

Notice is hereby given that an extraordinary meeting of Horowhenua District Council will be held on:

Date: Wednesday 29 September 2021
Time: 2.00 pm
Meeting Room: Council Chambers
Venue: 126-148 Oxford St
Levin

Council OPEN AGENDA

MEMBERSHIP

| | | |
|--------------------------|---------------------------|-------------------|
| Mayor | Mr Bernie Wanden | |
| Deputy Mayor | Mrs Jo Mason | |
| Councillors | Mr David Allan | |
| | Mr Wayne Bishop | |
| | Mr Ross Brannigan | |
| | Mr Todd Isaacs | |
| | Mr Sam Jennings | |
| | Mrs Victoria Kaye-Simmons | |
| | Mr Robert Ketu | |
| | Mrs Christine Mitchell | |
| | Ms Piri-Hira Tukapua | |
| Reporting Officer | Mr David Clapperton | (Chief Executive) |
| Meeting Secretary | Mrs Karen Corkill | |

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and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

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1 Apologies

2 Public Participation

Due to COVID-19 Alert Level 2 restrictions, this meeting will be held in person; however, members of the public will not be able to attend. The meeting will be livestreamed on Council's Live Meetings page and a screen will be set up in the foyer area of Council's main office for members of the public who wish to watch the meeting, but do not have internet access at home. Guidelines for visiting Council's Customer Service Centres can be viewed on Council's website: <https://www.horowhenua.govt.nz/Council/Council-Meetings> .

Public Participation will be by way of written submission, which will be read out during the meeting. Written submissions will be required by 12 noon on the day of the meeting by email to public.participation@horowhenua.govt.nz.

3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

4 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

5 Announcements

File No.: 21/397

Economic Development Services - 1 October 2021 to 30 June 2024

1. Purpose

To seek Council's endorsement of the Economic Development Service Agreement with The Horowhenua Company Limited (THCL) for the term 1 October 2021 to 30 June 2024.

2. Executive Summary

- 2.1 The Horowhenua New Zealand Trust (HNZT) was contracted to deliver economic development services via its subsidiary THCL, to the Horowhenua District Council (HDC) in 2018, through a contract to 30 September 2021.
- 2.2 Council's endorsement is being sought for THCL to continue delivering economic development services until 30 June 2024.

3. Recommendation

- 3.1 That Report 21/397 Economic Development Services - 1 October 2021 to 30 June 2024 be received.
- 3.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- 3.3 That the Horowhenua District Council endorses the Economic Development Service Agreement with The Horowhenua Company Limited for the term 1 October 2021 to 30 June 2024.

4. Background / Previous Council Decisions

- 4.1 HDC contracted HNZT to deliver economic development services for the term 1 October 2018 to 30 September 2021.
- 4.2 In July 2020 Council directed the Chief Executive to negotiate a further three year service agreement with HNZT.

5. Discussion

- 5.1 To support future negotiations and clarity of priorities and outcomes, the Deputy Chief Executive engaged Giblin Group in August 2020 to undertake a high level review of Council's Economic Development Strategy (EDS).
- 5.2 Giblin Group presented their findings to Council in a public workshop on 21 October 2020 with a recommendation to develop an Economic Development Implementation Plan to support future delivery.
- 5.3 In March 2021 Council endorsed the Economic Development Implementation Plan and twelve activity areas:
 - Ensuring Horowhenua has appropriate rules for people, business and the environment to flourish
 - Working with partners and stakeholders to deliver a diversity of homes that more Horowhenua residents can afford
 - Ensuring Horowhenua has appropriate infrastructure for people and business to flourish

- Destination marketing and management
 - Partnering with Horowhenua Iwi
 - Business Development and support
 - Innovation and industry development support
 - Skills related support
 - Investment attraction
 - Export and or offshore investment support
 - Strategy development, economic intelligence and monitoring
 - Regional economic development and economic wellbeing implementation support.
- 5.4 In May 2021 HNZT directed contract negotiations to proceed with THCL, a subsidiary of HNZT.
- 5.5 On 25 May 2021 Council deliberated the Long Term Plan 2021/2041 submissions, and directed that the development of an Events Strategy should also be included in negotiations with THCL.
- 5.6 In July 2021 Council sought a proposal from THCL to deliver economic development services from 1 October 2021 to 30 June 2024, and further requested a proposal to develop a one off Horowhenua Events Strategy. The proposal sought an outline of actions and outcomes against the priority areas of the Economic Development Implementation Plan as follows:
- Promoting Horowhenua as a great place to live, learn, create and play
 - Business Development and support
 - Innovation and Industry development
 - Skills related support and labour market development
 - Promoting investment into Horowhenua
 - Economic Strategy research and thought leadership
 - Regional economic development implementation.
- 5.7 In August 2021 Council received a proposal from THCL. The proposal complied with Council's request.
- 5.8 The proposal included a provision to set the key service delivery areas on an annual basis; this aligns to the terms of the prior agreement. The term was enhanced with a suggestion to agree on the percentage of funding allocated to each of the proposed service delivery areas.
- 5.9 Council directed the proposal from THCL to align to Council's financial year to enable more transparency. The prior agreement spanned two financial years commencing 1 October to 30 September which caused confusion for the ratepayer as they could not get a line of sight to how this related back to Council's budget setting process. The agreement term proposed is as follows:
- 01 October 2021 to 30 June 2022
 - 01 July 2022 to 30 June 2023
 - 01 July 2023 to 30 June 2024.
- 5.10 The key performance areas from the prior agreement which will continue for the first year of the new agreement to 30 June 2022 include:
- Deliver 6 Business After 5s targeted business events
 - Support business growth and development through continued promotion of Regional Business Partners and other Government funded business support programmes (while exploring opportunities to improve how those programmes support Horowhenua)
 - Maintain a dedicated focus on business-led labour market initiatives through Get-Go

- Provide economic insights and business intelligence as per monthly and quarterly schedule.

