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30 September 2021

**ATTN:**

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**UPPER HUTT CITY COUNCIL'S FEEDBACK REGARDING THE PROPOSED THREE WATERS REFORM PROGRAMME**

Dear Department of Internal Affairs,

On behalf of Upper Hutt City Council (UHCC), please see our feedback regarding the proposed three waters services reform programme:

**Who we are**

UHCC is responsible for the largest geographical district in the Greater Wellington region. The district provides a significant proportion of the fresh water supply for the region, both as a source and catchment area, and much of the water storage, treatment and distribution infrastructure. *Te Awa Kairangi* (the Hutt river) and its tributaries catches and transports the largest single volume of stormwater in the Wellington region, and it provides recreation for many residents and visitors to the region.

Our [Sustainability Strategy 2020](#) includes the goal to *'have good quality and sufficient water supply'*.

We wish to make the following comments.

UHCC agrees that there is a need to explore other, better ways to deliver the three waters and that more investment will be needed in the waters infrastructure to mitigate and manage risks to drinking water safety and believe that the dedicated regulator providing clear leadership in this space will go a long way in addressing some of these matters.

UHCC does not believe that a case for change has been made for this proposal. UHCC believes there are other ways of achieving the objectives of the three waters reform. They need to be explored and discussed further. We have some serious concerns regarding the current proposal, which need to be taken into consideration. These are as follows.

**i. Pace and sequencing of the reforms**

1. There are a considerable number of reforms underway, all of which require local authorities to work through and understand the implications for our communities. While some of these do not directly affect Councils, like the Health and Education sector reforms, they do affect our

communities and our people and therefore need to be looked at holistically. The government seems to be carrying out these reforms in silos, seemingly without consideration of the fact that every one of these will affect the same people. We have concerns that the magnitude and number of reforms is stretching the capability and capacity of both central and local government. There is a real risk that this might lead to rushed, compartmentalised decision-making without comprehensive consideration of the consequences for Councils and the varied communities we serve.

2. Given the breadth of the reforms that have an impact on services delivered by local authorities some examples of critical considerations that could be impacted by the pace and number of reforms are-
  - a. **Transition to a water authority will require additional funding** for resourcing, a realistic timeframe and/or a change in scope if the programme is to be delivered in the timeframe prescribed by the Government.
  - b. To enable the transition, there is also a need to make **significant changes to the Local Government Act 2002**. To support such changes, central Government will need to provide clarity about what these changes are, and the timeframe, as it will have a significant impact on Councils. The Government will also need to ensure that Councils are not in breach of their responsibilities under the LGA and with Audit New Zealand.
  - c. Currently, Council has a role to manage and co-ordinate the maintenance and upgrading of multiple utility services installed in road corridors. Any proposed water reform act would need to **consider ways of working** when dealing with infrastructure projects and the impact that can have on Territorial Authorities and their communities.
3. Therefore, the sequencing of reforms is a key concern to Council. **UHCC strongly advocates that the Future of Local Government Reform should be completed first**, as only then can we fully understand the context that the Three Water Reforms will be nested in.

ii. **Governance and representation**

4. The governance model that is being proposed for the Water Service Entities (WSE) is too complex and does not enable local input or enable effective representation. It appears to purposely take out the 'local' from local government. It is more of a representation structure rather than a governance arrangement. **UHCC believes that the governance model needs to be given further consideration** and must ensure the presence of local voice in decision making and accountability to local communities.
5. As per the current proposal UHCC will be part of Entity C, and one of participating 22 Councils. The way the governance structure is envisioned will result in the community having no local voice. One of the critical roles of Local Government is to represent the views of the people. Therefore, it is imperative that the community voice remain key to the decision-making and strategic planning processes.
6. It is also important for clarity to be provided on how the WSE will be held accountable to residents and elected officials for service delivery, associated user charges and maintaining assets.

iii. **Planning for growth**

7. It is unclear from the details provided so far how the proposed WSEs will prioritise the growth and development needs in various communities and jurisdictions. UHCC believes that if decision

making around infrastructure to address growth in not directly in the control of Councils it will negatively impact the economic and in turn social wellbeing of our communities. The provision of housing at the scale and speed envisioned by the government will quite possibly be compromised.

