

# Information for councils: Water Services Reform



## What's changing and why

**There will be 10 water services entities closely based around existing regions.**

This will enable the entities to have a closer relationship to the communities they serve, thereby strengthening local representation and influence over the entities' high-level decision making.

Every territorial authority owner, and therefore every community, will be represented on the entities' regional representative groups.

The 10 entities will still have the size necessary to improve access to funding to invest in water services, while continuing to ensure improved affordability of water services.

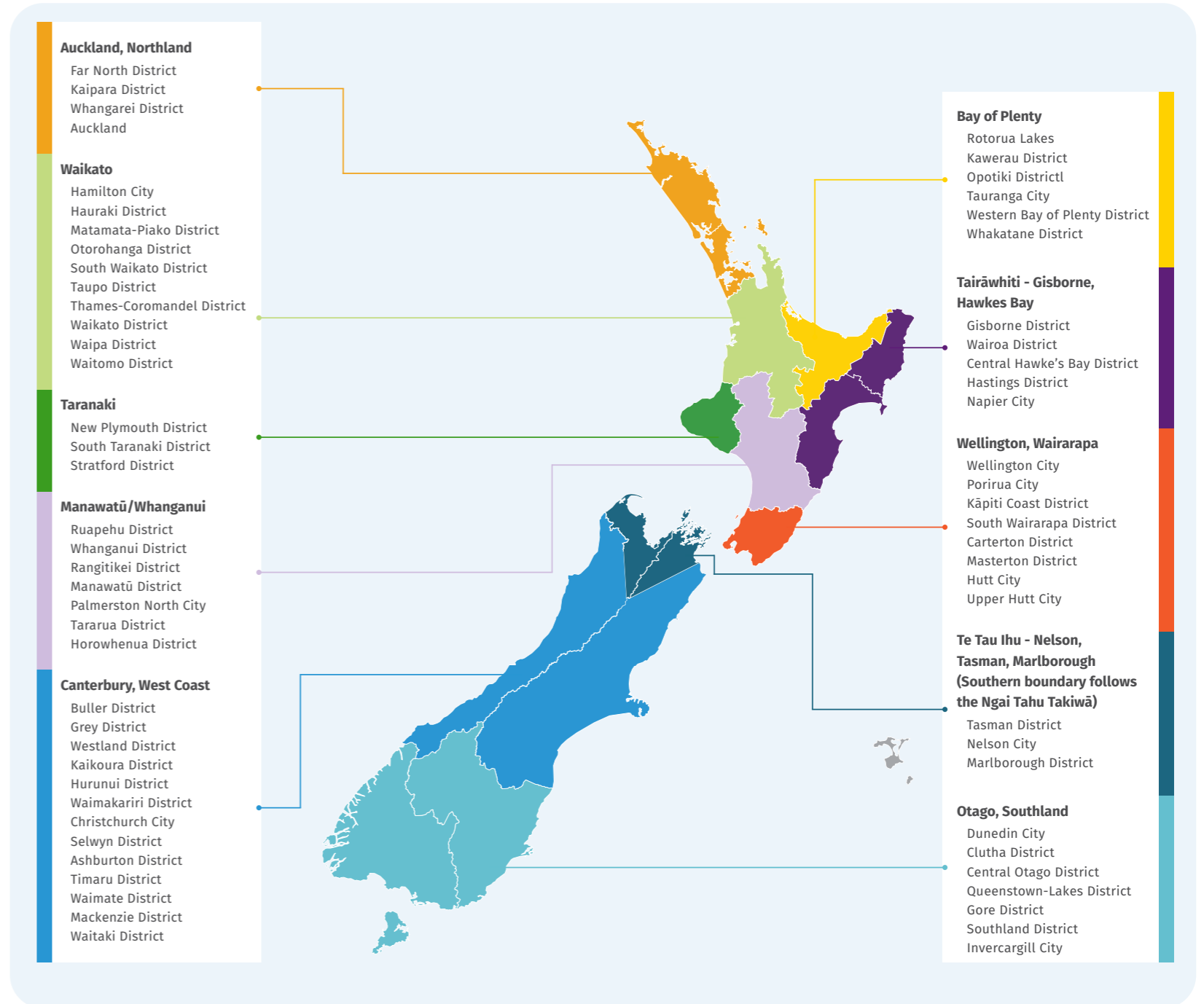
## Changing the reform model means changes need to be made to the transition timeline.

