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cc. Hon Nanaia Mahuta, Minister of Local Government  
Hon Stuart Nash, MP for Napier  
Hon Meka Whaitiri, MP for Ikaroa-Rāwhiti  
Anna Lorck, MP for Tuki Tuki  
Hon Kieran McAnulty, MP for Wairarapa

Tēnā koutou kātoa

Thank you for the opportunity to make a submission on the Water Services Entities Bill.

This submission is made jointly by Central Hawke's Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council.

### Executive Summary

1. We **agree** that there is a strong case for change for three waters services and that the status quo is not an option.
2. However, collectively, we **do not support** the Water Services Entities Bill.
3. We do not believe the bill will ensure local voice, representation and accountability to the rural and urban communities served by the proposed new water services entity; or ensure against the erosion of services to those communities.
4. We are not convinced that the Bill reflects the essential need for or sufficiently enables direct local representation in any three waters services operating model.
5. We do not believe that the operating model proposed in the bill will achieve adequate accountability to local communities and mana whenua.
6. We do not consider the establishment of Regional Representation Groups and Regional Advisory Panels enables a strong or democratic voice for local communities or Mana Whenua.
7. The proposed size and composition of Regional Representative Groups means not every district, region or mana whenua groups will have a seat at the table, and the proposal to require only one (1) Regional Advisory Panel per entity. We consider these provisions to be a major threat to local democracy, community voice and accountability.

8. We are concerned about the impact on our communities of the short timeline to implement the provisions of the Water Services Entities Bill (July 2024), especially given the consequent legislation to establish the powers and functions of the new water services entities has to date had no public visibility. The scale of reforms sought should not be rushed at the cost of community outcomes and wellbeing. The 'minimum viable product' approach being applied to implementing these once-in-a-generation changes gives us no confidence that our communities or our environment will be better off in the short to medium term (at least 5 – 10 years).
9. Critical to the government's model for reform is the Water Industry Commission for Scotland (WICS) analysis. That analysis is based on the assumption that there is an estimated \$120B - \$185B capital investment required in three waters in New Zealand over 30 years. The scale of the investment forecast by WICS is so significant that it appears to demonstrate the need for aggregation to the scale proposed in the Water Services Entities Bill.
10. However, our Councils dispute the scale and credibility of the WICS investments forecast for Hawke's Bay and therefore the financial estimates upon which the WSEB proposal of four water entities and the requirement for balance sheet separation are predicated.
11. We, Hawke's Bay's territorial authorities, have a compelling and viable alternative Hawke's Bay Water Services Model which aligns with the outcomes sought from the Water Services Entities Bill.
12. The Hawke's Bay Water Services Model is our preference for future water services delivery.

## Recommendations

13. We **recommend** the Water Services Entities Bill not proceed.
14. We **recommend** the Hawke's Bay Water Services Model as the most credible alternative for the delivery of affordable, safe and sustainable three waters services to the communities of Hawke's Bay.

## Local Ownership, Representation and Accountability to Communities

15. Localism is important to us and part of our success as a region – local planning, local decisions and regional cohesion. Hawke's Bay can demonstrate tangible success locally and regionally – achieved through the power of community action via civic leadership. We are not convinced that the governance structure proposed in the Water Services Entities Bill will allow for us to continue meeting our commitment to ensuring three waters services contribute to the Hawke's Bay region's social, economic, cultural and environmental prosperity.
16. We do not support the proposed ownership, shareholding and governance structures of the new Water Services Entities and are very concerned they will not enable sufficient local representation of and accountability to local communities including mana whenua.
17. Our communities have told us they have significant concerns with the Water Services Entities Bill. These concerns were consistent across Hawke's Bay and centred around:
  - Whether communities would have sufficient influence over decision-making and investment prioritisation.
  - Whether local communities and mana whenua would have sufficient voice in representation and governance.
  - Loss of local asset ownership and uncertainties around the funding and transfer of assets and responsibilities.







