

Hon Simeon Brown Minister of Local Government



21 November 2024

LGNZ combined sectors speech

Good morning, and thank you, Andrew, for your kind introduction. I want to extend my acknowledgements to LGNZ President, Mayor Sam Broughton, for the invitation to speak today. I'd also like to acknowledge Cr Darriea Turley, President of Local Government New South Wales, and Domenic Isola from the Municipal Association of Victoria, who have joined us here. Your presence underscores the shared challenges and opportunities local governments face across our two countries.

It is both a pleasure and a privilege to address you at what I believe is a pivotal moment for local government in New Zealand. Much like central government, you have inherited pressing issues that are affecting the delivery of vital services to our communities. These challenges may seem daunting, but the opportunities to reshape and strengthen local government for the better are equally profound.

New Zealanders are looking to us—both central and local government—not just to govern but to get back to basics: delivering core services, strengthening infrastructure, and ensuring fiscal responsibility. This aligns with the Government's plan to rebuild the economy, restore law and order, and deliver better health, education, and infrastructure. These are the fundamentals of building a stronger New Zealand, and they require clear decisions, strategic investment, and disciplined execution.

When I last spoke with you, I outlined the Government's expectations: greater transparency, accountability, and cost-effectiveness in the way councils manage their resources. I will have more to say on that in the coming weeks. Today, I want to delve deeper into Local Water Done Well because it is central to addressing one of the most critical issues facing our communities: the water infrastructure deficit.

Local Water Done Well: A New Approach to Water Infrastructure

Let's start with a shared understanding. New Zealand's water infrastructure is under significant strain. For decades, the costs of underinvestment have accumulated, and the signs are now unavoidable—aged pipelines, mounting repair bills, and water quality issues. The debate is not about the scale of the problem—it's about how we fix it and how we pay for it.

The previous government's approach to Three Waters was fundamentally flawed: it stripped councils of their assets, imposed costly and convoluted co-governance solutions, and sidelined communities. It was rejected by almost every mayor in

New Zealand and by the public in last year's election. The Government listened to councils and communities who opposed this approach. We moved quickly to repeal Three Waters, restore council ownership of water assets, and empower councils to make decisions that work for their local needs.

The framework we have introduced centres on Water Services Delivery Plans, which provide a clear pathway for councils to assess the financial sustainability of their water services and chart a course for improvement. These plans represent not just a process, but a promise—to future generations, that their access to clean, safe, and reliable water services will be safeguarded.

This new approach is built on a simple but powerful principle: local solutions to local problems. It ensures that water revenues are ringfenced for water infrastructure—not diverted to unrelated projects. Ringfencing ensures that every dollar collected for water services is reinvested directly into water infrastructure. It gives communities confidence that their money is being used wisely and transparently. Additionally, the new approach gives councils access to better financing options through the Local Government Funding Agency, providing a way to share the costs of infrastructure fairly and sustainably.

But here's the key point: it's now time for councils to step up. Many of the tools, frameworks, and guidance are in place. The decisions are now yours to make.

Expectations and Support for Councils

We are three months into the 12-month period for councils to develop their Water Services Delivery Plans. These plans must be robust and realistic. They need to demonstrate financial sustainability while meeting regulatory standards for water quality and infrastructure. To help councils achieve this, the Government has established enduring policy and legislative settings, such as:

1. **Access to financing:** Through the LGFA, councils can secure financing for water infrastructure at significantly lower interest rates. This is a game-changer, allowing for investment without excessive rate hikes or delays.

While LGFA will provide financing up to a level of 500 per cent of revenues for council controlled water organisations, it's also worth noting LGFA's decision this week to allow financing for growth councils of up to 350 per cent of revenues. Councils should be accessing this greater level of borrowing to provide ratepayer relief quickly by spreading infrastructure costs most effectively. LGFA provides the lowest cost borrowing and it is my expectation they utilise this partnership.

2. **Council-controlled organisations:** The new class of independent water CCOs provides councils with the operational autonomy and financial tools needed to deliver water services efficiently and sustainably. These CCOs will feature a corporatised structure, operational autonomy from their council owners, and legislated revenue streams. These factors are critical for securing a higher level of leverage in the eyes of lenders and credit rating agencies, without impacting councils' ability to borrow for other activities. In many cases, this structure will also create additional borrowing headroom for councils, freeing them to invest in other key priorities.

- 3. Economic and water quality regulation:** The Commerce Commission and the Water Services Authority, Taumata Arowai, will oversee economic regulation and water quality standards, ensuring accountability and protecting consumers. It's important for councils to factor this into their planning—whether water services are delivered through a council-controlled organisation or retained in-house.

These settings create a framework for prudent investment, enhanced financial sustainability, and improved water services. But let me be clear: business as usual is no longer an option. Councils must act now to evaluate their financial positions, consider joint arrangements, and make the necessary changes to ensure sustainable water services.

