



# Entity B

## Survey Results Report

September 2021



#### Document status

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## Executive Summary

The Top 5 Key issues for councils are:

- Accountability to Community
- Integration of spatial planning
- Growth and development
- Prioritisation of investment
- Impact on LTP priorities

The questions where councils are “Supportive” and “aligned” are:

- The status quo for three waters service delivery is not a viable option for the future
- The case for change is proven at a National or Entity level
- Creation of Taumata Arowai as a national regulator is prudent
- Do you understand what is meant by stormwater in the context of the reform?
- Council will remain financially viable if the proposed reform is implemented

The questions where councils are “Challenged” and “aligned” are:

- Government’s proposed timeline for the transition is achievable and fit for purpose
- The role of an economic regulator is sufficiently well understood
- Proposed governance arrangements will properly represent councils' interests as owners
- Proposed governance arrangements will properly represent the shared interests of councils and mana whenua
- “No worse off” arrangements are fit for purpose
- “Better off” arrangements are fit for purpose
- The proposal will support councils in delivering on growth needs and aspirations
- Engagement with mana whenua has been fit for purpose
- The community understand the proposed three waters reform

The questions on which councils are “Supportive” but “less aligned” are:

- The case for change is proven at a Council level
- Entity B boundaries are fit for purpose
- Transfer of responsibility for stormwater to the Entity is appropriate
- The introduction of a Water Ombudsman would improve the model

The questions on which councils are “Challenged” but “less aligned” are:

- Do you understand the impact of this on your organisation (stormwater)?
- Proposed governance arrangements are appropriate for an entity of this size and scale
- Proposed governance arrangements will allow the entity to effectively deliver its objectives
- WICS analysis is fit for purpose

# 1 Background to Survey

## 1.1 Commissioning and Scope

Morrison Low has been engaged through the Local Government New Zealand (LGNZ) fund provided by DIA to provide support and advice on the proposed three waters reform to councils. Under this commission, the working group representing the proposed Entity B group, requested Morrison Low support the design and response analysis of an all-member survey to inform the constructive cooperation of Entity B councils as well as the subsequent engagement with Central Government.

The main tasks were:

1. Support Entity B Chief Executives to craft an unbiased set of key questions to be sent to all 22 member Councils via an online survey platform (Survey Monkey was used). These questions are likely to scope the following issues (to be confirmed):
  - a. What are the top five key issues that need to be resolved or remain outstanding for councils?
  - b. What are the top five opportunities that reform presents?
  - c. What are the top five baseline must haves/bottom lines each council wishes to see in any future reform?
  - d. What are the top five ideas to bring exceptional and enduring?
    - i. Governance; and then
    - ii. Co-design and co-governance
2. Analysis of feedback and provision of summary report outlining commonalities as well as divergence of results with key barriers / areas of concern identified.
3. Presentation of data and methodology to full Entity B Hui (22<sup>nd</sup> September 2021).
4. Support steering group in preparation of results and associated report for the Minister / DIA.

## 1.2 Background

The proposed Entity B comprises the following Councils:

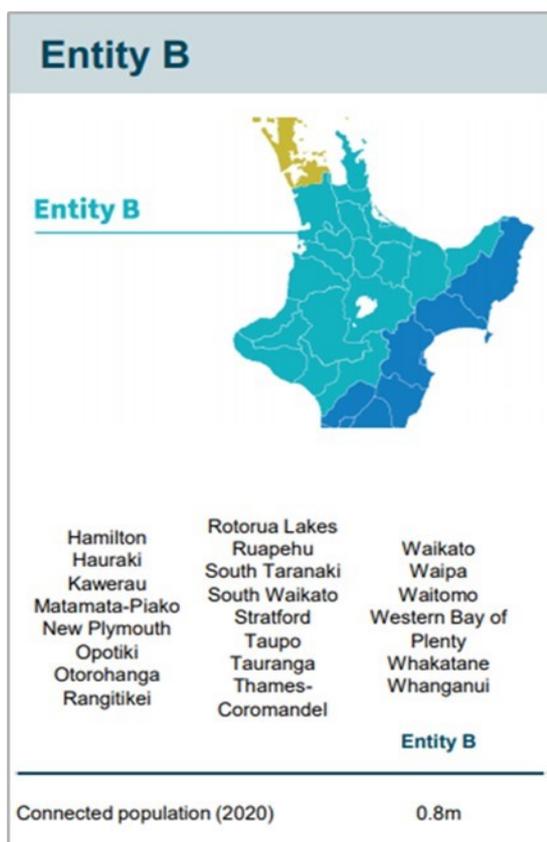
- Rangitīkei District Council
- Matamata-Piako District Council
- Hamilton City Council
- Hauraki District Council
- Kawerau District Council
- New Plymouth District Council
- Ōpōtiki District Council

- Ōtorohanga District Council
- Rotorua Lakes Council
- Ruapehu District Council
- South Taranaki District Council
- South Waikato District Council
- Stratford District Council
- Taupō District Council
- Tauranga City Council
- Thames-Coromandel District Council
- Whanganui District Council
- Waikato District Council
- Waipa District Council
- Waitomo District Council
- Western Bay of Plenty District Council
- Whakatāne District Council

The working group representing Entity B comprises six Mayors and six Chief Executive Officers.

Although not being asset owners in the same way as City and District Councils, the following Regional Councils were also invited to provide views through the survey as the proposed Entity B area sits across their regions:

- Waikato Regional Council
- Bay of Plenty Regional Council
- Taranaki Regional Council
- Horizons Regional Council



### 1.3 Methodology

A meeting was held on 3<sup>rd</sup> September to commence the survey design process. The questions were refined through feedback with the working group and issued to all proposed Entity B Mayors and Chief Executives on 6<sup>th</sup> September along with an explanatory email and a request to complete the surveys by 5pm, 13<sup>th</sup> September 2021.

It was left to each council to determine how to agree and enter the survey responses, as such they should not be considered official council position. This report does not replace any individual submissions from individual councils.

Survey responses were received from 21 of the 22 councils (with the twenty-second providing a copy of their separate letter response) and one of the four regional councils.

The survey had quantitative and qualitative questions. The quantitative responses were provided in a five-level range from “Strongly Agree” to “Strongly Disagree”. These responses have been graphed in the report. Each quantitative question was paired with a free text, qualitative response. A representative selection of those has been included with the graphs to illustrate the reasoning behind the response. This selection is also intended to make sure as far as possible that a full range of views are included, in order that opinions and perspectives that may be outliers or in the minority are not excluded.

Morrison Low has then reviewed all the qualitative responses and developed themes for each question. This was done as common themes may not be reflected in the example statements – and therefore the combination of the two is intended to show the range and depth of issues raised.

Each question also has a simple alignment matrix. The purpose of this is to readily show areas where councils are supportive and aligned or aligned that an aspect of the reform is an issue or not well-aligned. The degree of alignment is taken from the weight of the responses towards each end of the quantitative scoring system.

Only the qualitative regional council responses were included (i.e. the quantitative scoring is only based on the 21 district or city council responses).

Key risks and opportunities for each council were obtained through the survey and these have been ranked in the report. To check for consistency, the ranking was done using two simple but separate scoring systems – both gave identical rankings.

The survey included a number of questions around the transition. The responses have not been included in this version of the report as the intent is to focus on alignment and issues prior to the hui. It is envisaged that the report will be updated to include this work also.

## 1.4 Report Structure and Approach

Section 2 provides the list of key issues for councils in ranked order (highest to lowest importance).

The report has grouped the quantitative responses under four headings (Sections 3 to 6):

- Model and Regulation
- Governance
- Finance and Growth
- Engagement and Community

Each of the above sections contains graphs of the quantitative responses along with selected, representative statements and a summary of the common themes from the qualitative responses.

Section 7 provides a selection of suggested enhancements to the model. Note that this has not been themed at present as it is considered that this needs working through to obtain consensus.

Section 8 provides the “No Regrets” suggestions of work that could be undertaken between now and any transition. This has been sorted in alignment with the themes that came through in the responses.

Section 9 includes the extra thoughts provided by councils.

## 2 Key Risks and Issues for councils

18 potential risks and issues were identified and they were all scored on a quantitative basis. The intention was to understand the important themes in order to provide direction for the group should further planning be agreed. Each question has been scored on attribute (“Strongly Agree” scores the highest) and the list has been ranked in order of the scoring. The graphs below are provided in ranked order, that is the issues and risks that were identified most strongly by the largest number of councils ranked highest.

The top five issues are:

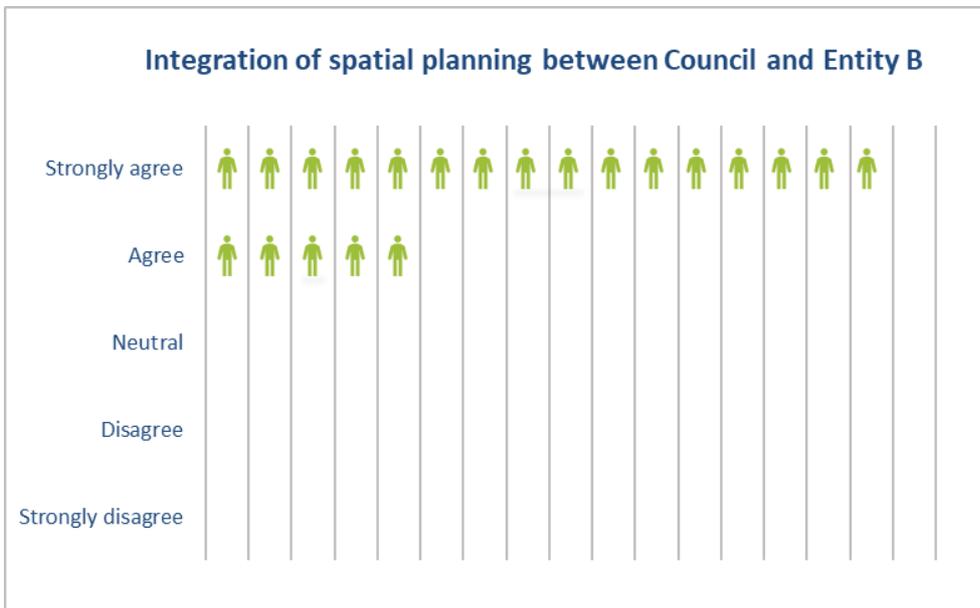
- Accountability to community
- Integration of spatial planning
- Growth and development
- Prioritisation of investment
- Impact on LTP priorities

This indicates that the greatest concerns are around accountability to communities and alignment of planning, investment and growth between councils and the proposed Entity.

### 2.1 Accountability to community



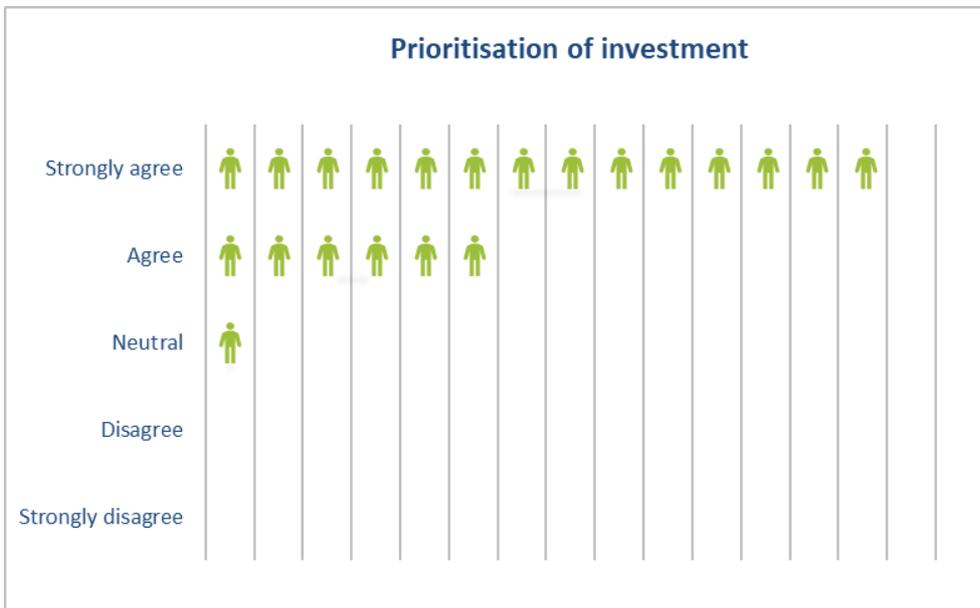
## 2.2 Integration of spatial planning between Council and Entity B