- The assumptions and the financial modelling used in the case for change and on which the proposal is based.
  - The lack of meaningful engagement about the reforms with local communities and mana whenua.
18. We do not support the proposed ownership and shareholding structures of the new Water Services Entities. For Hawke's Bay's four councils, the proposal to provide one shareholding vote per council amongst 21, gives no ability to have fair representation or a regional voice for communities in decision-making.
  19. Centralisation of other services has failed rural communities like Central Hawke's Bay and Wairoa and only further widened rural and urban inequalities, especially for rural Māori. The representation, governance and accountability provisions in the bill give no confidence against further erosion of services to our more remote communities.
  20. There are no provisions in the WSEB to require WSE's, Regional Representation Groups or Regional Advisory Panels to recognise and account for local or regional strategies such as Community Plans or Placemaking initiatives. This risks regional and local economic, social and environmental priorities being significantly constrained or even thwarted by a disconnect with the planning and provision of vital three waters infrastructure and services.

### **Integration considerations**

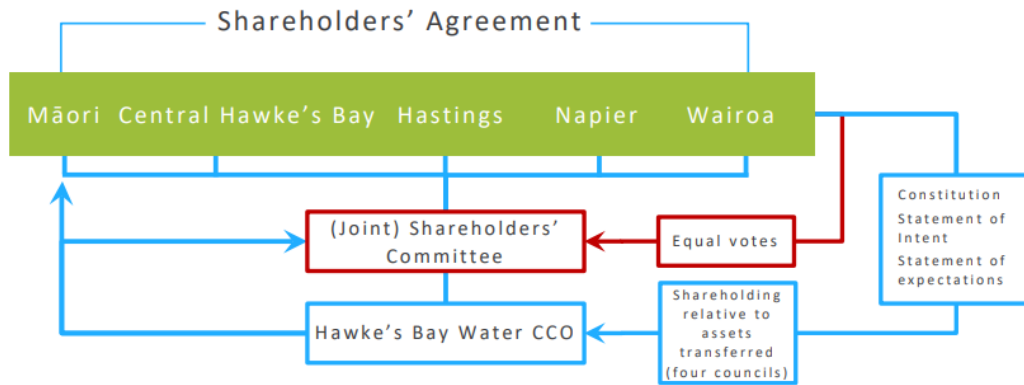
21. We are not convinced that Government's proposal will be capable and have the capacity to deliver quality sustainable planning, management and operation of three waters services for our communities.
22. Achieve community outcomes related to identity, growth, development and principles of "place-making" for which Local Authorities lead and are accountable for to their communities. Without an appropriate and legislated planning tool at a local level that sets out expectations, local communities are left with no ability to hold this new infrastructure entity to account.
23. Alignment between local government resource management and three waters reforms are not obvious in the service delivery model or support package proposed. The interface between the proposed Regional Combined Plans under the Natural and Built Environments Act and the proposed Regional Spatial Strategies of the Strategic Planning Act, with three waters investment planning and operations of the proposed entities is seemingly misaligned.
24. Alignment with the Government's wider reforms of freshwater management, which are founded on significant community decision-making and catchment-based freshwater management units, also appears incongruous with the scale of operation and governance envisaged by the four-entity model. As emphasised by the Government's three waters publicity campaign, the regulation of source protection for drinking water and of waste and storm water discharges to our rivers, lakes and coast is fundamental to the outcomes sought. Therefore, integration of three waters management with regional freshwater management is fundamental. Moreover, the Government's reforms for both resource management and freshwater in fact provides a strong platform to regional planning and provision of three waters at regional scale.

## An Alternative Approach – The Hawkes Bay Water Services Delivery Model

25. Through an extensive and thorough review process ([Hawke's Bay Three Waters Review | Hawke's Bay Three Waters Review \(hb3waters.nz\)](#)), we have done considerable work to show that a Hawke's Bay model of ownership and delivery can achieve significant financial and non-financial benefits to our region, communities and mana whenua. We have shown a united and collaborative solution, built from the bottom up. Nowhere else in the country has the level of understanding that we have in Hawke's Bay for what it will take to deliver affordable, safe, reliable and resilient three waters services equitably across our region.
26. Our process to review and consider a regional solution to three waters services delivery was supported and part-funded by Government. Government acknowledged our proactive and robust approach to assessing and determining a regional three waters model that would deliver affordable, safe and resilient three waters services for Hawke's Bay's rural and urban communities. This was reflected in Government allocating \$50m to our councils through its Covid-19 Three Waters Stimulus Package.
27. However, unexpectedly and disappointingly, Government requested we suspend advancing the Hawke's Bay Water Services Model in favour of its own reform programme. We have presented the model to the Three Waters Steering Committee and the Government-appointed Working Group on Representation on Governance and Accountability. However, Government has rejected considering it as a viable regional alternative for Hawke's Bay.
28. The Hawke's Bay Water Services Model (<https://www.hb3waters.nz/hb-three-waters-review/full-report-and-cases/>) offers a credible and sustainable solution providing for regional co-governance with mana whenua and ensuring local asset ownership, accountability and decision making.
29. Importantly, it would support regional economic, social and environmental priorities and satisfy the expectations of our communities.
30. An asset owning Council Controlled Organisation (CCO) best meets our regional investment objectives and cultural principles (developed collaboratively with Councils' Māori Standing Committees).

