

Three Waters Reform boiled down – a quick overview

Provided by the Department of Internal Affairs

Updated June 2022

Find out more at www.dia.govt.nz/Three-Waters-Reform-Programme
or email threewaters@dia.govt.nz



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Why are 'three waters' important

- Every New Zealander has a right to safe drinking water no matter where they live. We also expect strong and resilient stormwater and sewage services that enable communities to prosper and grow, while protecting the environment.
- Drinking water, wastewater and stormwater services make up the 'three waters'. This three waters system is critical for the health and wellbeing of all New Zealanders.
- The performance of the three waters system is significant for upholding Te Mana o te Wai, the health of the environment, and the performance of the economy, building resilience to climate change and natural hazards, and unlocking housing and growth.

What is the current performance of three waters services?

- Every year, some 35,000 New Zealanders get sick from tap water that does not meet the international benchmark for clean drinking water.
- It is estimated that nationally an average of 20% of drinking water is lost on the way to households. This is more than the volume of water supplied by Hamilton, Rotorua, Dunedin and Christchurch City combined.
- Of the 321 wastewater treatment plants in the country, more than 100 are breaching consents and 60 require upgrades to meet minimum standards under the National Policy Statement for Freshwater Management.
- In 2021 there were 2,754 dry-weather **wastewater overflows** (i.e. blockages or system failures) and 1,159 wet-weather (i.e. rainfall events) overflows, and a further 355 from combined **wastewater and stormwater networks**. Out of 37 councils reviewed, there were 648 reported consent non-conformances in wastewater treatment plants.

What are the objectives of reform

The Government's reforms aim to significantly improve **the safety, quality, resilience, accessibility, and performance** of three waters services, in a way that is **affordable** for New Zealanders now and into the future.

The **purpose** of the entities will be to **provide safe, reliable and efficient water services**. With high-level objectives including:



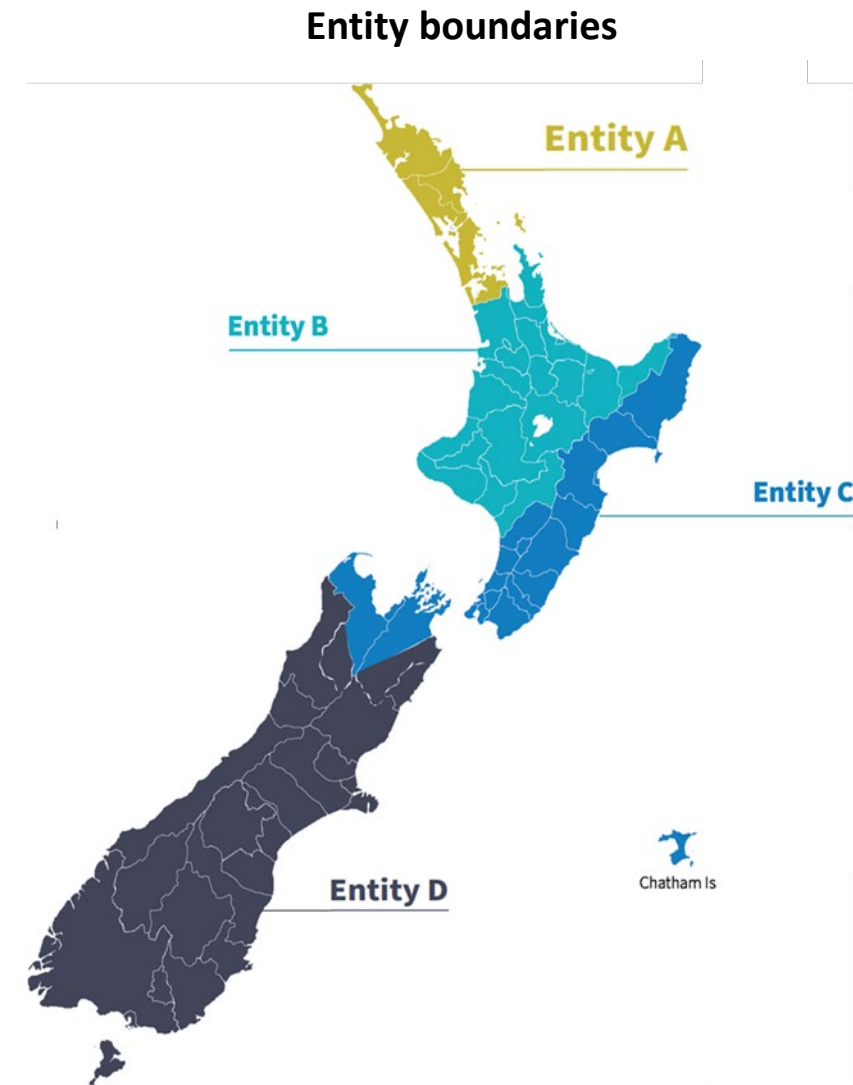
The Government also wants to ensure it delivers on **Treaty-related obligations**, including by improving outcomes for iwi/Māori in relation to three waters service delivery and **upholding Te Mana o Te Wai**. Integral to this is effective infrastructure delivery, underpinned by an **efficient, high-performing, financially-sustainable, and transparent three waters system**.

