



# Summary of local government feedback on the three waters reform proposals

October 2021

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LGNZ.**

**Te Kāhui  
Kaunihera  
ō Aotearoa.**



**Taituarā**  
Local Government Professionals Aotearoa



**Te Tari Taiwhenua  
Internal Affairs**

## About this report

1. This report has been jointly prepared by the Department of Internal Affairs (the Department), Local Government New Zealand (LGNZ), and Taituarā to summarise feedback from the local government sector on the Government's three waters reform proposals that were released on 30 June 2021.
2. This report collates and summarises written feedback submitted by individual councils and groupings of councils into a comprehensive national picture.<sup>1</sup> It has also been informed by local government feedback gathered during engagements undertaken by LGNZ, the Department and Taituarā during the eight-week engagement period from 1 August 2021 to 1 October 2021.
3. The report has also been informed by feedback received from individuals, iwi/hapū and other community groups; however, this feedback has not been included in the quantitative analysis.
4. This report summarises and reflects formal submissions only. It does not include responses to questions raised through the letters or submissions from councils, and does not include any analysis of the suggested changes.

### Purpose of the eight-week engagement period

5. At the request of LGNZ, the Government set aside a period from 1 August 2021 to 1 October 2021 for local authorities to consider the impact of the reform proposals on them and their communities, and to provide feedback on the proposed model.
6. During this period, the Department also continued engaging with iwi/Māori and industry stakeholder groups, as outlined in Appendix A.
7. Local authorities were not asked to take any formal decisions regarding the reform through this period. The purpose of this period was for all local authorities to:
  - (a) “engage with and understand the large amount of information that has been released on the nature of the challenges facing the sector, the case for change, and the proposed package of reforms, including the recently announced support package;

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<sup>1</sup> Individual council submissions are published on the Department of Internal Affairs' [Three Waters webpage](#).

- (b) take advantage of the range of engagement opportunities to fully understand the proposal and how it affects [your] local authority and [your] community; and
- (c) identify issues of local concern and provide feedback to LGNZ on what these are and suggestions for how the proposal could be strengthened”.<sup>2</sup>

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<sup>2</sup> From [LGNZ, DIA and Taituarā, \*Three Waters Guidance for Councils over the next eight weeks\* - 30 July 2021](#)

## Contents

About this report.....	2
Purpose of the eight-week engagement period.....	2
Executive summary .....	6
Overview of feedback.....	6
Key themes raised in local government feedback.....	8
Introduction .....	17
Feedback on the case for change.....	18
Summary of feedback.....	18
Sentiment by entity groupings .....	20
Changes suggested in feedback.....	22
Suggestions for alternative models.....	23
Summary of feedback.....	23
Changes suggested in feedback.....	23
Ownership, governance, and accountability .....	24
Summary of feedback.....	24
Changes suggested in feedback.....	28
Protecting and promoting community voice .....	30
Summary of feedback.....	30
Changes suggested in feedback.....	31
Planning interface .....	33
Summary of feedback.....	33
Changes suggested in feedback.....	34
Resource management reform and Future for Local Government .....	36
Summary of feedback.....	36
Changes suggested in feedback.....	36
Pricing and charging .....	38
Summary of feedback.....	38
Changes suggested in feedback.....	39
Number of water services entities and their boundaries.....	40
Summary of feedback.....	40
Changes suggested in feedback.....	42
Regulatory environment .....	43
Summary of feedback.....	43
Changes suggested in feedback.....	44
Rural supply arrangements .....	44
Summary of feedback.....	44
Changes suggested in feedback.....	45
Stormwater .....	45

Summary of feedback.....	45
Changes suggested in feedback.....	48
Transition considerations.....	49
Summary of feedback.....	49
Changes suggested in feedback.....	51
Process and timeframes.....	53
Changes suggested in feedback.....	54
Comments on other matters.....	55
Summary of feedback and changes suggested .....	55
Appendix A: List of engagements with local government, iwi/Māori, and industry stakeholders .....	58

## Executive summary

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### Overview of feedback

8. Written feedback was received from all councils currently delivering three waters services, except for the Chatham Islands Council and Waitomo District Council. Written feedback was also received from the Greater Wellington Regional Council, and the following groupings of councils: Entity B; Entity C; LGNZ Zone one; LGNZ Zone six; the Canterbury Mayoral Forum; and Hawke's Bay Mayors and Chair.
9. Written feedback was received from a small number of individuals (including elected members) and iwi representatives. This feedback has been welcomed and considered by the Department, LGNZ and Taituarā, and has informed the content of this report. However, given this report focuses on local government feedback, the report does not include these submissions in the quantitative analysis.
10. Many of the council submissions acknowledged there are challenges facing three waters services across New Zealand. Twenty-seven submissions noted that the status quo is unsustainable, and 39 submissions agreed that all New Zealanders should have access to safe drinking water, and that three waters activities should improve outcomes for the environment.
11. While many acknowledged there is a case for change, about 75 per cent of the submissions stated they did not support the proposed model put forward by the Government. A few councils noted their overall opposition to the reform.
12. The engagement period and feedback process did not require councils to make a decision on whether to opt in or opt out of the reforms. However, many councils discussed this decision in their submission. While most councils noted they did not convey a decision because they were not required to do so, or were silent on this matter in their submissions, eight councils reported taking a decision to provisionally opt out of the reforms.
13. A small number of submissions noted that, based on current available information, if they had to make a decision now, it would be to opt out of the reforms. This was based on a view that neither councils nor the public were sufficiently informed about the case for change, or because of questions or concerns about the proposals.

14. While almost all submissions identified areas of concern and feedback on aspects of the Government's reform proposals, 47 submissions also welcomed the opportunity to continue working with the Government on addressing these concerns and feedback.
15. Submissions contained a wide range of feedback, with key concerns and comments including:
  - (a) the governance model being complex, and not adequately providing for local authority and mana whenua influence in decision making, on behalf of their communities;
  - (b) the loss of local voice in the system, especially given the large size of the proposed entities;
  - (c) how the water services entities will interact with, and be influenced by, local government planning documents and decisions around growth and economic development;
  - (d) that more certainty is needed around the inclusion of stormwater in the reform proposals, and how the entities will interact with, and work alongside, councils to take an integrated approach to stormwater management, including how assets with multiple uses will be treated;
  - (e) that the limitations and assumptions used in the Water Industry Commission for Scotland (WICS) modelling do not reflect the situations of individual councils accurately enough;
  - (f) that there has not been enough engagement and appropriate information to date on the reforms, and there needs to be public consultation before decisions on the next steps are made;
  - (g) the three waters reforms should be better aligned with the resource management reforms and the Future for Local Government review, to create the best possible outcome for local government and communities.
16. In addition to the above areas of feedback, a number of submissions stated support for the establishment of Taumata Arowai, the new water services regulator, and for stronger regulation in general of the water services sector.

17. Many councils also supported the proposal to create an economic regulator for the water services sector, but considered there is not currently enough information on the proposed form and functions of the regulator. Some submissions noted that the economic regulator is a key part of the three water reforms, and therefore they do not feel a decision to opt out should be made until more certainty on this element of the system is provided to councils and the public.
18. Given the above factors, many Entity D councils, and some other councils, requested a pause in the reform programme.

## **Key themes raised in local government feedback**

### ***Case for change***

19. The majority of submissions supported the fundamental objectives of the proposed reform, being to ensure all New Zealanders have affordable access to safe drinking water and three waters services that improve environmental outcomes. Most submissions also acknowledged there is a case for change, with three waters service delivery reform needed across New Zealand. A few submissions remained silent on this matter, and a small number of submissions were unconvinced by the case for change and opposed the reform.
20. While most submissions agreed on the need for change in general, many submissions said the Government had not convincingly made the case for the proposed solution. Most commonly, submissions cited concerns with the assumptions and limitations of the WICS modelling, and felt the analysis was not accurate enough to justify the model proposed. A few councils questioned whether they would be better off under the reform scenario, as implied by the 'council dashboards', and a small number of councils had commissioned their own review of the modelling or undertaken their own analysis.
21. Despite these concerns, the general consensus from the body of submissions was that there are challenges with three waters service delivery that need to be addressed, and change of some kind is needed. Forty-seven out of the 66 submissions from councils expressly stated they are willing to further discuss the reform proposals, and will continue to work with central government to arrive at a model that better addresses the concerns raised by the local government sector.

### ***Suggestions for alternative models***

22. Many council submissions expressed concern that the Government had not sufficiently considered alternatives to the proposed model, and a few submissions suggested alternatives and asked that these be considered and assessed further.
23. For example, Auckland Council provided a detailed submission. It requested that a scenario be explored in which “the Crown provides some form of explicit financial support to Watercare (either guaranteeing Watercare debt or providing a liquidity facility) to help achieve greater levels of investment whilst maintaining a strong credit rating and consequently a lower cost of borrowing.”
24. The main suggestions in other submissions related to:
  - (a) a regional entity model – particularly for Hawke’s Bay and for Taranaki;
  - (b) a council-controlled organisation model;
  - (c) a shared services model; and
  - (d) consideration of the Tasmania Water or Scottish Water models.
25. In addition to the above alternative reform models, some submissions suggested alternatives to service delivery reform such as proceeding with regulatory reform only, provision of further Government funding to help close the infrastructure deficit without structural reform, or a funding model similar to that used for roading (a ‘Waka Kotahi style model’).

### ***Ownership, governance, and accountability***

26. Almost all submissions provided comments on this topic. Many submitters recognised that getting the governance structure right is a critical success factor, but considered the current proposal needs further work. While there was support for aspects of the proposed governance arrangements, there were also some significant concerns about the approach and a number of submissions suggested specific improvements.

27. A common theme across the submissions involved concern about the loss of democratic accountability, and a loss of direct control and influence by councils over infrastructure decision making and levels of service in their communities. The proposed model was described by many submitters as overly complex and at risk of not achieving the intended benefits and objectives. Many of the suggested improvements related to reducing this complexity and/or providing strengthened oversight mechanisms and opportunities for councils to hold the water services entities to account.
28. Statutory recognition of ownership was viewed as meaningless without associated rights and accountabilities. For example, Central Hawke’s Bay District Council stated: *“Council struggles to understand what benefit there is from ownership if there is not a direct ability to influence the make-up of the Board of the entities and the Statements of Strategic and Performance Expectations.”*
29. Concerns about the risk of future privatisation were highlighted in several submissions, with the general view being that assets should remain in public ownership, and that legislation should include strong protections against privatisation.
30. There was strong support for mana whenua involvement in the governance arrangements, as well a few councils that expressed concerns about this aspect of the reform proposals. These included equity-related concerns around iwi/hapū participation across large geographical areas, and practical challenges associated with identifying mana whenua representatives. Several areas for improvement were suggested, particularly in submissions from iwi/Māori representatives.

### ***Protecting and promoting community voice***

31. Many of the submissions expressed concern that the Government’s proposals do not include adequate mechanisms for community voices to be heard – either directly or via local authorities. There was a common view that local authorities are best placed to engage with their communities and represent their views – meaning there were close connections between this topic and submissions on the broader theme of governance and accountability.
32. Some submitters were sceptical that, given the scale of the entities, they will be able to engage effectively with local communities. There were general concerns that there will be less consultation and engagement than currently, less recourse if services are poor, and a lack of accountability to communities.

33. There were particular concerns that community voices in districts will be lost, and that the water services entities will not focus on or reflect local views when making investment decisions or determining priorities and service standards. Submitters noted a lack of clarity about how much ability communities would have to directly influence entity decision making, and the process for engaging with entities.
34. Submissions also made connections between community voice and the proposed governance arrangements. Submitters suggested the ability to provide 'local voice' could be limited by the number seats available on the Regional Representative Group and questioned how communities would have influence and ensure their voices are heard if their council is not represented on this Group.
35. Some submissions indicated that future legislation should recognise that local government must have a role in community engagement and entity consultation processes, to ensure community and consumer voices are heard and local priorities are communicated to the water services entities.

#### *Planning interface*

36. An area of critical interest to local government was the way the proposed entities would interact with council planning and place-making. Many submissions noted the strong links between planning for urban development and growth, and water infrastructure provision, and the new water entities would have to work within the resource management and local government planning frameworks. Others discussed the uncertainties presented by the resource management reforms, including a lack of clarity about what the future planning system would mean for three waters service provision, and the role councils play in that system.
37. Equitable distribution of resources for growth and urban development was a concern raised in submissions. Many councils want assurance that the new entities would give effect to current council long-term (and other associated) plans. Others want assurance they would be able to direct the entities to deliver on the objectives of future council plans, particularly where those plans relate to housing and economic development.