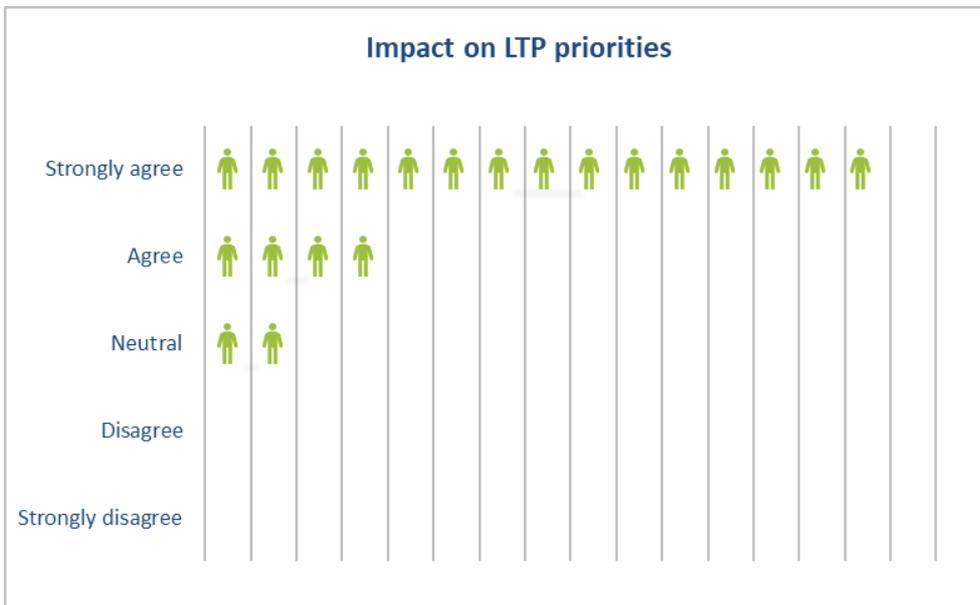
## 2.3 Growth / development



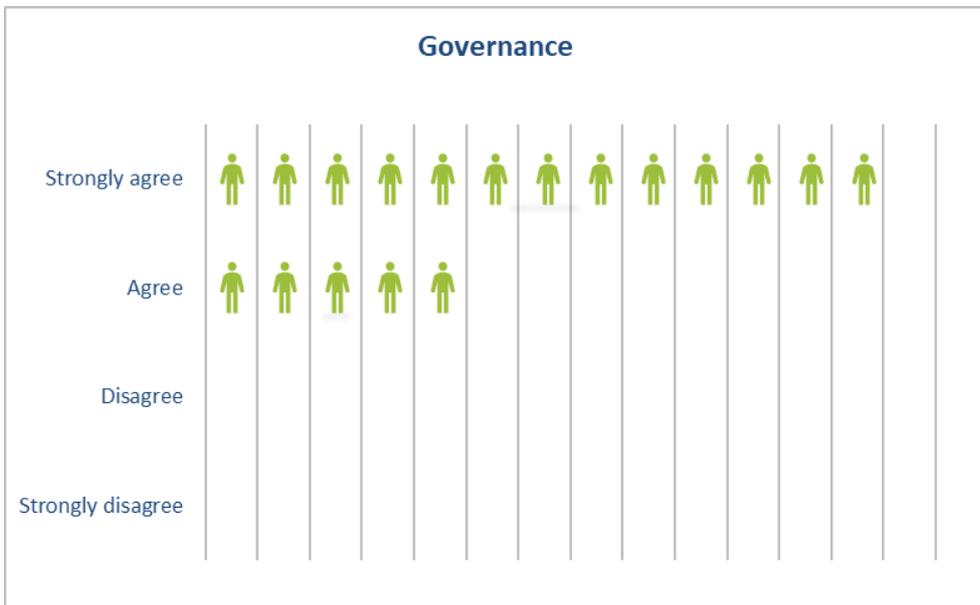
## 2.4 Prioritisation of investment



## 2.5 Impact on LTP priorities



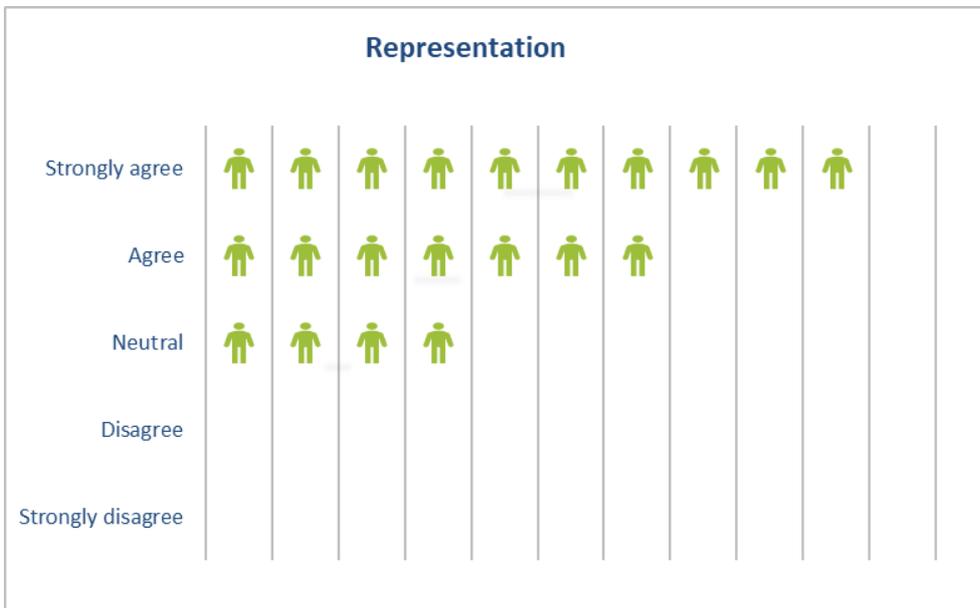
## 2.6 Governance



## 2.7 Impact on staff



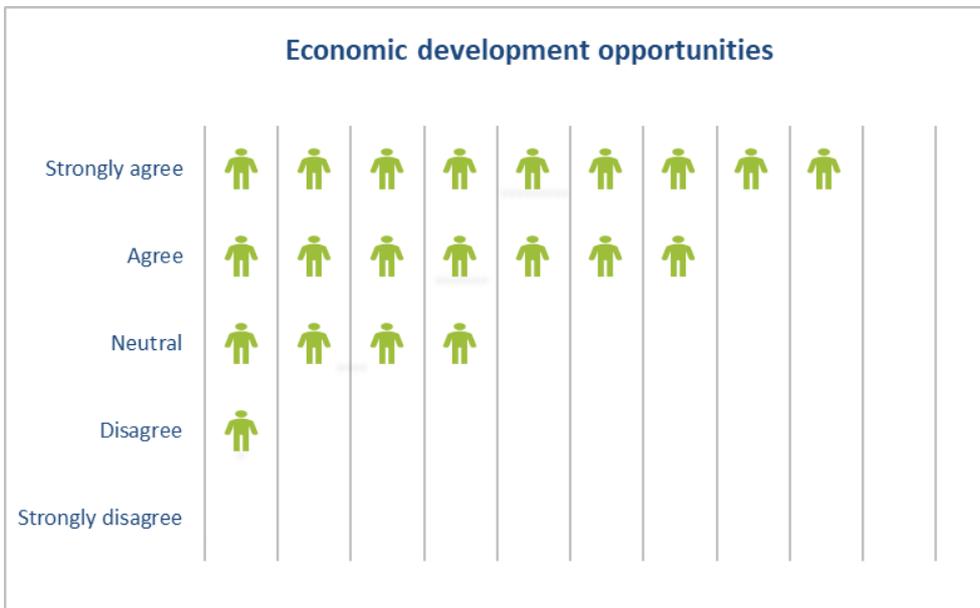
## 2.8 Representation



## 2.9 Service levels



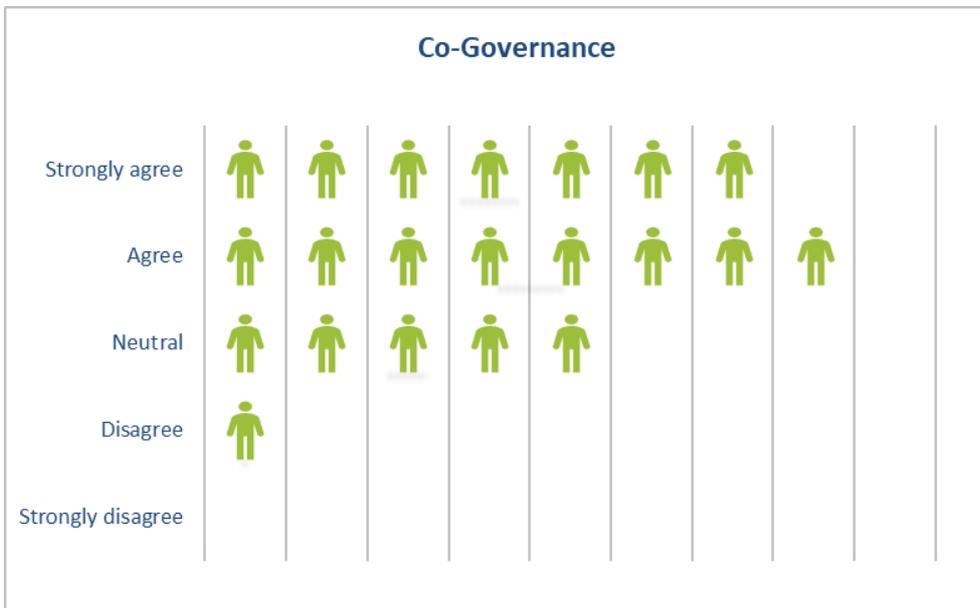
## 2.10 Economic development opportunities



