

Rārangi take Kaunihera Whanokē

Extraordinary Council Agenda

Purpose to confirm consultation options for
Local Water Done Well

Wednesday 26 February 2025, 1 pm
Camberwell Lounge, TSB Hub,
Camberwell Road, Hāwera



Ngā Mema o te Komiti / Committee Members



Phil Nixon
Mayor



Andy Beccard
Councillor



Mark Bellringer
Councillor



Celine Filbee
Councillor



Te Aroha Hohaia
Councillor



Robert Northcott
Deputy Mayor



Leanne Horo
Councillor



Aaron Langton
Councillor



Steffy Mackay
Councillor



Tuteri Rangihaeata
Councillor



Bryan Roach
Councillor



Brian Rook
Councillor



Diana Reid
Councillor



Racquel Cleaver-Pittams
Councillor

Apatono / Delegations

The Full Council's role is to carry out responsibilities under the Local Government Act 2002. It is the final decision-making authority within the Council and generally ratifies recommendations made by other committees.

It is made up of all Councillors and the Mayor.

Powers that cannot be delegated

The powers that cannot be delegated by the Council are:

- (a) the power to make a rate
- (b) the power to make a bylaw
- (c) the power to borrow money, or purchase or

dispose of assets, other than in accordance with the long-term plan

(d) the power to adopt a long-term plan, annual plan or annual report

(e) the power to appoint a chief executive

(f) the power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the Local Governance Statement.

(g) the power to adopt a remuneration and employment policy

Huinga Tāngata / Attendance Register

Date	20/05/24	22/05/24	04/06/24	12/06/24	24/06/24	08/07/24	05/08/24	02/09/24	04/09/24	04/09/24	16/09/24	25/09/24	14/10/24	14/10/24
Meeting	E	E	E	E	O	E	O	E	E	E	O	E	E	E
Andy Beccard	√	√	√	A	√	√	√	A	AO	AO	A	A	√	√
Mark Bellringer	√	√	√	A	A	√	√	√	√	√	√	A	√	√
Celine Filbee	A	A	√	√	√	A	√	√	√	√	√	√	A	X
Te Aroha Hohaia	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Leanne Horo	√	AO	√	A	√	√	√	√	A	A	A	AO	A	A
Aarun Langton	A	A	A	√	√	A	√	A	A	A	√	√	√	√
Steffy Mackay	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Phil Nixon	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Robert Northcott	√	√	√	√	√	A	√	√	√	√	√	√	AO	AO
Tuteri Rangihaeata	√	X	X	√	A	√	√	X	A	A	√	√	√	√
Diana Reid	√	√	√	A	√	√	√	√	√	√	√	√	√	√
Bryan Roach	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Brian Rook	√	√	√	√	A	√	√	√	√	√	√	√	√	√
Racquel Cleaver-Pittams	√	√	√	A	√	AO	√	√	√	√	√	√	√	√

Key

√	Attended
AO	Attended Online
-	Was not required to attend
A	Apology
Y	Attended but didn't have to attend
X	Did not attend - no apology

Types of Meetings

I	Inaugural
O	Ordinary Council Meeting
E	Extraordinary Council Meeting

He Karere Haumarū / Health and Safety Message

In the event of an emergency, please follow the instructions of Council staff.
If there is an earthquake – drop, cover and hold where possible. Please remain where you are until further instruction is given.

He Pānga Whakararu / Conflicts of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they might have.



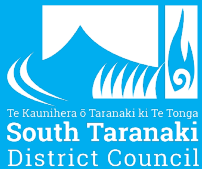
Rārangi Agenda

Extraordinary Council

Purpose to confirm consultation options for Local Water Done Well

Wednesday 26 February 2025 at 1 pm

1. **Karakia**
2. **Matakore / Apologies**
3. **Tauākī Whakarika / Declarations of Interest**
4. **Whakatakoto Kaupapa Whānui Whakaaturanga hoki / Open Forum and Presentations**
5. **Pūrongo / Report**
 - 5.1 [Local Water Done Well – Options for Consultation](#) Page 9
6. **Karakia**



Karakia

1. Karakia

Ruruku Timata – Opening Prayer

(Kia ururu mai ā-hauora,
ā-haukaha, ā-hau māia)

Ki runga

Ki raro

Ki roto

Ki waho

Rire rire hau

Paimārire

*(Fill me with vitality)
strength and bravery)*

Above

Below

Inwards

Outwards

The winds blow & bind us

Peace be with us.



Matakore Apologies

2. Matakore / Apologies

Leave of Absence: *The Board may grant a member leave of absence following an application from that member. Leave of absences will be held in the Public Excluded section of the meeting.*



Ngā Whakaputanga

Declarations of Interest

3. Tauākī Whakarika / Declarations of Interest

Notification from elected members of:

- a) Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and
- b) Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968.

Declarations of Interest: Notification from elected members of: Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968



Whakatakoto Kaupapa Whānui, Whakaaturanga hoki **Open Forum and Presentations**

4

4. Whakatakoto Kaupapa Whānui Whakaaturanga hoki / Open Forum and Presentations

The Council has set aside time for members of the public to speak in the public forum at the commencement of each Council, Committee and Community Board meeting (up to 10 minutes per person/organisation) when these meetings are open to the public. Permission of the Mayor or Chairperson is required for any person wishing to speak at the public forum.



Pūrongo Report

5

To	Extraordinary Council
From	Tumu Whakahaere / Chief Executive, Fiona Aitken
Date	26 February 2025
Subject	Local Water Done Well – Options for Consultation

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The government has repealed the previous Affordable Waters legislation and is undertaking a water reform programme known as Local Water Done Well (LWDW). This is the government's plan to address New Zealand's long-standing water infrastructure challenges. It recognises the importance of local decision-making and flexibility to determine how water services will be delivered in the future.
2. The water service delivery models available to councils through the Local Government (Water Services Preliminary Arrangements) Act 2024 are:
 - In-house Business Unit (Enhanced Status Quo)
 - Single council owned Council Controlled Organisation (CCO)
 - Multi-council owned Council Controlled Organisation
 - Mixed council/consumer trust owned
 - Consumer trust owned
3. This Act requires councils to develop, and submit for approval, Water Services Delivery Plans (WSDPs) by 3 September 2025 that identifies a financially viable pathway to deliver water services and requires councils to consult on a **minimum of two of the above options**.
4. Prior to the Act becoming law, GHD consultants were engaged by all the Taranaki district councils to undertake an Indicative Business Case (IBC) for a regional water entity. At the same time, South Taranaki District Council engaged Rationale consultants to undertake an assessment of all the water service delivery models from a South Taranaki perspective. The results of this IBC and independent assessment were presented to the Council in September 2024.
5. Based on the investigation by Rationale it was identified that a mixed council/consumer trust and consumer trust options were not viable for South Taranaki and it was agreed that no further investigations would be undertaken on these models. The Council asked that a full investigation of the in-house business unit, single council owned CCO and multi-council owned CCO be undertaken. This analysis shows that a standalone CCO is not financially viable for this Council, **leaving two models for consultation**: in-house business unit (enhanced status quo) and multi-Council Owned CCO (Joint Taranaki Water Services CCO).

6. The Council must consult the public on the options for service delivery and state their proposed option in the consultation document. The purpose of this report is for the Council to confirm the models for delivery to be consulted on and their proposed option. This will allow Council Officers to finalise the consultation document for approval on 14 April. Consultation will be undertaken during May.

Taunakitanga / Recommendation(s)

THAT the Council;

- a) **Receives** the Local Water Done Well – Options for Consultation Report;
- b) **Notes** that Central Government has legislated that Local Authorities are to develop and publicly consult on a proposed model for water services delivery and submit a Water Services Delivery Plan (WSDP) for approval;
- c) **Notes** that legislation requires the Council to:
 - a. Identify a proposed water services delivery model in a WSDP and formally adopt the WSDP via Council resolution before submitting to the Secretary of Local Government by 3 September 2025;
 - b. Demonstrate compliance with financial sustainability tests by 30 June 2028; and
 - c. Ring-fence revenue and expenditure for water and wastewater so that it is separate from Council activities from 30 June 2028.
- d) **Instructs** the Chief Executive to prepare consultation material for consideration at a meeting on 14 April 2025 that:
 - a. Includes analysis of two models for the delivery of water and wastewater services to the South Taranaki District, these are:
 - i. In-house Business Unit (enhanced status quo)
 - ii. Joint Taranaki Water Services Council Controlled Organisation (WSCCO);
 - b. Specifies an asset-owning Joint Taranaki WSCCO with New Plymouth District Council and Stratford District Council as the proposed model for water and wastewater services; and
- e) **Notes** that Stormwater assets and services will remain under South Taranaki District Council ownership and responsibility.

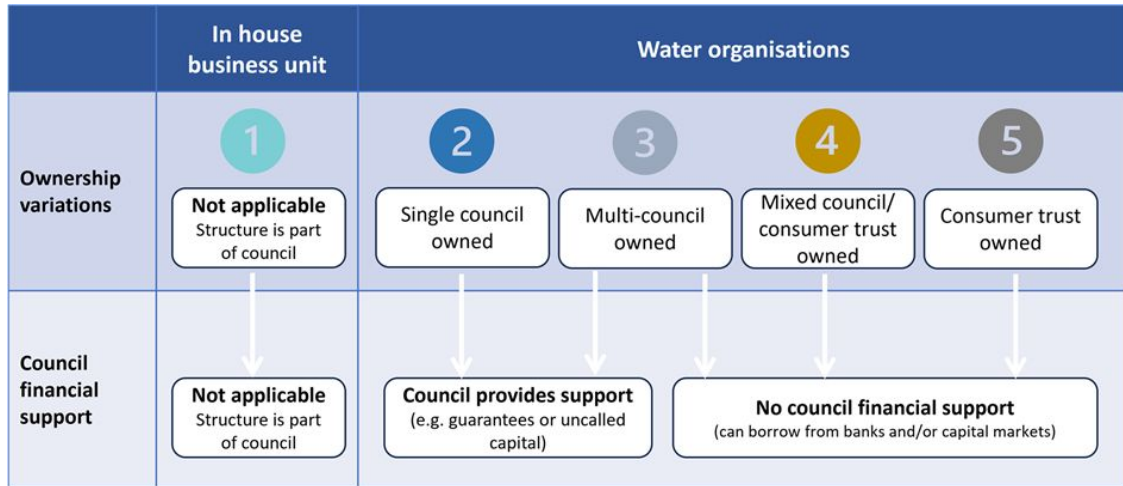
Kupu Whakamārama / Background

Local Water Done Well Legislative and Regulatory Framework

7. The government is undertaking a water reform programme known as Local Water Done Well (LWDW), which has been implemented in three stages. Stage 1 involved repealing the previous water services legislation and was enacted in February 2024. Stage 2 established a framework and preliminary arrangements for the new water services system and was enacted in September 2024. Stage 3 establishes long-term settings for water services including a new economic regulatory system, changes to the environmental and water quality regulations, financial sustainability objectives and restrictions against privatisation.

This Bill, introduced to Parliament in December 2024, is expected to become law by mid-2025.

8. The Local Government (Water Services Preliminary Arrangements) Act (the Act) establishes the Local Water Done Well framework and preliminary arrangements for the new water services system. It gives councils five models for water services delivery arrangements:



Water Service Delivery Plans - Requirements

9. The Act requires councils to develop Water Service Delivery Plans (WSDPs).
10. A WSDP must include a self-assessment of the financial viability of councils’ water services delivery. Under the Act ‘financially sustainable’ in relation to a council’s delivery of water services, is defined as:
- The revenue applied to the council’s delivery of those water services is sufficient to ensure the council’s long-term investment in delivering water services; and
 - The council is financially able to meet all regulatory standards and requirements for the council’s delivery of those water services.
11. To assess whether a council’s water services delivery is financially sustainable, the WSDP requires information about three components:
- **Revenue sufficiency** – whether there is sufficient revenue to cover the costs (including servicing debt) of water services delivery
 - **Investment sufficiency** – whether the projected level of investment is sufficient to meet regulatory requirements and provide for growth
 - **Financing sufficiency** – whether the funding and finance arrangements are sufficient to meet investment requirements.
12. The WSDP must be accompanied by an Implementation Plan for the approved delivery model and submitted to the Secretary of Local Government (through the DIA) by 3 September 2025. The WSDP is then either:
- a. Accepted by the Secretary (who can only accept a WSDP if it complies with the Act); or
 - b. Not accepted by the Secretary who may recommend the appointment of a Crown Water Services Specialist to complete the WSDP to an acceptable outcome (at Council’s expense).

13. The government is also developing a new planning and accountability framework for water services which is intended to improve transparency and accountability for the future delivery of water services. Continuing to operate water and wastewater services in the same way as the Council does now is not feasible, as substantial modification is required to meet the legislated requirements.
14. Stage 3 of the legislation outlines that **councils will retain legal responsibility and control of stormwater services** but have the flexibility to choose the arrangements that best suit their circumstances. At this stage officers are not recommending any changes on how stormwater will be delivered, however this can be considered as a separate decision at any time in the future.
15. Further information and fact sheets from the Department of Internal Affairs (DIA) on the regulatory framework, timelines, economic regulation, Local Government (Water Services) Bill and future arrangements for stormwater are provided in [Appendix 1](#).

