Dashboard of the potential impacts on local authorities with and without reform.
Simplified financial models	Simplified versions of the financial models the Water Industry Commission for Scotland used in its analysis of the potential economic benefits of three waters reform. These models demonstrate the approach taken to calculate average household costs for each council and amalgamated entity. There are also slide packs setting out sensitivity analysis for each council and amalgamated entity to test the sensitivity of the modelling to key assumptions, including assumptions around levels of efficiency and future investment need.
Water Service Entities overview	A short overview of the estimated position of the Water Service Entities following reform.
Evidence base	
Regulatory Impact Assessment – Decision on the reform of three waters service delivery arrangements	Regulatory Impact Assessment (RIA) developed by the Department of Internal Affairs to inform the decision on whether and how to improve the system for delivering three waters services. Developed in two parts: <ul style="list-style-type: none"> • a strategic RIA assessing the rationale for reform; and • six detailed RIA chapters assessing each of the core design choices that make up the package of policy proposals.
Industry Development Study and Economic Impact Assessment (Deloitte) Summary A3 Full report	Analysis of the potential economic impact of the proposed reform package, and the opportunities and risks for industries affected by reform.

Title	Description
<p>Economic analysis of water services aggregation (Water Industry Commission for Scotland):</p> <p>Final report</p> <p>Supporting material part 1 - required investment</p> <p>Supporting material part 2 – scope for efficiency</p> <p>Supporting material part 3 – costs and benefits of reform</p> <p>Supporting material part 4 – modelling the effect of ranges for key parameters for Auckland Council</p> <p>Supporting material part 5 – Council outcomes under amalgamation</p>	<p>Second phase of analysis that builds on earlier work by making use of more up-to-date information collected through the Request for Information process and by making allowance for population growth and council-reported rates of connection. The analysis is done in three parts:</p> <ul style="list-style-type: none"> • Estimated investment requirement for New Zealand’s three waters infrastructure to meet quality standards; • Scope for efficiency gains from transformation of the three waters service delivery system, including those associated with scale; and • The potential economic (efficiency) impacts of various aggregation scenarios.
<p>Review of methodology and assumptions underpinning economic analysis of aggregation (Farrierswier)</p>	<p>Farrierswier, a regulatory economics consultancy in Victoria, Australia with deep understanding of the water services industry, reviewed the methodology and underpinning assumptions applied by the Water Industry Commission for Scotland in its analysis of the potential benefits of reform and the extent to which this is reasonable to inform policy advice.</p>
<p>Review of assumptions between Scotland and New Zealand Three Waters Systems (Beca)</p>	<p>Beca reviewed the standards and practices in the United Kingdom three waters industry and the relevance to New Zealand given WICS has used United Kingdom data and benchmarks as part of its analysis.</p>



HEADS OF AGREEMENT

BETWEEN

THE SOVEREIGN IN RIGHT OF NEW ZEALAND

AND

**NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION
INCORPORATED TE KAHUI KAUNIHERA Ō
AOTEAROA**

FOR

**PARTNERING COMMITMENT TO SUPPORT
THREE WATERS SERVICE DELIVERY REFORM**

Parties

Name The Sovereign in right of New Zealand
Short name **Crown**

Name New Zealand Local Government Association Incorporated Te Kahui Kaunihera
ō Aotearoa
Short name **LGNZ**

Background

- A The New Zealand Government (**Government**) is undertaking a programme to reform the delivery of three waters in New Zealand (**Three Waters Reform Programme**).
- B LGNZ is an incorporated society that represents the national interests of local government in New Zealand and leads best practice in the local government sector.
- C Since May 2020, the Crown and LGNZ have worked collaboratively to consider the interests of central and local government in relation to the Three Waters Reform Programme.
- D The Crown and LGNZ wish to continue their interests-based partnering relationship:
- (i) to enable LGNZ's ongoing role in assisting with the interface between the Crown and the local government sector in connection with the Three Waters Reform Programme (including supporting the Three Waters Reform Programme objectives and supporting the sector through its implementation and transition); and
 - (ii) to strengthen the important relationship central government has with local government to continue to work together in relation to the Three Waters Reform Programme, acknowledging local government's critical role in placemaking and achieving positive wellbeing outcomes for communities and the shared objective of a thriving, resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities.
- E The Crown and LGNZ now wish to set out the agreed process for, and the terms of, the continuation of their interests-based partnering relationship.
- F The Crown (through the Department of Internal Affairs (**DIA**)) and LGNZ have previously entered into a non-disclosure agreement (**NDA**) under which DIA and LGNZ provided certain undertakings to each other in respect of confidentiality, conflict management and use of information (amongst other key terms), which continues to apply.

Agreed Terms

1. Definitions

- 1.1 Defined terms and expressions used in this Heads of Agreement shall, unless inconsistent with the context, have the meaning set out in Schedule 1.