## 2.11 Impact on Council



## 2.12 Co-Governance



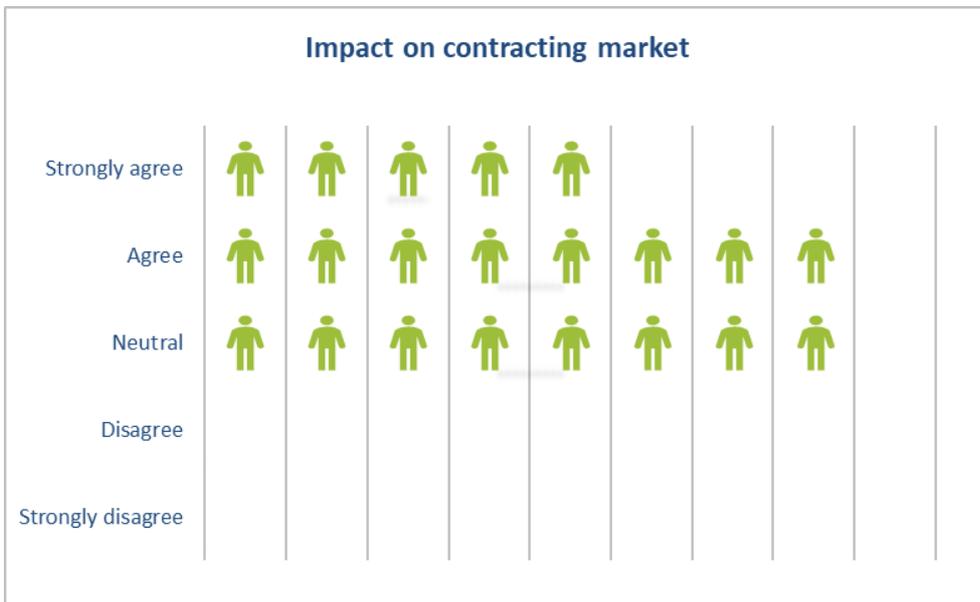
## 2.13 Cross-subsidisation



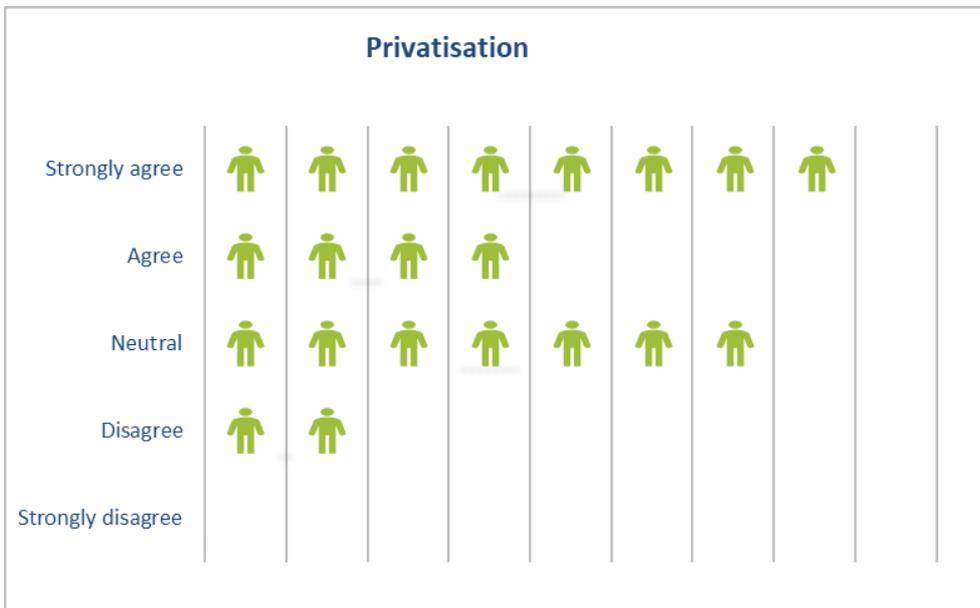
## 2.14 Impact on communities



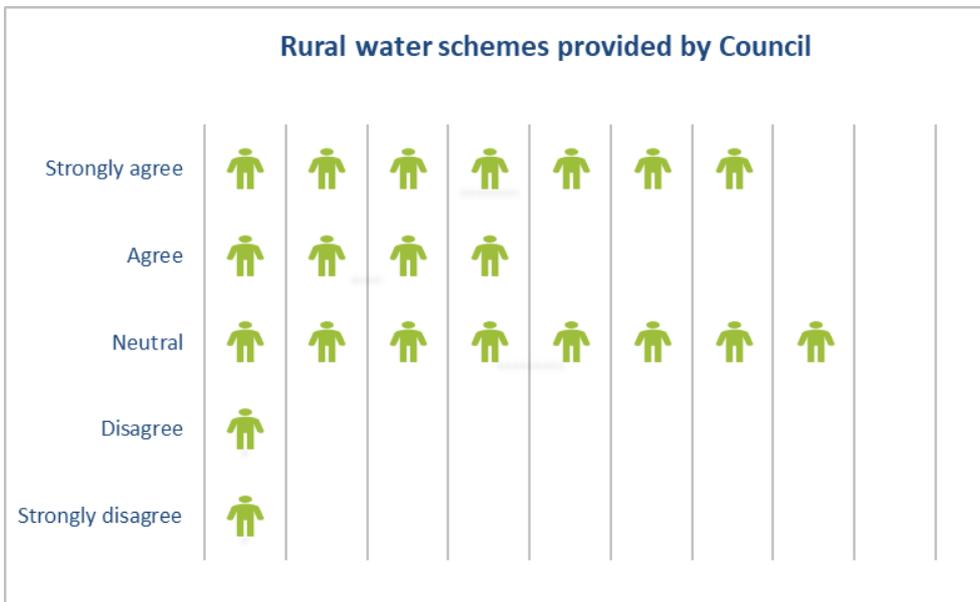
## 2.15 Impact on contracting market



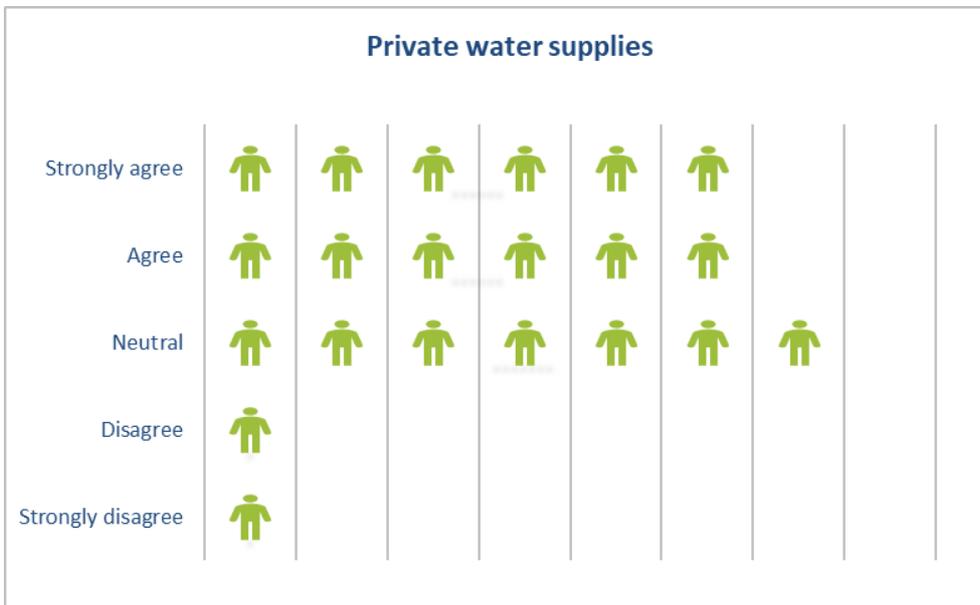
## 2.16 Privatisation



## 2.17 Rural water schemes provided by Council



## 2.18 Private water supplies

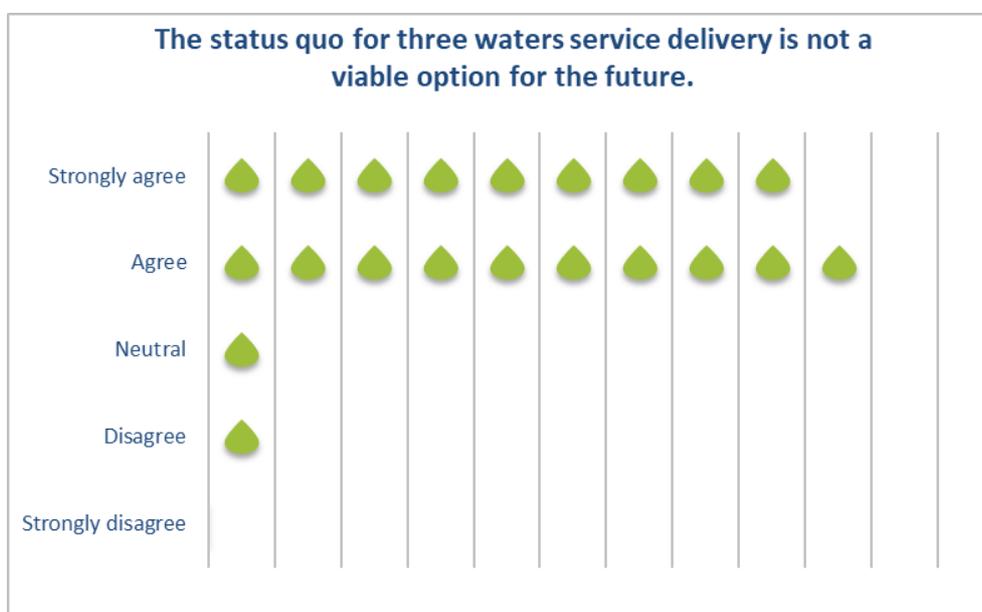


### 3 Model and Regulation

#### 3.1 The status quo for three waters service delivery is not a viable option for the future

It was generally agreed that a much greater degree of investment will be required, which makes the current model unsustainable.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



##### 3.1.1 Common Themes

- *LTP level of investment unlikely to be enough to meet new regulations and demands on ratepayers*
- *Climate change will raise investment needs even higher*
- *Expiration of consents with unknown consequent investment needs*
- *Aging infrastructure leading to significant future costs and demands on ratepayers*

### 3.1.2 Representative Feedback

#### Strongly agree:

- Changes to legislative and compliance requirements and increasing demands on ratepayers means the status quo is unsustainable across the three waters sector.

#### Agree:

- Our concern is that the riskiest drinking water supplies are the last to be addressed in the proposed reform, yet that was a strong part of the case for change.
- It should be noted we do need to ensure the current features (that work well) are retained, leveraging local decision making and knowledge, established relationships, quick response times for repair and maintenance particularly in a large geographic area, and experienced staff.

#### Disagree:

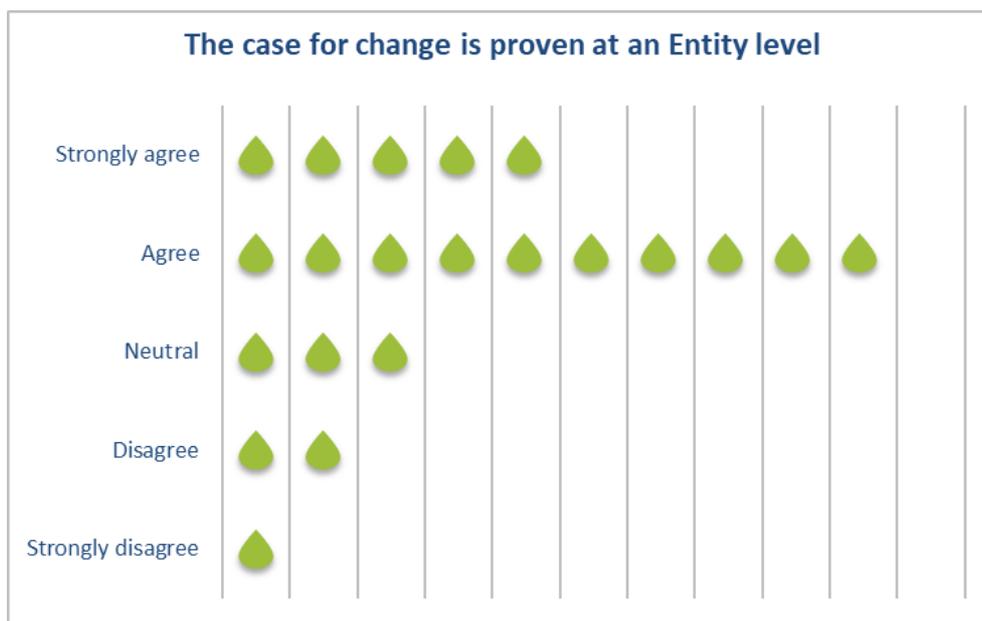
- We believe that the status quo is an option for the future as we believe that the public will not tolerate the cost increases driven through a regulatory framework that is not well balanced between economic, social and environmental outcomes.

### 3.2 The Case for Change is sufficiently proven that change can be considered to be definitely required

It is interesting that the level of agreement that the case for change is proven shifts as you move from National to Entity to Council. This illustrates that there is a range of different challenge to the proposed change experienced by the council group in Entity B.

#### a. At a National or Entity level

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.2.1 Common Themes

- 
- *Top-down model needs to be tested against bottom up*
  - *Cost efficiencies are likely due to benefits of scale*
  - *Borrowing capacity at this scale for level of future investment is likely to be necessary*
- 

### 3.2.2 Representative Feedback

- Before Government settles on a particular approach, we would ask that local government be given a substantive role in designing, as opposed to commenting on things that appear to be already settled.

#### Strongly agree:

- Response is referenced at a national level – the case has been proven many times regarding affordability for some communities. Local Government doesn't currently have access to the funding required to undertake the necessary investment into three waters.

#### Agree:

- Council believes the fundamental issues for the future relate to financial resourcing to achieve improved compliance and environmental outcomes.
- The proposed reforms seek to achieve scale advantage by absorbing costs over a larger population base, rationalising and harmonising network plans and standards, pulling together a critical mass to attract, retain and develop competent staff and a more dedicated focus on managing risk. Together, these benefits of scale should logically lead to improved three waters services in the long term.
- Still need clarification on harmonization and local voice.

**Neutral:**

- Significant information gaps remain regarding asset management (e.g. insurance, regulatory RMA liability).

**Disagree:**

- However our concern is that this was a top down - scaled model of assessment rather than a bottom up real understanding at a subregional or local level.

**Strongly disagree:**

- We also consider other uncertainties with the proposed entity model, such as the governance structure, and the ability to have a voice, major issues which will not be in the best interest of the (our) community.

**b. At a Council level**

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.2.3 Common Themes

- 
- *Reallocation of risk away from council (but is this not necessarily away from the community – they will still pay for it)*
  - *Meeting levels of service may become unaffordable*
  - *Could address issues at a council level with government support, instead of the government support being used to create the entities*
- 

### 3.2.4 Representative Feedback

#### Strongly agree:

- The costs to meet the environmental outcomes required by the NPS on freshwater are unaffordable for our community as detailed in our LTP.

#### Agree:

- We have a duty of care to consider all options on the table for what is our most major expenditure.

#### Neutral:

- It is also worth noting that while the risks might be moved from Council as an organisation, they remain for the community who will still need to fund the mitigation of those risks through the new water entity.
- A case could be made for significant savings in costs based on efficiencies of scale, but given the assumptions in the WICS capital expenditure, it is not sufficiently proven.

#### Disagree:

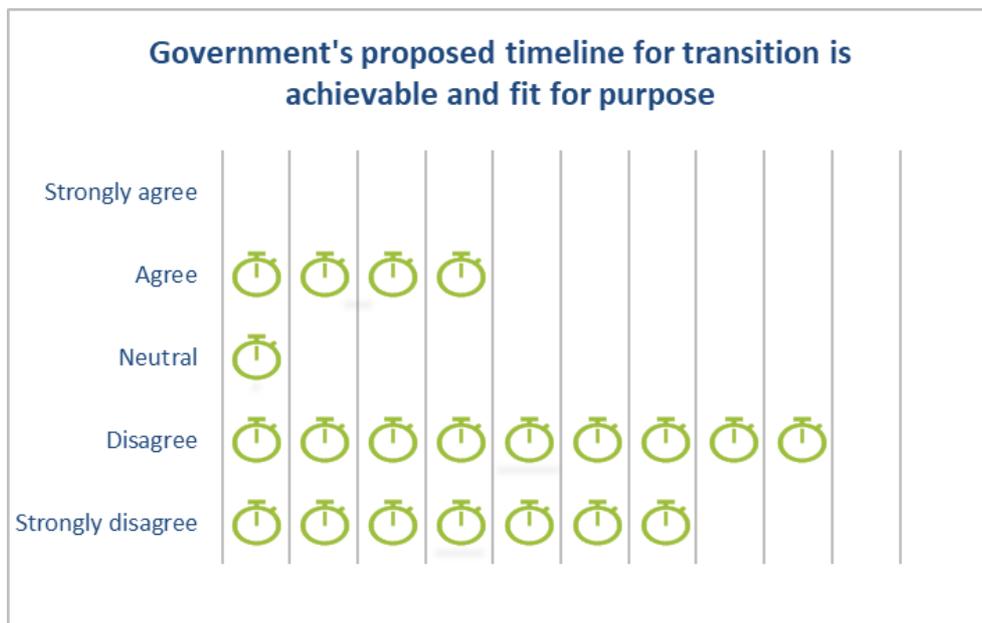
- It appears to be driven by the lowest common denominator.
- Equally the evidence of public health risks in our area from a fully chlorinated public supply are very, very low.

## 3.3 Government’s proposed timeline for the transition is achievable and fit for purpose

[in this context fit for purpose means "resourced appropriately and can be met without introducing undue risk and compromising your duties as a council"]

There was general agreement that the level of uncertainty and change means that the timeline would be very difficult to achieve.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.3.1 Common Themes

- 
- *Little or no opportunity for public consultation or education*
  - *Process is low on detail with too much uncertainty and too many knowledge gaps at present*
  - *Phasing could be an option*
  - *Interdependence with RMA and Future for Local Government timelines introduces risk and uncertainty*
  - *If the key issues / uncertainty can be resolved early, timeline could be achievable*
- 

### 3.3.2 Representative Feedback

- The change process will consume resource, time and funds. In our opinion given the magnitude of the change it will inevitably take longer (and arguably it should be planned to take longer) for transition.

#### Agree:

- The timeframes are achievable, provided that key issues are resolved early on (particularly the governance arrangements).
- The longer it takes, the more uncertainty for staff and for the community.
- Require two years lead in.

#### Disagree:

- The timeline is very inappropriate for the scale of change, and out of sequence with other reforms.

The review of Local Government and the RMA reforms should have been undertaken prior to this wholesale change to Water Service Delivery.

- The transition programme is not well documented and has significant gaps re policy.

**Strongly disagree:**

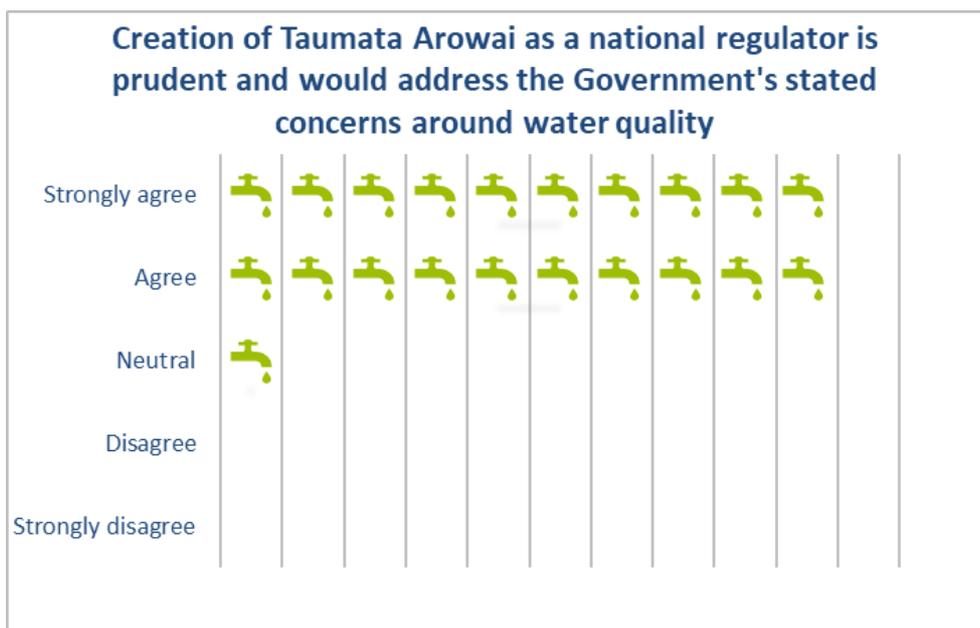
- We know that there will be myriad issues associated with the transition that have yet to be scoped let alone resolved. As an example, many water assets sit on land that is not owned by Council or protected by easements.
- There is insufficient time allowed for Council to review and understand the impact of the proposals and to properly consult with its communities as required under current policy and legislation. Council is unable to determine detailed levels of resourcing required for transition within the decision timeline of the end of 2021.
- The indicative timeline is challenging when considered alongside changes to the RMA and the Future for Local Government. The inter-relationship of the three proposed reforms has the ability to increase substantially the risk of delivering any proposed change effectively at the same time as delivering business as usual service delivery.

**3.4 Creation of Taumata Arowai as a national regulator is prudent and would address the Government’s stated concerns around water quality**

[in this context prudent will improve the safety of drinking water and environmental outcomes relating to wastewater and stormwater]

There is almost unanimous support for the creation of Taumata Arowai and its place in the reforms.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.4.1 Common Themes

- 
- *Establishment of the independent regulator is welcomed but there are concerns it does not have enforcement ability or strong enough standards*
  - *Its application to private water schemes is uncertain*
  - *Stormwater and wastewater regulation is also needed, noting this is highly complex nationally*
  - *Uncertain how it will be funded*
- 

### 3.4.2 Representative Feedback

- The actual creation of a regulator will further incentivise this commitment and this is provided for in our forward funded works programs.

