



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

**EXTRAORDINARY
COUNCIL
MEETING AGENDA**

**Tuesday 21 September 2021,
at the conclusion of the Finance,
Audit and Risk Committee meeting**

**COUNCIL CHAMBER
LIARDET STREET, NEW PLYMOUTH,
AND VIA ZOOM**

Chairperson:	Mayor Neil Holdom
Members:	Cr Tony Bedford
	Cr Sam Bennett
	Cr Gordon Brown
	Cr David Bublitz
	Cr Anneka Carlson
	Cr Murray Chong
	Cr Amanda Clinton-Gohdes
	Cr Harry Duynhoven
	Cr Richard Handley
	Cr Stacey Hitchcock
	Cr Colin Johnston
	Cr Richard Jordan
	Cr Dinnie Moeahu
	Cr Marie Pearce

Purpose of Local Government

The reports contained in this agenda address the requirements of the Local Government Act 2002 in relation to decision making. Unless otherwise stated, the recommended option outlined in each report meets the purpose of local government and:

- Promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

END

OPENING KARAKIA

Kia uruuru mai	I draw in (to my being)
Ā hauora	The reviving essence
Ā haukaha	The strengthening essence
Ā haumāia	The essence of courage
Ki runga, ki raro	Above, below
Ki roto, ki waho	Within, without
Rirerire hau paimarire	Let there be peace



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

Health and Safety Message

In the event of an emergency, please follow the instructions of Council staff.

Please exit through the main entrance.

Once you reach the footpath please turn right and walk towards Pukekura Park, congregating outside the Spark building. Please do not block the footpath for other users.

Staff will guide you to an alternative route if necessary.

If there is an earthquake – drop, cover and hold where possible. Please be mindful of the glass overhead.

Please remain where you are until further instruction is given.

APOLOGIES

None advised

ADDRESSING THE MEETING

Requests for public forum and deputations need to be made at least one day prior to the meeting. The Chairperson has authority to approve or decline public comments and deputations in line with the standing order requirements.

PUBLIC FORUM

Public Forums enable members of the public to bring matters to the attention of the committee which are not contained on the meeting agenda. The matters must relate to the meeting's terms of reference. Speakers can speak for up to 5 minutes, with no more than two speakers on behalf of one organisation.

- None advised

DEPUTATIONS

Deputations enable a person, group or organisation to speak to the meeting on matters contained on the agenda. An individual speaker can speak for up to 10 minutes. Where there are multiple speakers for one organisation, a total time limit of 15 minutes, for the entire deputation, applies.

- Greg Mackay (Three Waters Reform)

REPORTS

- 1 Feedback on the Government's Proposed Three Waters Reforms

END

FEEDBACK ON THE GOVERNMENT'S PROPOSED THREE WATERS REFORMS

MATTER

1. The matter for consideration by Council is to outline the Government's current Three Waters Reform proposal, and for Council to provide feedback to the Government on it.
2. This report does not provide an opportunity to make a decision on whether Council supports the Three Waters Reform, whether Council will opt-out of the Three Waters Reform process, nor to make any other decision on the future of water services delivered by Council. Such decisions are legally constrained at present.

RECOMMENDATION FOR CONSIDERATION

That having considered all matters raised in the report, Council:

- a) **Notes that the Government has announced further details of its Three Waters Reform proposal and the Government has asked local authorities to provide feedback on the proposals by 1 October 2021.**
- b) **Notes that a decision on whether to attempt to opt in or opt-out of the Three Waters Reform is not lawful at present due to sections 97 and 130 of the Local Government Act 2002, and therefore Council's decision-making at this point is highly constrained.**
- c) **Notes the information outlined in the report on the Government's proposed Three Waters Reform, including the identified strengths and weaknesses and the potential implications for New Plymouth District Council and the community.**
- d) **Provides the feedback attached as Appendix 1 to the Government on the proposed Three Waters Reform.**
- e) **Notes that the Government has signalled territorial authorities will need to decide whether to remove themselves from the Three Waters Reform, however, the Government has reserved the right to legislate in the national interest which could mean that Council is not given an opportunity make a decision.**

COMPLIANCE	
Significance	This matter is assessed as being of some importance at this stage. Future decisions on this issue may be assessed as being critical decisions.
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> 1. Provides feedback as attached 2. Amends the attached feedback 3. Does not provide feedback
Affected persons	The persons who are affected by or interested in this matter are all residents and ratepayers of the District, particularly (but not limited to) those who receive, or could potentially receive, drinking water, wastewater and stormwater services; and iwi and hapū are also affected by and interested in this matter.
Recommendation	This report recommends Option 1 for addressing the matter.
Long-Term Plan / Annual Plan Implications	<p>There are no immediate implications.</p> <p>However, if the Three Waters Reform programme continues then there will be a significant impact on future budgets, most likely occurring as part the Long-Term Plan 2024-2034. Potentially three significant activities will no longer be delivered by Council, with corresponding decreases to revenue, expenditure, debt, reserves and assets.</p>
Significant Policy and Plan Inconsistencies	<p>There are no immediate inconsistencies with policies and plans, but it should be noted that the legislation to enable the Reform has yet to be promulgated.</p> <p>If the Reform programme continues then a number of policies, plans and bylaws will need revocation or amendment to ensure they continue to be relevant to Council's services.</p>

EXECUTIVE SUMMARY

3. This report recommends Council provides feedback to the Government on the proposed Three Waters Reform. This feedback focuses how the proposal could be improved. Council decision-making is constrained as it is not possible to make significant decisions on the future of water services at this point in time. This feedback will be considered by the Government before it finalises its decisions on the Three Waters Reform. Council is expected to make decisions in the future as to whether or not to be included in the reforms, although the Government has reserved the right to legislate in the national interest.
 4. This report outlines:
 - a) The Government has been considering reforms following the campylobacter outbreak in Havelock North and concerns about the state of freshwater. The Government has released its proposal and is seeking feedback on it from territorial authorities
 - b) Council's decision-making is constrained, and should only focus on providing feedback on the proposal rather than trying to make a decision on the future of Council's Three Waters services
 - c) The Government has proposed to create four water service entities (WSE) to manage the Three Waters, with territorial authorities being the owner of these WSE
 - d) The Government considers the case for change has been made as it believes the cause of poor drinking water and environmental outcomes are rooted in the structure of the three water sector
 - e) Council's current performance of its Three Waters is good, but there are some issues of concern
 - f) Council potentially has the financial ability to meet enhanced regulation of its three water networks, but there will need to be high rate rises to do so
 - g) The proposed reforms enable a meeting the enhance regulation in a more affordable manner for the community because of the ability of the proposed WSE to take on more debt and achieve economies of scale
 - h) The reforms would mean Council is a smaller organisation afterwards, and there are concerns about stranded overheads
 - i) The proposal has some strong aspects, but there are areas of concerns
 - j) Officers' proposed feedback focuses on the governance and ownership aspects, as well as a number of other areas.
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BACKGROUND

5. Following the serious campylobacter outbreak in 2016 in Havelock North and the Government's Inquiry into Havelock North Drinking Water, central government has considered the issues and opportunities facing the system for regulating and managing the Three Waters (drinking water, wastewater and stormwater).
6. Similarly, Freshwater Reforms have introduced national bottom lines in terms of freshwater quality. These increased expectations have highlighted that material additional investment in Three Waters infrastructure is required across the whole of New Zealand in order to meet these bottom lines.
7. The Havelock North outbreak has already lead to significant increases to the regulation of drinking water through the establishment of Taumata Arowai and the Water Services Bill (currently before Parliament). The National Policy Statement on Freshwater Management 2020, and the Resource Management Act 1991 proposed reforms, will substantially increase the environmental regulation for all Three Waters and particularly wastewater discharges. The cost of managing water networks is likely to substantially increase to meet the mandatory regulatory requirements for better environmental performance.
8. In light of increasing regulation, the Government has considered the structural arrangements to meet this regulatory burden. The significant costs associated with the regulations may not be affordable for territorial authorities and their communities under the current structural arrangements.
9. On 30 June 2021, the Minister of Local Government, Hon Nanaia Mahuta, announced the Government's proposed reforms. On 15 July the Minister also announced a financial support package for Councils.
10. The Government has, through Local Government New Zealand, sought feedback on the proposals for Three Waters Reform from affected local authorities. This provides an opportunity for Council to outline any concerns it may have with the detail of the proposal at this stage.

WHAT IS THE PURPOSE OF THIS REPORT?

11. This report focuses on providing information to Council on the proposed Three Waters Reform, and the implications for New Plymouth District Council and the community. The report then recommends feedback for Council to provide to the Government on its proposal.
 12. The scope of decision-making for Council is highly constrained at present.
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- 13. Council cannot make decisions to opt-in, or support, the Government’s proposal. This is because of sections [97](#) and [130](#) of the Local Government Act 2002. Council is obligated to continue to provide water services and can currently only transfer them to another local government organisation. To make a decision to transfer the ownership or control of a strategic asset also requires explicit Long-Term Plan (LTP) decisions.¹ As such, Council does not have the legal powers to opt-in to the proposal, or to explicitly support it.
 - 14. Similarly, Council is not in a position to opt-out of the proposal. The Government has signalled that any opt-in/opt-out decision would be guided by bespoke legislation. Making such a decision now, or trying to, would be pre-determining the outcome of such a bespoke decision-making process and subject Council to a judicial review risk.
 - 15. These obligations are very tight. Attempting to make decisions places Council at considerable legal risk and potentially undermines any future decision-making opportunities Council may have.
 - 16. At this stage, the Government has only asked territorial authorities to provide feedback on the Three Waters Reform proposal. It is important that Council does not seek to make decisions on the future of services at this point in time. This does not limit Elected Members from having an opinion, nor does it prejudice any future decision making processes.

THE GOVERNMENT HAS PROPOSED A MAJOR REFORM

- 17. The focus of the Government has been on how to ensure safe drinking water, improve the environmental performance and transparency of wastewater and stormwater network, while also dealing with funding and affordability challenges (particularly for communities with small rating bases or high-growth areas that have reached their prudential borrowing limits).
- 18. There are a wide range of papers, analysis and other materials available from Government. In combination, these sources of information provide collectively establish the Government’s case for change. Links to these documents are included at the end of this report. This section is a summary collated from these documents by Officers. This should not be construed as Officer advice.

What has the Government proposed?

- 19. The Government has proposed a substantial reform of what is known as the Three Waters services.

¹ Council’s [Significance and Engagement Policy](#) lists the following as some of its strategic assets: Stormwater Network, Drainage, Flood Protection and Control Works; Water Supply Network and Treatment; and Wastewater Network and Treatment.

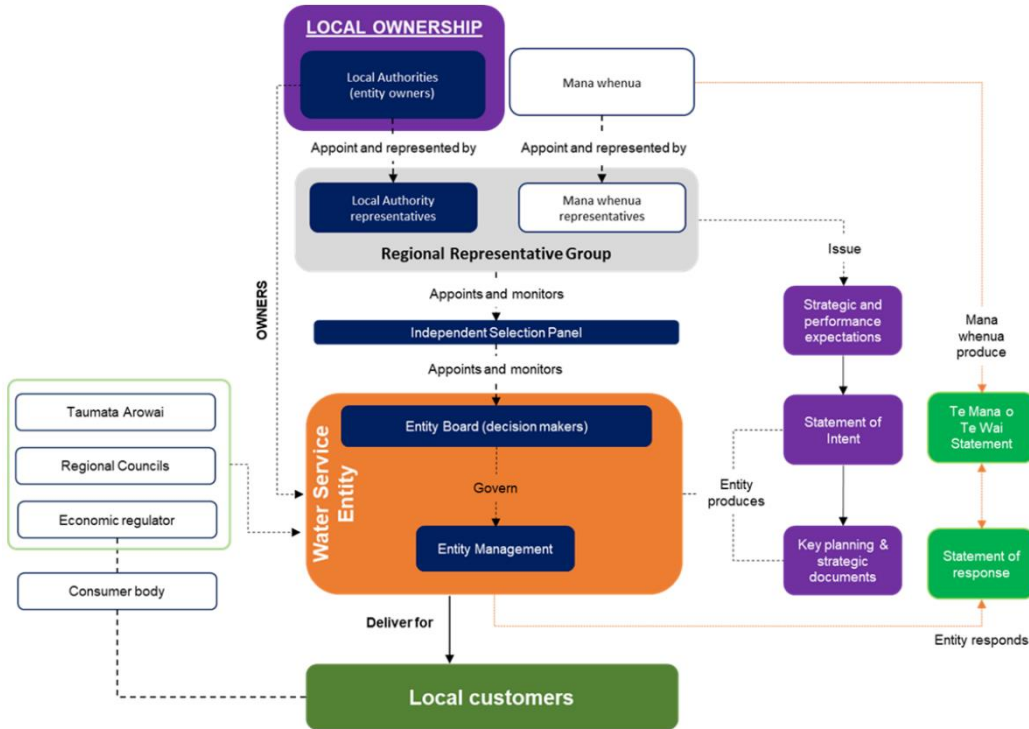
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20. The Government has proposed that territorial authorities will no longer be responsible for the delivery of drinking water, wastewater or stormwater services. Instead, these services will be run by specialist water entities. These entities will own and operate the water assets.
21. The Government has proposed four new WSE. The map to the right shows the proposed entity boundaries. New Plymouth District and the rest of Taranaki are in Entity B, which also includes the Bay of Plenty and Waikato regions, as well as Whanganui, Rangitikei and Ruapehu Districts (part of the Manawatu-Whanganui region).
22. While these WSE will be owned by the local authorities within each respective area, the ownership is effectively a trustee status on behalf of communities. The WSE will be prohibited from paying dividends.
23. There will be structural and balance sheet separation between local authorities and the WSE. The WSE will be able to raise debt on their own, and will have their own funding tools.
24. The proposed governance model has the relevant local authorities appointing half of a 'regional representative group' through a voting method, with the other half appointed by iwi; and the total number of the group capped at 12 members. That group then appoints a much smaller 'independent selection body' (ISP), which in turn appoints the board of the WSE. The board governs the WSE's management.
25. The regional representative group issues a 'strategic and performance expectations' document. Mana whenua will issue 'Te Mana o Te Wai' statements, with the WSE having to issue a response. The Government will issue a 'Government Policy Statement' for the WSE to consider. These three documents provide the external strategic framework for the new WSE.
26. Each WSE will produce an annual Statement of Intent, an Asset Management Plan outlining investment priorities, and a Funding and Pricing Plan.



