

Three Waters Reform: key questions, essential facts

What is being proposed?

New Zealanders have high about their water and sewage infrastructure. The investment needed to ensure we address failing systems and to build and maintain the required infrastructure in the future is significant, and the impact on individual councils and ratepayers will also be very high if we do nothing.

The findings of investigations and analysis of the future needs show New Zealand is at a crucial point. We cannot afford to continue the way we currently are if we are to address the real issues we all face. Currently 67 different councils own, manage and operate most of the drinking water, wastewater and stormwater services across New Zealand on behalf of their communities.

The Government's Three Waters Reform Programme proposes to create publicly-owned multi-regional entities that have the scale, expertise, operational efficiencies and financial flexibility to provide safe, affordable water services for New Zealanders.

These reforms are intended to safeguard and enhance this critical infrastructure and associated services for generations to come so that we can have safe drinking water, and sewage and stormwater systems with good environmental outcomes, that we can afford.

For more information, please go to [Three Waters Reform Programme](#)

Why reform is necessary

The scale and the cost of the investment required for our future water and sewerage systems indicate this is one of New Zealand's biggest infrastructural programmes.

The analysis shows the cost per household could be between \$1900 and \$9000 over the next 30 years, depending on location. Whereas, with reform, costs are projected to range between \$800 and \$1640 depending on location. This represents a much lower average cost per household.

Given these possible costs and savings, the Government is committed to working with local government to ensure New Zealanders understand the scale of the challenge, the need to move forward quickly, and the cost implications to ratepayers and households.

Local government is facing urgent challenges in the provision of these services including: funding historical infrastructure deficits, meeting future costs associated with rising safety and environmental standards and expectations, meeting iwi/Māori aspirations, building resilience to natural hazards and climate change, and supporting growth.

Rather than piecemeal solutions, comprehensive, system-wide reform is needed to achieve lasting benefits for the local government sector, our communities, and the environment.

Current arrangements are no longer workable. Councils trying to address the urgent challenges facing them and their communities alone would see large increases in household water costs across New Zealand. In many cases these would be unaffordable, in others, households would be paying much more than they would under reform.

Community ownership of the new water entities

Three waters assets would transfer from the councils to the new entities and would sit on the balance sheet of the entities. Councils will collectively own the Water Service Entity providing

services for their district, on behalf of their communities. Communities will therefore retain an influence on three waters assets and services through their council and through other consumer and community interest mechanisms (noted below) that provide for direct input into key strategic planning processes, including asset management planning, investment prioritisation and pricing and charging. Entities will need to operate within a highly transparent accountability framework, with strong customer and community consultation and engagement expectations, much like local government does now.

Protections against future privatisation

Continued public ownership of three waters water infrastructure is a bottom line for the Government. The Government is developing safeguards against future privatisation, making it more difficult to privatise water services than under the current arrangements.

These protections include legislation specifying that:

- local authorities that constitute each water services entity would be the owners of the entity;
- any serious future privatisation proposal would need to firstly pass a 75 per cent majority vote from the Representative Group and then be put to a referendum, where a 75 per cent majority is required
- no provision for financial recognition of ownership, including no shareholdings and a prohibition on dividends;
- mana whenua involvement in oversight and representing 50 per cent of the Representative Group;
- restrictions on the entities on the sale or transfer of material, strategic water assets (similar to the current restrictions on councils); and
- a robust regulatory environment that includes Taumata Arowai, regional councils, an economic regulator, and proposed consumer forum.

Governance

The new water services entities would be governed by independent competency-based boards. The day-to-day operation of the new entities will be managed by the senior executive teams of each entity.

Board appointments and removals would be conducted by Independent Selection Panels which are in turn appointed by the proposed Regional Representative Groups. This will support the appointment of high calibre boards, with the requisite knowledge, skills and experience to govern the new water services entities. The boards of the new entities would also be required to have competence in understanding the principles of the Treaty of Waitangi, mātauranga Māori, tikanga Māori, and te ao Māori.

Community voice

Beyond the community representation provided by local councils and mana whenua via the Regional Representative Group, each entity will be required to engage with communities in a meaningful and effective manner on all key accountability documents. It will also have to report on how consumer and community feedback was incorporated into decision-making.

The water entities will have to consult with their customers, businesses, and residents on their strategic direction, investment priorities, their prices and charges to a level of granularity that will likely exceed the current requirements on local government.

The costs of delivering these services

A report by the Water Industry Commission for Scotland (WICS) estimates that New Zealand will need to invest between \$120 billion to \$185 billion in our three waters infrastructure over the next 30 years to catch up with historical underinvestment, meet drinking water and environmental standards, provide for future population growth, and undertake ongoing maintenance and refurbishment of three waters assets.

Without reform, these costs will be shared unevenly among New Zealand households. For rural communities, this equates to an increase of up to 13 times present costs, eight times higher for provincial areas and up to seven times higher for many metropolitan households over the 30-year period. With reform, the cost of providing these critical services to our communities is projected to reduce to affordable levels. This modelling has been independently reviewed by Farrierswier and Beca New Zealand.

