
Council

OPEN MINUTES

Minutes of an extraordinary meeting of Council held in the Council Chambers, 126-148 Oxford St, Levin, on Wednesday 29 September 2021 at 2.00 pm.

PRESENT

Mayor	Mr B P Wanden	
Deputy Mayor	Mrs J F G Mason	
Councillors	Mr D A Allan	(from 2.20 pm)
	Mr W E R Bishop	
	Mr R J Brannigan	
	Mr T N Isaacs	
	Mr S J R Jennings	
	Mrs V M Kaye-Simmons	
	Mr R R Ketu	
	Mrs C B Mitchell	
	Ms P Tukapua	

IN ATTENDANCE

Reporting Officer	Mr D M Clapperton	(Chief Executive)
	Mrs N Brady	(Deputy Chief Executive)
	Mrs J Straker	(Chief Executive Officer)
	Mr D McCorkindale	(Group Manager – Customer & Strategy)
	Mr B Maguire	(Group Manager – Infrastructure Development)
	Mrs L Slade	(Group Manager – People & Culture)
	Mrs A Crawford	(Water & Waste Services Manager)
	Mrs A Huria	(Business Performance Manager)
	Ms L Campbell	(Strategic Communications Manager)
	Mrs K J Corkill	(Meeting Secretary)

ALSO IN ATTENDANCE

	Ms T Whiti	(accompanying Cr Ketu)
	Mr C Purchas	(Tonkin & Taylor) (via Zoom)

The meeting commenced with a karakia (Cr Ketu).

1 Apologies

An apology for lateness was received from Cr Allan.

MOVED by Cr Wanden, seconded Cr Jennings:

THAT the apology for lateness from Councillor Allan be accepted.

CARRIED

2 Public Participation

21/396 Three Waters Reform – Endorsement of Feedback to Government

Lindsay Berryman

Glen Radovan

Diane Brown

Horowhenua District Ratepayers' & Residents' Association

3 Late Items

There were no late items.

4 Declaration of Interest

21/297 Economic Development Services – 1 October 2021 to 30 June 2024

Cr Jennings – Previously declared pecuniary interest through spouse (Horowhenua New Zealand Trust).

5 Announcements

There were no announcements.

Cr Jennings withdrew from the table.

6 Executive

6.1 Economic Development Services - 1 October 2021 to 30 June 2024

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.

MOVED by Mayor Wanden, seconded Cr Tukapua:

THAT Report 21/397 Economic Development Services - 1 October 2021 to 30 June 2024 be received.

THAT this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.

CARRIED

In terms of the development of a Horowhenua Brand Identity, Mrs Brady confirmed that while it was not part of the contract, there would be discussions with Council on that before it was finalised and she also outlined the scope of the proposed Events Strategy.

Also noted:

- there would be a change in reporting, with the Economic Dashboard being provided quarterly and THCL would report to Council from time to time, as requested;

- in terms of Māori development and aspirations, these had been provided for within the contract.

MOVED by Cr Bishop, seconded Cr Isaacs:

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.

CARRIED

Cr Jennings rejoined the table.

6.2 Three Waters Reform - Endorsement of Feedback to Government

Purpose

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

Mayor Wanden read out the following written Public Participation submissions which all expressed concern at what was being proposed by Central Government:

Lindsay Berryman
Glen Radovan
Diane Brown
Horowhenua District Ratepayers' & Residents' Association.

Cr Allan joined the meeting (2.20 pm).

MOVED by Cr Jennings, seconded Deputy Mayor Mason:

THAT Report 21/396 Three Waters Reform - Endorsement of Feedback to Government be received.

THAT this matter or decision is recognised as not significant in terms of S76 of the Local Government Act.

CARRIED

Mmes Brady, Straker and Huria joined the table to speak to the report and respond to queries. Mr Purchas, Tonkin & Taylor, also joined the meeting via Zoom, to provide his technical expertise, with Mr Clapperton also providing input as required.

Having previously canvassed the views of Councillors, Mayor Wanden sought direction from the table as to how to progress the recommendations, whether that should be individually or in block, noting that Cr Jennings had an alternative version of the response to propose.

Following Councillors raising a number of issues and concerns not covered in the information provided to date by Central Government, Cr Jennings tabled a copy of his alternative version of the proposed feedback which he said was substantially similar to the draft provided in the Agenda but included some stronger views in the Introduction and Executive Summary, and reordered the themes.

Cr Allan raised a Point of Order on the grounds that the public had not had the opportunity to peruse and provide feedback on the proposed alternative.

Mayor Wanden provided Cr Jennings with the opportunity to explain what he was requesting to be changed and why, to which Councillors each responded with their views, with the majority supporting the strengthening of what was included in the submission.