#### Strongly agree:

- We support a regulator to provide clear standards and enforcement of those standards however we don't understand how that will be funded and who will be paying, i.e. it hasn't been clearly demonstrated if a Crown entity would receive its own central government funding.
- A national regulator needs to hold providers of drinking water accountable.

#### Agree:

- Currently the regulators are not enforcing standards properly. It is hard to know how this will improve water quality as standards have not been set.

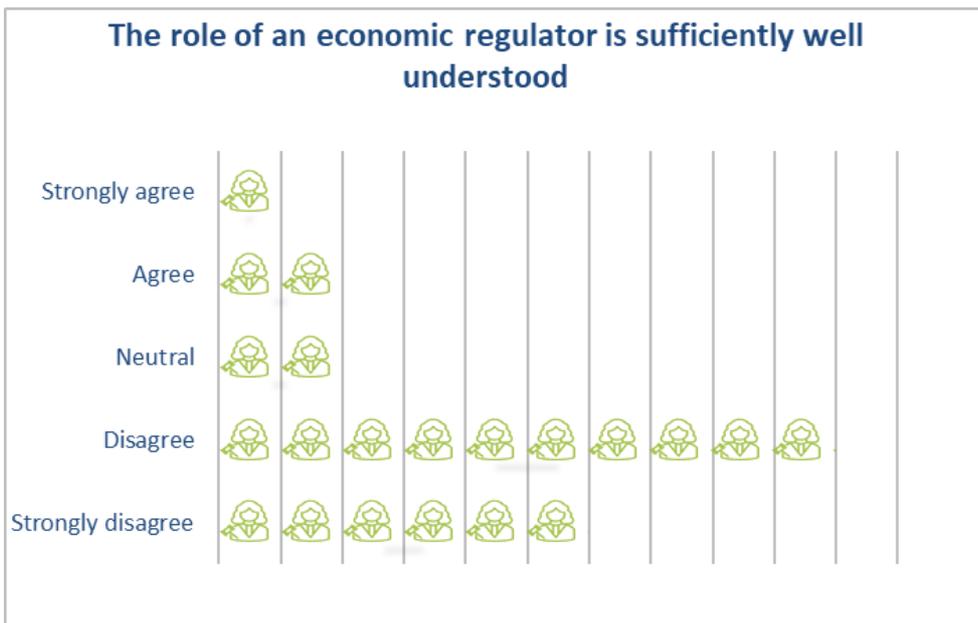
- It is understood that stormwater and wastewater regulation will happen at a later date. This is a concern due to the increasing high rainfall events, the impacts of climate change, and the current state of some of our wastewater assets in (our) district. Taumata Arowai needs to ensure this is at arm’s length from government.
- There is no argument that more regulation is needed but perhaps enforcement of current standards is more important.

### 3.5 The role of an economic regulation is sufficiently well understood

[in this context “sufficiently well understood” means that respondents are aware of what the regulator will be responsible for and what they will do]

In the context of the proposed reforms, the lack of understanding of this role is a gap that requires resolving.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 3.5.1 Common Themes

- *There is very little understanding how an economic regulator would work in the context of the proposed water reform – almost a universal theme.*

### 3.5.2 Representative Feedback

#### Agree:

- But there are gaps in definition - i.e. what is policy on cross subsidisation between consumers within Entities.

#### Disagree:

- Broadly Council understands the role of an economic regulator to provide a legislative framework for value for the consumer. The detail of the role in terms of water reform and the scope of the regulator in comparison to overseas models is not understood at a local level and has not been well communicated by Government.
- A discussion paper is signalled as being available in “late 2021” from the DIA, so staff at our Council have had to undertake research on this.

#### Strongly disagree:

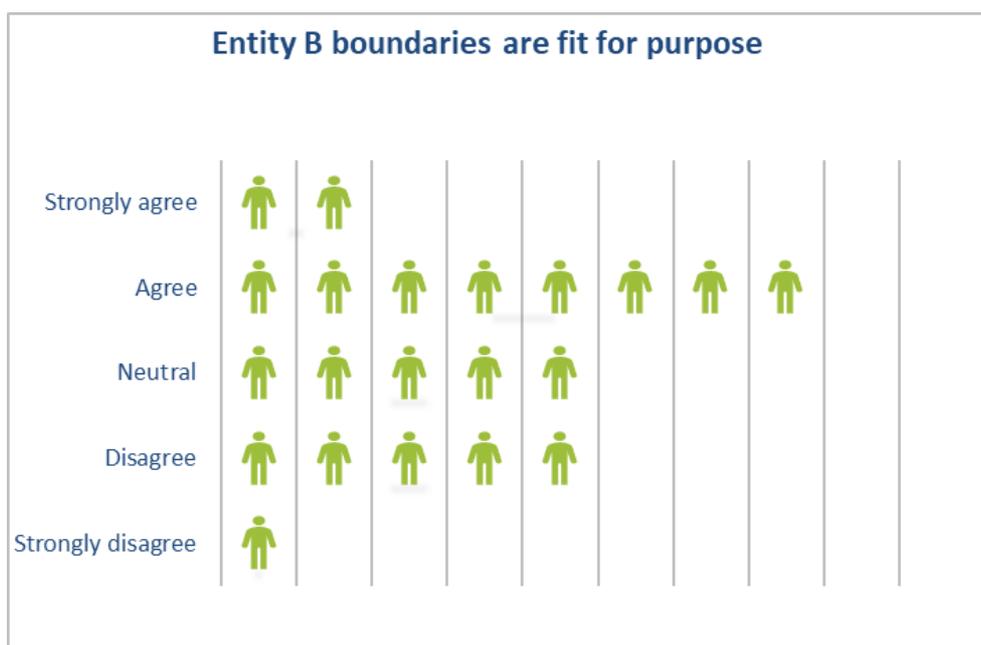
- There is currently very little information in regard to the roles and responsibilities of this regulator. It is also unclear if this will be a 'heavy handed regulator' or a 'light touch' regulator. This will impact on the ability for Entities to make decisions.
- No detailed information has been provided on the economic regulator which based on other models will have a significant influence on funding, service levels etc.

### 3.6 Entity B boundaries are fit for purpose

[in this context fit for purpose means regionally and culturally appropriate and workable]

Although generally not felt to be wholly incorrect, there is a range of local characteristics which will require thorough consideration.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.6.1 Common Themes

- 
- *The Entity B area is thought large enough to work as an entity but has levels of local complexity*
  - *Likely to be some issue with iwi and hapū affiliations and locations*
- 

### 3.6.2 Representative Feedback

- (We do) not agree with any particular aggregation model in Three Waters, at this stage.
- Any aggregation will mean the merging a wide variety of funding arrangements , operational structures and methodologies and differing catchment characteristics.

#### Strongly Agree:

- Scale is appropriate.

#### Agree:

- The boundary won't matter if you have economies of scale/right level of consumers, iwi groups and right governance.

#### Neutral:

- However at a Council level they are questionable and don't appear to be aligned with other current changes in the sector related to the RMA Reform (and new planning requirements) and the LGA Reform.

**Disagree:**

- Taranaki geographically isolated from other participating councils. Stronger iwi as well as council connections towards the south (Entity C).
- It will never be easy to fit given there are so many different boundaries - iwi, LG, CG, government departments. Our iwi appear to be much more aligned with South than they are North/East.
- Mana Whenua have told us the area is too large to be culturally appropriate. It is difficult to imagine appropriate representation from an area this size given the limit on numbers around the table.

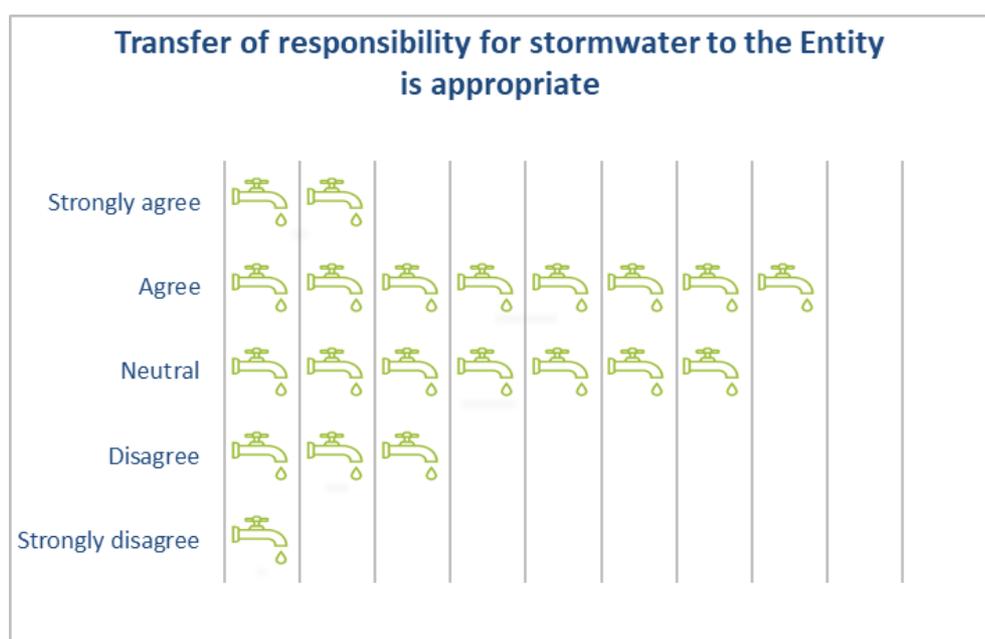
**Strongly disagree:**

- The entity covers a large geographic area, capturing 22 council communities and numerous iwi. There is diversity within the defined boundary both from a cultural point of view and from an engineering point of view. Small coastal communities have different challenges to large inland metropolitan areas. Considering this high degree of diversity and range of challenges it is believed that the boundary is not fit for purpose and local issues would be overlooked as a result leaving communities worse off.

### 3.7 Transfer of responsibility for stormwater to the Entity is appropriate

While only a few respondees did not agree that the transfer is appropriate, it was acknowledged that this is a complex issue with wider impacts.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.7.1 Common Themes

- 
- *Stormwater is almost always integrated with other assets such as roading or parks – this will provide challenges*
  - *Wider environmental management needs – including climate change issues – mean more stakeholders need to be involved*
- 

### 3.7.2 Representative Feedback

#### Strongly agree:

- If these were left with Council after other waters are transferred, we would not have sufficient capacity to effectively undertake this activity.

#### Agree:

- There needs to be serious consideration how this interfaces with roading.
- If Council is left with stormwater service delivery will be compromised i.e., need of management and maintenance resource for only stormwater might not be viable.

#### Neutral:

- Stormwater is not a natural fit with the other two waters due to its strong links with roading as well as parks activities.
- There are still a lot of unanswered questions surrounding catchments i.e. discharging of stormwater to an entity (who feeds into a waterway).

#### Disagree:

- Stormwater is strongly tied into the management of roads and parks.
- You cannot decouple roading and stormwater.

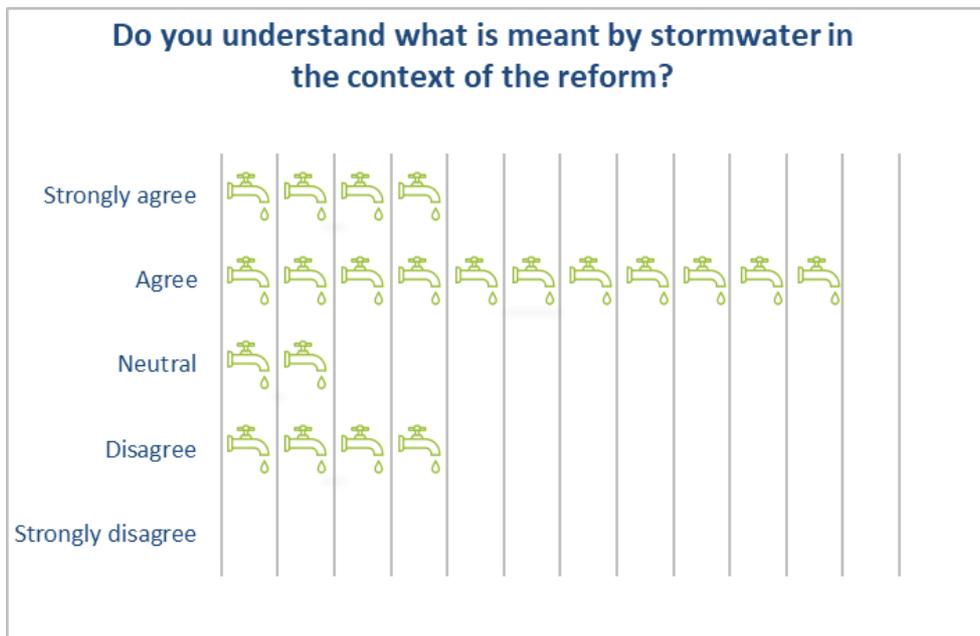
#### Strongly disagree:

- As it is only stormwater pipes and pumps that are transferred with Council retaining the other stormwater assets (culverts / wetlands etc), further work is required on how these two service providers will work together to maximise flood defence.

## 3.8 Do you understand what is meant by stormwater in the context of the reform?

There was clear alignment in the responses to this question, which helps validate the responses the previous question.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.8.1 Common Themes:

- 
- *Boundaries and nature of “stormwater” assets are still not clear, particularly with regard to soft and hard assets*
- 

### 3.8.2 Representative Feedback

#### Strongly Agree:

- Piped infrastructure.

#### Agree:

- Yes – urban stormwater management – although the DIA had previously promised a technical paper on this, but we believe it has not yet been released.
- Some aspects of the stormwater definition require more detail.
- It is where runoff from land or buildings intercepts water bodies.

#### Neutral:

- The classification of stormwater assets varies between territorial authorities, with stormwater also involving roading and parks assets.
- Still some issue around demarcation between stormwater assets and flood management assets.

