

# MASTERTON DISTRICT COUNCIL

## COUNCIL AGENDA

### EXTRAORDINARY MEETING

**WEDNESDAY 29 SEPTEMBER  
2021 3.00PM**

#### MEMBERSHIP

Her Worship (Chairperson)

Cr G Caffell

Cr D Holmes

Cr G McClymont

Cr T Nelson

Cr C Peterson

Cr B Gare

Cr B Johnson

Cr F Mailman

Cr T Nixon

Cr S Ryan

Notice is given that an extraordinary meeting of the Masterton District Council will be held at 3.00pm on Wednesday 29 September 2021 at Waiata House, 27 Lincoln Rd, Masterton.

**RECOMMENDATIONS IN REPORTS ARE NOT TO BE CONSTRUED AS COUNCIL POLICY UNTIL  
ADOPTED**

24 September 2021



## Values

1. **Public interest:** members will serve the best interests of the people within the Masterton district and discharge their duties conscientiously, to the best of their ability.
2. **Public trust:** members, in order to foster community confidence and trust in their Council, will work together constructively and uphold the values of honesty, integrity, accountability and transparency.
3. **Ethical behaviour:** members will not place themselves in situations where their honesty and integrity may be questioned, will not behave improperly and will avoid the appearance of any such behaviour.
4. **Objectivity:** members will make decisions on merit; including appointments, awarding contracts, and recommending individuals for rewards or benefits.
5. **Respect for others:** will treat people, including other members, with respect and courtesy, regardless of their ethnicity, age, religion, gender, sexual orientation, or disability. Members will respect the impartiality and integrity of Council staff.
6. **Duty to uphold the law:** members will comply with all legislative requirements applying to their role, abide by this Code, and act in accordance with the trust placed in them by the public.
7. **Equitable contribution:** members will take all reasonable steps to ensure they fulfil the duties and responsibilities of office, including attending meetings and workshops, preparing for meetings, attending civic events, and participating in relevant training seminars.
8. **Leadership:** members will actively promote and support these principles and ensure they are reflected in the way in which MDC operates, including a regular review and assessment of MDC's collective performance.

These values complement, and work in conjunction with, the principles of section 14 of the LGA 2002; the governance principles of section 39 of the LGA 2002; and our MDC governance principles:

<b>Whakamana Tangata</b>	Respecting the mandate of each member, and ensuring the integrity of the committee as a whole by acknowledging the principle of collective responsibility and decision-making.
<b>Manaakitanga</b>	Recognising and embracing the mana of others.
<b>Rangatiratanga</b>	Demonstrating effective leadership with integrity, humility, honesty and transparency.
<b>Whanaungatanga</b>	Building and sustaining effective and efficient relationships.
<b>Kotahitanga</b>	Working collectively.

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## AGENDA

1. Karakia
2. Conflicts of Interest (Members to declare conflicts, if any)
3. Apologies
4. Late Items
5. Items to be considered under Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987
  - Acting Chief Executive Remuneration

### **FOR DECISION**

6. **CIVIC CENTRE PROJECT COMMITTEE MEMBERSHIP** (183/21) Pages 121-123
7. **THREE WATERS REFORM UPDATE** (181/21) Pages 124-165

DAVID HOPMAN – ACTING CHIEF EXECUTIVE

**MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED**  
**COUNCIL MEETING – WEDNESDAY 29 SEPTEMBER 2021**

MOVED BY:

SECONDED BY:

That the public be excluded from the following parts of the proceedings of the meeting of the Masterton District Council:-

General Business

**8. Acting Chief Executive Remuneration**

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:-

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Acting Chief Executive Remuneration	7(2)(a) To protect the privacy of natural persons, including that of deceased natural persons).	s48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist. Where the local authority is named or specified in the First Schedule to this Act, under section 6 or section 7 except section 7(2)(f)(i) of this Act.

<b>To:</b>	Your Worship and Elected Members
<b>From:</b>	Angela Jane, Manager Strategic Planning
<b>Endorsed by:</b>	David Hopman, Acting Chief Executive
<b>Date:</b>	29 September 2021
<b>Subject:</b>	<b>Civic Facility Project Committee Membership</b>
<b>DECISION</b>	
<p><b>Recommendation:</b></p> <p>That Council:</p> <ol style="list-style-type: none"> <li>a. <b>Receives</b> Report 183/21;</li> <li>b. <b>Appoints</b> Councillor Tina Nixon as the chairperson of the Civic Facility Project Committee in the place of the Deputy Mayor;</li> <li>c. <b>Appoints</b> Councillor Frazer Mailman to the Civic Facility Project Committee;</li> <li>d. <b>Approves</b> the amended Civic Facility Project Committee Terms of Reference, included in Attachment 1, updated to reflect the change in Committee membership.</li> </ol>	

### **Purpose**

This report seeks Council's agreement to the appointment of a new chairperson for the Civic Facility Project Committee (the Committee) and to appoint Councillor Frazer Mailman to the Committee, for the 2019-22 triennium.

### **Context**

At its meeting held 4 August 2021, Council agreed to establish a Civic Facility Project Committee, appointed the Deputy Mayor as chairperson, agreed to appoint three other elected members, two iwi representatives and an external member with relevant experience to the Committee and agreed an amended Terms of Reference for the Committee (see the 4 August 2021 Council agenda Report 132/21 (page 157) on the Masterton District Council website [here](#) and the minutes of that meeting (142/21) in the 15 September 2021 Council agenda [here](#)).

At the 4 August Council meeting the Terms of Reference were amended to provide that the Committee had the delegated authority as follows:

## **Power to Recommend to Council**

- Approve contract award for any contract in excess of Council officer delegations
- Approve expenditure variances in excess of 15% of the planned budget
- Approval of design specifications for critical functions of the facility
- Agreement to the level of service element and any financial implications resulting from the operating model selection
- Main construction contract award
- Any naming rights or branding of the facility

As the Deputy Mayor is no longer a member of the Committee, the Terms of Reference need to be further amended to reflect this and a replacement chairperson and committee member need to be appointed.

## **Discussion**

The Mayor recommends that Councillor Nixon is appointed as the chairperson of the Committee and Councillor Frazer Mailman has indicated that he is available for appointment to the Committee as the fourth elected member.

The Terms of Reference require amendment to reflect the changes to membership of the Committee (see Attachment 1).

## **Options Considered**

No options have been considered as the decisions requested are procedural. Council has already agreed to establish the Committee and a chairperson and full membership is required to enable the Committee to commence meeting, progress the appointment of the external member and start to progress the work required to be done.

## **Supporting Information**

### **Significance, Engagement and Consultation**

The decision to appoint a replacement chairperson and replacement elected member is not a significant decision in terms of Council's Significance and Engagement Policy.

### **Financial Considerations**

There are no financial implications in the decision to be made.

### **Treaty Considerations/Implications for Māori**

There are no Treaty considerations or implications for Māori in the decision to be made.

### **Environmental/Climate Change Impact and Considerations**

There are no environmental/climate change impacts or considerations in the decision to be made.

## Civic Facility Project Committee Terms of Reference

<b>Function</b>	To provide governance advice and oversight with the design, capital raising, risk management and delivery of the Civic Facility project. Members will have oversight of project progress and will be required to use their experiences, skills, and knowledge to help guide and inform strategic decisions.
<b>Membership</b>	<p>Membership of the Project Committee includes:</p> <ul style="list-style-type: none"> <li>• <del>The Deputy Mayor</del></li> <li>• Councillor Brent Gare, Councillor Bex Johnson, <del>and</del> Councillor Tina Nixon <del>and Councillor Frazer Mailman</del></li> <li>• Ra Smith, as the Kahungunu ki Wairarapa representative, to the Civic Facility Project Committee with full speaking and voting rights</li> <li>• Tiraumaera Te Tau, as the Rāngitane o Wairarapa representative, the Civic Facility Project with full speaking and voting rights</li> <li>• an appropriately qualified external consultant with risk management, probity, and legal experience with full speaking and voting rights</li> </ul> <p><del>The Deputy Mayor is the chairperson of the Committee.</del></p> <p>The Mayor is also an ex-officio member of the Committee as afforded by Section 41A of the Local Government Act 2002.</p>
<b>Quorum</b>	The quorum of the Committee will be five members and include at least one iwi representative.
<b>Frequency</b>	The Committee will determine the frequency of its meetings which are likely to change to suit the phase of the project.
<b>Delegated authority</b>	<p><b>Power to Recommend to Council</b></p> <ul style="list-style-type: none"> <li>• Approve contract award for any contract in excess of Council officer delegations</li> <li>• Approve expenditure variances in excess of 15% of the planned budget</li> <li>• Approval of design specifications for critical functions of the facility</li> <li>• Agreement to the level of service element and any financial implications resulting from the operating model selection</li> <li>• Main construction contract award</li> <li>• Any naming rights or branding of the facility</li> </ul>

