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Finance and Expenditure Committee  
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Tēnā koutou,

### **Water Services Entities Bill submission**

Thank you for the opportunity to provide comment on the Water Services Entities Bill.

Our submission outlines Hutt City Council's response to the Bill, which includes the views of our Elected Members, and community insights following our engagement with them in April 2022.

The condition, age and rising costs of three waters infrastructure present significant challenges to our council and others, and support a case for change which can deliver greater efficiency and affordability.

Our community has a varied view and understanding of the proposed reforms, with significant numbers both for (38%) and against (46%), but many unable to take a view either way. Our community needs more information and better communication to fully understand what is proposed.

Our Council and community share concerns about the proposed reforms including that local voice will be diminished. We call on the government to further refine and improve the Water Services Entities Bill as detailed in our submission.

#### **1. We have engaged and worked closely with our Mana Whenua**

During the course this of reform process, we have been engaging regularly and working with our Mana Whenua partners. We do not speak, or represent the views of Mana Whenua, however we are able to provide some background on these engagements for the Committee's benefit.

Mana Whenua representatives participated in meetings and provided our Elected Members with a better understanding of some of their particular issues, aspirations and concerns, including:

- Beneficial environmental outcomes resulting from reform
- Consideration of the outcomes and decision-making power of the public
- The importance of high standards for the regulation of water
- The benefits of safer drinking water for all people.

It became clear from the conversation that Government's engagement with Mana Whenua to date has been somewhat mixed, with some groups experiencing regular opportunities to engage and others none at all.

We would like to better understand from Government its plan to seek further involvement with Mana Whenua, noting that it is Council's expectation that there will be continued engagement with Mana Whenua partners at no lesser level than Council has had.

At a local level we will continue to involve Mana Whenua representatives in further briefings and meetings as we work through the Three Waters Reform process. We have experienced a positive relationship with Mana Whenua, as have others, and believe that this is possible throughout this process at all levels. The governance of Wellington Water has benefited from direct representation of Mana Whenua.

## **2. Our community has a varied view and understanding of three water reform process**

In April 2022 we engaged with our local community to understand what issues were top of mind, and what potential information was missing from their understanding. We asked if they supported the Government's proposed reforms, what their top three priorities were on the impacts of the reform in Lower Hutt, and what they considered were the most important water services. See Appendix 1 for our insights report.

When asked whether our community supported the Government's proposed reforms: 46% were opposed, 38% were in support and 16% were neutral.

Key insights from our local engagement include:

- Safe drinking and recreational water is a strong expectation from our community
- Some perceive a lack of clarity regarding the explanation of the co-governance model
- There is also little understanding that this change might help mitigate privatisation in the future
- People expect high-quality water service wherever they visit in Aotearoa.

Below we have identified areas where more information and better communication is required from Government to help with community understanding:

- The costs and benefits of the reforms for ratepayers
- Clarification of the new entities' boundaries and evidence that there is equity between them
- Clarity about how local voice will be represented in the new governance arrangements
- The transition to the new Water Services Entities specifically around governance and debt transfer.

## **3. Our experience as part of Wellington Water Ltd and its predecessor**

We are one of the six councils in the Wellington Region that is a shareholder in Wellington Water Limited, the council-controlled organisation specifically established to deliver three waters services for the majority of the Wellington region.

Before Wellington Water was setup, we were a founding shareholder (alongside Wellington City Council) in Wellington Water's predecessor 'Capacity' established in 2004.

From our involvement with Wellington Water and Capacity, we have a history of working collaboratively in the three waters sector to improve the efficient and effective delivery of services and

ensuring we have access to a trusted body of expertise with a critical mass to provide the best possible advice and oversight of these essential assets.

#### **4. We understand the need for change**

We support underlying intent of the Three Waters Reform Programme and this Bill, which is about making sure New Zealanders have safe, clean, and affordable water services.

We want to enable better outcomes for our people and have recognised for many years that a collaborative way of working is more likely to achieve this than continuing to provide services as an individual local authority.

