



RUAPEHU DISTRICT COUNCIL

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To: New Zealand Parliament
Parliament Buildings
Private Bag 6160
New Zealand

Subject: **Water Services Entities Bill**

Submission from: Ruapehu District Council
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Council wishes to speak in support of its submission.

The Ruapehu District ... where adventure begins!



Acknowledgement

- 1.1 Ruapehu District Council (Council) would like to thank the Select Committee for the opportunity to present our views on the Water Services Entity Bill (“the Bill”). Council supports the purpose and objective of this proposed Bill. We acknowledge that New Zealand faces significant infrastructure challenges to the drinking water, wastewater, and stormwater services and we agree that changes are necessary to improve water services delivery to our communities. However, we have serious concerns about the changes this Bill will cause and what these changes mean for the future of our community and therefore request the Government amend its current reform process and allow time for a revised approach to be reflected in the draft legislation. It is imperative that specific three waters asset funding be provided to this Council during this process.

About Us

- 2.1 The Ruapehu District is a land-locked area covering 6,733km², with a usual resident population of 12,309 (Statistics NZ, Census 2018). Ruapehu is one of New Zealand’s largest districts by land area, however, has a relatively small and dispersed population base with one of the lowest resident population densities in the country (0.02 persons per hectare). The Ruapehu District also has high levels of deprivation compared to other parts of the country. We have a strong primary industry sector and despite Covid, Ruapehu District is also a growing tourist destination and enjoys a significant and steadily increasing number of visitors and non-permanent residents each year. Ruapehu District receives approximately 1.2 million visitors annually, and although the districts usual resident population is lower, population goes up to approximately 28,000. on our peak day. All these factors create unique and diverse communities and considerations, when comparing with many other parts of New Zealand.
- 2.2 Communities within the Ruapehu district rely on critical infrastructure and lifeline utilities such as water, wastewater, and stormwater (the ‘three waters’). Council is responsible for the provision and management of six water supply schemes at National Park, Ohakune, Ōhura, Ōwhango, Raetihi and Taumarunui. Along with the six water treatment plants, the water supply network includes 16 water storage reservoirs, four pumping stations and 191km of water reticulation mains. Council’s wastewater network includes six wastewater treatment plants, 18 pump stations, 104 km of pipes, and 1,434 manholes. Council also manages a stormwater and flood protection (stormwater) network which includes stormwater reticulation mains (within the townships 50 kms zone), public drains, watercourses (30 kms), open drains and associated culverts, manholes and sumps. In addition to this, Council supports a number of private water schemes, including Piriaka, Raurimu and Kakahi, by guiding them on their obligations on how to meet the drinking water standards.
- 2.3 In order for Council’s infrastructure to meet legislative requirements, resource consent conditions, and to provide for current and future demand, there is significant investment required by Council, as provided for over the 10 years of our Long Term Plan (LTP) and across 30 years in our infrastructure strategy, underpinned by assumptions that three waters



regulatory standards would tighten and that there would be more monitoring and enforcement in the future.

- 2.4 Community affordability is a significant issue facing our District due to the impact of these legislative, resource consent, and growth requirements, which are driving the need for upgrades in three waters infrastructure, yet we have only a small rating base to spread the financial burden. Council's future debt is predicted to be unaffordable for our community and Council is relying on alternative funding options to reduce this risk. During the 2021-31 LTP years there is significant pressure on our debt position and Council modelling predicts an increase in debt from \$29m to \$100m over the ten years of our LTP. Debt will exceed Council's limit on borrowings, which was predicted to be in year four (2024/25) of our LTP but is now expected to be year three (2023/24), due to cost escalations, and critical infrastructure projects which have needed to be brought forward from future years.
- 2.5 These factors, along with the nature of our geography and population, means these small Three Waters schemes, which also have to cater for high peaks, result in the cost per permanent resident population being unaffordable without an outside contribution through mechanisms such as grants, harmonisation, or a Funding Assistance Rates (FAR) type contribution.
- 2.6 Over recent years there has been considerable work from Central Government and the wider sector to look at ways to improve the performance of three waters. Whilst Council have been clear that it agrees with the aim of the work being undertaken, we have continued to voice concerns regarding whether proposed actions ensure the local voice is heard when it needs to respond to local development or service needs. In addition to this, proposed changes to the ownership model, despite its attempt to show community ownership, has also created confusion with some of our community who see it as a loss or weakening of their ownership in these critical community assets.
- 2.7 Due to these and other concerns, Council, at its meeting in February 2022, resolved to join with the Communities 4 Local Democracy (C4LD) and agreed to sign its declaration. C4LD has completed its own submission for which Council have endorsed and support as a member of this working group. The below submission reflects additional feedback, specific to our Council, and based on our unique considerations.

