

LGNZ SECTOR MEETINGS – 21-22 NOVEMBER 2024

DAY 1 – COMBINED SECTOR MEETING

- The morning opened with a discussion from Alex Walker, Central Hawkes Bay Mayor and Tim King, Tasman District Council Mayor.
- Conversation from membership around Minister Simeon Brown's address and noting that he preferred a strong concept that "200,000 connections would be required to gain true efficiencies within Three Waters".
- There were questions raised in discussion re the priority of water work decisions by entities when the capacity to do the work is challenging, i.e. who will make the call on what the priorities for the water entity will be.

Hon Mark Mitchell - Minister Emergency Management

- He acknowledged the East Coast councils and Cyclone Gabrielle and acknowledged the leadership of the total sector.
- "Legislation needs to be fit for purpose, presently there are gaps in the legislation".
- As part of that thought process he highlighted that iwi and hapu always step up but don't have any formalised role within legislation.
- Central Government needs to empower/support Local Government – they are the best placed ones to act.
- I asked the question to the Minister around possible assistance to set up IL4 Emergency Response solutions throughout the country and quoted the example of the cost effective centre setup in Gisborne that could be replicated by Civil Defence. The Minister acknowledged my question and said that we have his support for that principle.

Michael Lovett – DIA (Deputy CE of Local Government Branch for LWDW)

Made the following points, many of which are known already to councils -

- He puts the solution back onto councils – they need to have financially sustainable solutions that will require Government oversight.
- He quoted the second tranche of legislation on Three Waters and said that the third tranche of legislation will be out next month.
- He referenced the five different models available, i.e. including CCO options.
- Funding/pricing operations will be left to the CCO's.
- Not all of the five different models available to CCO's will receive preferential rates under LGFA.
- He emphasises price harmonisation is not required under CCO's but could be a vision for an entity over time.
- He saw no need to consolidate all debt and asked groupings to talk to DIA around this.
- He again pointed out that the LGFA funding was up to 500% of income.
- DIA see real benefits in CCO's forming and he referred also to Minister Simeon Brown's speech regarding the 200,000 connections.
- From DIA's perspective there will be three core documents –
 - The Statement of Expectation;

- The Water Services Strategy; and
- The Water Services Annual Report.
- The key component is the ringfencing of Three Waters income and that this income cannot go back into the general council accounts.
- The Water Service Delivery Plans must satisfy three areas –
 - Financial sustainability;
 - Implementation plan; and
 - Anticipated or proposed model.
- He indicated that Crown Facilitators can be of use in the decision making at a cost of \$1,000 per day which he commented was far cheaper than the cost of consultants currently being used.
- The Commerce Commission will be the economic regulator and will have sign off on the information.
- The Commerce Commission will be levy funded probably at an anticipated rate of \$3-\$4 per head/per annum/per connection.

Allan Pragnell - CE Water Services Authority Taumata Arowai

- Yes there will be levies
- Many different supplier types such as the Metro, Provincial, Rural Schemes, Private and Community Maraes
- Should be different rules to reflect scale
- There are brochures available through Taumata Arowai regarding specific drinking water supplies for spring and bore supplies. One of the solutions is point of treatment at household levels for rural schemes
- 300+ wastewater treatment plants
- Over 50% serve under 1000 people
- 300+ serves 3.3m people
- Standards due out soon
- Standard conditions may replace RMA consent process

Mark Patterson – Minister for Rural Communities

- Communities (Rural) challenges/issues opportunities
- Rates cap discussion is on the table
- Government does understand that there is pressure
- Referenced the need for other income stream, referenced Minister Jones
- Brought up the question of amalgamation of councils – “scale gives efficiency”. Central Government will not drive this – but Three Waters may lead to these thoughts.
- Keenly aware of the impact of forestry – loss of sheep/beef into pines
- “Need to build more capacity in energy” (talking Minister Jones’ story)
- “Bio fuels will be the new future”.

DAY TWO - RURAL AND PROVINCIAL SECTOR MEETING – 22 NOVEMBER

Rural and Provincial are the largest grouping of councils in New Zealand with only the large city or metro councils absent. Metro was actually meeting on the same day and at times joined in our discussions. Rural and Provincial is a chance for all of Local Government to meet with Central Government Ministers and to hear from speakers discussing Government policy. I will summarise the key speaker presentations and give my thoughts in *italics*.

1. The address by **Simeon Brown**, Minister of Local Government, Infrastructure, Roading, Three Waters (Local Water Done Well) -

- He acknowledged respectfully Local Government and added that “yes you have, like us, inherited a significant challenge”.
- Again referenced the need to get back to basics/core infrastructure and that Government has outlined its expectations previously. *This is a direct reference to the removal of the four wellbeings and a reminder that Government is watching you.*

The Minister again outlined Local Water Done Well (LWDW), highlighting -

- Looking for local solutions i.e. councils to solve.
- Councils have a requirement to deliver a framework/plan for water services now and for the future.
- The LGFA (Local Government Funding Agency) position is a game-changer, allowing for low interest loans over a long time at 500% of income for those councils who comply.
- That Government legislation has ringfenced Three Waters income (rates etc apportioned to Three Waters) to LWDW.
- Now is the time for councils to step up.
- These plans and CCO’s are now 3 months into a 12 month timeframe to comply.
- CCO’s will separate Three Waters from council business.
- Business as usual is no longer an option.
- There is a strong expectation from Government that regional CCO’s will be formed.
- Councils may not have harmonised pricing from Day One!
- Councils should already be discussing pathways with their neighbouring councils.
- Crown Facilitators are available for advice and can also help to solve issues.
- The Commission *over time* will price check.
- Taumata Arowai will set standards and decisions due by August 2025 and Taumata Arowai will be funded by levies on councils!
- Mentioned the use of modular designs for wastewater plants to minimise consenting costs.