Work to Date

16. **March 2024** - the Taranaki Mayoral Forum approved the first step in a “Water Services Delivery for Taranaki – Project Mandate”, to develop an indicative business case (IBC) which explored various options for water services delivery and recommended a proposed model. At the same time, an initial independent assessment of water service delivery models from a South Taranaki perspective was undertaken. The agreed strategic objectives for a regional water services provider were:

A sustainable funding mechanism	Taranaki water systems have sustainable and affordable funding mechanisms, keeping rates low whilst both maintaining our assets and addressing historic under-investment in water infrastructure.
Delivers operational efficiencies and scale economies	Extent to which the water service delivery model delivers operational efficiencies and expected economies of scale
An attractive market for investment and growth	Increased and improved investment in Taranaki water systems support growth, therefore attracting regional investment to achieve a larger rating base and stronger industry and community.
Informs Te Mana o Te Wai	Taranaki water systems meet community expectations of environmental performance, particularly in relation to water bodies, including the increased focus and needs to Te Mana o Te Wai.
Well-maintained and compliant water systems	Taranaki water systems can meet increasing water quality and environmental requirements and demonstrate improved resiliency of our water assets, to counter the impacts of natural hazards and climate change.
Sufficient capability and a robust talent pipeline to support its water activities.	Taranaki water service delivery demonstrates resourcing efficiencies and attracts and retains talent within the region.
Supports local accountability and responsiveness	Taranaki water service delivery understands local needs and can respond in a timely manner to service requests.

17. These strategic objectives are just as important for a standalone model to deliver on.

18. **September 2024** – the IBC and independent assessment were presented to Council which resolved to further investigate three options – Joint Taranaki WSSCO, single council CCO and in-house business unit (enhanced status quo). The resolutions of Council were as follows:

175/24 THAT the Council;

- a) Receives the Local Water Done Well – options for further investigation report; including the GHD Indicative Business Case and the Rationale Independent Assessment of Delivery Options;
 - b) Agrees to further investigate both a regional service delivery model for water services and a standalone service delivery model (in-house business unit or standalone CCO);
 - c) Notes that there is no government funding available to the Council for any investigation work or to develop a Water Services Delivery Plan; and
 - d) Authorises the Chief Executive to engage the necessary resources to undertake further investigation on the three service delivery models (regional CCO, standalone CCO and in-house business unit) with unbudgeted expenditure of up to \$250,000 in the 2024/25 financial year.
19. **October 2024** - a Technical Working Group (TWG) consisting of Taranaki district council officers was established to undertake detailed analysis of a Joint Taranaki WSSCO. South Taranaki engaged consultants to do the detailed analysis for the single council CCO and in-house business unit options.

Consultation with the Community

20. As part of the WSDP, councils are required to consider their options, determine a proposed service delivery model and consult on this with the community. In carrying out consultation the Act sets out what information must be provided to the community:
- a. Specify a proposed service delivery model and the reasons for it.
 - b. Provide analysis of the advantages and disadvantages of at least two options including the proposed service delivery model and the Council’s existing approach.
 - c. Identify potential impacts of proceeding or not proceeding with the proposed service delivery model, including impact on rates, debt, levels of service and any water services charges.
 - d. Outline implications for communities and accountability arrangements of a joint service delivery model.

Ngā Kōwhiringa / Options – Identification and analysis

Options available

21. Option One: Consult on two models; regional service delivery model (Joint Taranaki WSSCO), and in-house business unit (enhanced status quo) with the Joint Taranaki WSSCO as the proposed model of delivery. This is the preferred option.

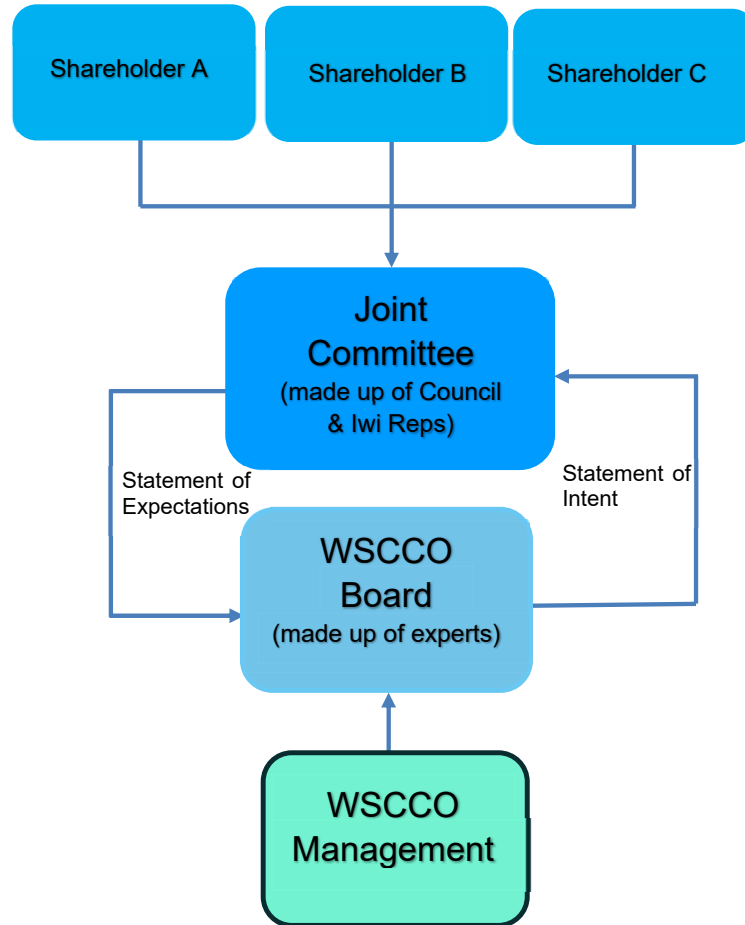
22. Option Two: Consult on two models; regional service delivery model (Joint Taranaki WSSCO), and in-house business unit (enhanced status quo) with the in-house business unit as the proposed model of delivery.
23. Of the five service delivery models allowed for in the Act the consumer trust and council/consumer trust models are not considered practicable options for South Taranaki, due to the complexity of such arrangements and lack of proven models operating in this way. No further detailed investigation of these models was undertaken.
24. The three models the Council investigated in more detail were in-house business unit, single council owned CCO and multi-council owned CCO (for Taranaki only).
25. The analysis of the in-house business unit and single council CCO models found that a single council CCO for South Taranaki is **not financially sustainable**. The debt ratios for this model are consistently poor and would have significant impacts on ratepayers. As such the single council CCO model is not recommended for consultation; a WSDP for this model would not be approved by DIA as it does not meet the legislation's requirements for financial sustainability.
26. The two remaining viable models are a multi-council owned CCO (Joint Taranaki WSSCO, Option 1 below), and an in-house business unit (enhanced status quo, Option 2 below). Council must consult on a minimum of two models and decide on a proposed model.

Option One: Joint Taranaki Water Services Council-Controlled Organisation

27. Detailed analysis of the Joint Taranaki WSCCO has been undertaken, including collaboration with the New Plymouth District Council (NPDC) and Stratford District Council (SDC) to explore joint water service delivery options to address infrastructure and delivery challenges and opportunities.

Governance

28. The governance structure for a joint WSCCO is as follows:



Financial Modelling

29. Financial modelling has been completed to enable comparison of the different options under the new legislation; it is not intended as a confirmed tariff structure for future water services. This model is based on each Taranaki district council retaining ownership of stormwater services and the Joint Taranaki WSCCO being an **asset owning entity for water and wastewater**.

30. Technical Working Group (TWG) members across the three Taranaki councils provided input into the financial model to assess the viability of the Joint Taranaki WSCCO. The DIA has supported this effort by providing a standardised spreadsheet template that automates financial sufficiency tests and regularly reviewing the financial modelling and draft WSDPs.

Assumptions

31. The financial model incorporated the following assumptions:
- a) Baseline costs are consistent across the options further investigated; information for financial years 2025/26 to 2034/35 are directly from the 2024-34 LTP for NPDC, noting there are slight modifications for SDC and STDC with the following adjustments:
 - i. The addition of Taumata Arowai and Commerce Commission Levy at \$5.44 per person residing in the district.
 - ii. A 1% increase in internal charges and overheads from 2027/28 to account for proposed additional regulation.
 - b) Baseline operational costs for 2035/36 onwards are based on the 2035/36 costs plus an annual 3.1% uplift for inflation.
 - c) Baseline capital costs for 2035/36 onwards are based on an updated version of Asset Management Plans to account for the additional projects that are expected to be required but not yet identified.
 - d) Additional costs and savings specific to the Joint Taranaki WSCCO model were applied as per the table below to water and wastewater.

Costs and Savings Applied	Joint Taranaki WSCCO
Operational Efficiency Saving	Commencing in 2029/30 and linearly increasing over 10 years to 8%
Capital Efficiency Saving	Commencing in 2029/30 and linearly increasing over 10 years to 4.5%
Establishment costs	9% of operational costs for 5 years commencing 2026/27
Additional governance costs	\$200,000 per year

32. To enable easy comparison between the models, the revenue (and therefore the cost to consumer) was kept consistent across the options allowing the debt to be used to understand the differences. The revenue was set by developing a credible approach to price harmonisation over a 10-year period, as shown in the graphs below.

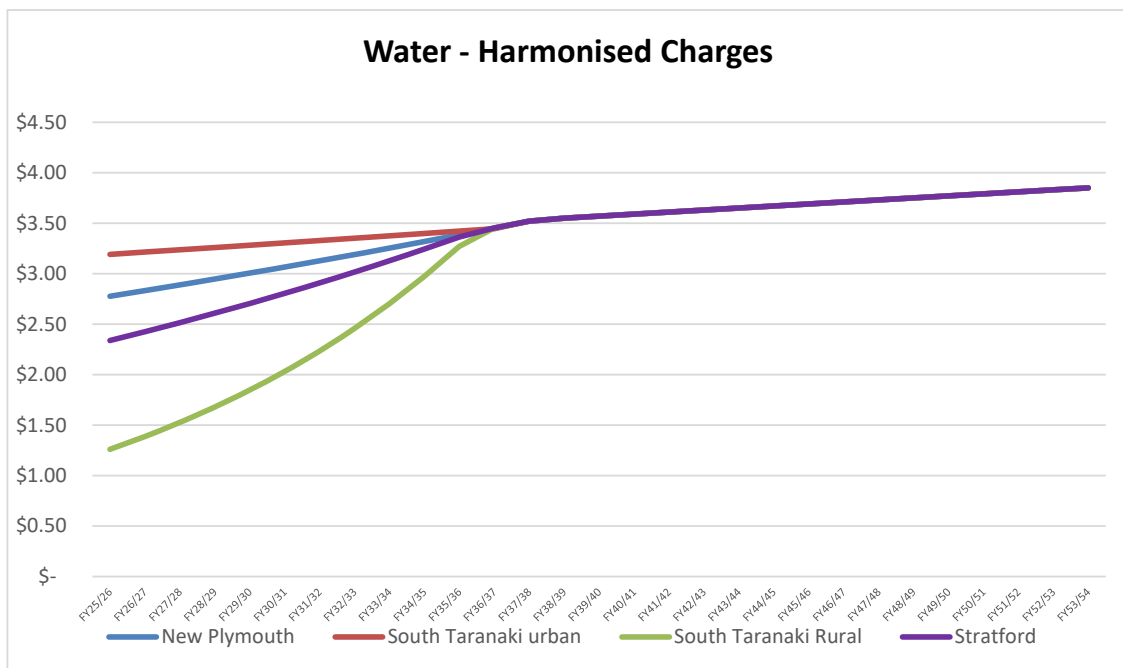
Results

33. The analysis demonstrates that the Joint Taranaki WSCCO model meets the agreed regional strategic objectives and is expected to deliver the following benefits:
- a) Freeing up debt headroom for other Council activities by moving water assets and debt from council balance sheets
 - b) Delivering around **\$56m of savings** to the South Taranaki community due to operational efficiencies and economies of scale over a 30-year period
 - c) An enhanced strategic focus on water services, supporting an attractive market for regional investment and growth
 - d) Informing Te Mana o te Wai and environmental outcomes through increased, focused investment and specialist capability

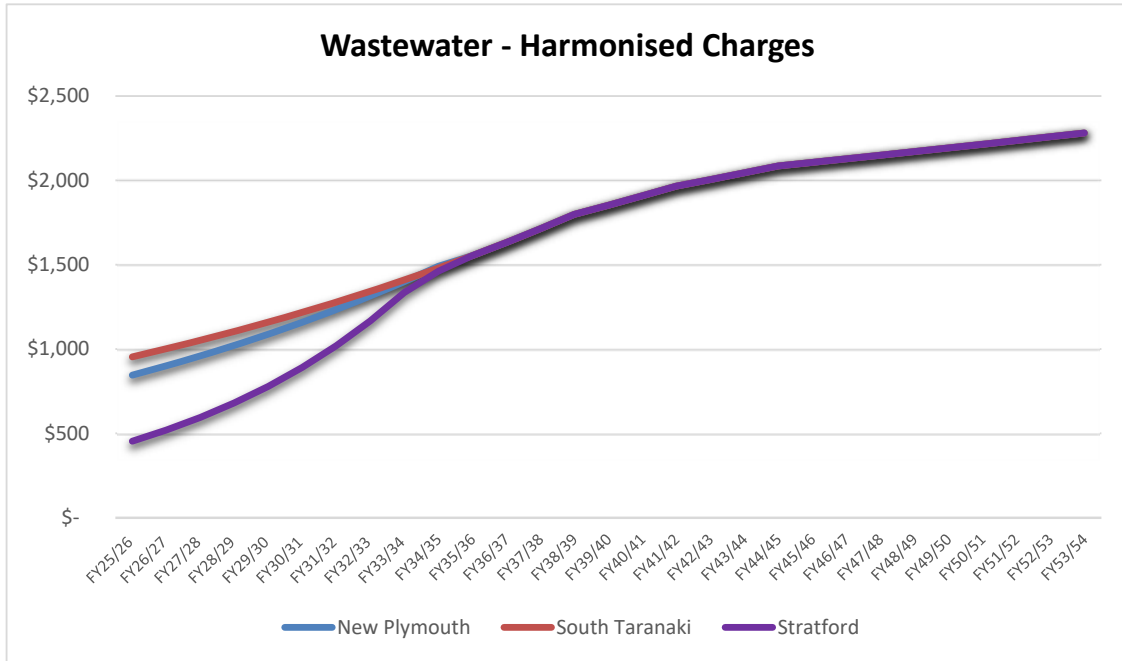
- e) Ensuring the continuous delivery of well-maintained and regulatory compliant water systems and services to the community.