2. Mutual commitment to continuing the partnering approach for three waters reform

- 2.1 In May 2020, the Government (through DIA) and LGNZ committed to working together to explore options for national three waters services delivery reform in recognition of the significant challenges – presently but more so in the future – facing the delivery of water services and infrastructure and the communities that fund and rely on them.

- 2.2 The Crown and LGNZ each wish to continue:

- (a) an interests-based partnering relationship, including through the Joint Steering Committee, to support:
- (i) the identification and resolution of matters of concern to the local government sector in a manner that is consistent with the shared objectives referred to in this Heads of Agreement; and
 - (ii) a smooth transition and successful implementation of the Three Waters Reform Programme, as further described in this Heads of Agreement; and
- (b) to strengthen the important relationship central government has with local government to continue to work together in the Three Waters Reform Programme, acknowledging the critical role local authorities play in local long-term planning, local placemaking and achieving positive wellbeing outcomes for their communities and the shared objective of a thriving, resilient and sustainable local government system that is fit for purpose and has the flexibility and incentives to adapt to the future needs of local communities.

- 2.3 The Crown acknowledges that:

- (a) although LGNZ has a mandate to consider the national interests of local government in New Zealand, the mandate of individual local authorities (as set out in the Local Government Act 2002) relates to the interests of their own local community; and
- (b) LGNZ's agreement to support and lead the sector in the manner described in this Heads of Agreement does not bind its members and individual local authorities may determine to adopt a position different to LGNZ's.

2.4 Ensuring recognition of rights and interests of iwi/Māori in three waters service delivery

The Crown and LGNZ recognise Te Tiriti o Waitangi/Treaty of Waitangi and the protection and promotion of iwi/Māori rights and interests in the delivery of three waters services, including through existing Treaty settlement mechanisms. Water can be a taonga of particular significance and importance to Māori and both parties recognise the importance of working in partnership, and acting reasonably and in good faith with the Treaty partner throughout the reform process. Both parties recognise the reform is a significant opportunity to improve outcomes for Māori in the delivery of three water services.

2.5 Shared objectives for the Three Waters Reform Programme

The Crown and LGNZ each acknowledge shared objectives which underpin the Three Waters Reform Programme. The principal objectives (including as they have been refined over the engagement process to date) are:

- (a) that there are safeguards (including legislative protection) against privatisation and mechanisms that provide for continued public ownership;
- (b) significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems (which are crucial to good public health and wellbeing, and achieving good environmental outcomes);
- (c) ensuring all New Zealanders have equitable access to affordable three waters services and that the Water Services Entities will listen, and take account of, local community and consumer voices;
- (d) improving the coordination of resources and planning, and unlocking strategic opportunities to consider New Zealand's infrastructure and environmental needs at a larger scale;
- (e) ensuring the overall integration and coherence of the wider regulatory and institutional settings (including the economic regulation of water services and resource management and planning reforms) in which the local government sector and their communities must operate;
- (f) increasing the resilience of three waters service provision to both short-and long-term risks and events, particularly climate change and natural hazards;
- (g) moving the supply of three waters services to a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities;
- (h) improving transparency about, and accountability for, the planning, delivery and costs of three waters services, including the ability to benchmark the performance of the new Water Services Entities; and
- (i) undertaking the reform in a manner that enables local government to continue delivering (in a sustainable manner) on its placemaking role and broader "wellbeing mandates" as set out in the Local Government Act 2002.

2.6 Other shared objectives for three waters reform and beyond

The Crown and LGNZ further acknowledge the following shared objectives of their interests-based partnering relationship in relation to the Three Waters Reform Programme:

- (a) supporting achievement of the shared three waters reform objectives described above;
- (b) ensuring that the Water Services Entities are set up for future success, including preserving their ability to borrow to accelerate investment and meet future investment demands;
- (c) maintaining good faith participation by central and local government in relation to other large reform programmes, including resource management reforms;
- (d) work in partnership to support the 'workforce transfer guidelines' so as to ensure that workers in local communities are treated fairly as part of the three waters reform process and with the least amount of disruption for staff and local authorities (including so that local

authorities can maintain their ongoing operations, including as they relate to three waters service delivery and investment for the duration of the transition period);

- (e) building on the success of the COVID-19 response and Joint Three Waters Steering Committee processes to demonstrate a new way of working that provides a platform for ongoing, constructive relationships between central and local government; and
- (f) supporting three waters service provision by the new Water Services Entities to be an enabler of a resilient, responsive and sustainable local government system, including as the roles and functions of local authorities may change and develop over time.

2.7 **Acknowledgement**

The Crown and LGNZ each further acknowledge that the Three Waters Reform Programme is a tested and robust package of reforms that will:

- (a) affordably and sustainably address the water services delivery objectives over the next 30 years; and
- (b) require all-in participation of local authorities to do so.