8. The importance of local knowledge and decision making, and integrated planning cannot be emphasised enough in ensuring win-win solutions are developed and the trade-offs inevitably required are optimal with a clear line of sight to priority outcomes for that community/region

iv. **Potential options/ solutions**

9. Central Government has only presented one option to local authorities which is about taking the assets away from local authorities and establishing large WSEs. Given that the establishment of a regulator is already well advanced and will go a long way in ensuring the safety, compliance and monitoring of water supplies, **UHCC believes that options other than the establishment of 4 WSEs should be explored and presented.**
10. Regional entities with strengthened governance and accountability arrangements would be one of the options to explore further. Council asks that a **Regulatory Impact Assessment discussing all viable options be presented** for consultation.
11. There is a lack of public and iwi awareness and understanding of the need for change or the reform that the Government has proposed. The Government needs to be **clearer with the public about the need for change and the decision-making process.**

v. **Prioritisation of Investment**

12. Council needs to have better visibility about how the reform programme **will align with the Council's Long-Term Plans.** In particular around strategic plans for growth, such as new development areas, renewal in existing 'Brown-field' sites, and funding to support growth and not being reliant just on rates revenue. Central Government have already indicated that local authorities should continue investing their current strategic plans, so it would surely make sense for the proposal to be postponed and phased in as part of our next LTP (2034-34).
13. It is unclear from the current proposal on how the WSEs will prioritise investment to areas and communities especially when there might be competing outcome demands like ensuring investment for safety or security of supply versus investment required to support growth and housing. This will be especially tricky if governance and accountability arrangements are not properly thought through. **UHCC asks for clarity on this critical aspect and who will have oversight of this.**
14. The affordability of paying for water for low socio-economic groups. Council staff have already undertaken some modelling which has identified potential differences between the 'Actual' affordability and efficiencies, and those modelled by WICS. The Council would like to see more **evidence of how the reformed services would maintain 'value-for-money' and fair-and-reasonable user-charges.**

vi. **Financial impacts and asset transfer**

15. UHCC have demonstrated a long history of maintaining our water network. There needs to be equitable recognition of the state of comparative infrastructure, such as the current state of Upper Hutt's assets versus other networks and **fair value for the assets are offered**, including water reservoirs and surrounding park area. Council has a number of concerns regarding the financial package offered for Territorial Authorities. In particular are the differences between the

WICS modelling and the figures assessed as part of our 2021-31 LTP and RFI. Council believes strongly that more work on the financial assessment and impacts is needed in central government's proposals under this reform programme. This is essential, as when we consult with our community, any financial figures analysis must be sound and robust.

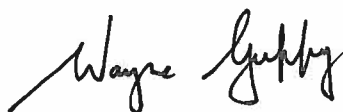
16. There needs to be further **clarity around how stranded overheads of local authorities are intended to be compensated** for, not just in the one or two years beyond the establishment of the WSEs but at least for 5 years hence. We believe it will take at least this length of time for any overhead re-allocation to be transitioned through so as not to cause undue financial burden on our communities.
  17. Concerns have been raised as to what will happen to stranded assets such as public land surrounding water services assets such as Riverbanks and Lake Park Reserves. Many of these areas are open to the public to enjoy for recreational activities. The Council and community would wish to see **public access to these sites are maintained**. Plus that the public would not lose access to public amenity if the water authority should want to develop the assets further.
- vii. **Transition, including workforce and capability**
18. Given the significant number of Council staff and contractors engaged in the water services areas, Council would like to know the **number of new jobs** this will bring to Upper Hutt and the Wellington Region, along with what funding will be spent on training programmes that will be introduced to up-skill the workforce.
  19. Likewise, Council has a particular interest throughout the transitional period, for **our existing workforce**, as was put forward in Council's submission to DIA in February and March 2021.
- viii. **Community engagement and consultation/kōrero, and the costs associated with this**
20. It is important to UHCC that consultation with our community is thorough, fair and without a particular bias or vested interest in the outcome. We will need clear and detailed information to discuss the impacts with our community. **UHCC believes that support and resources from government should be provided to run a comprehensive consultation process** with the community.

#### Closing statement

In conclusion, Upper Hutt City Council has significant concern about the quantum of changes currently underway and the timeframe for the Three Waters Reform. We also question the veracity of the WICS modelling. The big question is where the right balance lies between an economic case and the importance of local voice, accountability and decision-making. And also, the wider impacts on communities especially those further away from main centres if the viability of and service delivery from their local Councils is compromised.

UHCC entered this process of Three Waters Reform in good faith and hopes that the government will continue in the same vein to explore what is best for our communities in all the four well beings and not just for the economics and ideology of the case.

Yours sincerely,



Wayne Guppy  
Mayor



Peter Kelly  
Chief Executive, Upper Hutt City Council