

LOCAL WATER DONE WELL - WATER SERVICES DELIVERY PLAN - REQUIREMENTS AND PROCESS

Department: Legal Services

EXECUTIVE SUMMARY

- 1 The Local Government (Water Services Preliminary Arrangements) Act 2024 (Preliminary Act) became law on 2 September 2024. As a result, Council is now required to prepare and submit a Water Services Delivery Plan (WSDP) to the Secretary for Local Government by 3 September 2025.
- 2 The Preliminary Act represents the second stage of a three-stage legislative process in implementing Local Water Done Well (LWDW). Further legislation is expected to be introduced to Parliament in December 2024 with possible enactment mid-year 2025.
- 3 In addition to the legislation passed to date, guidance has now been released by the Department of Internal Affairs (DIA) on both the future water services delivery system and on completing the WSDP (Guidance). The Guidance will be subject to further amendment through the legislative process later in 2024 and 2025 and any other Government direction.
- 4 To prepare the WSDP, further technical and rigorous analysis will be required as well as further discussion with other territorial authorities and mana whenua.
- 5 The purpose of this report is to:
 - provide an overview and update the Committee on LWDW;
 - outline the proposed process for Council to prepare and adopt the WSDP (subject to further Government direction or legislation); and
 - signal that there will be subsequent reports coming to Council on the WSDP, including further information on potential service delivery models and the requirements for ringfencing and financial sustainability for the delivery of water services.

RECOMMENDATIONS

That the Committee:

- a) **Notes** that Council must prepare a Water Service Delivery Plan and submit a Water Service Delivery Plan to the Secretary for Local Government by 3 September 2025.
- b) **Confirms** the proposed timeline and process, subject to amendment required by further Government direction and further legislation.
- c) **Notes** that the proposed process includes further discussion with other territorial authorities and mana whenua, and public consultation regarding potential water services delivery models.

BACKGROUND

History of Water Reform

- 6 Over the years, respective governments have implemented a series of steps to progress water reform following both an inquiry into Havelock North's drinking water and the Government's Three Waters Review, which commenced in 2017.
- 7 The approach and timeline to water sector reform has changed significantly over a relatively short period. A timeline of water reform from 2017 to date is set out in Attachment B of this report.
- 8 The Council has actively participated in the reform process, including through written submissions on the Bills associated with water reform.

Local Water Done Well

- 9 In December 2023 the current Government outlined their LWDW reform programme with the following key principles*:
 - *Introducing greater central government oversight, economic and quality regulation.*
 - *Fit-for-purpose service delivery models and financing tools, such as improving the current council-controlled organisation model and developing a new class of financially separate council-owned organisation.*
 - *Setting rules for water services and infrastructure investment.*
 - *Ensuring water services are financially sustainable. Financial sustainability means revenue sufficiency, balance sheet separation, ring-fencing and funding for growth.*

* Source: Letter to the Mayor from Minister of Local Government December 2023.

- 10 Further detail from the Government was announced in early 2024 and proposed a three-stage process to enabling LWDW as shown in the table below:

LWDW Stage/Timing	Action	Legislation
Stage One (February 2024)	Repeal of legislation relating to water services entities	Water Services Acts Repeal Act 2024
Stage Two (May 2024 to September 2024)	Establishes a framework for local government to manage and deliver water services – setting out the preliminary arrangements including the detail required for Council to prepare and submit a WSDP as well as timing.	Local Government (Water Services Preliminary Arrangements) Act 2024 became law on 2 September 2024 (Preliminary Act) Council made a Submission dated 19 June 2024 on the Preliminary Act.
Stage Three (Anticipated December 2024 to mid-2025)	Framework for economic regulation and the more detailed powers and duties for service delivery models. Provide enduring settings going forward.	Bill Number Three - Local Government Water Services Bill (December Bill)

- 11 Stage Two of LWDW has now been implemented by the Government with the Preliminary Act becoming law on 2 September 2024. The Preliminary Act provides the following key points:
 - Council must prepare a one-off WSDP by 3 September 2025.

- Foundational information disclosure will be provided through the WSDP to lay the groundwork for comprehensive economic regulation.
 - Introduces an alternative streamlined consultation and decision-making process (as opposed to the standard requirements under Part 6 of the Local Government Act 2002 (LGA 2002)) that:
 - i) **may** be used for consulting and decision making on establishing, joining or amending a water services council-controlled organisation (WSCCO) (or are deciding whether or not to do so), or a joint local government arrangement (made under section 137 of the LGA 2002) (or are deciding whether or not to do so); and
 - ii) **must** be used for consulting or decision making in relation to an anticipated or proposed model or arrangement for delivering water services; and other parts of the WSDP if consulted on.
- 12 Guidance on the future water services delivery system was released by the DIA on 8 August 2024. This was based on the LWDW Cabinet decisions announced by the Minister of Local Government in August 2024. Key Factsheets in the Guidance have been provided at Attachment C. Further Guidance was also released by the DIA on 3 September 2024, specifically in relation to WSDPs and provides a template for Council to develop the WSDP content.
- 13 However, it is important to note that the Guidance will be subject to amendment as the December 2024 Bill proceeds through the parliamentary process. Although the Bill is expected in December 2024, the Bill may not be enacted until mid-2025.

DISCUSSION

Key Considerations

- 14 Council needs to prepare a WSDP in accordance with the Preliminary Act. This will require Council to consider several key matters which are outlined further under this discussion including service delivery models, ringfencing and financial sustainability of water services, and consultation requirements.
- 15 To provide context, a summary of the WSDP requirements and the process under the legislation is set out below.

Water Service Delivery Plans

- 16 Council must submit and give effect to a compliant WSDP. Failure to do so could result in ministerial intervention by a Crown facilitator or Crown water services specialist (in addition to ministerial powers under the LGA 2002).
- 17 A WSDP must identify the current state of the Council's water services and outline how the Council will deliver water services in a way that:
- a) Ensures that all relevant regulatory quality standards will be met for stormwater, wastewater and water supply networks;
 - b) Is financially sustainable;
 - c) Ensures the Council will meet all drinking water quality standards;
 - d) Supports housing growth and urban development, as specified in the Council's LTP.

18 The table below shows the key elements of the WSDP as required by the Preliminary Act:

Timing	Required to submit a WSDP to the Secretary for Local Government by 3 September 2025. Extension - The only exception to this timing is where an extension has been granted in accordance with section 19 of the Preliminary Act which requires an application for extension no later than 3 August 2025. WSDP is a one-off document.
Joint WSDP (optional)	Council may submit a joint WSDP with one or more territorial authorities in relation to delivering water services in the joint service area covered by a joint arrangement (Section 10).
Period Covered	Must cover a period of not less than 10 consecutive financial years starting with the 2024-25 financial year; and May include information that covers an additional 20 consecutive years if the information identifies investment requirements for water services infrastructure or to support future housing growth and urban development (Section 15).
Content	The Preliminary Act sets out at section 13 the information required within the WSDP. A table setting out the contents and an indication of availability of information for Council is set out at Attachment E of this report. The Secretary may make rules for three months following enactment of the Preliminary Act in relation to the WSDP specifying additional information that must be included, or the manner and form in which the information must be included in a WSDP.
Effect	Requires Council to give effect to the proposals or undertakings relating to the future delivery of water services specified in the WSDP (Section 22) and not doing so could be a ground for appointing a Crown facilitator (Section 25).
Council Adoption Process	WSDP must be adopted by resolution of Council (Section 17(1)), and certified that the WSDP complies with the Preliminary Act and is true and accurate by the Chief Executive (Section 18(2)).
Consultation	Provides for alternative decision making and consultation (modifying existing processes in the LGA 2002) for some decisions – discussed in further detail below and shown as a diagram at Attachment F]. Note: The Preliminary Act does not require consultation on a draft or final WSDP except for an anticipated or proposed model or arrangement for delivering water services (Section 17(3)).
Amendment	May amend WSDP and resubmit amended WSDP in certain circumstance (Section 23).

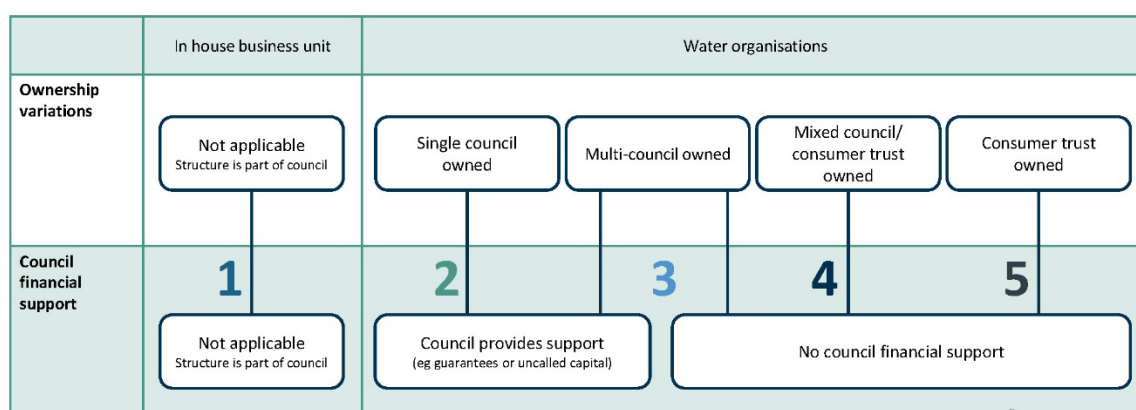
19 Preparing the WSDP will require technical and rigorous analysis. This will involve significant work from staff and require further direction from Council particularly relating to information that is not readily available to staff including:

- The anticipated or proposed model or arrangements for delivering water services (including whether the territorial authority is likely to enter a joint arrangement).
- Summary of consultation undertaken as part of developing the information required in the preceding bullet point.
- Explanation of how revenue from and delivery of, water services will be separated from other functions and activities.
- Explanation of how Council proposes to ensure delivery of water services will be financially sustainable by 30 June 2028. Ringfencing and financial sustainability is discussed later in this report.