2.8 **Partnering principles – Three Waters Reform**

The Crown and LGNZ each wish to conduct their working relationship with the other party in relation to, and throughout the period of, the Three Waters Reform Programme in good faith and in accordance with the following objectives and principles:

- (a) *shared intention*: the shared intention of supporting the Three Waters Reform Programme, including ensuring a smooth transition and successful implementation of the Three Waters Reform Programme;
- (b) *mutual trust and respect*: build and foster working relationships and communication practices that are based on, and value, mutual respect and high trust, including so as to address any issues and concerns that might arise, early and constructively, to ensure that process expectations are clear and aligned and to act and respond in ways that reflect a fair assessment of the importance or materiality of the matters requiring an action or a response;
- (c) *constructive*: non-adversarial dealings between the parties, and constructive mutual steps to avoid differences and disputes and to identify solutions that advance the shared interests and objectives of both central and local government with respect to the communities they serve;
- (d) *open and fair*: open, prompt and fair notification and resolution of any differences or disputes which may arise and the identification of potential risks and/or issues (including potential causes of delay) that could adversely impact the timely completion of the activities within the timeframes specified in any agreed programme of activities; and
- (e) *no surprises*: adopt a ‘no surprises’ approach in respect of their respective communications to stakeholders and their public statements and to ensure they are consistent with the spirit and intent of this Heads of Agreement.

3. **Support Commitments**

3.1 The Crown and LGNZ each acknowledge that:

- (a) LGNZ will endorse and support such package and the need for all-in participation of local authorities to realise the full system benefits, to help build support for the reform across the sector, in the manner contemplated below; and
- (b) the key features of a Three Waters Reform financial support package are set out in clauses 5.1 to 5.3 below.

3.2 The Crown and LGNZ each agree:

- (a) to continue to carry out the discussions in relation to the Three Waters Reform Programme in good faith with a view to ensuring the reforms are achieved in a manner consistent with the shared objectives set out in clauses 2.4 to 2.6 above and Cabinet decisions in relation to the Three Waters Reform Programme;
- (b) that local authorities will be provided a reasonable period (expected to be around 8 weeks and commencing immediately after the annual LGNZ 2021 conference) to consider the impact of the reforms (including the financial support package) on them and their communities and an opportunity to provide feedback;
- (c) to discuss in good faith (including through the Joint Steering Committee) how the proposed model and design can best accommodate, in a manner consistent with the shared objectives, the following matters:
 - (i) how local authorities can continue to influence how the new water service delivery system as a result of Three Waters Reform will respond to issues of importance to their communities, and provide for localised solutions such as the aspiration for chlorine-free water;
 - (ii) ensuring appropriate integration between the needs, planning and priorities of local authorities (representing their local communities) and the planning and priorities of the Water Service Entities; and
 - (iii) how to strengthen the accountability of the WSEs to the communities that they serve, for example through a water ombudsman; and
- (d) to use all reasonable endeavours (in the case of LGNZ consistent with the resourcing, funding and activities reflected in the funding agreements referred to in clause 6) to achieve support for the Three Waters Reform Programme from the local government sector, including (in the case of LGNZ) as contemplated in clauses 4.2 and 4.3 below.

3.3 DIA and LGNZ have agreed a joint position statement (set out at Schedule 4 of this Heads of Agreement) with respect to the Three Waters Reform Programme. DIA and LGNZ will each ensure that statements made by them respectively in relation to the Three Waters Reform Programme, including statements or information made or provided to the local government sector in relation to the Three Waters Reform Programme (including through LGNZ) including at the annual LGNZ 2021 conference, shall be consistent with the joint position statement.

4. **LGNZ support of Three Waters Reform**

LGNZ considers:

- (a) the Three Waters Reform Programme is in the national interest of local government and the communities that it represents;

- (b) the partnering approach between the Crown (including DIA and Treasury) and LGNZ in relation to the Three Waters Reform Programme enhances and ensures a long-term commitment to partnership between central and local government in New Zealand; and
- (c) the Three Waters Reform financial support package (as contemplated in this Heads of Agreement) is fair and reasonable at a national level.