27. The WSE will be subject to three different regulators:

- a) Taumata Arowai to regulate drinking water quality and infrastructure performance of wastewater and stormwater services. Taumata Arowai will receive its regulatory powers from the Water Services Bill currently before Parliament. This includes being able to prosecute with both civil and criminal offences (with imprisonment for some offences).
- b) Regional Councils for environmental regulation. Regional Councils receive their powers under the Resource Management Act 1991 (RMA). The National Policy Statement on Freshwater Management 2020 places an obligation on Regional Councils to increase their environmental regulation for freshwater quality. The RMA reforms are likely to obligate Regional Councils to regulate to a higher level of environmental performance through the proposed environmental bottom line approach.
- c) An economic regulator is to be confirmed, potentially Commerce Commission. The economic regulator will be established in a later round of reform and will protect consumer interests, set price pathways, and act as a driver of efficiency.

28. The following diagram, from the Department of Internal Affairs, provides a high-level overview of these arrangements.



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29. The Government is also proposing a range of Crown powers. These include the previously mentioned Government Policy Statement. The proposal also includes a Crown intervention framework, starting with Ministerial directions on performance through to the appointment of a Crown Monitor.
 30. The proposal includes protections against privatisation. These include a super majority (75 per cent) requirement for the Regional Representative Group, and a referendum of the WSE's area with a 75 per cent majority required. The prohibition of dividend payments and the governance structure also discourages privatisation.
 31. The transitional arrangements to move to these new WSE is not detailed. However, the proposal does set out the intention that local authorities will transfer Three Waters assets, relevant reserves, debt and revenue to the new WSE. Three Waters staff will also have their employment transferred and a commitment has been given to protect the terms and conditions of any transferring employees. However, executive and indirect support staff do not have the same assurances. There may be a transitional period where territorial authorities provide some services to the new WSE, such as billing, payroll etc., until the WSE are able to undertake these roles themselves.
 32. The Government has also included three different funding allocations to territorial authorities. These are:
 - a) A 'no worse off' pool of \$500m to support territorial authorities to meet unavoidable stranded overheads and to address adverse impacts on the financial sustainability of some territorial authorities.
 - b) A 'better off' pool of \$2b to be used for "local wellbeing outcomes associated with climate change and resilience, housing and local placemaking". Half of this pool is a payment from the Government, while the other half is placed as debt onto the balance sheets of the new WSE.
 - c) A transitional funding pool of \$296m to establish the new WSE, including meeting territorial authority costs.

Why has the Government proposed this?

33. This section summarises the Government's case for change. Again, this is not the advice of Officers.
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34. The Government's case starts with the observation that overall New Zealand has poorly performing water assets. Twenty per cent of New Zealanders do not have water that is demonstrably safe from bacterial contamination. Depreciation is systematically underfunded, creating a large backlog of renewals. Asset performance is generally unmeasured, and appears too low when compared to international comparisons. Environmental outcomes are low, particularly from the wastewater networks but stormwater issues are increasing as well. There is a lack of resilience, particularly in light of climate change, and there are poor outcomes for iwi and Māori given that water is a taonga.
 35. The Government's case believes the root cause of these issues is the way the system is currently designed. The current system has limited opportunities to achieve benefits from scale, as most water suppliers serve less than 100,000 people while international evidence is that 600,000 to 800,000 is required to achieve material operating efficiencies. The cost of upgrades is high, but there are misaligned incentives as local authorities operate in a political environment (with consideration given to other community interests) where finance is constrained. There has been a lack of effective oversight of the Three Waters, with numerous government agencies and regional councils providing some form of regulation but also with considerable gaps.
 36. The Government has considered whether changing the regulatory environment alone would help. This would include stronger requirements to manage drinking water safely, stronger compliance, new national standards for wastewater discharges, and other new obligations. This would increase pressure on local authorities to raise investment. However, doing so would require local authorities to make difficult decisions though large rate rises, higher levels of borrowing and decreasing other levels of service. Councils and communities may not have the funding or capacity to address these challenges.
 37. The Government considers the case for change has been made and that a transformational change is required, rather than piecemeal solutions. As such, the Government has proposed a model that aggregates water service delivery into four new WSE that have objectives solely around water issues.

WHAT DOES THIS MEAN FOR NEW PLYMOUTH DISTRICT?

38. Council currently provides water, wastewater and stormwater services to the majority of the District urban areas. The main urban communities all have similar access to these water services, but smaller communities have varied access.
 39. Council also provides some rural areas with water services usually via a restricted flow (with a set amount available per day). There are also rural stormwater services that are roading assets, and some communities along state highways may have stormwater services provided by Waka Kotahi/New Zealand Transport Agency.
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40. In total, 84 per cent of the community receives water from Council, and 76 per cent receives wastewater services.
41. Council currently has \$0.8 billion in assets in the Three Waters, being 25 per cent of total assets.

Asset summary	
Stormwater Management	312km of stormwater pipes 1 pump station
Water Supply	4 water treatment plants 794km of pipes 30,000 connections
Wastewater	27,000 connections 690km of sewers 33 pump stations 1 wastewater treatment plant

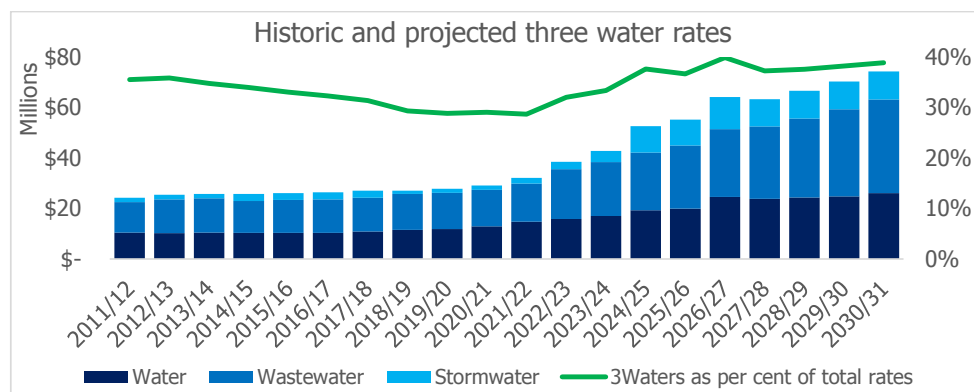
42. While they are budgeted and reported on separately, the Three Waters operations are combined into a single team (along with the management of the Flood Protection and Control Schemes service). There are 66 full-time equivalent staff members *directly* employed within Three Waters. The Three Waters operations also receive support from other Council business units, with Three Waters contributing approximately one-quarter of overhead funding.
43. Council's compliance with various standards is generally good:
- Council has a strong track record of consistently being compliant with the New Zealand drinking water standards.
 - Wastewater's main issue is with its environmental performance within its sewage pipe network. Over the last six financial years, Council has averaged 0.8 dry weather overflows of sewerage per 1000 connections, and 1.8 enforcement actions for its operation of wastewater (ranging from abatement notices through to prosecution). The most serious environmental issue has been the release of 1.5 million litres of sewage into the Mangati Stream in Bell Block, for which Council was prosecuted. Over the past five years, Council has issued an average of 16 'do not swim' notices per annum on rivers or beaches as a result of wastewater network issues and there is a permanent 'do not gather shellfish' notice at the Waiwhakaiho River mouth area and Bell Block Beach from the Wastewater Treatment Plant outfall. Council is also addressing environmental health issues in Urenui or Onaero through reticulating wastewater and building a wastewater treatment plant. The New Plymouth Wastewater Treatment Plant has an overall high environmental performance, but does require investment to address ongoing population growth.
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- c) Council’s provision of stormwater is in line with expected levels of service with the notable exception of Waitara (and some other smaller areas). Council is investing \$20m in the LTP 2021-2031, including earmarking a further \$100m in the 2031-2051 period, for improving stormwater management in Waitara. Council is also investing a further \$10m in stormwater catchment management plans which are likely to better highlight other areas with below expected levels of service. Council received six abatement notices in 2019/20 for stormwater, relating to culverts that hinder fish passages (all but one of these were resolved by 30 June 2021).

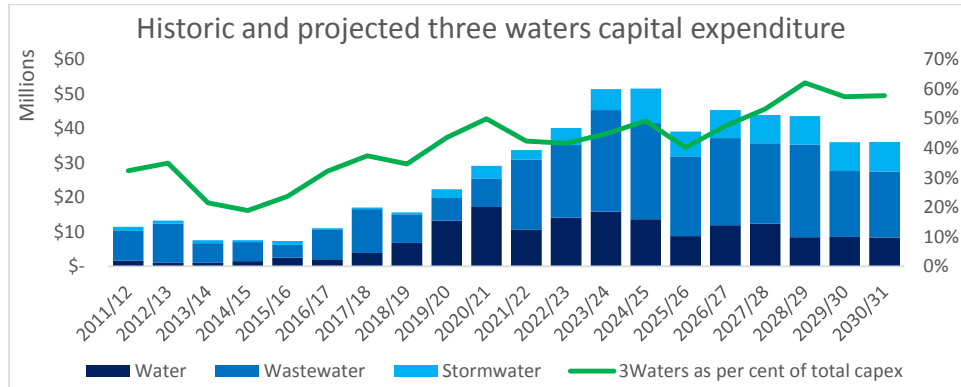
Council has been increasing its performance through recent LTPs

- 44. Council has been increasing investment and levels of service in the Three Waters through the LTPs 2018-2028 and 2021-2031. The graphs below show the historic investment in the Three Waters in rates and capital expenditure.

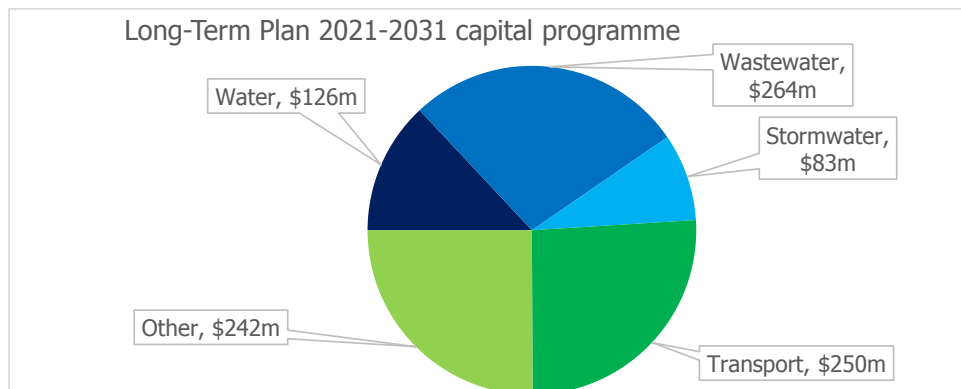
- a) From 2011/12 until recently rates invested into these services have been flat, and thereby falling as a percentage of total rates. The LTP 2021-2031 plans to increase rates spent on Three Waters as a percentage of total rates back to where it previously was. It should be noted that Water and Wastewater are targeted rates, while Stormwater is one of a number of activities funded by general rates.