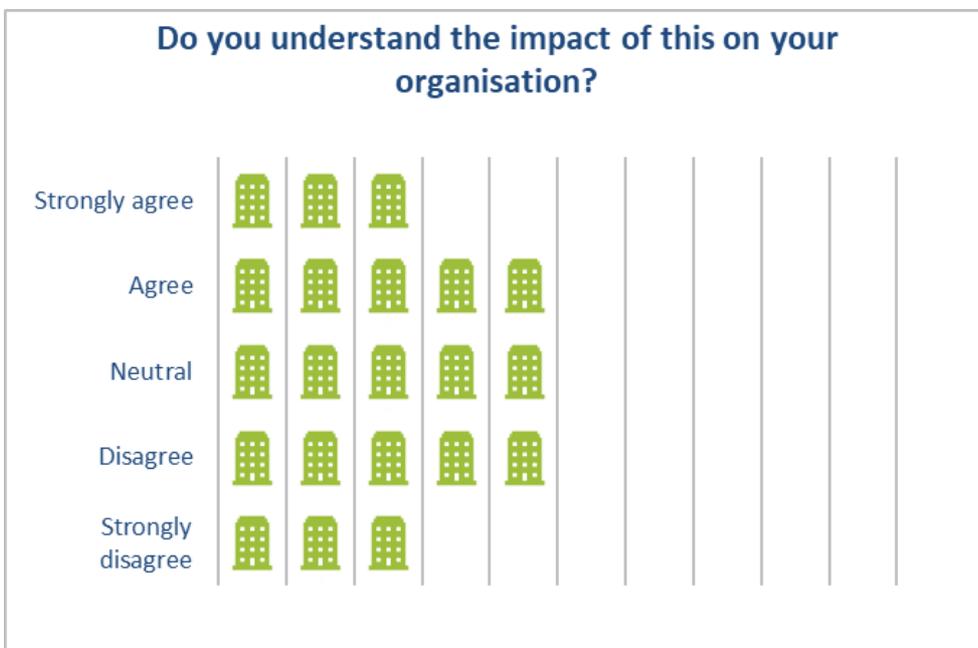
**Disagree:**

- The impacts are not clearly understood and we still require more detail in terms of where responsibilities start and end in certain circumstances; the work being done by the stormwater technical working group looks promising. Understanding complexities around land ownership (councils / entities) will be challenging.
- There is uncertainty on what stormwater assets will be included in the reform and what assets remain in councils responsibility. For example a sports field that also acts as a detention basin during large storm events. Drainage reserves which include recreational assets. Table drains that covey road water but also upstream residential catchment runoff. It is complex and currently unclear.

### 3.9 Do you understand the impact of this on your organisation?

This question has been rated as having low alignment as there were more qualitative explanations to the disagree responses. The level of disagreement suggests that increasing understanding would generally be a benefit to councils.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.9.1 Common Themes

- 
- *Unclear how this will work in the context of the council, Entity and relevant regional authority*
- 

### 3.9.2 Representative Feedback

#### Agree:

- We are aware of the scale of the issue.
- Largely yes, but there will be unanticipated consequences once the reforms are applied.

#### Neutral:

- Based on regional councils maintaining regulatory responsibilities - reasonably clear. What is unclear is the environmental reporting obligations.

#### Disagree:

- Not fully as it will have a critical impact on many of our business areas – transport, recreational area management, growth management in aligning stormwater management functions into high quality urban design.

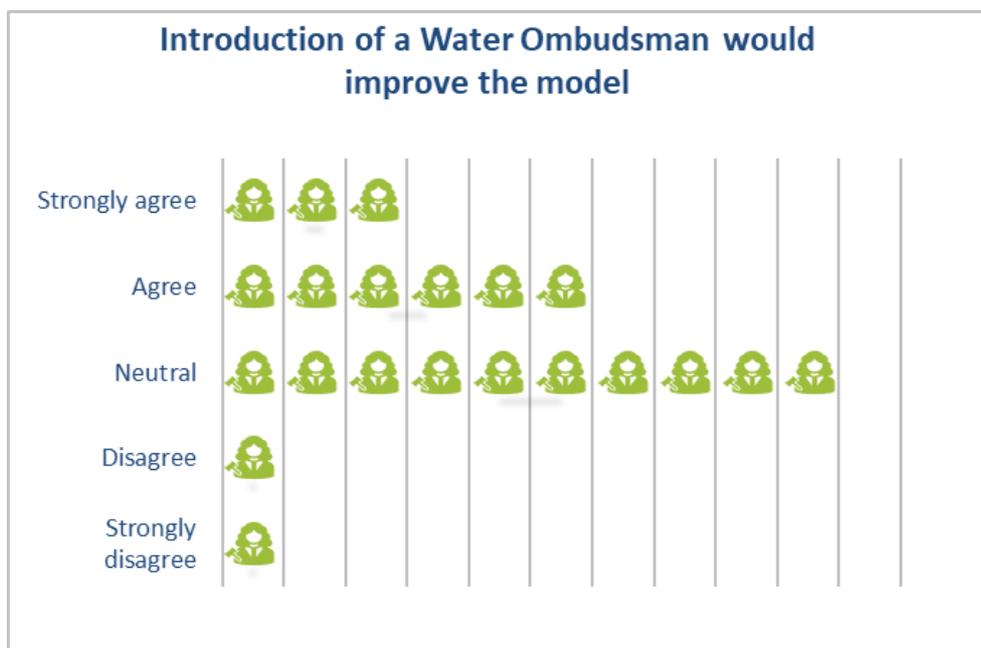
#### Strongly disagree:

- Unlike the drinking water and wastewater services, stormwater infrastructure is often collocated with other community assets like reserve areas, recreational connections and areas of biodiversity.

### 3.10 The introduction of a Water Ombudsman would improve the model

As with the economic regulator, it would be beneficial for more explanation of this role to be provided.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 3.10.1 Common Themes

- 
- *There is a need to understand what regulatory powers the Ombudsman would have but generally it is seen as a good thing to have an independent body, if the Entity were to be implemented*
- 

### 3.10.2 Representative Feedback

#### Strongly Agree:

- This is seen as essential in a model to address any issues that arise with the Entity – an independent voice is critical.

#### Agree:

- Having an independent, impartial body that investigates complaints is one that is welcomed as part of this reform.
- We believe a Water Ombudsman would likely improve the outcome for consumers, hold the Board to account and provide a necessary check and balance for the community.

#### Neutral:

- Appears to have sufficient regulation and controls in place including a dispute resolution process.
- The scope of work and the scale of the role will need to be adequately resourced otherwise it runs the risk of becoming tokenism.

- Until the entirety of the model is available, and issues of local representation addressed it is uncertain what beneficial impact an ombudsman would provide. There is no clarity on what powers the Ombudsman may hold or the scope of the role in terms of addressing local or regional issues as well as individual consumers.
- Need to understand the proposed role and powers of a Water Ombudsman.
- Need to see more details as to what a Water Ombudsman would do, firstly as a regulator.

**Strongly Disagree:**

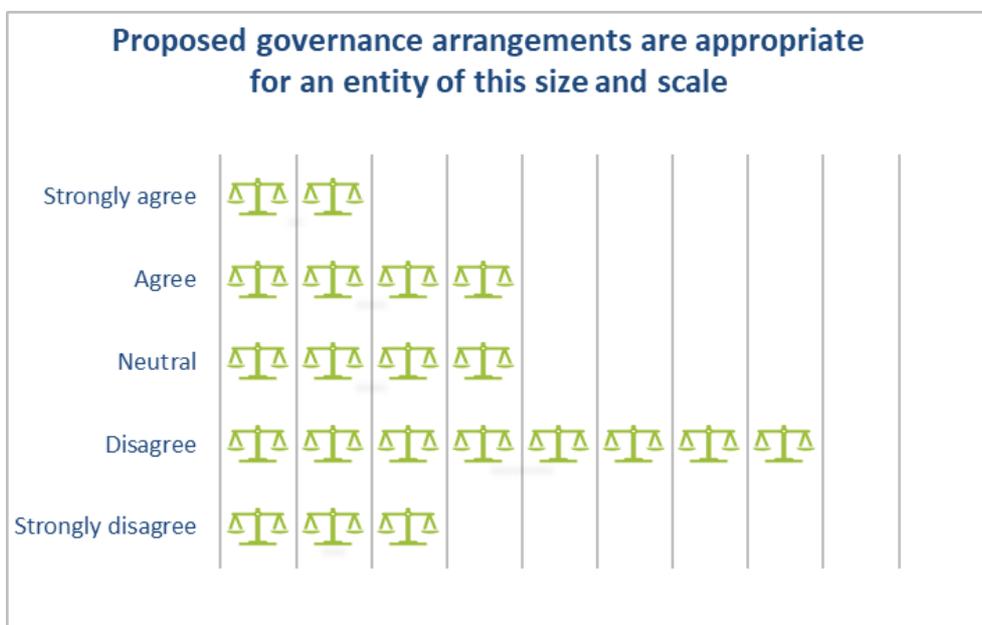
- Already too many layers and an Ombudsman would only look at process not decisions.

## 4 Governance

### 4.1 Proposed governance arrangements are appropriate for an entity of this size and scale

There is a wide range of differing views on how governance of an entity should be structured and implemented.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 4.1.1 Common Themes

- Governance structure does not look like it would represent local communities in an integrated manner and would leave councils too remote from decision-making
- Governance structure seems overly complex and there are concerns over competency
- Need more clarity around mana whenua representation

### 4.1.2 Representative Feedback

- The proposed Governance arrangements indicate a highly centralised model and relationship development and competing demands between different parts of the areas covered will be challenging.

#### Agree:

- The governance arrangements need to be independent of councils and highly skilled professionals appointed on their skills and experience.
- The system of advisory boards from iwi and councils seems one of the practical ways to achieve representation at an advisory level given the large number of councils it will represent.
- Concerns around the appointment of the governance group and whether there will be appropriately skilled governors.

#### Neutral:

- Very complicated governance structure overall. We believe it will be made up of 6 Local Government representatives and 6 Iwi representatives, but people do not understand how we get to that entity board.

#### Disagree

- A corporate board style is appropriate, but the appointment process is cumbersome.
- Still unclear how this will work in practice.
- A clumsy, too large model - 12 members of a Board! Needs to have a strong commercially astute board.
- The structure is complex, has too many layers of governance and does not fairly represent the “owners” of the entity (councils).

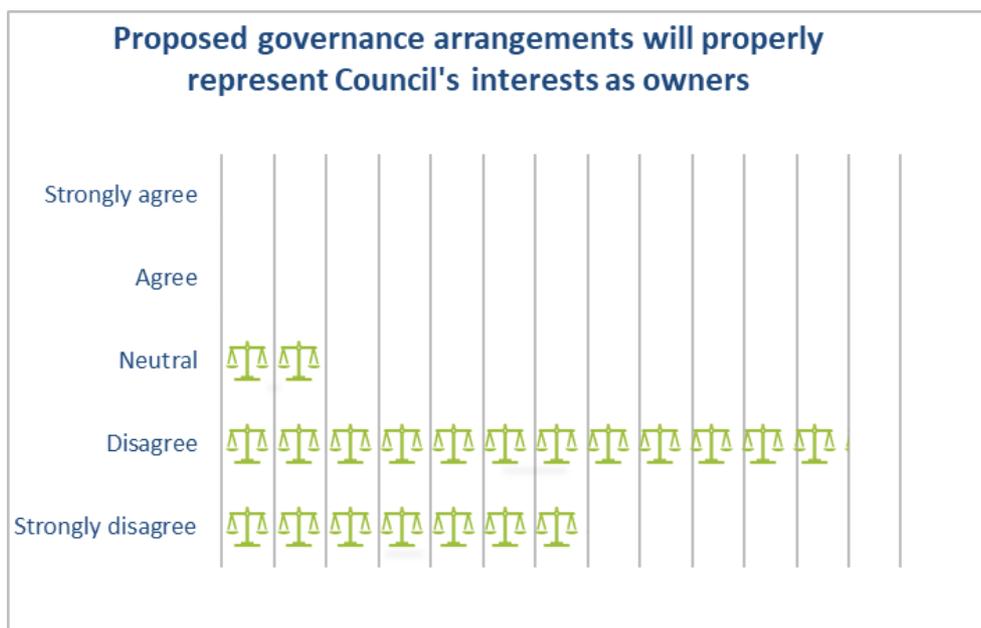
#### Strongly disagree:

- Our immediate concerns are about scale, - Entity B comprises 22 councils and 78 iwi. The current representation model of 6:6 seems very ambitious for a such a huge region.
- How do councils hold the board/governance accountable?

## 4.2 Proposed governance arrangements will properly represent Council’s interests as owners

The strength of feelings in the responses to this question would suggest that this is an area that should be raised with Government.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 4.2.1 Common Themes

- 
- *The relationship between ownership and actual ownership rights is unclear currently, as is the legal position of ownership*
  - *The current model seems to prevent meaningful representation of the actual owners which may result in consequences for communities, given how integrated water is with all aspects of the community*
  - *Significant risk of loss of a local voice combined with a difficulty of trading off representation of number of councils vs council population*
  - *Concern that three waters becomes just about infrastructure under the proposed Entity, when in reality they are almost inseparable from community development and growth*
- 

#### 4.2.2 Representative Feedback

- Council believes its ownership justifies a level of influence beyond these mechanisms. It seems reasonable that an owner of an asset should have an ability to have:
  - Meaningful input and influence into a long term capital renewal and development programs for the area the Council represents
  - Meaningful input into levels of service for their communities
  - Access to the Board Chair and Chief Executive on a formal regular basis to provide feedback and seek reassurance on performance and undertakings
  - An opportunity to express its concerns and hold to account Board and Senior Management performance against agreed targets

- Access to operational staff within an area to be appraised of progress and provide feed back on need and performance
- Then opportunity to advocate for commercial development opportunities and make a case for capital spend for these opportunities.

**Disagree:**

- The whole “ownership” concept is unclear. Councils will hold no equity, no assets and have limited ability to influence what work the entity does. Public perception will be that ownership has been lost through a process of nationalisation without fair compensation.
- Our great concern is that the entities take a regressive view that infrastructure projects are simply engineering and financial problems. They are not, they are questions of community development and growth.

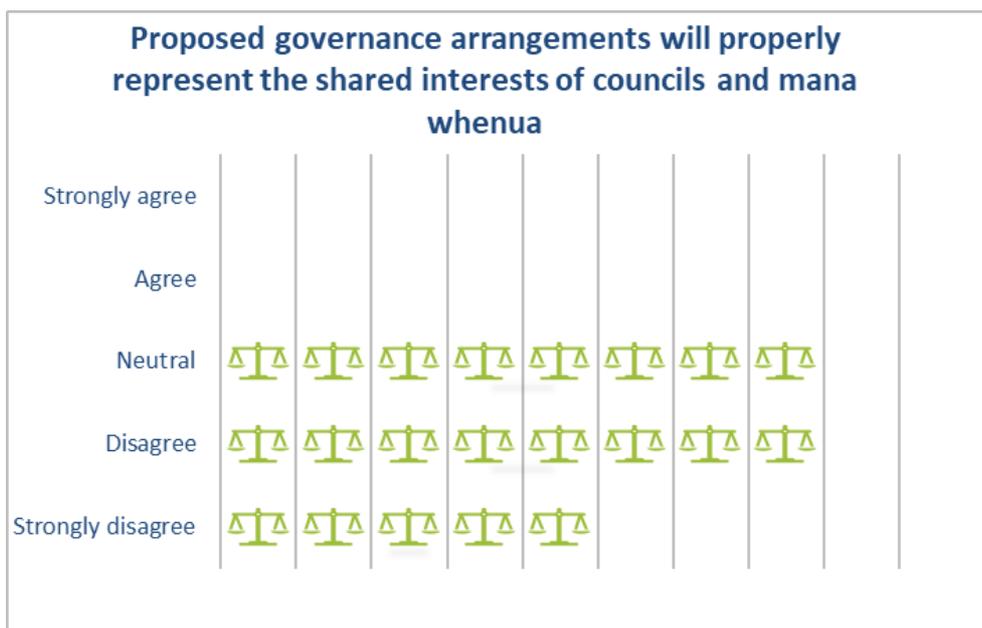
**Strongly disagree:**

- Although it is stated we will still own the assets, we will not have any of the normal ownership rights.
- What is the meaning of ownership in relation to the proposed solution?
- There is a link from councils, as owners, through to the board governing the new entity, however that link is unlikely to result in a meaningful connection.
- In reality, the planning for, and management of, three waters infrastructure touches people’s lives through many practical ways and the governance arrangements don’t allow for that.
- Council’s ownership status is unclear from a legal perspective.
- High level of uncertainty. There is risk and uncertainty regarding whether we will have the influence to appoint appropriate people to the selection panel and thereby lose the control of our local interests.
- Council's interests as owners will not be properly represented as the proposed model does not allow for any meaningful input from Councils.