Service Delivery Model

- 20 There are several possible delivery model options for delivering water services. The Guidance set out at Attachment C provides examples of possible options and is summarised in the table below:

1	Internal business unit or division	<ul style="list-style-type: none"> Status quo for many councils Minimum requirements for water service providers will apply New financial sustainability, ringfencing rules, and economic regulation will apply
2	Single council-owned water organisation	<ul style="list-style-type: none"> New company established, 100% owned by the council Financial sustainability rules will apply, but retains a financial link to the council Councils with existing water council-controlled organisations will be required to meet minimum requirements
3	Multi-council owned water organisation	<ul style="list-style-type: none"> New company established with multi-council ownership Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement Option to access Local Government Funding Agency finance with the provision of parent support or to create a more financially independent organisation
4	Mixed council/consumer trust owned	<ul style="list-style-type: none"> Consumer trust established to own majority of shares Mixed ownership, with one or more councils owning minority of shares Structure enables financially independent organisation to be established while retaining minority council ownership
5	Consumer Trust owned	<ul style="list-style-type: none"> Council transfers assets to consumer trust owned organisation Consumers elect trustees to represent their interests in the organisation Most financially independent of the available models



- 21 However, the Guidance states that councils will be able to design their own alternative delivery arrangements, provided these arrangements meet the minimum requirements set out in the legislation. The minimum requirements for all service delivery models according to the Guidance are likely to include the following:

The requirements will likely include that all water services providers:



Will be subject to economic, environmental and water quality regulation – further information on economic, environmental and water quality regulation is available in the related factsheets: Economic regulation of water services (refer to the economic regulation factsheet for more information), Drinking water quality regulation, and Standards to help reduce water infrastructure costs.



Will be subject to a new planning and accountability framework for water services, including the need to produce stand-alone financial statements for water supply, wastewater, and stormwater – further information outlined in the factsheet: Planning and accountability for local government water services.



Must be financially sustainable – legislation will include an enduring objective for water service providers to be financially sustainable, including a requirement for the ringfencing of water services, an expectation of revenue sufficiency, and accommodating for maintenance, renewals and growth.



Must act consistently with statutory objectives – legislation will set out a list of statutory objectives that will apply to all water service providers. There will also be several additional statutory objectives that apply to water organisations.



Will be subject to restrictions against privatisation – legislation will include prohibitions on losing control, selling or disposing of significant infrastructure. Further, water services assets cannot be used as security.

- 22 A water services “provider” means all forms of local government providers including councils that continue with direct (in-house) delivery.
- 23 The term “water organisation” refers to a separate organisation that Council may establish to provide water services and does not include in-house delivery.
- 24 There are likely to be further legislative requirements if forming a “water organisation” (which could affect the organisation’s ownership, governance and structural arrangements).
- 25 Further provisions will also likely apply if a consumer trust is adopted.
- 26 The Guidance has posed several questions for councils to consider, including:
 - Whether to deliver water services in-house or establish a water organisation?
 - Whether to deliver services on a stand-alone basis or establish a joint arrangement with other councils?
 - How to structure ownership and governance arrangements for any water organisation? and
 - How to set up water organisations to facilitate access to long-term borrowing for water infrastructure?

- 27 The above questions will be discussed in a subsequent report to Council. That report is likely to be early next year, so that the report can be informed by the Morrison Low Report that is due in November 2024 and the December 2024 Bill.

Regional Collaboration

- 28 Following the introduction of LWDW by the Government, an Otago/Southland Regional Local Water Done Well Working Group (Working Group) was formed in April 2024. That Working Group is overseen by the Chief Executive Officers of each council and reports to the Otago/Southland Mayoral Forum.
- 29 Council staff have membership on the Working Group along with staff from other Otago and Southland councils.
- 30 The Working Group's purposes are:
- i) To assess and determine a range of, implementable, collaboration topics that can usefully support common activities across Otago/Southland; and
 - ii) To explore pathways for service delivery in the two regions and provide a short list of options; and
 - iii) To assess and determine a range of, potential, collaboration topics at a national or sub-national level.
- 31 The Working Group has arranged a report by Morrison Low to develop a first principles approach to identify the range of pathways and the short list of options for service delivery in the two regions. The Morrison Low report is due to be completed November 2024.
- 32 A high-level schedule of the Working Group's deliverables along with a list of participants is provided in Attachment D as extracted from the Working Group briefing dated 10 September 2024.
- 33 The Working Group presented an update to the joint Otago/Southland Mayoral Forum on 6 September 2024. At that meeting, members endorsed the five investment objectives shown on Attachment G.
- 34 It was also agreed that each individual council should seek feedback from its elected members on the following five options:
- i) The status quo of having water services delivered in house by councils;
 - ii) Joint contracts;
 - iii) Shared services arrangements provided through a formal entity;
 - iv) A management CCO; and
 - v) A multi-council water services organisation.
- 35 When considering feedback on the options, councils were asked to focus on their priorities, initial responses to the options and on any concerns. There is no expectation that any council will rule any option in or out at this point.
- 36 A further joint Otago/Southland Mayoral Forum has been scheduled for 23 September 2024 to consider the initial feedback from councils.

- 37 The timeframe for feedback on the above listed options is very tight and the timeframes do not align with the proposed timeline and process for Council, as shown on Attachment A.
- 38 It is difficult to fully assess or provide advice on the above listed options given the lack of financial information, where the Council is at in its 9 year plan process and without having seen the December 2024 Bill. Further, the above listed options do not fully align with the DIA examples and do not include bespoke options that may be available to Council.
- 39 The Council has not yet had an opportunity to formally engage with mana whenua over water service delivery options and this is planned to happen in advance of the formal report in late January 2025.
- 40 Given these factors, staff recommend that the Infrastructure Services Committee does not take a formal position on the Morrison Low options but continues to engage fully in the Working Group and the regional discussions leaving all options on the table.
- 41 Staff will ensure regular reporting to either Council or the committee and will work toward the timeline and process outlined in Attachment A. This means that the Council will be in a position to formally make an “in principle” decision on its preferred option in late January 2025 which will then be subject to formal consultation with the community.

Ringfencing and Financially Sustainable

- 42 A WSDP needs an explanation of how revenue from and delivery of water services will be separated from other functions and activities, as well as how Council proposes to ensure delivery of water services will be financially sustainable by 30 June 2028.
- 43 The Guidance states that ringfencing requires that:
- i) Water revenues be spent on water services; and
 - ii) Water services charges and expenses be transparent and accountable.
- 44 The Preliminary Act defines ‘financially sustainable’, in relation to a council’s delivery of water services, as:
- a) 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
 - b) The council is financially able to meet all regulatory standards and requirements for the council’s delivery of those water services.
- 45 The Guidance suggests that to assess whether a council’s water services delivery is financially sustainable, the WSDP templates ask councils to provide information about three components:
- a) Revenue sufficiency – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
 - b) Investment sufficiency – is the projected level of investment sufficient to meet regulatory requirements and provide for growth?
 - c) Financing sufficiency – are funding and finance arrangements sufficient to meet investment requirements?

- 46 The Guidance makes further recommendations about how councils can demonstrate ringfencing. It also provides further information about financial sustainability as well as providing a template for financial projections and a financial sustainability test (See link [Guidance for preparing Water Services Delivery Plans](#)).
- 47 Council is not subsidising other activities with three waters funding.

Consultation

- 48 A diagram showing the various consultation and decision-making requirements required under the Preliminary Act, is provided as Attachment F.
- 49 Section 17 of the Preliminary Act requires that in relation to an anticipated or proposed model or arrangement for delivering water services in its WSDP, a council must undertake consultation and ensure its consultation and decision-making complies with sections 61 to 64 of the Preliminary Act. The Preliminary Act otherwise does not require a council to consult any further on a draft or final WSDP. However, if a council decides to consult further on a part of its WSDP, then it must do so in accordance with sections 62 to 64.
- 50 Section 58 of the Preliminary Act introduces an alternative consultation and decision-making process (as opposed to the standard requirements under Part 6 of the LGA 2002) that:
- i) **may** be used for consulting and decision making on establishing, joining or amending a water services council-controlled organisation (WSCCO) (or are deciding whether or not to do so), or a joint local government arrangement (made under section 137 of the LGA 2002) (or are deciding whether or not to do so); and
 - ii) **must** be used for consulting or decision making in relation to an anticipated or proposed model or arrangement for delivering water services; and other parts of the WSDP if consulted on.
- 51 Under Council's Significance and Engagement Policy, the following are all listed as Strategic Council-Owned Assets:
- a) Stormwater collection and disposal system
 - b) Wastewater collection, treatment and disposal system
 - c) Water collection, storage, treatment and distribution system
- 52 A summary of the alternative consultation and decision-making requirements are set out below as sourced from the Guidance:

Consultation and decision-making requirements

The Act sets out consultation and decision-making requirements for councils (the 'alternative requirements'). A summary of the alternative requirements are set out below:

	<p>Section 61 – Decision making</p> <ul style="list-style-type: none"> Only requires a council to identify and assess the advantages and disadvantages of two options: <ul style="list-style-type: none"> remaining with the existing approach for delivering water services, and establishing, joining, or amending (as the case may be) a WSCCO or a joint local government arrangement. However, a council may identify and assess additional options for delivering water services. The corresponding requirement in the Local Government Act 2002 is section 77(1)(a) and (b).
	<p>Section 62 – Consultation</p> <ul style="list-style-type: none"> Clarifies that a council is only required to consult once (but may decide to undertake further consultation before making a decision) in relation to making decisions in relation to an anticipated or proposed model or arrangement for delivering water services in its Plan; or if it consults on another part of its Plan. The corresponding requirement in the Local Government Act 2002 is section 56(1).
	<p>Section 63 – Consultation on amendment to LTP</p> <ul style="list-style-type: none"> If a council is required to amend its LTP for the purpose of a proposal to give effect to an anticipated or proposed model for delivering water services under a Plan the council is not required to consult on the proposal if it: <ul style="list-style-type: none"> has already consulted its community in relation to the proposal; is satisfied that its community has a good understanding of the implications of the proposal; and is satisfied that it understands its community's views on the proposal. The corresponding requirements in the Local Government Act 2002 are sections 93(5) and 97(2)(b).
	<p>Section 64 – Information requirements for consultation</p> <ul style="list-style-type: none"> Sets out the information requirements for consultation before adopting its Plan in relation to an anticipated or proposed model or arrangement for delivering water services in its Plan. The corresponding requirement in the Local Government Act 2002 is section 82A(2).