Why is the Government reforming three waters

- The Government's reform proposals follow the Havelock North Drinking Water Inquiry, and many years of discussion with local government and iwi about the outcomes we expect of our three waters services and the challenges facing the provision of these services into the future.
- The future of water service delivery is changing regardless of the Government's reforms. These are expensive services to provide. Upgrading our services to maintain infrastructure, meet community and environmental expectations and combat future challenges will see the costs of delivering these services increasing across the country.
- These future challenges include:
 - Adapting to climate change and building resilience to natural hazards
 - Lifting the standard of service delivery to meet health, environmental and cultural bottom lines
 - Responding to growth, housing and urban development needs
 - Maintaining and upgrading aging infrastructure
 - Operating within a constrained budget and workforce.
- The national evidence base shows that across New Zealand communities face an estimated cost of \$120bn-\$185bn over the next 30 to 40 years for investment in three waters infrastructure.
- Research shows that without reform, meeting community expectations to provide safe, reliable and clean water services will become increasingly unaffordable for some communities. Doing nothing will lead to further deterioration of services and be more costly for future generations to fix.

What has the Government proposed

- The three waters services in the 'Three Waters Reforms' are the **council-owned** infrastructure network and processes used to treat, transport, and discharge **drinking water, wastewater and stormwater**.
- The Government's Three Waters Reforms are proposing to shift the current 67 council-owned and operated three waters services into **four new publicly-owned entities** to manage the future delivery of these services.
- These new entities will:
 - be **publicly-owned by councils as the sole shareholders** on behalf of communities, with strong protections against any future privatisation
 - have **joint strategic direction and oversight** through Regional Representative Groups (and sub-committees) made up of local government and mana whenua to ensure the entities are driven by community expectations and priorities
 - be **financially separate from councils** with a greater ability to borrow to fund long-term infrastructure
 - have **independent competency-based boards** that will run the day-to-day management of the entities and oversee the maintenance and renewal of this infrastructure.
- The Government has also proposed a **new economic regulatory regime** to protect consumer interests and drive efficient investment and performance.



Water Services Entities Bill (Bill 1)

The Water Services Entities Bill is the first Bill in a suite of legislation to implement the Government's reforms.

You can read the full Bill [here](#). But in short, the Bill:

- provides the legislative basis to establish the four new publicly-owned water services entities, and sets out the **ownership, governance, and accountability arrangements** relating to these entities
- sets out the **boundaries, objectives and functions** of the new entities
- includes essential provisions for ongoing public ownership of the new entities, including **safeguards against future privatisation, and sets out the framework for community and consumer engagement**
- provides for **transitional arrangements** relating to the establishment of the new entities.

This Bill does not transfer assets and liabilities from local authorities to water services entities or integrate the entities into other regulatory systems, such as the resource management and economic regulatory regimes. These matters will be addressed in further legislation (Bill 2) that will be progressed later in 2022.

The Three Waters reforms will NOT, through this Bill or any other Bill in this suite of legislation, transfer privately-owned water supplies to the new entities.

When Select Committee submissions on the Bill open, we encourage you to get involved and have your say on this legislation.

