



30 September 2021

E te Minita, e Nanaia, tēnā koe, tēnā koutou

**Tēnā koutou, tēnā tātau hoki me ngā tini pāheketanga o te wā. Rokohanga ngā taumahatanga e pīkautia nei e tātau, kāre he kō atu, kāre he kō mai, me haere tonu ngā mahi ahakoa he aha. Tāpiri atu ko o tātau mate huhua kei te motu kua riro atu nā ki te ia o te mātoru o te pō e hika, haere ki o nui, haere ki o rahi, moe mai rā. Huri noa ki a tātau, me te kaupapa e rērere ana i te ngutu me te hinengaro o te marea, mō ngā Wai E Toru. Hāunga ngā maha whakaarotanga, mā te wānanga, mā te kōrerorero, kā hua mai te māmāmatanga, ā, ka tau mai te mauri. Tēnā koe, tēnā koutou, tēnā tātau katoa.**

On behalf of the Tairāwhiti region, the Gisborne District Council (Council) presents our feedback on the Three Waters Reform Proposal (3W Reforms).

Firstly, we want to acknowledge the Hon. Naiana Mahuta, Minister of Local Government, for taking up the challenge to address the significant infrastructure issues apparent across the local government sector. The need for safe, reliable, and affordable water services that support good health and sustainable environmental outcomes is something we can all agree with. These broad outcomes along with partnering with our mana whenua, to deliver these outcomes are very much supported.

We also want to also thank again the Hon. Nanaia Mahuta, along with Ministers Kiritapu Allan and Meka Whaitiri for taking the time to meet with Gisborne District Council's governance representatives to listen to our concerns with the proposed 3W Reforms. We appreciated the opportunity to meet kanohi ki te kanohi via Zoom.

In the eight weeks provided to Council to consider the Government's 3W Reform proposal we have engaged with our community, our council neighbours, Entity C councils, local government Mayors and Chairs nationally, our regional council colleagues and Department of Internal Affairs officials.

We have also examined the impacts that the proposed 3W reforms may have on our Tairāwhiti community. Our concerns are significant and many questions remain unresolved, these are headlined below and further outlined in the body of our submission:

- Community sentiment
- Governance model, accountability and loss of local voice
- Boundary issues that need to be resolved
- Tairāwhiti Iwi engagement and representation
- Local quality service levels
- Higher environmental outcome expectations
- Loss of economies of scope, increasing the costs of Council services
- Council as a Unitary Authority efficiencies and stranded costs
- Local workforce development
- Transfer of assets
- Impact of Local Government Funding Agency
- Financial Impacts
- Cumulative effects of the reforms and process going forward

Council also commissioned independent advice from Castalia as we could not reconcile the savings that the WICS model purported for Tairāwhiti. A copy of the Castalia report is provided as it outlines some of the critical issues canvassed in our submission.

In the short time afforded to us we undertook engagement with our community. Overwhelmingly our community told us that they do not support the Government's proposal, and loss of local control over our Three Waters was their most important concern (see attached summary Our Three Waters Campaign).

We respect our relationship with the Government and we understand that change across the country is needed in some shape. However, what is currently on the table is unacceptable to our community. Based on their feedback and Council's assessment of the proposal, we are therefore opting out in principle.

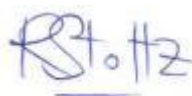
We are happy to speak to any matters raised in our submission if required.

We look forward to your responses in due course.