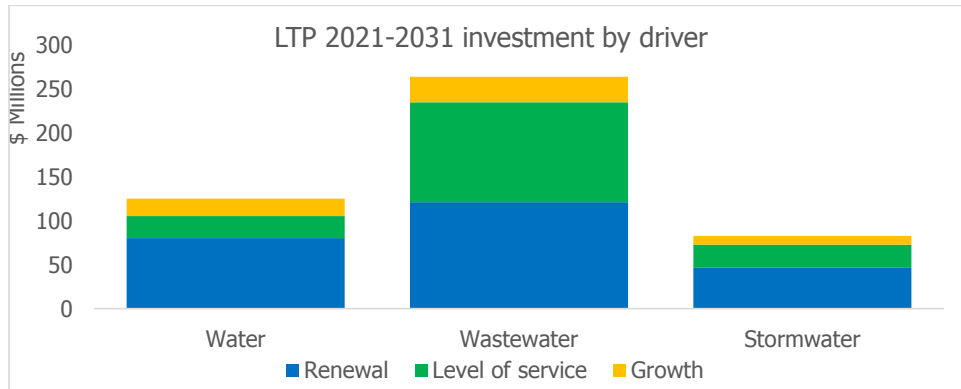
- b) Similarly, investment in capital expenditure has been low, but began an uplift in LTP 2018-2028 and continues. The peak of capital expenditure in the LTP 2021-2031 is almost seven times higher than in 2015/16.



45. Almost half of all capital expenditure in the LTP 2021-2031 is in the Three Waters activities. Wastewater is the single biggest expenditure (\$264m), with investment in the Thermal Dryer replacement (Crown funded), Urenui and Onaero sewage scheme, as well as a large renewal programme. Investment in Water (\$126m) includes water meters, supplementary water sources for resilience, other resilience investment and address the renewal backlog. Stormwater (\$83m) contains investment in renewals, with a significant programme of investment to improve stormwater management in Waitara.

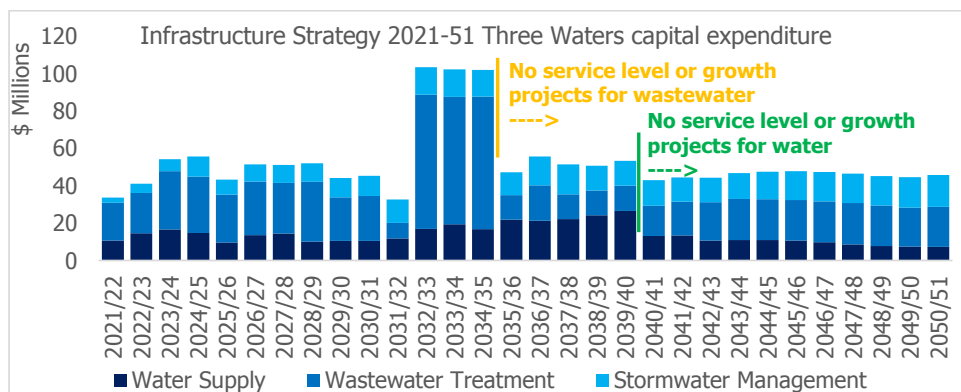


46. Over half of the investment in the LTP 2021-2031 in these activities is in the renewal of existing assets. A significant proportion of this is addressing a significant backlog of renewals that have not been funded or undertaken since about 2012.



47. While the LTP 2021-2031 increases investment into Three Waters, it does not do so to a level that will mean Council is fully compliant with environmental standards by the end of the ten years, or by the end of the Infrastructure Strategy 2021-2051.

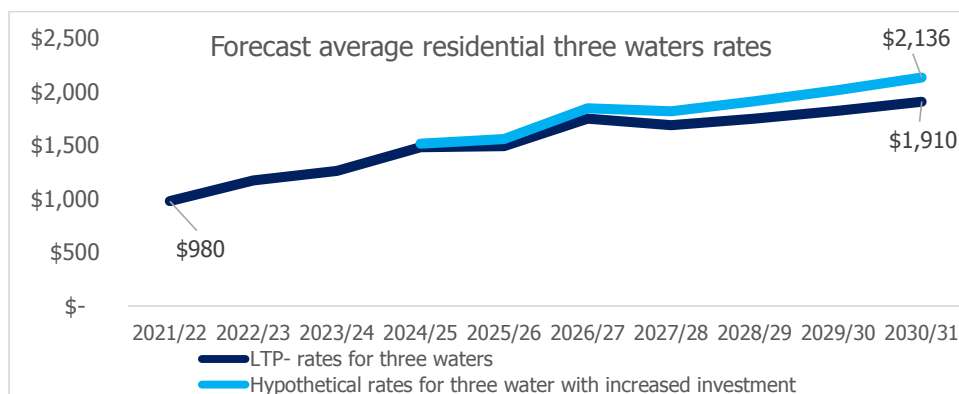
48. The below graph shows the forecast expenditure on Three Water services in the Infrastructure Strategy 2021-2051. In total, the Infrastructure Strategy outlines \$472m invested into these services across 30 years. However, service level and growth improvements for Wastewater are only planned to 2034/35 (i.e. less than half of the 30 year period), while service level and growth improvements for Water are only planned to 2039/40. After those points, the only expenditure shown is in the renewal of existing assets. This is not likely to be realistic. As such, the \$472m figure is likely to be an under-statement of the true costs required over the next 30 years before factoring in the cost of meeting new environmental regulations.



What is the impact of Council meeting new environmental standards?

49. Meeting new environmental and infrastructure performance regulations will increase costs considerably. Over time, Council will be less able to avoid these costs without prosecution. This will require investment over and above that already planned, and it is unlikely to be able to defer expenditure already planned (particularly for growth and renewals). Officers have not quantified the total amount of additional investment required. However, more than \$100m will be required for investment in wastewater pump station upgrades alone to prevent overflows.
50. Council's financial position is uniquely strong, but meeting these regulations will still be difficult. The Perpetual Investment Fund (the PIF) provides a significant financial asset that allows Council to borrow significantly more than other territorial authorities before reaching its debt-to-income limits. It is likely that Council would be able to borrow sufficient funds to achieve the environmental performance required by regulation, unlike some other territorial authorities. However, the additional borrowing required to achieve this would invariably require an ongoing programme of high rate increases in order to repay debt over time. Councillors could be required to make ongoing difficult decisions to invest in order to comply, whilst facing a community seeking lower rates.
51. The Government commissioned the Water Industry Commission for Scotland (WICS) to model what costs each territorial authority would charge for the Three Waters by 2051. That analysis shows Council would charge \$3,460, with a range of between \$2,759 to \$6,792, per household per annum in 2051. This implies an annual average increase of between 3.5 and 6.5 per cent per annum on water charges (the WICS analysis does not consider other Council services and their cost pressures).
52. The WICS model does not, however, factor in the beneficial impact of the PIF. Council has significantly more headroom than most other territorial authorities before having to raise income (i.e. rates) simply to meet debt-to-income ratios. It should be noted that rating agencies focus on net debt rather than gross debt, but the WICS model only factored in gross debt.

53. This forecast time period is well beyond that of the realistic planning framework of Council, and has investment considerably above current levels. This means it is difficult for Officers to provide a realistic alternative estimate to that of WICS. Using Government's estimate of the national investment required, the following graph shows the impact of a high-level forecast of the potential costs of Council meeting these new regulations starting next LTP compared to current projections through to 2030/31.² While the WICS model has flaws, the graph shows that the current and hypothetical trajectories still end up in a similar range of cost as to the WICS model.

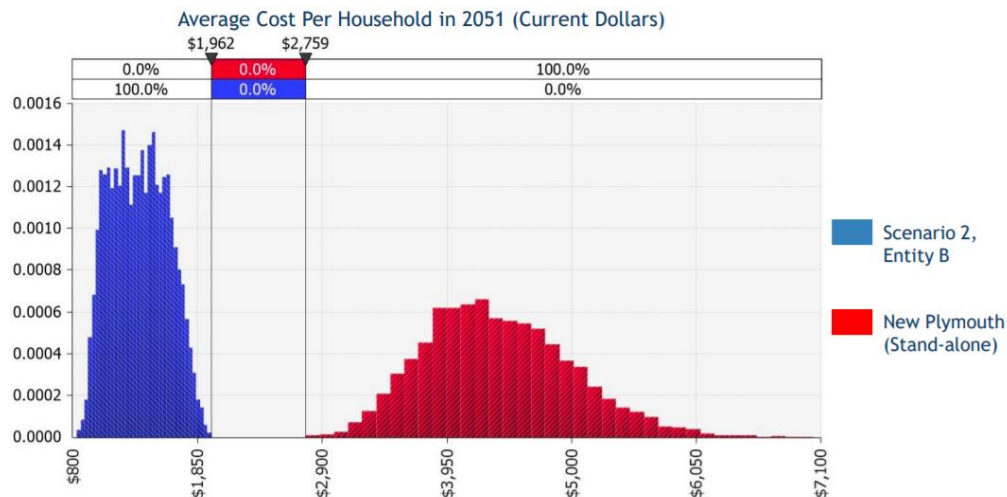


Community's position under the reform

54. The proposal is aimed at increasing environmental performance to meet regulations. The proposed design of the WSE, and their regulatory environment, should mean that the water service entities will invest in doing so. As such, it is reasonable to assume that the WSE will improve the environment performance of the networks currently operated by Council. This means the environmental outcomes seen in the community should be improved, and have less negative outcomes (such as do not swim notices on beaches).
55. These regulations are expected to be met without the significant increase in cost that would occur if Council undertook to do so. The WICS analysis estimates a range of cost scenarios for households in the Entity B area in 2051 of \$1,200, with a range of between \$775 and \$1,962, per household per annum. Even a worse-case financial scenario for Entity B still provides significant savings compared to the best-case financial scenario for Council delivering the services. For New Plymouth District, this is an annual average household cost change of between -0.6 (i.e. a decrease) and 2.4 per cent.

² This is based on adding a further \$26m in capital expenditure per annum from 2024/25 onwards. The \$26m has been calculated based on Council's pro rata share of the additional investment the Department of Internal Affairs' has forecast as the conservative additional investment required to meet regulations.

56. The below graph shows [WICS's analysis](#) of the 2051 cost estimates for New Plymouth. Council delivery is in red, while Entity B is in blue. The graph shows the probability (based on a Monte Carlo simulation³) of charges.



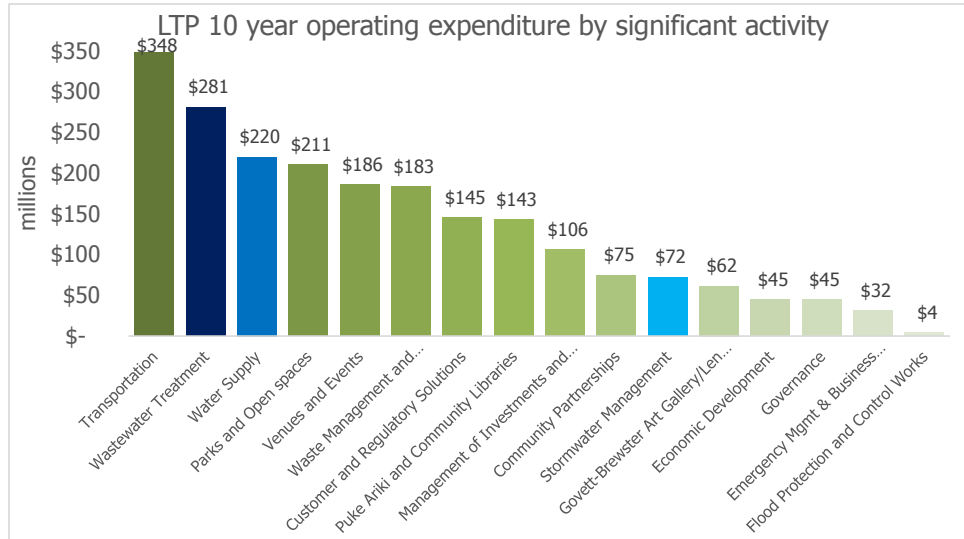
57. The 2051 average household cost under Entity B is likely to be below the average household cost delivered by Council in 2031, even if Council does not increase its investment to meet regulations.
58. WICS has also undertaken some alternative scenario testing but these still produce results lower than Council undertaking that delivery. Reducing 30-year efficiency gains from 45 per cent to just 10 per cent results in a very small overlap of the probability curves (at \$2,816 per household per annum in 2051), but this has a very low likelihood. Halving the investment by Council, but not Entity B, still produces a gap of \$84 from the highest possible Entity B cost to the lowest possible Council cost per household per annum in 2051.
59. While these modelled costs (both for WSE and territorial authorities) rely on numerous assumptions, they demonstrate a range of likely future scenarios. Officers have not sought to undertake a detailed assessment of the modelling as to whether it is fit for purpose or not, although they are aware of some issues within the model (such as the implications of the PIF noted above).

³ Monte Carlo methods, or Monte Carlo experiments, are a broad class of computational algorithms that rely on repeated random sampling to obtain numerical results.