Following Elected Members expressing their points of view, and Mr Clapperton noting for the record that the wording proposed by Cr Jennings was essentially the same as had originally been proposed, with enhancement at the beginning of the feedback and

with the themes reordered, it was:

MOVED by Cr Jennings, seconded Cr Bishop:

THAT the Horowhenua District Council endorses the following feedback to Government on the Three Waters reform, with the inclusion of question 5 from the initial Appendix One:

“Dear Minister,

On 30 July 2021 Taituarā – Local Government Professionals Aotearoa, and Te Tari Taiwhenua The Department of Internal Affairs invited councils across Aotearoa New Zealand to provide feedback to the Government on the potential impacts of the proposed Three Waters Reforms by 01 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. Council’s 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 now on whether Council supports Government’s reform package or otherwise. Despite this, it is apparent that the reform proposals are clearly at a stage where to meaningfully provide feedback, Council have needed to consider the overarching merits of the reform proposal in order to provide honest and constructive feedback on the current design.

Our initial high-level reaction to the proposed reforms are that:

- There is currently insufficient and inadequate information available to Council to fully evaluate the proposal;*
- Council consider the sequencing of three waters reforms ahead of finalisation of the Government’s own concurrent future of local government review is ill-considered and inappropriate;*
- There are other credible and workable models and approaches that should have, and could still, be explored (by Government or councils themselves) as an alternative to, or enhancement, to the current reform proposals;*
- Council oppose any intention to mandate the reforms;*
- If the Government intends to proceed with progressing and/or further developing the current scope of reforms and design parameters, then key changes and additional features are essential to address a range of concerns and deficiencies identified by Council.*

Overall, Council believe the Government should immediately pause the current reform programme to consider appropriate sequencing and allow for the investigation and development of other alternative more localised or regional collaborative or aggregated approaches to achieving better three waters outcomes. In this letter Council have outlined its high level response to the reform programme, along with an overview of concerns and potential solutions that Council feel are important for its community based on the limited information about the proposed model provided to date.

For ease of your review, Council’s submission takes the following format:

- Executive Summary*
- Part A – The Horowhenua Context and Growth Story*
- Part B – Council’s General Observations and High Level Feedback on the Reforms*
- Part C – Specific Concerns with the Proposed Reforms and Suggested Improvements*

It is important to emphasise that the views contained in this letter represent an organisational and elected member perspective. While this takes account of some community sentiment and views expressed to Council, it is important to emphasise that the Horowhenua district community has not been formally engaged or consulted on the reforms. This reflects that Council have not been in a sufficiently informed position, nor did Council consider it appropriate, to ‘sell’ the Government reforms to the district’s communities. Council’s position is that before a meaningful community conversation can be had about the reforms Council need to understand the fully formed final and detailed proposal, along with what opportunities, risks and trade-offs it presents, and ultimately what decision (if any) Council are being asked to make or implement.

Our view is that the Government has not appropriately publicly messaged the stage at which the reforms are at, nor explained at what point communities will be able to properly consider the case for change and meaningfully contribute to the reform development. Council believes it is imperative that the Government engages and consults with the public before determining if and how it will proceed with the reform proposals further.

The Government’s next decisions will of course determine what steps are taken next by Council.

Executive Summary

How the reforms will underwrite our growth

Horowhenua is in a period of unprecedented growth, so it is critical that Council understand the impact of the reforms on the district's growth plans and ambitions. Council 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. Principal concerns are 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.

Council's concerns

It is paramount that the voices of the Horowhenua community are heard and responded to. The district's community has concerns around issues like additional charges and future privatisation. Council need assurance that the Horowhenua community has their concerns answered, feels well informed and understands the pros and cons of reform. Council 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 the Horowhenua District Council, voted in by its community, to hold a water entity to account for the delivery of services. Council 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

Council 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.

Council 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

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

Sustainability of the local supply chain

Local contractors working under the Alliance framework currently provide Council's water services. The involvement of local contractors provides responsiveness, and contributes to the district's resilience and provides local employment opportunities.

Three Waters as an enabler for housing

Council need to ensure that the affordability of the district's 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. The Horowhenua community has ranked housing affordability as one of the highest priorities, and this includes rates, development costs (e.g. development contributions) and building costs.

Summary of our detailed feedback

Council 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.

Council's summarised suggestions to address our current concerns (at this stage) are:

1. The outcomes of the Future of Local Government Review should be determined or substantively progressed before further developing or implementing the Three Waters Reform.
2. 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.
3. 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.

