



THREE WATERS REFORM PRELIMINARY POSITION

23 SEPT 2021

ROTORUA
LAKES COUNCIL

PURPOSE OF THIS REPORT

- Update on the status of the 3 waters reforms.
- Highlight key points of the proposed reforms.
- Council notes the preliminary position arrived at by Council following a series of elected member fora.
- Council endorses the preliminary position on the proposed reforms and supports officers continuing to work with DIA.

THE GOVERNMENT'S 3 WATERS REFORM DRIVERS

- Improved public health and wellbeing,
- Improved environmental outcomes,
- Economic growth and employment,
- Housing and urban development,
- Adapting to the impacts of climate change; and
- Mitigating the effects of natural hazards.

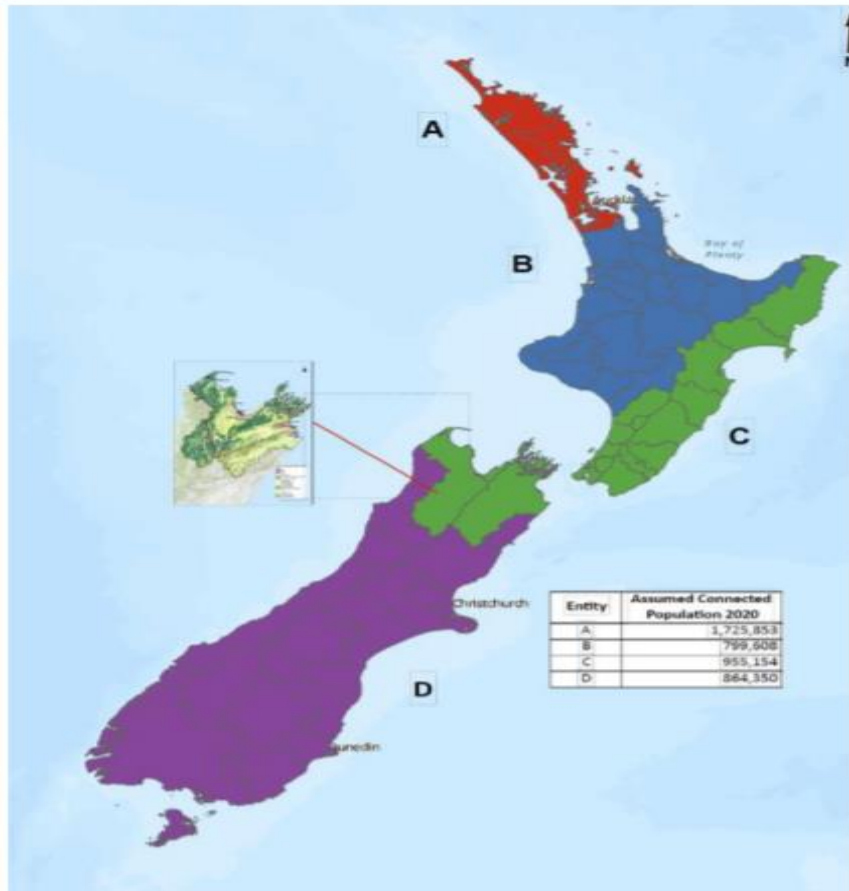
GOVERNMENT STATED CONCERNS

- Safety and quality of drinking water.
- The resiliency of three waters services.
- Financial sustainability and affordability of the services.
- Sector skills and capability scarcity .
- Equitable access to three waters services (*Perhaps 15-20,000 private schemes. Only 63 registered today, 8% compliant*).
- Improving coordination of limited national resources.
- Improving transparency and accountability.

WHAT IS PROPOSED BY GOVERNMENT

- Creation of new water services entities (4-WSE) to have responsibility for the Three Waters Infrastructure services.
- Transfer of existing Council-owned three waters assets and responsibilities to the new water services entities to own and manage.
- Providing that local authorities will jointly “own” the water services entities ownership of water services entities.
- Protecting against privatisation of those assets.
- Retaining influence of local authorities and mana whenua over strategic and performance expectations.
- Providing the necessary balance sheet separations from Local Authorities; and
- An integrated national regulatory system.