**4.3 Proposed governance arrangements will properly represent the shared interests of councils and mana whenua**

The lack of inclusion of mana whenua in the design of the governance model should be addressed as quickly as possible.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 4.3.1 Common Themes

- High level of support for mana whenua to be integral to the governance arrangement but also a high degree of concern that this has not happened to date in the design of the structure
- It is difficult to see how mana whenua will have a voice

#### 4.3.2 Representative Feedback

##### Neutral:

- Co design vs co governance. There are concerns expressed by iwi that they should have been involved in the design process.

##### Disagree:

- Hard to see how small hapū will be represented.

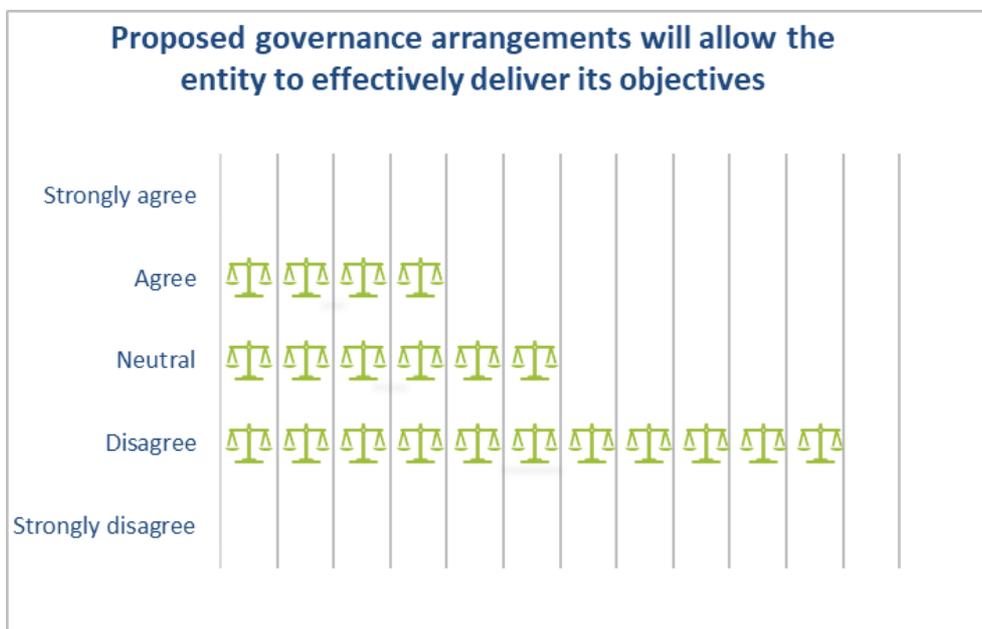
##### Strongly disagree:

- Good to see Māori representation and lead an honourable treaty partnership with a holistic long term intergenerational view. Difficulty seeing how mana whenua will be well represented, especially some of the smaller iwi/hapū.

#### 4.4 Proposed governance arrangements will allow the entity to effectively deliver its objectives

There is relatively low alignment in the responses. However, the disagreement statements highlight areas of concern that are worth investigating.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 4.4.1 Common Themes

- 
- *Feeling that this is too hard to commit to agreeing with at present as the roles and relationships between councils, Entity governance, Taumata Arowai, the economic regulator and an Ombudsman would work*
  - *Challenges around community / iwi outcomes vs engineering outcomes*
  - *A highly competent board is imperative*
  - *Challenges around the agility of an Entity and its board to meet local needs*
- 

#### 4.4.2 Representative Feedback

##### Neutral:

- Local voice will not be heard in this cumbersome arrangement and nor will iwi be heard. Rural - provincial councils will rank second to the interests of larger metropolitan and growth areas.

##### Disagree:

- It is imperative for Councils to be able to see the picture of how the economic regulator, Taumata Arowai and the Governance entity will work from a Governance perspective, distinction and clarity on roles and responsibilities.
- Miss out the broader community values and aspirations.
- There are too many competing interests within the ownership and strategic decision-making process.

- It seems highly possible that the economic benefits of scale could easily be offset by dis-benefits, including a loss of the community voice in the clutter of a much larger population base served by the Entity. Moreover, in the absence of a clear mechanism to ensure the leadership role of local government is maintained, there is real potential for a siloed, assets-based management approach that is unresponsive to the unique needs of iwi and the community.

## 4.5 How could the governance arrangements be improved?

It is noted that Entity governance is clearly a significant concern across the group. There is a range of views on what form of governance is needed and how it should be structured. While it is outside the scope of this survey and report to develop options, there are many valuable ideas that need further development.

Below is a broad selection of the responses on improving governance (along with suggestion on associated regulatory issues).

- We are deeply concerned about the lack of community engagement and ability for our communities to understand the complexity of the proposal.
- ...we believe the process to date has failed iwi Māori both from an engagement and resourcing perspective.
- Consideration could be given to phasing the passing over of responsibilities between councils and the new entities. The first step could be the asset management planning and budgeting functions, which would sensibly be aligned with the long-term planning cycle of local government. Aspects like the movement of staff and the transfer of assets could progressively take place as subsequent stages.
- Currently the regulators are not enforcing standards properly. It is hard to know how this will improve water quality as standards have not been set.
- The composition of the Taumata Arowai Board and Executive should include a wide range of stakeholders including representatives of the regulatory, infrastructure and business/commerce communities.
- Sub-regional shareholder councils could be formed in the first 5-10 years to ensure greater sensitivity of transition, establishment, accountability and delivery. Set up a water national taskforce of water experts with technical expertise, can advise on water standards, and also advance innovative technology solutions district by district.
- We see this in a council context in the way that: i. the governance of councils is held to account through the election process, ii. there is monthly and annual reporting, iii. engagement takes place on the direction of strategic planning, iv. detailed asset management planning is subject to public scrutiny v. Funding mechanisms and their application are open for public submissions The new water entities should similarly be held accountable at multiple levels, not just by councils but by the communities that they serve.
- Establish a fully-fledged utility operation that purchases assets at book value and isn't influenced/dictated to by local politics.

- The use of weighting to determine composition of the entity governance, so a) councils have a greater than 50% share of board positions and b) equal representation within the councils. A per cent given to metro/provincial and rural councils (i.e. third each of councils (50% or more). This will ensure that the needs of smaller communities voice is heard equitably alongside those of the larger metros.
- The entities could become cooperatives. Each connected property would become a shareholder, with shareholders electing members of the regional representative group (the nominees for election being selected by councils on a competency basis). This model makes it even more difficult to privatise the water assets as the cooperative shareholders are the owners.
- By keeping each TLA responsible for its rohe. Deal with non-compliance through the regulator and find a fairer solution for the funding challenges.
- It is recommended that the entity should be subject to a requirement to provide water services to meet the agreed growth demands set through regional spatial planning.

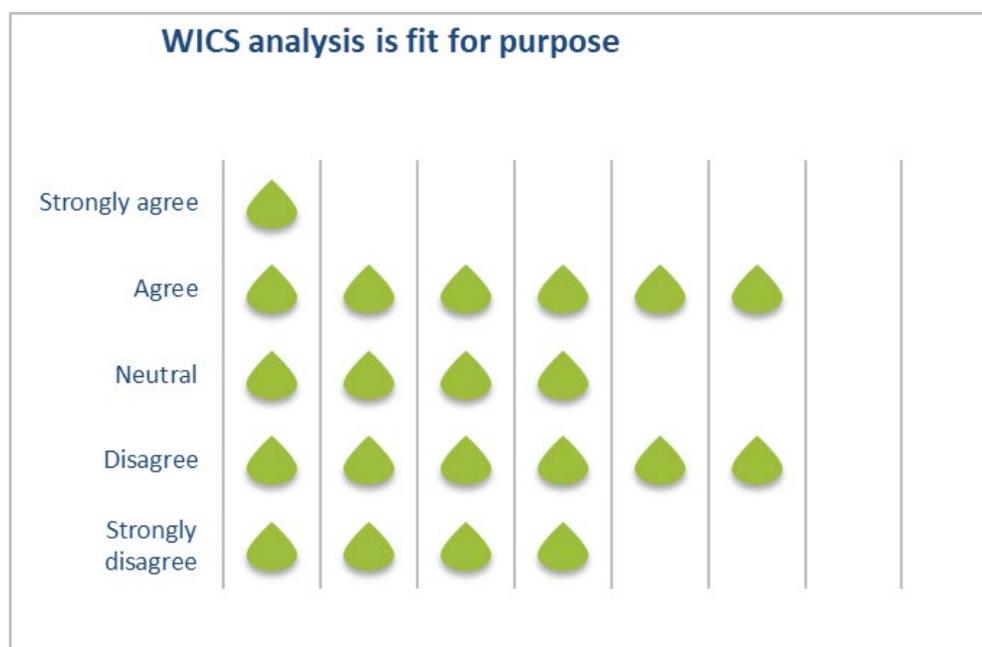
## 5 Finance and Growth

### 5.1 WICS analysis is fit for purpose

[in this context fit for purpose means sufficiently reliable, robust and reflects the position of Council]

The WICS data and analysis was reported to be varyingly appropriate for councils.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 5.1.1 Common Themes

- 
- *City councils believe data is credible*
  - *Largely there is a view that the assumptions in the WICS model are not consistent with the context of districts in Entity B*
  - *There are concerns with a top-down approach as it is likely to miss local context which may pose a risk to the success of the Entity approach*
-

### 5.1.2 Representative Feedback

#### Agree:

- WICS is well placed to perform this analysis as they have the experience with this work. Even if not precise, their findings are broadly correct and have been peer reviewed with their hypothesis stress-tested for the NZ environment.
- Largely the data presented from our RFI provision has been correctly portrayed.

#### Neutral:

- The WICS analysis has been questioned and its reliability remains debatable. We note the discrepancy with various Castalia analyses and are cautious regarding the efficiencies illustrated in our local dashboard.
- The WICS model just tells us debt funding over longer term produces short-term financial benefit to households.

#### Disagree:

- The modelling on proposed costs with and without reform do not seem credible.
- Assumptions used in WICS analysis do not accurately reflect the likely future position of this Council, particularly regarding capital expenditure.

#### Strongly disagree:

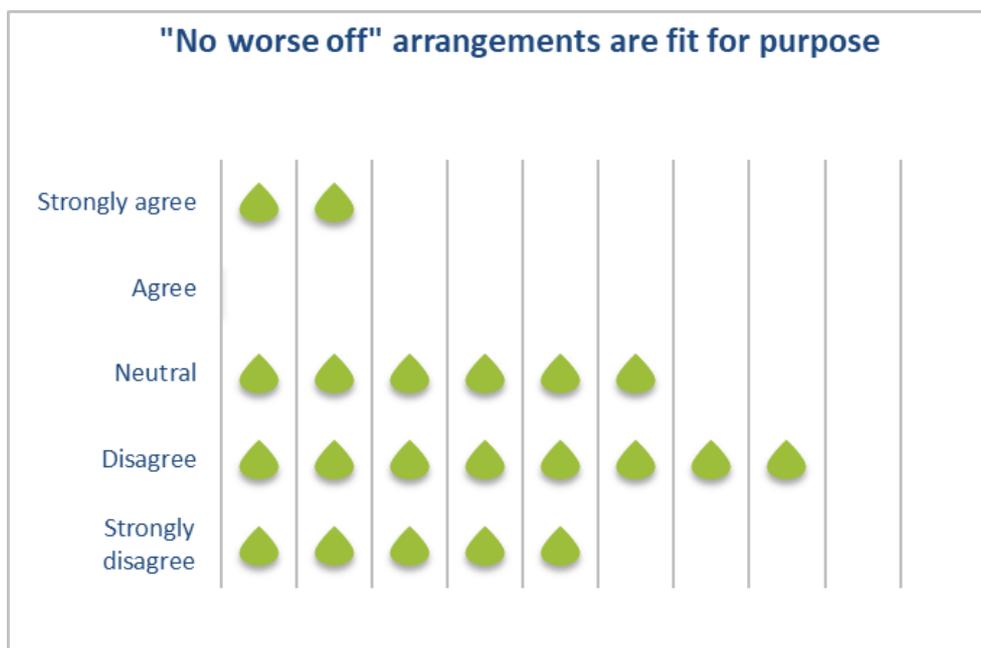
- We received independent analysis which confirmed that this model is not fit for purpose for decision making, specifically around (i) similarities from Scotland, (ii) assumptions around benefits with reform, (iii) assumptions around costs without reform, (iv) also noting WICS does not manage stormwater assets in Scotland.

## 5.2 “No worse off” arrangements are fit for purpose

[in this context fit for purpose means recognises the potential impacts on Council and will get the necessary levels of funding]

Financial support from Government to compensate for potential losses was not felt to be adequate or adequately measurable at this stage.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 5.2.1 Common Themes

- 
- *Insufficient time to determine what level of stranded overhead may eventuate or how the funds have been calculated*
  - *One-off payments are not suitable resolution for a long-term problem (transactional vs transformational)*
- 

### 5.2.2 Representative Feedback

#### Strongly agree:

- Happy with the package and agree we won't be worse off.
- Our level of stranded overheads will not be high and we have sufficient debt headroom.

#### Neutral:

- This is difficult to score as it is unclear how this will work at this stage of the process i.e. effectively stranded costs; or as stated by DIA "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".
- Still looking to understand this further, i.e. the impacts and if the standards will change in the future.

#### Disagree:

- One-off payment does not make up for the loss of an activity where the effects of the loss are ongoing.
- As there is no detail on how this will be calculated, limited comment can be provided. However the DIA financial model included a sum which is seen as too low to cover the costs of stranded overheads for the first two years of the Entity.