Noho ora mai



Nedine Thatcher Swann  
**Chief Executive**



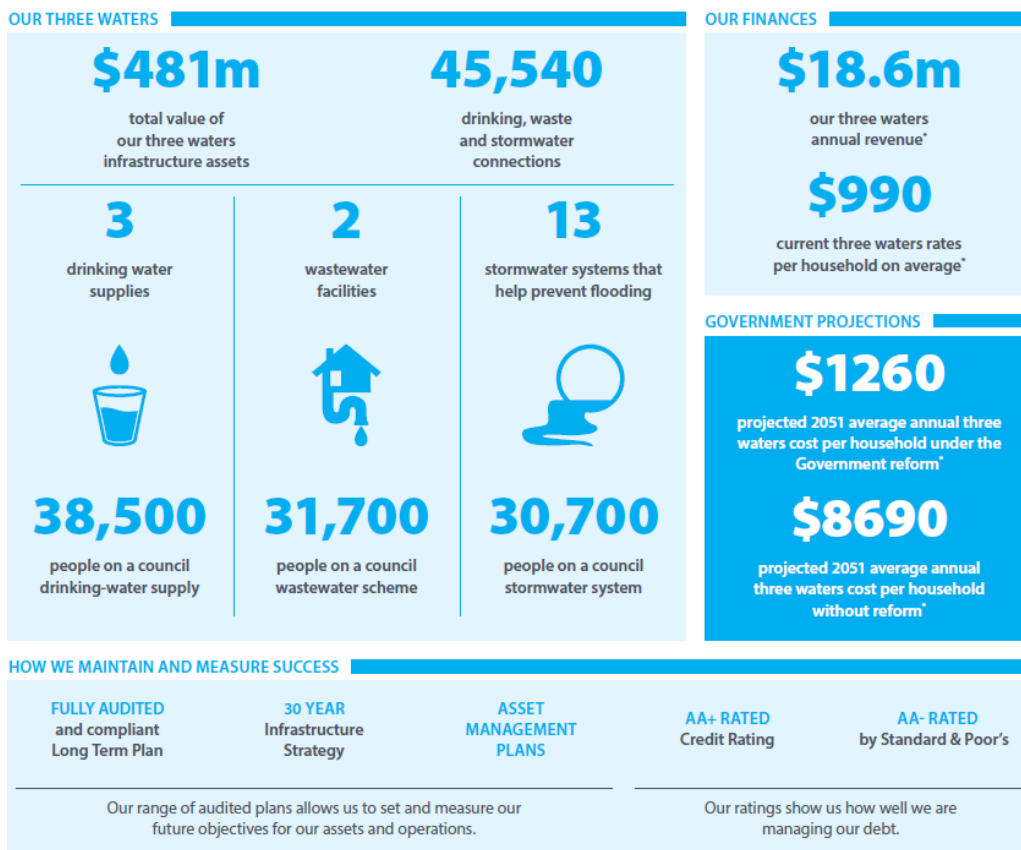
Rehette Stoltz  
**Mayor**

# Gisborne District Council's Submission on the Three Waters Reform Proposal

## Te Tairāwhiti

1. For context, te Tairāwhiti region comprises approximately 50,243 people of whom 53% classify themselves as Māori. Our four Iwi of Tairāwhiti are Ngati Porou, Rongowhakaata, Te Aitanga a Mahaki and Ngai Tamanuhiri.
2. Thirty nine percent of our population is under the age of 25 comprising the highest proportion of under 25s in New Zealand.
3. While we are only 1% of the national population, our land area comprises 3% of New Zealand's national land area.
4. The Gisborne District Council is the first Unitary Authority to be established in 1989 under the local government amalgamations.
5. Our water resources are outlined in the illustration below.


### KEY STATS FOR OUR THREE WATERS



\*All figures are GST exclusive and exclude inflation.

## Benefits of the Reform

6. The need for safe, reliable, and affordable water services that support good health and sustainable environmental outcomes, are outcomes all Councils can agree with. These outcomes, along with partnering with our mana whenua to deliver these outcomes, are very much accepted and welcomed.

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7. Financial affordability and sustainability of the 3W Reforms in the long term for Council is a significant benefit to our community, especially as affordability impacts on our community's ability to pay is a major concern for te Tairāwhiti.
  8. We acknowledge that the proposed Water Services Entity C (Entity C) is likely to give more opportunities for both attracting and keeping staff. Currently, Council is facing higher vacancies than ever before. Council is competing with not only the private sector, but it is competing with central Government to attract new staff and to retain staff. The new entity through its larger size, and more locations is likely to be able to compete more favourably than what Gisborne District Council could alone.
  9. We also acknowledge the pressure to keep rates increases as low as possible, means that Council is likely to prioritise lower rates for today's generation as opposed to speed up future focus programmes of work for tomorrow's generation.
  10. The proposed Entity C entity is more likely to have the capacity to do deliver projects not yet budgeted for in our Infrastructure Strategy than what Council could do, by operating alone.

#### **Summary Benefits:**

- *We agree with the broad wellbeing outcomes of the 3W Reforms.*
- *We acknowledge the potential opportunities Entity C may provide to workforce development.*
- *We acknowledge the pressure of the keeping rates low focus for today may impact on the future focus work programme for tomorrow.*
- *We acknowledge the potential benefit that the proposed Entity C may likely have capacity to deliver on unbudgeted projects.*

#### **Community Engagement**

11. Engagement with our community took place from Wednesday 15 to Monday 27 September. The objective was to raise public awareness of the proposal, share relevant information and measure public sentiment through a short online survey. The campaign included print and digital tactics and channels.
12. A total of 639 people have completed the survey. A significant majority (93%) of the respondents did not agree with the Governments proposal with 97% saying they were most concerned of losing local control.
13. Many of the community's' comments were to do with loss of voice, lack of trust in Government, lack of information, flawed proposal, ratepayers ownership over their assets and water services working well.
14. We are aware that these concerns are shared throughout New Zealand as demonstrated by other council community pulse surveys. If the government mandates the 3W Reforms we would like to see central government to undertake proper consultation and engagement with the communities of New Zealand to ensure it progresses with the support of its constituencies.

