

South Waikato District Council

SUBMISSION

to the

Finance and Expenditure

Select Committee

on the

WATER SERVICES ENTITIES BILL



22 July 2022

INTRODUCTION

South Waikato District Council (SWDC) is situated at the heart of the North Island of Aotearoa. We are a land-locked district, positioned on SH1, between Cambridge and Hamilton in the north and Taupo in the south. We are flanked by Rotorua and Tauranga in the east and Otorohanga and Waitomo in the west. We have a population of 24,042 and our cultural make up is 69% European, 35% Māori, 13% Pacific Peoples and 4% Asian*. The South Waikato is the fifth most deprived district in New Zealand.

** adds up to more than 100% because some people identify with multiple cultures*

SWDC owns and manages three waters assets for our South Waikato communities. Our infrastructure is well managed, well-maintained and appropriately future funded. These assets were bought and paid for by the people of the South Waikato. South Waikato wants to retain meaningful control and influence over the property our Council owns on behalf of its communities. We know that we are in the best position to determine the priorities of our community.

In its current form, the Water Services Entities Bill (the Bill) takes away this control and influence.

SWDC THREE WATERS FACTS

Wastewater

- There are 7,484 properties in Tokoroa, Putāruru, Tīrau and Arapuni townships connected to SWDC's wastewater systems.
- The system includes four wastewater treatment plants, 18 pump stations, 3,232 manholes and 215 kilometres of pipes.
- The replacement value of our wastewater infrastructure assets is \$28.203 million (30 June 2021).
- Over the course of the current Long Term Plan (LTP) 2021-31, SWDC has budgeted for \$24.833 million investment into wastewater.

Water

- There are 293km of water pipes in our underground water supply network. We have nine water sources (bores and/or springs), six water treatment plants and 11 reservoirs. Our network also includes 1,738 valves and 1,138 fire hydrants.
- We drew 2,127,853 cubic metres (m³) of water from the Tokoroa bore last year, 409,802 m³ from Te Waihou spring, 516,367 m³ from the Glenshea bore, with 185,167 m³ from Tīrau and 64,899 m³ from Arapuni.
- The replacement value of our water infrastructure assets is \$24.850 million (30 June 2021).
- Over the course of the current Long Term Plan (LTP) 2021-31, SWDC has budgeted for \$22.471 million investment into water.

Stormwater

- There are 123km of open drains and piped drains across the district.
- There are 11 retention dams/ponds.
- The replacement value of our stormwater infrastructure assets is \$23.478 million (30 June 2021).
- Over the course of the current Long Term Plan (LTP) 2021-31, SWDC has budgeted for \$9.176 million investment into water.

SWDC'S STANCE ON THE BILL

What SWDC DOES support:

As a Council, SWDC has joined Communities 4 Local Democracy (C4LD). **SWDC supports the C4LD submission on this Bill.**

SWDC also **supports portions of the Local Government New Zealand submission** that concur with our own stance.

We want to make it very clear that SWDC supports reform of the Three Waters sector, specifically the high-level outcomes outlined by the Department of Internal Affairs (DIA) as:

- safe, reliable drinking water
- better environmental performance of wastewater and stormwater services
- efficient, sustainable, resilient and accountable multi-regional water and sewage services
- making it affordable for future generations.

In addition, SWDC supports the proposal to provide for local iwi to have improved input into decision-making related to these local assets. Under C4LD's approach for example, Three Waters assets remain under local community ownership. As part of SWDC's requirements and desire to engage with mana whenua, local iwi would have input into the necessary decision-making framework. This is the very essence of local voice.

Additionally, SWDC supports the introduction of Taumata Arowai, the new water services regulator. SWDC supports Taumata Arowai to hold councils to account to meet required drinking water standards, along with vigorous enforcement for councils that fail to meet these standards.

What SWDC DOESN'T support:

We don't support the process the Government has undertaken; failing to allow for a more bespoke approach to take into account the individual councils' circumstances.

We don't support the haste with which the change process is occurring, giving insufficient time for rational and evidence-based consideration.

We don't support the approach to changing the ownership and management of the related assets.

We don't support that the current proposed Four Entity model is the only, or even the best, solution.