### ***Resource management reform and Future for Local Government***

38. Submitters raised concerns about the pace and cumulative impact of several reform programmes affecting councils, with three waters reform, resource management reform, and the Future for Local Government Review happening concurrently. Some suggested three waters reform should happen over a longer period, which would give more time for communities to better understand the changes and allow the impacts of other reforms to play out first.
39. There was a strong desire among submitters for there to be better sequencing of, and alignment between, the three major reform programmes currently underway, and an expectation that central government agencies be better aligned in planning and communicating the roadmap for these concurrent reforms.
40. Many submitters requested that the Future for Local Government Review take place ahead of the three waters reforms, while several other submitters suggested the resource management reforms should take place first.

### ***Charging and pricing***

41. Many submissions raised concerns about the uncertainty of the short-term pricing and charging impacts following the reforms, noting the WICS analysis primarily discussed average costs in 30 years' time. Affordability and equity were two main issues underpinning these concerns.
42. Councils in areas with high deprivation were particularly concerned about ratepayers' ability to absorb higher costs, while acknowledging these would need to rise with or without reform. Several submitters suggested households that receive benefit payments should pay discounted charges, similar to rates relief offered by councils or winter energy payments.
43. Equity was another key issue. Some councils suggested there should be equal costs for all households within an entity, while some larger councils expressed concerns about cross-subsidisation of higher cost rural communities by urban ratepayers. Some councils wanted clarity that areas could ringfence different charges for communities that choose to receive a higher level of service.
44. Several councils brought up the value of development contributions as a tool to enable growth, and requested that this funding tool continue in use under the proposed reforms.

45. Submitters also requested transparency around pricing and charging decisions taken by the entities for their communities.

### ***Number of water services entities and their boundaries***

46. Many submitters felt that the four entities were too large and compromised the benefits of local voice and influence in the system. Thirteen councils signalled a preference for regional models, stating that this level of aggregation strikes the right balance between achieving some benefits from scale, while maintaining community and council influence. Ten out of those 13 councils are located in the Entity C grouping, in particular in Hawke's Bay.
47. A few councils located on or near the proposed entity boundaries also discussed issues with the proposed divisions. Most commonly discussed was the Entity C/D boundary, with mixed views about whether the whole of the South Island should be included in one entity or not. A small number of submissions suggested that conversations should continue with the councils and iwi in the affected areas, to determine the best boundary line for those communities most affected.
48. In addition, some practical questions were raised around the impact of the boundary lines. For example, submitters in Entity A questioned whether they would still be able to receive water from the Waikato River (which would be in Entity B), and the potential impact on planning and resource management in Horizons Regional Council was raised, given the proposed Entity B/C boundary splits the region.

### ***Regulatory environment***

49. Many submissions signalled support for the establishment of Taumata Arowai and the new regulatory system introduced by the Water Services Act 2021. Some councils noted that the establishment of Taumata Arowai by itself is expected to result in a step change in performance across the sector, as drinking water and wastewater standards are enforced. Submitters were generally supportive of this.
50. Some submissions also supported the proposal for the establishment of an economic regulator. However, a common concern was the lack of information currently available regarding the form and function of the economic regulator, given its importance in the new system. Some of the councils that requested a pause in the reform programme stated that this would allow more time for further clarity and certainty on the role of the two regulators.

### ***Rural supply arrangements***

51. Councils with large rural communities had specific concerns about how the reform would affect rural areas. In particular, submitters noted reticulated water supply was not appropriate in all areas of New Zealand, and this needed to be accounted for in the reform.
52. Submitters suggested communities should have the ability to buy-back council-owned and operated rural schemes prior to the reforms being implemented, and these schemes should be able to opt out of the reform.
53. Rural councils also expressed concerns about the cost of the reform. Submitters believed rural communities may not see the same benefits as urban communities, and rural ratepayers were concerned they would bear the cost for services they would not receive due to low connectivity to council networks.

### ***Stormwater***

54. There were a wide range of responses on the proposal to transfer responsibility for certain stormwater assets to the new water services entities.
55. While only four submissions expressly signalled opposition to the proposed approach, the majority of submissions that discussed stormwater noted a need for further information and analysis. Common questions related to what specific assets and functions would be transferred, and how the interface with other district and regional council functions would be managed.
56. Some submissions argued the decision on whether to transfer stormwater functions and assets should sit with individual local authorities. Others drew attention to the scale of the task associated with transferring drinking water and wastewater services, suggesting stormwater could be dealt with in a subsequent phase instead of transferring all three waters at once.
57. There were also suggestions for how the transfer could work in practice, with many submitters recommending that mechanisms and processes be introduced to clarify roles and responsibilities, and enable effective and integrated working arrangements between councils and entities.

### ***Transition considerations***

58. There was a wide range of feedback on transition-related matters that would need to be addressed should the reforms proceed. These submissions reflected on the scale and complexity of the reforms, and the associated transfer of three waters assets, debts and liabilities.
59. Common issues related to the mechanism for calculating and transferring debt associated with three waters assets; the process for and approach to due diligence; how local staff and contractors would be provided with certainty; and ensuring local knowledge, expertise, systems and data are not lost through the transition. Some submissions raised questions around the feasibility of achieving the establishment of the new water services entities by July 2024.
60. A common challenge noted across multiple submissions was the need to find the workforce, skills and technical capability required to support the transition period, and fill governance and management positions for the new entities. Further detail was also sought on the Government's commitment to ensuring continued employment of local staff, with some feedback commenting on the local employment and career development opportunities created through reform, including for iwi/Māori.
61. Several submissions noted that a collaborative approach between the Government, mana whenua and local authorities would be necessary to ensure a smooth transition process and establishment of the new entities, and made suggestions for how this could be undertaken.

### ***Process and timeframes***

62. Concerns were raised across many submissions around the information and analysis provided to date, including in relation to the public information campaign, the WICS analysis and modelling, and the lack of information in relation to economic regulation and outcomes for service levels and the environment.
63. Several submissions sought clarity on the decision-making process, as well as the ongoing engagement with the sector on the design and establishment of the water services entities beyond the current period of engagement. Some local authorities recommended that the Government should refine the modelling and analysis further and provide councils with an opportunity to review the data.

64. A consistent theme in the submissions was concern about the pace and scale of the reform programme. This included requests for more time for local authorities to consider the three waters reform proposal alongside the other significant reform programmes, and to consult their communities. Many submissions noted the importance of community consultation prior to decisions being made, and sought assurance about how and when this would occur.
65. Concerns were also raised in relation to engagement with iwi/Māori, including the need for more consistent engagement, and for iwi/Māori to be adequately resourced to participate in the reform process.

#### ***Comments on other matters***

66. A common concern from a few councils was the need for the new system to take more account of climate change, resilience and emergency management considerations. A few councils provided specific suggestions for what the entities should be required or encouraged to do, to ensure these considerations are provided for within the policy design.
67. Other concerns and suggestions included:
  - (a) the risk of declining levels of service in communities that currently have relatively high levels of service following transition, to match the average levels found across the new entity;
  - (b) the need for more information on how the reforms might impact certain businesses (for example trade waste businesses);
  - (c) the incorporation of the 'four well-beings' into the operational and decision-making principles for the water services entities; and
  - (d) the potential impact on current and future Treaty settlement arrangements.

# Introduction

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## *Background*

68. The Three Waters Reform Programme began in mid-2020 following agreement at the Prime Minister's Central/Local Government Forum (between Cabinet Ministers and LGNZ National Council) that council-owned three waters services were facing urgent challenges, and central and local government should partner to progress reforms. This agreement built on work undertaken as part of the [Three Waters Review](#) from 2017-2020, led by the Minister of Local Government and Department of Internal Affairs.
69. This led to the establishment of the [Joint Central and Local Government Steering Committee](#) to inform policy development and sector engagement in relation to the Government's reform proposals. The Government also committed [\\$761 million](#) to stimulate investment in three waters infrastructure, as part of the COVID Response and Recovery Fund.
70. Following a series of sector [workshops in July/August 2020, at which officials provided an overview of](#) the Reform Programme, policy direction and available stimulus funding, all eligible councils across New Zealand entered into a [Memorandum of Understanding](#) to engage on and further explore reform to service delivery arrangements.
71. The subsequent year saw extensive research, policy design, and sector and iwi/Māori engagement, overseen by the Joint Steering Committee (supported by a joint Department of Internal Affairs, LGNZ and Taituarā secretariat).
72. During June 2021, the Department of Internal Affairs (the Department) published the [national evidence base](#) on the case for change, and [local dashboards](#) pulling information together (on a council-by-council basis) into one, nationally consistent place.

## *Reform proposals*

73. On 30 June 2021, [Cabinet released detailed decisions](#) on the reform proposals. These proposals are summarised [here](#). They include the number and boundaries of the entities, governance and accountability design features, and mechanisms to protect and promote iwi/Māori rights and interests.

74. At the LGNZ National Conference in July 2021, the Government announced a \$2.5 billion package to support local government transition through the reforms. This package was provided for within the [Heads of Agreement](#) entered into between the Government and LGNZ, under which both central and local government committed to continuing to partner on three waters reform and related reforms.

### ***Engagement period***

75. At the request of LGNZ, the Government agreed to an eight-week period from 1 August 2021 to 1 October 2021 for local authorities to consider the impact of the reform proposals on them and their communities, and to provide feedback on the proposed model, including suggestions for improvement.
76. This report collates and summarises the feedback received from the local government sector during this eight-week engagement period. This includes written feedback submitted by individual councils and groups of councils. The individual submissions are available on the [Three Waters website](#) alongside this report. Some councils used standard submission templates, either by editing the exemplar report provided by Taituarā, or through a shared submission with neighbouring councils.
77. The report is also informed by local government feedback gathered during engagement undertaken by LGNZ, the Department and Taituarā during the eight-week period, as well as feedback received from individuals, iwi/hapū and community groups.
78. During this period, the Department continued to engage with iwi/Māori and industry stakeholder groups. A full list of these engagements, including with local government, is outlined in Appendix A.

## **Feedback on the case for change**

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### **Summary of feedback**

79. The majority of councils and submissions agreed that all New Zealanders should have access to safe drinking water and that three waters activities should improve environmental outcomes. Most submissions also acknowledged that reform of the three waters sector is needed across New Zealand. A few submissions remained silent on this matter, and a small number of submissions were unconvinced by the case for change and therefore opposed the reform.

80. While many submissions agreed in general that there is a case for change, and acknowledged that the status quo is not sustainable, they also noted that, in their view, the Government had not successfully made the case for its proposed model. For example, the Hawke's Bay Mayors and Chair, in a letter to the Minister of Local Government, noted that *"...the status quo for the supply of three waters services is not a viable model for our communities and there is a compelling case for change to ensure ongoing safe, efficient and affordable drinking, waste and storm water services. However, after comprehensive assessment of Government's service delivery proposal, a detailed comparison of the proposal against our own Hawke's Bay Three Waters Review and feedback from our communities, we have concluded that our preference remains for a Hawke's Bay regional option"*.
81. Similarly, a few councils considered that, while the case for change had been made for many areas of New Zealand, it did not universally apply. Most notably, Auckland Council said that Watercare had already achieved the size and scale benefits proposed under the reform.
82. Many submissions cited concerns with the assumptions and limitations in the Water Industry Commission for Scotland (WICS) modelling, and believed the analysis was not accurate enough to justify the proposed model. Councils considered the analysis did not take into account their specific circumstances and were worried the potential efficiency gains were overstated. A few councils questioned whether they would be better off under the reform scenario, as the modelling presented in the council dashboards suggested. For several councils, this was based on externally commissioned reviews of the modelling, and for others this represented the conclusion from their own analysis.
83. A typical comment was along these lines: *"When comparing our LTP to the Department of Internal Affairs WICS data, we are concerned that the calculations based on population, area and population density tested against experience and observations in the United Kingdom are over-stated and unnecessarily inflate costs at the local level."* (Ashburton District Council).

84. Another common concern was that the analysis relied too heavily on financial and economic analysis when assessing the case for change and the viable options. For example, Napier City Council stated: *“The Central Government’s Three Waters Reform bases its justification of scale on economic indicators and would be enhanced by adopting a more holistic and contemporary view of efficient delivery. Subsidiarity is essential for sustainable three waters service delivery and community resilience”*.
85. A few of the submissions suggested that it was unclear why the Government, in arriving at the current proposal, discounted other alternatives such as a Waka Kotahi style funding model.
86. Nearly all submissions expressly stated they were willing to further discuss the reform proposals, and would like to continue to work with central government to arrive at a model that better addresses the concerns raised by the local government sector and iwi/Māori.