#### **Summary Community Engagement**

- *A significant majority (93%) of our community do not agree with the Governments proposal with 97% saying they were most concerned of losing local control.*

- *If the Government decides to mandate the 3W Reforms, we would like proper consultation and engagement with the communities of New Zealand to ensure it progresses with the support of its constituencies.*

## **Castalia Report**

15. As noted, we commissioned Castalia to provide the Council with an independent review of the government's 3W Reform Proposal (as attached). We also note the Department of Internal Affairs response to the Whangārei District Council's report.
16. Castalia highlighted that the level of investment that the WICS forecasted (\$2.7b) over the next 30 years was overstated and that the level of efficiencies forecast to be gained by an amalgamated Entity C was overstated. Many of the Councils within Entity C, have already achieved the available economies of scale efficiencies and that Scotland is an inappropriate model for Gisborne Entity C due to significant distances between each urban area.
17. They further noted that the WICS assumption has been criticised by the government appointed peer reviewers (FarrierSwier), including the approach taken with WICS sensitivity analysis.
18. Castalia questioned WICS assumption that Gisborne District Council would not make any improvements to its services over the next 30 years. Under the "Opt out" scenario, WICS assumes 0% efficiencies gained by Gisborne District Council in its operations. Therefore, Castalia has stated that the modelling likely overstates Council's costs.
19. Council can support Castalia's conclusion that it is unlikely that we wouldn't have any efficiencies over the next 30 years. We know that embedded in our Three Waters network there are significant opportunities for efficiencies. For instance, between 70% to 80% of our 234 kilometres of wastewater mains network, is made up of 100-150mm pipe diameters. New technology where "lining" can be inserted into the existing pipes will extend the useful lives of the network. This new technology is at least 27% cheaper than the costs of the traditional "rip and replace" renewal.
20. Castalia also suggest that corporatisation and improved performance of other water service providers will lead to changes at Gisborne District Council, that drives better performance as Council would seek to match new benchmarks.
21. They further outlined three main themes and risks that are elaborated on in the following sections:
  - a. Local accountability for significant public asset and service will be lost
  - b. Local variability in service and quality levels will be lost
  - c. Loss of economies of scope, increasing the costs of Councils services.

## **Summary Castalia Report**

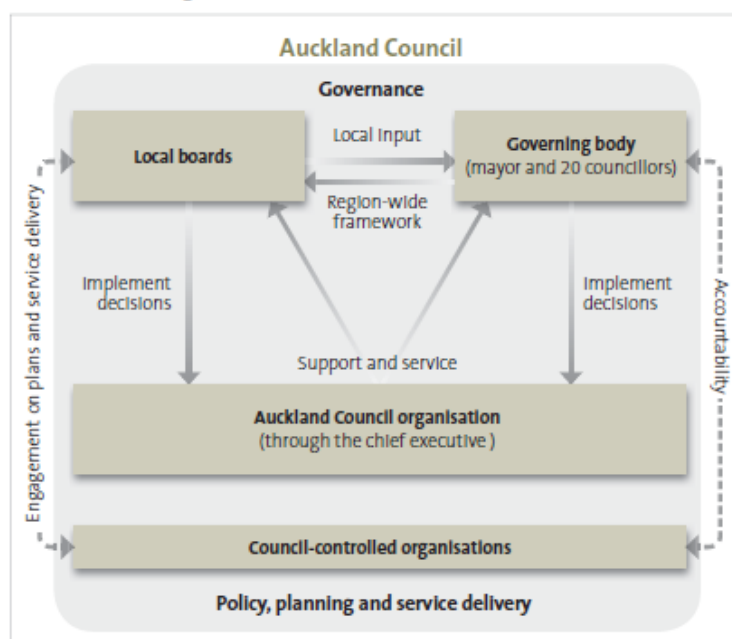
- *The level of investment that the WICS forecasted (\$2.7b) over the next 30 years was overstated.*
- *The level of efficiencies forecast to be gained by an amalgamated Entity C was overstated.*
- *WICS assumption has been criticised by the government appointed peer reviewers.*
- *WICS assumption that Gisborne District Council would not make any improvements to its services over the next 30 years was questionable*
- *They outlined key risks as: Local accountability for significant public asset and service will be lost, local variability in service and quality levels will be lost and loss of economies of scope, increasing the costs of Councils services.*

## Local accountability for significant public asset and service will be lost

### Governance model, loss of local accountability and voice


22. While amalgamation by its very nature means that previous governance and accountability structures will be reduced and restructured, the extent of loss of local accountability appears extensive.
23. We understand the economic drivers and the need to aggregate to achieve scale, but at such scale it is hard to see how our voice, and community will have a say and be able to hold Entity C to account given the governance structure being proposed.
24. In 2010, when Auckland became one City Council entity, population size was around 1.4 million. The new Auckland Council entity bought together eight councils with \$32 billion worth of assets.
25. Auckland City reform saw one governing body and 21 local Boards. In Office of the Auditor General (OAG) review, two years after the reforms, stated that “local government is about place”. Further, it stated “A significant challenge for the Auckland reforms was creating a governance structure that could tackle regional issues... that could also connect with, respond to, local communities; strengthening sense of place and local democracy.”

**Figure 4**  
Auckland Council's governance structure



Source: Auckland Council.

26. OAG in summing up its findings on Auckland super city, noted that there was value that the local Boards provided through their work in the community representation and engagement. That local Boards were best able to articulate the needs and interest of communities where their areas reflect natural communities. There was some concern raised where local area boundaries had been set for population numbers rather than to “...mark geographical community of interest with distinct identify”.
27. In comparison to Auckland, Entity C will have a population of connected users of just under one million, and just under \$30 billion (ie using high projection estimate). While smaller in scale from Auckland in 2010, Entity C has enough of a parallel to compare the proposed governing structure.