5.11 New performance areas established and key deliverables to 30 June 2022 include:

- Quarterly economic dashboard developed to agreed format with the first one delivered by 31 March 2022
- New annual customer satisfaction survey for economic development developed and baseline results provided to Council
- Delivering and sharing stories to improve understanding and awareness of economic development activities (2 case studies published)
- Establish/support new networks such as Women in Business and Young Professionals networks (established and support/model agreed)
- Fostering deliberate collaborations with Muaūpoko Tribal Authority and Ngāti Raukawa to progress their economic aspirations (established and joint work programme defined)
- Events Strategy and Implementation Plan delivered to HDC by 31 March 2022.

5.12 Council's endorsement is now sought for the Chief Executive to enter an Economic Development Services Agreement between Horowhenua District Council and The Horowhenua Company Limited effective 01 October 2021 to 30 June 2024.

6. Options

As the Council had directed the Chief Executive to negotiate a contract for another three years with HNZT, and subsequently THCL, the Chief Executive has not approached the market for any alternative proposals and there are no other options for consideration.

6.1 Cost

The whole of life contract for the term 01 October 2021 to 30 June 2024 is \$1,813,330. The whole of life cost includes the one-off expense of \$80,000 for the preparation of the Events Strategy and Implementation Plan in the first financial year to 30 June 2022.

6.1.1 Rate Impact

There is no additional rate impact to the adopted 2021/2041 LTP.

6.2 Community Wellbeing

Effective economic development requires a focus on:

- Existing people and business (and assisting them to overcome challenges and create greater value (economically, environmentally and socially) through doing things differently and better over time);
- Creating new platforms for growth (either by growing new activity in the district or by encouraging new activity to an area) and tying these things together;
- The investments and efforts need to support a thriving business environment, thriving natural resource base and thriving community (e.g. infrastructure, rules and regulations, and investment in community wellbeing and amenities).

Council developed the Economic Development Implementation Plan (EDIP) to prioritise actions that support Horowhenua aspirations taking an economic development perspective (acknowledging that contemporary economic development sits appropriately within a wellbeing framework i.e. economic development has a key role in supporting positive social and environmental outcomes alongside business, industry and employment objectives).

The proposal sought from THCL was based on the EDIP to ensure that the activities and services would be guided and, importantly, monitored and reported on to improve transparency and enhance outcomes for the Horowhenua community.

6.3 Consenting Issues

There are no Consents required or consenting issues arising.

6.4 LTP Integration

Council directed the Chief Executive to negotiate a further three year contract in 2020, therefore Officers assumed that a service agreement would continue in the preparation of the 2021/2041 LTP.

The economic development professional service expenditure, which the service agreement falls under, for Yr to Yr3 of the 2021/2041 LTP is \$1,997,840.

Council also added additional funding of \$200,000 to Year 1 of the 2021/2041 LTP to develop an Events Strategy and Horowhenua Brand identity.

Council's delegation register states that:

"The Chief Executive has the delegated authority to exceed the \$1,000,000 (for either operational or capital expenditure) in situations where 'whole of life' (e.g. multiyear) contract costs exceed that limit provided that corresponding 'whole of life' (multiyear) budgets have been established by an approved Long Term Plan and those costs are within those budgets."

The delegation to the Chief Executive and adopted Economic Development LTP budget provide provision for the Chief Executive to execute the agreement with The Horowhenua Company Limited for the whole of life term 01 October 2021 to 30 June 2024 and expenditure of \$1,813,330.

7. Consultation

There was no consultation required to be undertaken.

8. Legal Considerations

Council has undertaken a legal review of the proposed service agreement with THCL as part of its standard procurement and contracting procedures.

9. Financial Considerations

Provision for a service agreement was assumed in the 2021/2041 LTP.

10. Iwi Considerations

There are no Iwi considerations.

11. Climate Change Considerations

There is no Climate Change impact.

12. Environmental Considerations

There are no Environmental considerations.

13. Health & Safety Considerations

There is no Health and Safety impact.

14. Other Considerations

Prior feedback from the community through the resident satisfaction survey indicated that improved reporting and communication of economic development impact was required.

Council requested that THCL specifically consider improvements to reporting and communication, and their proposal outlines:

THCL to report on economic development services in the following ways:

- Annually, by way of THCL providing an annual year in review summary report to Council.
- Monthly, by way of THCL input to HDC tracking of service performance (SSPs).
- THCL attend meetings or provide written advice to Council as requested.
- Provision of independent and impartial economic insights and business intelligence in a format and frequency to be agreed.

THCL to create an economic dashboard to be provided to Council monthly.

THCL to present an update on progress at a Council meeting on a bi-annual basis.

THCL to develop a new economic development customer satisfaction survey and two case studies per annum

Operational meetings established between THCL and HDC two monthly, and Governance meetings quarterly.

15. Next Steps

As outlined, the LTP assumed the professional services budget for an Economic Development Service Agreement. The proposal received from THCL whole of life contract is accounted for within the adopted LTP budget and within the Chief Executive's delegation to sign the contract on this basis.

This report seeks Council's endorsement for the Chief Executive to proceed.

16. Supporting Information

Strategic Fit/Strategic Outcome

Council has a critical role to play in supporting economic development and economic wellbeing of the community, and has a range of levers to support, or indeed inhibit, economic development that is consistent with broader wellbeing objectives.

Council, through its LTP, plays an important role in the provision and funding (either directly or via delivery agents) of support for local people and businesses through – regeneration; business support and employment programmes; working with, and providing a link to, nationally-led programmes; investor and people attraction programmes; and providing a range of high-quality services that directly support residents' wellbeing outcomes and business investment confidence.

The proposal from THCL aligns to Council's Community Outcomes and priorities as set out in the Economic Development Strategy and Economic Development Implementation Plan.