- 53 Council is required to consult with mana whenua under both section 77(1)(c) and section 81 of the LGA 2002 given both references are included under section 60 of the Preliminary Act. Further section 14(1)(d) of the LGA 2002 also provides that a local authority should provide opportunities for Māori to contribute to its decision-making processes.

Consultation and the Long Term Plan

- 54 Given Council did not adopt a Long Term Plan (LTP) in 2024, Council could look at combined consultation on both the LTP to be adopted in 2025, and those aspects of the WSDP requiring consultation.
- 55 If combined consultation was to be undertaken, it may be most effective to prepare separate consultation documents to ensure clarity.

Expected Content in December Bill - Enduring Settings for Water Services Delivery

- 56 While the December Bill has not been released, the Guidance has provided further information relating to the likely ongoing framework and enduring settings that Council will be subject to under LWDW.
- 57 In summary (including links to the relevant Factsheet in the Guidance (and also attached at Attachment C) the Guidance suggests the following settings will likely be included in the December Bill:

Possible Content in December Bill	Key Features
Planning and accountability	<p>New planning and accountability framework fit for purpose comprising three core documents:</p> <ol style="list-style-type: none"> Statement of Expectations (for Water Organisations only). Water Services Strategy – single comprehensive water focused document - how the provider is proposing to perform, respond to local expectations and priorities and meet regulatory and financial sustainability requirements. Also includes financial forecasting information over 10 year period and infrastructure and investment information over 30+ year period. Water Services Annual Report – water service provider's actual performance against the expectations and proposals in the above documents.

	<p>4 Also required to develop standalone financial statements for all water services.</p> <p>5 Replace and/or modify current requirements under Part 6 and Schedule 10 LGA 2002 e.g., LTP. Councils that continue to deliver water services in-house will need to prepare the strategy and annual report, instead of including extensive information on water services in their general long-term plan, infrastructure strategy, financial strategy, and annual report.</p> <p>6 Will include the principle that 'water revenues should be spent on water services'.</p> <p>Factsheet Link Planning and accountability for local government water services</p>
Future arrangements for stormwater	<p>1 Council will retain legal responsibility and control of urban stormwater(sw) services but will be able to choose arrangement most suited, i.e., continue to deliver sw services, contract a new water organisation to deliver aspects of those sw service delivery; or transfer aspects of sw service delivery to a water organisation.</p> <p>2 If Council chose to transfer some or all aspects of the delivery of sw services, they will still be responsible for determining the levels of service and performance targets (subject to regulatory requirements and community preferences). Council would also be able to still recover costs of providing sw services that they continue to deliver for ratepayers.</p> <p>3 Changes to improve management of overland flow paths and urban watercourses.</p> <p>4 Maintain the incentive on councils to align land use planning, stormwater services and investment to support the management of sw services and continue to leverage councils' existing networks with the communities.</p> <p>5 Current funding arrangement for sw services retained. If council contracts or transfers delivery of sw to a water organisation, the revenue collected through rates may be allocated between council and the organisation.</p> <p>Factsheet Link Future arrangements for stormwater</p>
Economic regulation and consumer protection	<p>1 Economic regulation tools available to the Commerce Commission include:</p> <ul style="list-style-type: none"> Information disclosure, revenue thresholds, financial ringfence, quality standards and performance requirements, price-quality regulation. <p>2 Consumer protection tools available to the Commerce Commission include:</p> <ul style="list-style-type: none"> Complaints regulations, dispute resolution regulations, guidelines on service quality codes; and a mandatory service quality code. <p>3 Economic regulation regime will be risk-based and flexible. Based on information supplied in WSDP and information disclosure requirements, the regulator will be able to set individual requirements for certain providers and common regulations where appropriate.</p> <p>4 Economic regulation will apply to drinking water and wastewater services and will provide flexibility to include stormwater services at a later date if necessary.</p> <p>5 Cost of the regulator due to providing economic regulation of water services, will be funded through a levy on local water services providers.</p> <p>Factsheet Link Economic regulation and consumer protection</p>
Drinking water regulation	<p>1 Changes aim to reduce the cost and burden for drinking water suppliers associated with complying with the Water Services Act 2021. Changes are designed to improve the efficiency and effectiveness of the drinking water regulatory regime and the approach Taumata Arowai takes to regulating.</p> <p>2 Propose to reduce regulatory burden on small suppliers, by excluding 'shared domestic supplies' serving 25 consumers or fewer from regulation. Higher risk community supplies (such as community halls and marae) would not be covered by this exclusion.</p> <p>3 Amend legislation to refer to 'Water Services Authority – Taumata Arowai'.</p> <p>4 Changes to provide clarity around how to give effect to Te Mana o te Wai.</p> <p>Factsheet Link Drinking water quality regulation</p>

Standards to help reduce water infrastructure costs	<p>1 Proposals relating to wastewater environmental performance standards and national engineering design standards, are intended to reduce costs, inefficiencies, and regulatory compliance processes associated with providing water infrastructure.</p> <p>Factsheet Link Standards to help reduce water infrastructure costs</p>
Financing for councils and water organisations	<p>1 LGFA has confirmed that it will provide financing to support water council-controlled organisations established under LWDW and look to assist high growth councils with additional financing.</p> <p>2 Councils continuing to provide water services in-house will also retain the ability to borrow through LGFA.</p> <p>Factsheet Link Financing for councils and water organisations</p>

Proposed Timeline and Process

- 58 Given the above considerations, staff have prepared a proposed timeline and process (shown at Attachment A). The timeline and process would guide Council's preparation and submission of the WSDP. The proposed timeline and process is subject to amendment required by Government direction or legislative changes.
- 59 Based on the proposed timeline a decision 'in principle' would be required in late 2024/early 2025 before proceeding to consultation.

Constraints

- 60 The WSDP requires Council to state their anticipated or proposed model or arrangements for delivering water services by 3 September 2025. However, while the policy intent available through the Guidance explaining the available options, tools and models is now available, the models available to choose from will only be passed into law (mid 2025) shortly before the due date for submission of the WSDP. The Guidance is therefore subject to amendment throughout the legislative process. It is understood that there will be an opportunity for Council to make submissions on the content of the December Bill possibly in early 2025.
- 61 Likewise, the Preliminary Act requires financial sustainability by 30 June 2028. This includes meeting regulatory requirements. However, details around the comprehensive economic regulation regime will only be passed into law in mid-2025.
- 62 There is also the risk of further Government mandate or intervention requiring Council to proceed a certain way particularly so if Council is unable to comply with its requirements for the WSDP. There is also the risk that further information may be required in the WSDP should the Secretary for Local Government direct for the three-month period from 3 September 2024.

OPTIONS

- 63 There are no options listed because the preparation and adoption of a WSDP is a legislative requirement under the Preliminary Act.

NEXT STEPS

- 64 Staff will:
- undertake further technical analysis on content required in the WSDP including delivery model and financial considerations;

- b) advance discussions with other parties (including mana whenua) to enable Council to make future decisions on the content of the WSDP; and
- c) report back to full Council with further technical analysis and an update on discussions with others (including mana whenua) in accordance with the proposed timeline set out in this report.

Signatories

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Authoriser:	David Ward - General Manager, 3 Waters and Transition Sandy Graham - Chief Executive Officer

Attachments

	Title	Page
A	Proposed Timeline and Process (subject to amendment)	
B	History of Water Reforms	
C	DIA Guidance	
D	Working Group High Level Plan	
E	Water Service Delivery Plans - Content Requirements - Section 13	
F	Consultation Diagram - Russell McVeagh	
G	Investment Objectives proposed by Working Group	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This report enables democratic local decision making and action by, and on behalf of communities and promotes the social, economic environmental and cultural well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Future Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

This report has been prepared with reference to the Dunedin strategic framework.

Māori Impact Statement

Council is required to consult with mana whenua under both sections 77(1)(c) and section 81 of the LGA 2002 given both references are included under section 60 of the Preliminary Act. Further section 14(1)(d) of the LGA 2002 also provides that a local authority should provide opportunities for Māori to contribute to its decision-making processes. The timeline proposed has formal engagement with mana whenua as the next step. The form of the engagement has not yet been finalised but will run throughout the process.

Sustainability

Financial sustainability of local government water services is a key objective of the Government's 'Local Water Done Well' policy. The Preliminary Act is designed to implement this policy and ensure delivery of water services is financially sustainable.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

There are significant implications for the LTP and Annual Plan, and the associated documents. This will be discussed further in subsequent reports.

Financial considerations

This is a noting only report.

Significance

The matters discussed in this report are considered high in terms of the Council's Significance and Engagement Policy. Any water services delivery models will be the subject of public consultation.

