Water Services Reform Media Q&A

What's changing?

The Government is announcing major changes to New Zealand's affordable water reforms by agreeing to establish 10 new regionally led entities, which will still deliver big cost savings to New Zealand households during a cost of living crisis.

By extending the number of publicly owned water entities to 10, every district council, and therefore every community, will have a say and representation over their local water services entities.

This new approach incorporates feedback from Local Government leaders and relevant stakeholders, while ensuring New Zealand households will save $2,770-$5,400 per year by 2054 compared to the status quo.

Why?

The Government has asked local councils how it can address its water services reform plan. We've heard concerns from councils that the four entity model we had developed will result in a loss of local influence and voice.

Discussions with local authorities about the reforms highlighted the need to ensure the entities are more closely connected with the communities they serve. This is so that all New Zealanders can have confidence that the entities will listen and respond to their needs.

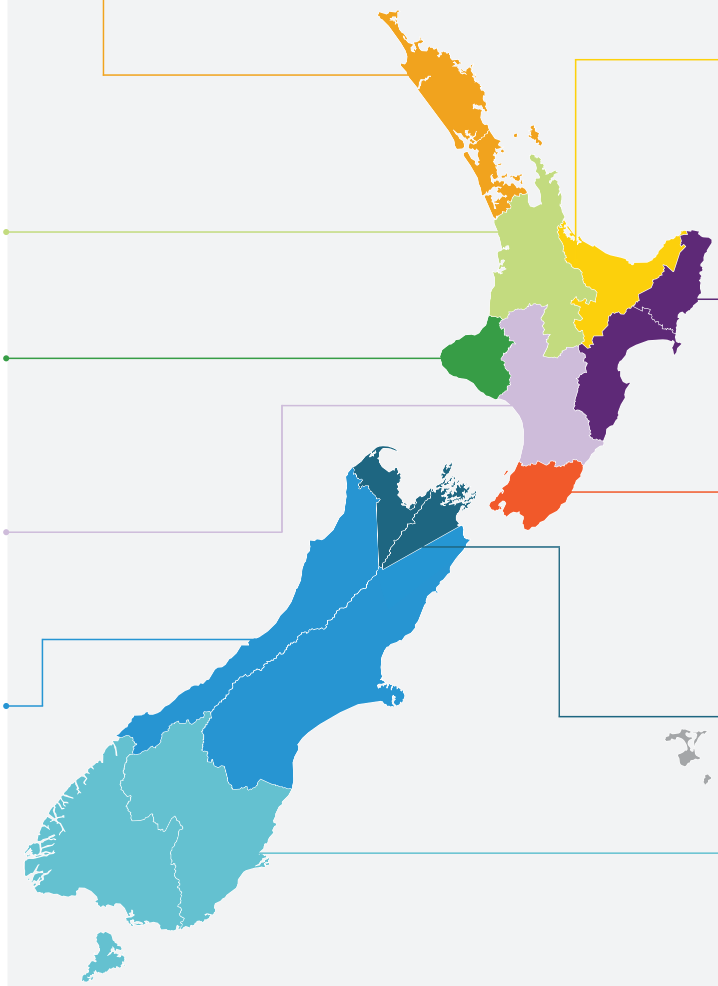
Auckland, Northland
- Far North District
- Kaipara District
- Whangarei District
- Auckland

Waikato
- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- South Waikato District
- Taupo District
- Thames-Coromandel District
- Waikato District
- Waipa District
- Waitomo District

Taranaki
- New Plymouth District
- South Taranaki District
- Stratford District

Manawatū/Whanganui
- Ruapehu District
- Whanganui District
- Rangitikei District
- Manawatū District
- Palmerston North City
- Tararua District
- Horowhenua District

Canterbury, West Coast
- Buller District
- Grey District
- Westland District
- Kaikoura District
- Hurunui District
- Waimakariri District
- Christchurch City
- Selwyn District
- Ashburton District
- Timaru District
- Waimate District
- Mackenzie District
- Waitaki District



Bay of Plenty
- Rotorua Lakes
- Kawerau District
- Opotiki Districtl
- Tauranga City
- Western Bay of Plenty District
- Whakatane District

Tairāwhiti - Gisborne, Hawkes Bay
- Gisborne District
- Wairoa District
- Central Hawke's Bay District
- Hastings District
- Napier City

Wellington, Wairarapa
- Wellington City
- Porirua City
- Kāpiti Coast District
- South Wairarapa District
- Carterton District
- Masterton District
- Hutt City
- Upper Hutt City

Te Tau Ihu - Nelson, Tasman, Marlborough
- Tasman District
- Nelson City
- Marlborough District

Otago, Southland
- Dunedin City
- Clutha District
- Central Otago District
- Queenstown-Lakes District
- Gore District
- Southland District
- Invercargill City

By establishing ten entities closely based around existing regions we can make sure the new entities have a closer relationship with the communities they serve and still deliver big cost savings to New Zealanders. This will strengthen local representation and influence over the entities' high-level decision making.

What will this mean for communities?

Greater representation as the link with local communities is strengthened. Having ten entities rather than four means that every council, and therefore every community, is represented on the entities' regional representative groups.

When?

With more water services entities, it is necessary to change the establishment date of the entities, and when the new system is due to come into effect. To allow for this we have decided on a staggered approach rather than all ten entities going live at once. New entities will begin to be stood up from early 2025 and this process will be completed by 1 July 2026 at the latest.