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28. In our situation, only six council representatives will act for the 21 councils, in direct comparison to 21 local Boards of Auckland City. The discussion below sets out the likely impacts that the proposed Entity C governance structure may have on regional input and engagement.
  29. The proposed water service entity governance structures are too complex. Gisborne District Council autonomy to appoint board members to Entity C will be constrained as it joins 21 other Councils. It is hard to understand how Tairāwhiti could be well represented in this option. Being able to influence decision-making is raised as being a risk due to the size, scale and complexity of Entity C.
  30. Council raises this as being a significant issue, particularly with our focus and commitment to improving water services as part of our Long Term Plan and our Strategic Priorities.
  31. While councils maintain ownership of the water service entity's, the type of entity and the responsibilities associated with ownership are likely to be substantially different to traditional ownership models.
  32. With the current governance structure, it is very difficult to understand how these entities will be held to account for the communities' assets and services vested in them. There are valid concerns as to how regions are able to hold the Entity to account if they do not deliver, especially given the degree of separation that the Entity will have from the regions they serve.
  33. Council through Entity C have explored alternative governance options to the one being proposed by central government. We support the notion of Sub-Regional representation. This is where a regional representation group comprises 3-4 sub-regions to input into the performance expectations and provides a channel for local voice.
  34. We have been clear that given our Unitary status it would be important for Tairāwhiti to be recognised as a sub-region should the proposed reforms go ahead. We ask for a Tairāwhiti voice at the table working with central government to achieve mutual outcomes. We are very isolated and all too often we are left out as bigger councils or territorial local authority viewpoints are progressed.
  35. If the Government decides to mandate the 3W Reforms, we ask that central government reviews and simplifies the governance model in partnership with councils to ensure that regions can have a voice at the governance table and hold the water entities to account.

#### **Iwi Māori Engagement and Representation**

36. Our population is 53% Māori, compared to 16.5% for the rest of Aotearoa. Ensuring iwi and hapū have a long-term role in the future planning and decision-making for the region is a Council commitment in the 2021-2031 LTP.
37. The decision-making board structure of any new water services entity will have implications for the Mana Whenua of Te Tairāwhiti. It is unclear and concerning as to how the mechanisms of the Three Waters Reform will enable the four regional iwi of Tairāwhiti an equal representation with the Mana Whenua across the 21 other council areas of Entity C.
38. Central government should undertake further specific engagement with Tairāwhiti Iwi.

## **Summary Local accountability for significant public asset and service will be lost**

### *Governance model, loss of local accountability and voice*

- *The extent of loss of local accountability appears extensive.*
- *Given the governance structure and scale it is hard to see how our voice, and community will have a say hold Entity C to account.*
- *When compared with Auckland amalgamation, it is noted by OAG review the importance of local Boards, community representation and engagement.*
- *There is a direct comparison with Auckland City's 2 local Boards and only six council representatives acting for 21 councils.*
- *The proposed water service entity governance structures are too complex.*
- *If the Government decides to mandate the 3W Reforms, we support the notion of Sub-Regional representation with Tairāwhiti being recognised as a sub-region should the proposal go ahead.*
- *If the Government decides to mandate the 3W Reforms, central government needs to review and simplify the governance model in partnership with councils to ensure that regions can have a voice at the governance table and hold the water entities to account.*

### *Iwi Māori Engagement and Representation*

- *It is unclear and concerning as to how the mechanisms the four iwi of Tairāwhiti an equal representation with the Mana Whenua across the 21 other council areas of Entity C.*
- *If the Government decides to mandate the 3W Reforms central government should undertake further specific engagement with Tairāwhiti Iwi.*


## **Local variability in service and quality levels will be lost**

### **Local quality service levels likely to be lost**

39. Gisborne District Council within the WICS modelling is assumed to have 38,000 people that are connected to Water and Wastewater network. This represents 4% of the total assumed connected population for WSE C (ie total of 955,354).
40. Council has a specific level of expectation around its wastewater services. A water service entity which Council only represents 4% connected population will be competing against areas such as Wellington (23% or 222,600 population), which have much more significantly and costly issues to rectify standard levels of service. Wellington cost of fixing Water services have been quoted as "bottomless".
41. We would like to know how our community's levels of service now and into the future will be specifically provided for and not consumed by the larger councils?

### **Higher environmental outcome expectations**

42. Our community and Iwi of te Tairāwhiti have higher expectations on levels of service in relation to how we look after our bay.
43. Council established the Wastewater Management Committee (WMC) in 2007 as a requirement under the conditions of the resource consent for the upgrade and discharge of Gisborne's municipal wastewater. The governance structure of the WMC consists of four councillors and four tangata whenua representatives.