It is necessary to change the establishment date of the entities, and when the new system comes into effect.

The establishment date for water services entities will be staggered, from early 2025 to 1 July 2026, rather than the original start date of 1 July 2024 for all entities.

The National Transition Unit will work with councils to determine 'go live' dates in light of the Government's changes to the reform model.

The change in establishment date means councils will continue to be responsible for delivering water services until the new 'go live' date for their entity – and into the early years of their 2024-34 long-term plan.



## Stormwater continues to be included in the reforms.

Recent extreme weather events have further highlighted the importance – and fragility – of this critical infrastructure.

A significant amount of investment will be required in stormwater infrastructure into the future, and we will need entities of sufficient scale to make this happen.

## Strengthened local voice and influence

### Ownership

The entities will be owned by local councils on behalf of the public, but will be operationally and financially independent from councils.

This enables the entities to fund the significant long-term investment required. The entities will be of sufficient size – both in terms of assets and customers – to enable them to be financially sustainable and operate efficiently.

For consumers, this means an improved quality of service and improved affordability of water services, compared with the increase in water charges likely under a continuation of the current water service delivery model.

### Governance

Each water services entity will be governed by a professional board. Members will be appointed for their competencies and experience. These will be merit-based appointments based on a defined and diverse skill set.

There is no requirement for ‘co-governance’ at the board level.

## Strengthening local voice and influence through regional partnership

Local voice and representation has been strengthened through regional partnership via the regional representative group.

Regional representative groups provide regional and local-level direction and oversight. They set the strategic and performance expectations for their entity, appoint the board, approve the strategic direction, and monitor their entity’s performance.

Local voice has been strengthened. Under the 10-entity model, every territorial authority owner – and therefore every community – will be represented on the entity’s regional representative group.

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.

Mana whenua will have equal representation on the regional representative groups alongside territorial authorities in each entity area. Communities will continue to have influence over the water services entities through regional representative groups.

## Listening and accountable to their community

Water services entities will be required to consult with their customers, businesses, and residents on their strategic direction, investment priorities, and their prices and charges, and work closely with local authorities to ensure water infrastructure provides for growth and development in spatial plans.

Each entity will be required to engage with communities in a meaningful and effective manner on all key accountability documents, such as asset management plans and funding and pricing plans.

The entities will have to report on how consumer and community feedback was incorporated into their decision making and prepare an annual consumer engagement stocktake that captures satisfaction with performance and explains how the entity will respond to community needs and address concerns. Each entity will also set up a consumer forum.

## Legislative changes will be needed

Legislation will be required to give effect to the Government’s changes to water services reform.

The Government intends to introduce and pass legislation to allow for these changes before this year’s election. This will be subject to the Parliamentary timetable and processes, including the opportunity for public feedback.

We recognise legislative certainty is needed for council and water sector planning and employment, and to provide clarity for ongoing transition and implementation activities.

- Councils are already preparing their 2024-34 long-term plans, and without legislative changes these cannot make provision for water services – until the new ‘go live’ date for each entity.
- Staff who work in the water sector want certainty of job guarantees in the future entities.
- The broader industry and supply chain need certainty to ensure continuity of much-needed investment.

## Water services legislation currently before Parliament

The water services reform changes do not have any significant impacts on the water services legislation that is currently before Parliament.

The Water Services Legislation Bill and the Water Services Economic Efficiency and Consumer Protection Bill will continue on their current timetable.