34. The graph below, **for water**, uses a cost per cubic metre rate, as all three councils have different average consumption and tariff structures. This means that the cost per connection is not a meaningful way to divide the cost and a better way to compare costs is per cubic metre. Stratford and New Plymouth are looking to move towards district-wide volumetric charging, but it should be noted that over 50% of South Taranaki’s consumption is already volumetrically charged.

35. The graph below shows the cost per cubic metre **for water** with the price increases limited to 10% per annum for South Taranaki rural consumers. New Plymouth prices increase by 2% and Stratford by 3.7% per annum. This ensures that everyone pays the same in the future (price harmonisation).



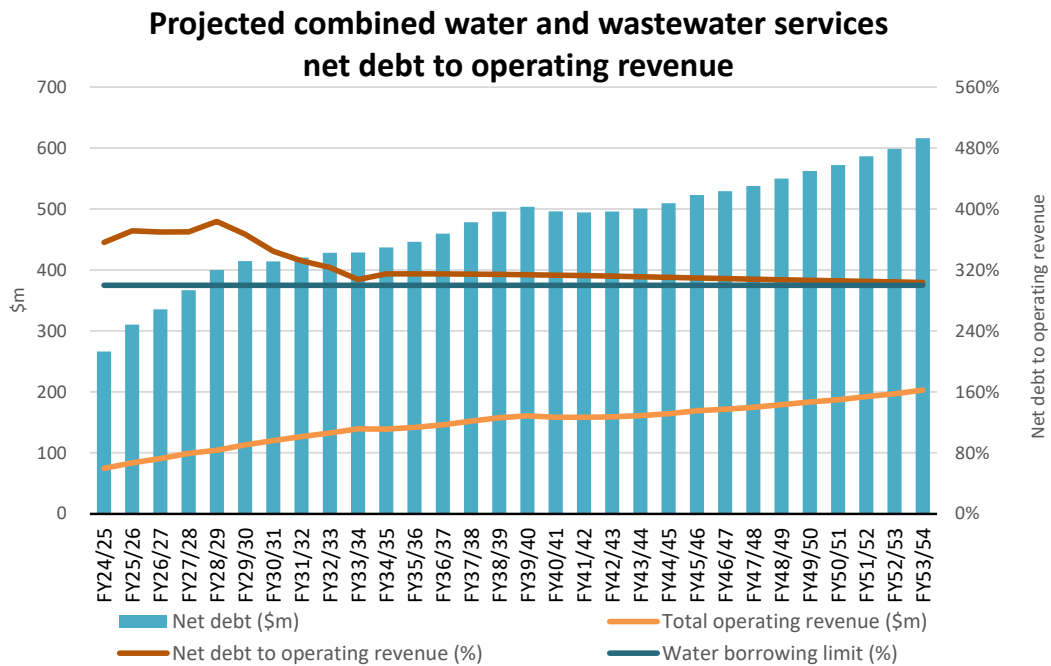
36. The graph below shows the cost per connection **for wastewater** with price increases limited to 14.4% per annum for Stratford. New Plymouth increases at 6.5% and South Taranaki at 5% per annum. This ensures everyone pays the same in the future (price harmonisation).



37. The model results show that:

- a. **Water:** South Taranaki is a net contributor, New Plymouth is a net beneficiary, and Stratford is both a beneficiary and contributor at times across the Taranaki region over the next 30 years.
- b. **Wastewater:** South Taranaki is a net beneficiary, New Plymouth is a net contributor, and Stratford is both a beneficiary and contributor at times across the Taranaki region over the next 30 years.

38. The following graph shows that a Joint Taranaki WSCCO option is financially viable and keeps the debt to revenue ratio for water and wastewater well under the 500% limit. The self-imposed limit of 300% which has been used for the modelling can be changed by a WSCCO Board in the future if deemed prudent to do so.



39. It is important to note that moving water and wastewater assets across to a Joint Taranaki WSCCO will create **greater borrowing headroom** for the South Taranaki District Council and will allow the Council the ability to focus on community priorities other than water and wastewater services delivery should it choose.

40. Under the Joint Taranaki WSCCO, the revenue from water and wastewater activities would be transferred from the Council. This change **may result in higher rates** for some South Taranaki ratepayers.

41. The advantages and disadvantages of a Joint Taranaki WSCCO are outlined in the following table:

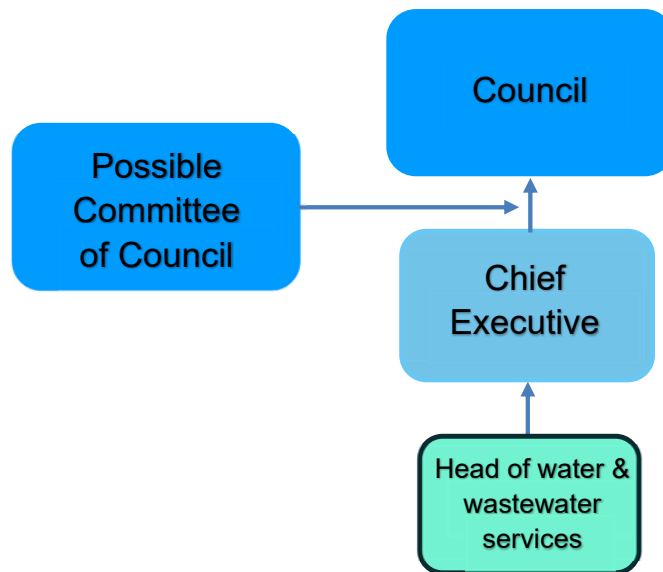
Joint Taranaki WSCCO	
Advantages	Disadvantages
<ol style="list-style-type: none"> 1. Meets the strategic investment objectives set for water service delivery. <ul style="list-style-type: none"> • Operational efficiencies and economies of scale, including greater buying power, are expected to total \$56m for South Taranaki over 30 years, based on assumptions in the financial model. • More resilient to disruptions, such as natural disaster or infrastructure failures, due to broader resource base. 2. Can standardise practices and procedures, leading to more consistent service quality, better coordination and regulatory compliance. <ul style="list-style-type: none"> • A larger customer base will allow more funding and financing options. 3. Likely to attract and retain a wider range of expertise. 	<ol style="list-style-type: none"> 4. The resource and financial costs to establish a regional entity are greater however these have been factored into the financial modelling. <ul style="list-style-type: none"> • Local communities may feel they have less control and influence over decisions. • Governing and managing a larger, regional model can be more complex and could be less efficient over time. 5. There may be concerns about equitable service delivery, with higher growth areas potentially receiving prioritisation. <ul style="list-style-type: none"> • Potential loss of institutional knowledge, particularly on localised issues. • There could be additional cost to the ratepayer due to the cost of stranded overheads over the short term.

Option Two: In-house Business Unit (Enhanced Status Quo)

42. An internal business unit under Local Water Done Well is a council in-house water services delivery model. This means that the council manages the water services directly. A requirement of an in-house business unit is that all income and expenditure related to water and wastewater activities must be ring-fenced. This ring-fencing and greater compliance requirements are the main reasons why this model should not be construed as a duplication of how Council currently operates or delivers these functions.

Governance

43. The existing Council governance structure applies to an in-house business unit with the elected members setting the overall direction and Council officers delivering the service. This could mean a council appointed committee consisting of a mix of council elected members, independent members and technical experts could be created (similar to the Council’s Risk and Assurance Committee) to oversee water and wastewater service delivery.



Financial Modelling

44. The in-house business unit model is forecast to remain within both net debt and net interest ratio limits over 30 years. There would be headroom available for future unexpected expenditure, as well as borrowing for other non-water activities.

45. Rationale consultants are drafting the WSDP for the in-house business unit overseen by Council officers.

Assumptions

46. The financial analysis for an in-house business unit involves fewer assumptions than that of a WSCCO because the in-house business unit is focussed on South Taranaki only (rather than the more complex analysis across three councils).

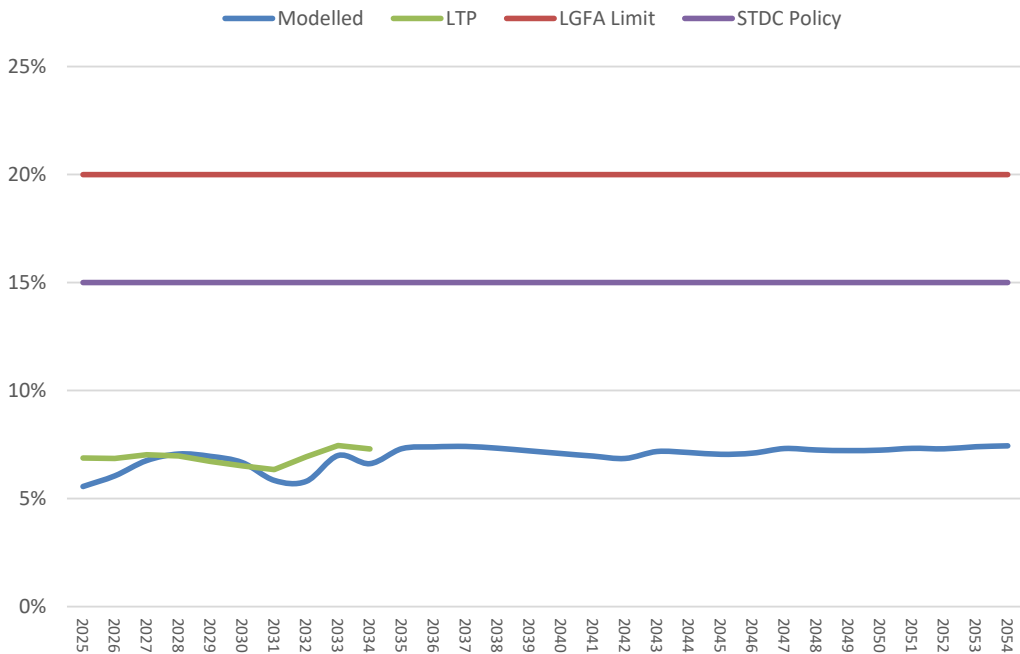
47. The financial modelling incorporates the following assumptions:

- a) Urban and rural water schemes are harmonised over time to become more financially sustainable. This would happen over the next 10 years by increasing rural water by metre rates by a maximum of 10% per annum.
- b) The addition of Taumata Arowai and Commerce Commission levies at \$5.44 per person residing in the district.
- c) Potential increase in income of \$700,000 per annum by implementing the Trade Waste Bylaw across more industry and including other charging mechanisms.

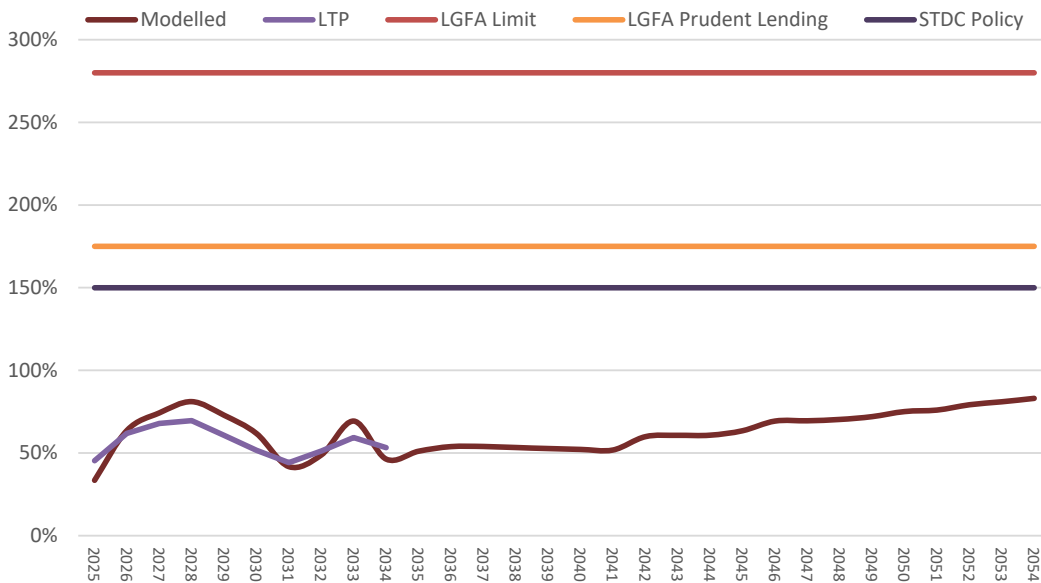
Results

48. Detailed analysis of an in-house water services delivery model was undertaken and demonstrates that this model meets the agreed Strategic Investment Objectives and is expected to deliver the following benefits:
- a) A financially sustainable water services delivery model
 - b) An enhanced strategic focus on water services, supporting an attractive market for investment and growth
 - c) Supports local accountability and responsiveness
 - d) Informing Te Mana o te Wai and environmental outcomes through increased, focused investment and specialist capability
 - e) Ensuring the continuous delivery of well-maintained and regulatory compliant water systems and services to the community.
49. The following two graphs show the Council’s compliance with net interest costs to revenue and net debt to revenue ratios. Both ratios indicate that the Council is well below its required debt limits, demonstrating financial sustainability.