So what does all of this mean?

1. *There is a very strong message to say that councils must form CCOs with other councils and if you don’t they will force you to.*

2. *There will be a levy charged on councils to fund Taumata Arowai – this is a change from Labour’s position.*
 3. *That the new entities will probably have different charges for wastewater and water across different councils in the same entity and that there may be different charges across a single council, i.e. the charges for Marton water and wastewater could potentially be cheaper than the charges in Taihape.*
 4. *Regional councils will face standard consent conditions being put in place to lower consenting costs. This makes sense to me, but there will need to be some local environmental exceptions.*
 5. *Expectation is that they would be strongly advised to work with Crown Facilitators now, something I believe we should do.*
- Cabinet has agreed to invite all councils to submit on regional deals based on economic growth, increasing GDP and housing.
 - Councils that are advanced in Three Waters collaboration will be helped to obtain a regional deal!

There are some challenges here. Firstly, the time to register for regional deals is ridiculously short (18 December) and councils, including us, are under so much pressure it probably won’t happen, and there is a direct threat with Three Waters – forget regional deals if you don’t form a regional water entity.

It is also worth noting that they are regional deals with a regional sign-off, Government has shown no interest in engaging with rural councils on their own.

- The Minister again emphasised the need for tolling on roads. *This will be in part a reaction to the huge number of current submissions on tolling by Tararua and Horowhenua councils which probably signals Government’s response to those submissions.*

2. Keynote Speaker **Wayne Brown** -

- Highlighted that Auckland is, and should be, a special case as it is one-third of the population.
- *“We have had CCO’s dumped on us” – this is a reference to the number of Auckland CCO’s that Wayne is trying to get rid of.*
- Government will make decisions for you if you don’t act.
- Local Government is declining in influence, noting that they can’t even set their own parking fines.
- There are efficiencies in size – *this repeats the Government’s position on CCO’s.*
- *“The ratepayer should be the last option for paying for things” - this is a reference again to look at things like tolls, fees and charges, private/public partnerships and sponsorships etc. This is something that is far, far more difficult for rural councils to consider but it is worth noting.*

3. Panel Discussion on **CouncilMark** -

- Now named Te Korowai and used as a benchmarking tool. *This was effectively a reference that CouncilMark hasn't worked, as personally I think was evident in our case, and a reorganisation of how benchmarking could continue in the future, something that I also respect is important.*

4. **Minister Shane Jones** -

- Thanked us for the Regional Growth Summit at Te Matapihi.
- There is slightly less than \$1b left in the Infrastructural Fund.
- As a Minister he will work on how we adapt to climate change. He is not interested in other discussions! – *this is a reference to the fact that in his opinion we need to concentrate on economic growth and other forms of energy, mining etc and that will come at some environmental risk.*
- He has concern with regard to the number of new reserves for fisheries and he wants to increase the economy helped by agriculture and we can't do both.
- Minister made several comments with regards Fast Track Legislation . He made the point that Fast Track is possibly not a long term process or solution but is needed now. He also noted the comment that many of the applications for Fast Track have in fact been made by councils.
- That he and Government have used \$60m to deep drill 7kms in the central plateau region to see if there can be a new energy source for New Zealand.
- Crown Regional Infrastructure will have a report on their website and there will be a series of public meetings - he regards this as a brave step forward.

5. **Rates Capping – The New South Wales Experience** - led by Cr Darriea Turley President of Local Government NSW

- Rates capping is where the maximum rate increases communities will face is set at a particular level and how that can change over time.
- This presentation was organised because the New Zealand Government is strongly showing an interest in putting rates capping in place for New Zealand – *this is again in response to the high rate rises that in Government's view have been caused by non-back-to-basics expenditure.*
- Rates capping or pegging only applies in NSW to general rates and does not include Three Waters charges.
- Rates caps tend to be set by an independent body to Local Government.
- Difficulties arise where the rate caps are often set below the level of inflation e.g. a rates cap of 0.79% was set for the year where inflation was currently running at 3%.
- NSW found that it led to greater uncertainty over the reliance on national grants and difficulty with staffing retention.
- I note that the Rural and Provincial meeting started with the Victoria Australia Experience on Rate Caps which I have yet to hear but will try and look into.

6. **Digital water metering and use of the internet in a smart way with metering to gain efficiency** – led by Chorus

Benefits of water metering are -

- Data driven decisions
- Identification of leaks quickly
- Lowering of consumption
- Fairness of charging
- Gains in efficiency
- Hastings District Council have been through this process and have found that the installation of water meters actually turned out to be cost-neutral. *This is where the regional CCO's must head in my opinion and I therefore support them in principle.*

7. **Labour's views and presentation to the sector** - Kieran McAnulty

- We as Labour have been disappointed with the way Government has patronised Local Government.
- Central Government likes placing the blame on Local Government.
- We are disappointed with the way Government has dismissed all recommendations on the Future of Local Government reports.
- The rating system is unsustainable – new revenue streams must be found.
- Labour would not repeal National's Three Waters position but may look to refine it.
- *In the Q&A from Kieran he was informal, honest and direct and was impressive but I note it is easier to be this way in opposition.*

8. **Fiscal Outlook** - Treasury

- Take out message is the outlook is improving but will take considerably longer than initially thought.

9. **LGNZ** – Susan Freeman-Greene

- Again the take out single message is there will be a funding/financing toolkit loaded in memberships' emails following this meeting.