4 WSEs PROPOSED BY GOVERNMENT



Entity	Regions included
A	Auckland and Northland regions.
B	All districts from the Waikato, Bay of Plenty and Taranaki regions and the upper parts of Manawatū-Whanganui region (Ruapehu, Whanganui, and Rangitikei).
C	The districts in the eastern and lower part of the North Island (Gisborne, Hawke's Bay region, lower parts of the Manawatū-Whanganui region ²⁵ , and Wellington regions); and The local authorities at the top of the South Island (Tasman, Nelson and Marlborough).
D	The districts and regions in the rest of the South Island, including those parts of the Marlborough and Tasman Districts that comprise the Ngāi Tahu takiwā. ²⁶

ENTITIES GOVERNANCE PROPOSED

- TLAs (22 for WSE B) and mana whenua appoint 5 members each to a Regional Representative Group (RRP)- No more than 12 members.
- TLA representatives would be elected members or appropriately qualified senior officers.
- The RRP will appoint an Independent Selection Panel to appoint and monitor the Entity's Governance Board.
- The Entity Board will govern the Entity and will require relevant competencies – to be set out in legislation – no more than 10 members.
- A Government Policy Statement will provide direction to entities on national policy priorities.
- The Board will be accountable to the Regional Representative Group.

FEEDBACK TO PROPOSALS SOUGHT

- The Government is seeking initial views from councils and from Iwi.
- The Government will further develop the proposal and announce the next steps including timeframes for special consultation and decision-making.
- A major inter-generational change. We do not have adequate Government information to begin a properly informed special consultation process. We expect that this will be part of the next suite of Government announcements.




COUNCIL IMPACTS ASSESSMENT



THREE WATERS REFORM

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COUNCIL IMPACTS ASSESSMENT

Activities	Description
Water supply 	Ten defined supply areas including three urban areas Eleven water sources Nine water supply treatment plants Approximately 768km of pipelines 15 water pump stations
Wastewater 	405 km of gravity pipelines and 150km rising mains Services three urban areas of Rotorua (<u>Ngongotahā</u> , city and eastern suburbs) and some rural lakeside communities Two wastewater treatment plants 81 wastewater pump stations
Stormwater 	284km urban reticulated pipelines 153km of open drains Service three urban areas of Rotorua (<u>Ngongotahā</u> , city and eastern suburbs) Reporoa land drainage scheme

KEY INFRASTRUCTURE ASSETS SUMMARY

Asset	Replacement Cost Approx.	Depreciated Replacement Cost Fair Value Approx.
Water Supply	\$260 M	\$125 M
Wastewater	\$420 M	\$198 M
Stormwater	\$230 M	\$110 M
TOTAL	\$910M	\$433 M


COUNCIL IMPACTS ASSESSMENT

Activities	Major asset class	Median across asset class		Renewal investment
		% of design life expended	% of remaining useful life	
Water supply 	Backflow	27%	73%	-
	Mains	43%	57%	-
	Meters	30%	70%	-
	Plant	20%	80%	-
Wastewater 	Gravity mains	63%	37%	↑↑
	Pressure mains	8%	92%	-
	Manholes	46%	54%	-
	Chambers	8%	92%	-
	Grinder pumps	32%	68%	-
	Other	53%	47%	↑
Stormwater 	Mains	64%	36%	↑↑
	Channels	5%	95%	-
	Consents	54%	46%	↑
	Other	40%	60%	-

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COUNCIL IMPACTS ASSESSMENT

Driver	Council Model		Reform Model
Service standards	Fully compliant water supply, opportunity for improvement in stormwater, wastewater consents and asset management		Greenfield approach to asset management (data collection, analysis etc) and access to more funding can accelerate investment programme and address historical underinvestment
Private supplies	Unknown number of private supplies including marae		WSE takes risk of compliance and has funding to deliver outcomes but questions remain about ability to deliver
Funding and finance	Council has ability to invest but increasing 3W debt and high non 3W debt limits the ability to address historical underinvestment		Under reform 2x the level of council capex is estimated which will lead to service standard improvement and address historical underinvestment
Iwi relationships and governance	Advanced level of governance and good engagement at project and delivery		Iwi governance built into WSE from inception, but how will this work in reality for RLC
Community voice	Strong ability to influence agenda		Real concern that local voice will be lost in much larger Entity B

CIA - Reform delivers better service but community led outcomes – A Risk

Status quo

WITHOUT REFORM - STATUS QUO

Service	Finance
Resourcing	Community

LTP implemented (2031)