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60. Ultimately, the ability of the WSE to raise more debt, achieve economies of scale, specialisation, and spread costs over a larger population means a higher investment can be made with lower household costs than territorial authorities can achieve. This enables the WSE to meet the costs of new environmental regulation in a more affordable manner than if territorial authorities were to do so. In this regard, the detail of the modelling is largely moot.
 61. As such, for the community it means better environmental performance without the significant cost implications that Council would face achieving that performance.
 62. In terms of economic factors, the Department of Internal Affairs estimates are for the reforms to lead to a 4.0 to 6.3 per cent increase in gross domestic product (GDP) and a 0.3 to 0.5 per cent increase in employment. However, it should be noted that there may be fewer highly skilled jobs if the head office and planning functions are undertaken outside the region.
 63. The clear negative impact on the community is a loss of control. The community can currently exercise its control over water assets through local elections and involvement in consultation processes (particularly the LTP consultation). However, community involvement in the new WSE appears to be very limited.
 64. It is unclear whether iwi and hapū would have a similar issue as the rest of the community. Iwi and hapū are involved in the regional representative group, but that is still several layers before the board is appointed and local iwi and hapū might be outweighed by other iwi and hapū around Entity B. Currently, for this Council, iwi and hapū are involved in water services through He Puna Wai and Te Huinga Taumatua, but neither of these are permanent and key matters (such as the LTP and bylaws) can only be adopted by the full Council.

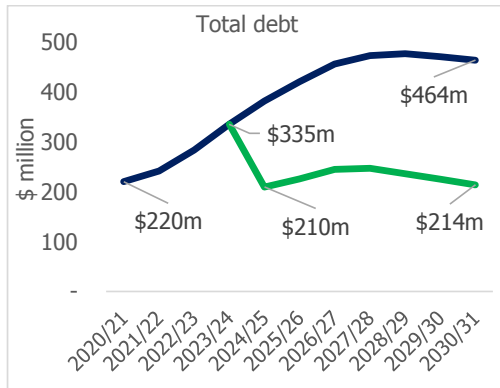
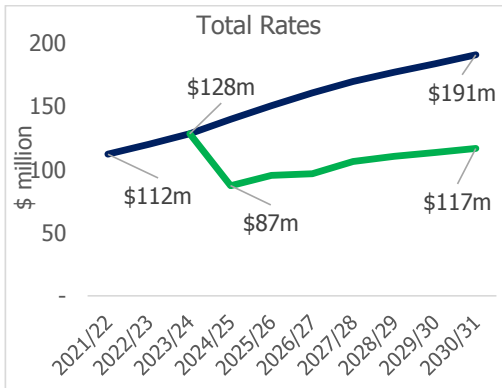
What would Council look like after the Reforms?

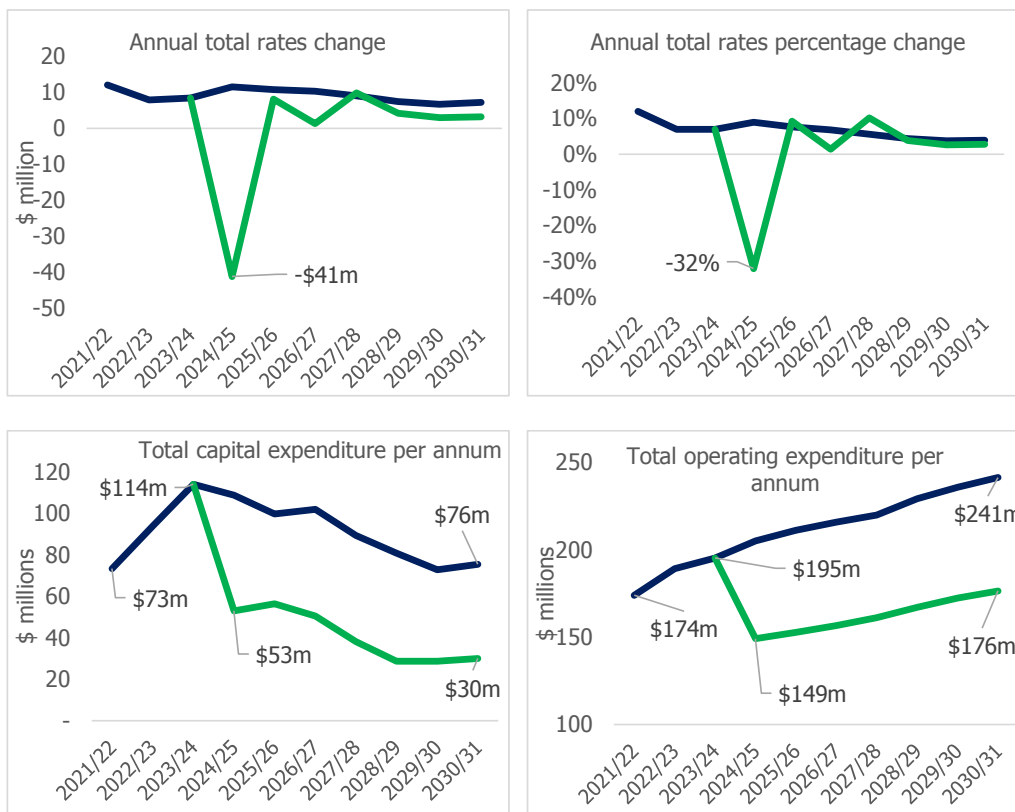
65. For Council, the proposed reforms would mean the loss of three significant activities, including two of the largest (from a financial perspective) being water and wastewater. Council will continue to deliver a wide range of infrastructure, cultural, environmental, economic, community and regulatory services.
-



66. The below graphs outline the implications of losing the water activities on the 2021-2031 LTP's key financial measures. Note that these graphs do not take into account a full analysis of stranded overheads, and that Council will likely seek to smooth out the impacts as part of the LTP 2024-2034 process.

Key
— LTP as planned
— LTP with 3 Water Transferred

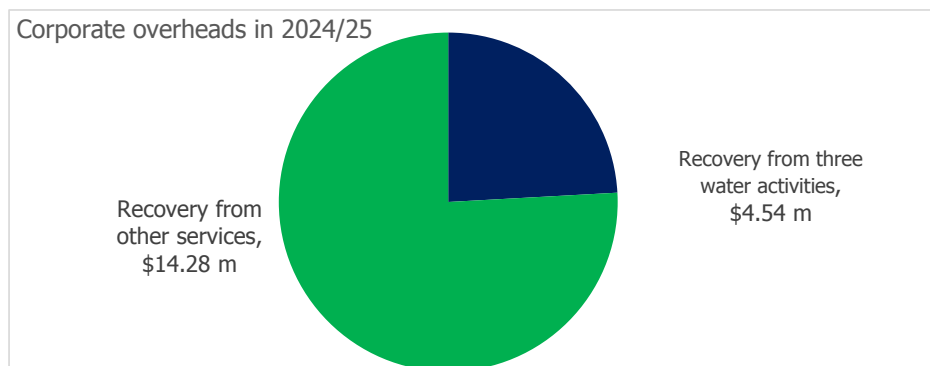




67. As noted during the consideration of the Revenue and Financing Policy for the LTP 2021-2031, Council's current approach to rating will likely have to change as a result of the Three Waters Reform. At a minimum, Council will need to reduce the Uniform Annual General Charge to avoid being in breach of section 21 of the Local Government (Rating) Act 2002.⁴ However, the decrease in rates provides an opportunity to substantively re-align how rates are charged without causing significant impacts for some ratepayers.
68. Council will need to review its regulatory approaches. Three Water services are regulated through the District Plan and two Bylaws.⁵ There are other plans and policies that may rely upon Council being responsible for these water services.
69. Each significant activity also provides funding for overheads. The following graph outlines Council overheads in year four of the LTP (i.e. the proposed first year of the new WSE). One quarter of corporate overheads are recovered from one of the Three Waters services.

⁴ Section 21 provides that uniform flat rates (other than water and wastewater flat rates) cannot exceed 30 per cent of total rates. Council has three uniform flat rates, the Uniform Annual General Charge, the Uniform Annual Roading Charge and the Kerbside Collection Targeted Rate.

⁵ These are NPDC Bylaw 2008: Part 14 Water, Wastewater and Stormwater Services, and NPDC Bylaw 2008: Part 11 Trade Waste.



70. Council will need to consider whether the mixed overheads will be unavoidable or would drop as a result of proposal. For instance, while there will be lower rates to collect there will not be fewer ratepayers to collect those rates from, so the costs of collecting rates will not drop. Therefore, the water services share of paying for rates collection will need to be met by other Council services.
71. The Government's Future For Local Government Review is undertaking an investigation into the future arrangements for local governance. This includes assessing the roles, functions, representation, governance, funding and financing of local government. This Review may result in additional responsibilities and functions being placed onto local government. However, the timeframes for the Review are later than those for the Three Waters Reform. The final report of the Review is due by April 2023, and it may not be possible that a comprehensive transfer of responsibility could occur by 1 July 2024. As such, it is possible that there may be a period of decreased responsibility followed by new functions. This could cause ongoing disruption for Council planning.

ASSESSMENT OF THE PROPOSAL

72. Officers have undertaken a PESTLE (political, economic, social, technology, legal and environmental) analysis of the proposal. The full analysis is attached as appendix two.

Political

73. The proposal results in a more stable and effective governance system. There will be competency-based governors that are not subject to electoral cycles. However, the ability for the community, including iwi, to be involved is significantly limited. Overall, the governance structure appears convoluted, and there are too many different organisations issuing expectations.

Economic

74. The proposal creates better economic outcomes, with increased job creation and economic growth. Urban development is expected to continue to be well-supported. Lower household costs are a key advantage as well. However, there are potential economic downsides, including the impact on the rest of Council's organisation. There is also no assurance that social procurement will continue to be used. At this stage, the proposal is silent on how it will impact on the construction sector which will be a key ongoing supporting sector.

Social

75. There are some social well-being improvements, particularly in regards to the proportion of the community with access to safe drinking water. The well-being of three water workers is also expected to improve. The social area that may decrease is around local job availability, particularly if head office, technical and planning functions are relocated outside of the region.

Technology

76. The ability for the new WSE to acquire water function specific technology, rather than having enterprise technology that addresses a broad range of functions, means that the technology will likely be more effective and appropriate for water functions.

Legal

77. Council has for many years been compliant with Drinking Water Standards and it would be expected this will be maintained regardless of reform or not. However, the proposal may leave Council's flood protection assets stranded without proper management (as management is undertaken by Council's stormwater team), leading to legal and level of service issues. There are a wide range of unknowns in the proposal, meaning Council is uncertain of some potential legal issues.

Environmental

78. The new WSE are being established as a response to increasing environmental regulations and the affordability challenge that brings. While Council has generally good performance, there are areas where the new WSE is expected to deliver better environmental outcomes for the district.
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COUNCIL HAS AN OPPORTUNITY TO PROVIDE FEEDBACK

79. Council has until 1 October 2021 to provide feedback to the Government. The following section outlines key strengths and weaknesses of the reforms. These strengths and weaknesses have been developed by Officers and through an workshop with elected members (with an invitation extending to Te Huinga Taumatua iwi representatives, and iwi chairs and Chief Executives).
80. As noted above, Council decision-making is highly constrained in giving this feedback. This is not an opportunity to agree to, or opt-out of, the Reforms.

Does Taranaki prefer to be in Entity B or Entity C?

81. The Taranaki region has been placed into Entity B – which includes the Waikato region, Bay of Plenty region and the Whanganui, Rangitikei and Ruapehu districts. However, the Government has sought particular comment on whether Taranaki (the three districts) should be in Entity B or change to Entity C.⁶
82. If the three districts comprising Taranaki shift to Entity C then it is likely that the population in Entity B would not be sufficient to achieve economies of scale. As such, Officers expect that there would need to be a very strong case for change.
83. WICS have undertaken financial modelling for the likely 2051 average household water costs for New Plymouth District households on whether to be in Entity B or Entity C. Entity B has a lower average and lower upper limit cost than Entity C. However, there is considerable overlap so the case on a purely cost-based assessment is not strong.
84. The challenges facing Entity B and Entity C appear to differ. Entity B has a faster growing population, meaning its predominate challenges are around growth infrastructure. Entity C, on the other hand, encompasses a number of cities with significant renewal or asset replacement issues including Wellington City (pipe renewals) and Palmerston North (wastewater treatment plant). While this Council has a renewal issue at present, in the longer-term the challenges around water supply are growth-related. As such, Entity B appears to provides a more natural strategic fit.

⁶ There are also questions as to the placement of Whanganui, Rangitikei and Ruapehu districts should be Entity B or C, whether the Coromandel area should be in Entity A or B, and whether the most appropriate placement for the top of the South Island is Entity C or D.

85. Other Entity B areas have a similar climate change projection as Taranaki. The Waikato is expected to have similar changes to rainfall patterns, for instance, as Taranaki. However, Entity C encompasses the eastern coast of the North Island which is expected to have decreased winter rainfall. Again, the placement of Taranaki in Entity B is a more logical fit for future thinking as there will be similar challenges in addressing changed climatic conditions (particularly in relation to stormwater and drinking water supply).
86. The main advantage of shifting to Entity C is that a number of Taranaki iwi also have rohe in Entity C around Wellington and/or the upper South Island. These links could enable local iwi to have a stronger voice in the new Entity. However, both WSE include a large number of other iwi that may limit local iwi voices.
87. While Council cannot speak for either South Taranaki District Council or Stratford District Council, it is recommended that Council's feedback does not object to the placement of the New Plymouth District in Entity B.