Decision Making

Council directed the Chief Executive to negotiate a further three year term agreement. The Chief Executive holds delegation to proceed with the proposal received and is seeking Council endorsement.

Consistency with Existing Policy

The proposal aligns to the priorities set by the Economic Development Implementation Plan.

Funding

The funding is provided for in the adopted LTP 2021/2041.



Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

17. Appendices

There are no appendices for this report

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| Author(s) | Nicki Brady Deputy Chief Executive |  |
| Approved by | David Clapperton Chief Executive |  |

File No.: 21/396

Three Waters Reform - Endorsement of Feedback to Government

1. Purpose

To seek Council's endorsement of the feedback to Government on the Three Waters Reform proposal.

2. Executive Summary

- 2.1 On 30 July 2021 Local Government New Zealand, Taituarā and Te Tari Taiwhenua Internal Affairs invited councils across New Zealand to provide feedback to the Government on the potential impacts of the proposed Three Waters Reforms by 1 October 2021.
- 2.2 Over the past eight weeks Horowhenua District Council (Council) has assessed the package of Three Waters Reforms proposed by the Government following the decision made by Cabinet in July 2021.
- 2.3 Council understands that no formal decision is being sought at this point in time on whether Council supports Government's reform package or otherwise.
- 2.4 Council has reviewed the Three Waters Proposal and has developed suggestions for Government on considerations and amendments to the proposals to ensure they align with our region's priorities and concerns.
- 2.5 This has been included in the feedback report for endorsement to be sent to Government.

3. Recommendation

- 3.1 That Report 21/396 Three Waters Reform - Endorsement of Feedback to Government be received.
- 3.2 That this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.
- 3.3 That the Horowhenua District Council endorses the Executive Summary (with/without changes).
- 3.4 That the Horowhenua District Council endorses Theme 1: Community Voice and Support (with/without changes).
- 3.5 That the Horowhenua District Council endorses Theme 2: Order of reforms (with/without changes).
- 3.6 That the Horowhenua District Council endorses Theme 3: Representation and Governance (with/without changes).
- 3.7 That the Horowhenua District Council endorses Theme 4: Supporting growth infrastructure (with/without changes).
- 3.8 That the Horowhenua District Council endorses Theme 5: Alternate options for delivery (with/without changes).
- 3.9 That the Horowhenua District Council endorses Theme 6: Transition and delivery (with/without changes).

- 3.10 That the Horowhenua District Council endorses Theme 7: Growing and supporting our economy (with/without changes).

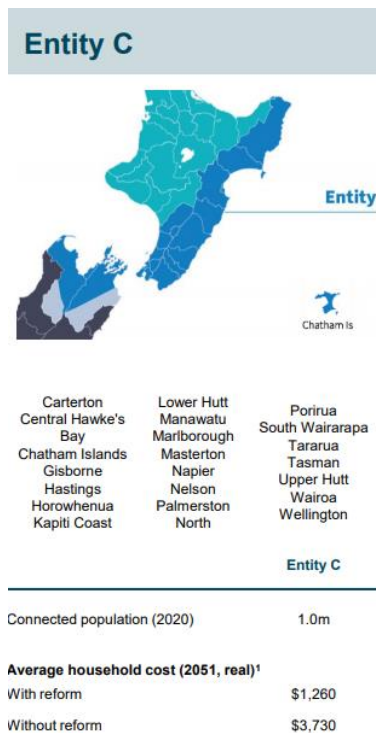
4. Background / Previous Council Decisions

Context

- 4.1 Horowhenua District Council (Council) provides reticulated drinking water to the communities of Levin, Foxton, Foxton Beach, Shannon, Mangaore and parts of Ōhau and Tokomaru. Council provides reticulated wastewater services to the same communities also including Waitārere Beach, with the exception of Ōhau, and stormwater services.
- 4.2 This provision of services, known collectively as the three waters, forms a significant part of what Council does, who Council is and how it supports/impacts its community. The provision of these services make up a significant part of Council's balance sheet.
- 4.3 Council's most recent 2021 LTP provides a clear programme of required investment in the assets to deliver continued service to communities with an emphasis on growth infrastructure to enable development. Three Waters has been a focus for Horowhenua in its strategic planning as the infrastructure is a key enabler for our district as we prepare to be a district in excess of 60,000 people within 20 years.
- 4.4 Alongside growth investment, Council has invested significantly in its wastewater infrastructure with close to full irrigation of wastewater to land and for safe water supplies. This investment and ongoing renewal and maintenance has ensured continuity of service and wellbeing for the Horowhenua community.

Reform Proposal

- 4.5 Following the serious campylobacter outbreak in 2016 and the Government's Inquiry into Havelock North Drinking Water, central and local government have been considering solutions to challenges facing the regulation and delivery of three waters services. This has seen the development of new legislation and the creation of Taumata Arowai, the new water services regulator.
- 4.6 The outcomes Government are looking to achieve from the reform is to ensure safe drinking water, improve the environmental performance and transparency of wastewater and stormwater networks, deal with funding and affordability challenges, particularly for communities with small rating bases or high-growth areas that have reached their prudential borrowing limits.
- 4.7 Government announced an integrated and extensive package of reform proposals together with a comprehensive financial support package. An intensive 12-month period of policy, commercial, legal and analytical work has been progressed through a constructive partnership-based approach with the local government sector, under the oversight of a joint central-local government steering committee.
- 4.8 The government has undertaken multiple periods of engagement with local government and Iwi/Māori. LGNZ's National Council, Taituarā, and the Joint Steering Committee, have worked with the Government on its preferred model to ensure the Government's policy proposal worked within the broader local government "operating" system.
- 4.9 The Government is proposing four new, large water service delivery entities. Horowhenua falls into Water Services Entity C which includes a geographic area covering the southern half of East Cape, down the east coast of the North Island, across into Manawatū, through Wellington and the Wairarapa and Nelson and Marlborough. The area would serve roughly 955,000 connected water users, although the precise boundaries are still up for discussion.