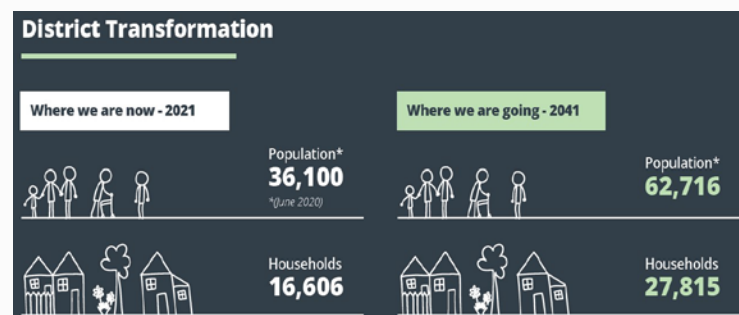
Government considers alternative funding arrangements to deliver three waters services, such as increasing debt ceiling or providing direct central government funding for councils to continue provide three water services.

4. Consider the aggregation of Three Waters principally focused on the proposed entities simply becoming a centre of subject matter excellence (design and procurement) rather than infrastructure planning and delivery.
5. That the proposed Water Service Entities are subject to legislative or other legally enforceable obligations to:
 - deliver their services and investment programme in a manner that supports (or improves) community resilience;
 - meet agreed response times, likely to only be possible with local knowledge and a local presence for emergency response;
 - consider affordability in setting charges;
 - collaborate with Territorial Local Authorities so customers offered rates relief are also recognised by Water Service Entities;
 - plan for and deliver services in a manner that supports the delivery of the proposed regional Spatial Plans and District level Long Term Plans;
 - support and enable growth committed to in existing Spatial Plans and Long Term Plans;
 - follow consultation requirements with local communities and councils, similar to the requirements for local authorities in the Local Government Act;
 - provide an investment prioritisation framework;
 - develop an Infrastructure Strategy, Financial Strategy and detailed 30 years plan in line with the approach of the Local Government Act.
6. The Water Service Entities are required to implement sustainable procurement practices throughout the supply chain including contributing to local employment and economic activity.
7. 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.
8. At a minimum, current operative Council 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.
9. A minimum underpinned quantity investment per annum in water infrastructure is specified for each region to ensure infrastructure is built to meet future demand.
10. Development Contributions be set based on the Horowhenua catchment and not harmonised.
11. Development contributions provided for development in a councils region (Horowhenua) should directly benefit the local community.
12. Government investigate the enabling of co-funding mechanisms with Territorial Authorities to ensure that local prioritisation of growth projects that sit outside investment prioritisation frameworks or water entity timelines can be progressed if local support and funding is present.
13. The principles used to allocate the "better off" funding package should be carried into allocation of capital funding for new entities.
14. 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.
15. Transition planning recognises the need to adopt project specific transition arrangements.
16. 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.

Part A - The Horowhenua Context and Growth Story

Managing Growth

Three Waters has been a focus for Horowhenua in Council's strategic planning, as the infrastructure is a key enabler for the district's ability to provide for a population growth projection of around 30,000 across the district over the next 20 years.



Council is taking a proactive approach to planning for growth. At a regional level Council 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. The district is 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 Wellington and Palmerston North 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 Council have 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 our community.

Council have also worked hard to ensure that its three waters infrastructure and service activity be delivered in a way that recognises the role of iwi partners. This partnership approach has influenced Council's approach to wastewater treatment and delivery of safe water to the district's communities.

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

Part B – Our General Observations and High-Level Feedback on the Reforms

Theme 1: 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. Council 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 Aotearoa 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.

Council suggest 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 2: Alternate options for delivery

Council acknowledge that the reform proposals are well advanced and that Government is seeking feedback on a single model as the solution to the identified problems and optimal mechanism to achieve desired Government outcomes. However, Council think the policy development was focused on the Scottish Water Model from an early stage, and not 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, Council 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. Council 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 would like to explore collaboration with Kāpiti Coast District Council and/or Manawatū District Council for three waters service delivery. The service could be delivered by expansion of Council's 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.

Council acknowledge that such alternative approaches may also introduce challenges around control and prioritisation of investment for Horowhenua district's communities, although Council believe these would be of less significance than is the case with the high level of proposed aggregation involving 22 territorial authorities.

Alternative funding methods to deliver improved three waters delivery.

Another option would be to retain water service delivery under the remit of local government, but provide new 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.

Council request further engagement with Government about the opportunity and practicalities of a targeted reform programme and delivery model for the Horowhenua district. Council 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 still be given to the three waters aggregation being principally focused 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).

Council 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. Council's belief is that these different configurations could achieve similar or collectively better outcomes from the Horowhenua community.

Council suggest 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 increasing debt ceiling or providing direct central government funding for councils to continue provide three water services.
- Consider the aggregation of Three Waters principally focused on the proposed entities simply becoming a centre of subject matter excellence (design and procurement) rather than infrastructure planning and delivery.

Theme 3: Community Voice and Support

It is imperative that further progression of the reform programme enables community consultation in line with the principles of the Local Government Act.