Ownership, governance and strategy

88. The main aspect of the feedback focuses on the ownership, governance and strategic settings for the new WSE.
89. These three aspects combine in current proposal to create an overly complicated environment in which the WSE have to operate. Effectively, this arises from a tension between keeping local ownership and creating balance sheet separation. An ownership model that created direct control would not provide the balance sheet separation sought, meaning the WSE could not borrow as much as being proposed to lower the costs of investment.
90. Another significant impact on the ownership, governance and strategy model is the desire for multiple parties to have some form of input into decision-making. The Government wishes to have a significantly stronger voice for itself through issuing a Government Policy Statement and ministerial ability to direct certain outcomes. The Government has also set a bottom line of 50/50 mana whenua involvement in the governance model, and better reflecting Te Mana o Te Wai. There are also three different regulators with different regulatory ambitions to control the WSE. And finally, there are also the expectations set by the Regional Representative Group.
91. The ownership, governance and strategy model places multiple competing pressures on the new WSE. This could introduce significant compliance costs that would erode the forecast efficiency savings that the proposal seek to deliver. It also creates uncertainty and instability for the new WSE.
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92. It is unclear what alternative governance models have been considered by Government and why the proposed model was the preferred option. Alternative models could include (for example) a co-operative ownership by the customers of each of the new WSE, with a governance system more like that of Fonterra. Connected properties to water or wastewater networks could have a shareholding attached to their property. The cooperative members would elect shareholder representatives on the Regional Representative Group, with candidates for election recommended by territorial authorities. That Group can then directly appoint the WSE board without a further sub-group.
93. The feedback also recommends a considerable simplification of the external strategic pressures on the new WSE. There is no need for Government to have such direct controls when it sets the legislative and regulatory environment. Territorial authorities would have little knowledge of Three Waters governance and management after reforms, so are unlikely to offer significant value in contributing to the external strategic environment for the WSE.
94. In short, this part of the proposal is overly complicated and should be simplified.

Stormwater services

95. The inclusion of stormwater services is of concern to Officers. Water and wastewater services are closed systems with clear delineation of their scope. Stormwater, however, interacts with the roading and parks. Different territorial authorities classify these assets differently between the three services. Further, the movement of stormwater across these assets means separating stormwater into the new WSE risks creating worse outcomes for stormwater, roads or parks.
96. The feedback recommends the Government not proceed with transferring stormwater into the new WSE, and instead stormwater remains with territorial authorities. However, if the Government wishes to proceed, then the Government will need to standardise asset classification and territorial authorities and the entities will need develop management agreements.
97. This Council is one of the few territorial authorities that also has flood protection and control works, with most such activities sitting with regional councils. For Council these include three dams, eight detention bunds, three diversion tunnels and a weir. At present Council's stormwater team manages these assets. The feedback recommends that the Government include a fast-track process to transfer these assets, and the responsibility for them, to the Taranaki Regional Council.

Other feedback

98. The proposed feedback is attached as Appendix 1. The below table summarises other feedback recommended.
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Issue	Summary of feedback point
Engagement with iwi and hapū	<p>Council recommends that greater consideration be given to ensuring iwi and hapū are involved in decisions within their rohe.</p> <p>Council supports WSE funding iwi and hapū capacity, but there should be processes (including appeals) to set the funding amount to ensure it is sufficient.</p> <p>Council is concerned that enabling groups to self-identify as mana whenua and issue Te Mana o Te Wai statements places the WSE into the place of trying to determine mana whenua status.</p>
Strategic projects	Council has identified a number of strategic projects in recent long-term plans to improve service levels, and should have assurance these will continue in the future.
Resource Management reforms	Council is concerned that separating out water delivery from resource management planning may result in making urban growth planning more difficult, and recommends linking the Three Waters Reform with the RMA reforms.
Protections against privatisation	Council supports the protections, and recommends further protections be embedded, and also clarity of a potential regulatory 'black hole'.
Workforce	<p>Council is supportive of the assurances given to water staff, but notes that the transition may create retention issues and developing a multi-employer collective agreement across each Entity's territorial authority now may reduce these issues.</p> <p>Council is concerned that the uplift required in the three water workforce is not realistic without a plan, and so recommends Government invest in WITT to transition oil and gas workers and then develop a skills pipeline.</p>
Construction Accord and Social Procurement	Council considers that there is an opportunity to embed best practice in the construction sector within the new WSE as they will be some of the largest construction clients in the country upon their establishment.

Issue	Summary of feedback point
Asset transfer provisions	Council notes that asset transfer will be complicated, and recommends fast-track subdivision and other processes, as well as free asset transfer back-and-forward between WSE and territorial authorities.
Overheads and the no worse off package	Council is concerned that the allocation of the no worse off package is insufficient as it does not factor in dis-economies of scope. Council also recommends aligning the Three Waters Reform with the Future for Local Government Review.
Better off package	Council is supportive of this package, however Council considers it inappropriate that half of this funding be placed onto the WSE balance sheets.
Community debt	Council notes that the reforms are premised on the ability of the WSE to raise more debt, and that it frees up territorial authorities to use debt towards other matters. Council is concerned that this places more debt onto the community, and that it will mean a significant increase in rates and water charges should interest rates rise significantly. Council recommends that WSE have policies to remit and postpone charges to protect vulnerable households.
Bylaw making powers	Council recommends that the entities have bylaw-making powers, and that current Three Waters bylaws not be subject to the standard automatic review and revocation processes.

CLIMATE CHANGE IMPACT AND CONSIDERATIONS

99. Council's Three Waters activities all have significant climate change considerations as part of their future planning. These include factoring in:
- a) coastal hazard risks for stormwater pipes and outfalls, and wastewater pipes and pump stations,
 - b) increased rainfall risks for stormwater management, as well as flooding risk for wastewater pipes and pump stations, and
 - c) drought risks for water supply.
100. Council's Three Waters services also contribute to greenhouse gas emissions.

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101. The WICS model sees increased investment in three water activities in both their territorial authority models or WSE models. However, WICS has stated that they have not factored in the potential cost implications of mitigating or adapting to climate change into their models. Their advice is that the lower costs achieved through the proposal would provide additional headroom to achieve investments for mitigating and adapting to climate change.

NEXT STEPS

102. If agreed to, Officers will send Council's feedback to the Government. The Government will consider the feedback it receives, and then make decisions. The timeframe for final decisions on any feedback received is unknown.
103. The Government has previously signalled that Councils will be given an 'opt-out' decision at some point in time. This decision will be done under bespoke legislation to avoid potential legal issues, and to simplify consultation requirements. However, the Government has also reserved the right to legislate in the best interests of the country, and therefore may determine that all water services are to be delivered by these new WSE with no opt-out process.
104. Should the reforms proceed then the Government has indicated that Council will receive \$31,586,541 as part of the 'better-off' funding package. The utilisation of this funding is subject to Government approval, and needs to be used towards local wellbeing outcomes associated with climate change resilience, housing and/or local place-making. Councils are expected to engage with iwi in determining how to use the funding. Council Officers will prepare advice on the potential uses for this funding at the appropriate time, although it is clear that the Multi-Sport Hub, and the forthcoming Central City Strategy, Climate Adaptation Plan, and Taranaki Housing Strategy are all viable candidates.
105. Council has previously received a report on potentially establishing a Taranaki-wide Three Waters Council-Controlled Organisation. This proposal may be brought back to the table if the Three Waters Reform do not proceed, or if all Taranaki territorial authorities opt-out of the Reforms.
106. The Chief Executive believes it is prudent to begin transition planning now and has recently established a Reform Response Unit (RRU). Besides Three Waters, the RRU also covers the Resource Management Act reforms, Future for Local Government Review, and climate change adaptation and mitigation reforms. The RRU's objectives are to ensure Elected Members and Officers are aware of the reform agendas, participate and lead future thinking, and maximise opportunities to access government funding. Ultimately, the Unit seeks to ensure the New Plymouth district is in the best possible position to react to and benefit from, the various Government reforms.
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107. Starting the RRU does not commit Council to reforms, but instead ensures reforms, if they do eventuate, are most beneficial to the community. If it becomes certain that Council will be part of some or all of the reforms (for whatever reason) then transitional planning will step up. The RRU will continue to report to Council on the proposed reforms as they progress.
108. Council may need to begin the process of subdividing some properties now ahead of the reforms. There are often different types of assets located side by side. For instance, the Lake Mangamohoe area is particularly complicated – with parkland, Mangapouri Cemetery, the Taranaki Crematorium, and the New Plymouth Water Treatment Plant (noting the lakebed is owned by Trustpower). Property titles are not aligned to the way the land is used. It would be prudent of Council to organise a subdivision before the reforms progress to ensure appropriate ownership for both the WSE and Council.

SIGNIFICANCE AND ENGAGEMENT

109. In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as being of some importance because Council is not the ultimate decision-maker, and is providing feedback to the Government. The decision being made does not impact on current levels of service or finances.
110. It is acknowledged that any decision to opt-out of the proposed reforms would likely constitute a critical decision given the implications for the district, community, mana whenua relations, levels of service and financial implications for these strategic assets.
111. It is expected there will be opportunities in the future for the public to have their say on the Three Waters Reform. The primary mechanism is through the Parliamentary select committee process.
112. No engagement with the community has been undertaken at this point. This is because Council is not making a decision, the matter at hand is not a simple one, and there was limited time available to undertake robust community consultation without it being an overly light touch.

OPTIONS

113. The options available to Council at present are constrained to providing feedback to the Government on its proposed reforms. It is not a reasonably practicable option, at this stage, to go further and seek to make decisions on the future of three water services in the district.
114. The following matters are consistent across each option:
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Financial and Resourcing Implications

- a) There are minimal implications in providing feedback. There may be some limited impacts if the Department of Internal Affairs seeks further detail on the feedback.
- b) Obviously, the Reforms will have very significant implications for the Council's financial position in the future if the Government proceeds.

Risk analysis

- a) There is low risk in providing feedback. Some in the community may consider that Council's feedback represents a decision to opt-in or opt-out, and it is important to reiterate that this is not within scope of Council decision-making.
- b) Again, the Reforms will create risks for Council, particularly during a transitional period.

Promotion or Achievement of Community Outcomes

- a) All options have the same promotion/achievement of community outcomes. It is noted that providing feedback is consistent with the concept of *Partnership*.

Statutory Responsibilities

- a) As noted in the report, Council decision-making is highly constrained by sections 97 and 130 of the Local Government Act 2002.
- b) The Three Waters Reform will require legislation, and this will place new obligations onto Council.

Consistency with Policies and Plans

- a) All options are consistent with policies and plans.

Participation by Māori

- a) Te Huinga Taumata representatives and iwi chairs and chief executives were invited to elected member workshops to help develop the feedback.
 - b) Officers note that these reforms are led by the Government which has obligations as a Treaty partner. It is further noted that the Government (through the DIA) has been engaging directly with iwi on the reforms.
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Community views and preferences

- a) Officers are aware of divergent views within the community on the Three Waters Reform. Officers expect that the community will be able to have their say on the Three Waters Reform through the Parliamentary select committee process. The Government has also previously signalled that any bespoke legislation for an opt-out decision would include community consultation requirements.

Option 1
Provide the feedback to the Government

- 115. This option would see Council provide the feedback as attached as Appendix 1 to the Government.

Advantages and Disadvantages

- 116. The feedback focuses on the main issues identified, and seeks to provide practical solutions to address them. The main disadvantage is that members of the community may imply that Council is taking a firm position on the proposed reforms.

Option 2
Provide amended feedback to the Government

- 117. This option would see Council provide the feedback as attached as Appendix 1 with some identified changes to the Government.

Advantages and Disadvantages

- 118. The advantages and disadvantages depend on the nature of the amendment.
- 119. As with option 1, there is a disadvantage that members of the community may imply that Council is taking a firm position on the proposed reforms.

Option 3
Do not provide feedback to the Government

- 120. This option would mean Council would not provide any feedback to the Government.
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Advantages and Disadvantages

121. This option means Council would not provide feedback. This would mean the Government may not be aware of some of the weaknesses of the proposal highlighted by Council. The advantage is that community members are less likely to imply Council is taking a position on the reforms, although being seen to not engage in the process may itself cause some community members to make an implication on Council's position.

Recommended Option

This report recommends **Option 1**: Provide the feedback to the Government for addressing the matter.