4.10 The reform package currently comprises the following core components:

- Establishment of four statutory, publicly-owned water services entities to provide safe, reliable and efficient water services;
- enable the water services entities to own and operate three waters infrastructure on behalf of local authorities, including transferring ownership of three waters assets and access to cost-effective borrowing from capital markets to make the required investments;
- establish independent, competency-based boards to govern each water services entity;
- introduce mechanisms that protect and promote the rights and interests of Iwi/Māori in the new three waters service delivery system;
- introduce a series of safeguards against future privatisation of the water services entities;
- set a clear national policy direction for the three waters sector, including expectations relating to the contribution by water services entities to any new spatial / resource management planning processes;
- establish an economic regulation regime, to ensure efficient service delivery and to drive the achievement of efficiency gains, and consumer protection mechanisms; and
- develop an industry transformation strategy to support and enable the wider three waters industry to gear up for the new water services delivery system.

5. Discussion

The detailed feedback is included as an attachment.

6. Options

The current options are to either endorse or not endorse the feedback report.

Ongoing, once Government considers feedback on the reform there will be options which may include a decision around opting in/out of the reform.

6.1 Cost

The feedback report does not have a rates impact, however there will be implications for the council to consider if the Government proposal goes forward.

6.1.1 Rate Impact

Three Waters is an important aspect of wellbeing, Council will continue to advocate for the community to ensure wellbeing is at the heart of decision making.

6.2 Community Wellbeing

Three Waters is an important aspect of wellbeing, Council will continue to advocate for the community to ensure wellbeing is at the heart of decision making.

6.3 Consenting Issues

This needs to be considered as more information on the reform proposal is available.

6.4 LTP Integration

It is Council's request to Government that any reform of Three Water Services must, at the very least, guarantee the delivery of the LTP 2021-2031 adopted by Council in June 2021, and other associated plans and strategies, such as Council's Infrastructure Strategy, Asset Management Plans and Integrated Spatial Plan.

7. Consultation

The Government has directed councils to assess the proposed package, understand how it could impact our districts and provide suggestions for improving the Three Waters Reform model. The Government has made it clear that no formal decision is being sought at this point in the process, which means Council's normal consultation process is not triggered.

8. Legal Considerations

This needs to be considered as more information on the reform proposal is available.

9. Financial Considerations

This needs to be considered in detail as more specific information on the reform proposal is available.

10. Iwi Considerations

The Government is responsible for directly engaging with Iwi on the reform package.

11. Climate Change Considerations

This needs to be considered as more information on the reform proposal is available.

12. Environmental Considerations

This needs to be considered as more information on the reform proposal is available.

13. Health & Safety Considerations

This needs to be considered as more information on the reform proposal is available.

14. Other Considerations

Not applicable

15. Next Steps

Once Government considers the feedback, Cabinet Ministers will meet in October to discuss the feedback gathered and will make decisions on next steps in the reform process including mechanisms for community consultation.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

16. Appendices

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| A | Horowhenua - Three Waters Reform - Feedback Report - 23 September 2021 V1.0 | 18 |

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| Author(s) | David Clapperton Chief Executive |  |
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| Approved by | David Clapperton Chief Executive |  |
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Dear Minister,

On 30 July 2021 Local Government New Zealand, Taituarā and Te Tari Taiwhenua Internal Affairs invited councils across New Zealand to provide feedback to the Government on the potential impacts of the proposed Three Waters Reforms by 1 October 2021.

Over the past eight weeks Horowhenua District Council (Council) has considered and assessed the package of Three Waters Reforms proposed by the Government following the decision made by Cabinet in July 2021. Our review of the proposals has included an analysis of the information provided by the Government to support its reform package, as well as Council's own analysis of the impacts the reforms would have on the Horowhenua district.

Council understands that no formal decision is being sought at this point in time on whether Council supports Government's reform package or otherwise. Council asks that Government provides clarity on next steps and when a decision will be sought to either opt in/opt out.

Over the past eight weeks, our community have felt uninformed and impassioned over the proposal for numerous reasons. Government has not appropriately publicly messaged the stage at which the reforms are at, nor explained at what point the general public will be able to properly consider the case for change and meaningfully contribute to the reform development. Therefore, Council believes it is imperative that the Government consults with the public before a final decision is made.

In addition, there are multiple major reforms underway, the Three Waters Reform, the Resource Management Act Reform and the Future of Local Government Review, which will all have a bearing on the way territorial authorities conduct their core business and service their communities. We consider the sequencing of three waters reforms ahead of finalisation of the future of local government review is ill-considered and inappropriate.

We want to make it clear that the next steps for this reform depend on Government decisions, not ours. We are not in the position to 'sell' the government reforms to our communities.

We note that at this stage there is insufficient information to fully evaluate the proposal. In this letter we have outlined our concerns and potential solutions that we feel are important for our community based on the limited information provided to date. The Government's direction will determine how we move forward.

Executive Summary

Managing Growth

Three Waters has been a focus for the Horowhenua in our strategic planning as we continue to enable key infrastructure to support becoming a district of in excess of 60,000 people over the next 20 years.



Council is taking a proactive approach to planning for growth. At a regional level we have been a key partner in the development of the Wellington Regional Growth Framework and the Manawatū-Whanganui Regional Spatial Plan.

Horowhenua is in the midst of an exciting transformation. We are undergoing significant growth and it is essential that there is continued investment in its infrastructure. Levin in particular is experiencing significant growth pressures due to its proximity to the major centres of Palmerston North and Wellington and its availability and affordability for housing developments.

