QUEENSTOWN LAKES DISTRICT COUNCIL

Private Bag 50072, Queenstown 9348, New Zealand
QUEENSTOWN, 10 Gorge Road | P: +64 3 441 0499
WĀNAKA, 47 Ardmore Street | P: +64 3 443 0024
www.qldc.govt.nz

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Via email: governance.administration@parliament.govt.nz

Finance and Expenditure Committee

To whom it may concern

SUBMISSION TO THE GOVERNANCE AND ADMINISTRATION COMMITTEE ON THE WATER SERVICES ENTITIES AMENDMENT BILL

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

As stated in previous submissions, QLDC supports the need for safe drinking water, environmental protection, efficient service provisions, and improved Māori participation in decision-making about three waters. However, significant concerns about the nature and programme of reform remain, especially given the lack of connection between the programme of reforms across the local government sector.

QLDC considers the engagement, consultation, and implementation approach that has been taken to determine the future three waters service delivery model to have been inadequate. QLDC remains unconvinced that the 10-entity model will ensure that the growth demands of high growth councils like QLDC can be met.

QLDC notes that as requested, the Government has reduced the pace of the implementation programme. It is now essential that this additional time is used to mitigate the potential future loss of performance and investment during transition. This is particularly pertinent within a high-growth context. Given the importance of three waters to our communities, QLDC strongly urges the government to avoid rushing any part of this process.

The majority of the changes made in the Water Services Entities Amendment Bill are consistent with what has been previously communicated. QLDC has highlighted four areas where the Committee must consider additional amendments or clarification:

- Entities must be set up to support the investment needs of high growth areas, despite inevitable performance challenges during transition
- Transition dates must only fall at the beginning of a financial year – further treatment advice required
- Voluntary Amalgamation must require a two-thirds majority of RRG members to support it – regardless of who raises it
- Implementation dates for requirements under the Water Services Economic Efficiency and Consumer Protection Bill must be clarified
- The Minister's ability to direct under s137A should be further limited by the need to prove the non-performance of an Entity before directing for shared services

This submission has not yet been ratified by the full council and this will be addressed in the 10 August 2023 Council meeting. Thank you again for the opportunity to comment.

Yours sincerely,

Glyn Lewers
Mayor

Mike Theelen
Chief Executive

SUBMISSION TO THE GOVERNANCE AND ADMINISTRATION COMMITTEE ON THE WATER SERVICES ENTITIES AMENDMENT BILL

1. Introduction

1.1. QLDC forms part of Entity J, along with six other councils, and has approximately 40 staff impacted by its establishment. The district has a resident population of 50,160, making it the 2nd largest council in the Entity J area. Queenstown Lakes is also one of the fastest growing areas in New Zealand Aotearoa. It has an average total daily population of 66,532 (visitors and residents) and a peak daily population of 102,648[1]. The district's population has grown 74% over the past ten years and Statistics NZ predicts that the district's population will grow an additional 48% by 2043. The Whaiora Grow Well Urban Growth partnership worked collaboratively together to develop the district's first spatial plan and is currently working on developing the associated Future Development Strategy.

1.2. As stated in previous submissions, QLDC supports the need for safe drinking water, environmental protection, efficient service provisions and improved Māori participation in decision-making about three waters. However, significant concerns about the nature and programme of reform remain, especially given the lack of connection between the programme of reforms across the local government sector.

1.3. QLDC considers the engagement, consultation and implementation approach that has been taken to determine the future three waters service delivery model to have been inadequate. QLDC remains unconvinced that the 10-entity model will ensure that the growth demands of high growth councils like QLDC can be met.

1.4. QLDC notes that as requested, the Government has reduced the pace of the implementation programme. It is now essential that this additional time is used to mitigate the potential future loss of performance and investment during transition. This is particularly pertinent within a high-growth context. Given the importance of three waters to our communities, QLDC strongly urges the government to avoid rushing any part of this process

1.5. QLDC also remains concerned with the lack of coordination in timing, dependencies, service delivery models and resourcing between the water reform programme, resource management reform programme and the Future for Local Government Review. There is substantial overlap between these programmes that has not been adequately considered or addressed in the proposed re-design of the local government system.

2. Entities must be set up to support the investment needs of high growth areas, despite inevitable performance challenges during transition

2.1. It is essential that entities have sufficient momentum at commencement, to minimise the likely loss of performance and traction during transition. A mechanism is required to ensure that there is continued commitment to funding and delivering capital programmes whilst the entity is developing its culture and strategic direction.

2.2. Furthermore, the Bill needs to specify how entities will fully understand and plan for the variety of needs evident across their respective jurisdictions. QLDC notes that Otago presents a significant delta between the needs of different communities, but the Bill does not provide

[1] https://www.qldc.govt.nz/community/population-and-demand

confidence in the approach that Entity J will be required to take. Transparency and comprehensive reporting of priorities will be required.