A key principle of Local Water Done Well is that councils are empowered to decide how best to deliver their water services. The Government has provided the tools, frameworks, and guidance, but the ultimate responsibility lies with you, as councils, to shape solutions that work for your communities.

There are a variety of pathways available to councils to improve water service delivery. While the regional approach through joint water organisations is strongly encouraged for its long-term efficiencies, councils also have the flexibility to explore other models, such as shared service agreements, or long-term contracts with third-party providers. Ultimately, it's about councils determining the best option for their communities while keeping the focus on delivering cost-effective, high-quality water service

However, I want to be very clear—there is a strong expectation that councils will look regionally.

The Government's expectation is that, in many—if not most—cases, councils will work together to establish joint water organisations. This principle underpins Local Water Done Well, reflecting the need for collaboration to deliver sustainable and efficient water services.

Regional collaboration is not just an option; it's a practical necessity. By forming joint water organisations through the new regional council-controlled water organisation model, councils can create structures that are both cost-effective and operationally efficient. These regional CCOs allow councils to pool resources, improve access to financing, and reduce costs for ratepayers, all while maintaining ownership of their assets.

We know from international evidence that water service authorities servicing populations of approximately 200,000 people achieve the best balance of efficiency and sustainability. While this is not a rigid requirement, it is a clear guideline based on proven success. Councils should take this into account as they develop their Water Services Delivery Plans.

Let me also be clear: merging water services does not mean that every council or community will face harmonised charges from day one. The process can and should reflect the realities of each region. Look at Auckland—after merging, it took

six years to harmonise Watercare's charges. Collaboration allows councils to move at a pace that suits their communities, while ensuring long-term savings and efficiencies are realised.

The regional CCO model represents the most affordable and effective pathway forward. The tools are in your hands. The responsibility is yours to decide, but the expectation is clear: councils should work together, regionally, to deliver sustainable water services that meet the needs of their communities and the standards New Zealanders deserve.

There are effectively three quarters remaining before the water service delivery plans must be completed.

I expect councils to provide regular updates on their progress at the end of each milestone to ensure we stay on track.

Coming up to the end of this first quarter, all councils should have assessed their own standalone financial positions and completed a stocktake of their current water services delivery arrangements.

They should be considering their preferred delivery model and exploring alternative models and discussing with the Department of Internal Affairs how they plan to address any barriers to financial sustainability.

Next quarter (quarter two), councils should be deciding on their preferred delivery models and consulting with their communities.

Quarters three and four, councils should be finalising their Plans and submitting them to the Department of Internal Affairs. Clear pathways of support will be identified to ensure all Plans are received by 3 September.

To assist councils in this process, Crown Facilitators are available upon request. Their role is to support councils in navigating the complexities of preparing these plans. They can provide tailored guidance, facilitate collaboration among councils, or assist with joint planning efforts. These facilitators are not there to impose decisions but to help councils develop robust, achievable plans that meet their unique needs.

For example, a Crown Facilitator could guide a council through the preparation of a plan or work with multiple councils to facilitate or negotiate a joint plan. If requested and agreed upon, they can also provide a deciding role to help resolve challenges and ensure progress.

If your council or group of councils would benefit from this support, I encourage you to contact the Department of Internal Affairs as soon as possible. I have a list of facilitators who are ready to go at any point.

Regulation and Levies

Another key consideration is the role of the Commerce Commission in monitoring and enforcing the ringfencing of water revenues, ensuring that funds collected for water services are reinvested where they're needed most. Over time, and if necessary, the Commission may also regulate water service charges to ensure

they remain fair and equitable for consumers. Additionally, the Water Services Authority, Taumata Arowai, will continue to oversee water quality standards.

I can confirm that both the Water Services Authority Taumata Arowai and the Ministry of Business, Innovation and Employment will soon be consulting with councils on levies to fund their work from July 2025. These levies will be set at modest levels, ensuring that the cost is proportionate and falls on those who benefit—households, businesses, and other users of water services. The levies will be collected through water service charges.

I want to pre-empt any concerns about these levies placing additional financial burdens on councils or their CCOs. Let me assure you that these costs will be relatively small but are expected to generate significant benefits in terms of safety, reliability, environmental outcomes, and efficiency. At the same time, we are working to reduce the overall compliance burden on water service providers to keep costs manageable.

Wastewater Standards and Infrastructure Design Solutions

Looking ahead, I will soon be introducing a new approach to wastewater regulation, which will help councils achieve significant cost efficiencies. The Department of Internal Affairs will provide information shortly on the potential savings from the new wastewater standards, which are proposed to be introduced in August 2025. Opportunities for public and sector input will begin in early 2025, and transitional guidance for wastewater treatment plant consents will be available by December this year.