4.2 Accordingly, LGNZ commits to supporting, endorsing and promoting the Three Waters Reform Programme.

4.3 LGNZ commits to:

- (a) supporting the case for change by:
 - (i) publicly supporting the position that there is a sufficient and evidence-based national case for change, including that the current approach to three waters service delivery is not capable of delivering the outcomes required in an affordable and sustainable way into the future;
 - (ii) noting the analysis supporting the Crown's preferred approach to reform has been tested through the design process, and expressing the view that the proposed model design and approach to reform is sound, appropriate and beneficial when viewed as a whole at a national level; and
 - (iii) assisting LGNZ's members to understand the reform-related information being provided to them by or on behalf of the Crown, how the reform is intended to work and the impact it is likely to have on local authorities and the communities they serve, including throughout the transition period – and in respect of which the Crown (through DIA) commits to supporting LGNZ and the local government sector to actively engage in the transition process and to working through the remaining questions and further policy detail with LGNZ with a view to supporting a smooth transition to, and successful implementation of, the Three Waters Reform Programme;
- (b) endorsing the Three Waters Reform financial support package announced by the Government (as contemplated in this Heads of Agreement);
- (c) if, after the end of the period referred to in clause 3.2(b), the Government decides to adopt an "all in" legislated approach to the Three Waters Reform then LGNZ agrees that it will accept such a decision on the basis that:
 - (i) "all in" participation of local authorities is needed to realise the national interest benefits of the reform;
 - (ii) such acceptance does not imply that LGNZ supports such approach;
 - (iii) LGNZ will not actively oppose such approach; and
 - (iv) LGNZ may publicly express its disappointment that the Government has considered it necessary to adopt such approach.
- (d) leading and supporting the local government sector through change arising from the Three Waters Reform Programme, in the interests of a constructive and orderly transition process.

4.4 The Crown (through DIA) and LGNZ will each use all reasonable endeavours to agree a timetable to support the reform (which is consistent with Cabinet decisions in relation to the Three Waters

Reform Programme) including the staged release of information and the process to develop individual local authority agreements.

5. Financial support package to local authorities

5.1 The Crown is proposing that a Three Waters Reform financial support package be provided to local authorities, comprising:

- (a) a “no worse off” package which will seek to ensure that financially, no local authority is in a materially worse off position to provide services to its community directly because of the Three Waters Reform Programme and associated transfer of responsibility for the provision of water services (including the transfer of assets and liabilities) to the Water Services Entities; and
- (b) a “better off” package of \$2 billion which supports the goals of the Three Waters Reform Programme by supporting local government to invest in the wellbeing of their communities in a manner that meets the priorities of both the central and local government, and is consistent with the agreed criteria for such investment set out in Schedule 3 of this Heads of Agreement,

and which will be given effect (including in relation to the process for the provision of funding by Water Services Entities) in agreements between each local authority and the Crown (through DIA). The key principles and process for development of such agreements will be a matter that is considered by the Joint Steering Committee.

5.2 LGNZ acknowledges that the quantum of the proposed Three Waters Reform financial support package set out in clause 5.1 is a fair and reasonable package and contribution to the local government sector having regard to the impacts of the Three Waters Reform Programme on the sector and to contribute to the future of local government in supporting the wellbeing of their communities.

5.3 The Crown and LGNZ have been discussing the proposed Three Waters Reform financial support package and record the agreed principles, as at the date of this Heads of Agreement:

- (a) in relation to the “no worse off” package, in Schedule 2 of this Heads of Agreement; and
- (b) in relation to the “better off” package, in Schedule 3 of this Heads of Agreement,

noting that in relation to those areas of the financial support package that remain to be finalised as contemplated in those schedules, the Crown intends to finalise the same with LGNZ consistent with the principles and partnering approach set out in this Heads of Agreement; and noting also that (as provided in the Public Finance Act 2010) no funding will be due or payable from the Crown until funding is appropriated.

5.4 For the avoidance of doubt, there are a range of other impacts for local authorities that may represent an adverse financial impact, which the support package contemplated in clauses 5.1 to 5.3 above does not take account of, and are intended to be addressed (through a process to be agreed between the Crown (through DIA) and LGNZ) by alternative mechanisms:

- (a) transaction costs associated with facilitating the transfer of assets, liabilities and revenue, including staff involvement in working with the establishment entities and transition unit, and legal, accounting and audit costs. There is an allocation within the \$296 million tagged contingency established as part of the 2021 Budget Package for the transition and implementation costs incurred by councils and DIA will work with LGNZ in developing the parameters of this funding pool, before it is agreed with Ministers and shared with the sector. The funding will look to ensure that councils are able to participate in the reform

programme without putting at risk council delivery of water services during the transition – noting that the funding pool will have a finite limit, needs to deliver the transition objectives, demonstrate value for money to Crown and meet the conditions around the tagged contingency; and

- (b) accumulated cash reserves that have been earmarked for future water infrastructure investment. Local authorities will be encouraged to use these reserves (subject to reserve conditions) prior to the “go live” date of 1 July 2024. It is intended that any material reserve balances remaining at that time will be transferred to new Water Services Entities with a commensurate commitment to invest those funds in the communities that paid for them, consistent with the conditions under which they were raised. Councils will be allowed to retain immaterial reserve balances upon transfer. The materiality threshold will be developed in discussion between DIA and LGNZ and agreed with Ministers before reflecting this in guidance for the sector; and
- (c) any payment to be made to a local authority by the relevant Water Services Entity associated with the transfer of water assets, debt and revenue - being the amount of water-related debt established through any applicable due diligence and/or audit when that Water Service Entity takes over the three waters-related infrastructure and service delivery responsibilities (including the transfer of water assets, debt and revenue) from the local authority to implement the Three Waters Reform Programme.