2.3. High growth areas such as the Queenstown Lakes District, cannot afford to delay critical investment and it will be essential that the transition programme does not prevent progress whilst the entities are being formed. Without this expectation being clearly set, the obligations placed upon high growth councils in relation to the National Policy Statement – Urban Development and the development of the Future Development Strategies will be set up to fail. Three waters provisions are critical to growth and housing development, to the protection of of our lakes and rivers, and to the resilience of our communities.

2.4. Furthermore, the visitor economy and its growth forecasts must also be required to be taken into account by the entities. Failure to recognize, address and plan for visitor numbers (both domestic and international) will have grave consequences for the performance of the entity, the satisfaction of its communities, the health of the environment and the performance of the visitor system. Poor three waters provisions will diminish the visitor experience and local sentiment, impacting this important part of the local and national economy.

Recommendation:

R.1 – The Bill must establish clear expectations of continued performance and investment from the entities in high growth areas.

R.2 – The Bill must require entities to include forecast visitor numbers (domestic and international) in their planning.

R.3 The Bill must outline an approach and reporting model to understand the broad range and prioritisaiton of three waters needs within a district.

3. Transition dates should fall only at the beginning of a financial year – further treatment guidance required

3.1. While we support the decision to defer implementation to allow sufficient time for regional planning, it does not appear that sufficient consideration has been given to the difficulties associated with transitioning in the middle of a financial year. This will require additional effort and costs from councils that would otherwise not have to be incurred if the transition was at a year-end. This puts additional workload and pressure on people who will already be under immense pressure due to the other transitional activities required to establish Entity J.

3.2. QLDC strives to be a good employer in all parts of the organisation, yet this process has placed considerable stress on staff working in the three waters space and those supporting the transition. QLDC urges Entity J to ensure that a clear workforce plan is in place at the earliest possible stage, in order to reassure employees and improve retention.

3.3. Furthermore, greater clarity and guidance will be required as to the management of assets and Development Contributions in relation to local government long-term planning cycles.

3.4. QLDC requests that Entity J be established on 1 July 2025.

Recommendation:

R.4 – Establishment dates should only fall at the beginning of a financial year i.e., 1 July 2024. 1 July 2025, 1 July 2026.

R.5 – Entity J's establishment date should be 1 July 2025.

4. Voluntary Amalgamation must require a two-thirds majority of TA members to support it – regardless of who raises the request

4.1. The Bill provides a mechanism to enable two or more entities to merge. The process outlined in the Bill appears sensible, except for the manner of decision making.

4.2. Requests for a merger proposal are made to the Regional Representative Group (RRG) and they decide whether to approve the preparation of a merger proposal. Once the merger proposal is prepared, the RRG makes the decision whether to approve the proposal and therefore the merger. While the RRG is made up of a representative from every Territorial Authority owner (TA), TAs only make up half the RRG membership, the balance being mana whenua representatives. The RRG can make any decision, including a decision to merge, if 75% of the members present and voting support the decision and vice versa. If the original request came from a Crown observer, Crown review team or Crown manager then only 50% of the RRG who are present, and voting, are required to make a decision.

4.3. If the merger request came from the Crown, the RRG could decide to merge with no TA support if all mana whenua representatives supported the decision. While it is positive that merger decisions sit with the RRG rather than the Board, a merger decision should always require a two-thirds majority decision and all RRG members should be required to be present for the vote, ensuring that all are represented.

Recommendation:

R.6 – Update Schedule 2a (13) to require:

a) All RRG members to be present for a merger vote, and

b) Two-thirds of TA representatives to vote in support for a merger decision to be made, regardless of who raises the request.

5. Implementation dates for requirements under the Water Services Economic Efficiency and Consumer Protection Bill should be clarified

5.1. QLDC previously recommended that if water reform implementation were slowed down, the timing for the implementation of the Water Services Economic Efficiency and Consumer Protection Bill also needed to be slowed down. This would ensure that councils are not required to implement the new regime before transition to the Water Services Entities.

5.2. There does not appear to be any provision in the Water Services Entities Amendment Bill to align the implementation date of the Water Services Economic Efficiency and Consumer Protection Bill with the establishment dates of the Water Services Entities. The Select Committee report for the Water Services Entities Amendment Bill specifically noted that no amendments were made to the Bill as a result of the Water Services Entities Amendment Bill.

Recommendation:

R.7 – Amend the Water Services Economic Efficiency and Consumer Protection Bill to align the implementation date with the establishment dates of the Water Services Entities.

6. The Minister's ability to direct under s137A should be further limited by the need to prove the non-performance of an Entity before directing for shared services

6.1. Under the current wording of the Bill, the Minister could direct the use of shared services under the mantle of efficiency improvement, without sufficiently demonstrating non-performance of the entity. This places the Minister at risk of being accused of encouraging amalgamation by stealth. In order to avoid accusations of abuse of power or undermining of the entities, the Bill should be redrafted to require clear, quantifiable indicators of non-performance that would trigger the use of this power.

Recommendation:

R.8 – Ensure that the Minister can only direct shared services, in the event of clear indicators of non-performance being triggered.