**Strongly disagree:**

- No worse off funding is there to support 'stranded overheads'. Due to the timing of the eight weeks, we have been unable to adequately assess the impacts of 'no worse off'.
- Evidence to date indicates a shortfall in stranded overhead costs of approximately \$20M for Council across the first three years after the entity is established.
- The funding arrangements offered are transactional and the impact of the reform are transformational. The funding offered is not good enough to ensure the long term viability of some councils.

**5.3 Council will remain financially viable if the proposed reform is implemented**

Almost all councils felt that they would be sustainable without three waters revenue.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



**5.3.1 Common Themes**

- 
- *It would be highly beneficial to understand the Future of Local Government and RMA reform impacts first*
-

### 5.3.2 Representative Feedback

#### Strongly agree:

- Our level of stranded overheads will not be high and we have sufficient debt headroom.

#### Agree:

- Overhead structures will need to change and shared services arrangements will need to be fast forwarded. Knowing the scope of the Future for Local Government will help immensely in this area.
- (We) certainly will but some councils will not. This then begs the question what is the future of LG - we should be answering that first.
- We researched this through the Cranleigh report in 2016 which provided the basis of our decision to enter a contract with Watercare. We are now two years into our contract and know that a future without three waters is possible and financially sustainable.

#### Neutral:

- The loss of 3 waters alone won't immediately affect council's viability, however, in light of other reforms it makes us vulnerable.

#### Disagree:

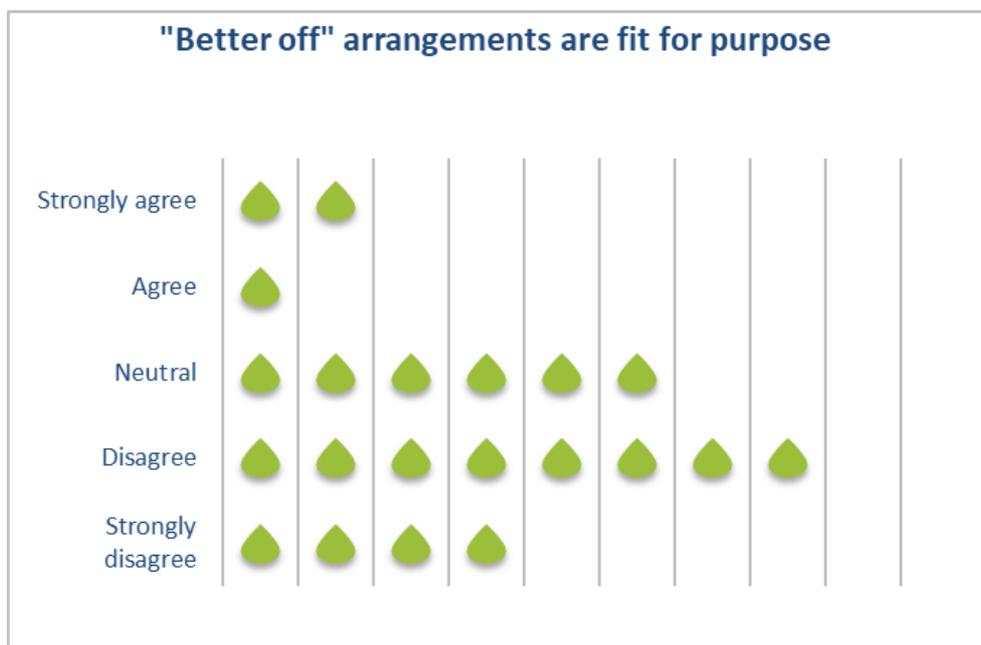
- Wider reform impacts such as LG futures and RMA reform, alongside this reform results in significant amount of uncertainty for our Council.

### 5.4 “Better off” arrangements are fit for purpose

[in this context fit for purpose means sufficient to ensure that the community is financially better off as a result of the reform]

The intent of the “better off” funding may not be well-understood across the Entity B group. This may be why many felt it does reflect the value of the three waters assets.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 5.4.1 Common Themes

- 
- *There is a significant likelihood of inequity in various ways – population size, asset condition, asset custodianship, land area etc so individual figures for councils are unlikely to be accepted as correct*
  - *There is much consensus that the sums are unlikely to reflect the value of the assets*
- 

#### 5.4.2 Representative Feedback

##### Disagree:

- We are well aware that any additional investment from the next tranche of money may well create infrastructure, facilities and services that while important and add value from a wellbeing perspective, will still add opex and capex budget into the future. Has Government considered this?
- (Our) allocation of the 'Better Off' fund is substantially lower on a per-capita basis than other councils in the entity.
- Overall the community will be financially worse off because of the huge cost increases that will come to be able to deliver appropriate services into the future and this will off-set any 'efficiencies' that may be realised.
- They do not reflect what will be lost.
- Whilst the sum appears significant, we don't believe it reflects the loss of assets from Council's books.

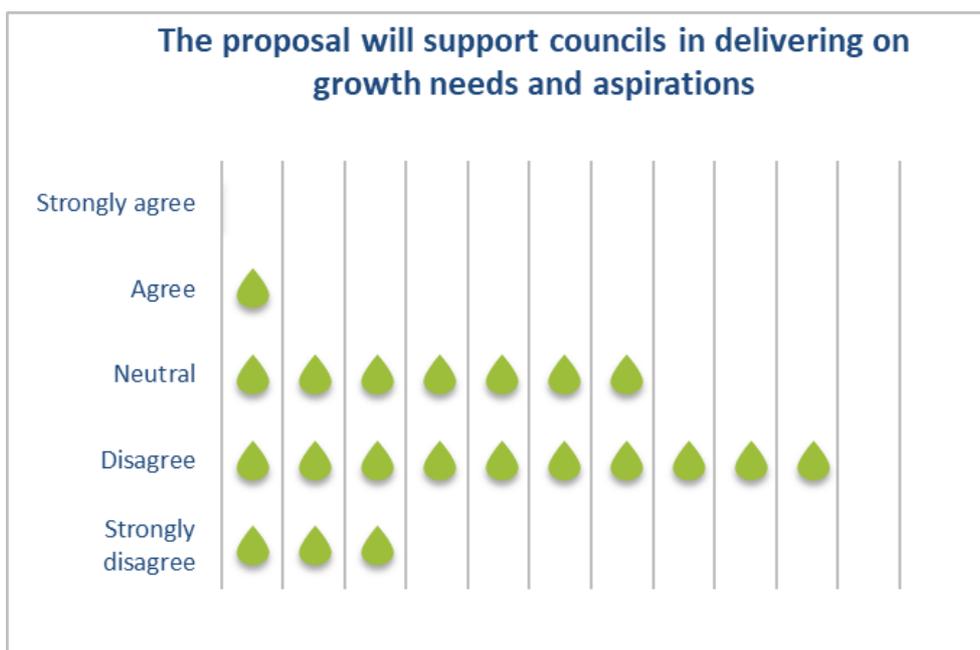
**Strongly Disagree:**

- Placing half of the funding of these package on the entity balance sheet is not appropriate. The community is worse off because it has entered into debt without choice for this package.
- Population based funding formula with 75% weighting to this is not fit for purpose when dealing with service delivery related investment - especially for councils with large non-resident ratepayers.
- Our assets are worth significantly more than the better off funding offered by the government. Our return on these assets should be considered in the form of a dividend in addition to a lump sum payment.

**5.5 The proposal will support councils in delivering on growth needs and aspirations**

Future council growth is generally seen to be risked by the proposed Entity model.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 5.5.1 Common Themes

---

- *General uncertainty and lack of confidence that there will be recognition and support for council growth aspirations*
  - *Concerns around alignment of an Entity with spatial planning*
  - *Lack of agility in the decision making and implementation processes*
- 

### 5.5.2 Representative Feedback

#### Agree:

- If there are no capital constraints, then growth funding should be accelerated.

#### Neutral:

- RMA reform and the emergence of combined spatial plans still are unclear. This is where growth considerations are evaluated. The three waters (infrastructure needs current and future) will be informed by spatial planning.

#### Disagree:

- There is concern that larger metros will receive priority funding for their growth.
- Some concern around prioritisation between metros / provincials and rural councils need to be worked through.
- There is insufficient direct control of investment decisions to guarantee localised demands or aspirations can be addressed.
- There is limited evidence that the growth aspirations of our community will be supported, and a risk that the bulk of the expenditure will be channelled into urgent projects.
- Removing debt associated with three waters from councils' balance sheets would enable councils to invest more in the other infrastructure required to enable growth. However, that requires a level of assurance or obligation to ensure three waters infrastructure is delivered to provide for growth, which will be out of councils' control.
- No – we have concerns that both our Development Contributions methodology will not be continued by the Entity (or not as robustly as it is by our Council), and that the Entity will not be a “plan taker” from local government (as the “plan maker”).

#### Strongly Disagree:

- there does not appear to be an agreed mechanism for having direct discussions with the entity around what the growth demands will be.

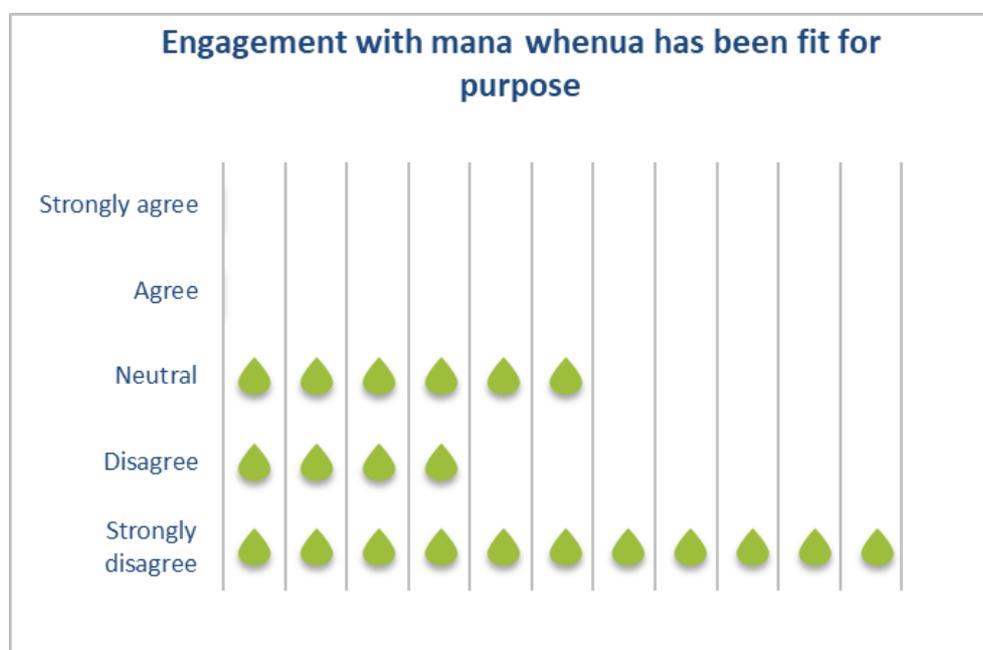
## 6 Engagement and Community

### 6.1 Engagement with mana whenua has been fit for purpose

[in this context fit for purpose means engagement has been undertaken properly to date and arrangements are in place to ensure this continues]

This is an area where the Government’s approach was felt to be significantly lacking.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



#### 6.1.1 Common Themes

- 
- *There is a general lack of understanding of the level of engagement by DIA with mana whenua, alongside an almost universal perception that there has been nowhere near enough to date and no clarity of what the plans are to do so*
- 

#### 6.1.2 Representative Feedback

##### Neutral:

- Council is not in a position to determine effectiveness of engagement with mana whenua.

**Disagree:**

- As local authority we are not always aware when DIA initiated engagement directly with iwi, so cannot answer definitively. Our Council has had to undertake a role of informing mana whenua when this should be a Central Government responsibility.

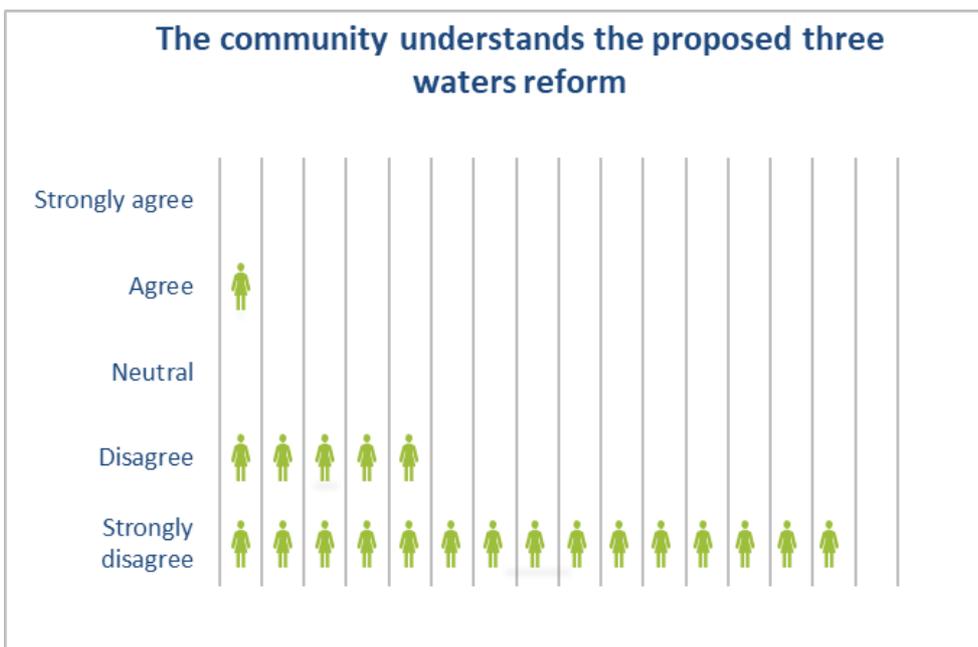
**Strongly disagree:**

- From our engagement with iwi across our district we understand that engagement, including resourcing to engage has been very poor and continues to be less than optimal.
- Our Local iwi and mana whenua have very little visibility and understanding on what is proposed.
- We are unaware of any engagement with hapū in our community.
- With the amount of hapū and maraes (plus iwi) we believe this is a big issue and hasn't been carried out to the necessary level.
- We reiterate and support the calls from iwi that the proposals have not adequately addressed the effect of the reform on existing Treaty settlements obligations.

**6.2 The community understand the proposed three waters reform**

It is apparent that communities have very little understanding of the purpose, nature or impacts of the proposed reform.

|                           |                            |
|---------------------------|----------------------------|
| Support / high alignment  | Support / low alignment    |
| Challenge / low alignment | Challenge / high alignment |



### 6.2.1 Common Themes

- 
- *Communication from government has been both lacking and sub-standard, and it is felt strongly that it is government's role to do this, as it is their reform proposal*
  - *There is also a universal theme of strong feelings about this issue*
- 

### 6.2.2 Representative Feedback

#### Disagree:

- TV adverts are quite misleading and far too simplistic.

