



13 June 2024

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Submission on behalf of the collective councils of the Wairarapa region to the Finance and Expenditure Select Committee regarding the Local Government (Water Services Preliminary Arrangements) Bill

We thank the Finance and Expenditure Select Committee ('the Committee') for the opportunity to submit to its consideration of the Local Government (Water Services Preliminary Arrangements) Bill ('the Bill'). We would appreciate the opportunity to appear at a hearing should there be the opportunity to do so.

A Wairarapa provincial approach to water service delivery planning

The ten councils comprising the Wellington regional area and Horowhenua District formally signed a Memorandum of Understanding to work together on a joint water services delivery plan on 10 May 2024.

A feasible option to also be investigated for consultation, is for the Wairarapa and potentially neighbouring provincial councils such as Tararua, to work together on a joint water services delivery plan, that as a minimum, will provide a credible alternative option to be compared against the Wellington regional approach.

The Wairarapa councils have formed a project team and committed considerable resources to work together to develop what we are calling a provincial approach. This distinction from the Wellington regional approach is important because our Wairarapa councils will have a different view on what better outcomes through water services reform will look like and what this will mean to our communities.

To make the very best decisions for our communities we will be weighing up the challenges and the preferred delivery models of each approach before we commit to consultation, because what we will be looking for is greater certainty for our councils, our communities, and our iwi, and this will take time and resourcing to achieve.

The Need for Clarity Before Decision Making and Consultation

One of the significant unknown details that will impact on council's ability to complete a Water Services Delivery Plan (WSDP) is that it remains unclear how the Government intends to give effect to its commitments to establish a separate class of financially separate, yet council owned Council

Controlled Organisation ('CCO') and whether there are any differences in the powers and accountabilities of these.

Local authorities also know very little about the financial sustainability rules that are referred to in the legislation, and the detail of the regimes for economic regulation. The former especially is critical to the analysis of different service delivery options.

The Department has committed to producing guidance – but at this point we have not seen any timetable to produce this guidance.

It is critical that the relevant policy settings for Water CCOs are publicly available in time to inform the councils' decision whether to propose a Water CCO versus the status quo, and to consult on that proposal. The Select Committee should clarify the likely timing of consultation to establish a Water CCO, relative to the introduction of the Third Bill.

Even with the clarity requested, considering the complexity of the project for smaller councils already burdened by unprecedented workloads and pressures, it is our view that a more prudent starting date for a WSDP would be 1 July 2026 to enable us the time to avoid applying for an extension tying up valuable resources when we could have made provision for foreseen complexities such as a push for amalgamation upfront.

Recommendation:

- That the relevant policy settings for Water CCOs are publicly available in time to inform the councils' decision whether to propose a Water CCO, and to consult on that proposal.
- That the Select Committee should clarify the likely timing of consultation to establish a Water CCO, relative to the introduction of the Third Bill
- We ask that the Committee considers the impacts of these outstanding details in relation to the timeline for councils to submit a WSDP and what guidance is developed to support councils in this process.
- We ask for clarification on the status quo option. Can councils continue to deliver water services out of council operations if they choose and can deliver an acceptable WSDP.
- Given the burden of preparing a WSDP, it is recommended that the starting date for WSDPs in clause 13 should be pushed back from 1 July 2025 to 1 July 2026.

The Impact on the Ratepayer / Consumer

The Bill forms only a small part of more significant legislative change, with further detail held over for Bill 3 later in the year. Breaking the reform up into separate bills, while understandable, limits the ability of councils to provide useful feedback or understand the implications of decisions required, whilst simultaneously maintaining a hard deadline of twelve months after enacting the Water Services Preliminary Arrangements Bill to prepare a WSDP.

This further third Bill in late 2024 will deal with many of the more challenging aspects of water reform and until this is clear, there will be several risks and complexities for councils that will directly impact on our ability to confidently develop a WSDP including consideration of options for joint delivery arrangements and a commitment to a new Water CCO.

To bring the risks and complexities down to the Wairarapa level, it is feasible that the decision we make on joint arrangements may lead to a further set of questions about amalgamation of our authorities. What will be critical for us is clarity around the impacts on our ratepayers of splitting off our water assets and whether this will lead to stranded overheads that coupled with greater expectations around compliance and quality in the delivery of water services, results in an unacceptable cost impost on our communities.

We are motivated to have simple, clear, and manageable institutional arrangements, accountabilities, regulation, and transitional arrangements. This will enable councils to manage the post-reform environment to maximum effect to enable our communities to thrive.

Recommendations:

- We ask that the Committee gives due consideration to challenges and complexities facing local government, including how more direct support and advice can be given to help navigate through the processes required by the Bill.
- We ask that the Committee gives due consideration of the interrelationship of water reforms with other Government policy and legislation change.
- We ask that the Committee consider the support that will be required to ensure that councils are able to work towards a financially sustainable water network.
- We ask that the Committee consider what support will be given to councils to ensure that any costs because of the transition to and implementation of new arrangements will not exacerbate the cost impacts on ratepayers who will already be bearing the cost of establishing these new entities and delivering better levels of compliance.

Conclusion

The Wairarapa Councils are committed to a sustainable financial model for water services that can deliver on network resilience, enabling growth, improved harbour and catchment health, and excellent, affordable services to our community in a provincial context.

We want to work with Government to ensure that the new water services regime provides the right mechanisms for success. For these outcomes to be achieved, further consideration of the Bill as drafted is required, supported by a commitment to work with local government through the implementation process. This needs to recognise the significant cost and resource implications for councils, including post-reform.

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

Ngā mihi



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