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44. The WMC oversees several Council projects including the Wastewater Treatment Plant Upgrade, DrainWise Programme, Alternate Use and Disposal of Treated Wastewater, and the Turanganui a Kiwa Water Quality Enhancement Project. The overall purpose of the Committee is to oversee the development of these projects, provide recommendations, and ensure that work is carried out in accordance with the conditions of the consent.
  45. The WMC has also overseen the removal of Mortuary Wastewater from the public wastewater network, which has been a major focus for local tangata whenua for many years. The Trade Waste Bylaw Amendment adopted by Council in June 2021 enabled the legislative requirements for mortuary waste to be removed from the public wastewater system.
  46. An alternative through-earth treatment process considered more culturally appropriate for taking mortuary wastewater from Tapu to Noa was proposed and design work is currently underway. Council and local Iwi/Hapu have received nation-wide recognition for this project and the impact this work has had on how Councils across Aotearoa consider the management and treatment of mortuary wastewater.
  47. Council also seeks to progressively reduce stormwater ingress into the wastewater network and reduce the frequency and volume of overflows through the DrainWise programme of works. The DrainWise programme is multi-faceted and includes stormwater and wastewater network upgrades, renewals and extensions, property inspections to identify problems and associated minor repairs, focus projects, and an education and awareness campaign.
  48. Council through our long-term plan have been contributing to private property remediation for stormwater inundation, and delivery of the Rapid Inflow Assessment is continuing with a focus on gully trap repairs and identifying cross connections. The 2021-2031 LTP provides for around \$6m to facilitate private property remediation for the DrainWise Project. This supports the community when affordability maybe an issue.
  49. We are concerned however that regional affordability initiatives like the DrainWise funding of private works are unlikely to be considered by Entity C.
  50. The significant upgrades currently being made to our wastewater treatment plant will also allow for further investigation into potential alternative use options, such as for irrigation purposes which could help address water supply issues for local growers and industry. Council's Alternative Use and Disposal Project (AUD) aims to find alternative use and disposal methods for our treated wastewater supply, eventually resulting in the removal of the outfall pipe from the bay entirely.
  51. The concern with a new water entity that has a different environmental focus (potentially just to bottom lines and not above) is that many of the initiatives completed to date and progress made towards the long-term goals identified by our community may be lost. These are aspects which have been identified as highly important to Te Tairāwhiti but may not be prioritised in the same way by the proposed new entity, of which our region only forms a small part.
  52. If the Government decides to mandate the 3W Reforms, we would like to have certainty that our community's higher environmental standards will be provided for in the new Entity should the reforms go ahead.



## **Summary Local variability in service and quality levels will be lost**

Local quality service levels likely to be lost:

- A water service entity which Council only represents 4% connected population will be competing against areas such as Wellington (23% or 222,600 population), which have much more significantly and costly issues to rectify standard levels of service.
- If the Government decides to mandate the 3W Reforms we would like to know how our community's levels of service now and into the future will be specifically provided for and not consumed by the larger councils?


Higher environmental outcome expectations:

- Our community and Iwi of te Tairāwhiti have higher expectations on levels of service in relation to how we look after our bay.
- Many of the initiatives completed to date and progress made towards the long-term goals identified by our community may be lost or not prioritised in the same way by the proposed new entity, of which our region only forms a small part.
- If the Government decides to mandate the 3W Reforms, we would like to have certainty that our community's higher environmental standards will be provided for in the new Entity..

## **Loss of economies of Scope, increasing the costs of Council services**

### **Council as a Unitary Authority efficiencies and stranded costs**

53. Council is a Unitary Authority. As such it achieves efficiencies not afforded to Territorial Local Authorities, for example in the joined-up provision of 4 waters approach (outlined below).
54. Council also incurs a range of costs, especially in both Support Services and Governance activities. For the purpose of setting rates, we allocate indirect costs arising from these services across each activity.
55. Council achieves efficiencies via its management of the Four Water activities – Flood Control - would be impacted, as it is integrated with Water supply, Wastewater and Stormwater service delivery. Efficiencies are gained by sharing costs and spreading these across all four of the activities. For instance, shared costs include asset management software, shared vehicle fleet, asset valuations and managerial overheads.
56. There is also a degree of overlap between stormwater and drainage, especially on the urban fringes. It is to some extent a step backwards to have the three waters separated from the fourth water.
57. At a high level based on the 2021-2031 LTP overheads charged to the Three Water activities, estimated stranded overhead costs (as at 1 July 2024) \$4.6m.
58. The Castalia Report (refer Section 4.3) refers to estimated \$2.05 million costs of stranded costs that would not reduce even when Council provides no water services. It should be noted the difference between Castalia estimated costs, and the \$4.6m identified within Councils 2021-2031 LTP, is that Castalia only considered the impacts of estimated support staff of around 10 indirect general management and shared office space. It did not take into account the Governance, legal, IT, finance, human resources or regulatory functions.

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59. We note that the Department of Internal Affairs has stated that they will provide relief to Councils so that they are no worse off. However, these grant injections are likely to be one off and upfront. Total estimated funds allocated to Councils “no worse off” is up to \$500 million, to ensure no local authority is in a materially worse off position to continue to provide services to its community as a direct result of the reform.
60. We note that through the “no worse off” funding, \$250m is specifically available to meet stranded overhead costs and other adverse financial impacts. Of this \$250m, \$50m is allocated to Auckland and Wellington. It is not available until 1 July 2024.
61. While there is still a lot to work through in terms of allocation per Council, if funding was applied in the same proportion as the “better off” grant, then the maximum the Gisborne District Council could receive is \$12m (for example both stranded costs and reasonable cost recovery). This would only represent 2.6 years “staying” the impacts of rates increases.
62. While Council might see relief in the form of payments, members of our community will still pay as ‘worse off’ payment to be paid by the individual Water Services Entity.