#### Strongly disagree:

- The condescending adverts on TV and the internet have done nothing to inform the public.
- Government communication to the public has been ineffective, patronising, and misleading.
- The continued lack of a clear engagement strategy by Government has allowed misinformation and myths to spread which have now become regarded as fact.
- Refusal by central government agencies to allow councils to review information relating to their business before circulation to media and public appears arrogant and has created further communication issues with our communities which were totally avoidable with a better strategy.
- Specifically, the benefits, the safeguards against privatisation, how ownership and transfer of assets occurs, and the role of iwi, are all areas needing better messaging.
- The public has been let down by government's efforts to bridge the gap between this information and what the public needs to know about the reasons for the reform proposal. It would be beneficial for Government to focus its efforts on addressing this gap as part of the next steps in the reform process.
- To effectively understand what the reform entails would require an extensive and honest consultation process. The misinformation that the DIA and Government have placed in the public domain has not been helpful and is quite misleading.
- Definitely not. The DIA advertising campaign was incredibly unfortunate and misleading.
- Perception in the community is we are giving away water to Māori, giving away assets that the community has paid for over generations, introducing compulsory water metering, suffering a permanent loss of control and opening the door to privatisation.

## 7 Suggested Enhancements

A representative selection of enhancements that could improve the proposed model is provided below. As with Governance, while it is outside the scope of the survey and report, it may be that further development or refinement of these ideas is worthwhile.

### 7.1 What else would improve the proposed model

#### 7.1.1 Governance

- How does council ensure representation of iwi, and are iwi sufficiently resourced to fully participate in reform process?
- Need to ensure the regulator has 'teeth'. Entity B will need to have local offices - something that people can connect with.
- Local voice and balanced LOCAL representation.
- Complexity will arise when there are already governance arrangements such as MOU's and partnership agreements with iwi and also co-governance/co-management agreements in place with other entities including community and iwi/Māori.
- As the waters assets are currently, and under the proposed model will continue to be, owned by Local Government on behalf of our communities it is appropriate that the community through its elected representatives have a meaningful influence over the governance of the proposed entity. The proposed structure provides very little opportunity for Local Government to have any say over those who will govern or in the duties and framework that the members of board will be bound by. These will be set by legislation. Local Government should be an equal partner with central government in setting the GPS and regulators objectives.
- Develop a simplified model with even representation for all councils. Councils should receive a dividend as owners, evenly split, and they should have the ability to appoint, and dismiss, the board.
- We recommend that a team of skilled individuals with experience working in highly-regulated sectors be set up to speak on behalf of the entities and review the regulatory framework in totality. The entities will, at present, be established in a complex regulatory environment with numerous external strategic documents and requirements.
- There are many mechanisms that could be put in place to imitate a closer relationship and temper concerns Government may have with Local Government affecting the company performance.
  - Shareholders Councils could be one such mechanism to assist in the development of Trust and Confidence
  - Ward based Directors could remove the risk of a dominance of Directors from one area
  - Sub Regional Governance panels that would have some delegation from the Company to identify priority projects , over sight and report on performance
  - Operational mechanisms to ensure Councils are informed and are able to provide feed back on their issues or concerns
  - Account Managers to manage Local Government relationships ( and equally for Māori).

### 7.1.2 Service delivery

- Currently private / rural water supplies are excluded, and Taumata Arowai has extended the timeframes for these schemes to be compliant. Suggest funding is put aside (from the \$185Bn) to support private /rural water supplies to be compliant.
- We are lacking any understanding how our community will be serviced.
- More clarity required around this, e.g. will we be a clearing house for ratepayer concerns to forward queries onto an entity or will there be a direct line to the entity like the power companies? We would also like to see service guarantees at a local level so we know response times, etc to ensure we will be no worse off.
- RMA and spatial planning reform needs to be carefully coordinated with Three Waters Reform to ensure that the resulting framework is coherent and effective.
- The size of the entity is too large (in terms of geographic spread). This reduces the ability for local issues to be understood and service delivery to be tailored to suit local preference. Due to the lack of local understanding and representation, proposed in the new model, there is a risk that the entity will become faceless locally, like the electricity providers, and services provided to small rural councils will be worse than if managed by councils.

### 7.1.3 Finance and funding

- Needs to reflect rateable household property numbers not just resident population.
- There is a significant amount of money being invested, and someone will have to pay for this. We are concerned our local communities will not be able to afford this. We suggest the entity put in place a remissions policy to take this into account.
- Clarity around the "no worse off debt to revenue" payments. Clarity around the scope of council operations during the transition period between now and 1 July 2024. Will the spending and commitment of capital expenditure be monitored or curtailed?
- Full understanding of transition during the current LTP cycle.
- Ensure that where planning takes place in good faith, commitments for funding the implementation should be mandatory to ensure all planning partners live up to their commitments. We understand that the Strategic Planning Act will recognise the new Water Services Entities, but mechanisms should be put in place to ensure their funding decisions reflect their participation in planning decisions.
- Investment decisions made by Entity B should be objective, free of political influence, supported by robust business cases and implemented in a timely manner using fully hypothecated funding.
- If the modelling has been done right, the financing and funding should be right. Not equitable across all councils, particularly for those who have a lot of equity in their assets. The only fair way is to pay councils for the equity in their assets. The "no worse off" fund will be unable to cover this cost. There may be an argument raised that reform is for the greater good but "cost" of establishment (that is, the equity not fully compensated for) means different communities will inequitably fund this outcome.

#### 7.1.4 Workforce capability

- There needs to be a significant investment in training starting ASAP, and consideration of all the supply chains workforce too. There is some concern on where the additional 9,000 people will be located and future jobs for local staff / contractors.
- We would like to get some certainty that funding and jobs will have a positive benefit for local communities.
- We suggest strengthening of the local economy is a key objective of the reform, and has an element of certainty locked in.
- All people working in water either directly and indirectly are assured of a job and new career opportunities are explained to them and get training underway now.
- A centralized group taking some of the investment money in place now and managing workforce upskilling in a centralized way could bridge the gap and ensure training doesn't stop or grind to a halt over this transition period.
- We suggest the DIA transition team consider early strategies (including retention incentives) to secure the forward commitment of skilled staff, while maintaining continuity of services at smaller councils.
- Reform will destroy local labour in rural areas.
- It is acknowledged that there is a resource crisis in the Waters Sector (and wider infrastructure sector) such that an intensive, focussed drive to attract people to the sector is necessary; as well as a commitment to build capability in the sector.
- DIA are quoting up to 9,000 new jobs but are then refusing to give certainty to all existing staff.
- There needs to be significant investment in local people to increase our local workforce.
- Develop sector specific training facilities and programs that feed the sector specifically. This would cover a range of disciplines from 3W engineering, operations, operators, and labourers.

#### 7.1.5 Social, community and economic well-being

- More evidence that reassures councils that their communities will be better off, with proof.
- Community and economic wellbeing will be impacted if there is misalignment of investment priorities and timing between entity B and council regarding investment.
- Ensure the WSE has social wellbeing outcomes.
- The social and community wellbeing could be improved by removing small private suppliers from the proposed regulatory framework.
- Concerns regarding the reforms could be allayed by establishing early agreements between each of the councils, their respective mana whenua and the Entity (or its Transitional Authority). Those agreements should set out the detail of how we will work together to ensure democratic local decision-making is upheld, and that our communities receive the economic, social, cultural and environmental outcomes that they need and deserve.
- It would be helpful if this reform was conducted in alignment with local government and RMA reforms.

## 8 No Regrets Opportunities

The following sections illustrate the range of ideas put forward by councils that would support readiness for the transition without material impacts on councils. A summary is provided at the end.

### 8.1 Entity B Collective

- Government officials with sufficient delegated authority and mana allocated to Entity B and subregions within that.
- Entity B Councils should set up a group that can speak on behalf of the water service entity to provide pushback on the overly complication regulatory environment.
- There should also be a stocktake of work done by consultants to date and agree to an entity B approach to further work.
- We should establish a co-governance entity B group (iwi and councils) to become a transition project co-governance group.
- Establish a shadow transition committee.
- Consider setting up regional groups to feed into the Regional Representation Group so that each region maintains an independent voice but factor in the impacts of another layer of complexity (mixed views on this).
- Having all councils in Entity B having the same voice.

### 8.2 Governance

- More discussion on governance.
- Governance arrangements– if not right it will fail from the beginning.
- Governance structure.

### 8.3 Planning and Preparation

- Career development for existing staff.
- Further investigation into shared service models for procurement.
- Region-wide population and demographic projections.
- Identifying what needs to happen before 1 July 2024.
- Advocating with government to resource and plan the transition appropriately.
- Aligning with work being done on national basis by DIA as quickly as possible.
- A combined 10 year AMP be developed with some urgency.
- That a pipeline of works be established.
- Developing an agreed project plan with, milestones, target dates and responsibilities.

## 8.4 Engagement

- Encouraging government to take a lead role in community consultation.
- Include iwi partners - right across the entity.
- Clear messaging on risks and opportunities to councils and communities.
- If participation remains voluntary and public consultation is needed, coordinated development of engagement material (tailored to each council) would be helpful.
- Engaging with the 22 local authorities and iwi.
- Stakeholder relationship management - across the sector and with iwi.

## 8.5 Regulatory and Finance

- Identification of spatial planning and anticipated growth investment from a regional perspective.
- Clarity on charging regime.
- Government needs to produce much more policy clarity before the exercise should begin.
- For regional councils in Entity B - establish a coordinated regulatory unit to manage consenting and compliance functions through transition.

## 8.6 Technical and Asset Management

- National Data standards set and agreed upon / data quality improvements on existing systems within councils with independent QA, national asset management / ICT tools investigated with input from councils and clear roadmap (with roles and responsibilities set).
- National monitoring approach for assets confirmed and standard tools.
- IT systems SCADA.
- Scope issues around asset transfers like land ownership and collocated assets.
- Single-system asset-management review and valuation.
- ICT readiness, asset information.
- Clarification of stormwater asset responsibility for Entity and for TLA after reform including clarification of arrangements for stormwater reserves, and ponds, catchments etc.
- Clarity around what is in and what is out for stormwater.

## 8.7 Summary of Themes

- 
- *Maintain and further develop a representative group of Entity B councils to ensure the region has a voice leading towards any transition. This should ideally include a government representative*
  - *Work with government regionally and nationally to ensure as far as possible that any governance structure will allow proper and effective council representation (and therefore community interests are protected)*
  - *Have a plan around skills and career developed for affected resources*
  - *Assuming transition processed, have a programme of work towards this*
  - *Agree a programme of project work and an AMP at an Entity B level*
  - *Iwi must be involved much better – find a mechanism to get the government to do this as soon as possible*
  - *Detail the areas the Entity B group need more clarity on (policy, charging, stormwater etc) and put this to government*
-

## 9 Additional Thoughts

One council was unable to get sufficient consensus in the timeframes set for the survey responses. They have prepared their own response to Government. This comprehensive response was shared with Morrison Low and selected statements have been incorporated within the body of the report under relevant sections. It is noted that the broad themes of their response are very similar to the themes in the wider responses.

A second council sent a specific example of a potential unforeseen consequence of the implementation of an Entity and that is also incorporated below for awareness.

### 9.1 Selection of Responses from Survey

Listed below is a statement from each council that added text to this survey question.

- Whatever drinking water standards are prepared, they need to be clear, with a strong legislative framework.
- Private water supplies make up a large amount of drinking water takes in our rohe, the cost of monitoring these supplies need to be clearly defined, and who will have responsibility for this.
- The people in our communities own the water assets and they should get to have the say over the future of those assets.
- The three waters infrastructure managed by councils does not sit in neat, ring-fenced locations. It is often located on a range of different land tenures, sits alongside other community infrastructure and is managed in accordance with a set of community values that are seldom driven by achieving the lowest cost. The management of this infrastructure is complex and councils have been doing it for a long time. It is unrealistic to expect that it can be passed over to a new entity held at arm's length from the community that owns the assets.
- There are two connected issues which will need resolution to effectively deliver a transitioned three waters service; synchronisation with other Government reform; and ensuring a meaningful response to climate change action is embedded in any future water services reform.
- The three waters reform should be halted immediately until the outcome of the LG and RMA reforms are known. The process is putting the cart before the horse and decisions councils have made in their LTP are making at present with regard to representation review may turn out to be poor under reform.
- Central Government needs to just get on and make it happen. Once it is mandated the community will have certainty around the government's decision and councils can get on with delivering the proposal.
- There is growing opposition to the proposed reforms in our community as well as with elected members. Their "gut" instinct is that it is wrong for our community and we are being lobbied politically to opt-out.
- Definitely need time to consult our communities. If mandatory opt in is chosen by Central Government, then that decision is made quickly to ensure transition timeframes can be met.
- Councils have placed their reputation on the line for three water projects through recent LTPs, and there needs to be assurance this projects will continue.
- Careful planning involving the LG sector will be key to a successful transition.

- Doubt this survey is useful as we are all individually working on our council analysis. Trying to get an entity B position when we are at different stages of that analysis has just added to already high workloads.
- The transfer of ownership of community assets to the new entities is causing considerable debate from a constitutional and an equity perspective. There is no way under any common understanding of the word “ownership” that communities will retain control of their assets in the proposed new structure.
- The proposed governance structure is convoluted and does not provide local communities the ability to influence their own destinies.
- Need assurance repayment of waters debt includes all debt and not just external borrowings. I.e. internal loans, deficit waters reserves. Equity - need to ensure there is equity between councils in terms of the “no worse off” payments and that councils do not restructure their debt levels or asset base to take advantage of the reform process. Affordability - affordability of three water services remains a challenge for all concerned. Whilst the WICs figures look attractive, will the assumptions behind them prove to be real? Who will be accountable to the ratepayers who own the assets currently if councils make decisions to opt in based on WICs figures in the event that these figures subsequently are found to be substantially incorrect?
- Our clear intention is to be supportive and constructive in the effort towards a viable and sustainable new three Waters management framework.
- I believe reform is needed, but the opportunity to deliver reform has now been curtailed because of the poor delivery of the business case and the lack of policy clarity on certain key questions - like what does the Minister mean by equity, who decides matters like cross subsidisation.
- Support reform but details need to be worked through to get community and iwi support.

## 9.2 Council A

Something not in the survey – is that currently we are part of a court of appeal process in relation to territorial customary rights and customary rights orders under the Marine and Coastal Areas Act. Council is taking part as an observer, providing information etc for the purposes of ensuring council assets are protected. The case impacts across council business and involves local groups and history that council is fully aware of. The risk that is live at the moment is the effect of this case on our three waters assets in the coastal marine area.