Making your Submission to the Select Committee

How a Bill becomes law - New Zealand Parliament

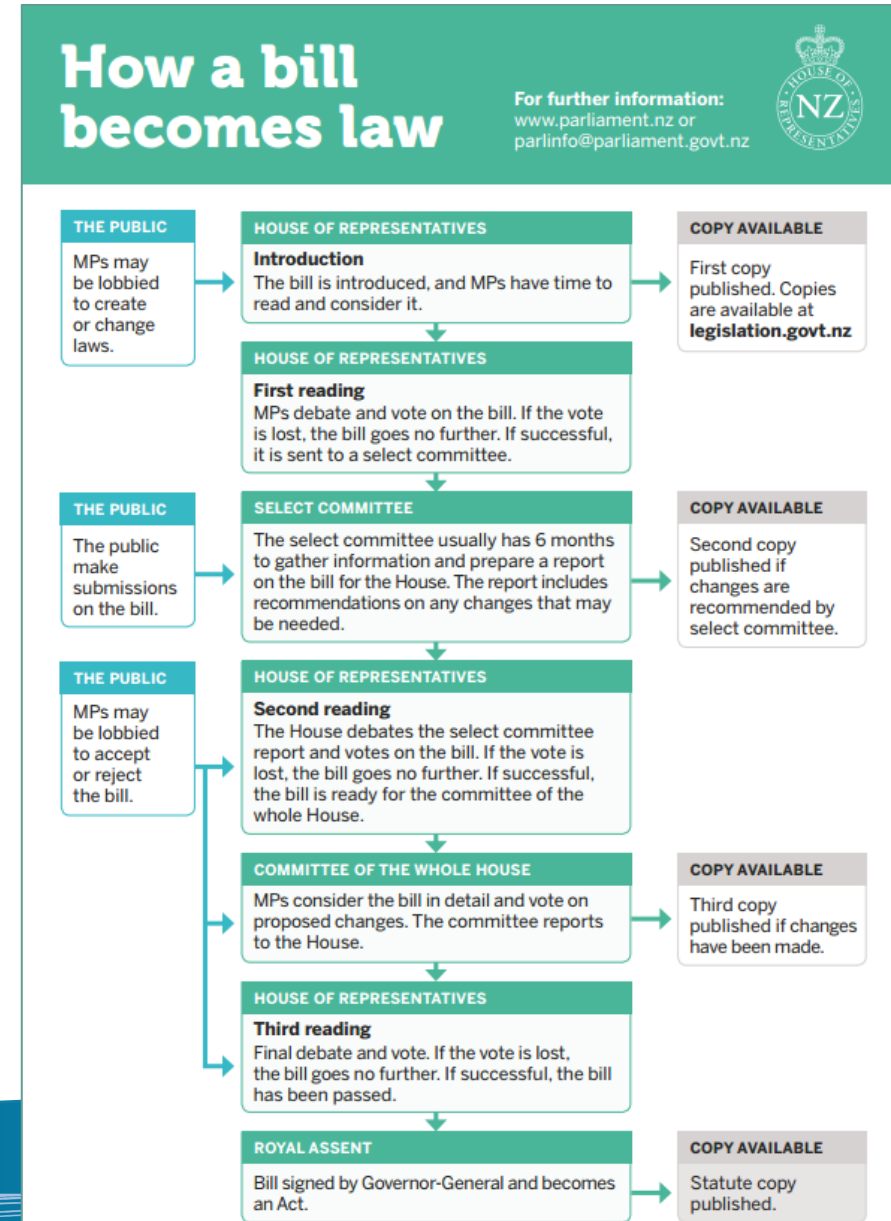
The Water Services Entities Bill will be referred to Select Committee for consideration as part of the Parliamentary process.

The Select Committee will invite public submissions on the Water Services Entities Bill. We encourage you to read the Bill and consider your submission in anticipation of this.

You can follow the Bill's progress on the parliament website [here](#).

The following link will give you guidance on how to make a submission to Select Committee. [Click Here](#)

You may also wish to make an oral submission which means presenting your views to committee members. For more information about appearing before the Select Committee, please read the Submission help pages – This can be [Found Here](#).