<b>To:</b>	Your Worship and Elected Members
<b>From:</b>	David Hopman, Acting Chief Executive
<b>Date:</b>	29 September 2021
<b>Subject:</b>	<b>Three Waters Reform Update</b>
<b>DECISION</b>	
<b>Recommendations:</b>	
That Council:	
<ol style="list-style-type: none"> <li>1) <b>notes</b> the Government's 30 June and 15 July 2021 Three Waters Reform announcements</li> <li>2) <b>notes</b> officer's advice on the accuracy of the information provided to Council in June and July 2021 following the Request for Information (RFI) and Water Industry Commission for Scotland (WICS) modelling processes</li> <li>3) <b>notes</b> 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</li> <li>4) <b>notes</b> 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</li> <li>5) <b>notes</b> that the Government intends to make further decisions about the three waters service delivery model after 30 September 2021</li> <li>6) <b>requests</b> the Chief Executive to seek guidance from the Government on <ol style="list-style-type: none"> <li>a) <b>Process and engagement:</b> The process and lack of clear information on the proposed reforms for communities has put the Council in a challenging position where we feel we are fronting the Government's reform programme with our Iwi partners and communities. We have found it challenging to provide robust information to our communities on the reforms proposals or to provide feedback to Government given the lack of engagement with the community to understand their concerns and position.</li> <li>b) <b>Community voice:</b> More clarity is required for how councils and communities would have input and influence into the planning processes and investment prioritisation of the water services entity (WSE) to ensure that this aligns with local needs and outcomes. It is also not clear how the WSE can be responsive to changes in local investment priorities or outcomes.</li> </ol> </li> </ol>	



- c) **Governance:** The governance structure of the proposed WSE is at odds with enabling local representation from the range of disparate communities across Entity C. It is considered overly complex and unworkable across 22 local authorities and multiple Iwi / Māori. There appear to be too many layers and insufficient opportunity for local input, effective representation and ensuring accountability back to the communities it serves. Further consideration is also required to effectively balance elected representation with a partnership approach with Mana Whenua.
- d) **Mana whenua:** It is unclear how the proposed representative arrangements for Mana Whenua will work in practice across the range of interests and different scale and focus of Iwi and hapu.
- e) **Consumers:** We are concerned that there are not robust processes and opportunities for consumers or communities to raise issues with the WSE in relation to performance issues.
- f) **Financial impacts:** There is a lack of clarity on the financial impacts of the reforms. This has a significant bearing on the confidence our communities have in the reforms process, level of benefits and broader impacts on council from the reforms.
- g) **Assets:** Water assets also provide a range of other functions and benefits for our communities and there remains a lack of clarity about what assets would be transferred as well as the timing, process and costs for this.
- h) **Rural water issues:** significant further work is required to understand the impacts on rural water schemes, the price of water, their assets and capital structures including regulation and when and how water standards can be practically applied to local schemes.
- i) **Catchment planning:** further clarity is required to understand how catchment planning practice will apply to the WSE and the future operating model. This has a bearing on assets which may or may not be included as part of the transfer process.
- j) **Affordability and funding:** we understand the need for significant additional investment into three waters in the future. What alternative funding or borrowing models has the Government considered (and discounted) or is willing to enable for local government should the reforms not proceed or for councils that choose to opt out of the reforms process?
- k) **Investment planning:** The process and opportunities for input into the future investment planning and prioritisation of local problems appears unclear. To what degree can this risk be mitigated in a reforms model through the adoption of existing council LTPs?
- l) **Local government reforms:** The cumulative impacts and alignment across three waters reforms, Resource Management Act (RMA) reforms and future of local government impact on our ability to plan for the future. This includes the future viability and role of local government, particularly for smaller councils.
- m) **Entity makeup:** The impact on the reforms and the economies of scale if some Councils do not join the reform programme need to be clarified. Further transparency regarding the entity alternatives considered in this process need to be included in the public consultation process. These alternatives include options to fund the 3 waters in other ways.
- n) **Economic regulator:** More clarity is needed on the role of the economic regulator and how it will operate.
- o) **The following changes** to the Government's proposal/process are also recommended.
- i. Inclusion of an ombudsman process to investigate and resolve disputes.

- ii. Confirm and obtain Council agreement on the principles and Council role in preparing the transition objectives, policies and processes.
  - iii. Confirm the principle that any shortfall or equity that arises during the transition is recognised and compensated.
  - iv. Provide for a Wairarapa representative in the Governance structure.
  - v. Develop a process 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.
- 7) **notes** that the Chief Executive will report back further once further information and guidance has been received from Government on what the next steps look like and how these should be managed
- 8) **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).

## Purpose

This report updates the 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).

## 1. Executive Summary

- 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) – Three Waters 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](#)<sup>1</sup> 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:

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<sup>1</sup> [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)

- 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 Council data modelling based on the information supplied under the RFI process and modelled by Water Industry Commission of Scotland (WICS)
  - 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 period 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. Masterton District Council has been placed in Entity C and our 'better off' funding allocation is \$15,528,465.
- 1.4. While the Government and LGNZ consider that national case for change has been made, each council will ultimately need to decide based on its local context if the process to join one of the proposed entities remains voluntary.
- 1.5. Four service delivery options are identified in this report. Further information is required before a full analysis can be completed on these options.
- 1.6. In summary,
- Our Council specific information was supplied and has been reflected back in Department of Internal Affairs (DIA) information - on existing assets, debt, capital and operating costs.
  - DIA modelling has assumed additional cost drivers that Council budgets have not factored in, including a changed regulatory environment
  - 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.
  - **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 risks over the medium and longer term, including potentially high costs, in meeting the new water standards, environmental requirements and achieving compliance.

- **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 or non-asset owning]:**

Although both a management Council Controlled Organisation (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. The shareholder Councils of Wellington Water (who don't own but do manage all three waters on behalf of their owners) are currently considering whether Wellington Water should become an asset owning CCO as an enhancement to their current situation.

The scale, governance structure and funding options for these regional entities will need to have further work done to ensure they are sustainable.

- 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 several 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 was no expectation that councils would decide to opt-in (or out) or commence community engagement or consultation over the eight-week period.
- 1.13. Government decisions on entity boundaries, governance and transition and implementation arrangements will occur after the eight week-process ends (30 September 2021).
- 1.14. 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.

## **2. Background and context**

- 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

- 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.<sup>2</sup>
- 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 Net 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](#).

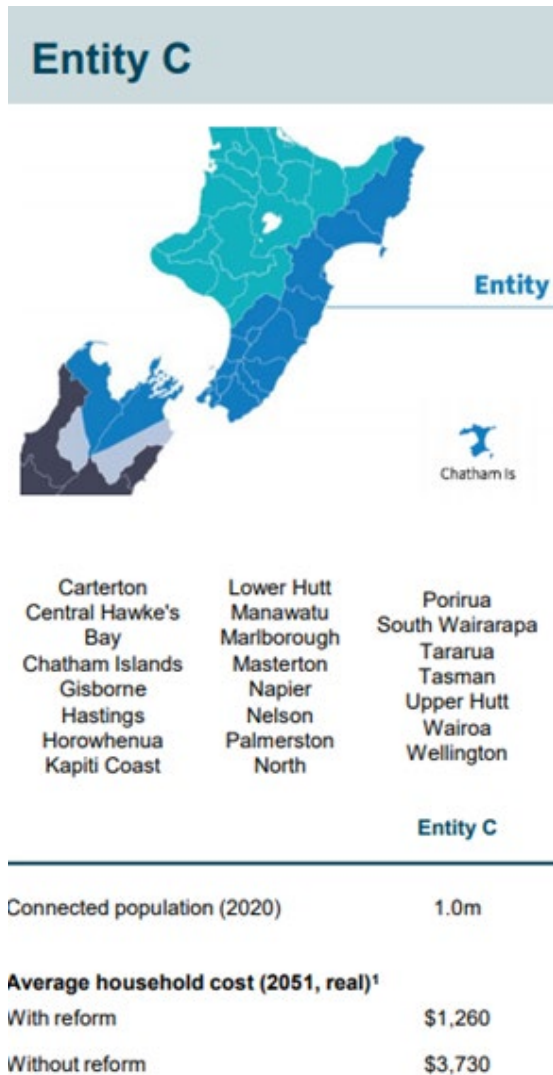
- 3.4. Both DIA and LGNZ have produced two page national overviews, available on the DIA [website](#)<sup>3</sup> and [LGNZ websites](#)<sup>4</sup> respectively. Attachment 2 contains more detail on the national context and Attachment 3 provides the DIA overview.
- 3.5. Masterton District Council has been placed in Water Services Entity C, although the precise boundaries are still up for discussion (and may for example exclude the top of the South Island and /or include parts of the Manawatu in the future).

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<sup>2</sup> 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](#).

<sup>3</sup> [2872-DIA-A3-A New Water with-without reform Map 20210526 v2.7](#)

<sup>4</sup> [Three-Waters-101-Infographic.pdf \(lgnz.co.nz\)](#)



- 3.6. On 15 July, in partnership with LGNZ under a [Heads of Agreement<sup>5</sup>](#), 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 \$15,528,465.** The detail of the funding (including expectations around the use of reserves) and the full list of allocations can be found in Attachment 4. Conditions associated with the package of funding have yet to be worked through.