6. **Crown support for LGNZ to lead and support the local government sector through change**

The Crown is proposing to provide ongoing support to LGNZ, by way of separate funding agreement(s) with LGNZ (and subject to the conditions set out in such agreement(s)):

- (a) in the short term (expected to be through to mid-September 2021) to enable LGNZ to build support within the local government sector for the Three Waters Reform Programme; and
- (b) subsequently through the transition and implementation phases of the Three Waters Reform Programme (expected to be approximately two and half years), to enable LGNZ (including LGNZ engaging Taituarā as appropriate) to support the Crown and the local government sector through the transition and implementation of the Three Waters Reform Programme.

7. **Joint Steering Committee**

- 7.1 The Crown and LGNZ each acknowledge the benefit to both central and local government of the work carried out by the Joint Steering Committee, particularly in ensuring that the perspectives, interests and expertise of both central and local government, and of communities throughout New Zealand, have been accommodated in the development of the Three Waters Reform Programme to date.
- 7.2 The Crown and LGNZ each consider that there is considerable benefit in the Joint Steering Committee continuing to be convened to support the constructive partnering approach between central and local government, to continue to inform the detail that is yet to be developed as part of the Three Waters Reform Programme and to achieve the best outcomes for all New Zealanders through the Three Waters Reform Programme, including through transition and implementation.
- 7.3 The Crown and LGNZ each acknowledge that, in order to give effect to the Cabinet decisions in relation to the Three Waters Reform Programme in a manner that is consistent with the shared objectives set out in this Heads of Agreement, further policy detail remains to be worked through to ensure a smooth transition and successful implementation of the Three Waters Reform

Programme. The Crown (through DIA) and LGNZ agree to continue to work together, including through the Joint Steering Committee, with a view to agreeing an approach to such issues that reflect the priorities of both central and local government.

- 7.4 The Crown and LGNZ therefore agree that the Joint Steering Committee will continue to be convened (on terms to be agreed) to support the Three Waters Reform Programme including through transition and implementation.

8. **Future for Local Government review and other major reform initiatives**

The Crown acknowledges the opportunity to strengthen the important relationship central government has with local government through the Review. The Crown acknowledges, as set out in the terms of reference for the Review, local government's critical role in placemaking and achieving positive wellbeing outcomes for communities. The terms of reference also notes that:

- (a) the Review should be guided by the objectives of the Public Service Act 2020, in terms of building a unified, agile and collaborative public service, grounded in a commitment of service to the community;
- (b) the impact of reform programmes, including those related to the three waters sector and resource management system, are within the scope of the review;
- (c) consideration of the discharge of the functions of the Review should be characterised by a spirit of partnership including between the Review, local government, and iwi/Maori, while upholding the independence of the Review; and
- (d) the Review must identify options for a collaborative approach with the local government sector.

- 8.2 The Crown commits to working through its response to the Review in an open and transparent manner, consistent with the partnership principles set out in this Heads of Agreement including convening a joint steering committee comprising representatives of central and local government (or other appropriate mechanism) to consider issues arising with respect to the Review. This will include working closely on solutions to funding and financing challenges the sector may face, recognising the potential for reform to compromise the sustainability of some local authorities' current financial arrangements.

- 8.3 The Crown (through DIA) commits to working with other government agencies, and Ministers as appropriate, to seek to extend the partnership-based approach contemplated in this Heads of Agreement (including the partnering principles in clause 2.8) to other policy reforms that have the potential to significantly impact local government.

9. **General**

9.1 **Other roles and functions**

The involvement of the Crown (including DIA and Treasury) and LGNZ will not fetter or otherwise limit or compromise the Crown (including DIA and Treasury) or LGNZ respectively (or any other central or local government entity) in performing any regulatory role or function it may have (including as a territorial authority) including, for the avoidance of doubt, in the giving of free and frank policy advice including to Ministers, Cabinet or the Government.

9.2 **Communications protocols**

It is acknowledged that each of the Crown and LGNZ may at times have distinct obligations in terms of communications with respective stakeholders. However, as it works through the matters

contemplated by this Heads of Agreement, it is critical for the credibility and the integrity reflected in the partnership principles that the nature and manner of communications is agreed. A communications protocol will be agreed by DIA and LGNZ which will include how updates and messaging is provided to the local government sector and other stakeholders including the media. The communications protocol will reflect the partnership principles and principles of openness and transparency and confidentiality, and will address where there is a potential conflict in relation to the application of such principles.

Before making any media statements or press releases (including social media posts) or other public statement regarding this Heads of Agreement and/or the Crown's involvement (including through DIA and/or Treasury) with the Three Waters Reform Programme, LGNZ will consult with DIA.

9.3 **No authority**

LGZ does not have the right to enter into any commitment, contract or agreement on behalf of the Crown or any associated body, or to make any public statement or comment on behalf of the Crown or the Government.