### **Local workforce development**

63. While the reforms promise more jobs, and career development, there is no clarity as to the procurement approach.
64. The Council has achieved significant growth from capital investment in the region. Our region has a career workforce development plan delivered under Rau Tipu Rau Ora.
65. Our procurement recognises a sustainable development approach, where we take account of the social, economic and cultural wellbeing of our people and our communities. This social responsibility is reflected by enabling and building capability in the local workforce by including:
- providing opportunities for youth and under-represented people and groups to transition positively into the work force
  - providing training and apprenticeship opportunities to foster career development
  - providing opportunities for lower socio-economic communities in the Tairāwhiti region to empower their people with greater skills and capabilities to facilitate economic and social development.
66. If the Government decides to mandate the 3W Reforms, we need assurances that procurement plans will be developed at a sub-regional level.

### **Summary Loss of economies of Scope, increasing the costs of Council services**

*Council as a Unitary Authority efficiencies and stranded costs:*

- *Council is a Unitary Authority. As such it achieves efficiencies not afforded to Territorial Local Authorities, for example in the joined-up provision of 4 waters approach.*
- *It is to some extent a step backwards to have the three waters separated from the fourth water.*
- *At a high level based on the 2021-2031 LTP overheads charged to the Three Water activities, estimated stranded overhead costs (as at 1 July 2024) \$4.6m.*

- While there is still a lot to work through in terms of allocation per Council, if funding was applied in the same proportion as the "better off" grant, then the maximum the Gisborne District Council could receive is \$12m (for example both stranded costs and reasonable cost recovery). This would only represent 2.6 years "staying" the impacts of rates increases.
- While Council might see relief in the form of payments, members of our community will still pay as 'worse off' payment to be paid by the individual Water Services Entity.

#### Local workforce development:

- The Council has achieved significant growth from capital investment in the region. Our region has a career workforce development plan delivered under Rau Tipu Rau Ora.
- If the Government decides to mandate the 3W Reforms, we need assurances that procurement plans will be developed at a sub-regional level.

### Financial Implications

67. Council assets to be transferred to the new Entity should Reforms proceed as at 30 June 2024, were forecast to be:
  - \$327m in assets (depreciated replacement cost)
  - \$140.4m in revaluation reserves
  - \$26m revenue.
68. There are significant financial implications associated with the Reforms. The Reforms will impact Council's revenue, balance sheet and asset base, future liabilities, and debt.
69. Relative to other councils, our Council has very low debt. We have achieved this through prudently managing our finances, investing in critical infrastructure, and increasing income from grants. Our forecasted debt-to-revenue through our 2021-2031 Long Term Plan is to be under the 130% debt to revenue threshold.
70. Allocating debt to the proposed water entity reduces the impact on debt headroom from losing three waters revenue.
71. Based on the 2021-2031 LTP, high level forecast three waters debt as of 30 June 2024 is expected to be \$61m and reserve balances (which will be transferred to the new entity) are forecast to be around \$19.9m. Therefore, the net debt owing to Council on this high-level basis is \$41.3m. This means we would expect to be reimbursed up to \$41.3m from the Crown. As noted previously, the proposed "no worse off" funding would need to be reviewed.
72. The combined Three Waters Activities, represent around 18% of Councils operating expenditure, 25% of capital spend (average life of 2021-2031 LTP) and around 25% of the infrastructure assets (excluding land under roads).
73. It is likely that efficiencies and lower contract pricing (through economies of scale) that Council has gained in the past, will be higher in the future.
74. Should the proposal go ahead, further work is required by central government to ensure that the Council's "no worse off" funding allocation addressed the actual financial impact to the Council.



## Summary Financial Implications

- *There are significant financial implications associated with the Reforms. The Reforms will impact Council's revenue, balance sheet and asset base, future liabilities, and debt.*
- *Relative to other councils, our Council has very low debt.*
- *Allocating debt to the proposed water entity reduces the impact on debt headroom from losing three waters revenue.*
- *The net debt owing to Council is \$41.3m.*
- *If the Government decides to mandate the 3W Reforms, further work is required by central government to ensure that the Councils "no worse off" funding allocation addressed the actual financial impact to the Council.*

## Transfer of Assets


75. As noted through our engagement our community have told us they are concerned about their assets that they have invested in are being transferred to an entity outside their control.
76. Notwithstanding the substantive amalgamation issue, there are significant matters to be resolved around the ownership and management of our land assets (in particular the Waingake block formerly known as Pamoā forest).
77. Currently the Waingake Transformation Programme - a partnership with mana whenua, Maraetaha Incorporated and Ngai Tāmanuhiri - is returning 1,100 hectares of pine plantation back to indigenous forest. The land block was purchased by Council in 1991 from iwi for the purpose of protecting the mains drinking water pipe network.
78. The integrated activities in the Waingake block are supporting multiple outcomes, including enhancing biodiversity, meeting treaty obligations, and long term protection of critical water supply and pipeline.
79. We would like assurances that land assets that have partnership and outcomes such as the Waingake Transformation Programme will be retained by our Council and Iwi partners should the proposal go ahead.