<sup>5</sup> [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)

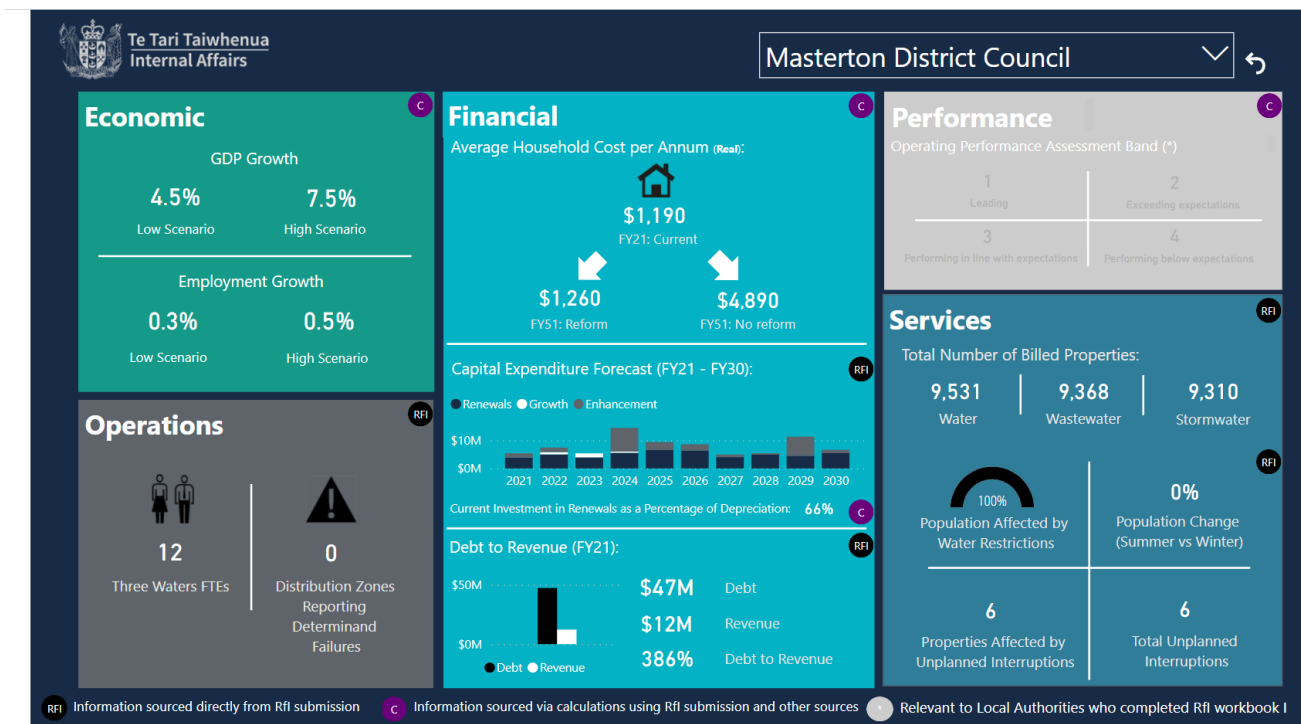
- 3.8. Current understanding is that Council will also receive an additional payment to repay all debt associated with three waters services. Costs of unwinding financial arrangements would need to be part of the package of compensation. Any reserve funds held by Council specific to three waters would also be taken into account in these calculations.
- 3.9. In addition to the funding announcements, the Government has undertaken further discussions with local government and iwi/Māori:
- 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.
- 3.10. 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 deciding to opt-in or not is included at section 8 of this report.
- 3.11. Next steps are expected to be announced after 30 September 2021, which would include the timeframes and responsibilities for any community or public consultation.
- 3.12. 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.
- 3.13. 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.
- 3.14. 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 decide based on its local context.



- 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 approach<sup>6</sup>.
- 4.3. Council currently delivers three waters using a mix of in house staff and contractors. For example our contract for maintenance is with City Care Water (Masterton District Council Services Maintenance Contract No 3-19/22).
- 4.4. Our dashboard looks like this:



- 4.5. It, and the dashboards of other councils, can be accessed on this [site](#)<sup>7</sup>.
- 4.6. The key aspects Council should note are detailed below.
- 4.7. Average cost of 3 waters per household -

- the DIA (based on several assumptions) states MDC as \$1,190;
- our actual figure based on the 2021/22 Plan is \$1,063
- projected out to 2031 (again based on assumptions) is \$3,404 (DIA – inflation stripped out) and our Council (based on year 10 of the LTP 2021-31) is \$1,238 (inflation stripped out)

<sup>6</sup> See for example sections 5 and 14 of the LGA.

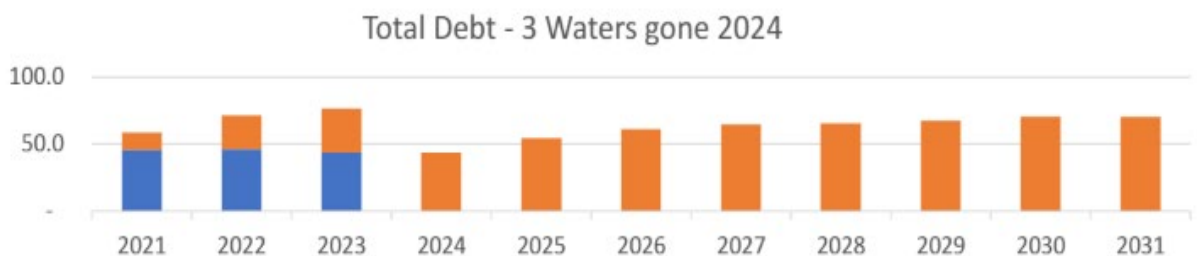
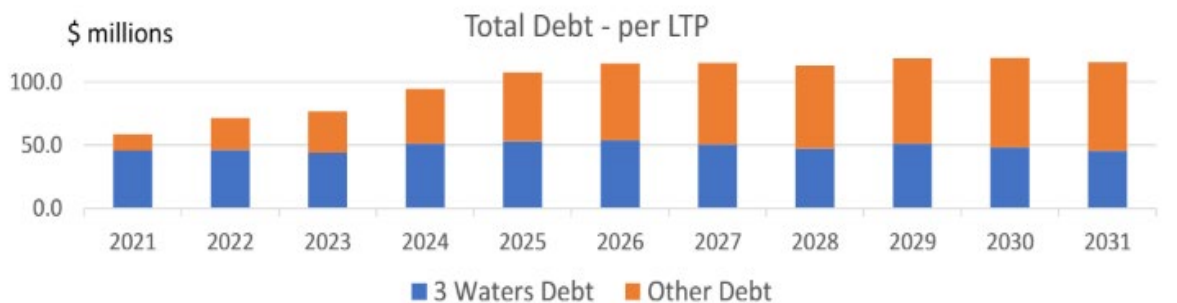
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<https://app.powerbi.com/view?r=eyJrIjoieG1OTJlYUWtZDZkNy00YWZjLTgzN2EtOTY1MzQxNGM5NzJmliwidCI6ImY2NTIjYTVjLWZjNDctNGU5Ni1iMjRkLWZk1ZGYxM2FjYj9>

- DIA’s projection, after reform (Entity C) projects \$1,260 by 2051.
- Actual household connections = 8,832 (excludes non-residential properties)
- DIA figure used was 7,806 (based on assumption of 70:30 residential/commercial split and urban population and occupancy rates)

#### 4.8. Debt –

- Council’s total external and internal debt (at June 2020) was \$57.1m.
- The value of debt that has been applied to three waters capital projects (advised to DIA) was \$47.6m (83%).
- The revenue we received from three waters in 2019/20 was \$13.5m (22.4% of total revenue).
- For the three waters only, debt to operating revenue ratio is 353%, but in reality Council currently does not operate a stand-alone three waters entity. This ratio reflects Council having used debt funding to invest in upgraded treatment plants. The debt ratio across the whole Council allows spreading debt risk across all revenue.
- Our total forecast debt for the next ten years is graphed below (with and without three waters debt included):



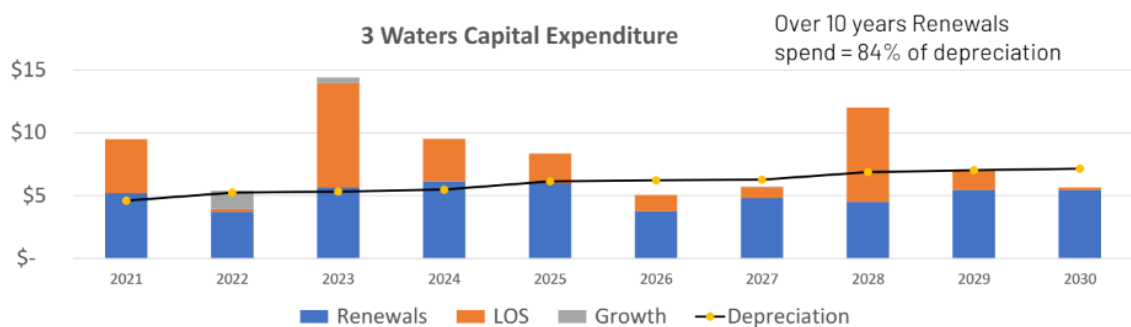
- Council funds the majority of three waters renewals from current revenue (funded depreciation). The majority of three waters debt relates to the extension of the Homebush wastewater treatment plant. Debt has been used as a funding tool to extend or add to assets.