To provide three water services in a way that is affordable and effective	 The three waters service's model must address the challenge of providing for an effective, affordable service in a fiscally responsible way	Value Te Ao Māori	Incorporating and implementing mātauranga Māori, culture and values (i.e. Te Aranga Design Principles) are a core element for any potential framework to realise and enhance the region's commitment to Māori to protecting/enhancing water
To provide services that are safe, reliable and resilient	 Access to safe and reliable three waters service are fundamental to all the urban and rural communities of Hawke's Bay	Value water	Wai is the essence of all life and the world's most precious resource. It is of high importance to Māori, as it is the life giver of all things, a precious taonga, part of our whakapapa
To provide services through a model that enables a meaningful role for Māori	 The Local Government Act requires a local authority to provide opportunities for Māori to contribute to its decision making processes	Whakapapa – genealogical links	Recognise and respect the relationship and whakapapa (genealogical link) that mana whenua has with water.
To provide services through a model that has the value of water at the centre	 Water is vital to community life and as such three water services are part of a holistic water system	Te mauri o te wai – the life force of water	Mauri is the integrated and holistic well-being and life support capacity of water. The well-being/healthiness of the water, the land and the people are intrinsically connected.
To provide three waters services in a way that supports our urban and rural communities	 The services influence how people across Hawke's Bay live, work, gather, socialise, recreate and value environmental amenity	Holistic approach to water	Although the project is based around the review of the service and delivery of the three waters (infrastructure), the proposed model needs to take into account a holistic water approach: there is only one water.
To provide three waters services that build enduring capability and capacity	 The three waters model must be capable of, and have the capacity to, deliver quality sustainable planning, management and operation of three water services now and into the future	Enabling of Te Tiriti o Waitangi	Involving mana whenua in governance and decision making required to ensure Te tiriti o Waitangi obligations are met, as well as making sure they are able to actively exercise kaitiakitanga in a practical way
		Mana motuhake - identity, self-determination	The identity of mana whenua in Hawke's Bay should not be lost in any potential model. But inclusion and co-governance whilst keeping their identity is an opportunity

31. The Hawke's Bay Water Services Model proposes joint committee oversight by Councils and mana whenua and an independent skills-based board. The scale of ownership, management and implementation could provide balance sheet expansion, regional cross subsidisation and professionalism of workforce and an approach to procurement, consenting and delivery that could be achieved across the Hawke's Bay councils.



32. The Hawke's Bay Review's cultural case and the need to support the proposed co-governance role with Māori we adapted the typical model to incorporate a Māori responsiveness framework. The proposed Māori responsiveness framework responds to the cultural demands of co-governance and is intended to enable Māori water values to be operationalised.



33. The Hawke's Bay water services model meets the investment objectives and the cultural principles developed collaboratively with Councils' and Hawke's Bay Māori Standing Committees. In particular, the model:

- Addresses regional affordability challenge associated with new standards and regulations
- Is able to concentrate its investment on three waters priorities
- Delivers the scale required to create strategic capacity and capability
- Enables a meaningful role for Māori (including co-design and governance)
- Enables improved operations (risk management, asset management, ability to meet compliance requirements)
- Produces the greatest savings.

34. Our analysis clearly demonstrates the viability of a Hawke's Bay Water CCO along with the significant non-financial the benefits that come with a collaborative solution, built from the bottom up.