WITHOUT REFORM - IN 10 YRS

Service	Finance
Resourcing	Community

With Reform

WITH REFORM

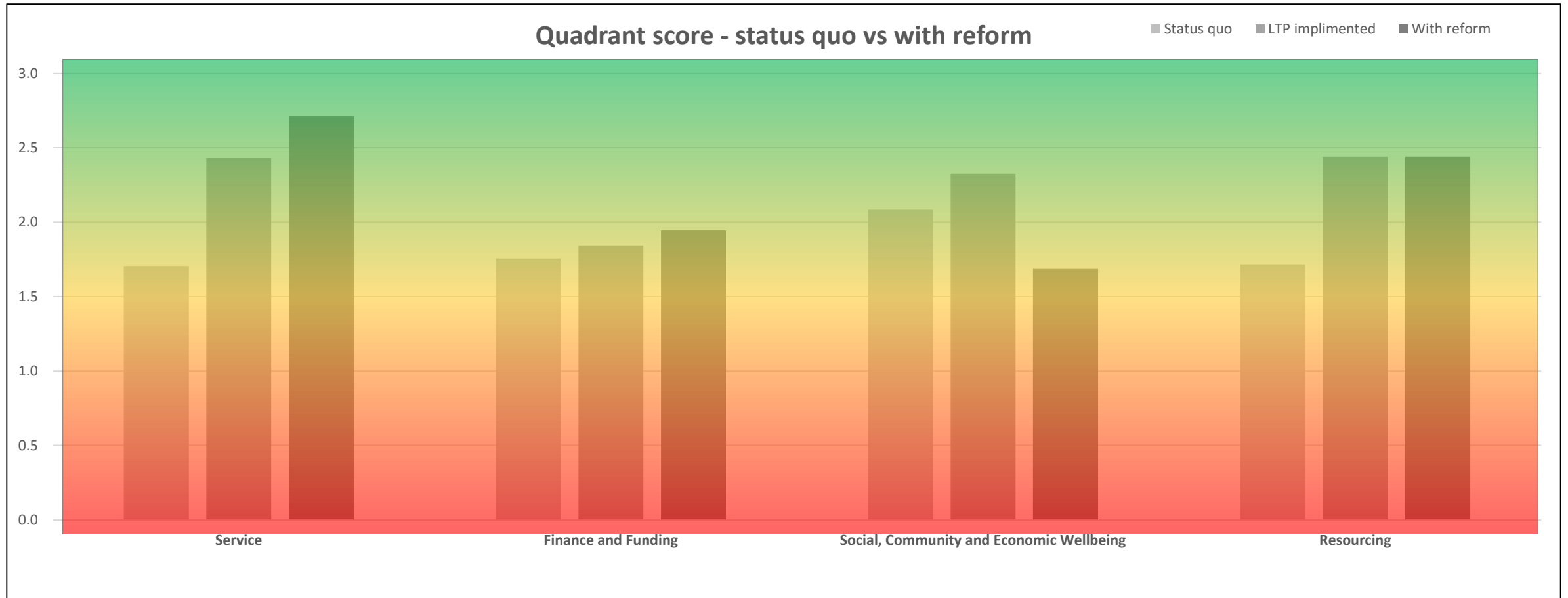
Service	Finance
Resourcing	Community

SUMMARY SCORING KEY

Score	Colour	Quality	Risk
3	Dark green	Much better	Significant opportunity
2	Light green	Better	Opportunity
1.5	Yellow	Neutral	Neutral
1	Orange	Worse	Threat
0	Red	Much worse	Significant threat

***refer 'Considerations and Criteria for Council Impact Assessment' for detailed assessment criteria**

Positive trend, but community role is a concern



WHERE WE SEE ALIGNMENT IN THESE PROPOSALS

- Achieving scale advantage (cost absorption spread larger population)
- Rationalisation and Harmonisation of plans/standards
- Leveraging services based income for growth investment
- Critical mass to attract and retain competent staff
- Improved risk focus and consequence intervention protocols

THREE WATERS REFORM PROPOSED

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ASPECTS WE ARE CONCERNED ABOUT

- The potential loss of our ability to lead and control community outcomes through elected mandate.
- Potential for siloed assets management approach which becomes unresponsive to iwi/community needs.
- Stranded organizational costs difficult to reduce effectively burdening a smaller organization.
- Limitations to our ability to design locally influenced solutions.
- Disconnection between city planning and infrastructure planning.

THE KEY ISSUES OF THE GOVERNMENT PROPOSAL THAT FORMS OUR CURRENT POSITION

- RLC recognizes the challenges facing the Three Waters Services and broadly agrees with the rationale of the 3 waters proposed reforms and has taken an active part in local discussions and workshops to help the formation of viable long term options.
- RLC wants to strongly preserve the role of local elected leadership and decision-making in the alignment of 3 waters objectives with the direction and needs that are specific to our community (don't support one-size-fits-all approach).

WHAT WE WOULD EXPECT TO SEE TO CHANGE OUR POSITION

- Entity required to give effect to community developed 3 Waters Strategy for our District (recognizing a place based approach not a utility based approach).
- That Council receives services that meet or exceed the standard of services provided prior to the establishment of the entity.
- Regular performance reporting to Council focused upon evidence that network management efficiencies are achieved that produce operational and capital risks not just on the 3 waters networks but to the council's broader objectives related to community wellbeing.