Input from local government, iwi and industry

- The Government's reform proposals have been designed through continuous and ongoing engagement with local government, iwi and the water industry over the past few years.
- You can read this engagement information on the Department's website.
- In response to feedback from the local government in 2021, the Government established three working groups to advise on refinements to the Government's reform proposals:
 - The **Working Group on Representation, Governance and Accountability** – this group released its [report](#) on 9 March 2022
 - **Rural Supplies Working Group** which is focused on how the new entities will work with rural suppliers and communities to achieve service outcomes – this group released its [report](#) on 31 May 2022
 - The **Planning Technical Working Group** that will focus on how the Three Waters Reforms interact with the future resource management system – due to finalise advice in mid 2022.
- This approach represents a continuation of the partnership-based approach that the Government has taken to policy development throughout the three waters reforms and the commitments the Crown made to Local Government New Zealand through the [Heads of Agreement](#) signed in July 2021.
- You can read the papers and recommendations of these working groups here: [three waters reform programme working groups - dia.govt.nz](#)

About the Working Group on Representation, Governance, and Accountability

- The Working Group was established with an equal number of representatives from local government and iwi/Māori to consider feedback and make recommendations about the representation, governance and accountability arrangements in the Government's reform proposals.
- The Group was led by an independent chair and included a balance of membership from across all four entity boundaries and a mix of rural, provincial and metropolitan leadership.
- The Working Group followed an inclusive process, with consensus-based decision making to develop its recommendations. The final report reflects this constructive approach.
- Through their process, the Working Group considered potential alternative models including: a cooperative ownership model; the Wellington Water model; the council-controlled organisation (Watercare) model; the Hawke's Bay regional model; a Ngāi Tahu model; the 'Communities 4 Local Democracy' alternatives; and a shareholding model.
- They also considered: core concepts of accountability, oversight, control and decision making; financial capacity and separation; other governance models that were considered during the development of the Government's reform proposals; Te Mana o te Wai and co-governance considerations; community ombudsman schemes; and stormwater considerations.

Working Group Recommendations

The Working Group on **Representation, Governance, and Accountability** developed a set of **47 recommendations** to enhance the reform proposals. These recommendations cover the following main areas:

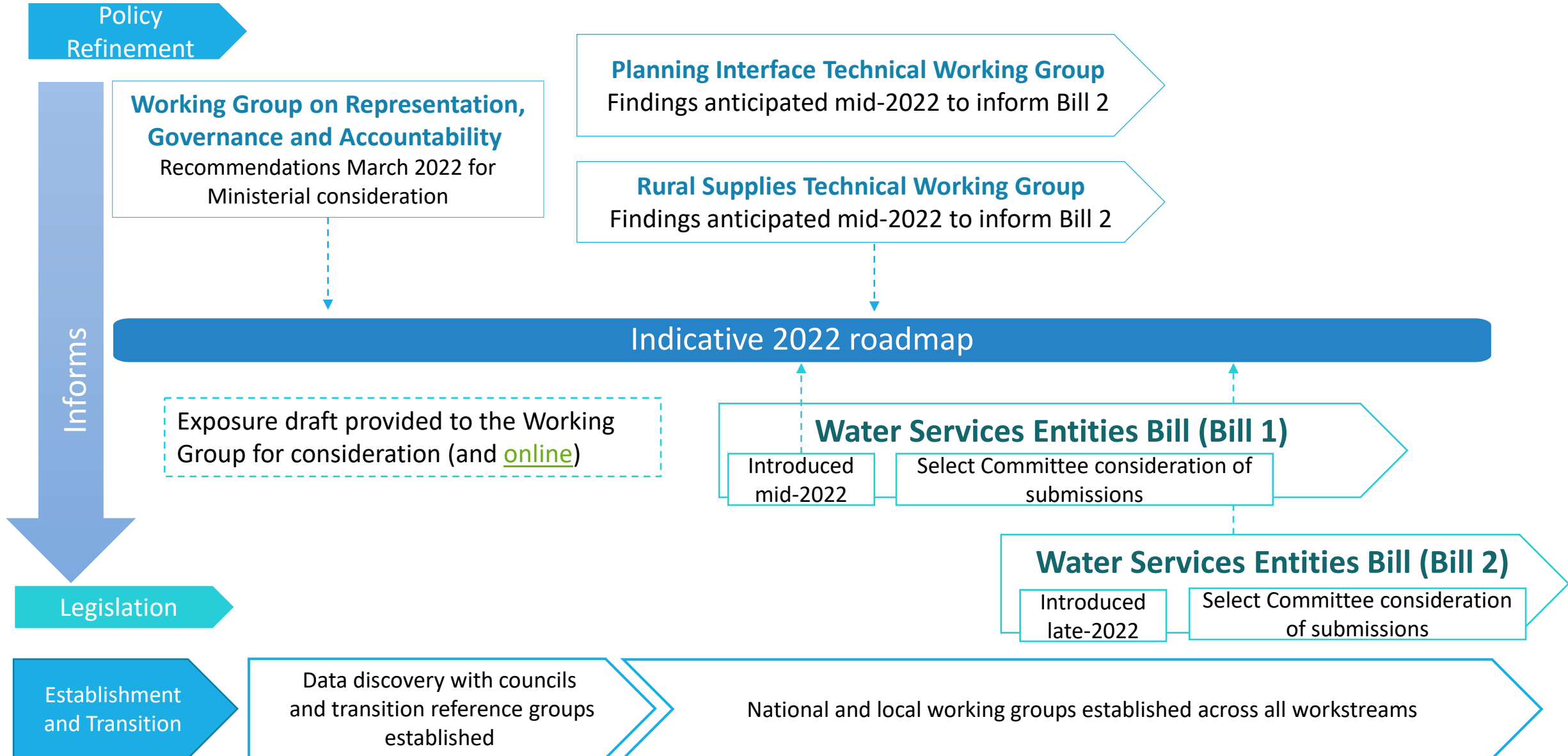
- a **public shareholding structure that makes community ownership clear**, with shares held by councils on behalf of their communities;
- **ensuring mana whenua have input in the delivery of water services through equal representation** on the regional representative group, **while maintaining a merit-based approach to board appointments**;
- **recognising and embracing Te Mana o te Wai as a korowai** that applies across the water services framework;
- **tighter accountability from each water services entity board to the community**, through new and stronger mechanisms including strengthening and clarifying the role of the Regional Representative Group; and
- **strengthened connections to local communities**, including regional advisory panels that feed into the regional representative group to ensure local voice is considered as part of investment prioritisation.