Key concerns

3.1 Community wellbeing

Council supports the Water Service Entities ("WSEs") function, objectives, and operating principles, but we would like to see the incorporation of community wellbeing principles. Three waters services are integral to community well-being and promoting the well-being of communities and placemaking is a critical role for Councils. Council supports that the community wellbeing be referenced explicitly in the Bill's objective and operating principles.



3.2 Ownership

As a rural district council with a small rating base, Council cannot keep up with the costs of meeting the water standards regulated by Taumata Arowai without significant Central Government funding. Although the Bill offers a potential solution to this problem through the 'four entity model', Council is concerned that this comes at the cost of our local voice and degradation of our local democracy. This is of great concern to our local community.

Section 15 of the Bill states that each entity will be a body corporate and will be co-owned by the Territorial Authorities (TA's) in its services' area in **shares** to provide tangible expression of ownership. As the amount of shares is dependent on population numbers (see section 16 of the Bill), Council will only have a single share (50,000 per share). How does this translate to 'tangible' assets? At a governance level, there is no assurance that our community will have any direct control over how assets in our district are managed. Council owns these assets on behalf of our community and currently enjoy most of the rights and obligations that go with ownership. It is the view of Council that Section 166 of the Bill strips those ownership rights and that the 'shareholding' model does not reflect our current ownership rights. If Central Government intends to expropriate this community's assets, then full compensation should be paid for these assets, in the same way that compensation is paid for land in the Public Works Act 1981.

3.3 Governance Arrangement

The Bill proposes a 2-tier governance arrangement comprised of the regional representative group ("RRG") and a corporate governance board ("CGB") appointed by the RRG. The RRG is made up of a minimum of 12 and a maximum of 14 representatives around the table, appointed collectively by all TA members. Under the current plan, Council has been placed in Entity B with 21 other Councils. Considering we will only have a single share in Entity B, our local voice and unique considerations is at risk of being drowned out by other councils who will have larger shares in the entity. The Bill is unclear on how the governance structure will protect local voices. Council recommends the Bill include explicit provisions that protect the voices of vulnerable communities like ours that can be potentially overlooked given our rural status.

3.4 Consumer and Community Engagement

Currently Councils have the democratic mandate to make decisions on behalf of their communities across their portfolio of responsibilities. Council is concerned about whether communities will genuinely and meaningfully connect with large multi-regional entities. Communities have existing connections to and relationships with Councils. How will that connection feed into (or ultimately be replicated by) the WSEs? It needs to be clearer how Councils (and communities) will feed into key WSE planning/accountability documents, aside from Councils having input via RRGs (and potentially Regional Advisory Panels). How can existing Council engagement with communities (via long-term plans, asset management plans, infrastructure strategies and community plans) inform the various planning documents that the WSEs will be responsible for preparing?



On an operational level, Council would like to know how the WSE's will ensure that they are responsive to communication from consumers across all communities in regard to water related issues that are community specific.

3.5 Iwi Māori Partnership

Council actively seeks to initiate authentic discussions with mana whenua at a local level that consider co-design and partnership arrangements that acknowledge and enable Te Tiriti o Waitangi based pathways at a local and regional level. It is important the new proposals do not dilute or confuse this important partnership. Council believes that there is great importance in maintaining an authentic relationship with local mana whenua at local council level and therefore believe Co-Governance should be negotiated at a local level, not mandated at a pan-regional level.

3.6 Statement of Strategic and Performance Expectations

Council supports the 'Statement of Strategic and Performance Expectations' being prepared by the RRG. Council would like to see a provision in the Bill that ensures that TA's and communities are involved in this process, with consideration given to ensuring small unique communities like ours are represented.

In developing the 'Statement of strategic and performance expectation and statement' and the 'statement of intent', we anticipate that WSEs (via the RRG) will rely on TA's to help collect/co-ordinate views from their constituency. If TA's are relied upon by the WSEs to do this (including to avoid duplication of effort), costs should be met by the WSEs.

The Statement of Strategic and Performance expectations must address the inherent connection between water services and the part it plays in Councils' growth plans. Council recognises that there will be a need for WSEs to address deficits with existing infrastructure, however, this shouldn't be at the expense of stifling growth and development where that is needed. The WSEs should enable the Council's growth plans not constrain them.

