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The Three Waters Team
Local Government Branch
Te Tari Taiwhenua/Department of Internal Affairs
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Southland District Council feedback on central government's three waters service delivery reform proposal

The Southland District Council (SDC) have discussed the proposed three waters service delivery reforms extensively. This document reflects the feedback Council wishes to convey in relation to the proposed reforms. Further, this document seeks to identify elements, where in Council's opinion, further clarification from government is required. It is important to record that in providing this feedback Council is not indicating a position on future potential decisions that it may take regarding the reform process.

This proposed reform is a significant issue for the district and it is vital Council has a comprehensive understanding of all information before seeking the views of residents.

Southland District Council acknowledges and supports the need for reform of the three waters sector. This includes both the regulatory and service delivery provisions for three waters, in order to ensure the equitable and sustainable delivery for these services nationwide. However, council is concerned that, to date, tangible assessment of options appear to have been limited to the current proposed model, or status quo. The feedback contained within this document is prefaced on the notion that in our opinion additional work to assess alternative options is required. Further, the inter-relationship between both the RMA and future of local government reform programmes cannot be ignored. Given that these programmes are progressing concurrently SDC is concerned that the opportunity to adequately assess and understand this inter-relationship has not been provided for.

Council understands and supports this work as a priority for the government. However, as a result of the comments above and the feedback contained below, Council has not yet formed the view that the proposed system reforms in totality are the best option for Southland's communities.

Council appreciates the opportunity to continue to liaise with central government on the proposed service delivery reforms. However, Council remains steadfast in its assertions that extensive community engagement needs to occur to ensure that any decisions made genuinely reflect and address both the needs and concerns of our communities. It is recognised that there are significant differences in both service delivery and needs across the country, and that these present a number of challenges.

Since the reform programme was announced in 2020, significant work has been undertaken by local government partners across Otago, Southland and the wider South Island. This work has been well funded and supported and has included input and engagement with Ngai Tahu and local runaka representatives in a bid to understand the implications for our communities both individually and collectively.

Feedback

1. One of the most significant challenges in navigating the information both produced and provided has been the timeframe within which the reforms are proposed. The speed and complexity of the proposed reforms have resulted in difficulties analyzing, interrogating and absorbing the extensive information available.
2. While Council does not disagree with the general direction of the information and outputs produced by the Water Industry Commission for Scotland (WICS), the assumptions made and source material utilised in producing the associated modelling has in our view undermined the value of this information given the extent of its inaccuracies.
3. It is considered imperative that the local community voice is accounted for and integrated into any entity or environment moving forward. It is not currently clear how local communities will be able to input and influence decision-making on local issues. The proposed governance model is considered too convoluted (and the operations detail too light) to adequately assess the efficacy or otherwise of this input. For example, it is assumed that the spatial planning function yet to be formalised through the proposed Resource Management Reforms will not adequately address this issue. Council would like further information on the proposed mechanisms for this input.

Input Examples

Operations:

A 'request for service' type system is anticipated for service disruptions, projects, or general queries and complaints.

Formal complaints escalation:

It is suggested that an ombudsman (or similar) is required above and beyond the entity 'in-house' complaints management.

Local project input:

As an example, the recent upgrade of the Te Anau wastewater treatment facility established a community liaison group as part of the project governance structure. This structure enabled tangible input from the local community on a number of issues.

Growth/ Planning/ Prioritisation

As above – further clarification is required in this space.

4. Further to point 3 above regarding community input and the examples provided, in addition to understanding the anticipated requirements for local communication and engagement processes, Council would like clarity around the subsequent mechanisms for holding the entities to account in this regard.
5. Rural communities are at the heart of many of New Zealand's regions and Southland is no different in this regard. There is concern that the proposed 50/50 (local government / iwi) representation structure does not balance representation appropriately for Entity D, where one iwi

and 21 local territorial authorities are represented. Further, Council is adamant there must be rural territorial authority representation at the table at all times.