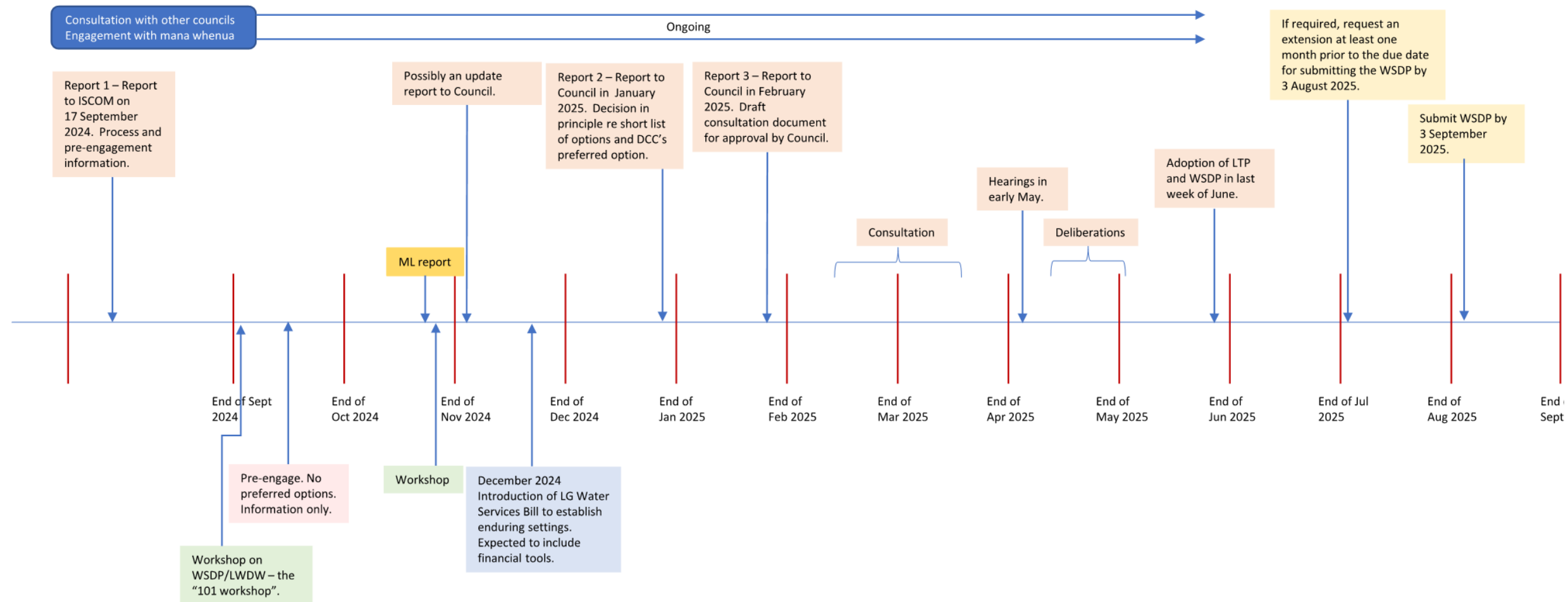
Engagement – external

There will be engagement with other territorial authorities and mana whenua.

Engagement - internal

Staff from the Legal Team, 3 Waters Group, and the Executive Leadership Team have contributed to this report.

SUMMARY OF CONSIDERATIONS
<i>Risks: Legal / Health and Safety etc.</i> There are no identified risks related to this report.
<i>Conflict of Interest</i> There are no known conflicts of interest.
<i>Community Boards</i> There are no specific implications for Community Boards, although the LWDW reform will affect all areas.



History of Water Reform 2017 to Date

The following table sets out the history of water reform from 2017 to date (text from Department of Internal Affairs ([Water Services Policy legislation and process - dia.govt.nz](https://www.dia.govt.nz/Water-Services-Policy-legislation-and-process)) in *italics*):

Year	Activity
2017	In mid-2017, following the Government Inquiry into Havelock North's Drinking Water, the Government established the Three Waters Review to consider how to improve the regulation and service delivery arrangements of drinking water, wastewater, and stormwater (the three waters).
2019	In July 2019 the Government Inquiry recommended a dedicated water services regulator should be established, along with stronger government stewardship of wastewater and stormwater.
2020	In July 2020 the Government launched the Three Waters Reform Programme. In August 2020, the Water Services Regulator Act 2020 was enacted, which was the legislative pathway for the Government to establish the water services regulator, Taumata Arowai.
2021	In March 2021 Taumata Arowai was officially launched. On 15 November 2021 the Water Services Act 2021 came into effect – all registered water suppliers were required to submit a Drinking Water Safety Plan to Taumata Arowai by 15 November 2022.
2022	In 2022 it was anticipated that four publicly owned water services entities would be created and operational by July 2024. The four entities contemplated at that time were: <ul style="list-style-type: none"> • <i>Northern Water Services Entity</i> • <i>Western-Central Water Services Entity</i> • <i>Eastern-Central Water Services Entity</i> • <i>Southern Water Services Entity</i>¹
2023	In 2023 the reform programme was refreshed and changed to be the 'Affordable Water Reform' programme with 10 water services entities to be created over a 'staged go live' timeline to July 2026. In the 10-entity model Otago and Southland would form a regional entity previously referred to as 'Entity J'. A key consideration and concern related to the 10-entity model was the 'staged go live' roll out which would require some councils to establish their regional entity midway through a financial year.
2024	The Government announced their Local Water Done Well reform programme which involves a three-stage legislation process: Stage One <i>In February 2024 the Government introduced and passed legislation to repeal all legislation relating to water services entities.</i> <i>The Water Services Acts Repeal Act (the Act) repealed the Water Services Entities Act 2022, Water Services Legislation Act 2023 and the Water Services Economic Efficiency and Consumer Protection Act 2023.</i> <i>The Act reinstated previous legislation related to the provision of water services (including local government legislation). This restored continued council ownership and control of water services, and responsibility for service delivery.¹</i>

¹ <https://www.dia.govt.nz/Water-Services-Policy-legislation-and-process>
<https://www.dia.govt.nz/Water-Services-Policy-legislation-and-process#repeal>

Year	Activity
	<p>Stage Two</p> <p>To commence the legislative changes necessary to implement Local Water Done Well the Government introduced the Local Government (Water Services Preliminary Arrangements) Bill on 30 May 2024 which was referred to the Finance and Expenditure Committee for consideration and received Royal assent on 2 September 2024.</p> <p>Key areas included in the Local Government (Water Services Preliminary Arrangement) Act 2024 are:</p> <ul style="list-style-type: none"> • <i>Requirements for councils to develop Water Services Delivery Plans (within 12 months of enactment).</i> • <i>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.</i> • <i>Streamlined consultation and decision-making processes for certain matters.</i> • <i>Provisions that enable a new, financially sustainable model for Watercare.</i> <p>Stage Three</p> <p>Further legislation is to be introduced (indicated December 2024). According to the Explanatory Note introducing the Local Government (Water Services Preliminary Arrangements) Bill in May 2024, Bill number three is to provide for the long-term replacement regime, including -</p> <ul style="list-style-type: none"> • long-term requirements for financial sustainability. • establishing new classes of council-controlled water organisations and service delivery models. • accountability, planning, and reporting regimes for water services. • providing for comprehensive economic regulation (being developed in conjunction with the Minister of Commerce and Consumer Affairs). • amendments to the regulatory settings for Taumata Arowai—the Water Services Regulator. • establishing a regulatory backstop power. • refinements to water services delivery system settings. • detailed changes to the Local Government Act 2002 and other legislation to strengthen the delivery of water services. <p>According to the updated DIA website on the LWDW legislation, the third bill will be called the Local Government Water Services Bill and will set out a range of changes to the water services delivery system and to the water services regulatory system.</p> <p>This includes:</p> <ul style="list-style-type: none"> • New water services delivery models for councils to choose from, including new water organisations that can be owned by councils and/or consumer trusts. • Minimum requirements for local government water services providers. • A new economic regulation regime for local government water services providers, to be implemented by the Commerce Commission. • Changes to improve the efficiency and effectiveness of the drinking water regulatory regime, and the approach Taumata Arowai takes to regulating the regime. • Change in the approach to applying Te Mana o te Wai, affecting drinking water suppliers as well as wastewater and stormwater networks. • A new approach to managing urban stormwater, including changes to improve the management of overland flow paths and watercourses in urban areas. • Changes relating to wastewater environmental performance standards and national engineering design standards.

Water services delivery models: Guidance for local authorities

LOCAL WATER DONE WELL

August 2024

Introduction

Background

A key feature of Local Water Done Well is providing councils with the flexibility to determine the optimal structure and delivery method for their water services. To support this, the Government is progressing legislation to expand the range of local government water service providers by enabling the establishment of new, financially separate water organisations.

These new water organisations are intended to enable enhanced access to long-term borrowing for water infrastructure – supporting infrastructure development, while managing costs for consumers.

Councils will continue to be able to deliver water services directly (such as through inhouse business units), however they will also be able to establish new water organisations that are more financially and operationally independent of councils.

These models also make it easier for councils who wish to enter joint arrangements to achieve cost savings, improve efficiency and affordability.

Councils will be able to design their own alternative delivery arrangements, as long as these arrangements meet the minimum requirements set out in legislation.

Councils will also have choices about which water services are provided through different service delivery arrangements. For example, they may wish to provide drinking water and wastewater services through a water organisation but retain stormwater services in-house.

This guidance document

This guidance document focuses on the service delivery models and arrangements that will be available to local authorities to deliver water services. It provides further detail on proposals to expand the range of service delivery models available to councils, including by providing for new, financially separate water organisations that councils (and consumer trusts) can own.