## Summary Transfer of Assets

- *If the Government decides to mandate the 3W Reforms, we would like assurances that land assets that have partnership and outcomes such as the Waingake Transformation Programme will be retained by our Council and Iwi partners.*

## Cumulative effects of the reforms and process going forward

80. Council as a Unitary Authority is feeling the pinch from all the reform programmes underway. While we can see benefit in all the programmes – we can also see a very disconnected programme that may have significant impacts in terms of achieving the outcomes sought into the future.
81. Three Waters Reform Programme is the biggest change since the 1989 local government amalgamations which impacts some 850 councils.
82. 3Waters is slightly different because it's not simply amalgamating councils its effectively leaving Territorial Local Authorities (TLAs) as half councils (particularly those smaller TLAs) – and so in effect we have two restructures ahead of us which is very disruptive to service delivery and clarity of the road map.

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83. We note the Minister's comments that the future for Local Government Reform will be closely aligned, and we also want to see better integration with the Resource Management reform programme so that all these changes are integrated, and the road map is clear.
  84. It is also very unclear for all councils as to what happens post the October cabinet meeting and the engagement process with communities.
  85. The process to date has been moving at pace and it has been challenging to bring along those impacted within council and across our communities.
  86. Specificity of timeframes and central governments approach to community engagement is required should the government decide to proceed with the Reforms.

#### **Summary Cumulative effects of the reforms and process going forward**

- *Central government to better integrate the various reform programmes so that there is better alignment, and the road map is clear.*
- *If the Government decides to mandate the 3W Reforms specificity of timeframes and central governments approach to community engagement is required.*

#### **Alliance Opportunities**

87. We note the drivers for change for the Reforms and agree that some form of change is necessary to achieve consistent and quality outcomes for all New Zealanders now and into the future.
88. However, we are yet to be convinced that the four entity model solely based on population numbers and financial efficiency is the way forward.
89. In the initial stages of the reforms we were advised by central government officials that water entities would be based on factors that included natural communities of interest belonging and identity including takiwa and relationship with relevant regulatory boundaries to enable water to be managed from source to sea.
90. However, the approach to aggregation has been one of scale benefits primarily. It is difficult to understand why the tip of the South Island and the Chatham Island is included in Entity C if not only for one of numbers.
91. The Castalia report recommends that Council carries out a proper net benefit analysis, potentially aligning with other local authorities that have a similar viewpoint.
92. Ideally, with any alliance it would be one that enabled sub-regional representation with Tairāwhiti and being recognised as a region. Thus, aligning with our Unitary status.
93. We are aware that the sentiments of the majority of people and Iwi within Hawkes Bay did not agree with the Three Water Reforms nor the proposal to merge into Entity.
94. We are also aware that the Hawkes Bay Councils would like an alternative option considered – a Hawke's Bay model, which is supported in detail by the Hawke's Bay Three Waters Review.
95. Through the Mayor and the Chief Executive Council has been in discussion with Hawkes Bay to potentially join with them should the Minister agree to their proposal.
96. If central government were open to adjusting the boundaries our Council would potentially progress an alliance with Hawkes Bay.



### **Summary Alliance Opportunities**

- *We are not convinced that the four-entity model solely based on population numbers and financial efficiency is the way forward.*
- *Despite earlier discussion around aggregation, it is clear that the approach has been one of scale primarily.*
- *If central government were open to adjusting the boundaries our Council would potentially progress an alliance with Hawkes Bay.*

### **Assessment overall**

97. Our concerns are significant and many questions unresolved as noted in the body of this submission.
98. Due to our significant concerns, unresolved issues, and strong community sentiment we cannot as it currently stands support the Government's 3W Reform proposal.
99. We respect our relationship with the Government, and we understand that change across the country is in need in some shape. However, what is currently on the table is unacceptable for our community and we are therefore opting out from Entity C in principle.

### **Summary Assessment Overall**

- *Due to our strong community sentiment, our significant concerns, and unresolved issues, we cannot as it currently stands support the Government's 3W Reform proposal and are opting out from Entity C in principle.*

**- END -**



## Gisborne District Councils Summary Submission Points by Section

### Summary Benefits

- We agree with the broad wellbeing outcomes of the 3W Reforms.
- We acknowledge the potential opportunities Entity C may provide to workforce development.
- We acknowledge the pressure of the keeping rates low focus for today may impact on the future focus work programme for tomorrow.
- We acknowledge the potential benefit that the proposed Entity C may likely have capacity to deliver on unbudgeted projects.

### Summary Community Engagement

- A significant majority (93%) of our community do not agree with the Governments proposal with 97% saying they were most concerned of losing local control.
- If the Government decides to mandate the 3W Reforms we would like proper consultation and engagement with the communities of New Zealand to ensure it progresses with the support of its constituencies.

