

8. LOCAL GOVERNMENT REVIEW OF WATER AND WASTEWATER SERVICES: DRAFT TERMS OF REFERENCE

RR 10988

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Corporate Plan Outputs: 9.3.23 Supply of Water, 9.2.7 Liquid Waste	

PURPOSE

The purpose of this report is to acquaint Councillors with the draft Terms of Reference for the LGNZ review of Water, Stormwater and Wastewater Services and to provide an opportunity for the Council to make submissions to LGNZ on the contents of the Terms of Reference.

BACKGROUND

Councillors will recall that late in 1998 the Government announced a Review of Water, Stormwater and Wastewater Services under the leadership of the Ministry of Commerce. To ensure a co-ordinated local government response to the review, LGNZ set up a Water Working Party, consisting of a mixture of elected representatives and officers including the Water Services Manager from the Christchurch City Council. This group met early establishing a working relationship with the Government's Review Team and developing its own principles as input into the review. However, this activity slowed in 1999 as all parties awaited the publication of an initial discussion paper from the Government team. This was promised for April 1999 but nothing had appeared by mid-year. Matters changed dramatically in July when the Prime Minister, speaking at the Local Government New Zealand conference, announced that she would take up a suggestion made by the metropolitan mayors that the review be undertaken by Local Government. This was confirmed in correspondence from Ministers Hon Max Bradford and Hon Maurice Williamson dated 10 August 1999. Louise Rosson, LGNZ President, has visited LGNZ zones around the country and obtained widespread support for LGNZ accepting this task. Terms of Reference have been prepared (see attachment) and are now with councils for consideration and response. Submissions are required by 12 November 1999 and this Committee has been given power to pursue these on behalf of the Council.

SOME ISSUES FOR CHRISTCHURCH

In recent years criticism of water and wastewater service delivery in New Zealand has become quite a chorus with contributions from Central Government politicians, industry, especially the Business Round Table and from within Local Government, particularly at officer level.

However, now that the Review has been handed back to LGNZ, it is imperative that this Council plays an active role and shows preparedness to embrace the changes that will be necessary to secure on-going right to own and manage these essential services.

It is the author's view that if local government wants to retain that right, it will need to present a review report to Central Government that offers a substantial package of industry improvements. Willingness on the part of constituent local authorities to buy-in to the improvements will be an essential part of the report presentation. As shown above, this Council need not fear the requirements that the Review will offer to Central Government. But as the owner/operator one of the largest water, stormwater and wastewater services in New Zealand, its support will be essential. If the LGNZ Review contains recommendations that includes an offer to Central Government of ways constituent local authorities would improve their services, what might this offer contain? Possibly:

- Undertakings to pursue regional service delivery arrangements where the benefits and economics of scale are clearly available
- Support for legislative change that will improve accountability, clarify roles, establish drinking water standards, provide for flexibility in ownership/management/operations options, charging regimes and customer contract arrangements
- Participation in national benchmarking
- Support for joint research through for example the water managers' and drainage managers' groups
- Accountable participation in asset management planning and funding
- Willingness to modify charging regimes to reflect the true cost of water and waste disposal

REVIEW TERMS OF REFERENCE

Attention is drawn to page 7 of the Terms of Reference, which lists the Government's expected outcomes, some additional outcomes suggested by the LGNZ Working Party and provides a list of hoped-for achievements.

(i) Government's Expected Outcomes

- customers have access to safe and secure water services at a reasonable price
- services are delivered in an efficient and environmentally sustainable way
- appropriate investment occurs in both assets and water quality
- clear accountability is established for the management of the services
- strong incentives exist for innovation and service improvement
- fairness to both public and private providers of water, wastewater and stormwater services is established.

(ii) Additional Outcomes Suggested by LGNZ Working Party

- optimise long term investment in water and infrastructure
- achieve safe drinking water standards
- deliver water services efficiently and transparently
- ensure that governance arrangements are in place that recognise diversity and protect matters of importance to local communities.

(iii) LGNZ Listing of Anticipated Achievements from the Review.