We also endorse the areas of alignment with the key recommendations made by the Working Group on Representation, Governance and Accountability of new Water Services Entities - particularly those which were to ensure a stronger community voice in the new entities, and further protections against privatisation

#### **5. We have significant challenges with our three-water infrastructure**

Our city faces significant challenges with the condition and age of the three waters assets, with a significant proportion of the infrastructure reaching or nearing the end of its life.

We have a growing population which is adding pressure on the ageing three waters infrastructure.

The National Policy Statement on Urban Development means that Council is not able to target three water infrastructure upgrades as per its previous growth plan (around community centres and transport nodes). Instead, we are now needing to cater for growth anywhere in the city.

We have taken meaningful steps to address these challenges, including by increasing funding almost three-fold in our most recent Long-Term Plan (LTP). The recent LTP funded \$587 million for three waters infrastructure, while the previous LTP funded \$214 million. Despite a significant increase in funding, there are still significant risks to three water services.

Very broadly, these risks and challenges are:

- Ageing infrastructure costs more to maintain
- Request for service have doubled in the past two to three years
- We estimate a backlog of renewal work (representing underinvestment) of:
  - 190kms of water pipe (27% of network)
  - 100km of wastewater pipe (14% of network)
- We estimate 55% of pipe infrastructure will be required to be replaced in next 30 years

#### **6. There are also wider challenges which support the case for change**

##### **Growth and Residential Intensification.**

Hutt City is experiencing unprecedented growth which is impacting on the ageing three waters infrastructure. Much of this growth is in-fill housing for which the capacity of existing services is being stretched and requiring on-site solutions such as attenuation, which add considerable costs on development and may have longer term maintenance and renewal implications. Intensification is only going to increase with the current changes to the district plan through from the National Policy Statement on Urban Development.

### **Climate change will exacerbate infrastructure challenges**

Climate change will require considerable investment in the future to protect or relocate critical wastewater infrastructure. Locally this includes our Seaview Wastewater Treatment Plant and the outfall pipeline around the Eastern Bays.

The effects of an expected higher water table will also have significant impacts on lower areas of the city, requiring major infrastructural investment or possible planned retreat.

### **There are demands on water supply regionally**

Regional bulk water supply looms as a growing challenge. Whilst the regions' four City Councils (that share the water resource) agree it is desirable to limit usage and defer the need for a new bulk water reservoir, there is a lack of cohesion as to how that should occur.

### **Councils are struggling to deliver capital programmes**

Availability of a trained three waters workforce is creating a major constraint in our region to deliver our capital programmes.

For the past two years only 75% of the Council's intended three waters capital programme was achieved due to a lack of people resource in the planning, design and delivery of the programme.

### **Inflationary costs**

Cost pressures are partly as a consequence of a shortage in a trained workforce, but are also due to supply constraints and product shortages, meaning project costs and budgets have been significantly impacted. For instance, the cost of pipes and components has increased by as much as 70% over the past two years. Budget estimates for the Long-Term Plan adopted 12 months ago are likely to be underestimated.

## **7. We have concerns the local voice will be lost in a large entity structure**

Our community share this concern: local ownership and control of assets came through as a strong theme in our public engagement on these reforms. Both those who support and oppose the reforms want equity to be a priority within the new entity structure, as well as the ability for locals to participate meaningfully in decision-making. This means, ensuring appropriate mechanisms for input from Council and community into asset management plans, funding and pricing plans and infrastructure strategies.

Clarity on how the Water Services Entities will integrate with council planning roles and functions in managing growth would allay some of these concerns.

It isn't clear how local issues will be prioritised or considered equitably amongst other competing priorities in the new entity structure. We are seeking assurance that day-to-day operation of water services is responsive to local needs – unnecessary process can't get in the way of delivery for our communities.