In this guidance, the term '**water services provider**' means all forms of local government provider, and including councils that continue with direct (in-house) delivery as well as new water organisations. The term '**water organisation**' refers only to separate organisations that councils may establish to provide water services and does not include councils with direct (in-house) delivery.

This guidance document has five sections:

- Section 1: Minimum requirements of all water services providers and requirements for specific delivery models
- Section 2: Service delivery models available to councils
- Section 3: Governance and accountability arrangements
- Section 4: Financing and credit rating implications
- Section 5: Other powers and authorities available to water organisations.

This guidance document aims to help inform local authorities on service delivery models. It should be read alongside other Local Water Done Well information. The guidance is informed by policy decisions that were announced by the Minister of Local Government in August 2024, and therefore are still subject to change through the Parliamentary process when the Local Government Water Services Bill is introduced to Parliament in December 2024.

More detailed information can also be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

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

Questions? Contact waterservices@dia.govt.nz

01 Minimum requirements

Minimum requirements for all service delivery models

The legislation will look to establish a framework for water services delivery that includes:

- a set of minimum requirements that apply to water service providers
- additional legislative requirements that apply to water organisations, focusing on the ownership, governance and structural arrangements for these organisations, and
- further provisions that would apply only to consumer trust-owned (and mixed council/trust owned) water organisations.

Regardless of the model chosen, all water service providers must meet minimum requirements set out in the legislation.

These minimum requirements are designed to promote efficiency, improve the governance and management of financially sustainable water services, and ensure accountability within the sector.

The requirements will likely include that all water services providers:



Will be subject to economic, environmental and water quality regulation – further information on economic, environmental and water quality regulation is available in the related factsheets: Economic regulation of water services (refer to the economic regulation factsheet for more information), Drinking water quality regulation, and Standards to help reduce water infrastructure costs.



Will be subject to a new planning and accountability framework for water services, including the need to produce stand-alone financial statements for water supply, wastewater, and stormwater – further information outlined in the factsheet: Planning and accountability for local government water services.



Must be financially sustainable – legislation will include an enduring objective for water service providers to be financially sustainable, including a requirement for the ringfencing of water services, an expectation of revenue sufficiency, and accommodating for maintenance, renewals and growth.



Must act consistently with statutory objectives – legislation will set out a list of statutory objectives that will apply to all water service providers. There will also be several additional statutory objectives that apply to water organisations.



Will be subject to restrictions against privatisation – legislation will include prohibitions on losing control, selling or disposing of significant infrastructure. Further, water services assets cannot be used as security.

Additional requirements for water organisations

In addition to the minimum requirements that apply to all water services providers, the legislation will also look to include additional requirements that apply to water organisations – affecting their ownership, governance, and structural arrangements.

These requirements will apply to all water organisations, including any existing council-controlled organisations and council-controlled trading organisations that deliver water services.

These features are not relevant where councils continue with direct service delivery.

The following additional requirements apply to water organisations:



Current council staff and elected members cannot be appointed to boards.



Water organisations **must be companies**.



Activities of water organisations will be **limited to the provision of water services** and directly-related activities.



Only councils or consumer trusts can be shareholders of a water organisation.



Board appointments must be competency-based and have the appropriate mix of skills, knowledge, and experience.



There will be a range of protections against privatisation.

Requirements for trust-owned water organisations

Water organisations that involve consumer trusts as owners will require additional provisions to ensure that ownership interests cannot be transferred.

This option requires significant controls on the consumer trust as it would have the effective control of water services and assets.

Legislation will set out bespoke requirements that apply to consumer trust-owned (and mixed council/trust-owned) water organisations, to ensure alignment with requirements that apply to councils through other legislation.

For water organisations that involve consumer trusts:



Consumer trusts must **represent consumers** and their interests.



Consumer trusts will be responsible for **appointing and removing Boards and overseeing their performance**.



Trust deeds must include **restrictions on transfer of shares**.



Trustees must be **elected by consumers**. Trustees are responsible for appointing, monitoring, and removing Board members (subject to competency and independence requirements), as well as approving or issuing a statement of expectations (depending on mixed or full ownership).



Consumer trusts will have to **comply with all requirements in legislation** or general law relating to trusts, such as having a trust deed.



Consumer trusts may be a **minority or majority shareholder** of a water organisation with territorial authorities, or it may own 100% of the shares.



Trusts will be **restricted from modifying the objects in its trust deed** or selling its shareholding, except to another territorial authority or consumer trust shareholder of another water organisation.

Protections against privatisation

Under Local Water Done Well, the Government has committed that water services will remain in public ownership.

Councils and water organisations will not be able to privatise water services.

Legislation will likely include the following statutory protections:

- Only local authorities and/or consumer trusts will be permitted to own shares in a water organisation.
- Provisions that prevent:
 - water infrastructure assets from being used as security for any purpose
 - divestment of ownership or other interest in a water service except to another local government organisation or water organisation, and
 - loss of lose control of, sale, or other form of disposal of the significant infrastructure necessary for providing water services in its region or district, unless, in doing so, the local authority or water organisation retains its capacity to meet its obligations
- Shares in water organisations cannot give any right, title or interest in the assets, security, debts, or liabilities of the entity, and would not be able to be sold or transferred.
- Water organisations that involve consumer trusts will require additional provisions to ensure ownership interests cannot be transferred.

Exemptions from certain requirements

Exemptions can be considered on a case-by-case basis

The Government has agreed to enable exemptions from certain requirements. This will provide councils with the flexibility to identify and establish the delivery arrangements that work best for them. The exemptions framework acknowledges that there may be certain circumstances where there may be justification in waiving certain requirements.

Legislation will include a process where councils can apply for exemptions to the following requirements, on a case-by-case basis:

- water organisations must be companies
- activities of water organisations will be limited to the provision of water services, and directly-related activities, and
- only councils or consumer trusts can be shareholders of a water organisation, while noting that the legislation will look to ensure that no form of privatisation is permitted.

Councils who wish to apply for exemptions from the above requirements will be required to submit applications to the Secretary for Local Government, who will assess the application and provide advice to the Minister of Local Government. Exemption approvals would be granted through an Order in Council, on the recommendation of the Minister of Local Government.

Applications for exemptions must meet certain conditions

Exemptions will only be granted where the council's proposal for water services:

- meets the legislative objectives of Local Water Done Well
- maintains the core requirements that are non-negotiable bottom lines for all water organisations, including that the proposal does not involve any form of privatisation
- will provide water services that are financially sustainable, and
- satisfy the Minister of Local Government that the financial sustainability of water services would be put at greater risk if the exemption was not granted.

02 Service delivery models

Councils can choose from a range of service delivery models

The choices available to councils include:

- whether to deliver water services in-house or establish a water organisation
- whether to deliver services on a stand-alone basis or establish a joint arrangement with other councils
- how to structure ownership and governance arrangements for any water organisation, and
- how to set up water organisations to facilitate access to long-term borrowing for water infrastructure

Councils that already deliver water services via a council-controlled organisation or council-controlled trading organisation will be able to continue to use these arrangements. However, the council-controlled organisation or council-controlled trading organisation will be subject to all of the new statutory requirements that will apply to water organisations and changes are likely to be required to meet these requirements. Councils will be able to design their own alternative delivery arrangements, as long as these arrangements meet the requirements for water service providers.

This guidance provides further detail on the following illustrative examples outlined below. Other delivery models are permissible provided they meet certain minimum requirements or if a council obtains an exemption.

Illustrative examples of service delivery models

	In house business unit	Water organisations			
Ownership variations	<div>Not applicable Structure is part of council</div>	<div>Single council owned</div>	<div>Multi-council owned</div>	<div>Mixed council/ consumer trust owned</div>	<div>Consumer trust owned</div>
Council financial support	<div>1</div> <div>Not applicable Structure is part of council</div>	<div>2</div> <div>Council provides support (eg guarantees or uncalled capital)</div>	<div>3</div> <div></div>	<div>4</div> <div>No council financial support</div>	<div>5</div> <div>No council financial support</div>

Overview of service delivery models

1	Internal business unit or division	<ul style="list-style-type: none"> • Status quo for many councils • Minimum requirements for water service providers will apply • New financial sustainability, ringfencing rules, and economic regulation will apply
2	Single council-owned water organisation	<ul style="list-style-type: none"> • New company established, 100% owned by the council • Financial sustainability rules will apply, but retains a financial link to the council • Councils with existing water council-controlled organisations will be required to meet minimum requirements
3	Multi-council owned water organisation	<ul style="list-style-type: none"> • New company established with multi-council ownership • Appointment of a Board through shareholder council (or similar body) is advisable but not a statutory requirement • Option to access Local Government Funding Agency finance with the provision of parent support or to create a more financially independent organisation
4	Mixed council/consumer trust owned	<ul style="list-style-type: none"> • Consumer trust established to own majority of shares • Mixed ownership, with one or more councils owning minority of shares • Structure enables financially independent organisation to be established while retaining minority council ownership
5	Consumer Trust owned	<ul style="list-style-type: none"> • Council transfers assets to consumer trust owned organisation • Consumers elect trustees to represent their interests in the organisation • Most financially independent of the available models

1. Internal business unit or division

Under this option, water services would be delivered directly by the council 'inhouse' through an internal business unit or division, with planning and budgeting integrated into council planning and budgeting processes. This option will be subject to new ring-fencing and financial sustainability requirements, and economic regulation.

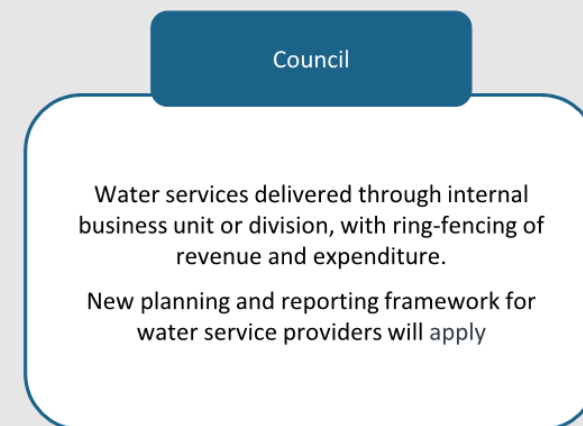
This option represents a continuation of the existing inhouse service delivery model used by many councils.