Council has provided \$231.7m in its Long Term Plan for enabling infrastructure investment across the housing development areas, with \$191m of that planned for three waters infrastructure. Key strategic three waters infrastructure planned within 10 years include:

- Alternative water supply for the growing population, as well as investigating sources of sustainable supplementary water supply for providing resilience and climate change mitigation.
- Levin Wastewater Treatment Plant and treated effluent disposal site which is locally known as The Pot (irrigated to forestry mixture of exotic and native trees).
- Full service water and wastewater reticulation upgrades to serve our growing settlements.

Alongside growth investment we have invested significantly in our wastewater infrastructure with close to full irrigation of wastewater to land and for safe water supplies. This investment and ongoing renewal and maintenance has ensured continuity of service and wellbeing for our community.

We have also worked hard to ensure that our three waters infrastructure and service activity is delivered in a way that recognises the role of our iwi partners. This partnership approach has influenced our approach to wastewater treatment and delivery of safe water to our communities.

Council's LTP has prioritised master planning for the Levin water supply and wastewater are finalised. We want to ensure that a robust work programme is developed that meets current and future demand. We also need certainty on ensuring our district will receive, at the very minimum, the same level and timing of current planned growth infrastructure.

How the reforms will underwrite our growth



Horowhenua is in a period of unprecedented growth, so it is critical that we understand the impact of the reforms on our growth plans and ambitions. We believe that it is essential that the reforms better provide for a robust mechanism to ensure spatial planning and Three Waters infrastructure planning are well aligned. Our principal concern is that Council has planned three waters activities to support growth, but that this could be adversely affected if growth in Horowhenua is competing for investment with other communities because of the reforms.

Our concerns

It is paramount that the voices of our community are heard and responded to. Our community has concerns around issues like additional charges and future privatisation. We need assurance that our community has their concerns answered, feels well informed and understands the pros and cons of reform. We want our community to be engaged with for significant decision-making for Three Waters infrastructure, at a minimum, to the level of community engagement currently carried out by Council.

Council is concerned about the current lack of democratic accountability for a water provider in the proposal. This would reduce the ability for our Council, voted in by its community, to hold a water entity to account for the delivery of services. We are concerned that local government would have limited ability to influence the make-up of the Board and the performance expectations for the water entities, due to the convoluted proposed governance and ownership structure.

Additionally, in practice the limitation placed on membership on the Regional Representation Group (no more than 12 members, and equal numbers of representatives from local authorities and mana whenua) means that many councils and iwi will not be represented in the group. This is particularly relevant for the proposed Entity C which encompasses 22 territorial authorities.

Other options

We acknowledge that the reform proposals are well advanced and that the Government is seeking feedback on a single model as the solution to the identified problems and optimal mechanism to achieve desired government outcomes. The focus on aggregation and balance sheet separation ruled out other viable and sensible options that could directly respond to key challenges from better local government performance in the three waters space.

We believe there are other credible and workable models and approaches that should, and still could, be explored as an alternative to, or enhancement of the current reform proposals. In progressing to a single proposed solution, the reform proposals have not enabled Council or the community to consider the appetite for change and the priority of better outcomes to be pursued through change.

Continuity of service and support

We currently provide strong local accountability and efficient service delivery. We are able to deliver localised services and solutions to our residents through our Alliance Contact with Downer. This allows us to support local businesses that subcontract to the Alliance, and it is critical that our local businesses continue to be contracted to deliver services to our residents.

Sustainability of the local supply chain

Our water services are currently provided by local contractors working under the Alliance framework. The involvement of local contractors provides responsiveness and contributes to our District's resilience and provides local employment opportunities.

Three waters as an enabler for housing

We need to ensure that the affordability of our housing is not impacted. Council is working with the local development sector to enable affordable housing by creating a streamlined process that will apply to currently zoned residential land within the District under current planning rules. Housing affordability has been ranked as one of the highest priorities by the Horowhenua community, and this includes rates, development costs (e.g. development contributions) and building costs.

Summary of our detailed feedback

We have reviewed the Three Waters Proposal and have developed suggestions for Government on considerations and amendments to the proposals to ensure they align with our District's priorities and concerns. The points raised below are explained in greater detail in the full report.

Our summarised recommendations to address our current concerns (at this stage) are:

- That Water Service Entities are obligated to deliver their services and investment programme in a manner that supports (or improves) community resilience.
- That Water Service Entities are required to meet reasonable response times, likely to only be possible with local knowledge and a local presence for emergency response.
- Water Service entities are required to consider affordability in setting charges.
- Water Service entities are required to collaborate with Territorial Local Authorities so customers offered rates relief are also recognised by Water Service Entities.
- The water reform process be sequenced to ensure that likely impact of any changes arising from the Future of Local Government process are clearly understood when considering the combined implications for Council.
- The outcomes of the Future of Local Government Review should be determined before implementing the Three Waters Reform.
- The Water Service Entities are required to plan for and deliver services in a manner that supports the delivery of the proposed regional Spatial Plans and District level Long Term Plans.
- The Water Service entities are required to follow consultation requirements with local communities and councils, similar to the requirements for local authorities in the Local Government Act.
- We suggest that the water service entity investigates the representation model used in the Tasmania water model.
- Development contributions provided for development in a councils region (Horowhenua) should directly benefit the local community.
- The Water Service Entity is required to provide an investment prioritisation framework.
- There is a clear process for every Council to influence the Statement of Expectation for their water service provider, to ensure alignment of service delivery with their strategic priorities. The new entity should be required to develop an Infrastructure Strategy, Financial Strategy and detailed 30 years plan in line with the Local Government Act.