### Summary Castalia Report

- The level of investment that the WICS forecasted (\$2.7b) over the next 30 years was overstated.
- The level of efficiencies forecast to be gained by an amalgamated Entity C was overstated.
- WICS assumption has been criticised by the government appointed peer reviewers.
- WICS assumption that Gisborne District Council would not make any improvements to its services over the next 30 years was questionable.
- They outlined key risks as: Local accountability for significant public asset and service will be lost, local variability in service and quality levels will be lost and loss of economies of scope, increasing the costs of Councils services.

### Summary Local accountability for significant public asset and service will be lost

Governance model, loss of local accountability and voice

- The extent of loss of local accountability appears extensive.
- Given the governance structure and scale it is hard to see how our voice, and community will have a say hold Entity C to account.
- When compared with Auckland amalgamation, it is noted by OAG review the importance of local Boards, community representation and engagement.
- There is a direct comparison with Auckland City's 2 local Boards and only six council representatives acting for 21 councils.
- The proposed water service entity governance structures are too complex.
- If the Government decides to mandate the 3W Reforms, we support the notion of Sub-Regional representation with Tairāwhiti being recognised as a sub-region should the proposal go ahead.
- If the Government decides to mandate the 3W Reforms government needs to review and simplify the governance model in partnership with councils to ensure that regions can have a voice at the governance table and hold the water entities to account.



### Iwi Māori Engagement and Representation

- It is unclear and concerning as to how the mechanisms the four iwi of Tairāwhiti an equal representation with the Mana Whenua across the 21 other council areas of Entity C.
- If the Government decides to mandate the 3W Reforms government should undertake further specific engagement with Tairāwhiti Iwi.

### **Summary Local variability in service and quality levels will be lost**

#### Local quality service level likely to be lost

- A water service entity which Council only represents 4% connected population will be competing against areas such as Wellington (23% or 222,600 population), which have much more significantly and costly issues to rectify standard levels of service.
- We would like to know how our community's levels of service now and into the future will be specifically provided for and not consumed by the larger councils?

#### Higher environmental outcome expectations

- Our community and Iwi of te Tairāwhiti have higher expectations on levels of service in relation to how we look after our bay.
- Many of the initiatives completed to date and progress made towards the long-term goals identified by our community may be lost or not prioritised in the same way by the proposed new entity, of which our region only forms a small part.
- If the Government decides to mandate the 3W Reforms, we would like to have certainty that our community's higher environmental standards will be provided for in the new Entity.

### **Summary Loss of economies of Scope, increasing the costs of Council services**

#### Council as a Unitary Authority efficiencies and stranded costs

- Council is a Unitary Authority. As such it achieves efficiencies not afforded to Territorial Local Authorities, for example in the joined-up provision of 4 waters approach.
- It is to some extent a step backwards to have the three waters separated from the fourth water.
- At a high level based on the 2021-2031 LTP overheads charged to the Three Water activities, estimated stranded overhead costs (as at 1 July 2024) \$4.6m.
- While there is still a lot to work through in terms of allocation per Council, if funding was applied in the same proportion as the "better off" grant, then the maximum the Gisborne District Council could receive is \$12m (for example both stranded costs and reasonable cost recovery). This would only represent 2.6 years "staying" the impacts of rates increases.
- While Council might see relief in form of payments, members of our community will still pay, as 'worse off' payment to be paid by the individual Water Services Entity.

#### Local workforce development

- The Council has achieved significant growth from capital investment in the region. Our region has a career workforce development plan delivered under Rau Tipu Rau Ora.
- If the Government decides to mandate the 3W Reforms, we need assurances that procurement plans will be developed at a sub-regional level.



### **Summary Financial Implications**

- There are significant financial implications associated with the Reforms. The Reforms will impact Council's revenue, balance sheet and asset base, future liabilities, and debt.
- Relative to other councils, our Council has very low debt.
- Allocating debt to the proposed water entity reduces the impact on debt headroom from losing three waters revenue.
- The net debt owing to Council is \$41.3m.
- If the Government decides to mandate the 3W Reforms, further work is required by central government to ensure that the Councils "no worse off" funding allocation addressed the actual financial impact to the Council.

### **Summary Transfer of Assets**

- If the Government decides to mandate the 3W Reforms, we would like assurances that land assets that have partnership and outcomes such as the Waingake Transformation Programme will be retained by our Council and Iwi partners.

### **Summary Cumulative effects of the reforms and process going forward**

- Central government to better integrate the various reform programmes so that there is better alignment, and the road map is clear.
- Specificity of timeframes and central governments approach to community engagement is required should the government decide to proceed with the Reforms.

### **Summary Alliance Opportunities**

- We are yet to be convinced that the four entity model solely based on population numbers and financial efficiency is the way forward.
- Despite earlier discussion around aggregation, it is clear that the approach has been one of scale primarily.
- It is difficult to understand why the tip of the South Island and the Chatham Island is included in Entity C if not only for one of numbers.
- If central government were open to adjusting the boundaries our Council would potentially progress an alliance with Hawkes Bay.

### **Summary Assessment Overall**

- Due to our strong community sentiment, our significant concerns, and unresolved issues, we cannot as it currently stands support the Government's 3W Reform proposal and are opting out from Entity C in principle.