Revenue continues to be generated through a combination of general and targeted rates and financial/development contributions.

Water service delivery is fully integrated into council strategy, planning, and service delivery.

	Key features
Ownership	<ul style="list-style-type: none"> 100% council owned as a business unit or division within the organisation No new organisation is established
Governance	<ul style="list-style-type: none"> Internal business unit or division responsible to the elected council members, with other usual council governance oversight
Strategy	<ul style="list-style-type: none"> Councils will need to prepare a Water Services Strategy
Accountability	<ul style="list-style-type: none"> Water division reports to council per established internal processes Water service delivery will be accountable to the public through usual local democracy practices Water-focused annual report and stand-alone financial statements on water will be completed to enhance current requirements
Borrowing	<ul style="list-style-type: none"> Borrowing undertaken by council with water activity groups meeting their share of financing costs (on internal and any external borrowing)

Illustrative example



2. Single council-owned water organisation

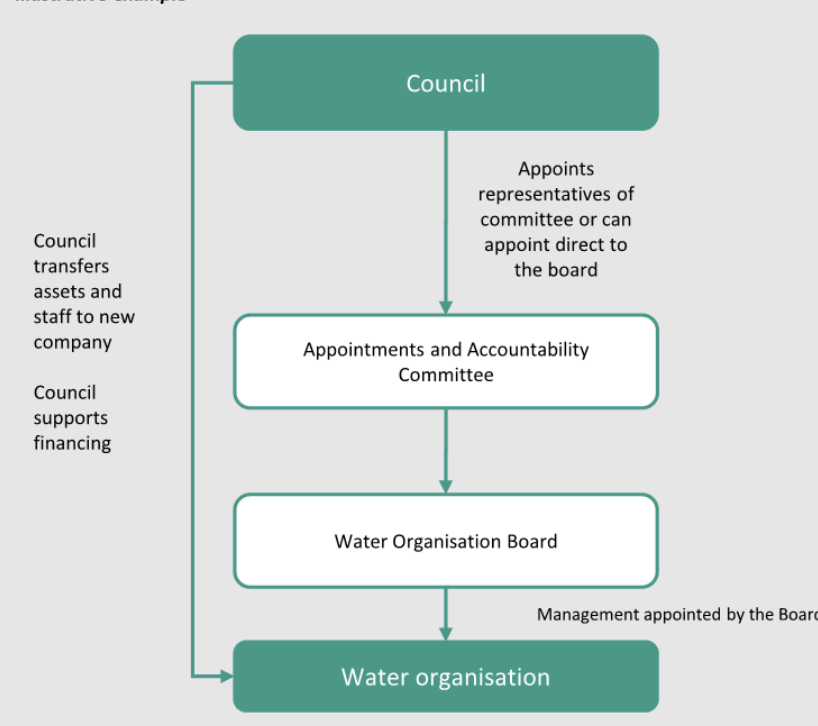
New company established to deliver water services, with ownership by a single council. Council can transfer or retain ownership of assets, subject to transfer of asset use rights.

The council has flexibility to design governance and appointment arrangements, including to consider whether and how they involve mana whenua, consumers or community representatives (for example via an appointments and accountability body). The council can also choose to appoint board members directly without roles for other groups.

The council would provide financing to the water organisation or provide financial support to enable it to borrow from Local Government Funding Agency

	Key features
Ownership	<ul style="list-style-type: none"> Limited liability company, 100% owned by the council Ownership rights spelled out in a constitution, subject to compliance with legislation
Governance	<ul style="list-style-type: none"> Appointments made directly or via an Appointments and Accountability Committee (or similar body) Board comprised of independent and professional directors
Strategy	<ul style="list-style-type: none"> Shareholding council issues Statement of Expectations Water organisation prepares Water Services Strategy and consults the council
Accountability	<ul style="list-style-type: none"> Water organisation reports regularly to shareholding council on performance (for example quarterly) Water organisation prepares annual report containing audited financial statements, including reporting on actual performance, and other matters outlined in the water services strategy. Water organisation required to act consistently with statutory objectives
Borrowing	<ul style="list-style-type: none"> Borrowing via council or from Local Government Funding Agency directly supported by council guarantee or uncalled capital

Illustrative example



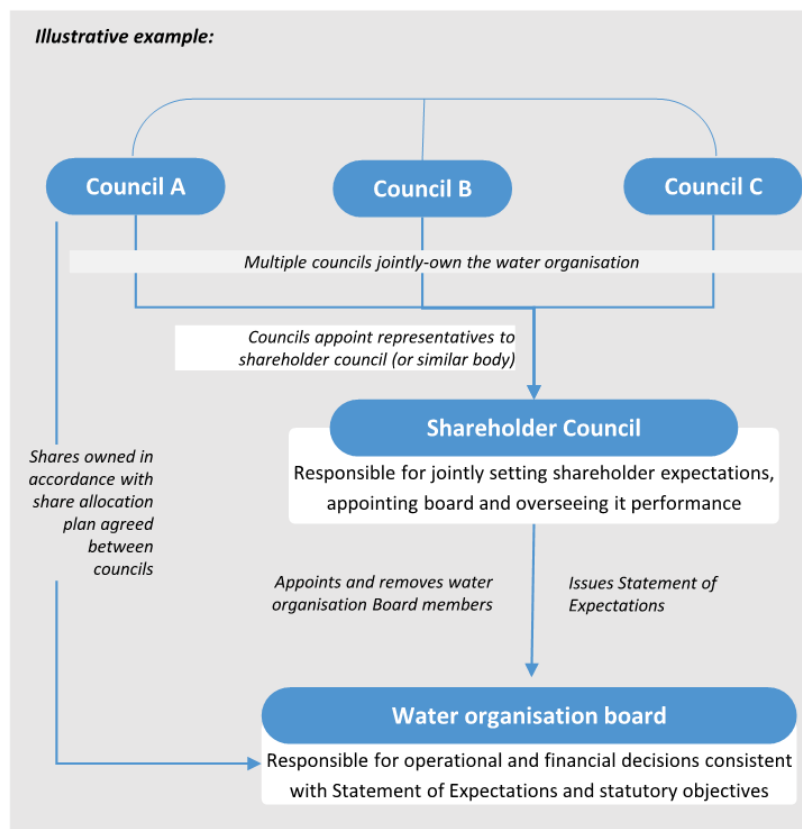
3. Multi-council-owned water organisation

Under this option, two or more councils would establish a jointly-owned water organisation.

Councils will have flexibility to establish shareholder rights and interests through a company constitution and/or shareholder agreement, subject to compliance with the legislation.

Financing options and credit rating impacts will be dependent on whether shareholding councils choose to provide financial support or not.

	Key features
Ownership	<ul style="list-style-type: none"> Limited liability company owned by two or more councils Ownership arrangements and rights set out in a constitution and/or shareholder agreement, subject to compliance with the legislation
Governance	<ul style="list-style-type: none"> Councils agree how to appoint and remove directors, for example through a shareholder council or similar Board comprised of independent and professional directors
Strategy	<ul style="list-style-type: none"> Shareholding councils agree the process for issuing a combined Statement of Expectations Water organisation prepares Water Services Strategy and consults shareholding councils
Accountability	<ul style="list-style-type: none"> Water organisation reports regularly to shareholding councils on performance (for example quarterly) Water organisation prepares annual report containing audited financial statements, including reporting on actual performance and other matters outlined in the Water Services Strategy. Water organisation required to act consistently with statutory objectives
Borrowing	<ul style="list-style-type: none"> Borrowing arrangements and credit rating implications dependent on whether shareholding councils provide financial support



4. Mixed council/consumer trust owned water organisation

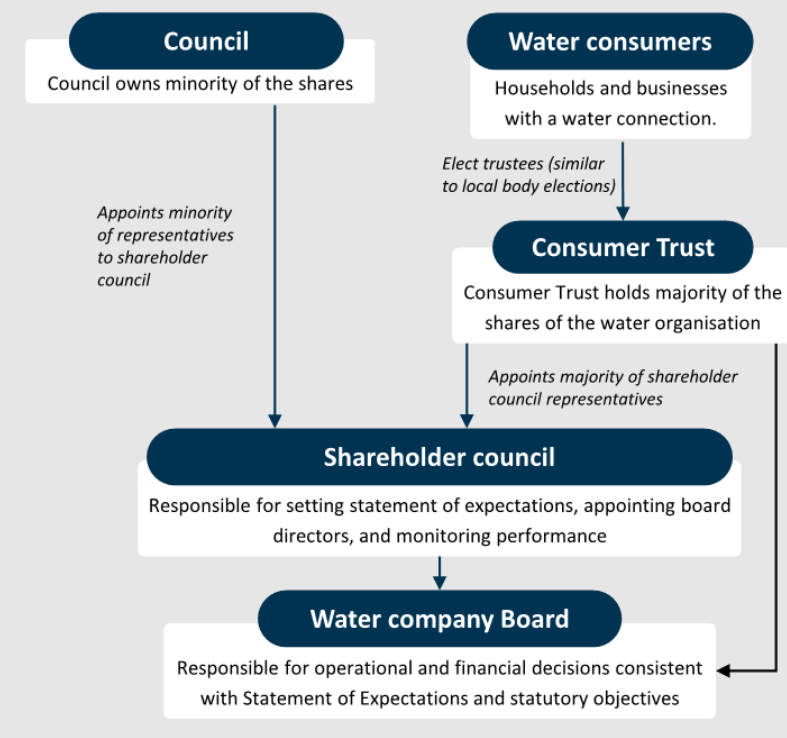
Under this option, one or more councils would establish a jointly-owned water organisation with a consumer trust holding a majority stake.