9.4 **LGZ Acknowledgement of disclosure**

LGZ acknowledges and agrees that nothing in this Heads of Agreement restricts the Crown's ability to:

- (a) discuss, and provide all information in respect of, any matters concerning LGZ, this Heads of Agreement with any Minister of the Crown, any other government agency or any of their respective advisors, including for the avoidance of doubt for the purpose of giving free and frank advice;
- (b) meet its obligations under any constitutional or parliamentary convention (or other obligation at law) of or in relation to the New Zealand Parliament, the New Zealand House of Representatives or any of its Committees, any Minister of the Crown, or the New Zealand Auditor-General, including any obligations under the Cabinet Manual including the "no surprises" principle.

9.5 **Some Information subject to Official Information Act 1982**

LGZ acknowledges that:

- (a) the contents of this Heads of Agreement; and
- (b) information provided to the Crown (including DIA and/or Treasury);

may be official information in terms of the Official Information Act 1982 and, in line with the purpose and principles of the Official Information Act 1982, this Heads of Agreement and such information may be released to the public unless there is good reason under the Official Information Act 1982 to withhold it.

Signing

Executed as an agreement:

SIGNATURES

SIGNED by the **SOVEREIGN IN RIGHT OF NEW ZEALAND** acting by and through Her Minister of Finance and Her Minister of Local Government:

SIGNED for and on behalf of **NEW ZEALAND LOCAL GOVERNMENT ASSOCIATION INCORPORATED TE KAHUI KAUNIHERA Ō AOTEAROA** by the persons named below, being a persons duly authorised to enter into obligations on behalf of LGNZ:

Hon Grant Robertson, Minister of Finance



Hon Nanaia Mahuta, Minister of Local Government



Name: Stuart Crosby

Position: President, LGNZ National Council


Date: 13 July 2021



Name: Hamish McDouall

Position: Vice-President, LGNZ National Council

Date: 13 July 2021



Schedule 1: Definitions and interpretation

1.1 Definitions:

Defined terms and expressions used in this Heads of Agreement shall, unless inconsistent with the context, have the meaning set out below:

Cabinet means the central decision making body of executive government in New Zealand

Crown means The Sovereign in right of New Zealand.

Joint Steering Committee means the Joint Steering Committee formed in May 2020 by, and comprising representatives from DIA, Treasury, LGNZ and Taituarā to work closely to support a programme of reform for the delivery of three waters.

Review means the Ministerial review into the Future for Local Government.

Taituarā means Local Government Professionals Aotearoa, the national organisation that supports and develops local government professionals in New Zealand (formerly known as the New Zealand Society of Local Government Managers).

Three Waters means drinking water, wastewater and stormwater.

Water Services Entity means the new water services entities to be established by legislation giving effect to the Three Waters Reform Programme.

1.2 Interpretation

In this Heads of Agreement:

- (a) headings are for convenience only and do not affect interpretation of this Heads of Agreement;
- (b) words importing:
 - (i) the singular include the plural and vice versa; and
 - (ii) any gender includes any other gender;
- (c) the term including means “including without limitation”;
- (d) the meaning of “or” will be that of the inclusive, being one, some or all of a number of possibilities.

Schedule 2: “No worse off” package key principles

The Crown and LGNZ acknowledge and agree that the key principles of the “no worse off” package are:

- that the “no worse off” package will seek to ensure that financially, no local authority is worse off as a direct result of the Three Waters Reform and associated transfer of responsibility for the provision of water services (including the transfer of assets, revenues and effective transfer of liabilities) to Water Services Entities (“**Water Transfer**”);
- it is intended that the “no worse off” package will be funded by the relevant Water Services Entity. This approach recognises that the impacts being addressed by this aspect of the support package are closely linked to the Water Transfer. It is also acknowledged that the proposed support arrangements between the Crown and the Water Services Entities, such as a liquidity support, is expected to reduce the borrowing costs and thereby increase the borrowing capacity of the Water Services Entities, supporting funding through this mechanism;
- that the “no worse off” package will acknowledge the costs and financial impacts on local authorities directly as a result of the Three Waters Reform in relation to:
 - o stranded costs, being organisational overheads previously allocated by the local authority to three waters services that are not able to be transferred or avoided in the short-term as part of the Three Waters Reform, and therefore remain with the local authority for a period and be required to be reallocated by the local authority to their remaining activities; and
 - o financial sustainability support, for the (expected small number of) local authorities in respect of which the Water Transfer will adversely and directly affect their financial ability to sustainably perform their non-water related roles and functions at the existing level of performance (noting that for most councils the impact of such transfers is expected to have a positive effect on their borrowing capacity). It is intended that this will be addressed through a one-off payment.
- it is intended that the “no worse off” package will recognise the above costs and financial impacts through:
 - o for stranded costs, up to \$250 million to be allocated to support councils to manage these costs. This represents a nationwide estimate of two years of unavoidable stranded costs for councils with two years considered to be a reasonable period for these costs to be managed. We are proposing a fixed amount as the actual stranded costs faced by any council is dependent on decisions made by the council and cannot be robustly and transparently assessed. The allocation will be spread based on:
 - \$150 million allocated to councils (excluding Auckland, Christchurch and councils involved in Wellington Water) based on a per capita rate that is adjusted recognising that smaller councils face disproportionately greater potential stranded costs than larger councils;¹
 - Up to \$50 million allocated for the councils excluded above based on a detailed assessment of 2 years of reasonable and unavoidable stranded costs directly resulting from the Water Transfer; and