- Council’s financial strategy provides for the repayment of debt on Homebush by the time additional investment is needed (2032 consent renewal). This strategy ensures debt ceilings are not reached. Investment in three waters assets is managed within funding and affordability constraints.
- Council’s LTP shows it does not reach the debt to revenue limits over the next 10 years (calculated across the whole Council).
- DIA modelling shows Entity C will have to need to have much higher debt to operating revenue limits than councils currently operate within.

#### 4.9. Operating and Capital Expenditure Forecast –

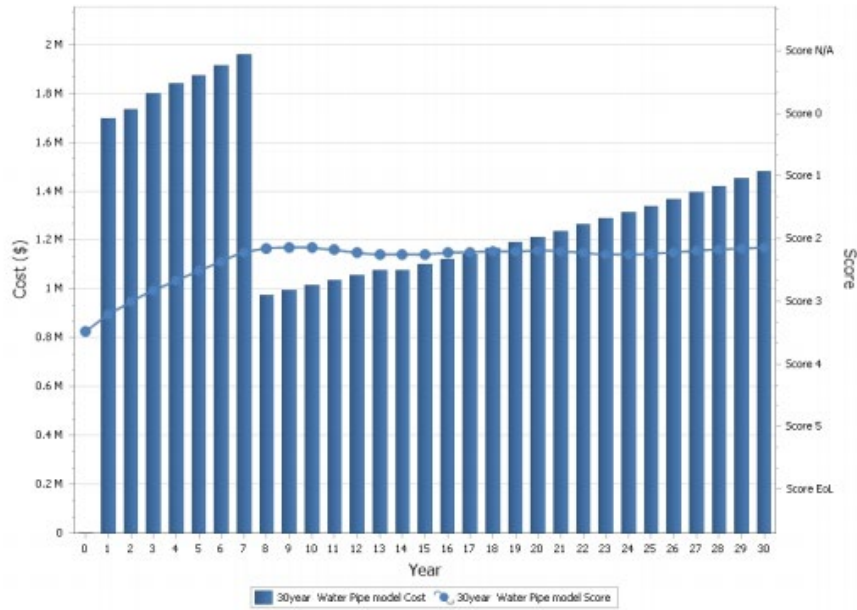
- The Council’s LTP (year 1) shows \$13.3m operating costs for three waters. 85% funded from property rates and 15% funded from direct user charges (water meters, trade waste etc).
- DIA modelling assumes a 25% increase in 3 waters revenue in the first year and 15% in each of the next 3 years.
- Our own information demonstrates that there is significant 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 (more stringent standards applied to water production and to rural water schemes), demand for water quality improvement is anticipated, and that there will be more monitoring and enforcement in the future.

#### Capital Expenditure Forecast

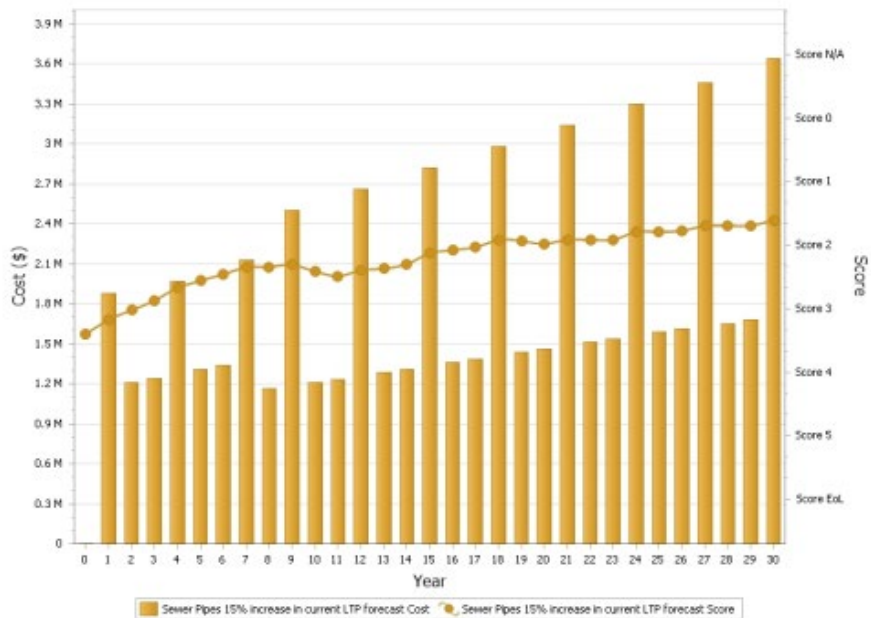


- Council is required to forecast infrastructure requirements (including maintenance, renewals, upgrades and new expenditure) for 30 years. The following information is taken from our Infrastructure Strategy. Key points to note are the 30 year capital programme for wastewater is \$141m (over 30 years), including the renewal of the main water trunk, upgrade of the wastewater treatment plant, installation of raw water storage, stormwater treatment and ongoing network pipe replacements.

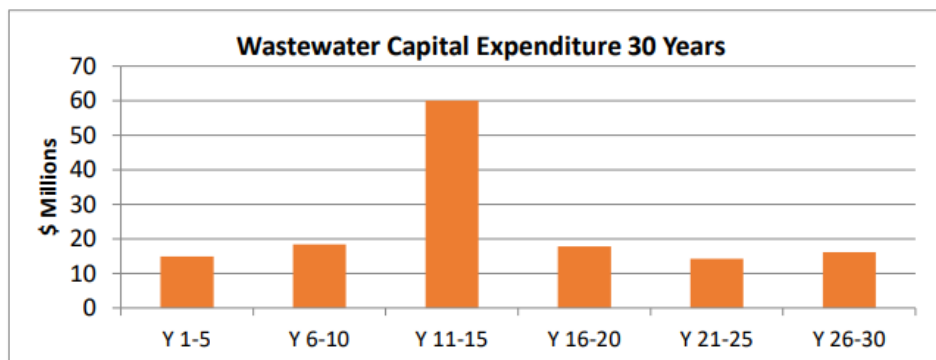
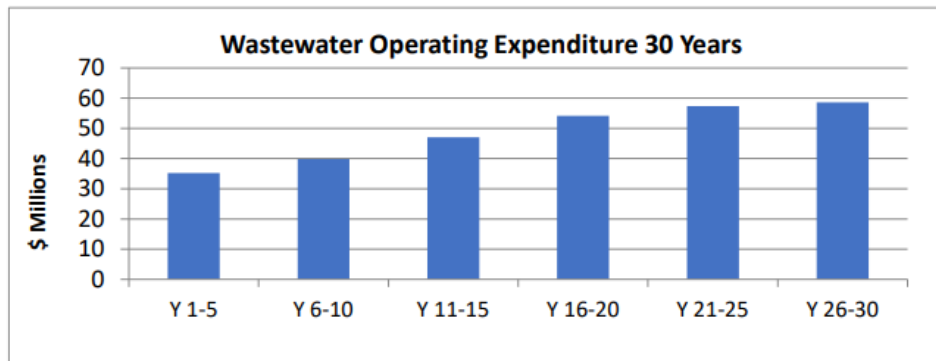
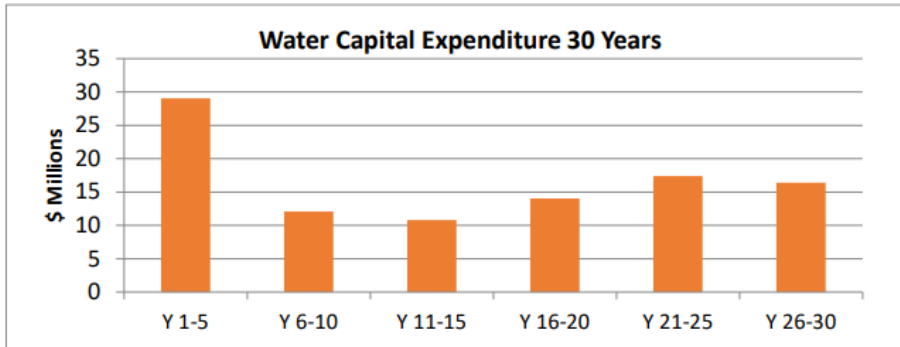
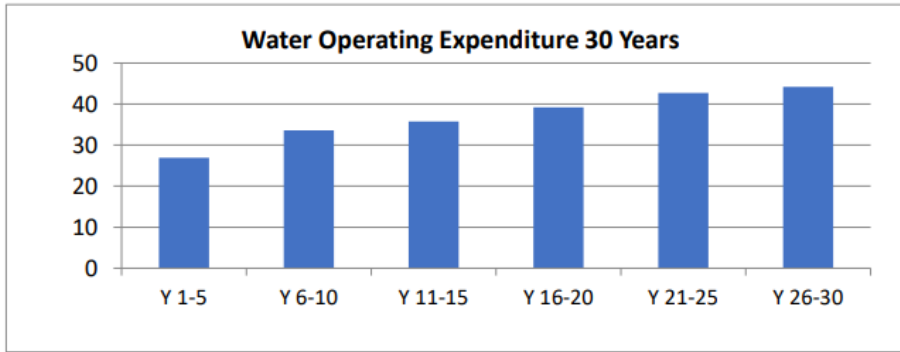
## 10 and 30-Year Infrastructure Three Water Infrastructure Expenditure v Condition Forecast