SWDC'S KEY POINTS:

1. We believe that had central Government worked genuinely with councils from the outset, the cost of the reforms would have been much less and the outcome better. Local councils have managed this infrastructure for decades. Our staff are the experts. Poor liaison with councils has been unhelpful to achieving quality, collaborative and informed outcomes.
2. The Three Waters Reform public advertising campaign was poorly developed. It was inaccurate with destructive messages. This campaign has created public mistrust.
3. The opt-in/opt-out initial proposal that soon became mandatory caused further mistrust in central Government, not only for SWDC as an organisation, but also for our communities.
4. There is still too much uncertainty, too little detail, too many unanswered questions and too many decisions needed.
5. SWDC has invested significantly in wastewater and water supply over the years and going forward out to 30 years. SWDC is well placed for the future. SWDC has under-invested in stormwater, however the current Long Term Plan addresses this issue.
6. SWDC is due to receive future funding – Tranche 1 in 2022 of \$4.64 million and Tranche 2 in 2024 of \$13.92 million. Further potential funding will be forth coming but the amount is currently unknown as it will be reliant on what our waters debt is relative to our total debt as at 30 June 2024. At South Waikato, this ratio is low when compared to other councils and hence we expect to receive a payment to ensure that we are 'no worse off' after the assets and liabilities are transferred. SWDC has already stated to DIA that it is unfair for us to be treated less favourably than other councils ie our 'no worse off' payment brings us back to the same debt/revenue ratio as before the transfer, while other Councils that have its debt repaid could be in a significantly better off position after the transfer. SWDC is one of a handful of councils that this is particularly applicable too; and particularly unjust for. Despite our low decile position, SWDC and its

communities have successfully saved appropriately for the future. Our low decile communities simply cannot afford to take on the debt of other councils that will be in Entity B.

7. SWDC has been prudent with regular maintenance of the assets, depreciation reserves held and drinking water standards are consistently maintained. The reforms appear to be an immoderate response to the difficulties of some local authorities, with insufficient flexibility to accommodate those, like SWDC, that are managing the services and assets well. The proposed model alienates SWDC's ownership rights to the three water assets.
8. SWDC has major concerns that investment and maintenance of assets in the growing South Waikato will be negated by the competing priorities of major metropolitan areas. There is no mechanism in the Bill for the Entity to take a fine-grained approach that ensures local priority setting and accountability. The South Waikato is a small community with a small voice. We are in danger of having our priorities pushed down the priority list and our voice lost.
9. SWDC is concerned that the current proposal may not be the only solution, nor might it be the best solution for our community. SWDC supports the work done by C4LD to explore other models, such as a Council owned plus regulation model and a Council owned organisation where local authorities would own shares in a regional organisation.
10. SWDC is concerned about the creation of large, bureaucratic and complex governing structure with multiple layers. SWDC believes this will further contribute to our communities' loss of local voice.
11. Government is pushing the Three Waters Reform through very quickly. Central Government is going to get poor outcomes if it continues down this current track on the current timeline. SWDC encourages central Government to take a step back, slow down and give alternative models suggested by C4LD through the Castalia reports proper investigation.
12. It appears that Government has the flexibility to push out other reforms like the mid-July 2022 announcement about delaying the Future for Local Government Reform, but not Three Waters Reform, when it is this reform that has many unanswered questions and has attracted significant public opposition. Opposition parties, C4LD, 31 councils and the general public are all saying the same thing. Stop. Listen. Don't ignore.

COMMUNITY ENGAGEMENT:

SWDC believed it needed to hear more from the community it represents. We held four public meetings over four nights in our four main towns of Tokoroa, Putāruru, Tīrau and Arapuni. The objective at these meetings was to present the facts, the current status of the reforms and our Council's position. At these meetings, there was overwhelming 100% support for Council's stance on the Three Waters Reform.

In addition, SWDC asked for public feedback via an online survey to inform our own submission. The results follow:

- 94% of respondents were not supportive of the reforms for the following reasons: non-democratic process, anticipated increasing costs, risk of privatisation, no genuine consultation, rushed through, theft of assets, centralising doesn't necessarily mean lower cost, one size doesn't fit all, SWDC has well managed infrastructure and appropriately funded.
- 90% of respondents wanted Council to continue to align with C4LD for these reasons: C4LD proposing better alternatives, power in numbers, louder voice.
- 84% believe the current proposal may not be the best solution for our community.
- 88% believe there may be other more suitable solutions/models.
- 89% believe we should slow the reforms down and look at alternative models.
- 8% believe three waters should continue on the current timeline for a July 2024 kick off
- 89% believe that councils are in danger of losing infrastructure paid for by local communities.
- 90% believe they have too many unanswered questions at this time regarding the reforms to be comfortable that it will deliver an improved service for the community.