Council Net Interest-to-Revenue



Council Net Debt-to-Revenue Ratio



50. There is potential to evolve an in-house business unit over time by bringing maintenance services in-house, thereby making some efficiency gains and cost savings which are not currently reflected in the financial model.

In-house Business Unit (Enhanced Status Quo)	
Advantages	Disadvantages
<ul style="list-style-type: none"> Meets the strategic investment objectives set for water service delivery. Decisions regarding water services remain under the direct control of the Council. Could be more flexible and nimble. Local decision-making allows for prioritisation of local needs. Lower cost and effort to establish and less change to manage. Institutional knowledge remains with the Council. 	<ul style="list-style-type: none"> Reduced opportunities for economies of scale. Financial modelling shows water consumers will pay more over time compared to WSCCO as per graph shown in paragraph 54 of this report. Potential lack of technical expertise and capacity to manage complex projects which could result in delays and higher costs. Less capacity to respond to disruptions such as natural disasters and infrastructure failures. Potential for loss of some shared service arrangements with other councils. Potentially greater cost to join a multi-council owned WSCCO in the future.

Both Options

Compliance with Regulations

51. The entity delivering water services for the district will have to comply with all regulation including water quality, wastewater discharge standards (which are unknown at present) and economic regulation. Greater regulation means greater focus on compliance and additional cost to comply, no matter which model is ultimately chosen for water service delivery.

Inability to attract and retain skilled staff

52. No matter which delivery model is agreed on, existing staff may not wish to remain in their roles and prefer to seek work elsewhere. There is also the risk of losing staff due to uncertainty around which model of delivery will be chosen. Attracting (or even finding) skilled staff with the expertise in water and wastewater management and operations required to ensure regulatory compliance is a challenge for many water service providers and will continue to be going forward.

Collaboration

53. The government has stated that their expectation is that councils work regionally. If a Taranaki WSCCO is the chosen model, the Council will have greater influence and input into the make-up of that WSCCO, whereas potentially joining at a later date will remove Council’s ability to be involved in the WSCCO set-up.

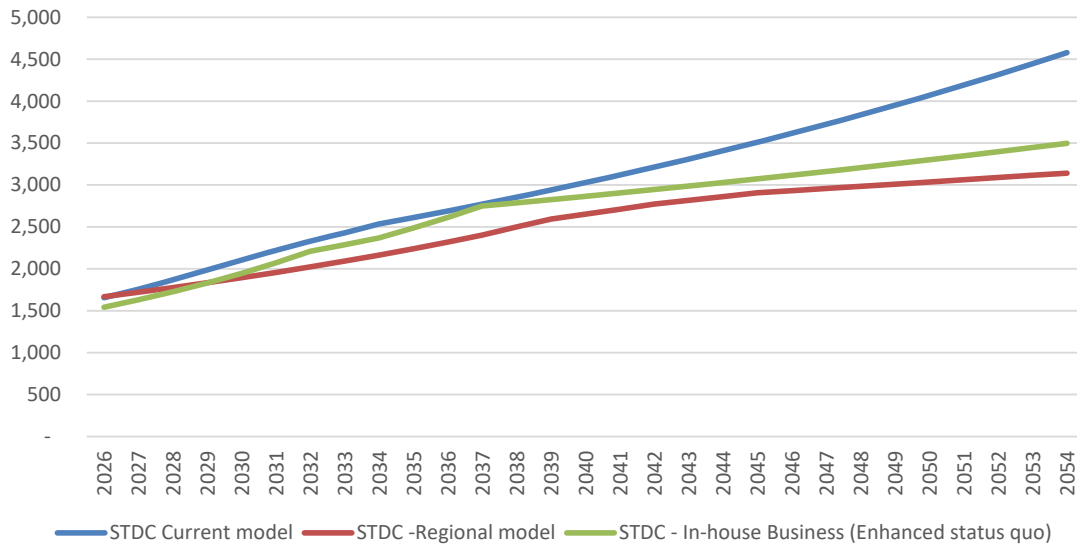
Summary of Options

Structure/Make-up	Joint Taranaki WSCCO	In-house Business Unit (Enhanced Status Quo)
Ownership	Jointly owned by the Taranaki district councils	Council-owned, no new organisation required
Governance	Joint Committee of Council/Iwi which appoint and oversee Independent Board	Council, with potential Water Services Committee with direct oversight
Delivery	Joint Committee sets priorities and performance expectations, which WSCCO Board must give effect to and WSCCO staff deliver.	Council prepares a water service strategy, sets priorities and performance expectations which the Council officers deliver on.
Accountability	Board reports to Joint Committee which reports to councils	Water Services division head reports through Chief Executive to Council
	Accountable to public through consumer protection requirements	Accountable to public for service delivery through normal local government practice
Finance and Funding	New requirements for financial reporting. Financially separate from councils with water revenue paying for borrowing costs.	New requirements for financial reporting and ring-fencing of income and expenditure.

	Debt limit is 500% of revenue	Debt remains within Council limits (280% of all Council revenue)
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54. The following graph shows the estimated cost to a typical South Taranaki urban household comparing the current LTP figures to the in-house business unit and Joint Taranaki WSCCO figures. This shows over the long term, the cheaper option for delivering water and wastewater services is the Joint Taranaki WSCCO model.

STDC Typical Urban Household - cost of water and wastewater



Risks Associated with this Decision

Consultation

55. The significant risk of this decision lies in the challenge of effectively communicating a complex issue to the community in a way that enables them to provide meaningful feedback. This risk is being mitigated by the joint development of a consultation document and the timing of consultation is being aligned across all three councils.

Data Quality

56. LTP 2024-34 projections for water services are based on the councils’ infrastructure assets database and current asset conditions. All three councils in Taranaki agree that the asset data base information quality could be further improved and that condition ratings within their databases do not necessarily accurately reflect the true state of some of these assets. Consequently, additional borrowing could become necessary.

Financial Assumptions versus Reality

- 57. There is a risk that the assumptions used in the financial modelling for both models are not accurate and may be materially different to what has been used, resulting in less/greater savings or less/greater costs going forward.

Whaiwhakaaro me ngā aromatawai / Considerations and Assessments

Local Government Purpose

- 58. The purpose of local government is to enable democratic local decision-making on behalf of communities. The government has repealed the previous Affordable Waters legislation that mandated councils to become part of a larger water entity. The LWDW legislation that has now been enacted provides for local decision making.

Assessment of Significance and Engagement

- 59. South Taranaki District Council’s general approach to determining the level of “significance” will be to consider:

Criteria	Measure	Assessment
Degree	The number of residents and ratepayers affected and the degree to which they are affected by the decision or proposal.	All residents will be affected by the way water services are delivered in the future. The decision on which option is the Council’s proposed option in the consultation document will provide an opportunity for the community to have their say.
LOS	The achievement of, or ability to achieve, the Council’s stated levels of service as set out in the Long Term Plan.	Both options being consulted on can deliver the stated levels of service in the LTP and could meet any stated levels of service set out in water legislation or regulations in the future.
Decision	Whether this type of decision, proposal or issue has a history of generating wide public interest within South Taranaki.	Ownership and delivery of water infrastructure has previously generated wide public interest.
Financial	The impact of the decision or proposal on the Council’s overall budget or included in an approved Long Term Plan and its ability to carry out its existing or proposed functions and activities now and in the future.	The Council has approved a budget of \$250,000 for the development of WSDPs and the work to date, consultation and development of a final WSDP are expected to fit within this budget.
Reversible	The degree to which the decision or proposal is reversible.	The decision on which models of service delivery to consult on will not be reversible once the Council releases its consultation documents.

Criteria	Measure	Assessment
Environment	The degree of impact the decision will have on the environment.	The management and delivery of three waters has a significant impact on the environment and these impacts will be examined in the Water Services Delivery Plan.

- 60. In terms of the Council’s Significance and Engagement Policy the decision on the future service delivery model for water services is of **high significance**.
- 61. Under the Act councils must consult on the anticipated or proposed model for delivering water services in the WSDP. The Council must ensure that its consultation and decision-making comply with Section 51-54 (Part 3 of the Act), not the consultation requirements of the Local Government Act 2002.

Legislative Considerations

- 62. Ultimately the Council is required to decide on the model for water service delivery and develop a WSDP that must be presented to the government by 3 September 2025 for the DIA to approve. Adoption of the WSDP is scheduled for 28 July 2025.
- 63. The Council is required to consider its options, determine a proposed service delivery model and consult on these with the community. As stated in paragraph 20, the legislation sets out what information must be provided to the community.

Financial/Budget Considerations

- 64. The legislation requires that water services are delivered in a financially sustainable manner by 30 June 2028.
- 65. The Council approved a budget of \$250,000 for the development of WSDPs and the work to date, consultation and development of a final WSDP are expected to fit within this budget.

Environmental Sustainability

- 66. The main focus of the models to be put out for public consultation is around financial sustainability as per the LWDW legislation. However, whatever model of service delivery is implemented, the entity (either the Council or a CCO) will be required to meet environmental standards for both water quality and wastewater discharge.
- 67. Taumata Arowai are currently developing national standards for wastewater discharge so it is unknown at this time what these regulations will require of Council. However, the Council has budgeted for additional treatment of wastewater as part of the 2024-34 LTP. It is intended that work will be undertaken as discharge consents become due for renewal, and when the national standards become clearer. There have been signals to date that the national standards should make it easier (and less expensive) for councils to comply.
- 68. The model of service delivery will also need to consider the resilience of water and wastewater infrastructure, as climate change affects sea level rise and more severe weather events potentially put infrastructure at risk (e.g. infrastructure close to eroding cliffs).

Consistency with Plans/Policies/Community Outcomes

69. Whatever service delivery model the Council proceeds with, following consultation with the community, will be a strategic decision for the Council to make in July this year.
70. Progressing the development of a WSDP will meet LWDW legislation enacted by the government in September 2024. It will also enable future statutory responsibilities outlined in Stage 3 legislation to be met.
71. The Local Government Act 2002 requires councils to promote the social, economic, environmental and cultural well-being of the community, now and for the future. The effective and efficient delivery of drinking water and wastewater services to the community are crucial to all four community outcomes:
 - a) Mana Oranga/Economic Wellbeing: flourishing communities with a diverse economy, innovative people and resilient infrastructure
 - b) Mana Mauri/Cultural Wellbeing: creative, diverse communities that enhance the mauri (wellbeing) of our people
 - c) Mana Taiao/Environmental Wellbeing: sustainable communities that manage resources in a way that improves our environment for future generations
 - d) Mana Tangata/Social Wellbeing: safe, connected communities where people feel happy and proud of where we live.

Consideration for Iwi/Māori

72. To date, the Water Service Delivery for Taranaki Project has had involvement and input from iwi/mana whenua by way of Post Settlement Governance Entity (PSGE) members' participation in the Steering Group, Pou Taiao staff on the Project Working Group and briefings to Taranaki Iwi Chairs. Council's Te Kāhui Matauraura members were invited to Council workshops.
73. Water is a taonga for mana whenua and iwi/Māori have ancestral or spiritual relationships with water bodies. The Council's Iwi partners have a holistic view of water and do not differentiate between regulatory decisions on water management and decisions on infrastructure to provide water services.
74. There are concerns about degradation of water that arise in connection with the use of water and discharges, including in connection with the delivery of water services. Discharge of wastewater to water bodies is of particular concern.
75. A likely key outcome for our Iwi partners will be that a strong governance framework, which includes Iwi partners, is part of the decision making for either a Joint Taranaki WSCCO or an in-house business unit. It is anticipated that Iwi will want an active role in governance which is consistent with the Council's Partnership Strategy.

Whakakapia / Conclusion

76. There are two decisions for the Council to make:
 - a. To confirm that the consultation options will be in-house business unit (enhanced status quo) and a Joint Taranaki Water Services CCO
 - b. Which of these options is the Council's proposed service delivery model

77. The recommended option is Option One, to consult on two models; the Joint Taranaki CCO and in-house business unit, with the Joint Taranaki WSSCO as the proposed model of delivery.



Fiona Aitken

**Tumu Whakahaere /
Chief Executive**

Appendix 1: [DIA Local Water Done Well information and fact sheets](#)

December 2024

LOCAL WATER DONE WELL

Implementation roadmap



Te Tari Taiwhenua
Internal Affairs

This document provides an overview of key activities and milestones for the implementation of Local Water Done Well.