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

The Horowhenua community has concerns around issues such as additional charges and future privatisation. Council need assurance from Government that the Horowhenua community will have their concerns answered, can feel well informed and understands the pros and cons of reform.

Previously the Government indicated to the local government sector that there would be an opt in/opt out decision enabled by individual council. Assuming the Government continues with that approach, the Horowhenua District Council request that Government allocates Council sufficient time to undertake a special consultative procedure with its community. If the reform is to be made mandatory, Council are clear that it will become Government's sole responsibility to undertake all the necessary consultation with the Horowhenua community.

Part C – Specific Concerns with the Proposed Reforms and Suggested Improvements

The following feedbacks relates to the specific proposals put forward by the Government. If the Government intends to proceed with the reforms, the following themes are the minimum aspects Council consider require significant attention and resolution.

Theme 4: 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 the Horowhenua District Council, voted in by its community, to hold a water entity to account for the delivery of services. Council 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 the Horowhenua 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. Council 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.

Council suggest 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.
- The Water Service Entities investigates opportunities to duplicate the Tasmania water model.
- Development Contributions provided for development in a councils region (Horowhenua) should directly benefit the local community.
- The Water Service Entities is required to provide an investment prioritisation framework.

Horowhenua iwi representation

Council 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. Council 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.

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

Theme 5: Supporting growth infrastructure

Horowhenua's infrastructure needs to support its continued growth.

The Horowhenua district 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 the Horowhenua 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 District Council, through its Long Term Plan and Strategic Spatial Growth plans. These plans should set the direction for future infrastructure demand that the Water Service Entities is required to follow.

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

Council 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 the Horowhenua district. As a district with a smaller ratepayer base, Council want to guarantee that work is prioritised and carried out in a fair and transparent way across entities. It is important the district's smaller communities are provided with the same level of services as the larger cities. Council acknowledge the Investment Prioritisation Framework approach and look forward to seeing further detail about this mechanism so Council 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 the Horowhenua District 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 the district's future growth and what its community expects to be delivered, and therefore these expectations must be met.

Council suggest 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 grandfathered 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 6: Growing and supporting our economy

Attracting and retaining businesses in the Horowhenua.

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.

Council note the commitment to the principle of equity in charges for commercial versus residential Three Waters services, and 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 01 October 2021 — which makes it impossible to assess the implications during this eight-week period.

Council are concerned about the potential for changes in charging structures for water and wastewater services to impact on business operations. Council's 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. Council 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 Horowhenua district.

Supporting local businesses through delivery of water services.

In addition to the resilience of the Horowhenua district, it is important the delivery of three waters services supports its 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 the Horowhenua. 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. Council 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 the Horowhenua community has a clear and simple approach for contacting its water service provider. At the moment, communities contact Council directly for any concerns or queries regarding their rates and services. It is important that Horowhenua community is able to contact water service providers easily through simple and accessible methods.

Council suggest 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.*

Theme 7: Service Delivery

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. The Horowhenua District Council's 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 the district's resilience and provides local employment opportunities.

In addition to maintaining the district'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 however 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, 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.

Council suggest 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 only to be possible with local knowledge and a local presence for emergency response.*

Service affordability

Any thought of water services charges affordability needs careful consideration alongside rates relief offered by individual councils.

Council suggest that:

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

Theme 8: Transition and delivery

Planned capital expenditure for Three Waters Infrastructure.

Council have multiple projects underway or committed to in our 2021-2041 Long Term Plan, to improve its

three waters services and to ensure it meets the capacity of future demand. For the next 10 years (out to 2031), Council 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. Council's 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.

Council's 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, Council are committed to supporting the transition process including making experienced staff available. Council 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.

Council also note that in addition to planning and operations its 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. Council consider that the transfer time will need to be considered for each project, reflecting project milestones and contractual arrangements.

Council suggest 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.

Appendix one: Detailed Questions for government officials

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?

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?

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)?

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)?

Did the Government consider alternate funding options for the Council, such as the Government returning to Council the GST on income received?

Can the Government clarify from a funding perspective which members of the community are expected to pay for the cost of water and wastewater? There is significant concern among our rural community that they will be asked to contribute to water costs when they do not receive any services. “

Question 5: Did the government consider alternate funding options for the Council, such as the government returning to Council the GST on income received?

CARRIED

MOVED by Cr Jennings, seconded Cr Bishop:

THAT the Chief Executive is authorised to correct minor errors prior to the document being finalised and sent to Government.

CARRIED

Cr Allan recorded his vote AGAINST the motion.

Also raised was that clarification from government should also be sought on whether, under the proposed regime, only the people who used a particular service would be charged or whether it would be universal, which could impact significantly on the financial burden for some ratepayers.

4.18 pm

There being no further business, the Chairperson declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD
AT A MEETING OF COUNCIL HELD ON

DATE:.....

CHAIRPERSON:.....