6. Further clarity is sought regarding how those who are not currently connected to community services would have his/her voice heard around future service provision? How are farmers, community halls and sports clubs considered within the framework of service delivery now and into the future, both from a regulatory perspective and from a service delivery perspective? What are the avenues to service those parts of our community into the future?
7. Although not related specifically to the proposed service delivery reforms, clarity around the funding mechanisms for Taumata Arowai and its associated regulatory services is requested. For example, are there likely to be any levies on the public-owned and privately-owned systems?
8. There needs to be a streamlined and efficient process for council-owned rural schemes to be transferred to community ownership. The scale of these often fall well beneath the Taumata Arowai registration limit of 200 connections for private schemes. Further, the governance and management of these schemes is also often community-run. As such, it is proposed that the current governance for these schemes should have the ability to determine whether they wish for the scheme to be transferred either into the entity, or into private ownership. It is understood that this process is both convoluted, timely, onerous and expensive at present. Council requests government provide clarity on how this would occur under the proposed reform environment.
9. It is evident based on feedback that the proposed supply point treatment option is both onerous and expensive. It is essential to ensure there is a pragmatic and effective supply-point treatment option available.
10. The reform will bring financial ramifications. The Department of Internal Affairs has put Council debt levels at \$19.2 million under its 'no worse off package', Council accepts that figure. However, the stranded overhead costs have been calculated by DIA at roughly \$2 million a year. As a result of Council's work with Morrison Low, consultants, to produce the RFI information, a more accurate figure would be closer to \$3 million – a significant difference. If Council received the proposed amount from central government, SDC ratepayers would be out of pocket and forced to make up the shortfall (ie 'worse off'). How will government make good on the "no worse off" principle given this shortfall.
11. The importance of providing assurance around public ownership retention over the short, medium and long-term cannot be understated.
12. Council believes strongly that population-based decision making will not represent its communities effectively or appropriately and must be avoided as the default mechanism for decision making. A number of other important considerations include; the complexities of the systems and infrastructure, access to service provision, equitable levels of service. Further detail regarding how these factors are proposed to be balanced is sought.
13. Council wish to convey that it considers service delivery innovation to be an important tenet for any service delivery model moving forward.

14. In conjunction with point 13 above and in view of climate change trajectory and implications, Council considers that any future service delivery arrangement has an obligation to play a key role in three waters climate change adaptation.
15. As with many parts of the country, Southland is a region characterised by diverse communities. Some of these communities are experiencing growth, and others decline. Declining populations reinforce the need to retain the option to transition away from reticulated supplies where appropriate and look to other innovations as a substitute. These conversations are delicate and difficult and need to be undertaken in conjunction with the impacted communities. Clarification is sought on how the current proposal will accommodate this.
16. SDC would like to see the integration of an appropriate mission statement to reflect a commitment to all customers, including the rural community alongside the urban and metro connected population. It is anticipated that the mission statement would provide an opportunity to capture some of the more important reform drivers such as; sustainability, equitable service provision, affordability, public health and environmental benefits sought etc.
17. It is considered that the integration of the four well-beings (cultural, social, environmental and economic) into the operating and decision-making environment for the proposed entities is potentially a good opportunity to adequately ensure reform objectives are achieved.
18. Further clarity is required in relation to the alignment (or otherwise) of entity and local government development contribution policies? The management of these is critical to ensure contributions are levied in a way that does not disproportionately disadvantage any party in particular.
19. Approximately 20 percent of Southland's ratepayers are on a fixed income (and this percentage is on an upwards trajectory), and increasing costs will add considerable pressure in an already challenging economic climate. Council requires assurances that appropriate policy provision and protection will exist to manage these challenges.
20. It is as yet unclear what assurances locally employed staff, consultants and contractors are able to derive from the proposed reforms. Further clarity regarding continuity of opportunities for employment in regional New Zealand is requested.

In addition to the feedback and clarification notes above, SDC would like to confirm support for both the Zone 5/6 non-negotiables, and the Ngai Tahu shared priorities previously provided to Minister Mahuta as follows:

- Councils and local communities are to retain local input into three waters service delivery;
- All communities to receive the same standard and level of service;
- Ensure there is no privatisation of three waters;
- Local contractors have the opportunity to continue to provide their services locally; and
- Councils have an opportunity to be involved in developing the criteria for board positions.

Ngai Tahu shared priorities

- Assets cannot be sold to the private sector and must remain in the hands of the communities for our generation and future generations.

- Must give effect to Treaty principles and legislation and enable Ngai Tahu to meaningfully participate in decision making.
- All communities need to be able to be looked after within Entity D, including those whose councils may be aligned with Entity C and Chathams.
- Our communities have differing needs. Where a district seeks to maintain a higher level of service, they can require it of Entity D, and fund it locally where required.
- Communities across Entity D must have access to the infrastructure they need for sustainable growth, regardless of whether they are small or large.
- The base of community knowledge and skills is retained and grown through social and local procurement.
- Mechanisms must allow for representation across the region and accountability to communities. At least two jointly appointed direct to the Entity Board by Ngai Tahu and Councils.
- Direct representation comprising the capability and understanding of local needs at design, establishment and transition stages. We will continue to co-design together with DIA funding.
- Consumer ombudsman (or other similar mechanism) at a takiwa level.

Please find attached to this document the most recent Council reporting on the proposed three waters service delivery reforms. Included with this reporting for your reference is the extensive analysis undertaken by the Otago and Southland three waters collaboration, of which SDC was a member.

SDC appreciates the opportunity to continue the engagement with central government in relation to the proposed service delivery reforms. SDC welcomes the opportunity for further engagement as the discussion continues.

Yours faithfully



Cameron McIntosh
Chief executive