¹ The adjustment is based on adjusting the proportional allocation implied by the squared inverse natural logarithm of population. This means smaller councils receive a greater proportional allocation than larger councils

- Up to \$50 million able to be allocated to councils that have demonstrable, unavoidable and materially greater stranded costs than provided for above (the process for determining this will be agreed and is subject to the agreement of LGNZ and the Crown (through DIA and Treasury));
 - o for financial sustainability, the Crown (through DIA) will work with LGNZ and Taituarā to develop agreed principles for how the assessment of financial sustainability support (described above) will be undertaken, the methodology for quantifying this support requirement, and the process for undertaking the associated due diligence process with councils. The methodology will need to protect the interests of Water Services Entities to ensure only necessary payments are made (up to a maximum of \$250 million), that it does not create poor incentives and ensures a robust and equitable process for New Zealand. Priority will be given to undertaking due diligence with those local authorities that are more likely to suffer adverse borrowing impacts. We note that the due diligence process to confirm three waters debt and revenue for each council will be required to be transparent and robust to ensure equitable treatment of local authorities;
- that the payment of funds under the ‘no worse off’ package to a local authority will be made at the point of the Water Transfer. This is the point at which most of the financial impacts for councils will crystallise.
- that the payment of funds under the “no worse off” package to a local authority will be subject to appropriate conditions to satisfy accountability and other requirements of the Crown. These conditions will include a positive obligation on councils to manage the transfer and reorganisation in a way that minimises the ‘no worse off’ funding required. This would avoid councils seeking greater ‘no worse off’ funding than anticipated on the basis of avoidable costs, and therefore reduces incentives for behaviour that might drive up ‘no worse off’ costs.
- it is acknowledged that certain aspects of the “no worse off” package need to be enabled through legislation including the establishment of the Water Services Entities.

Schedule 3: “Better off” package key principles

The Crown and LGNZ acknowledge and agree that the key principles of the “better off” package are:

- that the better off package is:
 - in recognition of the significance to the local government sector (and the communities they serve) of the transfer of responsibility for water service delivery; and
 - intended to demonstrate central government confidence in the future for local government by providing the sector additional funds to invest in local community wellbeing outcomes, in a way that aligns with the priorities of central government.
- that the better off package will comprise \$2 billion of investment, which will comprise:
 - \$1 billion of Crown funding, \$500 million of which (or such greater amount as may be agreed) is intended to be provided to local authorities from 1 July 2022 to enable early investment; and
 - the remaining \$1 billion to be funded by the new Water Services Entities.

It is intended that such funding (other than that portion of the Crown funding noted above to be provided to local authorities from 1 July 2022) will be provided from 1 July 2024.

- that the funding will be allocated using simple to understand factors for which there are available metrics applied in a way that recognises the relative needs of local communities, the unique challenges facing local authorities in meeting those needs and the relative differences across the country in the ability to pay for those needs. A combination of population, relative deprivation and land area are recognised as the most relevant measures to recognise those factors. The allocation framework will distribute funding on the basis of a 75% allocation based on population, a 20% allocation based on the deprivation index, and a 5% allocation based on land area.
- that the use of this funding supports the three waters service delivery reform objectives and other local wellbeing outcomes and aligns with the priorities of central and local government, through meeting some or all of the following criteria:
 - supporting communities to transition to a sustainable and low-emissions economy, including by building resilience to climate change and natural hazards;
 - delivery of infrastructure and/or services that:
 - enable housing development and growth, with a focus on brownfield and infill development opportunities where those are available,
 - support local place-making and improvements in community well-being.
- to recognise the role that iwi/Māori will play in the new delivery system as partners, local authorities will be expected to engage with iwi/Māori in determining how it will use its funding allocation.
- to ensure value for money, appropriate contractual mechanisms, similar to those used for the initial water infrastructure investment stimulus package, will be implemented. The Crown (through DIA) will develop these in consultation with LGNZ and will likely include funding conditions, wellbeing assessments, delivery milestones, disbursement profiles, monitoring and reporting arrangements. These mechanisms will seek to make funding easily available while maintaining a reasonable level of accountability.