## Sentiment by entity groupings

### Entity A<sup>3</sup>

87. Two out of the four councils in Entity A indicated they had provisionally opted out of the reforms, with the remaining two not indicating a decision in their submission. Two out of the four councils acknowledged that the status quo was unsustainable, and all four councils expressed support for the core objectives of the reform.
88. Common themes across the Entity A councils were concerns about prioritisation of investment, due to the large differences in needs and environmental factors between the councils, the need for further engagement by central government on the reform, and the loss of democratic accountability in the proposed governance model.

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<sup>3</sup> Entity A comprises the Auckland Council and territorial authority districts in the Northland region.

#### ***Entity B<sup>4</sup>***

89. Twenty one out of the 22 councils in Entity B made a formal submission. Seven of the Entity B councils who submitted acknowledged that the status quo is unsustainable. Nine signalled support for the main objectives of the proposed reform, while the remainder were silent on the matter. Only one council signalled that they would opt out of the reforms when given the chance to do so. Fourteen councils expressly signalled the desire for further engagement with central government on these reforms.
90. Key themes that emerged from the Entity B council submissions included: the number of representatives in the Regional Representative Group being too few (six seats for 21 councils); that council influence in the proposed model should be strengthened; concerns about pricing differences between urban and rural areas; and that many councils felt there has not been enough engagement from central government.

#### ***Entity C<sup>5</sup>***

91. Out of the 22 councils in Entity C, one council (the Chatham Islands) did not send in a formal submission. Nine councils acknowledged that the status quo is unsustainable, and 13 councils supported the core objectives of the reform. Two councils signalled their intention to opt out of the reforms, with the rest either not mentioning this or stating that they have not taken a decision yet. Seventeen councils signalled their willingness to engage further with central government on the reforms, and the remaining councils did not mention this in their submission.
92. Shared concerns mentioned in the submissions included that: the proposed governance model is too complex; the engagement requirements are not strong enough; there are risks of privatisation; and the pace of the reform is too fast.

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<sup>4</sup> Entity B comprises all districts from the Waikato, Bay of Plenty, and Taranaki regions, and the upper parts of the Manawatū-Whanganui region (Ruapehu, Whanganui, and Rangitikei).

<sup>5</sup> Entity C comprises the districts in the eastern and lower part of the North Island (Gisborne, Hawke's Bay, lower parts of the Manawatū-Whanganui, and Wellington regions); and the districts at the top of the South Island (Tasman, Nelson, and Marlborough).

## **Entity D<sup>6</sup>**

93. All 20 councils within the proposed Entity D made a formal submission. Nine acknowledged the status quo is unsustainable and 13 supported the objectives of the reform. Most of the councils either did not support the current proposed model or stated they would like more information on it. Three councils signalled a provisional decision to opt out of the reforms, and nine councils asked for the reforms to be paused. Twelve councils stated they would like to further engage with central government on these reforms.
94. Some strong themes that were evident across the submissions from Entity D included: concerns about the loss of democratic accountability and investment prioritisation; the need for a better alignment between local government reforms; and the need for further information for councils and the public. Mayors in Zone 6 and the Canterbury Mayoral Forum requested a pause in the reform programme, to allow for more time to properly understand the reforms and the new regulatory environment.

## **Changes suggested in feedback**

95. Feedback on the case for change primarily requested that alternative options to the Government's proposed model be considered. Some councils also requested a review of the modelling and analysis on which the case for change was based. In particular, councils would like to see further options analysis undertaken, including considering alternative models suggested in the submitted feedback.
96. The majority of councils suggested appropriate solutions could be found by continuing and enhancing the Government's approach to partnering with the local government sector and iwi/Māori. Many councils would like to see further engagement led by central government, and have signalled they would be interested in working with government and iwi/Māori to create a better model.

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<sup>6</sup> Entity D comprises the districts in the remainder of the South Island, including those parts of the Marlborough and Tasman Districts that comprise the Ngāi Tahu takiwā.

97. For example, Mackenzie District Council noted that it would like the Crown to “*work with local government to align its case for change regarding three waters delivery and thoroughly examine a range of options from the status quo to the proposed four entities, as well as several options between*”. Dunedin City Council stated that they are “*eager to work in partnership with the Government and iwi/Māori to achieve these goals*”.

## Suggestions for alternative models

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### Summary of feedback

98. Feedback on the Government’s proposals expressed a concern that the Government had not sufficiently ruled out other alternatives to the current proposals. The submissions included suggestions for other alternative models for further consideration. The main suggestions are summarised below.
99. In addition to other reform models, some submissions suggested alternatives to aggregation of service delivery, such as proceeding with regulatory reform only; the provision of further Government funding to help close the infrastructure deficit without structural reform; or a funding model similar to that used for roading (a ‘Waka Kotahi style model’).

### Changes suggested in feedback

100. New Plymouth District Council suggested that the water services entities become cooperatives, with non-transferable shareholding for each property connected to drinking water or wastewater networks, and shareholders electing community representatives on the Regional Representative Group (from a pool approved by territorial authorities). This would be similar to the Fonterra model.
101. South Taranaki District Council and Stratford District Council suggested a ‘Taranaki Region Asset-Owning Entity’, which meets the outcomes of the three waters reforms, but is focused on the Taranaki region. Their suggested model:
- (a) is a stand-alone asset-owning entity, with a separate identity and direct relationship with customers (including direct billing for services);
  - (b) has councils as shareholders (with proportions to be determined) and a governance structure including council and non-council directors;
  - (c) is able to borrow in its own right.

102. Auckland Council asked that a scenario be explored in which *“the Crown provides some form of explicit financial support to Watercare (either guaranteeing Watercare debt or providing a liquidity facility) to help achieve greater levels of investment whilst maintaining a strong credit rating and consequently a lower cost of borrowing.”*
103. *“This approach could see a model developed that includes potential shareholdings for the Northland councils (proportionate to their asset value), and potentially a shareholding or step-in rights for the Crown. The overall framework could then retain the current council-controlled organisation arrangements and accountability mechanisms, with appropriate modifications to reflect any additional shareholding interests and mechanisms for iwi input. It would have sufficient scale to create strategic capacity across the region and support the areas where that is currently lacking. Importantly, the capacity and capability is shared across the region in an ongoing and sustainable way.”*
104. *“This option would also retain direct accountability to shareholders. Leaving to an independent water services entity board the power to determine the price of water, within the constraints set by the economic regulator, should provide comfort to the credit rating agencies’ concern that there might be political interference in price setting.”*
105. The other main suggestions, from across a range of submissions, were for:
- (a) a regional entity model for Hawke’s Bay;
  - (b) a council-controlled organisation model;
  - (c) a shared services model;
  - (d) consideration of the Tasmania Water services model;
  - (e) consideration of the Scottish Water model.

## **Ownership, governance, and accountability**

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### **Summary of feedback**

106. This topic was the most heavily discussed through submissions, with nearly every submission providing comments on this topic in some form.

107. Many submitters recognised that getting the governance structure right is a critical success factor, but felt that the current proposal needs further work. While there was support for some aspects of the proposed governance arrangements, there were also a range of concerns about the approach and a number of suggested improvements.
108. For example, Hamilton City council stated that *“It is disappointing, and a missed opportunity, that the proposals do not include alternative options on the key issues of ownership and governance.”... “In the spirit of partnership, we have provided feedback on improving the proposed governance structure as proposed”*.

### ***Ownership and protections against privatisation***

109. A common theme through this feedback was that it was difficult to see the benefits of council ownership of the entities, if councils could not directly influence the composition of the board nor the statement of strategic and performance expectations.
110. Some submissions viewed ownership by local authorities as meaningless without associated rights and accountabilities. For example, Matamata-Piako District Council noted that *“the Council’s ownership is not demonstrated in any substantive way in the proposed governance framework. Councils do not appear to have influence or be able to hold to account the entity directors, as would be the case in a traditional relationship of an owner or part owner of a company”*.
111. Concerns about privatisation were highlighted in a smaller number of submissions. Common views were that assets should remain in public ownership, and any legislation establishing the entities should include strong protections against privatisation. Some submitters recognised that protections are already proposed, but suggested further strengthening these – for example, by referring any privatisation proposal back to the original asset owners (councils) for resolution.

### ***Governance and accountability***

112. There were general concerns across many submissions about the perceived loss of democratic accountability and loss of direct control and influence by councils, and that the proposed model is overly complex and at risk of not achieving the intended benefits and objectives. There were requests to explore other options that involve fewer governance layers.

113. Specific concerns included:

- (a) the limited ability to hold the board to account for local decisions and actions;
- (b) that the Regional Governance Group would not provide effective oversight and accountability, and that its ability to influence the board of the entities appeared too far removed;
- (c) a loss of local representation to advocate for communities in the proposed governance structure;
- (d) concerns from local boards in Auckland that there was not a role for them in the proposed model;
- (e) that the proposed model will create confusion in communities regarding councils' roles, accountability, and ability to effect change;
- (f) that the entities will focus on financial performance, to the detriment of environmental, social and cultural outcomes;
- (g) that the proposed model does not provide for strong connections between infrastructure planning and spatial planning at regional and local levels.

114. There were some contrasting viewpoints and concerns from metropolitan and rural councils. For example, larger, urban councils (such as Auckland and Christchurch) suggested that the governance arrangements should reflect those councils' relative size and proportionate investment in assets. However, smaller, rural councils (such as Far North, Kaikōura and Manawatū) were concerned that representation on the Regional Representative Group has the potential to become urban-centric.

115. Kaikōura District Council reflected a common concern of smaller councils, asking *"how can our small council have guaranteed influence over the direction of the water services entity and how [can] our growth aspirations be considered within the context of the wider entity?"* They commented that *"we would be deluding ourselves to imagine that a structure could be put in place to deliver services at a multi-regional level that did not compromise localism"*.

### ***The role of mana whenua in governance arrangements***

116. There was strong support for mana whenua involvement in the governance arrangements, as well as support for aspects of the proposals that relate to cultural competency and expertise on entity boards, and the Te Mana o te Wai statement.

117. However, there were concerns, expressed by councils, about the mana whenua forum approach, including:
- (a) equity-related concerns around iwi/hapū participation across large geographical areas;
  - (b) that the number of mana whenua representatives was not large enough;
  - (c) challenges associated with finding a small number of representatives in areas with a large number of hapū, iwi and Māori organisations;
  - (d) that mana whenua and/or iwi/Māori will have limited influence and voice through this model;
  - (e) that some iwi/Māori may not feel properly represented by mana whenua; and
  - (f) that entity responses to Te Mana o te Wai statements might not be meaningful.
118. A very small number of submissions suggested that a ‘co-governance’ approach was not appropriate, or that an equal number of council and mana whenua representatives on the Regional Representative Group was not the right ratio. For example, Southland District Council noted that Entity D would cover 21 councils and one iwi. Waipā District Council submitted that it does not agree that iwi/Māori rights and interests should be achieved through *“vesting 50 per cent control of community assets, which have been funded by local communities over many generations.”*
119. Several areas for improvement were suggested by submissions from iwi/Māori representatives, including in relation to:
- (a) partnership arrangements;
  - (b) the degree to which Iwi Mana Motuhake has been acknowledged;
  - (c) the degree to which water is recognised as a taonga;
  - (d) the degree to which the reforms protect Treaty settlements and initiatives;
  - (e) ongoing provision for significant resourcing to help ensure the proposed model is workable.
120. The Auckland Council Independent Statutory Māori Board recommended that timeframes for water services entities to respond to Te Mana o te Wai statements should be agreed between mana whenua and the entity.

## Changes suggested in feedback

121. Several submissions expressed support for a model that uses the same accountability mechanisms as council-controlled organisations. This would include, for example, the ability to approve and modify statements of intent, and directly appoint and remove directors.
122. Auckland Council specifically expressed that water services entities should have the same accountability mechanisms as provided under the Local Government Act 2002. They supported a water services entity model, like the CCO Watercare model, where real ownership continues to reside with Councils and where the water services entity is required as Watercare currently is, to give effect to the relevant aspects of Councils' long-term plans and growth strategies. Further, Auckland Council expressed that Aucklanders should, through their elected representatives, maintain majority control over their assets and service delivery.
123. Kaipara District Council – which would be in the same proposed entity as Auckland – requested an enduring seat on the Regional Representative Group for Entity A. They proposed the Group be comprised of three seats for Auckland Council, and one seat each for the Far North, Whangarei, and Kaipara Districts.
124. Christchurch City Council suggested that, if the reforms proceed, the Regional Representative Group should reflect the proportional investment and service requirements of councils. This would include:
  - (a) guaranteeing that the largest metropolitan council in each entity is a member of the Regional Representative Group;
  - (b) using a proportional voting system at Regional Representative Group meetings;
  - (c) providing a clear process for rotating representatives.
125. Hamilton City Council suggested including a schedule to the legislation that defines the process by which councils would come together to make decisions about their representatives on the Regional Representative Group, and subsequently hear from those representatives. This process could include creating a permanent joint committee, with a single representative for each council and voting based on population.