KEY GOVERNMENT PAPERS TO CONSIDER

Paper	Link
Three Waters Reform Programme homepage	https://www.dia.govt.nz/Three-Waters-Reform-Programme
Cabinet paper and minute one – A new system for Three Waters service delivery	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/cabinet-paper-one-and-minute-a-new-system-for-three-waters-service-delivery.pdf
Cabinet paper and minute two – Designing the new three water service delivery entities	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/cabinet-paper-two-and-minute-designing-the-new-three-waters-service-delivery-entities-30-june-2021.002.pdf
Cabinet paper and minute three – Protecting and promoting iwi/Māori rights and interests	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/cabinet-paper-three-and-minute-protecting-and-promoting-iwi-maori-rights-and-interests-30-june-2021.pdf
Transforming the system for delivering Three Waters services: The case for change and summary of proposals	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/transforming-the-system-for-delivering-three-waters-services-the-case-for-change-and-summary-of-proposals-30-june-2021.pdf
Water Industry Commission for Scotland, "New Plymouth District Council: the use and analysis of the RIF information and other benchmarks"	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/\$file/New%20Plymouth%20slide%20pack%20-%20WICS%20report.pdf
Water Industry Commission for Scotland, "Entity B: the use and analysis of the RIF information and other benchmarks"	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-Individual-council-models-and-slidepacks/\$file/Entity-B-slide-pack---WICS-report.pdf
Water Industry Commission for Scotland, "Final report – economic analysis of water services aggregation"	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/wics-final-report-economic-analysis-of-water-services-aggregation.pdf

Paper	Link
Department of Internal Affairs, Taituarā and LGNZ, "Three Waters Guidance for councils over the next eight weeks"	https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/three-waters-guidance-for-councils-august-and-september-2021.pdf
Water Services Bill	https://www.legislation.govt.nz/bill/government/2020/0314/latest/whole.html
Local Dashboard	https://www.dia.govt.nz/Three-Waters-Reform-Rfi#latest-update

APPENDICES

Appendix 1 Proposed feedback to Government (ECM8619283)

Appendix 2 PESTLE analysis (ECM8619282)

Report Details

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 Approved By: Craig Stevenson (Chief Executive)
 Ward/Community: District-wide
 Date: 15 September 2021
 File Reference: ECM8619284

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APPENDIX ONE: PROPOSED FEEDBACK TO THE GOVERNMENT

DRAFT FOR COUNCIL CONSIDERATION

Three Waters Reform Programme
Department of Internal Affairs

Kia ora koutou

FEEDBACK ON GOVERNMENT’S PROPOSED THREE WATERS REFORM

New Plymouth District Council (Council) has assessed the Government’s Three Waters Reform proposal.

Council acknowledges that this period is to provide feedback so that the Government may further consider aspects of the proposal, and is not a period to make any decision to opt-in or opt-out. Council has not formed a position on whether or not it would opt-in or opt-out, and would expect to have robust community consultation before making any such decision. Council is also aware that the Government may legislate in the national interest and make the Reform compulsory.

This feedback primarily focuses on aspects of the proposals that Council believes could be amended to provide a more robust proposal that would ensure the New Plymouth District community benefits from the Reforms. This should not be construed as Council taking a position in favour of the Reform.

Council expects the Government to engage with communities on these proposals. Territorial authorities owns the assets on behalf of their communities and the Government, as the driver of the Reform proposal, should be engaging with communities directly.

Entity for New Plymouth District

The Government has positioned New Plymouth District in entity B, and has signalled a question on whether this is the appropriate Water Service Entity (WSE).

Council supports the placement of New Plymouth District in entity B. This is because the challenges facing the District (such as a growing population) are more similar to those of other entity B districts than the challenges facing entity C. Council also

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notes that the climate change forecasts for New Plymouth District are more similar to those of entity B areas than entity C areas. As such, entity B appears to be a more logical fit for New Plymouth District than entity C.

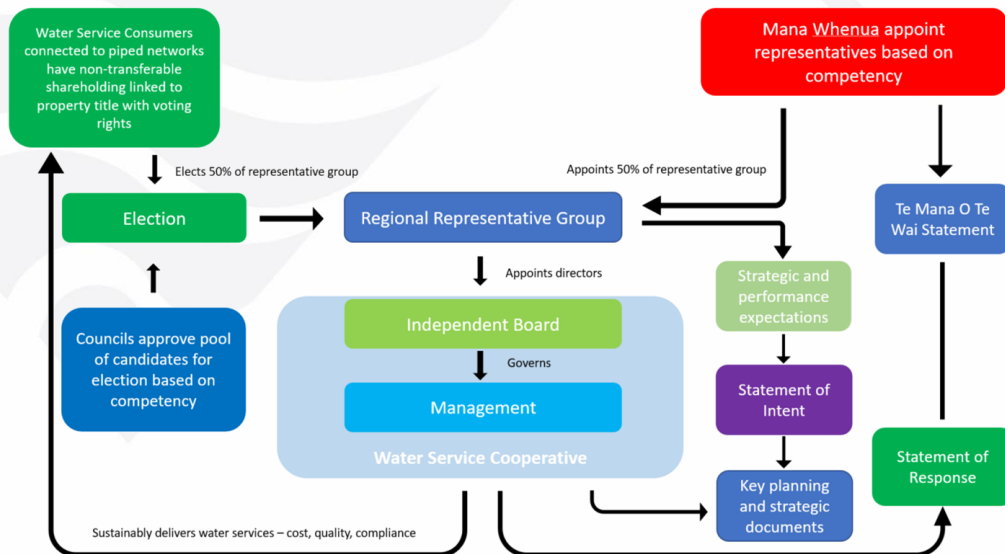
Ownership, governance and strategy

Ownership model

Council has noted that the Government has only presented its preferred option for ownership and governance of the new WSE. Council requests that Government holds itself to the same expectations it has placed on local authorities and that details of all available alternative options are disclosed, along with the analysis undertaken by Government in order to identify the preferred option.

Council is concerned that by placing territorial authorities as direct owners of the WSE that members of the public may assume those authorities can exercise direct control over the WSE. However, the proposed model has very limited ability for territorial authorities to exercise any degree of control over the WSE, even within their own district.

Council recommends that instead the WSE become cooperatives, with a non-transferable shareholding connected to each property connected to the water or wastewater network (and forms part of the property). The shareholders would elect community representatives on the Regional Representative Group, who then appoint the Board. Importantly, though, the electoral pool would be approved by the relevant territorial authorities and would have to meet competency requirements. This is broadly in line with the Fonterra model. The figure below shows an illustration of this model.



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This creates a democratic approach to these WSE, whilst ensuring competent governance. It provides a more realistic understanding to the community of the degree of control territorial authorities exercise over these largely independent WSE. This approach also clearly separates the WSE balance sheet from those of territorial authorities and a less complex governance arrangement.

Governance structure

If Government is not willing to change the ownership model, Council recommends a review of the governance structure. There are multiple layers of selecting and appointing people to various bodies before actually getting to someone who delivers any services.

Council recommends a clear process be defined for establishing the Regional Representative Group. At present it is unclear how territorial authorities will come together to determine their members. Potentially the Regional Representative Group could be established as a joint committee of the territorial authorities. There should be guaranteed representation on entity B for at least one Taranaki representative.

Council recommends that the Regional Representative Group directly appoints the WSE board. There is no need for the Independent Selection Panel for balance sheet separation. Council also recommends that it be clear that the Regional Representative Group can establish and delegate functions to sub-committees, if they so choose.

Council recommends all persons appointed or elected to the Regional Representative Group be required to meet competency requirements appropriate for Governors of a multibillion dollar public institution.

Council is unclear as to where the costs of the Regional Representative Group lie. Council recommends that the WSE be required to provide the necessary financial and other support to the Regional Representative Group.

External Strategic Pressures

Council is concerned about the external strategic environment in which the new WSE operate under. Council recommends a considerable simplification of the strategic environment to ensure that the WSE are able to operate in the best interests of the communities they serve.

The WSE will be need to consider multiple external documents and strategic pressures. These include:

- Legislation – the proposal includes purposes, objectives and operating principles for the new WSE, as well as detailed provisions

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- A Government Policy Statement
- A Strategic and Performance Expectations document issued by the Regional Representative Group
- Te Mana o te Wai statements issued by mana whenua, and responses by the entity itself
- Three different regulators with different regulatory ambits
- Potentially some form of water ombudsman
- Ministerial ability to direct entities on performance matters in the public interest
- Community views and preferences, and requirements to consult
- Documents issued by the entity itself, including a Funding and Financing Plan, an Asset Management Plan, and annual Statements of Intent.

With so many different pressures from different issuing agencies, it is almost inevitable that there will be competing and diverging expectations on the WSE. These different pressures are likely to introduce significant compliance costs that will risk eroding the efficiency savings being sought in the proposal.

Council notes that Government is crafting the legislation and the ongoing regulatory environment. A Government Policy Statement and the ministerial ability to direct WSE are superfluous as better control over the WSE is achieved through direct legislation and regulation of the outcomes being sought. These controls run counter to the notion that these are still local assets and part of local government. They do not enable the WSE to run according to best practice, and instead subject the WSE to national political pressures. Indeed, the Government has crafted a regime that gives itself more say and input than the WSE owners (being territorial authority).

In saying this, Council also notes that the knowledge of territorial authorities in providing oversight of WSE will reduce over time as elected members and officers with knowledge of water management depart. Territorial authorities will not apply their limited resources towards the development of these documents, and will not be undertaking community consultation to understand community views and preferences in relation to water services. As such, the ability of territorial authorities to be involved in developing the Strategic and Performance Expectations on behalf of their communities may be limited.

In short, Council recommends that WSE be subject to fewer external pressures seeking to provide strategic input into their decision-making. Legislation, regulation and Te Mana o Te Wai statements should provide a sufficient external strategic operating environment. This will enable each WSE to perform its functions as it best sees fit rather than being subject to competing political imperatives.

Stormwater services

Council is concerned about the inclusion of stormwater services within the Reforms.

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Fundamentally, drinking water and wastewater are utilities, i.e. closed systems with clear delineation from other assets and identifiable customers via connections. Stormwater services are more complicated with multiple interfaces with other assets. In the New Plymouth district, stormwater often traverses roads into stormwater pipes and then into streams within the parks network. Roads and parks act as secondary flow networks if the stormwater network is overloaded. Separating the management of stormwater from roads and parks creates opportunities for poor interfaces that worsen outcomes (whether for the management of stormwater, roads or parks).

The classification of stormwater networks also differ across the country with territorial authorities classifying different transition points between roading assets and stormwater assets, and similarly between stormwater assets and parks assets. This reflects that stormwater is not a closed system.

Finally, identifying the beneficiary of stormwater assets is not as clear as water and wastewater services. There are communities within the New Plymouth district (such as Egmont Village) that receive stormwater reticulation but do not receive water or wastewater. For these reason Council charges for water and wastewater via a targeted rate, while stormwater is funded through general rates. As such, charging for stormwater is more complicated, and will potentially be subject to more community disagreement.

Council is not aware of any comparable international jurisdiction that has included stormwater into dedicated water entities. Stormwater is typically managed by local government and roading authorities.

Council recommends the Government exclude stormwater networks from the proposed Reforms, and that stormwater remains with territorial authorities as an extension of their roading portfolios. Furthermore, Council recommends the Government consider regulatory improvements and permanent co-funding for stormwater, such as part of the Financial Assistance Rate (FAR) funding for local roads from Waka Kotahi.

However, if the Government wishes to continue with this proposal then Council recommends that the Local Government Commission and/or Taumata Arowai standardise asset classification, and work with both territorial authorities and the WSE in developing management agreements. This may also help with determining appropriate funding arrangements for stormwater.

If stormwater services are removed, Council is concerned about the ongoing management of the flood protection schemes that Council own. Council flood protection schemes, include three dams, eight detention bunds, three diversion tunnels and a weir. These schemes protect the New Plymouth City Centre from flooding. Losing stormwater will mean Council will no longer have specialist staff with the necessary skills to ensure these schemes are properly managed into the

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future. Council therefore recommends that the proposal includes a fast-track process for territorial authorities to require the flood protection schemes to be transferred to the relevant regional council.

Engagement with iwi and hapū

Council notes that the new WSE will be required to support mana whenua to engage with the entities (including through funding), and that Te Mana o Te Wai statements can be issued at a iwi, hapū or whānau level.

Council is generally supportive of this approach, however we are concerned that the ability for our iwi and hapū to be involved in the direct governance may be lessened. We recommend that further consideration be given to how to ensure iwi and hapū are involved in the governance of networks within their rohe.

Council acknowledges that a considerable constraint on iwi and hapū participating in decision-making is their resource to do so, and that engagement often comes too late in a process. As such, we welcome the proposal that entities will need to help fund and resource iwi and hapū, but note that there is no assurance that this will be sufficient. We recommend that the WSE be required to engage with iwi and hapū about the level of funding required, and for iwi and hapū to have an appeal right to an external body if they do not believe the funding is sufficient.

However, we do caution that identifying mana whenua groups is not always straightforward. Council has recently been challenged in court by a group claiming iwi and mana whenua status over an area subject to a significant resource consent application. Enabling Te Mana o Te Wai statements to be filled by various parties, including down to whānau, places the burden of settling any dispute onto the entities. Council is concerned that WSE may find themselves in the inappropriate position of trying to determine mana whenua status.

Council recommends that iwi authorities either issue Te Mana o Te Wai statements (on behalf of themselves, hapū and whānau) or those authorities identify hapū, whānau and other groups that can issue Te Mana o Te Wai statement (including identifying their area of mana whenua). There would need to be a clear definition of what constitutes an iwi authority as well, although the Treaty settlement process generally provides sufficient certainty.