- that any funding conditions will acknowledge that long-term plans are subject to change over time. Conditions may include, but are not limited to:
 - o conditions relating to the planned investment in three waters infrastructure for the duration of the transition period, including commitments made through respective 2021-31 long-term plans;
 - o working in partnership with central government to transition to the new water services delivery system, including working collaboratively with the establishment entities for the new Water Services Entities to support the smooth transfer of assets, liabilities, information and staff to the new entities;
 - o assisting in the preparation of initial asset management plans to ensure continuity of investment, and to provide certainty for local authorities regarding what investment will be prioritised by the new Water Services Entities once they assume responsibility for water services delivery;
 - o provisions to address the consequences of local authorities being in material breach of the associated conditions; and
 - o it is acknowledged that certain aspects of the “better off” package need to be enabled through legislation including the establishment of the Water Services Entities.

Schedule 4: Joint Position Statement

CENTRAL-LOCAL GOVERNMENT JOINT POSITION STATEMENT ON THREE WATERS REFORM

Acknowledging the challenge

Central and local government believe that three waters services are fundamental to the health and wellbeing of our communities and environment; and to our local, regional and national economies. The way they are delivered across New Zealand cannot address the challenges our communities will face in the future.

Analysis produced over the past 12 months shows that all communities will need to invest significantly over the next 30 years to maintain, replace and upgrade ageing assets and to provide for growth. This is reflected by increasing investment in councils' new long-term plans.

Consistently enforced compliance standards, a backlog of infrastructure renewals and external pressures such as climate change, workforce shortages, and economic regulation will create unsustainable pressure on the current system.

Building a new partnership

Three waters reform has created an opportunity for central and local government to work together differently.

In May 2020, the Government and Local Government New Zealand agreed to set up a Joint Steering Committee to provide feedback on the reform of three waters services delivery. This group co-designed delivery of the initial stimulus investment in three waters infrastructure and services, supported the Request for Information (RFI) process and fed back into the Government's policy development. It has interrogated the analysis behind the case for change, facilitated robust conversations, and seen policy shift towards more practicable and enduring solutions.

This model responded to the local government sector's call for a closer working relationship with government, and to the Government's desire to deliver in partnership with the sector. It builds on work undertaken together in response to COVID-19 and has opened the door to a fundamental reset between our two tiers of government, so that change is undertaken together for the benefit of all our communities.

A proposal for change

The Government has proposed creating four new water service delivery entities. The scale of these entities means they'll be able to borrow to fund the significant investment needed to benefit all New Zealanders, from our smallest communities to our largest cities.

As part of this proposal, the Government and LGNZ have developed a package that recognises the importance of local place-making and the critical role that local government plays in that. This package:

- supports local government to invest in the wellbeing of their communities, so that all councils and their communities are better off;
- ensures no council will be financially worse off after reform; and
- makes clear that the Government will cover reasonable transition costs.

The economic model shows that significant benefits are available for all communities and will work best if all councils participate. Each council needs more time to interrogate its own position and understand the implications for their communities and operations. There remain critical issues to work through over the next two months.

These issues include ensuring all communities have both a voice in the system and influence over local decisions. Councils want to be sure the water entities understand and act on communities' needs and wants, including responding to localised concerns like a desire for chlorine-free water.

They want to ensure effective representation on the new water entities' governing boards so that there is strong accountability to the communities they serve. They want to be confident the water entities will respond to their plans for growth. And they want effective assurance that entities, which remain owned by the community, cannot be privatised in future.

We believe continuing the partnership between local and central government is the best way to resolve the remaining questions and policy detail to give these critical reforms the best chance of success. To that end we're recommitting to an agreed a set of shared objectives:

- significantly improving the safety and quality of drinking water services, and the environmental performance of drinking water, wastewater and stormwater systems
- ensuring robust safeguards against privatisation
- ensuring all New Zealanders have equitable access to affordable three waters services and that the water services entities will listen, and take account of, local community and consumer voices
- improving the coordination of resources, planning, and unlocking strategic opportunities
- ensuring the overall integration and coherence of the wider regulatory and institutional settings
- increasing the resilience of three waters service provision to climate change and natural hazards
- ensuring three waters service delivery has a more financially sustainable footing, and addressing the affordability and capability challenges faced by small suppliers and local authorities
- improving transparency about, and accountability for, the planning, delivery and costs of three waters services
- undertaking the reform in a matter that enables local government to continue delivering on its placemaking role and broader "wellbeing mandates".

Looking to the future

We are very aware that how we work together now sets the tone for other large-scale reform affecting the sector, especially the Future for Local Government review.

This review is a real opportunity for New Zealand to re-imagine the roles, responsibilities and resources of councils so that they can meet communities' expectations now and in the future. These expectations have evolved massively since the introduction of the current Local Government Act over 30 years ago. It's time for a genuine re-think about what's needed for local government to respond to communities' changing needs.

For this review to succeed, we need to be partners. Our three waters relationship has allowed robust, open discussions – and opened the door to a fundamental reset between our two tiers of government. Both central and local government are committed to a new way of working together, in tune with our diverse communities and our treaty partnership.