126. On a similar theme, Hauraki District Council noted that it will be essential for councils to have regular, effective communication with the local authority representatives on the Regional Representative Group, and for people with sub-regional knowledge to be members. They suggested setting up sub-regional areas for each entity, from which these representatives would be chosen.
127. Rotorua District Council suggested the early development of agreements (a 'three waters strategy') between councils, mana whenua, and the entities setting out how they will work together to ensure communities receive the outcomes they need. This process would involve each entity working with the relevant councils on a business plan that articulates the methodology by which the outcomes and objectives of the agreed three waters strategy will be pursued, and then regular reports on progress against the business plan. There would be a partnership-based approach, recognising that the entity would hold the technical expertise, while councils and iwi have greater knowledge of local needs and values.
128. Other suggestions made in submissions included:
- (a) increase the size of the Regional Representative Group, so all territorial authorities are represented – or, alternatively, introduce a 'shareholder council' model in which all councils have a seat (with a corresponding number of mana whenua representatives);
  - (b) remove the Independent Selection Panel from the proposed governance model, so the Regional Representative Group establishes/appoints boards directly – or, alternatively, enable that Group to approve appointments and remuneration policies, and require the Independent Selection Panel to include members with local government knowledge and experience;
  - (c) make the Independent Selection Panel an advisory board to or sub-group of the Regional Representative Group, not an additional layer between that Group and the board;
  - (d) include a requirement for direct negotiation between the entities and individual councils or groups of councils over service delivery levels and infrastructure investment plans in their respective areas;
  - (e) that the entities should be required to provide funding to support the Regional Representative Group, and meetings of councils and mana whenua (including funding members of these groups);

- (f) work with iwi and councils to develop a model that allows for strong local and regional representation based around sub-boundary 'clusters' or catchments;
- (g) amend the governance structure to enable direct council involvement in board performance, accountability, and appointments;
- (h) enable councils to approve and modify the statement of intent;
- (i) the approach to mana whenua participation in the Regional Representative Group should be replicated across the governance structures, so there is also equal representation in the entity board and Independent Selection Panel;
- (j) that people with local government experience should be eligible for appointments;
- (k) water services entities should be subject to similar consultation requirements as provided in the Local Government Act 2002;
- (l) that members of the Regional Representative Group should be elected;
- (m) provide a voice for rural water supplies in the governance structure, such as through a sub-committee to the Regional Representative Group; and
- (n) require the entities to provide quarterly reports to councils.

## Protecting and promoting community voice

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### Summary of feedback

129. Many of the submissions expressed concern that the proposed approach does not include adequate mechanisms for enabling community voices to be heard – either directly, or via local authorities.

130. There was a common view expressed through submissions that local authorities are best placed to engage with their communities and represent their views, through internal processes and requirements in the Local Government Act 2002. There were, therefore, close connections between this topic, and the comments relating to governance and accountability outlined above.

131. Specific concerns in the feedback included:

- (a) scepticism that, given the scale of the entities, the entities will be able to engage effectively with local communities;

- (b) lack of clarity about how much ability communities will have to influence the entities' decision making, and the process for connecting with those entities;
- (c) the ability to provide 'local voice' is limited by the consolidation of seats available on the Regional Representative Group – if some councils are not on this Group, how will their communities have influence and ensure their voices are heard?
- (d) that entities will not focus on or reflect local voice when making investment decisions, or determining priorities or service standards;
- (e) that voices in smaller districts will be lost;
- (f) that there will be less consultation and engagement than currently, less recourse if services are poor, and a lack of accountability; and
- (g) that the needs of Tāmaki Makaurau mātāwaka (Māori who reside in Tāmaki Makaurau who do not whakapapa to the area) have not been considered.

132. Some submissions sought assurances relating to, or further clarity about, the future system including:

- (a) seeking assurance that small and rural communities will receive the same level of service as people living in large, metropolitan areas;
- (b) how the consumer forum will work in practice;
- (c) how local voices will be heard;
- (d) opportunities for local influence and the integration with the spatial planning system; and
- (e) how people who are not currently receiving a council supply will have their voices heard regarding future service provision.

### **Changes suggested in feedback**

133. Some submissions indicated that future legislation should recognise that local government must have a role in community engagement and consultation processes, to ensure community and consumer voices are heard, and local priorities are communicated to the water services entities.

134. Hamilton City Council suggested a specific process that would provide each council with the opportunity to participate in a 'pre-engagement' process and work with the relevant water services entity on its strategic documents (funding and pricing plans; asset management plans; and prioritisation methodology that informs the asset management plan). Councils would do this as representatives of their communities, and to ensure alignment with their own plans.
135. The suggested process involves (in summary):
- (a) entities being required to develop an engagement policy, with local councils, communities, and consumers;
  - (b) entities including sufficient information in their key strategic documents that councils can understand the proposed service levels for communities, investment in assets, and fees and charges for consumers, within each council district;
  - (c) entities consulting with councils about these strategic documents prior to consultation with communities and consumers; and
  - (d) enabling councils to provide written statements expressing views on the entities' proposed strategic documents, for inclusion in community/consumer engagement relating to those documents.
136. Other suggestions across the feedback included:
- (a) legislative requirements relating to reporting to communities;
  - (b) enabling entities to have 'sub-regional ring-fencing' to ensure equitable spend in smaller areas;
  - (c) a 'request for service' system for consumers to use to deal with service disruptions, complaints, and general queries;
  - (d) an Ombudsman (or similar consumer protection body);
  - (e) a community liaison group; and
  - (f) that a 'District Social Action Plan' should be created that ensures a direct link to the community wellbeing in the district.

## Planning interface

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### Summary of feedback

137. Feedback on this theme highlighted the inextricable links between water infrastructure provision and urban development/growth, and noted that water services entities will have to operate within a larger planning framework.
138. This planning framework includes responding to the long-term plans (and other associated plans) for multiple councils within each entity. Many councils felt that the current governance design does not provide strong enough connections to, or influence over, growth infrastructure, integrated planning at a regional and local level, and levels of service. Several councils suggested that, at a minimum, there needed to be a guarantee the 2021-2031 long-term plans would be delivered.
139. Hamilton City Council noted that *“The entity must ensure that Council’s aspiration for growth and spatial planning outcomes (including any Special Purpose Vehicle or Infrastructure Funding and Financing solutions) has surety that any waters entity will prioritise and give effect to our long term local, sub-regional and regional plan”*.
140. There was also a strong desire from councils to continue to have meaningful knowledge of, and input on, the strategic direction of the entities, and to uphold principles of localism by aligning the new entities with local government plans. For example, Dunedin City Council was worried that *“a water services entity with a geographical footprint much larger than the local communities it services will exert an investment power over councils’ ability to plan for future land use”*. It further noted that *“Councils are best placed to balance the wide variety of considerations that inform land use planning decisions, of which three waters service provision is but one part.”*
141. Councils wanted the new entities to support growth and urban development, and ensure equitable distribution of resources for this. Councils wanted assurance their development priorities would not lose out to priorities in other areas. *“There is the possibility that in the medium-term the priorities of the new entity may not align with council’s growth priorities”* (Palmerston North City Council).

142. In addition, a few councils were concerned about the impact of the reforms and competing priorities within the entity on high growth areas. For example, Tauranga City Council was concerned about the impact of timely decision making by the entity. Queenstown Lakes District Council was worried about the impact of the multiple reforms, as they felt in limbo until the proposed Spatial Planning Act is passed and existing spatial plans are given legislative weight.
143. Many of the submissions wanted more information and certainty around the role for councils and their planning functions: *"Water is a key tool for shaping how communities develop and grow. So how do we ensure councils can continue to do this if part of the reform? How would WSEs understand exactly what is happening locally, and have the flexibility to respond to local needs and changes?"* (Stratford District Council).

### Changes suggested in feedback

144. Multiple submissions requested there be a requirement for councils to be involved in decision making and planning of water services in their district, for the planning instruments to be integrated, and for the entities to be required to 'give effect' to local planning documents. There were also requests for the process of investment prioritisation to be transparent, include community consultation, and contain an independent review/regulatory process to manage conflicting planning priorities.
145. Several councils requested that, at a minimum, the new entities should guarantee the delivery of 2021-2031 long-term plan and any associated plans. Many councils also asked for the entities to be able to charge for development contributions, or similar, to ensure equitable funding across the entity area.
146. Some specific suggestions from councils included:
- (a) Christchurch City Council suggested legislation should include a requirement for the entities to align their work programmes with other infrastructure planning organisations, such as councils. The Council also recommended a memorandum of understanding/cost sharing agreements to ensure both the entity and territorial authority had some flexibility of work programmes.

- (b) Dunedin City Council requested *“assurances, through legislation, that any new water services entity will answer to councils in relation to the provision of three waters infrastructure to support growth and increased housing capacity”*. The Council also requested the establishing legislation should require the *“water services entities to give effect to councils’ land use strategies, policies and plans”*.
- (c) Clutha District Council stated that councils must retain the balance of power for determining where and when growth occurs.
- (d) South Waikato District Council suggested that, to ensure local-level plans are accommodated, each council should have a statement of intent with the entity.
- (e) Waitematā Local Board noted that decision making needs to be integrated with urban planning, there should be a closer relationship between the water services entities and the regional planning bodies, being either a regional council or a council in co-governance with mana whenua.
- (f) Waitematā Local Board also suggested that the water services entities should be consulted during the development of each region’s land use, spatial, environmental and other planning documents to help ensure alignment and buy-in.
- (g) Queenstown Lakes District Council recommended the Government *“consider requiring the new entities to commit to delivery on the Future Development Strategies of high growth councils”*.
- (h) Auckland Council recommended a council-controlled organisation model, which would require the water services entities to give effect to long-term plans and growth strategies.
- (i) Buller District Council requested a ‘lessons learned’ study from the amalgamation of the councils that now constitute Auckland Council.
- (j) Waipā District Council suggested there should be a system to manage conflicts that arose from competing priorities. It noted going through the High Court would be inappropriate. It also suggested a Lisbon Charter model.<sup>7</sup>

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<sup>7</sup> The Lisbon Charter is an international framework of good practice for public policy and regulation in drinking water supply, sanitation and wastewater management services: <https://iwa-network.org/publications/the-lisbon-charter/>

# Resource management reform and Future for Local Government

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## Summary of feedback

147. Many submitters raised concerns about the number of changes councils were facing in a short period of time, with three waters reform, resource management reform, and the Future for Local Government review happening concurrently. One council described the cumulative effect as "overwhelming".
148. The predominant theme from councils was that these reform programmes need to be better aligned, and for the Government to be better aligned in planning and communicating the roadmap for these concurrent reforms.
149. Several councils specifically requested that the Future for Local Government review should take place first. This was seen as important to ensure an enduring and strong local government following the other reforms.
150. A smaller number of councils requested that the resource management reform should take place first. Some also suggested three waters reform should happen over a longer period, which would give communities time to better understand the changes and allow the impacts of other reforms to play out first.
151. *"The Three Waters Reform Programme is effectively removing one third of MDC's business ahead of the future of local government review. This is not appropriate."* (Manawatū District Council)
152. *"The Three Waters Reform continuing without appropriate consideration for, or integration with, the Resource Management Act Reform or the Future for Local Government Review, risks undermining the lasting success of all these reform programmes. A whole of local government approach with aligned direction and goals across all three reforms would undoubtedly be more beneficial for community wellbeing outcomes."* (Timaru District Council)

## Changes suggested in feedback

153. The most common suggestion was for better alignment between the three reform programmes. As Auckland Council noted, the reforms *"currently appear quite siloed"*.