It outlines the key steps in the overall Local Water Done Well programme to help councils and other stakeholders understand the timing of the programme. It is not intended to be comprehensive or cover related agency workstreams. All information and timeframes are indicative and subject to change, in line with legislative processes.

Workstream	December 2024	January to June 2025	July to December 2025	January to June 2026	July to Sep 2026	Nov 2026 onwards
LEGISLATION						
Local Government (Water Services Preliminary Arrangements) Act 2024 (Prelim Arr Act)	Department of Internal Affairs (DIA) continues to provide guidance to support implementation of Prelim Arrangements Act					
Local Government (Water Services) Bill (Bill 3)	Bill 3 introduced (Dec 2024)		Bill 3 enacted (mid-2025); DIA provides guidance to support Bill implementation			
COUNCIL WATER SERVICE DELIVERY ARRANGEMENTS						
Water service delivery arrangements	Councils can establish new water organisations allowed under existing legislation		Councils can establish new water organisation models provided through Bill 3			
	DIA/Crown Infrastructure Partners (CIP) support councils on delivery model considerations		New legislative requirements for local government water service providers in effect			
	CIP and Local Government Funding Agency (LGFA) support councils on structuring and financing for new water organisations (Dec 2024 – Jun 2025)					
Water Services Delivery Plans (WSDPs)	Councils to develop WSDPs with support from DIA as required. Indicative timeline: - Sept – Oct 2024: Financial viability assessment - Nov 2024 – Jan 2025: Financial sustainability and delivery model - Feb – Apr 2025: Community consultation - May – Jul 2025: Finalise plans for submission		WSDP extension deadline (3 Aug 2025)	Councils publish WSDPs (Dec 2025)		
			Councils submit WSDPs to DIA for review and acceptance (by 3 Sep 2025)	Published plans available to Commerce Commission and the Water Services Authority		
					DIA monitor WSDPs Implementation Plan (Nov 2025 until complete)	
PLANNING & REPORTING FRAMEWORK FOR WATER SERVICES						
New planning and reporting framework for water service providers (councils and water organisations)	Councils plan and design for ringfencing as part of WSDPs		Water service providers begin to apply new financial (ringfencing) principles as part of financial operations and policies	Shareholders in water organisations prepare statements of expectations to inform first water services strategy	Water service providers prepare first water services strategy – for adoption by 30 Jun 2027 (including forecast financial statements for water supply, wastewater and stormwater)	
					Councils include 'standalone' financial statements for water supply, wastewater and stormwater in annual report for FY 2026-27	

Extraordinary Council - Purpose to confirm consultation options for Local Water Done Well - Report

Workstream	December 2024	January to June 2025	July to December 2025	January to June 2026	July to Sep 2026	Nov 2026 onwards
ECONOMIC REGULATION						
Crown monitor for Watercare (interim economic regulator for Watercare)	Crown monitor quarterly reporting and annual reporting (first report for year ending 30 Jun 2025, due 30 Nov 2025)					
	Watercare develops business plan and submits to DIA					
	Watercare Charter under development	Watercare Charter in place (to Jun 2028)				
Information disclosure (ID)		Commerce Commission consultation on ID under Prelim Act	Commerce Commission consultation on a draft ID requirements for all suppliers (following enactment of Bill 3)	Commerce Commission sets ID requirements under Bill 3 (within 6 months of enactment)	ID requirements under Bill 3 in force from July 2026 for all suppliers	
		Councils/CCOs can be subject to foundational ID under Prelim Act, subject to Ministerial approval (providers can no longer be designated after Bill 3 commences)				
Ringfencing			Commerce Commission begins monitoring ringfencing requirements relating to water supply and wastewater (i.e. requirement for revenue from regulated water services to be spent on those services from enactment of Bill 3)			
Revenue thresholds				Revenue thresholds can apply (if required)		
Quality standards and performance requirements				Quality regulation and performance regulation can apply following designation (if required)		
Price-quality regulation					Price-quality regulation can apply following designation (if required)	
ENVIRONMENTAL & INFRASTRUCTURE REGULATION						
Drinking water						
Drinking water quality regulatory environment	Regulatory changes to ensure regulation is proportional to risk for drinking water suppliers					
Wastewater						
Wastewater environmental performance standards (and infrastructure design solutions)	Water Services Authority engages on development of wastewater standards	Authority consults on standards	Development of standards	Wastewater standards in place (Aug 2025)		
				Development of infrastructure design solutions	Infrastructure design solutions for modular plants in place	
Stormwater						
Stormwater management roles and responsibilities			New stormwater network risk management provisions take effect (following enactment of Bill 3)			
Water service bylaw alternatives			Alternative options to bylaws available to councils (e.g. drinking water catchment plans, trade waste plans and rules, water supply and waste management enforcement)			
Infrastructure						
National Engineering Design Standards (NEDS)		Water Services Authority develops draft NEDS	Water Services Authority consultation on draft NEDS. Transition to NEDS from making of final NEDS.			
Water service providers infrastructure powers			Modernised powers to access land and control connections apply in place (from enactment of Bill 3)			

December 2024

LOCAL WATER DONE WELL



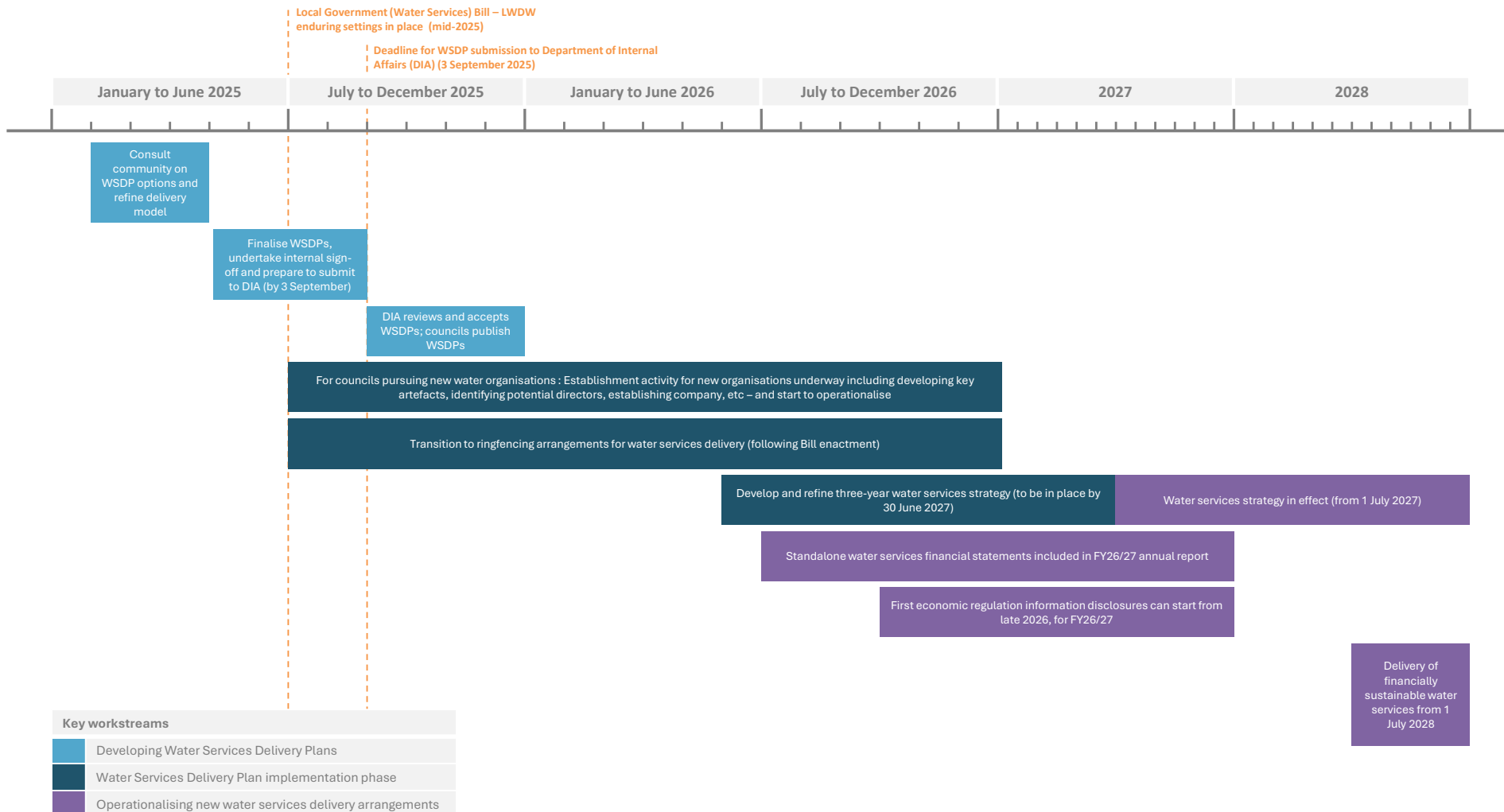
Te Tari Taiwhenua
Internal Affairs

Planning for future water services delivery (2025-2028)

This document provides a high-level roadmap for councils' planning and delivery of future water services arrangements under Local Water Done Well. It is indicative only and has been prepared to support councils as they develop their Water Services Delivery Plans (WSDPs). It includes key milestones and an indication of key workstreams for councils, which may be required to achieve councils' delivery of financially sustainable water services to their communities from 1 July 2028.

The Government has set out the foundations and preliminary arrangements for the new water services system, including tools and a new framework for councils. Legislation covering the enduring settings for the future water services system is expected to be in place by mid-2025.

5





December 2024

LOCAL WATER DONE WELL

5

Factsheet: Local Government (Water Services) Bill overview

This factsheet provides an overview of key aspects of the Local Government (Water Services) Bill, and is designed to help readers to navigate through different parts of the Bill.

It replaces the Factsheet: *Local Government Water Services Bill overview* shared in August 2024, based on the provisions of the Bill as introduced in December 2024.

The Bill sets out the enduring settings for the new water services system. It is the third piece of legislation in the Government’s three-stage process for implementing Local Water Done Well.

What is Local Water Done Well?

Local Water Done Well is the Coalition Government’s plan to address New Zealand’s long-standing water infrastructure challenges. It recognises the importance of local decision making and flexibility for communities and councils to determine how their water services will be delivered in the future. It will do this while ensuring a strong emphasis on meeting economic, environmental and water quality regulatory requirements.

What are the proposed changes?

The Local Government (Water Services) Bill (the Bill) establishes the enduring settings for the new water services system. Changes are proposed to the water services delivery system and to the water services regulatory system. It is the third piece of legislation in the Government’s three-stage process for implementing Local Water Done Well.

Overview of the Bill

The Bill provides for:

- arrangements for the new water services delivery system;
- a new economic regulation and consumer protection regime for water services; and
- changes to the water quality regulatory framework and the water services regulator.

It contains standalone provisions and amendments to a number of other Acts.

It is intended that the Bill will be divided by the select committee or at the committee of the whole House stage into separate Bills, as follows:

- Parts 1 to 4, Part 6, and Schedules 1 to 4 will become the Local Government (Water Services) Bill.
- Part 5, and Schedules 5 to 12 will become the Local Government (Water Services Repeals and Amendments) Bill.

Part 1: Preliminary provisions

This part includes:

- the purpose of the Act;
- the interpretation clause, containing definitions of all the key terms used in the Bill.

One of the key terms is “water service provider”. This incorporates:

- territorial authorities;
- water organisations – if responsibilities have been transferred to an organisation through a transfer agreement;
- regional councils, if they provide any water services.

“Water services” is defined as meaning any or all of the following: water supply services; stormwater services; wastewater services. Each of these terms is also defined.

Part 2: Structural arrangements for water services provision

This Part incorporates a number of clauses concerning the structural arrangements for the provision of water services.

- **Subpart 1** provides for territorial authorities’ responsibility for the provision of water services in their districts and the different methods by which they can structure service provision arrangements. It covers:
 - the key role of water organisations as being, along with territorial authorities, water service providers;
 - how responsibilities, infrastructure, and other matters can be transferred to water organisations through transfer agreements (which include the content set out in Schedule 2);
 - the objectives, financial principles, and obligations of water service providers;
 - how water service providers can contract for the provision of services on their behalf or enter into joint arrangements with other water service providers;
 - the decision-making process that must be followed by a territorial authority that proposes to make a change to the structure of water services provision.
- **Subpart 2** provides for the different ways a regional council may provide water services, for those regions in which the regional council also provides water services. This may be relevant in relation to urban stormwater services, for example.

- **Subpart 3** provides for the establishment, ownership, and governance of water organisations. These organisations must be companies, and must be wholly owned by:
 - one or more local authorities; or
 - one or more local authorities and the trustees of one or more consumer trusts; or
 - the trustees of one or more consumer trusts.

Further details on the structural arrangements for water services provision can be found in the factsheet: *Water service delivery arrangements*.

Regardless of the future water service delivery arrangements councils choose to use, existing responsibilities, commitments and obligations between iwi/Māori and the Crown under the Local Government Act 2002 (LGA02), and under Treaty settlement legislation will continue to apply.

Part 3: Provision of water services – operational matters

This Part of the Bill covers a range of operational matters that relate to the provision of water services. It gives water organisations powers that already apply to local authorities through other legislation, including charging powers. It also contains new requirements relating to managing water networks that will apply to all water service providers.