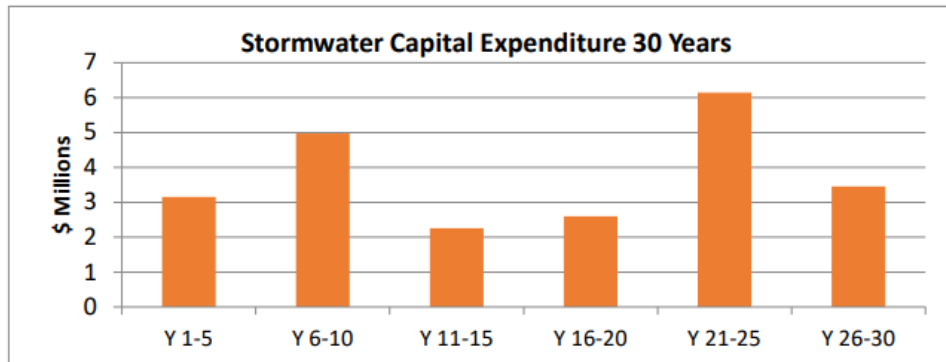
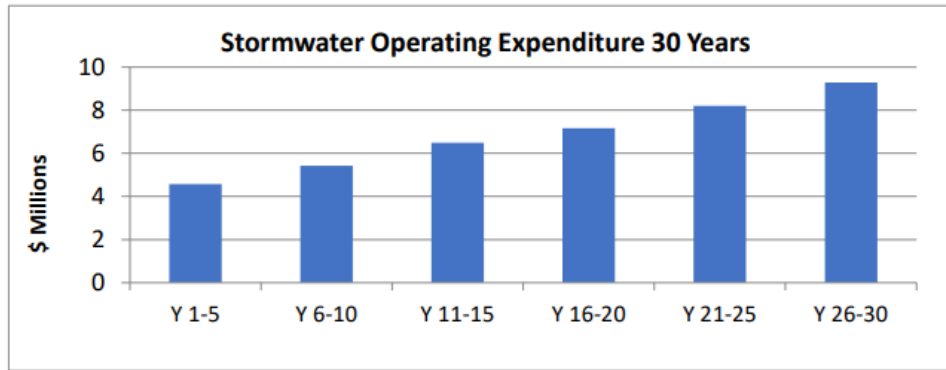


## 10 and 30-year scenario modelling for Water Supply reticulation pipes. Condition score and spend 2021 – 2031 & 2051



## 10 and 30-year scenario modelling for Wastewater reticulation pipes. Condition Score and Spend 2021 – 2031 & 2051





- While Council has one major investment for water supply resilience in the next 10 years, Council has the following significant upgrades / additional plant and treatment capital works and investment planned beyond the 10 years of the LTP 2021/31:

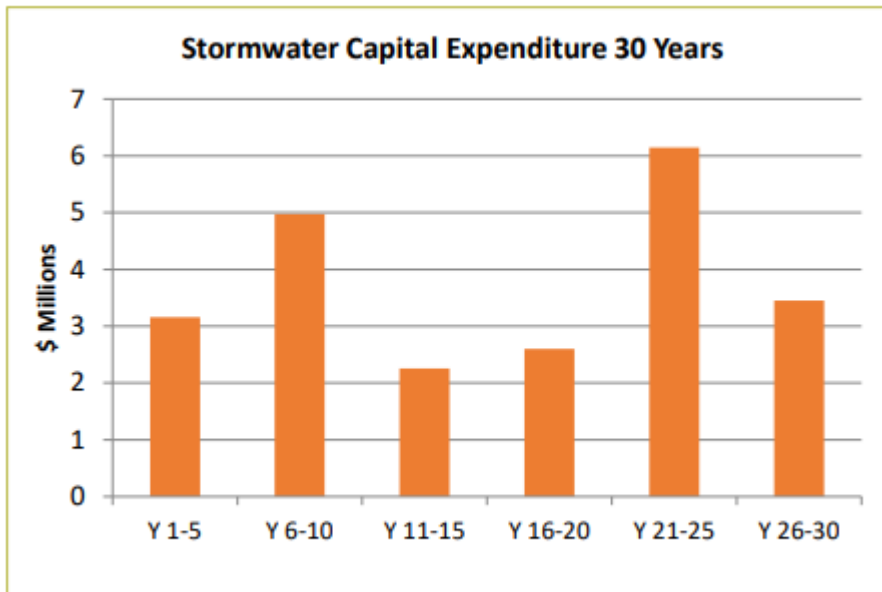
- **Homebush wastewater treatment upgrade**
  - \$11.90 million implementation
  - \$32 million for plant upgrade to stop treated wastewater discharges to the river when the current consent expires in 2034

As per our Infrastructure Strategy “the timing and costs of this work are not certain (significant uncertainty) as the Natural Resources Plan has not been fully implemented and the standards are not known and there is no business case. The numbers are therefore only estimates and will not be able to be quantified with any degree of accuracy before October 2021.”

- Council investment in stormwater

Council does not currently have any plans for creation of any significant stormwater reticulation over the next 10 years. We have forecasted capital expenditure across the next 30 years. 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 10 are uncertain.

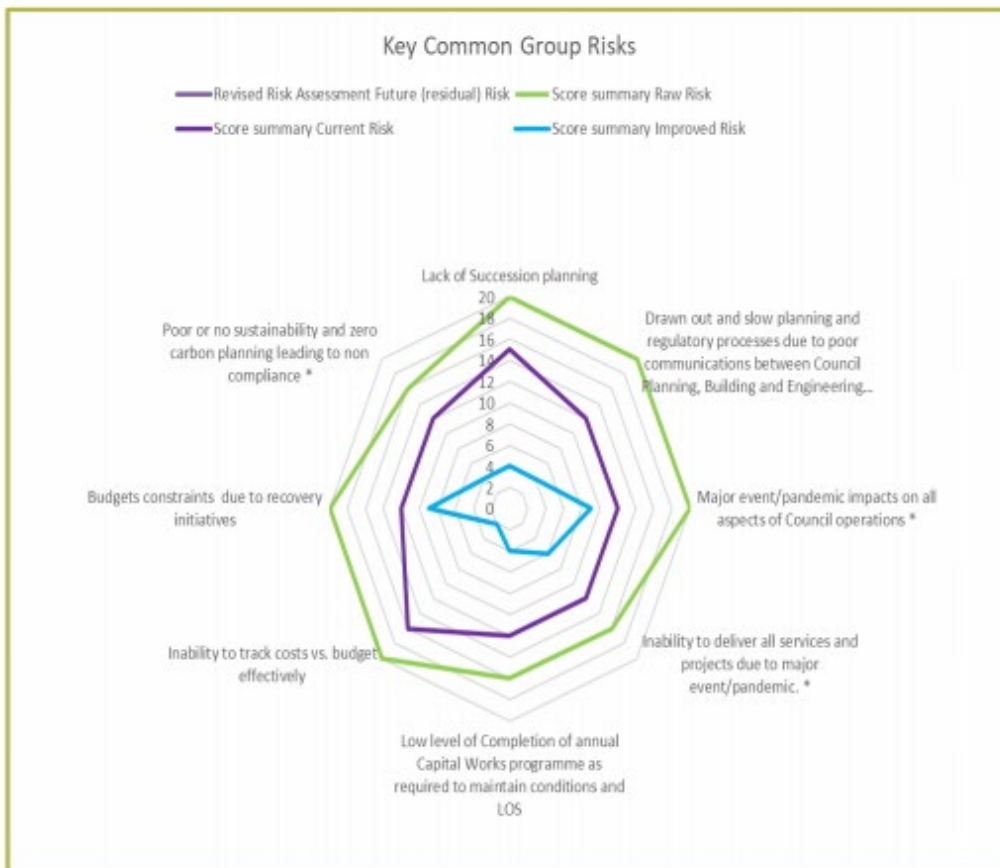
## Forecast Capital Expenditure 2021 - 2051



4.10. Our asset condition, performance (and confidence) levels for

- water - C (uncertain)
- wastewater reticulation – C (uncertain) and wastewater treatment – B (reliable)
- stormwater - B (reliable)

4.11. Key risks for three waters are included below:



A fuller analysis can be found in Council's Asset Management plans

<https://mstn.govt.nz/documents/council-plans/asset-management-plans/>

4.12. Wastewater dominates Council's carbon emissions. Our emissions reduction plan and funding for it is unlikely to be sufficient to address our medium and long term responsibilities including NZ Emissions Trading requirements, despite being based on the best information we had when we put together our LTP. "Further (work) is required to measure carbon output and to investigate mitigation options". While investigation work is projected to come from existing budgets there is not certainty (or provision) for work to mitigate carbon outputs.