- 93% believe that three waters reform (in its current form) will result in loss of local voice
- 91% are concerned about privatisation.

Below is a selection of verbatim* comments from people in our community. SWDC notes that the majority of our feedback is consistent with the Council's stance; however there are some comments included below that add alternative flavour. SWDC has included these for transparency. Readers of this submission are reminded of the strong percentages reflected in the survey results above, that **concur** with SWDC's stance:

* obvious spelling errors have been fixed

- "As a ratepayer we have already paid for this [*infrastructure*] to be maintained and upgraded through our council as we should. Why would I want to be forced into paying for other areas of the country that have been negligent in doing so?" *Daniel*
- "Parts sound good, but why should we pay for other regions." *Frances*
- "To be offering councils only a fraction of the assets' true value is not only insulting, but underhanded." *Sean*
- "These areas are already a focus for the local Iwi and SWDC who have been working cohesively with these common kaupapa in mind. Our own local matauranga Maori is being protected and our own people know what is best for us. Companies also work together with Iwi to protect local swampland and waterways. We know what's best for us." *Junita*
- "Some councils such as SWDC have been keeping up with community water services, while some like Wellington have not been doing the same. Some councils may need extra funding from Govt to catch up with lack of maintenance." *Marie*
- "One size has never fitted all. It is important that there is local council control with an independent form of regulation so that council maintains its assets, services and staff. Costs for one council may be very different from others, progress in the development and maintenance of water will vary considerably. I think the SWDC has already made considerable progress with the 3 waters programme. the DIA needs to realize that there are differences across councils and help each in the best way possible instead of the 1 size fits all process which will prove to be costly. Equity is not the same as equality." *Janice*
- "The smaller communities lose their voice." *Michael*
- "This is not required in the South Waikato." *Rochelle*
- "I do not support the reform and think alternative strategies need to be offered and discussed." *Trisha*
- "Not enough LISTENING to alternative options." *Frances*
- "Our local community needs to support our council to push back against the theft of our assets." *Mindi*
- "Our council, like most councils, have major investments made over the past years. Ratepayers paid for that. Don't let the government just take it away." *Pieter*
- "My final reason for not supporting this reform is the lack of meaningful engagement and the resulting terrible model being imposed on New Zealand. To blatantly ignore the people every step of the way is a road to failure. We are the on the ground experts. We are being silenced." *Jude*
- "We need all the details on how it affects rural people before we can make an informed decision." *Donald*

- “Removal of these responsibilities from councils makes sense to me – ratepayer’s costs should reduce and I consider there is not the resilience in the current system.” *John*
- “I think what they’re proposing is good and will help with clean fresh water at an affordable cost as well as being sustainable for the environment.” *Ashlee*
- “I realise that the Bill is the ‘current’ position this far as Parliament still has the ability to amend/alter it in light of submissions but the basic concept I feel is excellent.” *John*
- “It should have been done years ago, too bad it took people dying in Havelock North to make people sit up and take notice. Unfortunately, too late to help the people in Bromley, Christchurch. These are just two high profile instances, but it is easy to chronicle landfills spilling into water ways, toxic sediment buildup in harbours and estuaries and irresponsible industrial waste management. All these were avoidable with proper waters management. Councils should just put their hands up and say "OK we've done badly,". *Graham*
- “We have reliable drinking water already without the expense of setting up additional layers of bureaucracy.” *Jeanette*
- “Three waters reform is eroding our confidence in central Government. To gain this back we must be listened to.” *Marie*
- “I oppose DIA's current Three Waters proposal firstly because this government has a track record of under delivery and overspending.” *Peter*
- “This bill has been rushed and has little detail outlining long term outcomes for our region. The definition of ownership is unclear.” *Bettridge*
- “Rushed legislation is invariably wrong/poor/problematic legislation.” *Frances*
- “The only thing I am worried about it the inclusion of co-governance in this model. There should be no co-governance unless the people of the districts sign up for it. We have not had a chance to have that discussion yet.” *Michael*
- “I also strongly oppose changing our system of governance of democracy without consultation and engagement with the community.” *Marie*
- “I am worried about the co governance model being forced upon us without any engagement.” *Peter*
- “It opens the door to privatization and ultimately profiteering. The current system has faults, fix the faults. Not replace the whole system.” *Garry*
- “I agree with all outcomes but not multi-regional services.” *Nicki*

SUBMISSION ENDS