

UPPER HUTT CITY COUNCIL'S SUBMISSION REGARDING THE PROPOSED WATER SERVICES ENTITIES BILL

On behalf of Upper Hutt City Council (UHCC), please see our submission regarding the proposed Water Services Entities Bill ([Bill](#)).

We would like to speak to our submission.

We wish to make the following comments

UHCC accepts that there is a need to explore other, better ways to deliver the three water services, but fundamentally does not believe that the one solution being offered is suitable. We firmly believe that there are other ways of achieving the objectives of the three waters reform programme. These should have been, and still need to be, explored and discussed further. We do not agree to the extent of centralisation of water assets and the removal of the community voice that is being proposed through this Bill.

We do not believe that the proposed timeframe to introduce these changes is realistic or achievable without causing irrevocable damage to the wellbeing of our communities as we have expanded upon further in our submission particularly in the Growth and investment section.

UHCC agrees that more investment is needed in water infrastructure, but this has to be done in a manner that is fit for purpose, includes genuine local ownership, enables good governance and most importantly ensures that the needs of local communities are met and their voice is heard.

Having read the proposed Bill, UHCC has a number of concerns which need to be addressed and we strongly urge that the Bill is not progressed until these are resolved in consultation with local government.

These fall under the following key areas:

- **Financial impacts**
- **Governance and representation**
- **Growth and investment**
- **Transition and pace**
- **Options and solutions**
- **Workforce**

Financial impacts

1. UHCC has 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. UHCC has a number of concerns regarding the financial package offered. UHCC strongly believes it is essential that more work on the financial assessment and impacts is needed in central government's proposals under this reform programme. This could be in the form of the Select Committee commissioning an independent analysis of the cumulative impacts of the Bill from an expert in regulatory economics or institutional economics as part of its scrutiny of the Bill. We strongly believe that this is essential.
2. Water assets currently account for around 43% of UHCC's total asset value. DIA are unable to confirm if they will take over our water-related debt on 1 July 2024 or UHCC will receive a cash equivalent payment, plus whether any penalties for breaking long-term loans will be borne by DIA or UHCC.
3. UHCC raises debt via a debenture secured over our total rates revenue, of which 32% currently comes from water rates. A loss of this revenue will have a significant impact on our ability to raise debt funding.
4. UHCC has grave concerns about the complete lack of clarity around how stranded overheads will be compensated for; not just in the one or two years beyond the establishment of the WSE, but for at least five years thereafter. We believe it will take at least this length of time for any overhead re-allocation to be transitioned, so as not to cause undue financial burden on our communities and ratepayers.
5. In the case of UHCC our overheads for the 3 Waters services are currently around \$3 million. These overheads range from the likes of governance services and IT infrastructure through to direct involvement in delivering the 3 Waters services. Currently, these overheads are allocated through water rates. By removing water rates, UHCC will have to reallocate these overhead costs across the remaining services (once 3 Waters delivery is passed on). There are no direct or easy solutions to this, as there are many staff where water related matters are a part of their job, but not their entire job.
6. Reallocation of overheads that will need to be done, could constitute an approximate 6% rates rise resulting from this transition alone for Upper Hutt ratepayers and there would be a flow on effect to ratepayers for a number of years. This would be completely contrary to the Government's proposition that the change in delivery model for 3 Waters services would be more financially efficient for our communities.
7. No clarity has been provided so far on how Council's will be financially supported to transition stranded overheads in an equitable manner.
8. Further clarity is also required on stranded assets such as the public land surrounding water assets like riverbanks and lake park reserves. Many of these areas are currently open to the public to enjoy for recreational activities. UHCC and our community are adamant that we want to maintain public access to these sites and must not lose access to such public amenities if the WSE wants to develop such assets in the future.

Governance and representation

9. We have heard strong feedback from our community, that they are not willing to accept the loss of their local voice. The proposed governance model for Regional Representation Groups (RRGs) and the Water Service Entities (WSEs) is complex and only goes a small way to enabling local input or representation. Fundamentally, it still takes the 'local' out of local government and appears to be more of a representation structure rather than a governance arrangement. UHCC needs to see further work to ensure that local voices are retained in decision making and the accountability to local communities is adequately maintained.

10. It is therefore essential, and should be a mandatory requirement under s32, that the territorial authority representatives on RRGs should be broadly representative of the different mix of metropolitan, provincial and rural territorial authorities, to be able to represent the diverse and specific needs of such districts.
11. Furthermore, it should be a requirement that all meetings of the WSE be held in public (except where provided for by section 47 of the Local Government Official Information and Meetings Act 1987), and to prevent any conflicts of interest or undue bias, no person(s) should be allowed to be members of both the RRG and the WSE board.
12. Under the proposal, UHCC will be part of Entity C and hold one share as part of the 22 participating councils. However, the way that its governance is structured will mean that the local community no longer has a voice. The critical role of local government is to represent the views of the people, so it is imperative that their voice remains key to the strategic planning and decision-making processes.
13. UHCC supports the proposal that RRGs will set the statement of strategic expectations (SSE) and statement of intent (SOI) for the WSE, which the WSE will in turn be held accountable for. However, we are concerned that the WSE will not be held directly accountable or answerable to residents or elected officials for service delivery, associated user charges, or the maintaining of water assets.
14. UHCC supports the proposal that WSEs must first consult and then form an asset management plan (AMP) which sets out priorities, along with operational and capital programmes. In particular, the requirement that WSEs must engage with the RRG, TAs and public directly, and must disclose the results from this engagement. We also support the proposal that WSEs must also perform an annual 'consumer engagement stocktake' on how well consumers feel engagement is working.
15. It is very important to UHCC and our community that there is no possibility of future privatisation of our water assets and *te mana o te wai*. This needs to be entrenched in constitutional legislation to prevent any subsequent changes to the legislation. Given there is no party in Parliament today that supports privatising water assets, there should be near total support for entrenching these provisions.
16. The government policy statement (GPS) outlined in s130 is a welcome addition to the Bill, but we want to see this further supported by the changes proposed by Taituarā (Local Government Professionals Aotearoa) in their submission.