4.13. Our 30 Year Infrastructure Strategy notes that -

"Climate change will increase the risks from natural hazard events that already occur within the district, particularly as a result of:

- sea level rise, exacerbating the effects of coastal erosion and inundation and of river flooding in low lying areas, especially during storm surge
- increased frequency and intensity of storm events, adding to the risk from floods, landslides, severe wind, storm surge, coastal erosion and inundation, and
- increased frequency of drought, placing pressure on water resources and increasing the wildfire risk.

More frequent droughts may also affect the security of water supply. Currently we rely on adequate water flows from the Waingawa River and have no stored water for a prolonged drought."

4.14. Our Infrastructure Strategy acknowledges Council needs "to increase the sophistication of how we think about resilience, shifting beyond a narrow focus on shock events or infrastructure failure and thinking more about interdependencies, levels of service and community preparedness. A longer-term view needs to be taken with increased focus on adapting to slower changes over time, including climate change."

4.15. Council's Wastewater AMP identifies that "Many critical facilities, such as reservoirs, pump stations, and treatment plants, were designed and constructed before the adoption of seismic design standards that reflect the current state of knowledge of regional seismicity" and "Pipeline networks include extensive use of non-ductile (inflexible) materials, such as concrete and cast-iron pipe, which tend to fail during strong ground motion. Pipelines are especially vulnerable to failure from permanent ground deformation (resulting from liquefaction) because the deformation causes push-on pipe joints to separate".



- 4.16. Importantly, no natural hazard events that impact on planned business as usual in a major way have been factored into the work programme contained in the LTP or Infrastructure Strategy.
- 4.17. There is also the potential for Council to have to upgrade and potentially take over the rural water supplies if they are unable to meet quality standards and regulatory requirements. However, options such extending the urban supply into the rural supplies are not budgeted within the 10 years of the LTP.
- 4.18. Council has not budgeted to comply with new law (and any applicable new standards, rules or regulations or enforcement undertakings which are yet to be clarified).
- 4.19. Against the above information, in general the Dashboard and underlying information for the next 10 to 30 years looks broadly accurate when compared with Council's own information, Asset Management Plans, 30 Year Infrastructure Strategy and LTP 2021-31. DIA low capital spend forecast is close to the LTP estimate. The proposed spend that DIA have modelled is twice the LTP forecast.
- 4.20. 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"<sup>8</sup> 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.
- 4.21. The DIA have assumed, if Council remains a standalone deliverer of three waters, that a best case scenario would be
- 3% new operating costs
  - \$330M investment for enhancements and growth
  - asset lives as per Council information.

The modelling concluded that the "efficiency challenge facing the amalgamated entity would have to be less than 12% if Masterton Council on a stand-alone basis were to have any prospect of being financially better off" (or 0.8% per annum over 15 years). Modelling was rerun to test sensitivity.

- 4.22. Overall conclusions under amalgamation forecast more resilience under amalgamation, better environmental outcomes, better water outcomes and more money to invest, concluding that "Even if the top of the range for investment for Masterton District is halved, there is still only a very low probability that the average cost per household is less than the worst possible outcome under the amalgamated entity".

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<sup>8</sup> 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)

- 4.23. 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.
- 4.24. 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.
- 4.25. To assess whether the proposed 'better off and no worse' funding to Council \$15,528,465 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. No specific project or programme recommendations are made at this stage due to uncertainties with the process, timeframes and the lack of engagement with mana whenua and communities over where the funding should be spent if the reform goes ahead.

## **5. Options available to Council for three waters service delivery**

- 5.1. This section provides an overview of the options available to Council. Further information is required for a detailed analysis of the options.

### **5.2. Option A - Government Proposal**

- Under this option, Council is in entity C, 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.

### **5.3. Option B - Council as a standalone deliverer of three waters [the Status quo]**

- Council currently delivers three waters services 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, this is subject to clarification around the assumption made.

### **5.4. 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 Counciland would ideally include the production of business cases for investment and enhanced activity and asset management planning to be more robust.
- 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).

### **5.5. Option D – Asset owning CCO**

- 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.<sup>9</sup>
- 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.

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<sup>9</sup> [HB-3-Waters-Delivery-Detailed-Analysis-29.07.20-Full-Report.pdf \(hb3waters.nz\)](#)

- 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.
- 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).
- 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.

## 5.6. 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.

## Risks (opportunities and threats) considered for the various options included:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Financial sustainability</li> <li>• Underestimating the investment Required</li> <li>• Compliance failure</li> <li>• Cost of Works</li> <li>• Workforce, skills, Technical Capability</li> <li>• Economies of Scale</li> <li>• Council Plan Implementation and Integration</li> <li>• Council Risk (and capacity for it)</li> <li>• Household Ability to Pay</li> <li>• Long Term Outcomes and wider wellbeing outcomes</li> </ul> | <ul style="list-style-type: none"> <li>• Gaps in Service Delivery and Funding Responsibilities</li> <li>• R&amp;D Funding Opportunities</li> <li>• Increased Incident Response Time</li> <li>• Additional Water Capacity (water source)</li> <li>• (Reduction in the) Local Contractor Capacity</li> <li>• Partnerships (ineffective)</li> <li>• Compliance Monitoring</li> <li>• Industry support</li> <li>• Impact on business</li> </ul> |
|---|---|

- 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 Transition

6.1 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.

Transition risks include:

- Staff/Contractor Retention
- Transfer of Contracted Services
- Loss of Customer Experience
- Resistance to Change
- Maintaining Good Quality Assets
- Stranded Overheads
- 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.

- Speed of Change - an increase in mistakes
- Existing Contract Liabilities - Council may be liable for compensation if contractors take legal action.
- Lack of Business Confidence
- Liability for Environmental Damage - Lack of clarity for monitoring environmental impacts may expose Council to liabilities
- Transition Team – would help but will require resourcing. Staff workloads
- Loss of Asset Management Systems & Data - unclear responsibilities - loss of data or failure of systems affecting continuity of service delivery.
- Limited Transfer of Water Debt – reserve funds collected for water related services affecting Council's financial position.
- Unreasonable Economic Influence - from existing industry players
- Development / Financial Contribution Refunds - may affect Council's charges linked to debt (including the possibility of refunds).
- Asset Valuation - returning a much different value than expected affecting Council's financial position
- Current System Unable to Cope
- Deferred Decision Making - development projects to stall.
- Scope of Agency Service - continuing / picking up for e.g. stormwater [and / or wastewater]
- Impact on Bylaws.
- Different Local Approaches - to regional neighbours may reduce the economies of scale making regional water solutions more expensive.

## 7 Council decision making and consultation

- 7.1 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 need to be provided including the reasons for the proposal and the reasonably practicable options.
- 7.2 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.
- 7.3 Section 77 states that councils must seek to identify all reasonably practicable options and then assess the advantages and disadvantages of each option.
- 7.4 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.
- 7.5 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).
- 7.6 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).
- 7.7 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.
- 7.8 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.<sup>10</sup>
- 7.9 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.
- 7.10 Given the Government’s
- eight week period of engagement with mana whenua and councils

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<sup>10</sup> See sections 43 to 47 of the LGA.

- 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.

- 7.11 A Government Bill to progress the reforms could address the issues raised above, for example removing the section 130 requirements has explicitly been raised.
- 7.12 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.
- 7.13 It is recommended that the Council therefore notes the options canvassed in this report, and the additional information required and decisions that are yet to be made.
- 7.14 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.

## **8 Information that the Council requires or potential solutions to outstanding issues that it would like to convey to Government and LGNZ**

- 8.1 There are still several issues that need to be resolved, including:
- a) **Process and engagement:** The process and lack of clear information on the proposed reforms for communities has put the Council in a challenging position where we feel we are fronting the Government's reform programme with our Iwi partners and communities. We have found it challenging to provide robust information to our communities on the reforms proposals or to provide feedback to Government given the lack of engagement with the community to understand their concerns and position.