- At a minimum, Long Term Plan investment plans (including the relevant Asset Management Plans) are grand parented into the initial programme of activity for the new water service entity.
- A minimum underpinned quantity investment per annum in water infrastructure is specified for each region to ensure infrastructure is built to meet future demand.
- The water service entities are required (under establishment legislation) to support and enable growth committed to in Spatial Plans and Long-Term Plans.
- The principles used to allocate the "better off" funding package should be carried into allocation of capital funding for new entities.
- Development Contributions be set based on the Horowhenua catchment and not harmonised
- Government considers alternative methods to deliver efficient three water services, for example through a Council Controlled Organisation that service multiple Councils in a region or an expansion of the current alliance delivery model.
- Government considers alternative funding arrangements to deliver three waters services, such as increasing debt ceiling or providing direct central government funding for councils to continue provide three water services
- Consider the aggregation of Three Waters principally focussed on the proposed entities simply becoming a centre of subject matter excellence (design and procurement) rather than infrastructure planning and delivery.
- The Government works closely with local authorities to plan for, adequately fund and resource transition activity to ensure that service delivery is maintained alongside transition planning and implementation.
- Transition planning recognises the need to adopt project specific transition arrangements.
- The water service entities are required (under establishment legislation) to support and enable providing for new and existing businesses as committed to in Spatial Plans and Long-Term Plans.
- The Water Service Entities are required to implement sustainable procurement practices throughout the supply chain including contributing to local employment and economic activity.

Opportunities

Theme 1: Community Voice and Support

It is imperative that the next steps of this reform enable community consultation in line with the principles of the Local Government Act.

It is important that our community can input into the reform process, and for their voice to be heard and responded to. Over the past eight weeks our community have felt uninformed over the proposal. It is imperative that the Government consults with the public before a decision is made.

Our community has concerns around issues such as additional charges and future privatisation. We need assurance from Government that our community will have their concerns answered, feels well informed and understands the pros and cons of reform.

To enable community input, we ask that if there is a decision to opt in/opt out that the Government allocates Council sufficient time to undertake a special consultative procedure



with our community. If the reform is mandatory, it becomes Government's responsibility to undertake all the necessary consultation with our community.

Ability for the District to respond to emergencies, natural hazards and reactive events.

It is important for broader outcomes to be a requirement of a future water entity. Our water services are currently provided by local contractors working under the Alliance framework. The involvement of local contractors provides a responsiveness that may be difficult to maintain with more remote management. This responsiveness contributes to our District's resilience and provide local employment opportunities.

In addition to maintaining the region's three waters infrastructure and operations through natural hazard events it is important to continue to invest to reduce the impact of natural hazard or other disruptive events. This is different to investing for growth but is likely to be subject similar prioritisation conflicts – competing for investment to improve resilience in other areas.

It is important that both service resilience and community resilience are enabled by the Water Service provider. Resilient communities are able to plan for, respond to and thrive after a disastrous event, and are driven by increased connectedness and cooperation. Resilient services are lifeline functions that are able to perform under stressors and deliver during and after a natural disaster.

We do not have a specific solution to address this concern but recommend that:

- That Water Service Entities are obligated to deliver their services and investment programme in a manner that supports (or improves) community resilience.
- That Water Service Entities are required to meet reasonable response times, likely to only be possible with local knowledge and a local presence for emergency response.

Service affordability

Any consideration of water services charges affordability needs to be carefully considered alongside rates relief offered by individual Councils.

We recommends that:

- Water Service entities are required to consider affordability in setting charges.
- Water Service entities are required to collaborate with Territorial Local Authorities so customers offered rates relief are also recognised by Water Service Entities.

Theme 2: Order of reforms

There are multiple reforms underway which will impact the future functions of local authorities.

The Three Waters reform will have a significant impact on the future functions of local government. We consider it is appropriate to proceed with the Future of Local Government discussion ahead of the Three Waters Reform. The Future of Local Government reform should provide the over-arching direction for the responsibilities and requirements for local government. This would clarify the activities to be delivered by Local government, which could guide the future of water service delivery in New Zealand.

The Resource Management Reforms are also likely to have a significant impact on three waters service delivery, including Regulation of the disposal of wastewater effluent and stormwater. The detailed requirements for Spatial Planning will also be important in setting direction for growth investment by the new water service entity.

We recommend that:

- The water reform process be sequenced to ensure that likely impact of any changes arising from the Future of Local Government process are clearly understood when considering the combined implications for Council.
- The outcomes of the Future of Local Government Review should be determined before implementing the Three Waters Reform.

Theme 3: Representation and Governance

Ability for local authorities to influence the performance of water service entities.

Council is concerned about the current lack of democratic accountability for a water provider in the proposal. This would reduce the ability for our Council, voted in by its community, to hold a water entity to account for the delivery of services. We are concerned that local government would have limited ability to influence the make-up of the Board and the performance expectations for the water entities, due to the convoluted proposed representative and ownership structure.

Additionally, in practice the limitation placed on membership on the Regional Representation Groups (no more than 12 members, and equal numbers of representatives from local authorities and mana whenua) means that many councils and iwi will not be represented in the group. This is particularly relevant for the proposed Entity C which encompasses 22 territorial authorities.

It is important that our community's voice is heard and represented in the decisions regarding its future infrastructure. Major decisions should require consultation with communities, iwi and local government that will be impacted by the decision. One approach to address this issue is to ensure that water services are delivered in a way that supports community aspirations, including growth, as set out in local authorities' plans and strategies, including their Spatial Plan and Long-Term Plans.

The Local Government Act (LGA) sets out principles for consultation that a local authority is required to follow, specifying when engagement is required and requires consideration of the views and preferences of persons likely to be affected by decision-making. We think water service entities should be subject to similar consultation requirements for similar decision.

The LGA sets a legal requirement for the Auditor General to issue opinions on councils' long-term plans, and to form an opinion on their consultation documents before they finalise the plans. Consideration needs to be given to these requirements when establishing the water service entity.

A potential solution to enable local voice in decision-making is to follow the Tasmania water service model and Wellington water model. In Tasmania, the Department of Primary Industries, Parks, Water and Environment goes beyond statutory requirements. They are legally required to provide stakeholders with opportunities to feedback on water management plans. In practice they engage with the broader community throughout the planning process.

