

Three Waters Reform: Interaction with Rural Schemes

This document is part of a series providing a high-level overview of key elements of the three waters reform proposals. Its purpose is to support discussion and feedback on these proposed arrangements.

Foundational elements of the interaction with rural schemes

The reform proposals are about ensuring all New Zealanders have access to safe, affordable three waters services that meet the expectations of communities now and into the future. We know that for some small/rural communities these services will become increasingly expensive into the future.

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. It does not impact single household self suppliers.

However, the Government acknowledges 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.

The changing regulatory environment

Alongside the three waters service delivery reforms, the Government is progressing regulatory reform, including to the compliance, monitoring and enforcement of quality standards for three waters services. This includes the establishment of Taumata Arowai and the regulatory environment it will monitor through the Water Services Bill.

The quality regulations have foundational principles that all New Zealanders deserve to have confidence in the safety of their drinking water and environmental performance of wastewater and stormwater networks, including those on rural supplies. (See separate paper on regulatory pressures on the three waters system for more detail).

This means that the drinking water quality safeguards are being extended to all drinking water suppliers, including small rural suppliers. Some have raised concerns that this will place pressure on rural supplies and could lead to these schemes being stopped or altered leaving some communities without a service.

What is proposed in the reformed system

An important principle underpinning the service delivery reforms is that councils will not be left with any residual services/obligations following the reform and transfer of their assets and expertise. This means obligations that currently sit with councils to deliver three waters services would transfer to the proposed water services entities. For example, specific obligations to make assessments of drinking water, wastewater, and sanitary services and to ensure communities have access to safe drinking water.

Where there are existing service delivery arrangements between councils and community/rural schemes, we would need to work together with all parties through the transition period to identify these and ensure the services continue in the future system with appropriate agreements in place with the new entities. For example, where private community operated services require technical assistance.

The Government proposals include setting out a series of operating principles in the legislation, to guide and inform how the water services entities deliver their objectives and functions. These include principles of working with other suppliers and communities to ensure services are delivered that meet the needs of these communities.

[In June 2021, Cabinet agreed](#) that these operating principles would include:

- developing and sharing capability and technical expertise – both internally, and across the wider three waters, development, control, and land-use planning sectors;
- being innovative in the design and delivery of water services and infrastructure;
- being open and transparent – including in relation to the calculation and setting of prices, determining levels of service, and reporting on performance;
- partnering and engaging early and meaningfully with Māori, local government, and communities;
- cooperating with, and supporting, other water services entities and infrastructure providers, local authorities, and the transport sector – including in relation to infrastructure planning, and development control and land-use planning processes;
- understanding, supporting, and enabling mātauranga Māori and tikanga Māori and kaitiakitanga to be exercised – both within the entities and when engaging with iwi/Māori.

What assets would transfer – does this include rural schemes

As above, privately owned schemes and supplies would not be transferred to the new entities. However, 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. There are also a number of assets that form part of the wider system, such as natural environment assets, parks and wetlands.

The Government is proposing that only those council-owned assets **necessary** for the delivery of three waters services would be transferred to the new water service delivery entities.

While further work needs to be undertaken on which assets will transfer to the new entities, where an asset has a different primary use, such as a sports field that also acts as a stormwater asset in times of flood, this would remain with the council and a service agreement with the entity would be considered where appropriate.

Under current proposals, the Water Service Entities will not manage rural stock schemes, as the primary purpose is for farmers/private landowners to manage their stock.

Supporting Private/Rural Supplies into the future

The Water Services Bill brings about a new regulatory approach. The Bill will require all drinking water suppliers other than domestic self-suppliers to provide safe drinking water and meet New Zealand's existing drinking water standards. This includes supplies in rural areas.

The Bill includes specific obligations on councils to make assessments of drinking water, wastewater, and sanitary services operated by non-council suppliers and to ensure communities have access to safe drinking water. This includes assessing that each community in its district has access to drinking water services, and considering the implications of the assessment in relation to:

- a) the territorial authority's current and future infrastructure strategy and long-term plan;
- b) the territorial authority's district plan prepared under the Resource Management Act 1991; and
- c) the territorial authority's broader duty to improve, promote, and protect public health within its district in accordance with section 23 of the Health Act 1956.

Where a territorial authority finds a community does not have access to safe drinking water it must work with the community. Taumata Arowai and drinking water suppliers to find a solution to the problem.

With the quality regulations and introduction of Taumata Arowai, questions have been raised about where responsibilities would sit for supporting private water schemes or taking these on should they fail or need support following the reforms.

As above, should the reforms proceed as proposed, any obligations that sit with councils currently would transfer to the new entities. The Department is considering what, if any, additional arrangements might need to be put in place for the new entities to work with private schemes that require or ask for assistance.

Why are small/rural supplies being regulated now

There has been longstanding poor compliance by small and rural supplies with drinking water standards in New Zealand. The drinking water standards in New Zealand reflect standards that are set by the World Health Organisation and remain unchanged through the quality reforms.

A Ministry of Health study found that an estimated 34,000 people each year become ill through consumption of unsafe drinking water. The Ministry of Health's annual report on drinking water quality 2019 – 2020 reported compliance with standards as follows:

- Supplies serving 501 – 5000 consumers – 43.8% compliance;

- Supplies serving 101 – 500 consumers – 31.3% compliance
- Compliance among supplies serving 100 consumers or less is unknown but is likely to be low.

Currently, under the Health Act regime, “rural and agricultural supplies” are defined as supplies used for stock water but provide drinking water to more than 25 consumers. These supplies are covered by guidelines – they do not have to meet drinking water standards. However, most if not all of these supplies currently chlorinate their drinking water and many have additional treatment.

These supplies were always intended to meet drinking water standards when the Health Act was passed – the guidelines were an interim measure, but the work to bring them into the regime never occurred.

However, all aspects of the regulation of drinking water supplies must be tailored by Taumata Arowai according to the “scale, complexity and risk profile” of a supply. This means that new treatment options will be available to rural supplies that have not been allowed under the Health Act.

In particular, “point of entry” devices, which are UV and filter devices that treat drinking water where it enters a house, are explicitly allowed under the Water Services Bill. Devices like this are a simple, cost-effective way for small rural supplies to provide safe drinking water that meets standards.

Alongside that, the Bill contains new, simple regulatory solutions. For rural supplies, they will be able to comply with an “acceptable solution” which is a safe harbour arrangement. If a supplier complies with an acceptable solution, they will be deemed to have complied with the regime. An acceptable solution for rural and agricultural supplies has been developed specifically for these supplies, and an exposure draft is available online: [Acceptable solutions for rural supplier exposure draft](#)