154. Many councils requested further information on the cumulative impacts of the three reform programmes on local government and their communities. Ashburton District Council specifically suggested *“that before the three waters reform process proceeds, an issues analysis is completed and understood in relation to the impact on the water reform of the Resource Management and the Future for Local Government reforms as these are all inextricably linked”*.
155. As noted above, there were several suggestions for both the Future for Local Government review and resource management reform to take place first. Christchurch City Council suggested that the *“Future for Local Government review should occur first and cast its net wider and look at the future for local and central government in terms of public benefit service delivery both national, regionally and locally”*.
156. Other councils suggested that the reforms be coordinated differently and should take place over a longer period, to allow the councils and communities time to better understand the impacts and implications. *“This Government is undertaking many once in a generation reforms which are interlinked in terms of their impact on local communities and Local and Regional Government...It is essential that these reforms are undertaken in a coordinated manner and in a form which is possible for local government and communities to absorb the information and participate effectively.”* (Invercargill City Council)
157. Other specific suggestions from councils included:
- (a) Queenstown Lakes District Council suggested all three concurrent reforms should be prioritised and managed by the same government entity.
  - (b) Porirua City Council requested an explicit programme of reform alignment that takes a community-centred and system approach.
  - (c) Timaru District Council requested that the Government review the Productivity Commission’s advice following the 2019 review of local government funding, which recommended councils have control over how they structure their three waters business.

## Pricing and charging

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### Summary of feedback

158. Feedback about pricing and charging was largely about equity of charging, potential cost increases, transparency, and affordability for ratepayers. Another key issue raised was the potential for cross-subsidisation, including concerns about communities that have heavily invested in water infrastructure paying for communities that may not have invested 'responsibly'.
159. Councils raised concerns about the potential for inequitable pricing across different areas within an entity, especially if consumers in one area end up paying for higher levels of service in another. *"Affordability is a broader issue than just the direct cost of providing three water services. The issue of user-pay charges, currently substantially different across proposed Entity A, will need more consideration to be unified"*. (Far North District Council)
160. Many councils requested transparency about pricing and charging. Some councils suggested volumetric charging (water metering) would be a way of ensuring equity across the entity; however, this was not something supported by all submitters.
161. Rates harmonisation was another tool some councils recommended be used to ensure equity across the entity; however, others questioned whether that would be fair, especially in districts that have lower rates. For example, Hauraki District Council stated that they *"have questions about whether rates harmonisation, should this be implemented, will increase the Hauraki District's household three waters cost, which is currently 20% lower than the Entity B average. As affordability is a key issue in the district this uncertainty is a concern for us, especially when higher costs may not necessarily deliver better services for our residents."*
162. Affordability was another key issue raised. Invercargill City Council noted *"Affordability is one of the key financial benchmarks which Council legally must utilise in setting its Long-term plan. As a result of the reform it will no longer be able to control a large part of the bill for services which the community is receiving. It will become very difficult to manage affordability in this context."*
163. The issue of development contributions was also raised, with several councils noting they wanted this funding model, or a similar funding model, to continue. Councils requested more information on the development contributions framework, and how existing agreements would transition.

## Changes suggested in feedback

164. Various, often contrasting, suggestions were put forward by councils to address their concerns about pricing and charging. For example, several councils requested a user-pays model, whereas others requested equity across the entity. Some councils noted the importance of cross-subsidisation as a key driver of ensuring costs remain affordable for all; however, others were worried about their community paying more to increase the levels of service elsewhere in their entity's region.
165. Some of the main suggestions put forward by councils included:
- (a) Buller District Council suggested the water entities offer a discounted rate to beneficiaries.
  - (b) Horowhenua District Council suggested ratepayers offered rates relief are also recognised by the water service entities.
  - (c) Christchurch City Council recommended that *“entities should be required to have a robust and equitable a process in place to address ability to pay, in advance of any new charging scheme being introduced”*.
  - (d) Central Otago District Council recommended a standardised base rate, with higher levels of service paid for by the community that receives the benefit: *“The model should have standardised pricing for baseline services that is a level of service that meets minimum compliance requirements irrespective of location. The Council proposes that service levels higher than baseline could be paid for by the specific community who receives that benefit. We recommend that this requirement is written into legislation to protect the consumers”*.
  - (e) Western Bay of Plenty District Council recommended pricing principles be made public as soon as possible, and consideration should be given to mandating pricing changes in the lead up to 1 July 2024 to shorten any period of transition.
  - (f) Central Hawke's Bay District Council *“expect there to be a consistent pricing approach within an entity, and between entities, and for industry to pay for what it uses”*.
  - (g) Manawatu District Council noted that uniform pricing may not be relevant, as it does not take different costs related to water infrastructure into account (topography, ground water, climate, etc.), and they believe these considerations should be reflected in pricing.

- (h) Waikato District Council would like certainty that price paths would be in line with, or lower than, their long-term plan budgets, and would like more assurances and detail around affordability and impacts on ratepayers under the proposed model.
- (i) Whakatane District Council suggested that the waters services entities should be required to consider total household costs when setting their charges to communities.

## Number of water services entities and their boundaries

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### Summary of feedback

166. The feedback on the number and boundaries of entities was mostly specific to the entity boundary relevant to the submitter. That said, many submissions raised general concerns about entities being too large, and therefore risking loss of local voice, influence and prioritisation for smaller communities.

#### *Entity size and scale*

167. A few submissions raised questions around the size, scale and number of entities that were decided by central government, and some did not see the rationale behind the decision beyond scale benefits. There was a strong theme throughout the submissions of concern for the loss of local voice and influence, and many cited the size of the entities as one source for that concern.
168. Many of the smaller councils were worried about competition for prioritisation of investment, if placed in an entity with many larger cities. Mackenzie District Council stated that the Crown has not made a sufficiently compelling case about why it is not feasible for the new regime to be delivered successfully by smaller entities. Matamata-Piako District Council believed that the changes will be more challenging in large geographic areas with no historic relationships and competing interests.
169. *“Entity B is too large, with 22 councils, 78 iwi, large rural areas and remote isolated communities. There will be competing demands between the rural areas, provincial towns and metros across Entity B. Entity B has a significant amount of growth identified, and the prioritisation of investment for delivery against this growth will be challenging.”* (Whakatāne District Council)

170. Waimakariri District Council noted some smaller models that may appear suboptimal from an economies of scale perspective based on the Department's modelling would only lead to marginal differences for entities, while improving other factors of value to communities such as local voice. They also noted that the justifications for a "sweet spot" of approximately one million in population for each entity (based on the Departmental modelling) seems to ignore the fact that Entity A has 1.7 million people, suggesting that there is some acceptance of a loss of efficiency due to diseconomies of scale.

### *Specific boundary issues*

171. There were mixed views from the Local Boards in Auckland Council's submission on whether Entity A should include both Auckland and Northland, with many noting concerns around cross-subsidisation. Auckland Council's submission also touched on the boundary between Entities A and B. There were concerns around the utilisation of water from the Waikato River to support Auckland's water supplies and how assets that are shared across the boundary (such as the Pukekohe Wastewater plant) would be dealt with. The Mana Whenua Kaitiaki Forum raised concerns with how Entity A's southern boundary has been established; in particular, the splitting of the rohe of Ngāti Whanaunga, and disconnecting Auckland from the Waikato River.

172. A few iwi submissions also noted similar boundary issues between Tāmaki Makaurau and Te Tai Tokerau, and the need to consider water supply.

173. Manawatū District Council and Palmerston North City Council questioned why Entity B and Entity C are split across the Horizons region. Manawatū District Council stated that this could cause an issue for Manawatū ratepayers, as they provide three waters infrastructure for Rangitikei, which falls into a different entity under the current proposals. Palmerston North City Council noted that this could also cause issues for integrated land-use and infrastructure planning.

174. The boundary line between Entities C and D attracted views from councils in the surrounding areas. Some councils believed that the whole South Island should be one entity, while others signalled a preference for Entities C and D to be split along the existing unitary authority boundaries. Tasman District Council noted its preference was to remain undivided and, while there was a strong case for them to join Entity C, there was also community interest in them joining Entity D. Ngāi Tahu emphatically supported the alignment to the takiwā boundary.

## Changes suggested in feedback

175. There were many specific suggestions and requests based on the proposed boundaries of the four entities:
- (a) Ashburton District Council stated that it would like further work done on whether the Chatham Islands should be part of Entity C or D, citing the strong links between Canterbury and the Chatham Islands. (The Chatham Islands Council did not submit any written feedback.)
  - (b) The boundary at the top of Entity D and bottom of Entity C was signalled in a few submissions as a complex issue, and in need of further discussions with the mana whenua and councils in those areas.
  - (c) Hauraki District Council has signalled an intention to meet with the Department to discuss the option of being in Entity A, instead of Entity B, whereas Ngāti Whātua Ōrākei supported Hauraki's inclusion in Entity B.
  - (d) Thames Coromandel District Council requested ongoing dialogue and meetings between Thames Coromandel District Council, the Department, LGNZ, Pare Hauraki Collective, Waihou Piako Catchment Committee, neighbouring local authorities, and any other invited parties to consider the issues and opportunities of joining with Entity A and implications for Entity B.
  - (e) Marlborough District Council signalled a preference to be in Entity C if the reforms proceed, as future cost projections are more favourable compared with Entity D.
  - (f) Nelson City Council stated a preference for Entity D to cover the whole of the South Island, and for Marlborough and Tasman to not be split between different entities.
  - (g) Stratford District Council noted their preference is for the regional alternative, as proposed in their feedback. However, if the reforms proceed they noted support for placement in Entity B.
176. In response to the size of the entities proposed, many councils signalled a preference for smaller, more regionalised entities or models. For example:
- (a) Central Hawke's Bay District Council proposed a regional council-controlled organisation model comprising all the councils in the Hawke's Bay Region (Hawke's Bay Regional Council; Hastings District Council; Wairoa District Council; Napier City Council; and Central Hawke's Bay District Council).

- (b) Waimakariri District Council suggested that the alternative models being prepared by councils and regions should be considered and compared against the WICS modelling, to show the differences in benefits between scales.

177. In contrast, Gore District Council questioned why central government had not seriously considered having just one entity, as they noted it would reduce bureaucracy and costs.

## Regulatory environment

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### Summary of feedback

178. Many submissions supported the Water Services Act 2021, the establishment of Taumata Arowai, and the proposed establishment of an economic regulator should the reforms proceed. Some councils noted that, with the establishment of Taumata Arowai alone, they expect to see a step change in performance across the sector as drinking water and wastewater standards are enforced, and were very supportive of this. South Taranaki District Council acknowledged that *“better regulation of the water sector is needed and the introduction of Taumata Arowai is a welcomed addition”*.
179. The majority of the submissions that mentioned the role of the economic regulator noted concern about the current lack of detail and information available about this regime. A few councils requested a pause in the reform programme to allow time to better understand the role of the economic regulator, and to assess how Taumata Arowai will have an impact on the system.
180. A few submitters noted the need to take into account and align with various national policy statements, such as the National Policy Statement – Urban Development, and the National Policy Statement – Freshwater.
181. Ōtorohanga District Council mentioned the impact that the Water Services Act might have on councils. It was concerned that councils might have to inherit the many small and rural schemes that have not been subject to any regulation in the past, noting the large additional compliance and maintenance costs this might create for councils.
182. Waimakariri District Council stated that the current proposal was counter to an integrated regulatory system, and the separation of three waters regulation would lead to less integration and introduce a number of transactional complexities.

## Changes suggested in feedback

183. Many councils signalled the need for further information about the economic regulator, including requesting clarity on:
- (a) who would be regulated by the economic regulator, including whether councils who opt out or private supplies would be captured;
  - (b) whether councils could be confident that regulation would lead to standardised pricing across the entity overtime;
  - (c) how the economic regulator would sit alongside the governance model; and
  - (d) how prices would be set, especially for different activities such as stock water.
184. Many councils in Entity D requested a pause in the reform programme until further clarity is provided on the role of the two regulators in the system.
185. Noting the wide range of environmental consents for infrastructure upgrades and work from day one, Napier City Council suggested that the consenting and planning connections would be better dealt with under a regional model.
186. Whakatanē District Council recommended the reform package should include funding to support private and rural schemes to meet new regulatory standards. Ōtorahanga District Council supported the provision of funding for marae to enable compliance.

## Rural supply arrangements

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### Summary of feedback

187. Councils with large rural populations raised specific concerns about the impact of reform on these communities. In particular, councils requested that rural schemes be given the option to make their own decisions about opting out of the reform, and that there be a streamlined process for returning council-owned rural supplies to community ownership. There was also concern rural communities would end up contributing to water costs when they did not receive any service.
188. *“Significant further work is required to understand the impacts on rural water schemes and assets including floodwater management, regulation and when and how water standards can be practically applied to local schemes.”* (South Wairarapa District Council)

189. Many councils with rural communities noted water is critical to land productivity, and often supplied through a rural scheme. Rural councils also noted that reticulated water supply is not practical or appropriate for some areas in the New Zealand context.
190. Clutha District Council noted rural communities were unlikely to see the same benefit as urban customers over the next 10 years, and benefits over the next 30 years were unclear. The cost for rural customers was a key issue raised by rural councils, with many noting their rural ratepayers were concerned they would pay for services they did not receive.