Councils will have flexibility to establish shareholder rights and interests through a company constitution and/or shareholder agreement upon establishment, subject to compliance with the legislation.

Water consumers elect trustees to the Consumer Trust. That consumer trust is then represented on the shareholder council (along with council representatives) and/or appoints board members directly. Certain restrictions apply to Consumer Trust to protect against privatisation.

	Key features
Ownership	<ul style="list-style-type: none"> Limited liability company owned by one or more councils with consumer trust majority ownership Ownership arrangements and rights set out in constitution and/or shareholder agreement, subject to compliance with legislation
Governance	<ul style="list-style-type: none"> Councils and consumer trust appoint a shareholder council to appoint directors Water organisation governed by independent, professional board of directors
Strategy	<ul style="list-style-type: none"> Shareholders agree the process for issuing a combined Statement of Expectations Water organisation prepare Water Services Strategy and consults shareholders
Accountability	<ul style="list-style-type: none"> Water organisation reports regularly to shareholders on performance (for example quarterly) Water organisation prepares annual report containing audited financial statements, including reporting on actual performance and other matters outlined in the water services strategy. Water organisation required to act consistently with statutory objectives
Borrowing	<ul style="list-style-type: none"> Borrowing would be independent of local authorities (for example banks) and subject to water organisation achieving sufficient credit-quality and track record

Illustrative example:

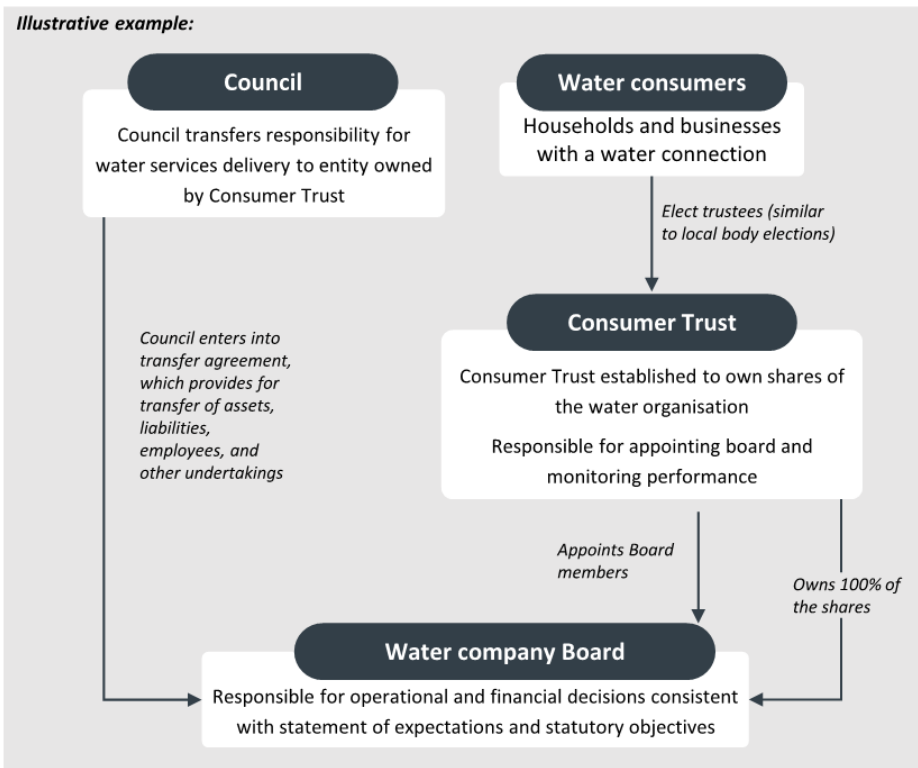


5. Consumer trust owned water organisation

Under this option, one or more councils would establish a wholly consumer trust-owned water organisation, and transfer water assets and responsibility for water services delivery to it.

The council would have no ongoing involvement, as the company board is wholly appointed through the Consumer Trust. Water consumers elect trustees to the Consumer Trust, similar to local body elections.

	Key features
Ownership	<ul style="list-style-type: none"> Limited liability company solely owned by a newly established consumer trust Trust deed is subject to certain minimum requirements to protect against privatisation
Governance	<ul style="list-style-type: none"> Trustees appoints company directors Water organisation governed by independent, professional board of directors
Strategy	<ul style="list-style-type: none"> Trustees issue Statement of Expectations Water organisation prepares Water Services Strategy
Accountability	<ul style="list-style-type: none"> Water organisation reports regularly to trustees and consumers on performance (for example quarterly) Water organisation prepares annual report containing audited financial statements Water organisation required to act consistently with statutory objectives
Borrowing	<ul style="list-style-type: none"> Borrowing would be independent of local authorities (for example banks) and subject to water organisation achieving sufficient credit-quality and track record



Summary of features of service delivery models

	1. Internal business unit or division	2. Council-owned water organisation	3. Multi-council-owned water organisation	4. Mixed ownership/ consumer trust owned water organisation	5. Consumer Trust owned water organisation
Ownership	Wholly council-owned as a business unit or division	Wholly council-owned as a separate water services organisation	Ownership shared across two or more councils	Consumer trust owns majority stake in water organisation, with one or more council	Wholly-owned by consumer trust as a separate water organisation
Governance	Internal business unit or division, responsible to Council through established mechanisms under Local Government Act 2002	Councils (and potentially other groups) appoint Appointments and Accountability committee (or can appoint board directly). Council or committee oversee board performance	Councils appoint members to a Shareholder Council, which appoints Board and oversees performance	Councils and trustees appoint a shareholder council to appoint directors	Trustees appoint directors and oversees performance
Strategy	Councils must prepare Water Services Strategy	Parent council issues Statement of Expectations. Water organisation prepares Water Services Strategy.	Shareholders agree process for issuing combined Statement of Expectations. Water organisation prepares Water Services Strategy	Shareholders agree process for issuing combined Statement of Expectations. Water organisation prepares Water Services Strategy	Trustees issue Statement of Expectations. Water organisation prepares Water Services Strategy
Accountability	Water-focused annual reports and financial statements	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives	Reports to owners quarterly, prepares audited annual report, acts consistent with statutory objectives
Borrowing	Council borrows, with water activity groups meeting their share of financing costs (on internal and external borrowing)	Borrowing via council or direct from Local Government Funding Agency with council financial support (guarantee or uncalled capital)	Borrowing direct from Local Government Funding Agency (with financial support from parent councils) or from banks	Borrows independently of local authorities, subject to water organisation achieving sufficient credit-quality and track record	Borrows independently of local authorities, subject to organisation achieving sufficient credit-quality and track record

Miscellaneous

Long-term contracting

Current arrangements under the Local Government Act 2002 enable local government organisations to enter contracts and joint local government arrangements with one another without restriction.

Legislation will ensure that water organisations are also considered to be local government organisations, with the maximum length of contracts to be extended to fifty years.

Extending the limit to fifty years may enable certain types of public-private partnerships, such as 'build, design and operate' contracts, for high capital expenditure assets. The development costs of the asset could be recovered over a longer period or match the economic life of the asset, which can lead to low costs per annum for providing this infrastructure.

Long-term contracting will be an option for all of the delivery models.

Local Government Official Information and Meetings Act 1987

Parts 1 to 7 of the Local Government Official Information and Meetings Act 1987 will apply to water all water service providers. All meetings would be open to the public except for commercially confidential matters or other matters specified in the Act.

Ombudsman

Water service providers would also be subject to the jurisdiction of the Ombudsman.

03 Governance and Accountability

Constitutions and accountability framework

Councils establish constitutions

While constitutions will not be required, they are good governance practice, and it is therefore expected that councils will establish constitutions for water organisations, with content requirements expected to include:

- minimum board size
- rights and process to appoint and remove Directors and Board members, and
- Board member requirements.

There are no restrictions on what can be included within a company constitution provided it meets the requirements of relevant legislation.

To ensure financial separation from councils is maintained, amendment of key features of the constitutions will require agreement by super-majority (75%) of shareholders.

Shareholder council (or similar body)

Shareholding councils may also wish to provide for the establishment of a shareholder council (or similar body) to represent council interests in the entity. This body would support the coordination of multiple council interests and could play a key role in developing shareholder expectations, appointing board directors and overseeing performance.

Establishment of a shareholder council (or similar body) is not a statutory requirement but is advisable to avoid multiple interfaces between the water organisation and its owners.

Members of a shareholder council could be appointed by councils and/or trustees of consumer trusts. Unlike boards, there would be no statutory restrictions on who could be appointed to a shareholder council. The process of appointing a shareholder council could be set out in a shareholder agreement.

Accountability framework

Legislation will provide for a new planning and accountability framework for water services comprising three core components:

- **Statement of Expectations** – to be prepared by shareholders or their representatives (such as shareholder's council), setting out shareholders' general expectations, strategic outcomes, and priorities, including any general guidance to the Board.
- **Water Services Strategy** – this is the primary strategy and planning document for the water organisation, and will set out its strategic priorities, how it will meet regulatory requirements, service standards and financial performance objectives, and will contain projected financial statements and its long-term infrastructure strategy
- **Annual report** – this is the primary accountability document, through which the water organisation is required to report on performance against expectations, service standards and financial performance objectives. The annual report must contain audited financial statements.

The requirements for a Water Services Strategy and Annual Report apply to all water services providers, including local authorities providing services through an internal business unit or division of council.