- b) **Community voice:** More clarity is required for how councils and communities would have input and influence into the planning processes and investment prioritisation of the WSE to ensure that this aligns with local needs and outcomes. It is also not clear how the WSE can be responsive to changes in local investment priorities or outcomes.
- c) **Governance:** The governance structure of the proposed WSE is at odds with enabling local representation from the range of disparate communities across Entity C. It is considered overly complex and unworkable across 22 local authorities and multiple Iwi / Māori. There appear to be too many layers and insufficient opportunity for local input, effective representation and ensuring accountability back to the communities it serves. Further consideration is also required to effectively balance elected representation with a partnership approach with Mana Whenua.
- d) **Mana whenua:** It is unclear how the proposed representative arrangements for Mana Whenua will work in practice across the range of interests and different scale and focus of Iwi and hapu.
- e) **Consumers:** We are concerned that there are not robust processes and opportunities for consumers or communities to raise issues with the WSE in relation to performance issues.
- f) **Financial impacts:** There is a lack of clarity on the financial impacts of the reforms. This has a significant bearing on the confidence our communities have in the reforms process, level of benefits and broader impacts on council from the reforms.
- g) **Assets:** Water assets also provide a range of other functions and benefits for our communities and there remains a lack of clarity about what assets would be transferred as well as the timing, process and costs for this.
- h) **Rural water issues:** significant further work is required to understand the impacts on rural water schemes, the price of water, their assets and capital structures including regulation and when and how water standards can be practically applied to local schemes.
- i) **Catchment planning:** further clarity is required to understand how catchment planning practice will apply to the WSE and the future operating model. This has a bearing on assets which may or may not be included as part of the transfer process.
- j) **Affordability and funding:** we understand the need for significant additional investment into three waters in the future. What alternative funding or borrowing models has the Government considered (and discounted) or is willing to enable for local government should the reforms not proceed or for councils that choose to opt out of the reforms process?
- k) **Investment planning:** The process and opportunities for input into the future investment planning and prioritisation of local problems appears unclear. To what degree can this risk be mitigated in a reforms model through the adoption of existing council LTPs?

- l) Local government reforms:** The cumulative impacts and alignment across three waters reforms, Resource Management Act (RMA) reforms and future of local government impact on our ability to plan for the future. This includes the future viability and role of local government, particularly for smaller councils.
- m) Entity makeup:** The impact on the reforms and the economies of scale if some Councils do not join the reform programme need to be clarified. Further transparency regarding the entity alternatives considered in this process need to be included in the public consultation process. These alternatives include options to fund the 3 waters in other ways.
- n) Economic regulator:** More clarity is needed on the role of the economic regulator and how it will operate.
- o) The following changes** to the Government's proposal/process are also recommended.
  - i. Inclusion of an ombudsman process to investigate and resolve disputes.
  - ii. Confirm and obtain Council agreement on the principles and Council role in preparing the transition objectives, policies and processes.
  - iii. Confirm the principle that any shortfall or equity that arises during the transition is recognised and compensated.
  - iv. Provide for a Wairarapa representative in the Governance structure.
  - v. Develop a process 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 Conclusion

- 9.1 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.
- 9.2 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.
- 9.3 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.

## **10 Decision making compliance statements**

### **Significance**

The future of water services delivery is a significant issue. This report however does not commit 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 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 no 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.

### **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**

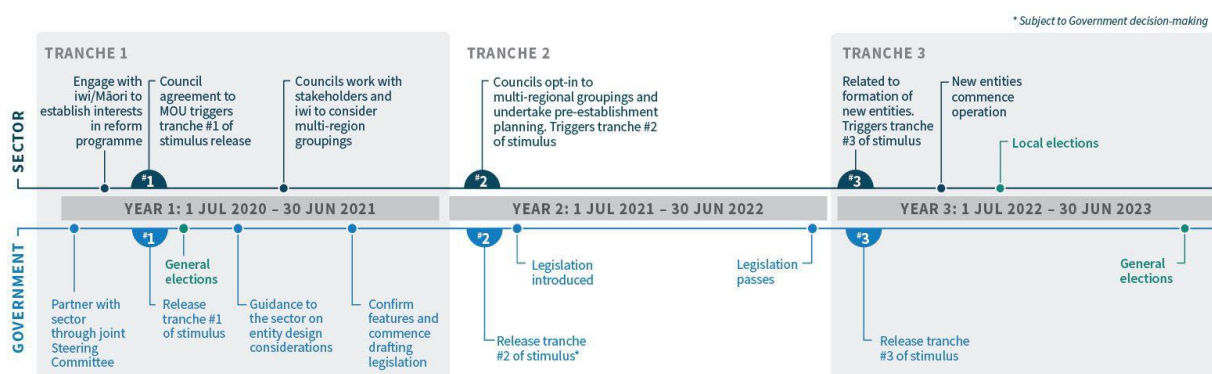
Council is not required to consult at this time as outlined in section 8 of this report. Further advice regarding any future consultation requirements will be provided after September 2021.

## 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 (RRFI) 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.

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 online<sup>11</sup> 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.

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<sup>11</sup> [www.taumataarowai.govt.nz/for-water-suppliers/](http://www.taumataarowai.govt.nz/for-water-suppliers/)

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).

## 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)

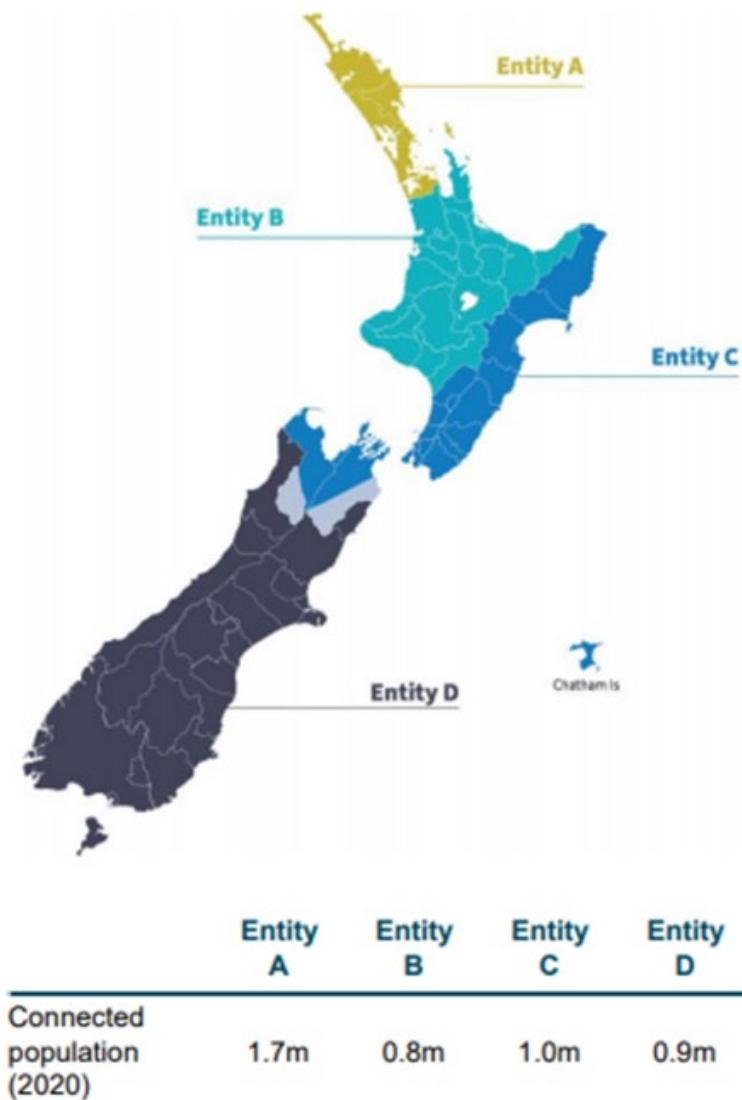
Local authorities as suppliers of water services	General obligations of local authorities
<ul style="list-style-type: none"> <li>• Duty to provide safe drinking water and meet drinking water standards, and clear obligations to act when water is not safe or fails to meet standards</li> <li>• Key provisions include:               <ul style="list-style-type: none"> <li>○ Suppliers need to register with Taumata Arowai</li> <li>○ Local authority suppliers will need a drinking water safety plan and a source water risk management plan</li> <li>○ Water suppliers must give effect to Te Mana o te Wai</li> </ul> </li> <li>• Taumata Arowai will have significant compliance and enforcement powers, including powers to direct suppliers and enter into enforceable undertakings with suppliers</li> <li>• Officers, employees and agents of suppliers will have a duty to exercise professional due diligence</li> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• 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"> <li>○ Requirements to work with suppliers and consumers to identify solutions</li> <li>○ Intervention responsibilities if a supplier is unable to meet standards, including potentially taking over management and operations of private or community supplies</li> </ul> </li> <li>• In rural communities, this could represent a significant risk (contingent liability) for local authorities</li> <li>• Local authorities will be required to make assessments of drinking water, wastewater and sanitary services to ensure communities have access to safe drinking water</li> <li>• 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)</li> </ul>