More broadly, Council recommends the Government consider mandating Te Arawhiti to help local authorities and the new WSE to traverse these issues.

Strategic projects

Council has been increasing its level of service in its water services over the last two long-term plans. Council has a number of strategic projects that it has consulted the

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community on, and will be implementing over the coming years. These include district-wide projects for improving three water resilience, addressing a large three water renewal backlog, and water conservation (including through universal water meters). Council also has two strategic projects for particular communities, being improving stormwater management in Waitara, and sewerage reticulation of Urenui and Onaero (including constructing a small treatment plant).

Council is concerned that there is no assurance that these projects will continue into the future. These projects have been identified through a robust prioritisation process to address known issues within the existing networks.

Council recommends that the proposal allow territorial authorities to identify strategic priorities in their existing long-term plan, and that the WSE be bound to undertake these projects for the first seven years after transfer (i.e. for the remainder of the long-term plan 2021-2031 period). It would be expected that territorial authorities would only identify a small number of projects and not list all long-term plan projects.

Resource Management Act reforms and urban growth

Council is supportive of the objectives of the new WSE including to support urban development and growth. Water infrastructure is a key enabler of urban growth, and often has to be developed as lead infrastructure (i.e. before development occurs). However, the consequential implication of separation is that urban development and planning becomes more, not less, difficult.

Council notes that the exposure drafts of the replacement legislation to the Resource Management Act (RMA) are currently considerably lacking in detail. It is not yet clear how the Natural and Built Environment Plans (replacing District and Regional Plans) will be delivered by regional planning committees and what relationship these committees will have to Council. Council is concerned by an apparent lack of integrated design between the respective reform programmes and that there is a risk that the system will become more fragmented.

Council recommends that the drafting of the RMA replacement legislation is intrinsically linked to both the Three Waters Reform and the Future for Local Government Review in order to deliver an integrated system approach.

Protections against privatisation

Council supports the protections against privatisation in the proposal, and welcomes any further protections.

Council is concerned that there is no reference to the original owner of the assets, being the territorial authorities (or a cooperative if the Government takes on board

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Council's feedback above), in any privatisation proposal. Council recommends that in addition to the existing proposals, any privatisation proposal be subject to support by the relevant territorial authorities. Any proposal would need 75 per cent support, by way of resolution, of all owners in the WSE's area. Council also recommends that the legislation be clear that the owners would be the beneficial party to any privatisation, not the Government.

Council notes that there has been no consideration as to what happens in case of privatisation. Council understands that the intention is to not detail any provisions as to what privatisation actually looks like. This means the provisions effectively enable privatisation but lead to a regulatory 'black hole'. Council therefore recommends that these provisions for privatisation lead to a request to the Minister of Local Government, who is then to report to Parliament within a year with either a bill to enable privatisation of that WSE, or a decision to not do so.

Workforce

Council is pleased to see the Government commit to ensure all water staff are assured of continuing employment in the same role, location and remuneration.

However, any transition phase will likely see disparity between remuneration and terms and conditions of employment across each entity. This has the potential to create relativity, fairness and equity concerns that could lead to retention and attraction pressures in the immediate future for Council and longer term across all the WSEs.

Council considers that there is the potential to enter in multiple-employer collective agreement now across the territorial authorities within each WSE. This would considerably smooth the transition for staff to the new entities as employment terms would be set. It would also reduce short-term opportunities for gamesmanship before the WSE are established.

The proposal sees a significant uplift in the overall three water workforce. Council is concerned that this is not realistic without investment in developing that workforce.

Council notes that the transition away from oil and gas to cleaner energy sources could result in a decrease in the workforce for engineering and related trades in Taranaki. Council utilises a number of former oil and gas engineers in its three water teams. While these are generally successful transitions, there are differences in engineering approach that take time for staff to familiarise themselves with the sector. Council believes that there is an opportunity to provide an orderly approach to retrain some of these talented trades into the three waters workforce.

At the same time, Council has established a partnership between the civil construction sector and the Taranaki education institutes, named the Infrastructure Talent Pipeline. The partnership has a goal of developing a long term pipeline of new

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talent for the civil construction sector as well as upskilling the existing workforce. As part of this programme the Western Institute of Technology in Taranaki (WITT, part of Te Pūkenga) and Council have developed a business case for a regional civil infrastructure training facility to provide both on-the-job and pre-employment training. Without reform, this facility is intended to be the centre of excellence for developing a supply of high skilled water sector personnel.

Council recommends the Government invest into WITT now so that it can become a three waters workforce training centre of excellence for the entity B area, including providing retraining opportunities for oil and gas workers to become three waters workers as part of the region's just transition.

Construction Accord and Social Procurement

Council notes that the new WSE will become some of the largest construction clients in the country upon their establishment. There is an opportunity to use the WSE as best practice leaders to achieve the outcomes sought by the Construction Sector Accord as well as driving a strong social procurement approach. This could help deliver wider benefits to the construction sector and community. There is also a risk that the WSE will seek to only use large construction firms, and miss the opportunity to foster small and medium sized enterprises.

Council recommends that statutory operating principles for the entities include:

- Improving the productivity, capability and resilience of the construction industry
- Being a good employer, including workforce development and improving the safety and mental well-being of the workforce
- Undertaking procurement and other practices that benefits the social, cultural, economic and environmental well-being of the community
- Using and developing small to medium sized enterprises

Council also notes that this approach could be similarly applied to the new Health New Zealand (that will replace the existing District Health Boards) given this new entity will become an owner of a significant property portfolio and will become a major construction sector client organisation.

Asset transfer provisions

Council acknowledges that the transfer of assets will be complicated. Many landholdings are mixed, with both water and other Council assets. For instance, the New Plymouth Water Treatment Plant is in the same area as a crematorium, cemetery, Council-owned forestry and parkland, but property titles are not aligned to these uses. Similarly, Council's Dog Pound is located on the same property title as

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the New Plymouth Wastewater Treatment Plant. There are numerous other examples across the district, particularly with assets located within road reserve, and parks or reserve land.

Council recommends legislation enable the fast-track subdivision of assets between the WSE and territorial authorities without having to go through full Resource Management Act subdivision consent provisions. Similarly, there should be a fast-track process to revoke reserve status under the Reserves Act 1977 for transferring land, and an ability to avoid section 138 of the Local Government Act.

Council recommends clarity between 'public' and 'private' Council assets. A 'private' asset is one where the purpose is not for bulk supply but rather solely to service another asset. For instance, a water supply main is clearly a public asset, but a water pipe owned by Council to serve a public toilet is a 'private' Council asset.

Council therefore recommends that territorial authorities and the WSE can transfer assets back and forward at nil cost, and attracting no tax liability or other external consequence. This will enable territorial authorities and the WSE to ensure assets are appropriately split between them. This enables the bulk transfer of assets, followed by a discovery and determination process.

Overheads and the 'no worse off' package

Council supports the Government including a 'no worse off' package that supports stranded overheads. However, the package appears to be fairly limited in time.

Council is of the view that its allocation is insufficient. In total, one-quarter of Council overhead functions are paid for via the three water services. Whilst Council will have to "right size" itself as an organisation post-reform, consideration will need to be given to its residual capacity to deliver its other services. For example, Council currently operates a centralised asset management team that services all of the asset owning functions of Council. This team is funded 63 per cent from the three waters service. If the size of the team were reduced proportionately it would lack the capacity and full range of technical capabilities to continue to service other asset portfolios, such as roading. As a result, Council will likely be faced with increasing rates in order to continue to fund a fit for purpose asset management team.

Council is concerned that these dis-economies of scope have not been adequately accounted for in the forecast of future household costs and that they are not appropriately funded in the 'no worse off' support package. Furthermore, Council recommends that Government undertake more detailed assessment of these costs and ensure they are appropriately funded in order that communities are indeed no worse off.

At the same time, the Government's Future for Local Government Review (the Review) is considering whether there are other functions that could be transferred to

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territorial authorities The Review should aim to keep local authority revenue at the same percentage of total tax revenue (9 per cent). This may potentially include transferring responsibility to local authorities for social and affordable housing delivery, integrated roading management, economic development, and community climate change mitigation and adaptation. If that occurred, those overheads may no longer be stranded.

However, the timing of the proposed Three Waters Reform and the Review do not match. The proposed reforms are likely to be implemented in 2024, while any new functions from the Review are likely to be several years later. Consideration should be given to aligning the implementation of the Three Waters Reform with that of the Review, or accelerating the Review, or to providing a larger 'no worse off' package to support territorial authorities in the intervening years.

'Better off' package

Council is opposed to the 'better off' package as proposed. Under the proposal Council would receive around \$31 million.

Council is concerned that half of this package is being funded from the balance sheets of the WSE. This means these entities are funding non-water infrastructure and that this cost will be imposed on water services consumers. While the WSE balance sheets may have capacity to take on this debt, there is no consideration as to the opportunity cost or the appropriateness of doing so. Most territorial authorities have clear policies in place (through the Revenue and Financing Policy) that water and wastewater charges only be used for water and wastewater infrastructure.

Council recommends that Government fully funds the 'better off' package within its own balance sheet and avoids cross subsidising from future WSE water charges. Alternatively, territorial authorities should be able to reject the part of the package being placed onto the entity balance sheet and ensure water services consumers within their districts do not incur the costs of servicing the debt used to provide this funding to other territorial authorities who do not wish to reject this part of the package.

Community debt

Council is concerned about how this proposal will result in increased debt for the community, and the potential implications of that.

Part of the justification for the new WSE is that not only will they be able to take on considerably more debt than territorial authorities, but it also frees up territorial authorities to use debt they take on to go towards other matters. In total, though, this increases the overall debt burden undertaken on behalf of the community.

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This places communities at considerable risk if interest rates increase significantly. Territorial authorities and WSE will need to increase rates and charges to cover their increased borrowing costs, while households will also have to service higher mortgage payments (noting the housing affordability crisis means high household debt levels). This is likely to place considerable financial pressure on households.

Council recommends that WSE have prudent treasury management policies along with policies to enable customers to remit and postpone water charges as local authorities can do with rates. This will provide protection to some of the most vulnerable households in our community.

Bylaw-making powers

Council currently has two bylaws relating to the water services (Water, Wastewater and Stormwater Services Bylaw, and Trade Waste Bylaw).

Council recommends that the WSE have sufficient regulatory powers to protect and manage their assets through bylaws as territorial authorities can currently do. This should include powers to issue infringement notices for breaching bylaws as well.

Council also recommends that legislation extend any territorial authority bylaw relating to water services so that the automatic review and revocation provisions of the Local Government Act 2002 do not apply. This will save some territorial authorities from undertaking potentially expensive bylaw reviews before the WSE take over the assets.

Future decision-making

Council notes that the Government has previously indicated that territorial authorities will need to make an opt-out decision under bespoke legislation, and that this would include requirements for community consultation. Council looks forward to engaging its community on this important subject, but notes that there will need to be considerable support from the Government at the same time to justify its proposal. Territorial authorities cannot be expected to 'sell' this proposal on behalf of the Government.