### **Changes suggested in feedback**

191. Suggestions included that:
- (a) rural supplies be further defined;
  - (b) a streamlined process be implemented to transfer council-owned rural supplies back to community ownership; and
  - (c) the Government work with councils to tackle the complex issue of rural supplies.

## **Stormwater**

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### **Summary of feedback**

192. Fewer submissions reflected on this aspect of the reforms than some of the earlier themes. The section below reflects a summary of those submissions that did discuss this matter.
193. There was some support in submissions for the transfer of stormwater services to the new water services entities:
- (a) Greater Wellington Regional Council noted it supported this proposal in-principle.
  - (b) Entity C councils noted the plan to keep stormwater within scope of the reforms, but that this required further work as there were mixed views among member councils.

- (c) Hutt City Council noted it was encouraged by the “approach to the transfer of stormwater functions outlined in the [Stormwater] Working Group's report and the report's recommendations”.
  - (d) South Taranaki District Council noted that, should drinking water and wastewater services be transferred, it would make it more difficult for the Council to retain suitably qualified staff to manage the stormwater function on its own.
194. Many councils commented that there is a need for further information and analysis on the case for transferring stormwater. These submissions sought further work and clarification around this, in particular raising questions around:
- (a) which assets will be transferred;
  - (b) whether water services entities would honour current consent conditions on council infrastructure;
  - (c) the scope of the stormwater management role that the water services entities would play, including growth and development planning, asset management and maintenance (particularly of green and water sensitive assets);
  - (d) how to ensure integration between stormwater management and local planning of other assets such as roading, parks and wider environmental management needs; noting it is likely that a large number of stakeholders would need to be involved;
  - (e) how these services would be charged for, given it was not as easy to identify users or beneficiaries of stormwater services in a similar way to those for drinking water and wastewater services;
  - (f) how this would impact on the management of flood control (the ‘fourth water’ as noted by Gisborne District Council), with Greater Wellington Regional Council and Nelson City Council noting the need to clarify the boundaries between stormwater and flood control and resilience; and
  - (g) what the proposed pathway for transfer would be.
195. Kaipara District Council sought clarity about land drainage parts of the stormwater network, which in Kaipara are managed by the district council rather than the regional council.

196. Some submissions requested that the decision on whether to transfer stormwater functions and assets should sit with individual local authorities. Others drew attention to the scale of the task associated with transferring drinking water and wastewater services, and suggested stormwater could be dealt with in a subsequent phase of the reforms instead of transferring all three waters at once.
197. Auckland Council listed the key risks to transferring stormwater to the water services entities as:
- (a) Auckland’s ability to drive an integrated land and water response to big challenges, such as climate change and growth;
  - (b) the Council’s ability to carry out regional council functions – transfer could require duplication of resources and break connections between freshwater planning, monitoring and implementation;
  - (c) an optimised response to natural hazards; and
  - (d) connected and consistent stormwater regulation.
198. Christchurch City Council, and New Plymouth, Selwyn and Stratford District Councils, did not support the transfer of stormwater to the new water services entities, for the following reasons:
- (a) it could risk undermining the existing integrated and holistic approach to managing stormwater and its interfaces with other assets like parks and roads;
  - (b) the complexities of integrating land use and infrastructure planning in relation to stormwater were best managed at a local authority level;
  - (c) the new water services entities *“would need to collaborate with multiple local authorities to reduce contaminants at source, from building site runoff to roof material approval to industrial site audits, amongst many others. This will introduce inefficiencies and gaps in the response”* (cited from Christchurch City Council’s submission); and
  - (d) it would be complex to unbundle water assets, liabilities, associated contracts.
199. New Plymouth District Council recommended that regulatory improvements and co-funding arrangements be explored as alternatives to transferring stormwater.

## Changes suggested in feedback

200. Notwithstanding its preference that responsibility for stormwater should remain with councils, Auckland Council proposed that, should this be transferred, mechanisms and processes should be introduced to:
- (a) agree working arrangements between councils and the water services entities, such as memoranda of understanding or service level agreements. This should include establishment of key stormwater roles and boundaries prior to transfer of assets and functions;
  - (b) ensure that entity data and models will be freely available to the council;
  - (c) strengthen the council's remaining regulatory tools;
  - (d) ensure the funding streams required to support the assets and functions that will remain with council are maintained; and
  - (e) ensure an integrated view of land and water directs coordinated decision making across the council and water services entity.
201. Greater Wellington Regional Council suggested that regional councils could take responsibility for all stormwater and flood water management functions that are not transferred to the water services entities. This includes emergency management, integrated catchment management, managed retreat, land use, and river and stream work restoration. It also requested that the Government contribute funding to flood risk management work, whether undertaken through the water services entities or the regional council. (This was the only regional council to submit written feedback, as Greater Wellington delivers some services as part of Wellington Water).
202. New Plymouth District Council recommended that, if stormwater is included within scope of the reform, there should be work to standardise asset classifications and introduce agreements between water services entities and local authorities. It also noted that there will need to be a process for territorial authorities to divest any flood protection schemes they manage to relevant regional councils.
203. Palmerston North City Council noted that, if there was greater alignment between the entity boundaries and catchment areas, there would be more flexibility regarding the ability to take on catchment-based management and river management functions.

204. Palmerston North City Council also suggested that *“stormwater in the context of land use planning, development and growth, remains with local authorities, and that the stormwater roles of the new entities are more clearly defined as network provision and maintenance to comply with regional plans. This includes water entities working with flood-protected floor levels and the like set by councils”*.
205. Waitemata Local Board suggested that a logical division of responsibility could be for *“the initial collection of stormwater off roads, other public areas and private property to be the responsibility of councils and for the eventual release of stormwater into the receiving environment to be the responsibility of the water entities”*.

## Transition considerations

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### Summary of feedback

206. Submissions noted a significant number of issues that will need to be addressed through the transition, reflecting the complexity and scale associated with the transfer of three waters assets, debts and liabilities. Noting some matters raised earlier in this report could also be considered matters to resolve during any future transition, other transitional issues included:
- (a) the mechanism for transferring debt associated with three waters assets, and how this will be calculated;
  - (b) the process, timeframes and funding to enable due diligence;
  - (c) how local contracts, contractors and their staff will be protected through the transition, including situations where councils may be liable for legal action and compensation;
  - (d) addressing community resistance to change;
  - (e) ensuring the pace of change does not result in mistakes or unforeseen issues;
  - (f) ensuring service delivery and efficiency to local users is not disrupted;
  - (g) ensuring communities are well informed of the changes from a practical perspective (for instance, knowing who to call in the event of a fault or delay);
  - (h) understanding development / financial contribution charges linked to debt (including the possibility of refunds);

- (i) the transfer of asset management systems and data will need to be clearly established, as the loss of data or failure of systems will affect the continuity of service delivery;
- (j) stranded overheads within local authorities will need to be well understood and plans established to mitigate impacts;
- (k) the continued employment, and creation of employment and procurement opportunities in local areas, not only the metropolitan areas;
- (l) novation of contracts and tenders in progress, including communication to the market of any changes in the procurement rules and processes they will be expected to follow;
- (m) transferring consents, including where these relate to more than one land parcel;
- (n) greater transparency and community engagement on the likely pricing and charging model for the water services entities; and
- (o) recognising different approaches to managing and maintaining three waters networks. For instance, Waimakariri District Council noted it had built up renewals funding from depreciation funding surpluses and ring-fenced this funding for future renewals expenditure – funding that would be transferred to the new entity without necessarily recognising that ratepayers had already contributed to future renewals. This could lead to inequitable outcomes relative to other local authority areas.

207. Some submissions raised questions about the feasibility of achieving the proposed reforms and establishment of the new water services entities by 2024.

208. Submissions also noted some of the challenges and risks associated with the transition period. In particular, a common challenge noted across multiple submissions was the need to find the workforce, skills and technical capability required to support the transition, and fill governance and management positions for the new entities. The workforce challenge would likely be exacerbated given current constraints in the labour market and the likelihood of increased investment by the four water services entities once established.

209. It was recognised that the Government had committed to ensuring continued employment of local staff, but further detail was sought on this commitment and how staff would transfer to the new water services entities, including what change management processes would be put in place.

210. Some submissions commented on the positive opportunities created through reform for employment and career development pathways, including for iwi/Māori. Kāpiti Coast District Council noted that the new entities “*would have deeper resources, and yet can still be expected to ensure local suppliers are involved in water services*”.

### Changes suggested in feedback

211. Several submissions noted that a collaborative approach between government, mana whenua and local authorities would be necessary to ensure a smooth transition process and establishment of the new entities.
212. Ashburton District Council recommended that the Government form a transition team with representation from local authorities. However, it acknowledged this would require a balance of ensuring local authority staff have the opportunity to contribute to the transition process, while also ensuring that local authorities can continue to deliver business as usual services.
213. Many local authority submissions noted the importance of local staff and suppliers with expertise and experience continuing to design, maintain and manage networks. Central Hawke’s Bay sought assurances that local knowledge, local staff and local network management will be the starting point should reform proceed, and that “*any possible arrangements for local staff will ensure an environment of local ownership and empowerment so that staff continue to remain engaged and responsive to local issues and are not ever hindered by burdensome process and reporting back via any centralised control points*”.
214. Some local authorities noted they had begun work to establish their existing positions and support discussions around the ‘no worse off’ support package, and recommended this would need to consider broader impacts. For instance:
- (a) Christchurch City Council sought assurances that, should the support package payments exceed the amount the Government had allocated, local authorities would still be compensated appropriately.
  - (b) Some local authorities sought assurance that appropriate compensation could be agreed for any stranded overheads with an impact extending beyond two years.

- (c) Other local authorities noted that reform would have an impact on other activities within their organisation that three waters staff have responsibility for, and that when staff are transferred to the new entities there should be appropriate compensation to fill these roles. Ōpōtiki District Council used the example of its Harbour Development programme that it had committed to with the Government on the understanding it would be overseen by its asset managers.
  - (d) Hamilton City Council requested that the Government guarantee it would fund all reasonable costs of council participation in the reform programme and transition process between now and 2027, including the costs of any formal consultation with their communities.
  - (e) Hamilton City Council also requested that the Government guarantee funding for all reasonable costs of the Regional Representative Group during the establishment phase until Entity B can fund its activities.
  - (f) Some councils called for the Government to increase funding for the support package and/or to fully fund the support package as opposed to these being funded through the water services entities.
215. Christchurch City Council recommended that statutory provisions be enacted in respect of three waters assets, similar to those that exist for electricity, telecommunications and gas infrastructure situated in legal roads. This would avoid the complications associated with creating and transferring property rights to the new entities, and would make use of a model that is already in use by other utility service providers and is well understood.
216. Dunedin City Council recommended that a nationwide three waters workforce development initiative be established to support the reform programme, and which would require increased funding and training of new staff by the Government. This was also signalled in Waikato District Council's submission.
217. Queenstown-Lakes District Council noted that the 'better off' and 'worse off' funding had been calculated on the basis of population-based modelling, which would be insufficient to meet its needs given its high visitor numbers and the need to provide three waters services for peak day populations. It recommended apportioning funding on a demand basis, rather than a resident population basis.

218. South Waikato District Council recommended that the Government establish a central body to oversee training and workforce development, and that it seeks to harmonise terms and conditions of employment. A similar suggestion was made by New Plymouth District Council, for the Government to consider the possibility of entering into multiple-employer collective agreements now for water functions within each water services entity area.

## Process and timeframes

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219. A number of submissions, particularly from Entity D councils, called for a pause to the reform process. These submissions raised concerns over the scale and pace of the reform programme, noting insufficient time had been allowed for engagement with local government and their communities. Some councils also commented the eight-week period for engagement was not sufficient for councils to undertake a meaningful analysis of the proposal and/or to engage with their communities.
220. Submissions that requested a pause in the reform programme indicated this would provide more time for local authorities and their communities to consider the three waters reform proposal alongside other significant programmes of work, like the resource management reform and the Future for Local Government review. Other councils saw a pause as enabling a 'reset' to occur, providing an opportunity to revisit the parameters of the reform programme and to consider alternative options.
221. There was some support for the engagement approach with iwi/Māori. However, the Auckland Council Independent Statutory Māori Board, as well as a number of submissions from iwi, noted that the current engagement approach had not provided easily understood information for/to Māori, and called for Māori to be adequately resourced to participate in reform discussions. Other submissions noted that Government engagement with mana whenua had not necessarily met local government requirements for engagement.
222. Some submissions raised concerns over the public information campaign that had been undertaken, commenting that it should have focused on providing detailed information to the public on the reform proposal.