## 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

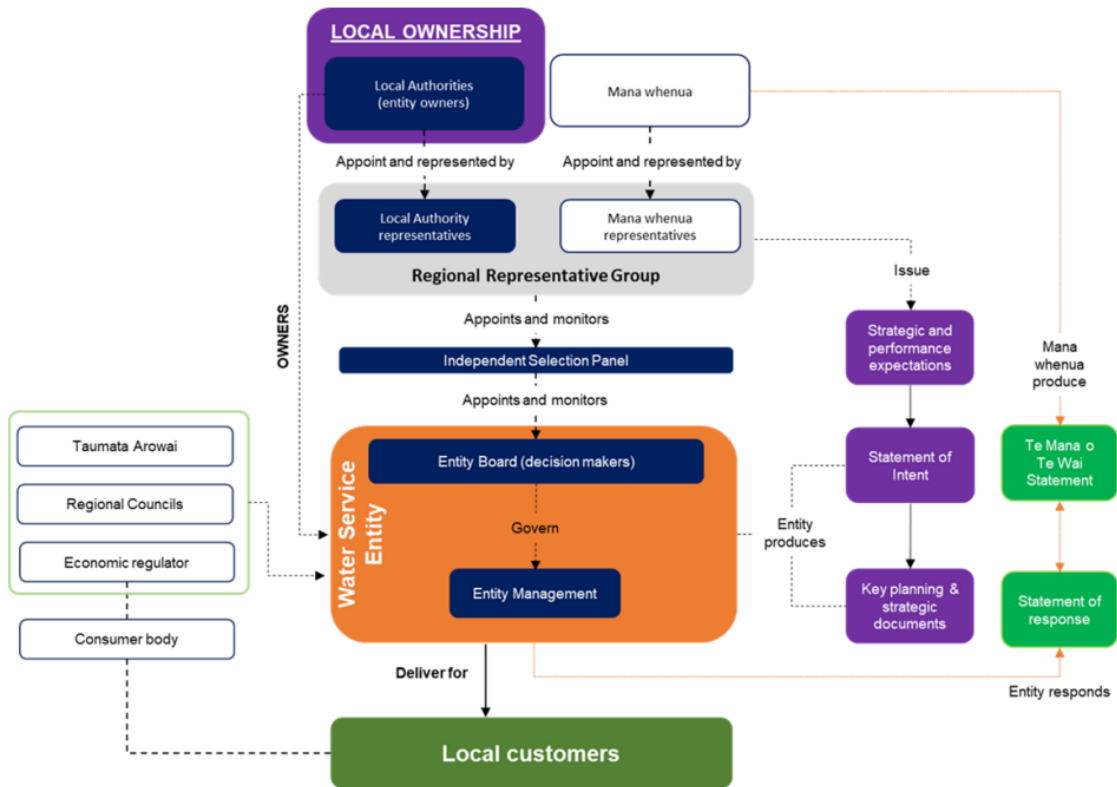
- b. evidence of poor health and environmental outcomes, including expired resource consents for wastewater treatment plants (and the need for 110 of these plants to go through the resource consenting process in the next 10 years)
- c. stormwater overflows and other challenges
- d. climate change
- e. 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:





## Water services entity structure



## Attachment 3 – DIA two-page summary

### 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.

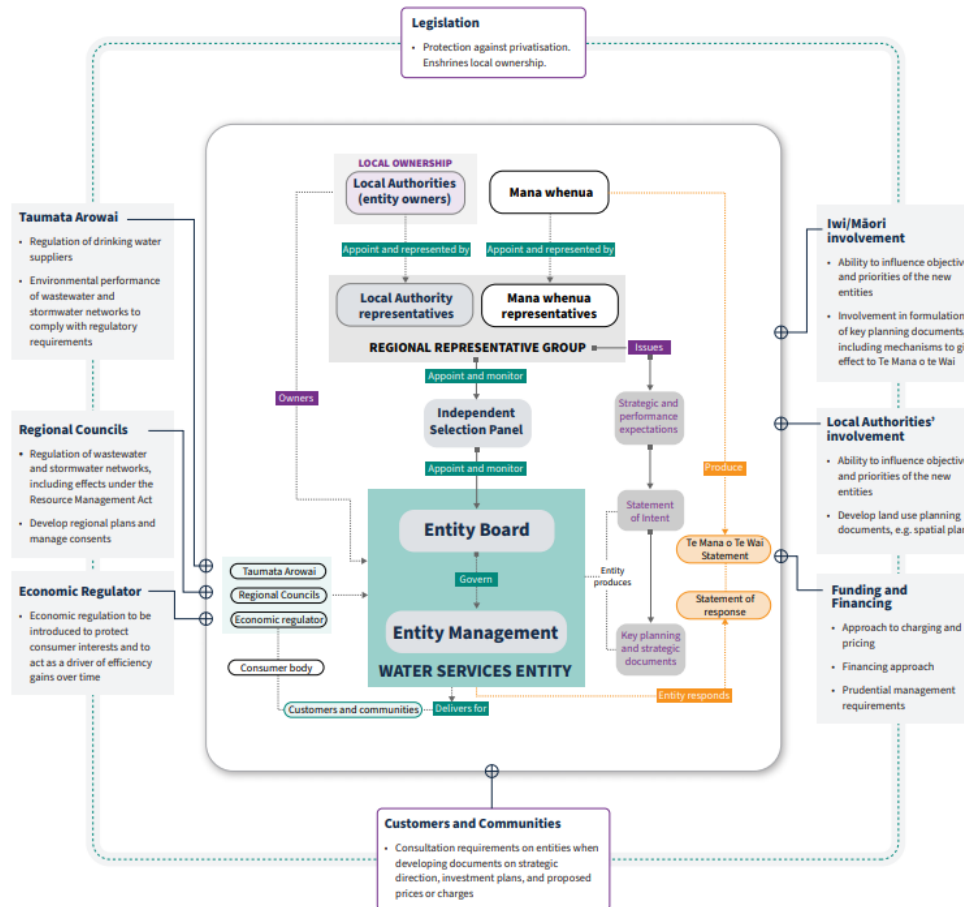
Government also wants to ensure it delivers on Treaty-related obligations, including by improving outcomes for iwi/Māori in relation to three waters service delivery.

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

### DIAGRAM 2

JUNE 2021

#### 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/takiwā.
- 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 takiwā.

##### 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:

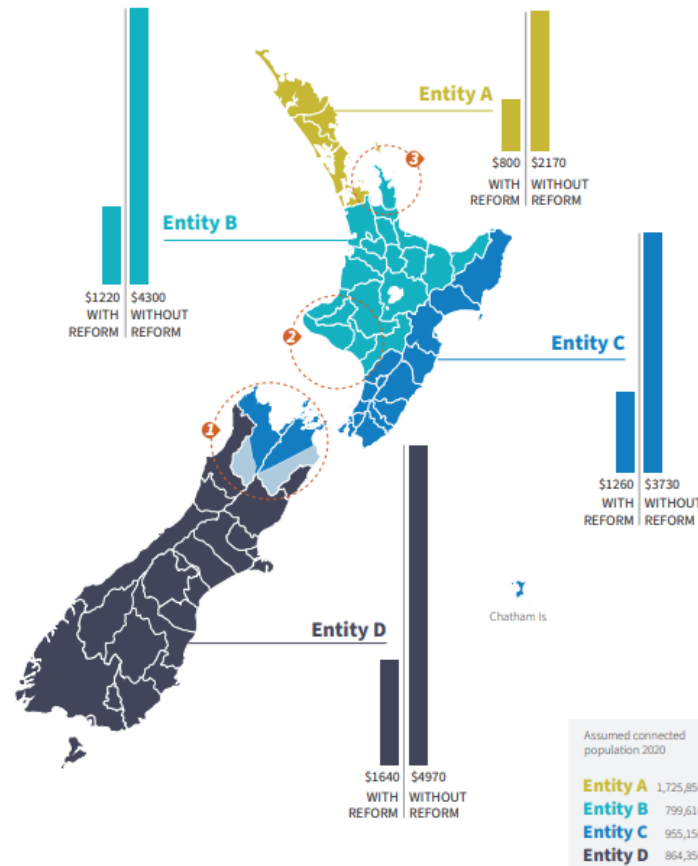
- provide for future population growth
- replace and refurbish existing infrastructure
- upgrade three waters assets to meet drinking water and environmental standards

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 analysis by the Water Industry Commission for Scotland.

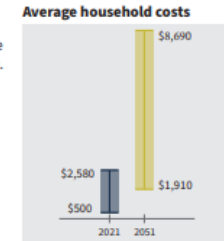
A weighted average figure is presented for household bill estimates without reform, to account for the wide variance between council pricing policies. This weighted average figure reflects the proportion of the connected population that resides in each council area relative to neighbouring councils within 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.



Source: Water Industry Commission for Scotland Analysis 2021

##### 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	▲	<b>0.3% to 0.5%</b>
Present value increase in GDP	▲	<b>\$14b to 23b</b>
Average increase in FTEs	▲	<b>5,850 to 9,260</b>
Increase in average wages	▲	<b>0.2% to 0.3%</b>
Present value increase in taxes	▲	<b>\$4b to \$6b</b>

Source: Deloitte Three Waters Reform Economic Impact Assessment 2021



## 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](#)<sup>12</sup>, 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)<sup>13</sup> 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.<sup>14</sup> This funding is not available until July 2024 and is funded by the Water Services Entities.
4. Council's funding allocation is \$15,528,465.

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<sup>12</sup> [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)

<sup>13</sup> 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.

<sup>14</sup> 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.”<sup>15</sup>
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:

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<sup>15</sup> 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
<b>Total</b>	<b>\$ 2,000,000,000</b>



## Attachment 5 - 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