- **Subpart 1** enables water organisations to set and collect charges for water services (if they are the water service provider for those services), and contains related matters. (This subpart does not apply to Watercare.)
- **Subpart 2** enables water organisations to require development contributions for growth-related capital costs through a modified version of the development contributions regime in the LGA02.
- **Subpart 3** enables territorial authorities to make water services bylaws for their districts for the purposes of regulating connections to water services networks.
- **Subpart 4** provides for the power of a water service provider to enter land and carry out work in relation to water services infrastructure.
- **Subpart 5** sets out requirements relating to drinking water catchment plans.
- **Subpart 6** sets out requirements relating to trade waste plans.
- **Subpart 7** sets out obligations on water service providers that have responsibility for the management of stormwater networks (including overland flow paths and watercourses), and related matters. It provides for:
 - stormwater risk management plans;
 - stormwater network bylaws;
 - obligations of owners of private land that has an overland flow path or a watercourse crossing over or beneath it;
 - integrated management of stormwater networks, through (voluntary) service agreements.
- **Subpart 8** covers the discharge of sewage and trade wastes.

Part 4: Planning, reporting, and financial management

This Part of the Bill sets out a new planning and accountability framework for water services, which is fit for purpose for the new water services delivery system and supports an enhanced focus on water services.

- **Subparts 1 and 2** provide for a cycle of planning, performance, and reporting that promotes accountability to consumers of water services and to shareholders in water organisations. The cycle includes requirements that:
 - the shareholders of each water organisation must prepare and adopt a statement of expectations for the water organisation;
 - each water service provider must prepare and adopt a water services strategy, an annual budget, and a water services annual report. (Schedules 3 and 4 set out the detailed content requirements for water services strategies and water services annual reports, respectively.)
- **Subpart 3** provides for additional planning, reporting, and performance requirements for water service providers that are water organisations.
- **Subpart 4** sets out financial matters that apply to water organisations, including provisions relating to operating revenues, borrowing in foreign currency, and income tax.

Further details on the new planning and reporting framework for water services, and the associated amendments to the LGA02, can be found in the factsheet *Planning and accountability for local government water services*.

Part 5: Amendments to other Acts

Part 5 of the Bill includes the substantive amendments to other Acts, to give effect to the decisions the Government made in June and July 2024 – including the new regulatory regime for water services.

- **Subpart 1** amends civil defence legislation.
- **Subpart 2** amends the Commerce Act 1986.
- **Subpart 3** amends the Income Tax Act 2007.
- **Subpart 4** amends Local Government Act 2002 (Ministerial powers to act in Part 10, and definition of council-controlled organisation is section 6).
- **Subpart 5** amends the Local Government (Water Services Preliminary Arrangements) Act 2024.
- **Subpart 6** amends the Receiverships Act 1993.
- **Subpart 7** amends the Resource Management Act 1991.
- **Subpart 8** amends the Act previously called Taumata Arowai—the Water Services Regulator Act 2020.
- **Subpart 9** amends the Water Services Act 2021.

Further details on the main amendments are provided below and in separate factsheets. Additional consequential amendments to other legislation (including to the LGA02) are in Schedule 12.

Part 6: Miscellaneous provisions

Subparts 1 to 3 of this Part of the Bill contain a new framework for water services bylaws, including new functions and graduated enforcement tools.

- **Subpart 1** provides territorial authorities with powers to make water services bylaws, and enables the delegation of functions or powers that relate to the administration or enforcement of a water services bylaw to a water service provider operating in the district. It also requires the initial and ongoing review of water services bylaws.
- **Subpart 2** covers compliance and enforcement matters, including providing for infringement offences, compliance officers, and compliance powers.
- **Subpart 3** provides for a range of offences and penalties relating to water infrastructure and water services networks.

Subpart 4 requires the Minister of Local Government to commission a review of the water services system, no sooner than 54 months after the commencement of this Act. The review must examine and report on the overall operation and effectiveness of the water services legislation and local government arrangements for providing water services.

Further details on the amendments to other Acts

New economic regulation regime

The Bill amends the Commerce Act 1986 to provide for regulation of water services by the Commerce Commission (the Commission).

Subpart 2 of Part 5 of the Bill sets out a new regime for water services, based on the existing economic regulation regime in Part 4 of the Commerce Act (which currently applies to electricity lines services, gas pipeline services, and airport services).

Under the new economic regulation regime for water services, the Commission will have a range of regulatory options, including:

- information disclosure regulation;
- revenue threshold regulation;
- quality regulation;
- performance requirement regulation;
- price-quality regulation.

The Commission will also enforce a new “ring-fencing” rule, under which regulated suppliers will be required to spend the revenue they receive from providing water services on providing those services (see clause 3 of new Schedule 7). Pecuniary penalties will be available if the rule is breached.

Alongside the economic regulation regime, the Bill sets up a consumer protection regime that will enable the Commission to collect and analyse information relating to consumer protections, such as service quality and customer engagement. If information gathered reveals that issues exist, the Bill contains a range of tools to allow consumer protections to be strengthened.

Please refer to the factsheet, *Economic regulation and consumer protection*, for further details.

Amendments affecting the Water Services Authority–Taumata Arowai and the drinking water quality regulatory framework

In line with the Government’s intention that government agencies have an English name first, the Bill amends the Taumata Arowai–the Water Services Regulator Act 2020 (and related legislation) to refer to the ‘Water Services Authority–Taumata Arowai’.

The Bill makes changes to the water quality regulatory framework and to how the Water Services Authority (the Authority) regulates drinking water suppliers. It includes changes to the Water Services Act 2021 to reduce the regulatory burden of the drinking water quality regime and improve proportionality in the application of regulatory powers.

The Bill also amends the Authority’s operating principles (in the Taumata Arowai–the Water Services Regulator Act). The Authority will be required to consider the costs of regulatory compliance for drinking water suppliers, in particular mixed-use rural water suppliers, and ensure the regulation is proportionate to the scale, complexity, and risk profile of each supply. The Authority will also be required to proactively engage with suppliers and network operators to ensure there is a path to compliance that takes into account the risk profile and capacity of each supply.

In addition, the Bill amends the Water Services Act to require the Authority to include specific information on mixed-use rural water suppliers in its annual drinking water regulation report and its drinking water compliance, monitoring, and enforcement strategy.

Change in approach to Te Mana o te Wai

The Bill repeals the requirements in water services legislation to give effect to Te Mana o te Wai.

A new single standard for wastewater and stormwater environmental performance

The Bill amends the Water Services Act and the Resource Management Act to provide for a single standard for wastewater and stormwater environmental performance. This will ensure regional councils implement a single approach to resource consents, with a mechanism for exceptions.

Regional councils will be unable to set additional requirements either higher or lower than the standard. Wastewater and stormwater environmental performance standards will be made by Order in Council.

Please see the factsheet, *Wastewater and stormwater environmental performance standards*, for further details.

National engineering design standards

The Bill introduces a mechanism for establishing mandatory national engineering design standards to ensure consistent standards for the design and construction of water network infrastructure. National engineering design standards will be made by Order in Council.

Please see the factsheet, *National Engineering Design Standards*, for further details.

Ministerial powers to address problems facing local government water service providers

Subpart 4 of Part 5 of the Bill amends Part 10 of the LGA02: *Ministerial powers to act in relation to local authorities*. The amendments:

- enable the powers in Part 10 to be used in relation to all water service providers (water organisations, as well as local authorities), and shareholders in water organisations (including trustees and consumer trusts);
- expand the definition of a ‘problem’ to cover a range of situations that may be relevant in a water services context (including significant and persistent non-compliance with the economic regulation regime in the Commerce Act);
- provide for two new Ministerial bodies that can be considered in a water services context: a Crown facilitator – water services, and Crown commissioners – water services.

These changes are designed to apply on an enduring basis, if problems or potential problems emerge over the longer term.

Amending the definition of CCO in the LGA02 to include water organisations

Subpart 4 of Part 5 of the Bill amends the definition of council-controlled organisation in section 6 of the LGA02.

It adds a new provision, so that “council-controlled organisation” also includes a water organisation within the meaning of section 4 of the Local Government (Water Services) Act 2024, if:

- the organisation is owned by 1 or local authorities; or
- the organisation is owned by 1 or more local authorities and the trustees of 1 or more consumer trusts, and the local authorities hold more than 50% of the shares and voting rights in the organisation.

This helps to clarify where a water organisation is also a CCO.

Schedule 1 of the Bill includes a transitional provision for existing water services CCOs, which become water organisations upon enactment.

Other Local Water Done Well legislation

Local Water Done Well is being implemented in three stages, each with its own piece of legislation.

The Water Services Acts Repeal Act (enacted in February 2024) repealed the previous Government's water services legislation and restored continued council ownership and control of water services.

The Local Government (Water Services Preliminary Arrangements) Act (enacted in September 2024) established the Local Water Done Well framework and the preliminary arrangements for the new water services system. The Act includes:

- Requirements for councils to develop Water Services Delivery Plans (by 3 September 2025).
- Requirements for councils to include in those Plans baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements, as a first step towards future economic regulation.
- Streamlined consultation and decision-making processes for setting up council-controlled organisations that deliver water services, and joint local government arrangements, both of which are currently provided for in the Local Government Act.
- Provisions that enable a new, financially sustainable model for Auckland Council's CCO, Watercare.
- Interim changes to the Water Services Act that means the Te Mana o te Wai hierarchy of obligations in the National Policy Statement for Freshwater Management (NPS-FM) will not apply when the Authority sets wastewater standards.

As outlined in this factsheet, the third Bill – the Local Government (Water Services) Bill – will establish the enduring settings for the new water services system.

Next steps

There will be an opportunity to provide submissions on the Local Government (Water Services) Bill at select committee.

The Department of Internal Affairs will prepare further guidance material to support the implementation of Local Water Done Well, following the enactment of the Bill. This is expected to be in mid-2025.

Further information

The Local Government (Water Services) Bill is available at www.legislation.govt.nz.

Information about the parliamentary process and timeline for the Bill, including how to make a submission to the select committee, is available at www.parliament.govt.nz.

For further information about Local Water Done Well, including guidance and information for councils, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

Questions? Contact waterservices@dia.govt.nz



December 2024

LOCAL WATER DONE WELL

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Factsheet: Water service delivery arrangements

This is one of a series of factsheets giving an overview of key aspects of the Local Government (Water Services) Bill.

It is based on the provisions of the Bill as introduced in December 2024.

The Bill sets out the enduring settings for the new water services system. It is the third piece of legislation in the Government's three-stage process for implementing Local Water Done Well.

This factsheet provides an overview of the provisions in the Bill that relate to water service delivery arrangements. It should be read alongside other Local Water Done Well factsheets.

What are the proposed changes?

Responsibility for providing water services and how delivery arrangements can be structured

Under the Bill, each territorial authority must ensure water services are provided in its district, but will have discretion to determine the optimal structure and delivery method for its local circumstances.

Water services may be provided by a territorial authority in any one or more of the following ways:

- by the territorial authority providing services itself, directly ('in house');
- by transferring responsibility to a water organisation (through a transfer agreement), established by the territorial authority or in which it is a shareholder;
- a contract with a third party (including a water organisation) to provide water services on behalf of the territorial authority;
- a joint arrangement with other water services providers (a "joint water service provider arrangement"); or
- another type of arrangement that is consistent with the Act.

A territorial authority may use different means for providing different water services or different aspects of a water service. For example, responsibility for water supply and wastewater could be transferred to a water organisation, while stormwater is retained 'in house'.

If a territorial authority establishes or is a shareholder in a water organisation, it must enter into a transfer agreement with the organisation – and publish this document. The agreement sets out:

- the responsibilities, functions, powers, assets, liabilities, and other matters that are being transferred;
- any matters that are being retained by the territorial authority.

The transfer agreement must also set out arrangements to be put in place for charging and revenue collection for the water services that are being transferred, including whether this will be done by the territorial authority or the water organisation. Water organisations are empowered through the Bill to charge consumers directly for the water services they provide, if this is the preferred approach.

Having this agreement ensures there is transparency about where different responsibilities and accountabilities sit, and flexibility for territorial authorities to determine which arrangements will work best for them. For example, the agreement could transfer responsibilities relating to the management and operations of a water service, but not the ownership of assets.

The Bill also sets out the circumstances under which a new transfer agreement is required.

Water service providers

“Water service provider” is a term used throughout the Bill, and covers territorial authorities and water organisations (if responsibilities have been transferred). Most of the requirements and obligations in the Bill apply to all water service providers, including:

- statutory objectives – including the objectives to provide water services in a cost-effective and financially sustainable manner, and meet all applicable regulatory standards and requirements;
- financial principles – including that the provider must:
 - spend the revenue it receives from providing water services on providing water services; and
 - ensure the revenue it applies to the provision of water services is sufficient to sustain the long-term investment in the provision of water services;
- planning and reporting requirements; and
- being subject to restrictions against privatisation.

If a territorial authority or water organisation enters into a contract or joint water service provider arrangement, it continues to be responsible for ensuring the provision of water services. This includes ensuring the other party performs any functions and duties associated with providing the services to which the contract or joint arrangement relates. The other party is not considered a “water service provider” for the purposes of the Act.

Additional requirements for water organisations and consumer trusts

The Bill provides that water organisations must be owned* by:

- a single territorial authority;
- two or more territorial authorities;
- a mix of territorial authority and consumer trust shareholders;
- a consumer trust.