### ***Concerns over the information and analysis***

223. Some submissions raised the need for more information and clarity about aspects of the proposals to be provided to councils, including in relation to economic regulation, and outcomes for service levels and the environment.
224. There were questions raised by some submitters on the accuracy of the information and assumptions that underpinned the Government's modelling and analysis. This included some noting the limitations of the WICS analysis and modelling, with councils including Ashburton, Kaikōura and Kāpiti Coast commenting that they disagreed with the WICS analysis.
225. Some councils, including Christchurch City and Mackenzie, noted they had undertaken their own analysis that suggested they could be better off without reform, which led them to question the projected economic benefits in the Government's modelling.

### ***Clarity on the process for decision making and next steps***

226. Several submissions sought clarity on the decision-making process, as well as the ongoing engagement with the sector on the design and establishment of the new entities, beyond the current period of engagement.
227. Horowhenua District Council noted 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"*.

### **Changes suggested in feedback**

228. Several submissions raised concerns that the Government might make the reforms mandatory, recommending that the decision should be left to councils to make on a voluntary basis.
229. Many submissions noted the importance of community consultation prior to decisions being made, with some pointing to the wide range of responses triggered by the reform proposals. It was noted that community consultation should occur irrespective of whether reform is pursued on a voluntary or mandatory basis. Some submitters noted that a referendum might be appropriate.

230. Auckland Council recommended the Government seek further engagement on the following aspects of the proposals:
- (a) representation from and on behalf of mana whenua;
  - (b) integration with other local government reform processes;
  - (c) integration with spatial and local planning processes, and growth;
  - (d) the nature, role and timing of economic regulation;
  - (e) process for decision making regarding prioritisation of investment;
  - (f) the transfer of stormwater assets and functions;
  - (g) process for local authority decision making on 'opting in or out' of the three waters reform;
  - (h) conditions associated with the Government's package of funding for local government; and
  - (i) transition arrangements, including for the council group workforce, information sharing, and due diligence for asset transfers.
231. Howick Local Board suggested trialling the reforms in the South Island and, if successful after five years, to roll it out to the rest of the country. Other councils suggested trialling the reforms in Entity B.
232. Some local authorities recommended that, in relation to the concerns around the modelling, the Government should refine this analysis further and provide councils with an opportunity to review the data.

## Comments on other matters

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### Summary of feedback and changes suggested

233. A few submitters raised concerns about how the entities will be involved in the emergency management system, and how having three waters services managed by a different entity could create further complexities, especially for areas that already have small emergency operations at a local level. Many wanted further information about how the water services entities would incorporate resilience and climate change considerations into their decision making.
234. Hamilton City Council suggested that climate change mitigation principles be added into the operating principles of the water services entities.

235. Dunedin City Council would like the legislation to require the entities to engage in emergency management and event response: *“The council urges the Government to ensure legislation that establishes any new water services entities requires the entities to actively work with Civil Defence and local communities on response planning and emergency event response”*.
236. Kaipara District Council would like confirmation that the entities will align with, and support the outcomes of, the climate change adaptation work being done by their communities.
237. Masterton District Council would like more clarity on how the proposed entities will deliver on local strategies that are already in place, for example the Wairarapa Water Resilience Strategy.
238. Queenstown-Lakes District Council reflected that, because the three waters system has an important role to play in the management of climate change, it was concerning the reforms were progressing ahead of the National Adaptation Plan (anticipated in 2022). The Council also suggested a carbon accounting exercise should be done to fully assess the benefits of the different models, and this should be displayed publicly on the dashboards.
239. Gore District Council was concerned that once the reforms are implemented, *“all bets are off”* in regard to capital investments. Gore District Council asked for a minimum guarantee on future capital investment before it can support the reform proposals.
240. A few councils mentioned the process for the development of the Government Policy Statement was currently unclear and requested to be consulted meaningfully during the development of the statement.
241. Southland District Council suggested that the 'four well-beings' (cultural, social, environmental and economic) provided for in the Local Government Act should be integrated into the operational and decision-making principles for the entities and the reform.
242. Waitematā Local Board stated *“Climate change resilience, ensuring food security, biodiversity, the health of harbours and water courses should all be important considerations of water entities as well as the provision of quality potable water, and the management of waste water and storm water. We recommend a holistic approach.”*

243. Whanganui District Council noted that there is not any information currently available from the Department on the impact these reforms will have on large businesses, especially trade waste businesses.
244. Whangarei District Council raised concerns around decreasing levels of service post reform, noting *“Service levels is also a significant issue. Currently, Whangarei enjoys generally better three waters outcomes than Auckland. We rarely (if ever) need to close beaches because of wastewater contamination, we rarely have water use restrictions, and our response time for faults are generally quicker. If WDC joined with Entity A there is a reasonable chance that service levels would decrease to match those found in Auckland.”*
245. Ashburton District Council was worried about the impact of removing the three waters services on local body elections, as they were concerned the loss of this role from councils might affect the pool of candidates wanting to stand for election.

## Appendix A: List of engagements with local government, iwi/Māori, and industry stakeholders

The table below provides an overview of formal engagements and discussions held with the local government sector, iwi/Māori, and industry experts on the case for change and the reform proposals. This table begins with the Government's national evidence base released (1 June 2021) and runs through to the end of the August/September 2021 period of engagement (1 October 2021).

Key:	Iwi /Maori	Local Government	Joint Local Government and iwi	Other/Industry
Date (2021)	Engagement	Engagement with	Where	
1 June	Webinar with for Mayors, Chairs and Chief Executives to explain the national evidence base release	DIA	Online	
3 June	Meeting with LGNZ Executive Leadership team	MoLG and LGNZ	Wellington	
4 June	Meeting with Te Tau Ihu iwi	MoLG	Online	
8 June	Detailed question and answer webinar for council technical leads	DIA	Online	
10 June	Meeting with Ngai Tahu representatives	DIA	Online	
14 June	Presentation to industry hosted by Russell McVeagh	MoLG	Wellington	
15 June	Discussion at Zone Five (upper South Island Councils) meeting	MoLG, LGNZ and DIA	Christchurch	
15 June	Hui with Waikato Tainui	DIA	Hopuhopu	
16 June	Trade and Industrial Waters Forum Conference	MoLG	Wellington	
16 June	Institute of Finance Professionals New Zealand, Infrastructure panel	DIA	Wellington	
17 June	Presentation to industry hosted by Russell McVeagh	MoLG	Auckland	
17 June	Hui with Hawkes Bay Regional Council and Ngāti Kahungunu representatives	DIA	Napier	
18 June	Meeting with Auckland Council Governing Body	MoLG and DIA	Auckland	
21 June	LGNZ Chief Executives Forum	LGNZ and DIA	Wellington	
23 June	Construction Sector Accord Workshop on interface with Water Reform	DIA and MBIE	Wellington	
25 June	Meeting with Otago Regional Council	DIA	Otago	
28 June	Joint Central/Local Government Steering Committee meeting	LGNZ, Taituarā and LGNZ	Wellington	
29 June	Webinar for all council elected members and Chief Executives on Cabinet decisions on entity size, shape and design features	DIA	Online	
30 June	Webinar for all iwi on Cabinet decisions on entity size, shape and design features	DIA	Online	
1 July	Hui with Waikato River iwi	DIA	Rotorua	

Date (2021)	Engagement	Engagement with	Where
1 July	Meeting with LGNZ	MoLG, MoF and LGNZ	Wellington
2 July	Discussion at Zone Six (lower South Island councils) meeting	MoLG, LGNZ and DIA	Dunedin
2 July	Hui with Maniapoto Māori Trust Board	DIA	Te Kuiti
2 July	Discussion with Institute of Public Works Engineering Australasia (IPWEA) Canterbury members	DIA	Christchurch
5 July	Hui with Wellington iwi	DIA	Porirua
8 July	Question and answer webinar for all council elected members and Chief Executives	DIA	Online
9 July	Meeting with Auckland Council	MoLG and DIA	Auckland
11 July	Meeting with LGNZ	MoLG, MoF and LGNZ	Online
12 July	Webinar for council Chief Executives and nominated staff on early transition planning	DIA	Online
12 July	Discussion with Central North Island council Chief Executives	DIA	Wellington
12 July	Meeting with Māori Council officers on working with mana whenua through reform	DIA	Wellington
12 July	Meeting with Environmental Defence Society	DIA	Wellington
14 July	Hui with Te Maruata (LGNZ Māori Committee – a sub-group of National Council)	MoLG, LGNZ and DIA	Blenheim
14 July	Hui with ngā iwi o Te Tau Ihu	MoLG and DIA	Blenheim
14 July	Meeting with councils from the top of the South Island	MoLG and DIA	Blenheim
15 July	Waikato District Council stormwater regulation hui	DIA	Online
15-16 July	LGNZ National Conference including announcement of financial support package	Prime Minister, Minister of Finance, MoLG, Minister of Housing, Steering Committee Chair, LGNZ, and DIA	Blenheim
19 July	Discussion with E Tu Union	DIA	Online
20 July	Discussion with Public Service Association	DIA	Auckland
21 July	Meeting with Auckland Council Planning Officers	DIA	Auckland
22 and 23 July	Discussion with Zone Two (Upper North Island councils below Auckland)	LGNZ and DIA	Taupō

Date (2021)	Engagement	Engagement with	Where
22 July	Meeting with representative from Waikato-Tainui	MoLG	Hamilton
22 July	Webinar for all Mayors and Chief Executives	LGNZ	Online
22 July	Presentation at Local Government Funding Agency Shareholders event	DIA	Wellington
22 July	Infrastructure NZ policy event	MoLG and DIA	Auckland
23 July	Transformation hui with Christchurch City Council	DIA	Christchurch
23 July	Transformation hui with WSP	DIA	Christchurch
26 July	Joint Central/Local Government Steering Committee meeting	LGNZ, Taituarā and LGNZ	Wellington
28 July	Discussion with Amalgamated Workers Union NZ	DIA	Auckland
28 July	Meeting with Greater Wellington Regional Council Chair	MoLG and DIA	Wellington
28 July	Meeting with Gisborne District Council	DIA and Steering Committee Chair	Gisborne
28 July	Meeting with Waikato-Tainui	DIA	Ngaruawahia
29 July	Transformation hui with AECOM	DIA	Auckland
2 August	Meeting with Dame Karen Poutasi, Taumata Arowai Chair	MoLG	Online
2 August	Waikato District Council/ Transitional Industry Training Organisation Steering Group Meeting	DIA	Online
2 August	Webinar for council Chief Executives and nominated staff on transition planning	DIA	Online
3 August	Question and answer session with Waimakariri District Council	DIA	Online
4 August	Discussion with Tasman District Council on the transition approach	DIA	Online
5 August	Hui with all council's collectively from across Entity B	LGNZ and DIA	Taupō
5-6 August	Iwi Chairs Forum	MoLG	Online
5 August	Webinar for Mayors and Chief Executives with guest speakers from Beca and FarrierSwier	LGNZ	Online
6 August	Meeting with senior waters staff from councils across all of Entity A	DIA	Whangarei
6 August	Discussion at Zone Four meeting (greater wellington region)	LGNZ and DIA	Hutt City
6 August	Meeting with Wairoa Mayor Craig Little	MoLG and DIA	Online
9 Aug-21	Local Authority Protection Programme Disaster Fund (LAPP) Board meeting	DIA	Wellington

Date (2021)	Engagement	Engagement with	Where
9 August	Question and Answer session with Canterbury Engineering Managers Forum (collective of council staff across the Canterbury region)	DIA	Online
9 August	Wellington Council working group	LGNZ	Wellington
9 August	Grey District Council workshop	LGNZ	Online
9 August	Webinar for council elected members	LGNZ	Online
10 August	Discussion with Engineering Leaders Forum (includes IPWEA, Water NZ, Association of Consulting Engineers, Civil Contractors NZ, Cement NZ, University of Canterbury, Electricity Engineers Association, IT Professionals NZ)	DIA	Wellington
10 August	Kapiti Coast councillor workshop	LGNZ	Kapiti
10 August	Te Ao Māori Technical Working Group	DIA	Auckland
10 Aug-21	Overview of reform proposals and question and answer webinar hosted by Water NZ for their members	DIA	Online
11 August	Meeting with West Coast council Mayors	LGNZ	Online
11 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Chatham Islands Council	DIA/LGNZ	Online
11 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Manawatu District Council	DIA/LGNZ	Online
12 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with South Waikato District Council	DIA/LGNZ	Online
12 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Hutt City Council	DIA/LGNZ	Online
12 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Dunedin City Council	DIA/LGNZ	Online
12 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Wellington City Council	DIA/LGNZ	Online
12 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Whangarei District Council	DIA/LGNZ	Online