- a rigorous assessment of the effectiveness of ‘arm’s length’ structures, compared to in-house structures, will have been carried out. Such an assessment will consider accountability, funding, regulatory and service quality issues and governance options - including community control where appropriate
- potential economies of scale in the water and wastewater industry will have been identified and where they are applicable, governance options for those larger entities, operating across city and district boundaries, will have been explored
- a set of pricing principles will have been developed
- an agenda of items requiring legislative change will have been developed and instructions for a workable Water Act will have been drafted
- mechanisms for achieving significant change will have been identified including—audit, incentives, timetables etc
- a ‘water compact’ or a template for a customer agreement, covering both suppliers’ and customers’ responsibilities will have been defined
- appropriate water quality and performance standards, for both public and private water operators, that protect the health of our communities and ensure environmental sustainability, in a way that is consistent with the Treaty of Waitangi, will have been developed
- incentives for collaboration and co-operation between water suppliers will have been developed and put into place
- a national system for benchmarking the performance of water service providers will have been developed
- a full information disclosure regime for all water suppliers will have been developed

These statements indicate the investigations that it is proposed the Review will undertake. City Council response is sought by posing some Review questions, listed on page 10. These questions with suggested responses for discussion are tabulated below:

Question	Suggested Response
1. Does your Council agree with the scope of the review as outlined in this document?	There is confusion over the extent to which the Review should examine stormwater services. Unlike water supply and wastewater where the service is delivered to a property and the benefit largely property based, land drainage involves catchment management with benefits accruing as much to the community as to individuals. It is recommended that the Review include stormwater only where there are combined wastewater/stormwater systems. Otherwise land drainage considerations should not be included.

Question	Suggested Response
2. What priority should be given to stormwater or environmental or private water service issues—relative to community based water supply and wastewater matters?	For stormwater, see above. Private water supplies, which are provided for public consumption should be required to meet mandatory drinking water standards. This Council would not see the Review crossing into Resource Management Act issues.
3. Does your Council agree with these principles and if not how would you amend them?	Agreed. Any other principles that Councillors would want to include?
4. What issues have we overlooked?	<p>Review should cover co-operative research, national benchmarking, incentives to assist change, social equity considerations and environmental issues associated with water and wastewater delivery.</p> <p>Note: Social Equity Territorial authorities will want to retain their ability to establish charging policies that reflect their own philosophy of social equity and the rights of all residents to have access to an adequate supply of water, fit for purpose.</p> <p>Environmental Issues The review must address the ability of territorial authorities to ensure that community objectives that depend on water services are not unduly restrained by, for example, charging policies. For example an objective to enhance parks and reserves or to retain a garden city reputation. TAs also have a part to play in protecting the water resource on which they depend, eg through restraining industrial development over aquifer systems or through catchment protection.</p>
5. What is the priority that should be placed on each of the listed issues?	<p>Priority suggested:</p> <ol style="list-style-type: none"> 1. consumer protection 2. efficiency and investment 3. governance 4. legislation 5. social equity 6. environmental issues 7. funding and pricing <p>Note that the Minister has stated that there is no intention to create mandatory change to existing ownership arrangements. LGNZ should take that as given and not cause uneasiness by putting it on the agenda.</p> <p>Legislative change should <i>follow</i> as the result of determining what new arrangements are required.</p>

Question	Suggested Response
6. Which of the identified issues apply in your area and what local action will you take to overcome them?	Governance. This Council is not seeking any change to governance arrangements and has no intention of promoting such change. It would not object to permissive legislation that provides for Governance options.
7. Does your Council support the listed outcomes/outputs?	This Council would support the listed outcomes but would object to any mandatory requirement to introduce consumption based charging.
8. What other outcomes/outputs should we seek to achieve?	See 4 above.
9. Does your Council support the process outlined in this document?	Yes.
10. What other aspects of process would you include?	Process should be clearer about the nature and timing of local authority consultation.
11. What thoughts do you have on the risks that we may face in taking up this challenge?	There is a clear risk that LGNZ in trying to meet the requirements of all of the 75 odd constituent authorities will present review findings that lack significant offers of change and improvement. This would provide Central Government with justification to progress its own Review. Another risk is that LGNZ will not be seen as representing the industry as a whole. LGNZ will need to work hard to be inclusive of key stakeholders.

Recommendation: That submissions in response to the draft Terms of Reference for the review of Water and Waste Services be forwarded to Local Government New Zealand as set out in the body of this report.

Chairman's

Recommendation: That the above recommendation be adopted.