## **8. Other issues for consideration**

We have worked closely with our neighbouring Councils to discuss the changes coming. There are some areas we agree need to be addressed. These are listed below:

- **Community outcomes** and overall wellbeing needs to be stressed in the statutory purpose of the Bill

- **Workforce:** The availability of qualified three waters workforce is already strained, with more people required. There is also the potential risk of retaining workers in the transition period that the Asset Management Plan will need to address.
- **Board appointments:** further clarification is needed as to how competency-based selection is guaranteed.
- **Privatisation:** The Government, in its response to the recommendations, stated that it would seek cross-party support to entrench provisions requiring 75% of Parliament to vote in favour of amending or repealing provisions of the Bill where repeal or amendment of that provision would be necessary to allow the privatisation of the Water Services Entities. However, the Bill as introduced does not include provision of this nature, we are seeking confirmation that 75% is still required.
- **Consultation:** While there is an obligation of the new Water Services Entities to support and enable housing and urban development, there is no requirement to support the development in areas that Council identify. The new Water Services Entities is required to consult the community and Council about its infrastructure strategy and Asset Management Plan, but there is no obligation to incorporate that consultation into the decision-making, only report on it.
- **Reporting:** we recommend central government issue a Statement of Strategic Expectations every three years where local government can have input.
- **Communication:** With diverse communities nation-wide and regional differences in current governance arrangements, communication surrounding the implementation of this Bill must assure local communities that their interests are safeguarded and represented in this process.
- **Governance:** We would recommend that the Regional Representative Group works with councils and Iwi / Māori to develop a model that allows for strong local / regional representation based around sub-Water Services Entity cluster areas<sup>1</sup>.
- **Geographical boundaries:** We understand the rationale behind the need to establish entities with a sufficient customer base to achieve economies of scale. However, managing an equitable balance across a wide Water Services Entities area will have its challenges, particularly in servicing growth demands. The Wellington Water experience where most of the shareholder Councils share similar characteristics illustrates this. We recommend clarifying how this situation will be mitigated.

Issues raised in Local Government New Zealand's draft submission on this Bill we wish to amplify are listed below.

- How the Water Services Entities integrate with other council planning processes (e.g. long-term planning, broader council asset management planning, resource management planning) is a key concern.
- Water Services Entities' place in the wider system relative to councils (and other bodies) should be explicit. It must make clear that Water Services Entities are an implementer of wider plans for community wellbeing, growth and development.
- We are concerned by the lack of priority given to supporting and enabling councils' critical placemaking role. We want to see a specific objective and operating principles addressing this included in the legislation.
- The focus in the Bill's objectives around housing and urban development doesn't capture the breadth of councils' placemaking roles.
- We are concerned by the lack of consideration given to the interface with current (and new) Resource Management systems.
- Having to submit on this Bill before we know key details of new Resource Management legislation and other parts of the Three Waters framework is far from ideal. We are concerned by

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<sup>1</sup> This is in line with the governance points outlined by Wellington City Council's submission

the lack of clarity about which part of the system will end up determining particular matters that other parts of the system need to adopt or comply with.

- We support the operating principle around Water Services Entities partnering and engaging early and meaningfully with councils and their communities.

Thank you again for the opportunity to provide feedback in shaping this Bill. We recognise that there is much more work to be done and more detail will be included in the upcoming Implementation Bill on how the transition will be implemented.

Nāku iti noa, nā



Campbell Barry  
**MAYOR**

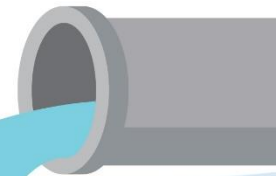


Jo Miller  
**CHIEF EXECUTIVE**



# Three Waters Reform

Our engagement insights



In April, we engaged with the Lower Hutt community to ask people to share their thoughts on the Government's proposed three waters reforms.

We asked questions that sought people's view on the impact of reforms on water infrastructure, support for the reforms, and priorities for water services.

**774**

individual responses were received; we're continuing a detailed analysis of these responses, but here are our key insights.

**When asked whether you supported the Government's proposed reforms:**

**46%**

are opposed

**38%**

are in support

**16%**

are neutral

## Here's what you thought the top three priorities on the impacts of reform in Te Awakairangi ki Tai Lower Hutt:

**95%**

Investment decisions are made with transparency

**85%**

Water service entities are protected from privatisation

**70%**

Water services remain in community ownership

## Here's what you considered were the most important water services:



**99%**

Safe drinking water with strict public health regulations



**99%**

Ensuring water resources are available for public safety (eg fire fighting)



**98%**

Storm and wastewater services are managed to prioritise public safety

These findings will be taken into consideration when preparing our submission for the select committee.

**HUTT CITY**  
TE AWA KAIRANGI