The following other requirements also apply to water organisations:

- they must be a company (and are therefore also covered by the Companies Act)*;
- they must not do anything other than provide water services, or undertake activities that are related to, or necessary for, providing water services*;
- they must have an independent, competency-based board – which cannot include people who are elected members or employees of a territorial authority that is a shareholder in the water organisation.

It will be possible for territorial authorities to apply for an exemption from some of these requirements (marked *). Successful applications are given effect through Order in Council.

Exemption applications are made to the Secretary for Local Government, who will advise the Minister of Local Government on whether to recommend an exemption is granted, and any associated terms and conditions. After receiving the Secretary's advice, the Minister must recommend to the Governor-General that the exemption should be granted, or decline the application.

The Bill enables one or more territorial authorities to establish a consumer trust to own or co-own a water organisation, and sets out the arrangements that apply to trusts and trustees. Details about the consumer trust are set out in a trust deed, approved by the Secretary for Local Government.

Trustees in a consumer trust are directly elected by consumers of the water organisation, in accordance with the principles in the Bill. Trustees will represent the interests of consumers, and perform the roles and responsibilities of the shareholders in a water organisation under the Act.

Role of regional councils

The Bill makes provision for regions in which water services are provided not only by territorial authorities but also by the regional council. For example, this may be relevant in relation to urban stormwater services, such as ownership of detention dams and the management of urban watercourses.

The Bill clarifies that a regional council may:

- provide water services itself, directly;
- transfer responsibility for the provision of water services to a territorial authority in the region (under section 17 of the Local Government Act 2002);

- transfer responsibility for the provision of water services to a water organisation whose service area is in the region, by means of a transfer agreement with the territorial authority that established the organisation;
- enter into a contract with a third party (including a water organisation) to provide water services on behalf of the council;
- enter into a joint water service provider arrangement;
- become a shareholder in a water organisation established by a territorial authority in the region.

If a regional council provides water services, it is considered a “water service provider” and subject to the relevant areas of the Bill.

What does this mean for councils and CCOs?

From enactment, territorial authorities and any existing water services CCOs (including Watercare) will become “water service providers” and subject to the requirements set out in the Act.

Although some aspects of the Bill are similar to what territorial authorities and CCOs can do now – such as entering into contracts – there are differences from current legislative settings. This means that, even where a territorial authority chooses to carry on providing water services ‘in house’, it will be subject to some new requirements.

For example, from 2027, all water service providers will prepare water services strategies – instead of including information on water services in long-term plans and infrastructure strategies under the LGA02.

Another difference relates to contracting arrangements. Under the Bill, water service providers may enter into contracts with third parties for up to 50 years (instead of the current 35 year maximum). However, there are also provisions designed to improve the nature of these contractual arrangements and procurement processes, particularly for significant contracts. These include that:

- consultation will be required for significant contracts, and providers will need to include details on how the contracted party has performed during the year in their water services annual report;
- each water service provider must adopt a policy setting out the matters it will consider when determining whether a contract is significant (such as the value of the contract and if it involves a public-private partnership);
- before entering into contract that will create a public-private partnership, water service providers will be required to have regard to any relevant procurement rules and guidance issued by central government, and seek advice from a relevant central government agency or private sector experts;
- when negotiating a contract, a water service provider must consider whether compliance with current and anticipated regulatory requirements should be provided for in the contract.

What happens to existing water services council-controlled organisations?

Council-controlled organisations (such as Watercare) that currently provide water services – and will continue to do so after the Bill is enacted – will automatically become water organisations, upon enactment. This means they will be subject to the new Act, and the responsibilities that apply to other water service providers.

Where a CCO becomes a water organisation and does not already meet the statutory requirements that apply to water organisations, it has six months following enactment to make the changes needed (or for territorial authority shareholders to obtain an exemption, if relevant). Similarly, a territorial authority that is a shareholder in a CCO that becomes a water organisation has six months in which to provide a transfer agreement, to formalise the responsibilities and other matters held by the organisation and the authority.

The definition of CCO in the Local Government Act 2002 is amended by the Bill to include a reference to water organisations. A water organisation is also a CCO if it is owned by one or more local authorities, and they are the majority shareholders (with trustees in a consumer trust being the minority).

Some of the provisions in the LGA02 that apply to CCOs will not apply to water organisation CCOs. In particular, the planning and reporting requirements in Part 4 of the Bill (such as statements of expectations and water services annual reports) apply instead of the requirements in Part 5 of the LGA02.

Next steps

There will be an opportunity to provide submissions on the Local Government (Water Services) Bill at select committee.

The Department of Internal Affairs will prepare further guidance material to support the implementation of Local Water Done Well, following the enactment of the Bill. This is expected to be in mid-2025.

Further information

The Local Government (Water Services) Bill is available at www.legislation.govt.nz.

Information about the parliamentary process and timeline for the Bill, including how to make a submission to the select committee, is available at www.parliament.govt.nz.

For further information about Local Water Done Well, including guidance and information for councils, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

Questions? Contact waterservices@dia.govt.nz



December 2024

LOCAL WATER DONE WELL

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Factsheet: Future arrangements for stormwater

This is one of a series of factsheets giving an overview of key aspects of the Local Government (Water Services) Bill.

It updates the Factsheet: *Future arrangements for stormwater* shared in August 2024, based on the provisions of the Bill as introduced in December 2024 and including other minor updates.

The Bill sets out the enduring settings for the new water services system. It is the third piece of legislation in the Government's three-stage process for implementing Local Water Done Well.

This factsheet provides an overview of future arrangements for urban stormwater, and mechanisms to improve the management of overland flow paths and watercourses in urban areas.

It should be read alongside other Local Water Done Well factsheets.

What are the proposed changes?

Future arrangements for delivery of urban stormwater services

The Bill provides a new approach to the management of stormwater services under Local Water Done Well.

Councils will retain responsibility for ensuring that stormwater services are provided in their district, but have the flexibility to choose the delivery arrangements that best suit their circumstances.

Councils will be able to:

- continue to deliver stormwater services directly (in-house);
- transfer all or some aspects of stormwater service provision to a water organisation¹ (this might include stormwater network assets²); and/or
- contract a water organisation (or potentially another third party) to provide all or some aspects of stormwater service delivery.

¹ 'Water organisation' means the separate organisations that councils may establish to provide water services.

² Councils will need to consider this on a case-by-case basis as part of any transfer arrangements, including whether or not it is appropriate to transfer any assets as well as determining appropriate funding and financing mechanisms.

Councils that choose to transfer the provision of all or some aspects of stormwater services, must do that in accordance with a transfer agreement (provided for in the Bill). The agreement will set out which responsibilities and infrastructure would be transferred to the water organisation, and which would remain with the council.

Councils must ensure that any agreement, contract, or arrangement does not transfer the ownership or control of the operation of the transport corridor stormwater infrastructure.

To support the integrated management of stormwater services, councils, water organisations and any other relevant agencies can enter into service agreements to provide a framework for the different parties to work together to manage their respective statutory roles and functions.

Management of stormwater networks, including overland flow paths and watercourses in urban areas

The Bill makes changes to improve the management stormwater network, including overland flow paths and urban watercourses.

The key changes are:

- Clarifying that the definition of the urban stormwater network includes network infrastructure and related green stormwater infrastructure, overland flow paths, and urban watercourses.
- Specifying territorial authority and private landowner statutory roles and responsibilities in relation to the management of overland flow paths and urban watercourses.
- Enabling new planning and regulatory tools – stormwater network risk management plans and stormwater network bylaws to manage risks and hazards that may affect the operation of critical stormwater network infrastructure.

Why are these changes needed?

Urban intensification and climate change are increasing pressure on the delivery of stormwater services. Extreme weather events have highlighted the importance of stormwater management, and the potential risks to people and property when stormwater networks do not perform effectively.

In addition, councils' management of stormwater has been impacted by the uncertainty around legal responsibilities, limited regulatory tools, and information gaps. Collectively, these issues have made it challenging to effectively manage stormwater networks, particularly overland flow paths and watercourses (an urban area's natural drainage system). This can expose people and property to significant flood risks.

Councils need a range of tools to be able to adopt new approaches to the management of the stormwater network to meet current and future challenges. However, it is important that councils continue to have choices about how best to deliver stormwater services, given the interrelationship with land use planning and other areas of councils' responsibilities including roads, parks and reserves that impact on stormwater outcomes.

What does this mean for councils?

Councils will be able to choose the arrangements for the management of stormwater services that best suit their circumstances.

The Bill gives them flexibility to contract or transfer responsibility for the delivery of a range of services (for example, maintenance and operation of the network, and/or technical and specialist advice) to leverage the capability and capacity of the new water organisations.

Councils will continue to have a strong influence on stormwater outcomes in their city or district

While councils can contract or transfer the delivery of stormwater services to a water organisation, they can through those agreements, and future planning documents provided for in the Bill (statement of expectations and water services strategies) set directions and priorities for water organisations.

These changes maintain the incentive on councils to consider how they will align land use planning, stormwater services and investment to support the management of stormwater services, and continue to leverage councils' existing networks with the communities.

The Bill also provides an enabling framework for the development of service agreements, which can be used by councils, water organisations and other agencies to support the integrated management of the stormwater network.

Improving the management of overland flow paths and urban watercourses

Specifying territorial authority and private landowner statutory roles and responsibilities in relation to the management of overland flow paths and urban watercourses will provide clarity to all parties, and support greater integration to improve management of overland flow paths and urban watercourses.

As part of this approach, councils will be required to:

- Develop a stormwater network risk management plan to identify risks and hazards related to critical stormwater network infrastructure.
- Work with private landowners, as required, to protect and maintain the conveyance capacity of overland flow paths and urban watercourses.
- Develop (as required) stormwater bylaws that would provide direction to private landowners on their responsibilities for maintenance and protection of the conveyance capacity of overland flow paths and urban watercourses on their land.

Stormwater risk management plans and stormwater bylaws will provide councils with new fit-for-purpose tools that will set out landowners' duties, improve flood risk information, help councils target operational activities to protect critical stormwater network assets, and support actions to identify how risk to the network and community can be managed.

Next steps

There will be an opportunity to provide submissions on the Local Government (Water Services) Bill at select committee.

The Department of Internal Affairs will prepare further guidance material to support the implementation of Local Water Done Well, following the enactment of the Bill. This is expected to be in mid-2025.

Further information

The Local Government (Water Services) Bill is available at www.legislation.govt.nz.

Information about the parliamentary process and timeline for the Bill, including how to make a submission to the select committee, is available at www.parliament.govt.nz.

For further information about Local Water Done Well, including guidance and information for councils, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

Questions? Contact waterservices@dia.govt.nz



December 2024

LOCAL WATER DONE WELL

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Factsheet: Economic regulation and consumer protection

This is one of a series of factsheets giving an overview of key aspects of the Local Government (Water Services) Bill.

It updates the *Factsheet: Economic regulation and consumer protection* shared in August 2024, based on the provisions of the Bill as introduced in December 2024 and including other minor updates.

The Local Government (Water Services) Bill (the Bill) sets out the enduring settings for the new water services system. It is the third piece of legislation in the Government's three-stage process for implementing Local Water Done Well.

This factsheet provides an overview of the new economic regulation and consumer protection regime for water service providers under Local Water Done Well. It covers the new tools available to the Commerce Commission for carrying out this new regulatory role.

It should be read alongside other Local Water Done Well factsheets.

What are the proposed changes?

The Government is establishing a new economic regulation regime under Local Water Done Well, to be implemented by the Commerce Commission.

The regime will give New Zealanders peace of mind that councils and water organisations are spending sufficient revenue (collected through rates or water charges) on water infrastructure.

The Commerce Commission will have a range of regulatory tools to help achieve this outcome, including mandatory information disclosure by water service providers to promote efficient practices and protections for consumers.

What is economic regulation and consumer protection?

Economic regulation is a way of influencing the price and quality of products and services supplied by natural monopolies where consumers have limited choices, such as water services. New Zealand currently has economic regulation regimes in place for several sectors, including certain international airports, gas pipelines services, electricity lines services and fibre networks.

Consumer protections are safeguards for consumer interests, including ensuring local water service providers have effective procedures in place for consumer complaints.

What is the Commerce Commission’s role?

Economic regulation

The Commerce Commission will have a range of tools to promote sufficient revenue recovery, and efficient investment and maintenance so that water services meet regulatory requirements and are delivered at a quality that communities expect.

These tools are set out in the table below.