Horowhenua iwi representation

We believe that Entity C (which covers the East coast of the North Island and top of the South Island) will not be fully represented from an iwi perspective. We understand that mana whenua will have equal representation alongside local authorities on a Regional Representative group, however, with only six iwi representatives it means that many iwi and hapū will not have a voice at the table.

Council has worked hard to build a partnership with local iwi including working through complex and difficult issues such as wastewater discharge arrangements. We want to ensure that our iwi partners continue to have a strong voice around that delivery and management of three waters in our area as they currently do through direct contact with Council at a governance and officer level.

We recommend that:

- The Water Service Entities are required to plan for and deliver services in a manner that supports the delivery of the proposed regional Spatial Plans and District level Long Term Plans.
- The Water Service entities are required to follow consultation requirements with local communities and councils, similar to the requirements for local authorities in the Local Government Act.
- We suggest that the water service entity investigates the representation model used in the Tasmania water model.
- Development contributions provided for development in a councils region (Horowhenua) should directly benefit the local community.
- The Water Service Entity is required to provide an investment prioritisation framework.

Theme 4: Supporting growth infrastructure

Horowhenua infrastructure needs to support its continued growth.

The Horowhenua region is undergoing unprecedented growth due to its location and affordable housing. It is essential that there is continued investment in its Three Waters infrastructure to meet this growing demand. Council wants to ensure our district will receive, at the very minimum, the same level and timing of current planned growth infrastructure.

The delivery of water services should align with the strategic direction set by Horowhenua Council, through our Long-Term Plan and Strategic Spatial Growth plans. These plans should set the direction for future infrastructure demand that the Water Service Entity is required to follow.

To enable aligned infrastructure planning for councils, we recommend that the Long-Term Plan, or equivalent, for the water service entity is consulted and updated at the same period as Council Long-Term Plan. This would reduce confusion for communities and enable a cohesive approach to infrastructure planning.

We are concerned that the majority of infrastructure spend may go to main centres within Entity C, leading to delayed investment in water infrastructure required to support growth in our region. As a Council with a smaller ratepayer base, we want to guarantee that work is prioritised and carried out in a fair and transparent way across entities. It is important our smaller communities are provided with the same level of services as the larger cities. We acknowledge the Investment Prioritisation Framework approach and look forward to seeing further detail about this mechanism so we can determine whether this will adequately address this potential issue with the proposed reforms.

Delivery of water service aligns with Council's strategies and plans.

It is Council's request that any reform of Three Water Services must, at the very least, guarantee the delivery of the LTP 2021-2031 adopted by Council in June 2021, and other associated plans and strategies, such as Council's Infrastructure Strategy, Asset Management Plans and Integrated Spatial Plan. This is what is required to meet our future growth and what our community expects to be delivered, and therefore these expectations must be met.

We recommend that:

- There is a clear process for every Council to influence the Statement of Expectation for their water service provider, to ensure alignment of service delivery with their strategic priorities. The new entity should be required to develop an Infrastructure Strategy, Financial Strategy and detailed 30 years plan in line with the Local Government Act.
- At a minimum, Long Term Plan investment plans (including the relevant Asset Management Plans) are grand parented into the initial programme of activity for the new water service entity.
- A minimum underpinned quantity investment per annum in water infrastructure is specified for each region to ensure infrastructure is built to meet future demand.

- The water service entities are required (under establishment legislation) to support and enable growth committed to in Spatial Plans and Long-Term Plans.
- The principles used to allocate the "better off" funding package should be carried into allocation of capital funding for new entities.
- Development Contributions be set based on the Horowhenua catchment and not harmonised

Theme 5: Alternate options for delivery

We acknowledge that the reform proposals are well advanced and that the Government is seeking feedback on a single model as the solution to the identified problems and optimal mechanism to achieve desired government outcomes. However, we think the policy development was focussed on the Scottish Water model from an early stage, and not focussed on what communities want to prioritise and support.

There are other credible and workable models and approach that could be explored as an alternative, or enhancement, to the current reform proposals.

In the Horowhenua context, we believe alternative options could offer similar advances while minimising the loss of local influence and accountability. Council would like Government to consider alternative methods for the delivery of three water services than the current structure of delivery through four centralised water providers. We agree the status quo for water service delivery is economically unsustainable, but consider there may be more appropriate solutions.

One option is to consider a regional approach to three waters delivery. There could be an opportunity for smaller-scale aggregation or collaboration between neighbouring Councils, which could deliver some economy of scale and other benefits. For example Horowhenua District Council could collaborate with Kāpiti District Council and/or Manawātū District Council for three waters service delivery. The service could be delivered by expansion of current alliance agreement or a jointly owned, asset owning Council-Controlled Organisation. This would provide a regional approach to water management and would maintain the ability for local government to influence the outcomes delivered by water service providers.

We acknowledge that a Council-Controlled approach is likely to have similar challenges around control and prioritisation of investment for Horowhenua District Council and its ratepayers.

Alternative funding methods to deliver improved three waters delivery.

Another option would be to keep water service delivery under the remit of local government, but provide alternative funding models so councils can service their communities in an economically sustainable manner. Additional funding could be provided for through increasing debt capacity, co-funding agreements with central government and/or reducing borrowing cost. This would address the current primary constraint on local authorities.

We request further engagement with Government about the opportunity and practicalities of a targeted reform programme and delivery model for our region. We acknowledge that this approach, by reducing scale, will require a different funding model to enable service delivery compliant with new water quality, wastewater discharge and asset management/renewal requirements that have been flagged by government.

Consideration could be given to the three waters aggregation being principally focussed on the proposed entities acting as a centre of subject matter excellence (such as design and procurement), rather an infrastructure planning and delivery entity (as is currently proposed).