35. Critical to the government's model for reform is the Water Industry Commission for Scotland (WICS) analysis. That analysis assumes that there is an estimated \$120B - \$185B capital investment required in three waters in New Zealand over 30 years. The scale of the investment forecast by

WICS is so significant that it appears to demonstrate the need for aggregation to the scale proposed in the Water Services Entities Bill.

36. The Hawke's Bay Councils disagree with the information upon which the Government's proposals are built.
37. The Hawke's Bay Water CCO model has been tested and updated several times as new information has become available, including as recently as August 2021 when 30-year projections were undertaken to test the debt capacity of the region.
38. Our Councils dispute the scale of the WICS investments forecast for Hawke's Bay. This is important as the WSEB proposal of four water entities and the requirement for balance sheet separation is predicated on these estimates.

### Summary of comparative analysis

39. The WICs investment for Hawke's Bay is \$10.5B for 180,000 people. It is almost 3 times greater than the \$3.6B base case drawn from the significant body of work done during the Hawke's Bay three waters review by our Councils and partners Morrison Low and WSP to understand the investment required in the region.
40. To be clear, the base case includes all costs within the council's 30-year infrastructure strategies and estimates the investment required into actual assets and systems of each Council. This base case already includes:
  - Over \$1B in stormwater investment in Napier City
  - Upgrades so that every Wastewater Treatment Plants in Hawke's Bay is compliant with incoming standards, based on Department of Internal Affairs (DIA) cost estimates.
  - Upgrades so that all Water Treatment Plants are compliant with incoming standards (based on DIA cost estimates)
  - Asset lives and values based on a regional review by WSP.
41. Yet, despite all of these allowances in the base case, the WICS forecast investment still requires an additional \$6.9B, yet also under-forecasts the investment required against our base case investment forecast for Napier City Council. That is an enormous additional investment which we simply cannot reconcile against the investment we know is needed in the region. WICs provided no evidence to support their forecast, no information to show where it would be spent (where it is needed, or which assets require that level of investment).
42. Our Councils recognise there is uncertainty in any forecast. Morrison Low's latest scenario modelling (August 2021) shows that there is a significant contingency available between the base case and the point at which any one of the Councils would breach the 280% debt to revenue ratio limit. This indicates capacity within the region, should investment be greater than what is forecast.
43. We wish to reinforce that the financial analysis is only one aspect of why the Hawke's Bay Water Services Model is our preferred approach.

### Other Matters

44. We are concerned with the approach to the implementation of the WSEB provisions, given consequent legislation to establish the powers and functions of the water services entities is yet to be made public and there is no visibility as to what services, and costs our communities can expect to see on day one of the new water services entities taking effect.

45. There is a multitude of inter-related complex reform programmes underway, while our region is experiencing resource shortages and unprecedented growth. In this environment, the risks to community wellbeing from a swift and/or poorly executed implementation process are too high.
46. We have been and remain disappointed at the Governments approach to not widely consult with the general community ahead of the introduction of the Water Services Entities Bill. We disagree with Government's approach to formulating this legislation without the clear input and guidance of the communities they serve.

### **Bring Parliament to the People**

47. On 9 June 2022 we wrote to the Finance and Expenditure Select Committee Chair inviting the Committee to hold hearings in Hawke's Bay for anyone who wishes to be heard on their submission to the Water Services Entities Bill (Government Bill 136—1).
48. By restricting public feedback to one formal, Parliamentary channel – the Select Committee process – the Government has not made it easy for people to be heard, whether to endorse, challenge or suggest alternatives. Making a submission to a Select Committee might be bread and butter work for lobby groups, but it's not something local people do every day.
49. We are, strongly committed to making sure our communities know what's proposed and what it means for them, and to making sure people understand it is now up to the public to express their views to Parliament.
50. Having Government Members here to listen in the Bay would be a win for our people, our community and democracy, and would better enable crucial debate on legislation that will affect everyone who lives in our beautiful region.
51. We also believe this should be a conversation being held across New Zealand, not one confined to a Select Committee room in Wellington.
52. For these reasons we're proposing a win-win solution for democratic debate, one that challenges the perception of 'have your say, but only if it's our way'.
53. We invite you to bring Parliament to the people.

### **Oral submissions**

54. We wish to present our submission to the Select Committee.



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