The Government has considered these recommendations and **agreed to progress almost all of these** in some form. These changes are now included in the Government's Water Services Entities Bill.

Two further technical working groups

- There are two further technical working groups to inform the development of policy in the following areas:
 - **Planning Technical Working Group** – to ensure an effective interface between the water services entities with the planning and regulatory system and the resource management reforms; and
 - **Rural Supplies Technical Working Group** – to bring a rural perspective to the water services reforms, including the role water services entities will have in supporting rural water schemes and the communities they serve.
 - This Working Group is also considering issues for rural water schemes relating to the regulation of drinking water.
 - The report of the Working Group can be found [here](#).
- The Department will consider the recommendations of these technical working groups in drafting the further legislation (Bill 2) in the latter half of 2022.

Indicative 2022 roadmap



Background on the problems the reforms address and some common questions

Find out more at www.dia.govt.nz/Three-Waters-Reform-Programme
or email threewaters@dia.govt.nz



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What underlying problems do the reforms solve

- The Department's analysis* identified four root causes that contribute to persistent and systemic problems in the provision of three waters services.
 1. **Limited opportunities to achieve benefits of scale** – with most councils currently supplying services to less than 100,000 customers.
 2. **Significant affordability challenges** – New Zealand's three waters services are estimated to need investment of between \$120bn to \$185bn over the next 30+ years. Meeting these costs without reform will be challenging for most local authorities, with average household bills needing to increase significantly.
 3. **Poor incentives for critical water infrastructure decisions** – Councils have a constrained ability to borrow to spread the high up-front costs of infrastructure over the lifetime of the service. Local authorities water infrastructure investment decisions must be considered against other council services.
 4. **Lack of effective oversight and stewardship for the three waters sector** – There is a lack of transparency about the state of assets and performance of the three waters system that make it difficult for customers and communities to hold water services providers to account. This has enabled the current challenges to slowly accumulate over time.
- The Government considers that **comprehensive system-wide reform** is required to address these root causes **together**. Simply addressing one cause alone, such as changing funding arrangements or introducing stronger regulation, will add pressure on the system in different places. This is likely to exacerbate inequities, and will not achieve long-term outcomes for all New Zealanders.