The Bill is unclear about how Councils' existing strategic documents/plans (e.g., LTPs, asset management plans, infrastructure strategies, community plans, regional policy statements and district plans etc.) will feed into the preparation of all the 'Statement of Strategic and Performance Expectations' documents. How will the new regional spatial strategies and natural and built environments plans feed in once the Resource Management form is implemented? Could there be a requirement for the WSEs' planning/accountability documents to take into account other strategic planning documents that Councils (and joint committees under the new Resource Management system) have prepared?

3.7 Te Mana o te Wai

Council supports the Bill's statement on Te Mana o te Wai and supports the requirements to uphold the principles of Te Mana o te Wai. As a land locked district and the home of Te Awa Tupua, mana whenua within our rohe have the ability, under the Bill, to make a Te Mana o te Wai statement to Entity B, and Entity B must respond to the statement within two years.



We anticipate that iwi will need resourcing support from Central Government or the WSEs to develop these statements.

In instances of non-compliance with Te Mana o te Wai, Council would like the Bill to be clear on how Central Government plans to hold WSEs to account.

3.8 Protection against privatisation

Council supports the safeguards put in place in the Bill to protect against privatisation.

3.9 On-coming legislation

Council understands that this Bill is one component of a suite of legislation that will build the foundation of the WSEs. We accept that there will be uncertainty in the infancy stage, but at this stage, Council is uncomfortable proceeding further with this Bill when the unknown components of on-coming legislation changes could be critical to planning for our future. We have a responsibility to our community to make decisions that safeguard their future. We are unable to perform this function without knowledge of the details regarding the establishment arrangements for the entities, service delivery model, specific powers and function of the entities, pricing arrangements, economic arrangements, etc. Without a guarantee of harmonisation, Council sees no benefit in the creation of these entities.

The Bill is drafted on the premise that the current local government structure, roles, and responsibilities remain the same. However, the Resource Management reform and the Future for Local Government review may necessitate ongoing amendments to the Bill.

3.10 Climate Change

Council is glad to see a focus on Climate Change mitigation and mitigating impacts of natural hazards, however, we would like clear direction from Central Government on how this will be managed alongside competing priorities (such as housing, urban development etc).

3.11 Funding and Pricing

Given the size of our network, small number of ratepayers, and new standards that Council needs to adhere to, affordability is a key concern for Council, and we wish to highlight the need for ongoing funding for our three waters activities throughout the process and until any decisions are made.

Council is concerned about the huge set up and on-going costs of the new WSE's, and we believe that these will have a significant financial impact on our community, whether it is through rates or taxes.

Our District is also home to large military and conservation estates owned by Central Government, for which we receive little to no rates from, yet we are required to cater to large visitor numbers due to these. Given that three waters assets are crucial to the generation of this economic activity, and income (including PAYE and GST) consumed by Central Government, the whole of New Zealand should contribute to Councils infrastructure through Central Government funding.



Council also notes affordability concerns for our community going forward, as there is an absence of reference to affordability in the objectives and operating principles of the Bill. This is in the context of Councils continuing to make rating decisions. Councils have broader concerns around affordability, equity, and communities' ability to pay for different services and given the deprivation of our community, this is a major concern for us. Council also wants to ensure that the pricing methodology is relative to our community, with affordability at front of mind.

The sequencing of the Bills means that when submitting on the core model (reflected in this Bill), Councils are being asked to 'assume' that these pricing/funding elements (including issues like price harmonisation or the ability to socialise costs and adopt differential pricing to support social equity) will be resolved satisfactorily down the track.

Conclusion

- 4.1 While we acknowledge the potential benefits a 'four entity model' gives us, we are concerned it comes at the cost of ownership rights and a 'seat at the decision-making table' particularly due to our small and diverse ratepayer base, and unique geographical considerations. Council would like the Bill to include explicit provisions that protect our assets and local voices at the governance level.
- 4.2 Council is uncomfortable with proceeding further with this Bill when the unknown components of on-coming legislation changes could be critical to planning for our future.
- 4.3 Council requests Central Government to amend its current reform process and allow time for a revised approach to be reflected in the draft legislation.
- 4.4 Council will not be able to continue to improve our three waters assets without additional Central Government funding. It is imperative that specific three waters asset funding be provided to this Council during this process to address our debt situation and affordability concerns for our community.