Date (2021)	Engagement	Engagement with	Where
12 August	Technical call to discuss indicative financial modelling and 'no worse off' funding support with Christchurch City Council	DIA/LGNZ	Online
12 August	Discussion with Amalgamated Workers Union NZ	DIA	Auckland
12 August	Discussion with Aviation and Marine Engineer Association	DIA	Auckland
13 August	Overview of reform proposals and question and answer webinar hosted by IPWEA for their members	DIA	Online
13 August	Deloitte – extending Wellington Water study to meet objectives of Waikato District Council/ Transitional Industry Training Organisation three Waters Workforce Strategy project	DIA	Online
13 August	LGNZ metro sector meeting	LGNZ and DIA	Wellington
14 August	Meeting with Waitomo District Council Mayor John Robertson	MoLG	Te Kuiti
16 August	Meeting with Forest and Bird Chief Executive Karen Hague	MoLG	Online
16 August	Central Hawkes Bay Regional Collaboration forum	LGNZ and DIA	Hawkes Bay
16 August	Technical briefing with Whangarei CEO and water general manager	LGNZ	Whangarei
16 August	Meeting with Local Government Funding Agency Executive	DIA	Online
16 August	Discussion with Amalgamated Workers Union NZ	DIA	Auckland
17 August	Speech at Bay of Plenty Regional Council Komiti Māori meeting	MoLG	Rotorua
17 August	Meeting with Bay of Plenty Regional Council Chief Executive and Chair	MoLG	Rotorua
17 August	Technical briefing with Otorohanga District Council	LGNZ	Online
18 August	Technical briefing with Wellington City Council	LGNZ	Wellington
18 August	Technical Briefing with Manawatu District Council	LGNZ	Online
16 August	Technical briefing with Matamata-Piako District Council	LGNZ	Online
18 August	Hui with Ngāti Whātua representatives	DIA	Auckland
19 August	Local Government Funding Agency investors meeting	DIA	Online /Auckland
19 August	Question and answer webinar with Mayors and Chief Executives	LGNZ	Online
19 August	Technical workshop with Manawatu Council	LGNZ	Online

Date (2021)	Engagement	Engagement with	Where
19 August	Question and answer webinar for council Chief Financial Officers	Taituarā and DIA	Online
20 August	Technical workshop with Central Otago councils	LGNZ	Online
20 August	Attended Entity A councils' people and workforce hui	DIA	Online
23 August	Wellington Councils working group	LGNZ	Online
24 August	Greater Wellington Region Wananga	LGNZ	Online
24 August	Hui of all iwi across Entity B	(no Government or LGNZ attendee, but content support provided in advance)	Online
24 August	Technical briefing with Christchurch City Council	LGNZ	Online
25 August	Meeting with New Zealand Utilities Advisory Group	DIA	Online
26 August	Meeting with Central Otago District Council	LGNZ and DIA	Online
26 August	Meeting with Minister and LGNZ leadership	MoLG and LGNZ	Online
26 August	Porirua workshop	LGNZ	Porirua
26 August	Hui with Te Uri o Hau representatives	DIA	Online
30 August	Hui with Whakatane District Council and Bay of Plenty iwi	DIA	Whakatane
30 August	Technical briefing with Waimakariri District Council	LGNZ	Online
30 August	Meeting with Christchurch City Council Chief Executive	DIA	Online
30 August	Webinar for council Chief Executives and nominated staff on transition planning	DIA	Online
31 August	Question and answer session with Ashburton District Council	DIA	Online
31 August	Detailed workshop on Governance proposals	LGNZ	Online
31 August	Meeting with Clutha District Council	DIA	Online
31 August	Meeting with Federated Farmers (primarily to discuss the drinking water regulatory environment)	MoLG and DIA	Online
31 August	Meeting with a variety of council Mayors and Chief Executives on the funding allocations	LGNZ and DIA	Online
31 August	Technical briefing with Selwyn District Council	LGNZ	Online
31 August	Technical briefing with Upper Hutt City Council	LGNZ	Online

Date (2021)	Engagement	Engagement with	Where
31 August	Technical briefing with Nelson City Council	LGNZ	Online
31 August	Technical briefing with Ashburton District Council	LGNZ	Online
31 August	Data and Digital hui with Watercare	DIA	Online
31 August	Attended Entity A councils people and workforce hui	DIA	Online
1 Sept	Technical briefing with Palmerston North City Council	LGNZ	Online
1 Sept	Technical briefing with South Taranaki District Council	LGNZ	Online
1 Sept	Technical briefing with Ruapehu District Council	LGNZ	Online
1 Sept	Technical briefing with Masterton District Council	LGNZ	Online
2 Sept	Workforce Development Strategy Project Working Group (includes members from Hamilton City Council, Connexis, Taituarā, Wellington Water, Citycare Water, Water NZ, and Taumata Arowai)	DIA and Taituarā	Online
2 Sept	Hui with Te Uri o Hau representatives	DIA	Online
2 Sept	Detailed workshop on maintaining community voice	LGNZ	Online
2 Sept	Webinar with Mayors and Chief Executives including guest speakers from TasWater and Tasmanian councils	LGNZ	Online
2 Sept	Technical briefing with Greater Wellington Regional Council	LGNZ	Online
3 Sept	Webinar with all council elected members on the reforms with guests from Victoria Water in Australia	LGNZ	Online
3 Sept	Discussion with Public Service Association	DIA	Online
6 Sept	Detailed workshop on integration with council planning	LGNZ	Online
6 Sept	Hui with Young Elected Members	LGNZ	Online
6 Sept	Technical briefing with Tararua District Council	LGNZ	Online
6 Sept	Technical briefing with Dunedin City Council	LGNZ	Online
6 Sept	Hui with Ngāti Kahungunu Representatives	MoLG and DIA	Online
6 Sept	Stormwater asset transfer implications discussion group establishment with Queenstown Lakes District Council, Waimakariri District Council, Dunedin City Council	DIA	Online

Date (2021)	Engagement	Engagement with	Where
6 Sept	Waikato District Council/ Transitional Industry Training Organisation Connexis Workforce Strategy project discovery Session 1	DIA	Online
7 Sept	Hui with all council's collectively from across Entity B	LGNZ and DIA	Online
7 Sept	Public Service Association discussion	DIA	Auckland
7 Sept	Discussion with Citycare Water	DIA	Online
7 Sept	Discussion with Energy Academy about their Training model for Orion Energy	DIA	Online
7 Sept	Te Ao Māori Technical Working Group	DIA	Online
8 Sept	Detailed workshop on Rural Schemes	LGNZ and Steering Committee Chair	Online
8 Sept	Technical briefing with South Wairarapa District Council	LGNZ	Online
8 Sept	Hui with New Plymouth District Council and Taranaki iwi	DIA and Taumata Arowai	Online
8 Sept	Pre meet Hui with Hauraki, Thames-Coromandel and Matamata-Piako District Councils and local iwi	DIA	Online
8 Sept	Question and answer session with Wellington City Council	DIA	Online
8 Sept	Systems of Record scoping meeting with Watercare	DIA	Online
9 Sept	Stormwater asset transfer implications discussion group with Queenstown Lakes District Council, Waimakariri District Council, Dunedin City Council	DIA	Online
9 Sept	Watercare hui about the Waikato District Council/ Transitional Industry Training Organisation 3Water Workforce Strategy project	DIA	Online
9 Sept	Waikato District Council/ Transitional Industry Training Organisation Connexis Workforce Strategy project discovery session 2	DIA	Online
9 Sept	Technical briefing with Tasman District Council	LGNZ	Online
9 Sept	Technical briefing with Central Hawke's Bay District Council	LGNZ	Online
10 Sept	Technical briefing with Auckland City Council	LGNZ	Online
10 Sept	Presentation from Waikato District Council on interface and transfer of stormwater assets	DIA	Zoom
10 Sept	Ngāi Tahu management hui	DIA	Online

Date (2021)	Engagement	Engagement with	Where
10 Sept	Discussion with Kaipara District Council General Manager People + Capability	DIA	Online
13 Sept	Webinar for council Chief Executives and nominated staff on transition planning	DIA	Online
13 Sept	Question and answer session with Selwyn District Council	DIA	Online
13 Sept	Technical briefing with Horowhenua District Council	LGNZ	Online
13 Sept	Meeting with Amalgamated Workers Union NZ about their training volumes in Three Waters workforce	DIA	Online
13 Sept	Meeting with Whakatane District Council and local iwi	DIA	Online
13 Sept	Hui with Hauraki, Thames- Coromandel and Matamata-Piako District Councils and local iwi	DIA	Online
14 Sept	Meeting with Queenstown Lakes District Council	DIA	Online
14 Sept	Technical briefing with Waimate District Council	LGNZ	Online
14 Sept	Waikato District Council/ Transitional Industry Training Organisation 3Water Workforce Strategy project proposal	DIA	Online
14 Sept	Refresher webinar and question and answer session for all iwi/Māori contacts	DIA	Online
15 Sept	Employers and Manufacturers Association Members Forum	MoLG and DIA	Online
15 Sept	Hui with representatives from ngā iwi o Te Tau Ihu	MoLG and DIA	Online
15 Sept	Hui with Ngāti Kahungunu representatives	DIA	Online
15 Sept	Technical briefing with Kaipara District Council	LGNZ	Online
15 Sept	Charging and pricing hui with Waikato District Council	DIA	Online
16 Sept	Hui with Ngāti Wai representatives	DIA	Online
16 Sept	Webinar for Mayors and Chief Executives to discuss key areas of feedback on reform proposals	LGNZ	Online
16 Sept	Technical briefing with South Waikato District Council	LGNZ	Online
16 Sept	Data and Digital hui with Wellington Water	DIA	Online
16 Sept	Discussion with Public Service Association	DIA	Online
16 Sept	Discussion with First Union	DIA	Online

Date (2021)	Engagement	Engagement with	Where
16 Sept	Meeting with Healthy Waters, Auckland Council – regarding the Waikato District Council/ Transitional Industry Training Organisation Three Waters Workforce Strategy project	DIA	Online
17 Sept	Hui with Rotorua Lakes Council and iwi representatives	MoLG and DIA	Online
17 Sept	Meeting of sub-group of Entity C Chief Executives (made up of 6 representative CEs)	LGNZ	Online
17 Sept	Meeting with Watercare – Chief Executive and General Manager Healthy Waters	DIA	Online
17 Sept	Wellington Water - seeking interest in participating in Waikato District Council/ Transitional Industry Training Organisation 3Water Workforce Strategy project	DIA	Online
20 Sept	Charging and pricing hui with Watercare	DIA	Online
20 Sept	Water Services Managers Group (Water NZ) Committee meeting	DIA	Online
20 Sept	Waikato District Council/ Transitional Industry Training Organisation 3Water Workforce Strategy project proposal	DIA	Online
20 Sept	Technical meeting with Wellington Councils	LGNZ	Online
20 Sept	Hui with Ōpōtiki District Council and iwi representatives	DIA	Online
21 Sept	Meeting of all Mayors and Chief Executives from across Entity C	LGNZ	Online
21 Sept	Attend New Plymouth District Council meeting as technical support	DIA	Online
22 Sept	Meeting with Waikato District Council Waters Governance Board	MoLG and DIA	Online
22 Sept	Meeting with Ruapehu District Council	DIA	Online
22 Sept	All of entity B councils collective meeting	LGNZ and DIA	Taupō
22 Sept	Discussion with E Tu Union	DIA	Online
22 September	Hui with Ngai Tahu and working party of South Island Mayors	MoLG and DIA	Online
23 Sept	Pre-meeting with Rangitāne Tū Mai Rā Trust	DIA	Online
23 Sept	Meeting with Gisborne District Council	MoLG and DIA	Online
23-24 Sept	Visit to Clutha District rural water scheme	DIA	Clutha
27 Sept	Discussion at Canterbury Mayoral Forum	MoLG, LGNZ and DIA	Online

Date (2021)	Engagement	Engagement with	Where
27 Sept	Virtual roadshow of Australian water services hosted by SPICAE	LGNZ, Taituarā and DIA	Online
27 Sept	Hui with Te Rūnanganui-o-Ngāti Hikairo	DIA	Online
30 Sept	Discussion at Zone Six (lower South Island councils) meeting	MoLG, LGNZ and DIA	Online
30 Sept	Webinar for Mayors and Chief Executives to discuss key areas of feedback on reform proposals	LGNZ	Online