Tool	How it works
Information disclosure	<p>Local government water service providers will be required to publicly disclose information in a prescribed form set by the Commerce Commission.</p> <p>The information required is expected to initially include details about actual and forecast capital investment plans and expenditure, operating costs, revenue, tariffs/charges, financing plans, service quality, customer engagement and asset management.</p> <p>These requirements will build on information provided under Water Service Delivery Plans in 2025 – and align, where possible, with similar information contained in the documents in the new planning and reporting framework for water services provided for in the Bill (see separate factsheet).</p> <p>The Commerce Commission will analyse information provided by water service providers to improve transparency and accountability, and identify whether further regulatory intervention is necessary.</p> <p>This information will help consumers to understand how their provider – and other providers – are performing. It is expected that the Commerce Commission will first focus on monitoring whether water service providers are collecting enough revenue for their investment needs, while promoting increased efficiency and cost reflective tariffs/charges in the long-term. This includes considering whether tariffs/charges reflect localised costs so that consumers have a clear understanding of how they are being charged.</p> <p>The Commerce Commission is expected to set the initial requirements for information disclosure within six months after the commencement of the legislation (by early 2026).</p>

Tool	How it works
Revenue thresholds	<p>The Commerce Commission will have new powers to set minimum and maximum revenue thresholds to issue clear expectations to providers regarding what level of revenue needs to be collected for investment in, and operating of, water infrastructure.</p> <p>If the Commerce Commission finds that a water service provider is not recovering enough revenue to invest sufficiently in water infrastructure over time, the Commerce Commission will be able to recommend further tools are deployed, based on its specific needs.</p>
Financial ringfence	<p>The Commerce Commission will monitor and enforce the requirement that revenue from regulated water services is spent on regulated water services.</p> <p>If necessary, the Commerce Commission will be able to require that specific amounts of revenue from regulated water services are ringfenced for investment back into the regulated water service.</p>
Quality regulation	<p>The Commerce Commission will be able to set infrastructure and service quality standards and quality incentives to incentivise improvements in quality. These standards and incentives can drive outcomes related to resilience and reliability, such as frequency and duration of network interruptions and leakages.</p> <p>The legislation will include a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commerce Commission this tool.</p>
Performance requirement regulation	<p>The Commerce Commission will be able to require water service providers to take certain actions to improve performance, such as to make certain types of investments, to consult or seek approval from the Commerce Commission on investment programmes, or to undertake cost-benefit analysis.</p> <p>The legislation will include a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commerce Commission this tool.</p>

Tool	How it works
Price-quality regulation	<p>Depending on performance, the Commerce Commission may be given the power to set, for specific providers, maximum and/or minimum revenues, and/or maximum and/or minimum prices, alongside minimum quality standards and performance requirements.</p> <p>This would follow an assessment by the Commerce Commission of actual revenues against any Commerce Commission-set threshold. Setting maximum revenues and minimum quality standards is similar to the Commerce Commission’s role regulating gas pipeline and electricity lines services.</p> <p>Price-quality regulation will be applied to Watercare from the day after the interim regulatory regime in the Local Government (Water Services Preliminary Arrangements) Act 2024 ends.</p> <p>For all other providers, the legislation will include a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commerce Commission this tool.</p>

Consumer protection

The new consumer protection regime recognises that councils have strong relationships with their communities and established customer processes designed for their individual circumstances. The Government does not consider it is appropriate to impose additional regulation and associated compliance costs unless there is a clear need for it.

In the first instance, the Commerce Commission will monitor how consumers are treated by water service providers through information disclosure. If information gathered reveals that issues exist, a range of tools would be available to allow consumer protections to be strengthened.

These tools are set out in the table below.

Tool	How it works
Complaints regulations	<p>Regulations could be made specifying requirements relating to complaint processes, the provision of information on complaints, the recording of complaints, and/or reporting.</p> <p>The Minister of Commerce and Consumer Affairs would be able to recommend these regulations are made.</p>

Tool	How it works
Dispute resolution regulations	<p>Regulations could be made specifying requirements relating to external dispute resolution.</p> <p>This could include that water service providers must provide an external dispute resolution pathway, what this must be or criteria it must meet, which providers the requirements apply to, any rules that must be followed, and funding specifications.</p> <p>The Minister of Commerce and Consumer Affairs would be able to recommend these regulations are made.</p>
Guidelines on service quality codes	<p>The Commerce Commission will have the power to issue guidelines to water service providers on matters relating to a service quality code, at any time, if needed. Water service providers would be expected to take these on board when developing their approach to matters such as customer service, billing transparency, and communication about network outages.</p>
A mandatory service quality code	<p>The Commerce Commission will have the power to develop and implement a service quality code that water service providers must comply with, if:</p> <ul style="list-style-type: none"> • there is no sector-led service quality code; or • the Commerce Commission is satisfied that the consumer protection purpose statement could be better met by a mandatory code. <p>The development of a mandatory code could be initiated by the Commerce Commission, or at the request of the Minister of Commerce and Consumer Affairs.</p>

Why are these changes needed?

There is a significant gap in the current water services regulatory regime regarding economic regulation. Councils currently face few requirements relating to the management of water infrastructure, and none for infrastructure investment. Those requirements that are in place – such as the transparency and accountability provisions in the Local Government Act 2002 – have failed to result in adequate levels of investment, or charges that reflect the costs of providing water services.

The new economic regulation and consumer protection regime will play a vital role in safeguarding the interests of consumers, including through providing incentives and regulatory oversight to ensure sufficient investment is made in water infrastructure and water service providers have efficient management and operational practices.

What does this mean for consumers?

The economic regulation and consumer protection regime will, over time, give communities across New Zealand confidence that water service providers are on a path to ensuring access to quality water services for decades to come.

It will help households and businesses understand whether the amount they pay for water services reflects the costs of those services. It will also give New Zealanders peace of mind that water service providers are investing appropriately in quality infrastructure and services.

Who will be subject to the regime?

Any local government water service provider (councils and/or water organisations) that makes core decisions about water supply and/or wastewater services will be a regulated provider under the regime. This means there could be more than one regulated provider within a geographic location if councils choose a split decision-making model.

A provider will be subject to economic regulation if they make decisions about either or both of the following:

- capital and operating expenditure
- revenue recovery or charging levels.

Chatham Islands Council, community suppliers, private schemes, Crown providers, and private third-party contractors will be excluded from the regime unless brought in via designation at a later stage.

What does this mean for regulated providers?

The economic regulation regime will be flexible and proportionate, in line with providers' different needs and situations. The Commerce Commission will be able to set individual requirements for certain providers, and common regulations where appropriate.

The regime will apply to water supply and wastewater services, and will provide flexibility to include stormwater services at a later date, if necessary.

Information disclosure will be the key regulatory tool, and will apply to all regulated providers. The Commerce Commission will be able to implement other regulatory tools as needed, on a case-by-case basis.

Implementation of the regime will be staged, allowing the Commerce Commission to engage with the local government water services sector and assist regulated providers to understand their obligations.

The expected timelines for each economic regulation tool coming into effect, alongside other key milestones, are set out in the table below.

Milestone	What this means for providers
Early 2025	Stakeholders will be asked to provide feedback on Commerce Commission consultation on information disclosure under the Local Government (Water Services) Preliminary Arrangements Act 2024.
Mid-2025 Full economic regulation regime comes into effect	All regulated providers will be subject to a requirement for all revenues from regulated water services to be spent on regulated water services. The Commerce Commission will monitor compliance, with the ability to enforce any breaches that occur post 1 July 2027.
Sep 2025	Through their Water Services Delivery Plans, councils provide baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements. This information is shared with Commerce Commission to inform the development of the economic regulation regime.
Late 2025	Stakeholders will be asked to provide feedback on Commerce Commission consultation on potential information disclosure requirements.
From 2026 , when necessary Revenue thresholds	Providers could be subject to revenue thresholds. This means they will receive a clear direction from the Commerce Commission about the level of revenue they should collect.
From 2026 , if required, after designation Quality regulation	Under quality regulation, providers could be subject to quality standards or quality incentives to improve services.
From 2026 , if required, after designation Performance requirement regulation	Under performance requirement regulation, providers could be required to perform certain actions to improve performance.
From mid-2026 , if required, after designation Price-quality regulation	Under price-quality regulation, providers could be subject to minimum and/or maximum prices, and/or minimum and/or maximum revenues, alongside quality and performance requirements.
Late 2026	Providers are expected to make the first information disclosures under the new regime, based on the 2026/27 financial year.

How will the regime be funded?

It is intended that the costs the Commerce Commission incurs in its economic regulation of water services will be recovered through a levy on regulated providers from 1 July 2025. This is similar to the approach used in other regulated infrastructure monopolies, such as electricity lines services.

The Ministry of Business, Innovation and Employment is consulting on a discussion document setting out the Government’s proposed levy arrangements, with submissions closing on 24 January 2025.

To make a submission, visit www.mbie.govt.nz/have-your-say/seeking-feedback-on-a-proposed-levy-to-recover-commerce-commission-costs-of-regulating-water-services.

Next steps

There will be an opportunity to provide submissions on the Local Government (Water Services) Bill at select committee.

The Department of Internal Affairs will prepare further guidance material to support the implementation of Local Water Done Well, following the enactment of the Bill. This is expected to be in mid-2025.

The Commerce Commission will start implementing the full economic regulation regime after the legislation is passed, which is expected in mid-2025. It will work with the local government water services sector to build understanding of economic regulation, and the various tools available under the regime.

Further information

The Local Government (Water Services) Bill is available at www.legislation.govt.nz.

Information about the parliamentary process and timeline for the Bill, including how to make a submission to the select committee, is available at www.parliament.govt.nz.

For further information about water services economic regulation and consumer protection, visit [Economic regulation policy for water services | Ministry of Business, Innovation & Employment \(mbie.govt.nz\)](http://www.mbie.govt.nz/economic-regulation-policy-for-water-services)

For further information about Local Water Done Well, including guidance and information for councils, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

For further information about the Commerce Commission's role as the economic regulator, visit <https://comcom.govt.nz/regulated-industries/water-wai>

Questions? Contact waterservices@dia.govt.nz

December 2024

LOCAL WATER DONE WELL



Future regulatory landscape for drinking water, wastewater, and stormwater services and networks

The Local Government (Water Services) Bill proposes changes to the way that drinking water, wastewater and stormwater services and networks are regulated. This document provides an overview of roles and responsibilities under the new regulatory regime.

5



**Economic regulation
(Commerce Commission)**

Regulatory focus is to promote sufficient revenue recovery for efficient investment and maintenance of water services. Must regulate drinking water and wastewater and may regulate stormwater in future.



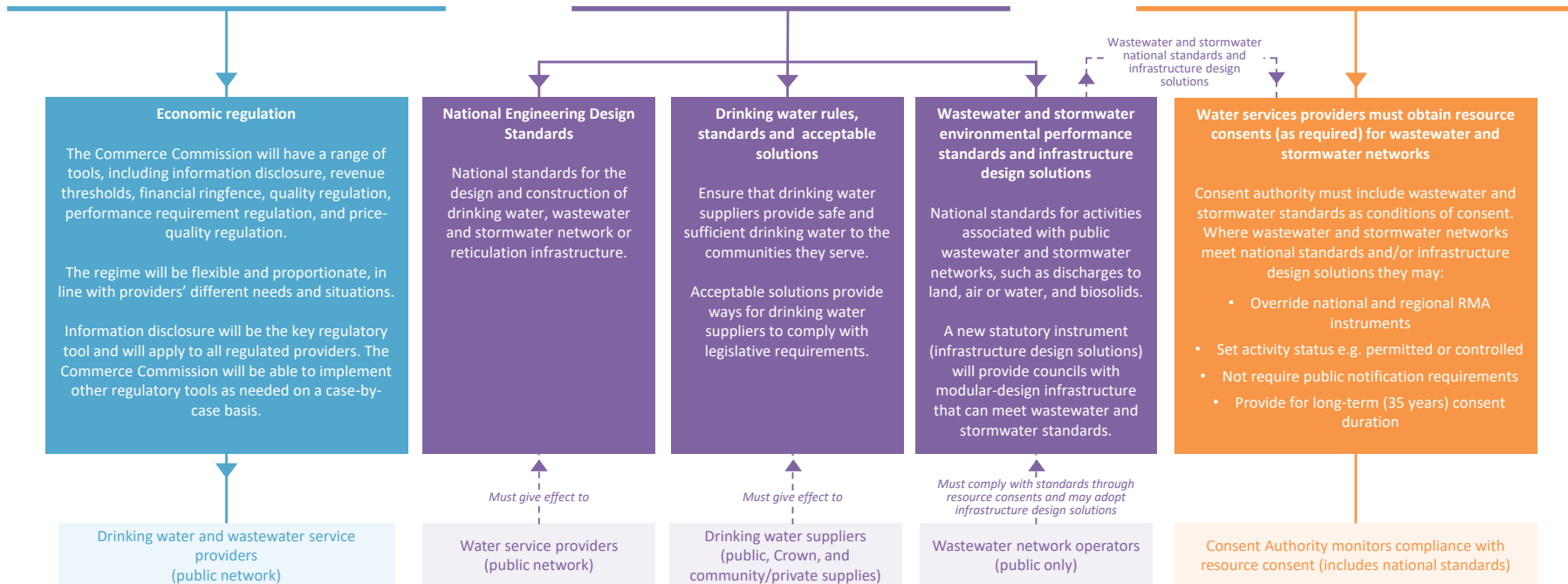
**Water services regulation and environmental performance standard-setting and oversight
(Water Services Authority – Taumata Arowai)**

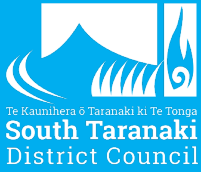
Regulatory focus is to ensure that water services are safe, secure, resilient for people and the environment.



**Environmental regulation
(Consent authorities, e.g. regional councils)**

Regulatory focus is sustainable management of resources, including resource consent requirements for drinking water, wastewater and stormwater networks.





Karakia

6. Karakia

6

Ruruku Whakakapi – Closing Prayer

Unuhia, unuhia

Unuhia ki te uru tapu nui

Kia wātea, kia māmā te ngākau, te
tinana, te wairua i te ara takatū

Kia wātea, ka wātea, āe rā, kua wātea

Rire rire hau pai marire!

Draw on, draw on,

Draw on the supreme sacredness

*To clear, to free the heart, the body and the
spirit of mankind*

To be clear, will be clear, yes is cleared.

Deeply in peace!