Growth and investment

17. UHCC is extremely concerned that the growth and development needs of various communities and jurisdictions will no longer be under the direct control of councils, and this will negatively impact the economic, and in turn, social wellbeing of our communities. The provision of housing developments (and their necessary water infrastructure) at the scale and speed envisioned by central government will be hugely compromised in our view.
18. UHCC requests a further clause be added after clause 154(2) to require the WSE's to disclose their assumptions regarding the condition and useful lives of significant assets, the levels of growth and demand for water services, and any changes to levels of service.
19. There must also be a requirement that each WSE publishes the methodologies it uses to establish asset condition, and estimate the level of growth and demand for water services.
20. The importance of historic and local knowledge is essential for good decision making and integrated planning, to ensure that the best solutions are developed and any trade-offs are aligned with priority outcomes for the community and region. These will be severely compromised if this Bill proceeds.

21. One of our key concerns is how WSEs will prioritise investment to areas and communities when there are competing outcome demands, such as safety or security of supply, versus investment to support growth and housing. UHCC supports the proposal including a mandatory requirement for asset management plans (AMP), and also a mandatory requirement for the WSE to engage with the RRG, TAs and the wider community, along with being required to disclose the results of this engagement.
22. UHCC needs to have better visibility about how the reform programme will align with our Long-Term Plans. Our key concerns are around strategic plans for growth, such as new development areas, renewal in existing 'Brown-field' sites, and funding to support growth and not just being reliant on rates revenue. Central government have already indicated that local authorities should continue investing in their current strategic plans, so therefore it makes sense for the proposal to be postponed and phased in as part of our next LTP (2024-34).
23. Whilst the proposal that a statement of intent (SOI) will help create a balance-sheet separation between the RRG and the WSE, it is not clear how this will be applied in practice. This is essential to maintain neutrality and avoid potential issues around any real or perceived conflicts of interests between these two bodies.
24. UHCC expects to see hard and fast requirements for WSEs to provide SMART service performance measures (SPM's) with periodic reporting. As with all accountabilities, "*What gets measured, gets done*".
25. Council's own modelling has identified differences between the 'actual' affordability and efficiencies, compared to those modelled by WICS. UHCC needs to see more evidence of how the reformed services will maintain 'value-for-money' and fair-and-reasonable user charges. We are still concerned that there are no requirements to set limits on revenue, or obligations for affordability. UHCC therefore recommends that the Committee amends [s150\(2\)\(a\)](#) of the Bill to set a legislative timeframe of 30 years, not 10, for the funding and pricing plan (FPP), and amend [s151](#) to add a requirement that WSE boards must consider affordability for individuals and groups of individuals when developing their FFPs, and documents the results of that consideration.

Transition and pace

26. There are several reforms underway, all of which require councils to work through and understand the implications for both our communities and our own operations. While some of these do not directly affect councils (like the Health and Education sector reforms), they do affect our communities, and our people therefore need to be looked at holistically. Central 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.
27. 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.
28. The sequencing of reforms is a key concern to us, and 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.
29. The timeline for standing-up the new entities to be operational by 1 July 2024 is unrealistic, given the scope and magnitude of the programme, and UHCC believes it should therefore be delayed by at least 12 months.

Options and solutions

30. Central government has only ever presented one option to local authorities and their communities, which entailed taking water assets away from them and establishing the WSEs. UHCC still believes that other options should be explored and discussed.

31. UHCC is one of 31 councils participating in the action group [Communities 4 Local Democracy - He hapori mō te Manapori \(C4LD\)](#). The group's key disagreement with the proposed water reform is the centralising of all water assets and decision making around their operation. We strongly recommend that the Government explores and considers the options proposed by C4LD, rather than the 'one size fits all' approach currently being followed and proposed through this Bill.

Workforce

32. Given the significant number of UHCC staff and contractors engaged in the water services areas, UHCC would like to acknowledge the supportive nature of the employment guarantee set out in the proposed Bill. However, we want to see the hard numbers around new jobs that the reforms will bring to Upper Hutt, along with what funding will be spent on training programmes that will be introduced to up-skill the workforce.

33. UHCC and other TAs will still be required to retain some levels of staff with suitable skills, knowledge and subject matter expertise in our local water systems infrastructure. The Bill does not detail how staff costs for engagement as SMEs on Community Boards and RRGs will be remunerated or recovered.

Closing statement

In conclusion, Upper Hutt City Council maintains that central government should reconsider adopting this Bill, and that the implementation of any solution should be delayed to allow time for a "right first time" solution to be rolled out, rather than rushing through what will be a major and generational change for all New Zealanders.

The financial impacts to UHCC and our ratepayers from this Bill will be significant for many years to come.

We still question the WICS modelling for capital investments and cost savings, and also central government's proposed funding packages.

We have strong concerns about the wider impacts on communities, especially those further away from the main metropolitan centres.

One key question that remains, is whether the reform strikes a suitable balance between an economic case and the importance of local voice, accountability and decision-making.

UHCC entered the [Three Waters Reform Programme](#) in good faith, and hopes that central government will continue in the same vein to explore what is best for people in all of the [four community well-beings](#), and not just for the economics and ideology of the case.

We would like to speak to the Finance and Expenditure Committee in support of our submission.

Yours sincerely,



Wayne Guppy
Mayor, Upper Hutt City Council