We also note that with changes and improvements to the regulation of water service delivery, key limitations in the current model will be mitigated regardless of the service delivery arrangements. Our belief is that these different configurations could achieve similar or collectively better outcomes from our local community.

We recommend that:

- Government considers alternative methods to deliver efficient three water services, for example through a Council Controlled Organisation that service multiple Councils in a region or an expansion of the current alliance delivery model.
- Government considers alternative funding arrangements to deliver three waters services, such as direct central government funding for councils to continue provide three water services
- Consider the aggregation of Three Waters principally focussed on the proposed entities simply becoming a centre of subject matter excellence (design and procurement) rather than infrastructure planning and delivery.

Theme 6: Transition and delivery

Planned capital expenditure for Three Waters Infrastructure.

We have multiple projects underway or committed to in our 2021- 2041 Long-Term Plan, to improve our three waters services and to ensure it meets the capacity of future demand. For the next 10-years (out to 2031), we have committed the following for renewals, levels of service and growth projects:

- \$44m for water supply
- \$119m for wastewater
- \$27m for stormwater

The material presented to Cabinet makes it clear that detailed work will be required to identify precisely which responsibilities, powers, functions, and assets would be transferred to, and/or held and exercised by the new entities. Council agrees that the process of unbundling water assets, liabilities and associated contracts and staff will be a technically and legally complex process.

Council reminds the government that the transition of projects will be as technically and legally complex as will the transfer of people, assets and obligations. Our commitments for infrastructure extend beyond three waters service provision into the delivery of houses, roads, schools and other public facilities. The boundaries between three waters and other components are not always clearly delineated.

Capacity to continue delivering services during transition.

Our staff who support the delivery of three waters services have multiple roles within Council, delivering on a wider range of services. If the proposals are to proceed, we are committed to

supporting the transition process including making experienced staff available. We note however that day-to-day operations and planning activity cannot stop while transition planning and implementation takes place. This means that government and councils need to work together to adequately resource both transition and operations through the transition period. It is likely that some experienced staff will need to stay employed by council.

We also note that in addition to planning and operations our three waters activities comprise of the delivery of multiple renewal and growth projects at any point in time. It is simply not realistic to transfer these projects to a new Water Service Entity at a single point in time. We consider that the transfer time will need to be considered for each project, reflecting project milestones and contractual arrangements.

Following assets being transferred it is essential that there is effective collaboration and joint planning between entities and local government to align programmes to ensure efficient and effective planning and delivery.

We recommend that:

- The Government works closely with local authorities to plan for, adequately fund and resource transition activity to ensure that service delivery is maintained alongside transition planning and implementation.
- Transition planning recognises the need to adopt project specific transition arrangements.

Theme 7: Growing and supporting our economy

Attracting and retaining businesses in our region.

Industry and horticulture are heavy users of water networks in the Horowhenua. It is critical that clarity and certainty is provided to them through the reform process. Businesses need detailed pricing and compliance information to enable informed investment decisions about their future.

We note the commitment to the principle of equity in charges for commercial versus residential Three Waters services, and we expect there to be a consistent pricing approach within an entity, and between entities, and for industry to pay for what it uses. However, the information provided by Government to date offers little information on how equity will be achieved.

While Council understands, as stated in the July Cabinet papers, that equity is a key principle and that the new entities will need different charging instruments to effectively and equitably charge customers across the network, further advice on this matter will not be available before 1 October—which makes it impossible to assess the implications during this eight-week period.

We are concerned about the potential for changes in charging structures for water and wastewater services to impact on business operations. Our investment in wastewater treatment infrastructure is an example of providing long term certainty of level of service for businesses, ensuring that Horowhenua is a good place to do business. We would like the new service delivery arrangements, and their relationship to broader Council planning documents, to continue to support Council's objective to attract and retain businesses in the District.

Supporting local businesses through delivery of water services.

In addition to the resilience of our region, it is important the delivery of three waters services supports our local economy. The current delivery of three water services supports approximately 70 staff. The purchasing practice of water agencies may favour large contracts that could exclude local operators, resulting in a loss of contractor capacity in our region. Where local contractors are engaged it is possible that they will be forced to operate at lower margins than their current arrangements with the alliance, resulting reduced economic throughput in the District. We believe that the water entity should be required to implement sustainable procurement practices which will enable local contractors to participate.

Linked with the provision for supporting local contractors, it is important that our community has a clear and simple approach for contacting its water service provider. At the moment, communities contact us for any concerns or queries regarding their rates and services. It is important that the local community is able to easily contact water service providers through simple and accessible methods.

We recommend that:

- The water service entities are required (under establishment legislation) to support and enable providing for new and existing businesses as committed to in Spatial Plans and Long-Term Plans.
- The Water Service Entities are required to implement sustainable procurement practices throughout the supply chain including contributing to local employment and economic activity.

Appendix one: Detailed Questions for government officials

1. It is the intention of the reforms for any relationship or resourcing agreements, project commitments and other Resource Consent 'side agreements' or undertakings (whether multi-year or otherwise) between Council and Iwi groups and/or other third parties that relate to three waters infrastructure, either in part or full, be transferred to the new water entities?
2. What is the intention with respect to the full range of potential legal liability in respect to existing infrastructure – does this transfer to the new entities or remain with Council?
3. What is the intention in respect to dual/multi-purpose property and infrastructure holding – such as reserves and infrastructure that may have a wider community purpose as well as a three-water purpose (e.g. stormwater retention/management or solid waste leachate landfill to treatment plant piping and pumping infrastructure)?
4. How will the reforms manage or deal with planned capital projects that involve three waters infrastructure that are also intended to deliver wider community benefits (e.g. construction of a water storage reservoir with corresponding recreational reserve and on-site housing development aims)?
5. Did the government consider alternate funding options for the Council, such as the government returning to Council the GST on income received?