*This analysis is available online in the [Department of Internal Affairs - Regulatory Impact Analysis](#)

Addressing the underlying problems

- The Government has assessed a range of potential solutions to the underlying problems facing the delivery of three waters services into the future.
- The Government's reforms proposals would create multi-regional entities with a singular focus on delivering safe, reliable and affordable water services to communities.
- These new entities will be able to achieve greater efficiencies than councils can by themselves, and will have significantly greater capacity to invest and respond to future needs.
 - This is achieved through a combination of factors including highly competent boards, strong management capability, greater workforce specialisation, greater capacity to invest, and economies of scale in procurement and other specialist functions.
- Local government and mana whenua will provide joint oversight and strategic direction which will set priorities for these entities and keep them to account.
- Communities and consumers will have existing and new mechanisms to engage directly with the entities.
- In addition, a stronger regulatory environment from Taumata Arowai, Regional Councils and the proposed economic regulator will drive efficiencies and transparency of performance and ensure these entities achieve quality standards. National-level direction may also be set through the introduction of a Government Policy Statement.

What is outside the scope of the Government's Three Waters Reforms

- **This is not about taking over operation of privately-owned supplies.** However, the Government is working with the Rural Supplies Technical Working Group to understand how the proposed entities may support private supplies that currently receive assistance from councils to run their services.
- The proposed entities will continue to operate within the resource management system – **the Three Waters Reforms will not alter the system for gaining resource consents, water allocations, or ownership and management of freshwater.** This is subject to work of the Ministry for the Environment you can read more about this work here: [Resource management system reform | Ministry for the Environment](#).
- **The Three Waters Reforms are not reforming the flood protection system** implemented mostly by Regional Councils. However, in taking a catchment-based approach, the reforms are considering the interplay of stormwater in this system.

Some common questions

The Three Waters Reforms are complex. This has meant there is some confusion about the reform proposals. The following slides discuss some common misconceptions or myths about the three waters service delivery reforms.

Question: Will the Three Waters Reforms take private water supplies / take back water allocations

Answer: No. The Three Waters Reforms aim to reform **council-owned services only**. **This discussion is not about taking over operation of privately-owned supplies**. However, the Government is working with a Rural Supplies Technical Working Group to understand how the proposed entities may support private supplies who currently receive assistance from councils.

The proposed entities will continue to operate within the resource management system – **the Three Waters Reforms will not alter resource consents, allocations, or address ownership of freshwater**. This is subject to work of the Ministry for the Environment.

Question: Are the Reforms taking away local assets

Answer: The water services entities will be **collectively owned by councils**. Through the reforms, council-owned three waters assets will transfer to the new entities who will be responsible for the maintenance and renewal of these assets, and the day-to-day running of the services. These assets will continue to deliver services to the communities that have paid for them.

This arrangement is similar to that of Auckland's Watercare model – noting the difference is that the new entities will be collectively owned by councils and have operational and financial independence.

The reforms will ensure the maintenance, renewals and upgrades to the infrastructure is affordable for all New Zealanders into the future.

Questions continued

Question: Will we have a say in the future system

Answer: Yes. The Reform proposals have been designed ensure councils, mana whenua, communities and consumers have a strong role in the new water services entities. This includes through existing mechanisms, like council planning tools and community consultation on the entities plans, and new protections like the introduction of consumer forums. The Governance and Accountability Working Group has also made recommendations to strengthen local voice, and these are currently being considered by the Government.

Question: Are the Three Waters Reforms a step towards privatising water

Answer: No. Continued **public ownership of the water services entities is a bottom line for the Government.**

Safeguards against future privatisation will be written into legislation to maintain ongoing ownership of the new entities by local authorities on behalf of communities they represent. Beyond that, the Government will make communities the ultimate guardians of public ownership by requiring a minimum of 75% of the votes in a public referendum for any privatisation proposal to proceed.

Question: Are the reforms giving ownership of the entities to Māori

Answer: No. The entities will be **owned collectively by councils** as the sole shareholders.

Mana whenua will sit alongside local government on the Regional Representative Groups in joint strategic direction and oversight of the entities – **this is not ownership and does not include any right of veto for either party.**

The entities will have independent, competency-based boards that will manage the day-to-day business of the entities informed by the priorities and expectations set by the Regional Representative Group.

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