In addition, we are developing Infrastructure Design Solutions, which will further reduce costs by setting national design and operating requirements for modular wastewater treatment plants. This approach is expected to cut consent, design and delivery costs by up to 50% in some cases. It's another example of how we are working to ensure that more of the money collected from users goes into infrastructure improvements, rather than being lost in process costs.

These regulatory changes will also have implications for regional councils, particularly regarding their operational role in wastewater, stormwater, and drinking water policy and consenting. Regional councils will be required to implement a single standard approach in resource consents, reducing bespoke conditions and creating a streamlined, cost-effective system. While exceptions will apply in limited cases—such as pristine environments—this consistency will expedite the consenting process, reduce costs, and provide greater certainty for all stakeholders.

As councils develop their Water Services Delivery Plans, I encourage a balanced, pragmatic approach that considers both cost-efficiency and environmental and public health impacts. We want to see evidence of common-sense solutions tailored to local circumstances.

Introducing Regional Deals: A Transformative Opportunity

Before I conclude, I am pleased to provide an important update on the Regional Deals programme, an initiative at the heart of this Government's commitment to regional development and economic growth.

Earlier this year, I announced the Regional Deals Strategic Framework, which lays the foundation for a 30-year vision of regional development and a 10-year strategic plan for delivering shared objectives between central and local government. These deals are designed to address our regions' most pressing needs, from infrastructure to economic development and housing affordability, while promoting long-term sustainability.

Today, I am pleased to announce that Cabinet has agreed to invite all councils to participate in Regional Deals.

As I said the last time I spoke to you, the relationship between central and local government has often resembled ships passing in the night—sometimes on parallel courses, sometimes not, but rarely working together as effectively as our communities, citizens, and constituents deserve. Regional Deals mark a historic shift. For the first time, we are coming together to establish a clear plan—and the necessary infrastructure—right from the start. These deals are not about wish lists or disconnected projects. They are about true alignment between central and local government, built on shared priorities and practical, deliverable outcomes.

Key priorities in a Regional Deal include:

1. Economic growth and productivity.
2. Delivering connected and resilient critical infrastructure.
3. Improving the supply of affordable, quality housing.

How It Works

Councils will be asked to work together on initiatives they wish to propose as part of a regional deal, and to submit one regional deal proposal per region. A 'region' for Regional Deals, as defined in our strategic framework, is a clearly defined economic and geographic area with a functioning local authority.

I encourage councils to begin discussions with one another now, as they will be asked to define their Regional Deals region when confirming their intention to participate. By 18 December 2024, regions will need to confirm their intent to participate, with light-touch proposals due by 28 February 2025.

Proposals should highlight each region's top five priorities or projects—the initiatives with the greatest potential to drive economic growth, infrastructure development, and housing affordability. Regional Deals are not a wish list of aspirational projects; they are a joint framework for delivering practical, impactful solutions that align central and local government efforts. Every deal must be jointly agreed to ensure the priorities are realistic, achievable, and tailored to the region's specific needs.

Regional Deals are also an opportunity for central and local government to work together on the funding and financing tools needed to help unlock infrastructure. For example, the Government has made it clear that we will be using tolling to help pay for many of the new roading projects we are committed to. If a local council wants to see investment from central government, we will be looking for their

support for the funding and financing tools needed to help deliver on those investments. Alternatively, where a council needs support with an Infrastructure Funding and Financing (IFF) facility, central government can agree to support the council in using this tool to unlock land for development.

To enable collaboration and negotiation between central and local government, these proposals will remain confidential until a Memorandum of Understanding (MOU) is signed with the selected regions.

Supporting the Regions

Regional Deals offer councils an unprecedented opportunity to engage in long-term planning regionally and with central government. We want to see councils demonstrating greater collaboration, shared services, and innovative thinking. The more that this is demonstrated in a regional deal, the more attractive that will be for central government. Councils that are advancing their Water Services Delivery Plans effectively and embracing these principles will find themselves well-placed to secure Regional Deals.

This process is about practical, tailored solutions—not glossy documents or extravagant presentations. We have deliberately called them Regional Deals as we want councils working together. The more that collaboration is demonstrated in a Regional Deal, the more attractive it will be to central government.

Collaboration among councils, iwi/Māori, and the private sector will be key to achieving lasting success.

As I said earlier, Regional Deals are a chance to have longer-term planning between central and local government and to stop being ships passing in the night. Instead, we can chart a shared course that delivers real, tangible outcomes for the people we serve.

Conclusion

As I conclude, let me reiterate the Government's commitment to empowering local government to succeed. With **Local Water Done Well** and **Regional Deals**, we are providing the tools, frameworks, and opportunities for councils to deliver tangible benefits to your communities.

These initiatives are about more than infrastructure—they are about delivering for all New Zealanders and building a future where every region can thrive. Let us focus on getting back to basics, ensuring every dollar is spent wisely, and driving the economic growth and sustainability our country needs.

I look forward to seeing the innovative solutions you bring forward and to continuing our work together.

Thank you.