What about costs for households?

This new approach will still deliver greater savings to households than continuing without reform.

Every community will be financially better off. This new approach will avoid a rates blow out for New Zealanders and still deliver savings to households between $2,770-$5,400 per year by 2054.

For example without reform, Hamilton households would be facing an average annual rates bill of $5,400 in 2054. This is an unacceptable cost to pass onto rate payers.

With reform, households in Hamilton in 2054 will instead have an average household bill of $2,760 with strong water infrastructure and access to safe drinking water.

The reform programme makes sure we invest more money in our water assets to maintain and improve services. We also want to ensure that this increased investment doesn't make water charges unaffordable for New Zealanders.

Our plan depends on setting up new water services entities that are large enough to borrow much more money over longer periods for this investment than councils can. It also depends on these larger entities being run more efficiently, by buying equipment and services in larger quantities and at lower prices for example.

We are also looking at ways to recoup some of the scale economies that might otherwise be lost due to there being smaller entities – through shared services, for example.

Does this mean the reform programme is too expensive?

No, our analysis shows that future costs for households will still be much more affordable, and will deliver savings to households as a result of reform than they would be under a continuation of the current management of water services.

What about the smallest entities where future costs are forecast to be higher?

All households (based on the average in each district) will enjoy savings relative to the status quo over the long term. No community is left behind or misses out on the benefits of reform.

What does this mean for the cost of the reform programme?

Increasing the number of entities means the overall cost of setting them up will be higher. This is because more entities means the task of setting them up is more complex and will take more time to ensure a smooth transition.

Is the Government doing anything else to keep costs down?

Yes. To meet the extra costs of establishing ten entities and make sure the new entities do not begin with high levels of debt, the Government has decided not to go ahead with the $1.5 billion second phase of 'better off' funding for councils.

The first phase of the better off package ($500M) will continue as planned and this funding will be allocated to Councils as per current funding agreements.

Because $1 billion of the second phase of better off funding was to have been provided by water services entities through borrowing, this will free up the same amount for them to invest in their community drinking water, wastewater and stormwater networks.

The $500 million 'no worse off' funding package for councils will remain in place, which will help ensure that no council is left worse off as a result of the costs and financial impacts of the transition process.

What is the governance model of the new water service entities?

Governance of each of the water services entities will be provided by a professional board.

It will be a competency and skills based board required to be made up of members appointed for the appropriate knowledge, skills and experience, this includes the sorts of skills that would be expected of a utility operation with a specific focus on water. Examples of these skills include storm water management and flood prevention, engineering and infrastructure design experience, commercial and financial advisory skills, community governance and engagement (including iwi Māori) and risk and emergency management.

What about the regional representative groups?

Having ten entities means that every council and therefore every community is represented on the regional representative groups.

Communities will continue to have influence over the water services entities through regional representative groups. The Regional Representative Groups (RRG's) are the partnership between council representatives and iwi/Māori that will provide strategic oversight and direction. The RRG has no role in the day to day governance and operation of the locally owned entities.

The role of the regional representative group for each entity is to appoint the professional board and to set expectations of how the entity is run that reflect the needs of communities. The regional representative group will also monitor and hold the board to account for meeting those expectations.

Under the 10-entity model, every territorial authority owner will be represented on the entity's regional representative group. There would continue to be an equal number of mana whenua representatives.

Under te Tiriti o Waitangi/the Treaty of Waitangi, mana whenua have the right to participate in decisions that relate to water services. Iwi/Māori also have responsibilities as kaitiaki to protect Te Mana o te Wai, the health and mauri of our water. Therefore it is appropriate that the regional representative group remains a partnership between iwi/Māori and representatives of the councils who will own the new entities and represent their wider communities.

Do the 'stronger links' with communities under this new model affect balance sheet separation?

It is possible that the greater levels of representation under the new model further strengthen It.
The new model retains key features of the model that credit ratings consider important in assessing whether balance sheet separation from local authorities would be achieved, including public ownership, joint oversight by local authorities and mana whenua, operational and financial independence, economic regulation and the Crown support arrangements.

Previous advice from ratings agency Standard & Poor's when they considered a similar regional water services entity model was that balance sheet separation would be achieved under this approach provided no individual council had a very significant or controlling interest. We are confident this will remain the case with the proposed 10 entity model.

What has not changed?

The Government has been very clear for some time, including during the recent reset discussions with councils and iwi/Māori that it is not changing its water services reform bottom lines.

They are:

- Water services entities will continue to be publicly-owned;
- They will have operational and financial independence (balance sheet separation) to allow them to make much needed investment;
- They will have oversight from a regional partnership between local authorities and mana whenua.

What does this mean for the water services legislation?

- We will introduce and pass legislation to allow for this new timeframe before this year's general election. This will give councils and their water services staff certainty for planning and employment purposes and to allow our work to set up the new entities to continue.
- The Water Services Legislation Bill and The Water Services Economic Efficiency and Consumer Protection Bill which are both currently before Parliament are largely unaffected by the changes to the number and boundaries of entities and their go live date. These bills will continue their progress through Parliament.
- The Water Services Entities Act passed in late 2022 and the Select Committee that considered that bill received over 10,000 submissions. The proposals we are announcing respond to this feedback.