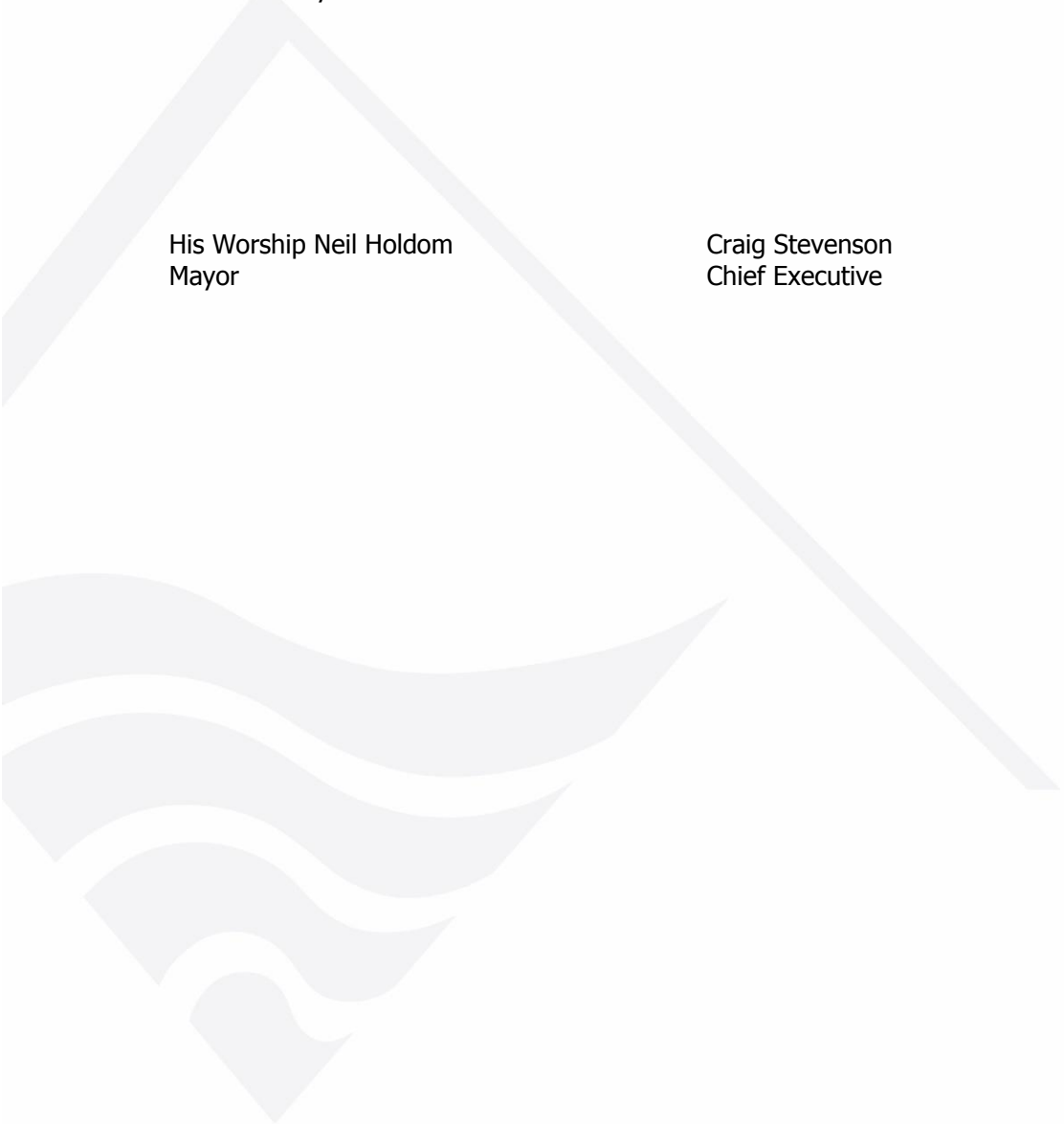
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If you have any questions for clarification or wish to discuss our feedback in more detail, please do not hesitate to contact David Langford, Group Manager, Planning and Infrastructure Services. David is responsible for our recently established Reforms Response Unit.

Yours faithfully

His Worship Neil Holdom
Mayor

Craig Stevenson
Chief Executive








APPENDIX TWO: PESTLE ANALYSIS OF THREE WATERS REFORM BY OFFICERS




This appendix provides an assessment of the current situation, and forecast assessment of the situation in 2031 both with and without the Three Waters Reform. The 'better off' indicator is assessed between 2031 forecast performance rather than from current performance.

Legend

























Performance:





				
Indicates poor performance, or an area of concern	Indicates performance that is generally acceptable, but may have some issues	Indicates good performance	A question mark indicates uncertainty	A plus sign indicates where already good performance is enhanced further

Better off:

























		
Indicates Reforms will worsen this issue	Indicates Reforms will retain status quo, or will not change materially	Indicates Reform will improve this issue





















Political

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Effectiveness of Governance system					Competency based boards should provide improvements, but the overall governance system is complex.
Stability of Governance System					The short 3-year election cycle limits effective long-term planning at present. While the long-term plan and infrastructure strategy creates 10 and 30 year outlooks, they are subject to change every 3 years with potential for a significant change in direction.
Ability for Governance to determine direction					Council is relatively able to set direction for three water management. However, regulation is increasing, and Taumata Arowai will have powers to direct improvements. Under the reforms the entities will be subject to multiple direction documents, including the Government, the Regional Representative Group, mana whenua, and three different regulators.
Representation and responsiveness to local communities					The current system is strong, while the representation approach in reforms is limited.
Extent of iwi co-governance					Council is improving in this regard with He Puna Wai and Te Huinga Taumatua, but neither are permanently embedded and can be changed. The current proposal has some strong points, but lacks direct involvement in governance or management.
Community perception of debt capacity					Some sectors of the community are concerned about council's debt levels. This could grow as council takes on more debt over the next ten years. Under reform both the council and the new water entity will have more debt capacity resulting in a more indebted community.

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Future for Local Government					Local government currently benefit from economies of scope. Without three waters there is risk that some authorities are less viable, creating system instability and requirement for significant reform. Government's Future For Local Government Review may address this however.

Economic

















Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Fully funding economic depreciation					Council is currently at 60 per cent, and will be at 130 per cent by the end of the LTP. The new entity is expected to fully fund depreciation.
Enabling residential development					Council currently meets NPS-UD requirements for capacity, and has growth projects in the LTP. New entity has operating principles for enabling residential development.
Enabling commercial/industrial development					There is currently sufficient land supply for commercial and industrial development, and LTP includes growth projects. New entity has operating principles for enabling residential development
Economic impact (GDP and job creation)					Based on the BERL ratio of \$1:00 spent on three waters creates \$1.65 GDP. Given our current expenditure is \$48m operating expenditure and \$34m capital expenditure this is a sizable contribution to GDP. The WICS assessment is that the new entities will contribute even more to our district by year ten. However, there is concern that there may not be highly-skilled positions if the entity consolidates head office and planning functions elsewhere within the entity B area.
Impact on Supply Chains & Construction Accord					The construction accord was signed by seven ministers and construction sector leaders. The accord aims to address some long standing issues of productivity, safety, mental wellbeing and suicide rates, and quality. The new entities will be super clients for the construction sector but do appear to have these principles in place.
Forecast average cost per household					Council's forecast for 2031 is at the high-end of the WICS forecast for 2051.

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Debt Capacity for Three Waters					The debt capacity for Three Waters is currently leveraging the overall Council balance sheet. Council's borrowing increases over the life of the LTP. The new entities have significantly higher borrowing ability.
Debt Capacity for other council services					More Council debt is tied to the Three Water asset than their proportion of revenue, so other Council activities will be able to increase borrowing as result of the Reforms
Stranded Overheads					The Three Waters significant activity funds about quarter of the council's corporate support services (Finance, ICT, HR, Communications etc.). When the revenue is transferred to the new entity these support services will be defunded but there will not be a material reduction in overhead requirements.
Economies of Scope					Infrastructure is currently planned and managed by a single team and cross functional opportunities are easy to implement. Separation to the new entities is likely to silo planning resulting in missed opportunities and increase cost for stand-alone delivery.
Social procurement					Council has been increasing its social procurement approaches. Council has responsibility for community well-being, so a social procurement approach fits with statutory responsibilities. The entities do not have a wide well-being approach, so are less likely to take a social procurement approach.





















Social













Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Health risk relating to non-council supplies					Currently unknown status but probably poor compliance. Nothing in the LTP will improve this so status quo remains. Under reform new entity will have to take up responsibility, although it is unclear how much change can occur within the next ten years.
Population served					Currently around 68 per cent of the community have council water services. The LTP will not materially change this. The new entities have clear direction to expand the networks and increase service coverage, although it is unclear how much change can occur within the next ten years.
Local Job Availability					Council and our contractors employ local staff. The number of local jobs is expected to grow to enable delivery of the LTP. The new entity is likely to centralise technical and overhead functions in order to deliver efficiencies so local jobs is likely to reduce over the ten years (noting current guarantees of staff are not likely to last long-term).
Perception of working Conditions					Staff satisfaction rates currently tracking in line with the local government sector. However, this lags behind the private sector. New entities are more likely to operate like a private sector firm so could expect an increase in this area.
Pathways for career development					Currently there are some career pathways but these are limited by scale of Council. Larger entities will naturally have more opportunities and are more likely to value technical roles more.
Te Ao Māori values and outcomes are embedded in water services					Currently this is on an upward trend with He Puna Wai. The new entities are having this hardwired into their governance model so can expect better embedding of these values.

Technological





















Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
ICT Platform is scalable and future proof					Council's current iteration of TechOne needs to be replaced. A new system is likely to address many of the current issues, but the diversity of the organisation is likely to be a compromising factor in terms of a platform suitable for water management. Under reform the new dedicated entity will have a focus that will likely result in selecting the best of breed system for water management.
Use of advanced technology to transform service delivery					Affordability and lack of scale current limits our use of best practice technology. This includes modern pipe inspection technology, mobile enabled workforces etc. The LTP goes part way to closing the gap as Council trials new inspection technologies. The new entities are going to have the scale and capacity to bring modern technology in at scale.
ICT systems provide rich customer experience					Similar to ICT platform above – the new entities are going to have a far less diverse organisation and able to focus on their customers with water-specific technology.
Asset Management					Council is improving maturity and capability as it moves towards ISO 55001 certification. The new entities are likely to build on this and view asset management best practice as a core capability. It will be one of their technical centres of excellence they create.









Legal

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Compliance with the Drinking Water Standards					Currently Council is compliant and there is no reason to expect this will worsen with or without reform.
Flood Protection Assets Excluded from Reform					These assets are currently managed by Council's stormwater staff. If we lose this capability we will not be able to effectively manage these assets without incurring a cost to replace the loss.
Charging for Stormwater Services					Currently stormwater is general rates funded because of the universal benefits it provides to the public space and the difficulty identifying particular beneficiaries. Under reform it is uncertain how these services would be funded as there is not a discrete customer connection like there is for water and wastewater. Some communities, such as Egmont Village, receive stormwater services but not water or wastewater services.
Protections against privatisation					Currently it is not legally possible to privatise water services. Under reform the Government is proposing to strengthen these legal protections, including requiring a referendum on any future privatisation proposals.
Integration with RMA Reform and strategic planning					Today Council is a one-stop-shop for District Planning and three waters services. Exposure drafts of the replacement legislation for the RMA strategic spatial planning imply this would be delivered by regional committees in the future. It is not clear what relationship to councils these committees will have and there is a risk of fragmenting the system. Under reform, with the separation of three waters into the new entities the system could become further fragmented.

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Development Contributions Mechanism					The current "growth pays for growth" principle is supported by the development contributions mechanism. It is expected that there will be a growth funding framework, but what this looks like and how it links to the development contribution framework is unclear, particularly the degree of cross-subsidisation between different networks, and enforcement of charges.
Subdivision of Property					Currently Council has multiple assets on the same property title, such as the Dog Pound on the New Plymouth Wastewater Treatment Plant title. The expectations is that all water assets will transfer to the new entities, but this may mean Council has to lease back some properties if they are not subdivided off.
Bylaws and regulatory powers					Council has ability to issue bylaws to protect its water assets, and has other regulatory tools as well for its water assets (particularly the District Plan and Infrastructure Standards). It is unclear in the reforms what powers the entities have in this regard, or whether local authorities have to continue to issue and enforce bylaws.

Environmental

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Compliance with Resource Consents					Currently Council has a high level of compliance with its three waters resource consents. The most notable exception is the Urenui and Onaero stormwater systems as a result of septic tank issues. There are projects in the LTP to address these known issues.
Sewerage overflows					Current performance is good in the New Zealand context, however, compared to international benchmarks, Council is out-performed by several orders of magnitude.
Wastewater discharge quality					The New Plymouth Wastewater Treatment Plant provides a high level of treatment. This means discharges are of a very high quality already therefore we do not expect any major challenges meeting increasing regulations.
Stormwater discharge quality					Currently there is very limited stormwater treatment prior to discharge. Internationally it is common to use green infrastructure (such as treatment ponds) or hard infrastructure (such as oil interceptors). Some of the additional investment by the new entities will go towards these sort of solutions. Council has not planned any such upgrades in the LTP.
Climate change emissions reduction					Council is developing an emissions reduction plan; however, the implementation of this is not fully funded in the LTP. Some of the additional funding by the new entities will likely go towards accelerating progress to reduce emissions.

Description	Current Performance	2031 performance		Better off?	Comment
		Without reform	With reform		
Climate Change Adaption					Council currently has assets that are vulnerable to climate change, sea level rise and accelerated coastal erosion. There is some funding in the LTP to address there, such as planning for drought resistant water supplies, and building in climate change capacity into the Waitara storm water projects. Many of our assets that are vulnerable will require replacing as part of our renewals programmes before climate change has a material impact. The new entity is likely to use some of its additional investment to accelerate these kind of adaptation initiatives.
Stormwater catchment management plans					Council only has a small number of current catchment management plans. The LTP provides funding to prepare plans for all urban catchments over the next ten years. However, the implementation cost of the plans is currently unknown and unfunded. The new entities are likely to use some of their additional investment to accelerate this; however, it is questionable how much more they can achieve in the same amount of time to address issues discovered.

CLOSING KARAKIA

Unuhia, unuhia,	Draw on, draw on
Unuhia i te uru tapu-nui	Draw on the supreme sacredness
Kia wātea, kia māmā te ngākau, te tinana	To clear, to free the heart, the body and the spirit of mankind
Te Wairua i te ara takatū	Rongo suspended high above us (in heaven)
Koia rā Rongo whakairihia ake ki runga	To be cleared of obstruction
Kia wātea, kia wātea	It is cleared
Ae rā kua wātea	
Hau Paimarire	

This karakia is recited to close a hui or event. It takes us from a place of focus and releases us to be clear of all the issues or tensions that may have arisen during the hui. We are now free to get on with other things.