Feedback provided on these Bills is being considered by the Finance and Expenditure Committee and any changes in response to feedback will be progressed through the select committee process.

This will include consideration of matters such as transfer provisions for CCOs and CCTOs, where there has been significant feedback. The Finance and Expenditure Committee is due to report back on 8 June 2023.

## To give effect to the water services reform changes and to provide certainty for planning, there will be legislative and transitional changes over the months ahead.

### i) Long-term planning and provision of water services

To recognise the extended establishment period, councils will continue to be responsible for water services until the handover date for their entity.

Council planning and reporting documents will need to reflect the continued service delivery obligations during the longer establishment period – which will include up to the first two years of the 2024-34 long-term planning cycle.

Legislative changes will be made to:

- Give councils the legal ability to include information relating to water services in their 2024-34 long-term plans.
- Ensure the appropriate planning and reporting provisions are in place to support a longer establishment period, and a staged approach to when each entity will 'go live'.

The National Transition Unit will work with sector representatives and the Office of the Auditor-General to prepare guidance material, and to support councils throughout the transition period.

### ii) Funding support for councils

#### 'Better off' funding

The first \$500 million of Crown-funded 'better off' funding for councils is unaffected by the decision and will continue as planned.

The second tranche of \$1.5 billion better off funding has been discontinued to ensure the water services entities are able to operate sustainably.

There have been mixed views on the proposed better off funding package, including strong views from some local authorities that this funding should be made available for investment into water infrastructure rather than for council investment more generally.

With smaller entities, it is important to ensure their balance sheets are not over-burdened by avoiding placing any more debt on them than is necessary.

Increasing the number of entities will have increased establishment costs for the entities. If water services entities are required to bear these increased costs, they will find it more challenging to raise borrowing to increase rates of investment in water infrastructure.

Given the above, the second \$1.5 billion tranche of better off funding can no longer be justified.

#### The \$500 million 'no worse off' funding package for councils will remain in place.

Water services entities will continue to be responsible for making these payments to local authorities upon entity establishment.

The provision of 'no worse off' funding acknowledges that the transition process gives rise to costs and financial impacts for councils.

This funding will ensure no council is left worse off as a result of bearing stranded costs, or because of the net impacts that the combination of losing revenue and debt could have on their credit ratings.

### iii) Water services staff and collective bargaining

#### The transition timeframe for water services staff will change.

The National Transition Unit will be revising its timelines for affected staff in light of changes to water services reform, and this will be communicated as soon as possible.

We recognise the need to provide certainty to water services staff about their future place of employment and timing of when they will transfer to the new water services entities.

#### The current Position Review and Pathway consultation will continue.

This information will still be needed under the 10-entity model. We are aiming to notify staff of the outcome of the review with as little delay as possible.

#### The legislated job guarantee will continue.

The vast majority of local government employees who are primarily involved in the delivery of water services today will be covered by the Legislated Job Guarantee under the Water Services Entities Act 2022.

This guarantee is not expected to be impacted by a change to the number of entities, or the implementation timeframes.

#### Collective bargaining

The National Transition Unit will meet with unions at the earliest opportunity to assess the implications of the timeframe and larger number of entities for the collective bargaining approach.

The National Transition Unit will continue to work closely with unions, professional organisations, and water services staff in councils and council-controlled organisations to support the transition.

### iv) Other transitional matters

Changes will also be made to transitional arrangements, to provide flexibility and to minimise any potential issues during the establishment period.

- The timeline for establishment board appointments will be revised in light of the new establishment timeframe.
- The Department of Internal Affairs | Te Tari Taiwhenua will retain its oversight powers relating to council decision making.

This will support the longer establishment period and ensure oversight of significant decisions.

- The constitution development process will also be revised in light of the new establishment timeframe and 10-entity model.

## What happens next

### Next steps

We recognise the need to provide certainty for councils, water services staff, and those you work with, about the path ahead.

We are reviewing our transition work programme to put the required changes in place. We will share this as soon as possible.