For more information on the national projections click through to: [Three Waters Reform Programme](#). For the government's estimated average household costs of providing water services into the future with.

The status quo no longer exists

There is a common misconception that the Government is asking councils to consider and compare their current three waters operations and costs with a future under the service delivery reforms. This is incorrect. The status quo for water service providers is changing and council water providers and their communities will face very significant regulatory obligations and costs if they were to opt out of the reforms.

The Government is already reforming regulations to ensure all New Zealanders have access to safe and affordable drinking water. There will be tighter scrutiny on stormwater and wastewater services to ensure they meet community expectations and rising environmental obligations. The reforms will also introduce economic regulation. This will ensure that sufficient funds are collected from ratepayers and households for maintaining, renewing and upgrading infrastructure, and that providers deliver service levels and prices that are in consumers best interests. Stronger consumer protection mechanisms will also be put in place.

The combination of health, environmental and economic regulation will ensure all New Zealanders' three waters services meet their expectations. The service delivery reforms are designed to ensure this will be affordable for communities across New Zealand. For further information on this click through to: [Three Waters Reform Programme](#).

Engagement during August and September (the 8-week period)

The purpose of this period is to provide time for councils to understand how the reform proposals affect your council and your community, to identify issues of local concern, and suggest possible ways of addressing these.

This follows more than three years of discussions, communications, workshops and meetings with local government, mana whenua and industry on three waters challenges. These challenges have been recognised for more than three decades, but until recently have not been tackled in as comprehensive and holistic a way.

The two-month period is an opportunity for the sector to engage with the model and the proposals and provide feedback, at both the national level and as it relates to your community.

Councils are not expected to make any formal decisions regarding the reform through this period. This period does not trigger the need for formal consultation.

While local government are considering the reform proposals, the Department is also continuing engagement directly with iwi across the country, with hui happening each week. This includes engagement with groupings of iwi and direct one on one engagement, where invited.

The Government is gathering feedback throughout and following this period of engagement will make decisions on next steps in the reform process including mechanisms for community consultation.

Other features of the reform proposals

The role of Iwi/Māori in the reformed system

The Government has proposed that new entities would be required to partner and engage early and meaningfully with Iwi/Māori, understand local aspirations for Te Mana o Te Wai, mātauranga Māori, tikanga Māori and kaitiakitanga and support and enable these. Further detail on the proposals for how the reforms will consider Iwi/Māori rights and interests is provided in [Cabinet paper three](#).

Iwi/Māori will have a joint role with councils in the oversight and strategic direction of the proposed new water services entities, with mana whenua having equal representation alongside local authorities on a Regional Representative Group for each entity. No single local government or mana whenua representative would have a veto right or ability to exert negative control over decisions for the Representative Group. Iwi/Māori will not have ownership rights in the entities.

Workforce

A major focus of both central and local government is ensuring that reform creates a platform to attract, develop and retain talent and enhance local expertise. Independent expert advice considers that the water service delivery reforms will provide real opportunities to the three waters workforce through increased and sustainable career pathways and opportunities.

To give staff early certainty the Government has announced that council employees that primarily work on water services will be guaranteed a role with the new water service entities that retain key features of their current role, salary, location, leave and hours/days of work.

A more bespoke approach is required for senior executives and contractors. The Three Waters Reform team will work with councils, staff, and unions further on this through a transition period over the coming years, should the reforms proceed as proposed.

Planning interface

The three waters service delivery reforms will proceed in parallel with the resource management reforms. It is proposed that local government will continue to have primary accountability for urban and land use planning. The new water service entities will be required to support integrated planning approaches, provide technical and engineering support and advice to councils, and have a reciprocal obligation to:

- Identify and make provision for infrastructure to service demand for new strategic capacity to meet all new housing development and the requirements of commercial and industrial customers; and
- Ensure that those strategic assets are delivered in support of committed development so as to minimise the likelihood of redundant assets.

In short, local authorities will remain the plan-makers and the entities will be plan-takers.

Rural schemes

The Government is committed to ensuring all New Zealanders, no matter where they live, have access to safe, affordable and sustainable drinking water. The three waters service delivery reform is proposing to reform council-owned drinking water, wastewater and stormwater supplies. It is not designed to reform privately-owned supplies.

There are a range of rural water schemes that provide a combination of drinking water and stock water to rural communities and/or supplies that have mixed ownership. Supplies of this nature exist throughout rural areas and are essential to the economy and local communities. Many were developed by central government funding in the 1970s, are funded and run by committees of farm users, and receive council expert assistance to run the supply.

Where there are existing service delivery arrangements between councils and community/rural schemes, officials will need to work together with all parties through any transition period to identify these and ensure the services continue in a future system with appropriate agreements in place with the new entities.

Taumata Arowai is also working with the rural sector on appropriate, practical and cost-effective compliance solutions for small suppliers. For example, point of entry devices such as UV filters would enable farmers providing drinking water to their neighbours to do so affordably while meeting regulations and giving confidence to all parties on the safety of the water.