Statements of Expectations and annual reporting

Shareholders are required to prepare a statement of expectations

Shareholders must prepare a statement of expectations every three years. Any matters contained in the Statement of Expectations must support and align with the legislation and any applicable regulatory requirements.

Water organisations are required to give effect to this Statement, provided it is consistent with its purpose, the water organisation's statutory objectives and other applicable statutory requirements.

Where a water organisation is owned by multiple councils, councils will be responsible for agreeing a process for preparing a joint statement of expectations. This process will not be prescribed in legislation.

An example of this may be the water organisation choosing to prioritise investment in safe drinking water in several jurisdictions (driven by quality regulation) as a higher priority over another jurisdiction where the council would like to invest in wastewater assets.

The purpose of the Statement of Expectations will include:

- stating the expectations, priorities, and strategic direction for the water organisation, and
- informing and guiding the decisions and actions of the board of the water organisation.

Legislation will require the Statement of Expectations to include information on:

- shareholders expectations and strategic priorities for the water organisation
- outcomes the shareholders expect to be achieved through the delivery of water services, and
- any specific requirements and/or obligations that relate to Treaty settlements or other arrangements that are in place with local iwi.

The Statement of Expectations may also include other matters the shareholders may wish to include, including requirements relating to:

- performance expectations
- process for collecting and responding to customer feedback on an organisation's services, and
- community engagement on specific matters of interest.

Annual reporting

Legislation will require water services providers to prepare and adopt an annual report on water services within three months of the end of each financial year

The annual report would include similar content to council annual reports under the Local Government Act, such as:

- an audited statement comparing the capital expenditure budgeted with the amount spent
- an audited statement that compares the level of service achieved in relation to each water activity with the performance target(s) for the activity
- audited financial statements, including GAAP compliant standalone financial statements for each of water supply, wastewater and stormwater.

In addition, for water organisations, the constitution may specify additional reporting requirement for the company to deliver to the company's shareholders, for example quarterly or half-yearly reports on the company's operations.

Water Services Strategy

All providers must prepare a water services strategy

Legislation will include requirements for a Water Services Strategy, which would apply to all forms of water services provider. The purpose of the Water Services Strategy will likely include elements such as to:

- state publicly the activities and intentions of the water services provider, and the objectives and outcomes to which those activities will contribute
- provide transparency about the regulatory requirements and other expectations that apply to the provider (including for financial sustainability), how it proposes to meet those requirements and expectations, and the associated costs and levels of investment needed, and
- provide a basis for the accountability of the provider for its performance.

Process for approving

Strategies are prepared by local authorities or water organisations in accordance with the purpose and objectives set out in legislation (and needs to give effect to regulatory requirements and any statement of expectations)

Where service delivery is through a separate water organisation, shareholder council(s) and any other parties named in the constitution may comment on the draft Water Services Strategy, and the Board must consider these comments before preparing a final version

The Board must approve and deliver to shareholders a final Water Services Strategy before the first financial year to which it relates, and publish it on the council and water organisation websites

Information on water services will not be included in councils' long-term plans. All relevant strategy and planning information related to water services included in the strategy.

Contents of the strategy

Water services providers will prepare a Water Services Strategy every three years covering strategic, operational and financial planning information. This is likely to include matters such as:

- how it intends to give effect to the Statement of Expectations
- its objectives and outcomes, including performance targets and measures
- factors impacting the provider, including population, land use, costs
- the significant activities or work the provider proposes to undertake
- proposed levels of service, including planned changes
- the key risks affecting levels of service, revenue setting and debt availability
- how the provider proposes to obtain feedback from customers
- planned water charges and financing strategy
- forecast financial statements, including forecasts of capital and operating expenditure to meet additional demand, improve the level of service, and replace existing assets
- funding impact statements, identifying the sources and application of funding for each of drinking water, wastewater and stormwater
- significant infrastructure issues over the next 30 years, the principal options for managing those issues, and indicative estimates of the projected capital and operating expenditure associated with management of water infrastructure assets.

The content required to be included in a Water Services Strategy and the process for developing it would be set out in legislation.

04 Charging, borrowing and related matters

Powers to charge customers and debt collection

Charging customers

Legislation will include provisions that enable Boards of water organisations to:

- assess, set and collect water services charges, including charges for any or all of the following:
 - water supply, wastewater, and stormwater (where applicable)
 - the initial connection to one or more of the above services
 - contributions to the capital costs of infrastructure needed to service additional demand on the network, and
 - meeting the costs that the water organisation incurs in performing and exercising its functions.
- determine how charges are assessed and invoiced, when they are due, and how they will be paid or collected.

The Legislation will include a framework to enable water organisations to identify which ratepayers should be charged for water services – which will be based on a modified version of the existing framework in the Local Government (Rating) Act 2002.

Legislation will provide for councils to share relevant billing information with water organisations to enable water companies to contact and bill their customers. Councils will be able to charge a reasonable fee for this service.

When a new water organisation is set up, there may be a transitional period until the organisation has a billing system in place. In this case, councils and water organisations can enter into a voluntary 'pass-through' billing agreement.

The legislation will also enable water organisations to use the development contributions regime in the Local Government Act 2002. This will give water organisations the ability to directly charge developers who place new or

additional demand on water infrastructure, to help recover the capital expenditure that is necessary to service that growth over the long term.

Debt collection powers

Water organisations will not have the same rates collection powers as local authorities and will instead rely on commercial debt practices to collect overdue amounts. This is similar to the situation for Watercare and other regulated utilities.

Powers of receivers

The Local Government Act 2002 and Receiverships Act 1993 contain longstanding provisions that allow a receiver to be appointed where a council defaults on a debt. Among other things, a receiver may collect rates to repay the debt.

New water organisations that borrow independently of Local Government Funding Agency will have similar provisions to ensure receivers can act appropriately in the event that a water organisation defaults on a debt.

New legislation will:

- allow the receiver to assess and collect for a given financial year both the amounts owed by the water organisation for that year and the reasonable costs incurred in collecting that amount
- prohibit the receiver from having any interest or security in water services infrastructure assets, and
- allow the receiver to collect the amount through water services charges assessed on consumers.

In the event of financial distress, relevant provisions of the Corporations (Investigation and Management) Act 1989 will also apply.

Borrowing and credit rating implications

Local Government Funding Agency

The Local Government Funding Agency will be able to provide financing to new water organisations guaranteed by its shareholders in the same way as council-guaranteed council-controlled organisations.

The Government is developing options to enable the Local Government Funding Agency to lend to new water organisations, with the aim to provide confidence to councils in suitable financial solutions.

Borrowing from Local Government Funding Agency, with the support of shareholding councils will provide a transitional step towards water organisations borrowing independently in the future.

This transition path allows time for water organisations to develop sufficiency in their revenue gathering and develop an operating track record.

Foreign currency borrowing

Legislation will explicitly allow water organisations to borrow in foreign currency. This acknowledges that many organisations will need to borrow significant amounts to meet infrastructure costs, expected to exceed the amount of New Zealand-based lending available.

Water organisations will also be allowed to enter into incidental arrangements, such as derivatives and hedges, which allow water organisations to reduce their exposure to currency risk.

Credit rating implications

The impact on local authority credit ratings of establishing a water organisation will depend on a range of factors, including key features of the proposed model adopted, ownership, and financing arrangements (including provision of any council support). Councils who are considering establishing a water organisation should obtain their own advice on the rating and financial implications prior to deciding to establish a water organisation.

With support from Crown Infrastructure Partners and its commercial advisors, the following table has been prepared as an illustrative guide of the hypothetical rating treatment based on certain scenarios and assumptions. Crown Infrastructure Partners is available to answer any questions you have about this indicative rating evaluation, including the assumptions underpinning it.

Model	Council support	Indicative rating treatment	Financing mechanism
Internal business unit or division	N/A	On balance sheet*	LGFA
Single-council water organisation	N/A	On balance sheet*	LGFA
Multi-council water organisation (with council support)	Parent council provides guarantee	Contingent liability*	LGFA
Multi-council water organisation (with no council support)	No support from parent	Contingent liability*	Banks and/or capital markets
Mixed ownership	No support from parent	Contingent liability*	Banks and/or capital markets
Consumer Trust-owned	No support from parent	Off balance sheet	Banks and/or capital markets

* Impact on council credit rating depends on council and/or water organisation revenues and debt.

Distributions, taxation and related arrangements

Distributions

Local authorities will be able to decide whether to permit water organisations to make distributions or pay dividends to shareholders, and in what circumstances, when they establish a water organisation. Should councils wish to prevent a water organisation from making distributions to shareholders, this can be provided for in the company constitution. Economic regulation will, in certain circumstances, include a focus on the appropriateness of water charges and revenues, including considering the appropriate return on capital.

Tax status of water organisations

Most new water organisations will be exempt from income tax. This is because water organisations are not primarily engaged in commercial activities with a profit-making objective and will be owned by councils or consumer trusts.

If a water organisation is wound up, there will be a requirement that assets must be transferred to another water organisation or to a council on wind-up. This ensures that a taxable consumer trust or private shareholder would not receive any of the water organisation's assets (including any untaxed accumulated gains).

Exemptions from minimum requirements, outlined earlier, may affect a water organisation's tax status if they no longer meet the criteria for the income tax exemption. If a water organisation has a shareholder that is not tax exempt (such as a consumer trust that does not have charitable status) it may not be granted tax exempt status.

Rateability of land and assets owned by water organisations

Land transferred to water organisations will be rateable. Legislation will require land owned by water organisations, and assets that are owned by the organisation but located on or under land the organisation does not own, should be rateable. This aligns with the way that land and assets of other network providers, such as electricity and telecommunications companies, are rated.

Councils may elect to remit those rates if they decide that the water organisation, which they will likely be shareholders in, should not have to pay them.

Civil Defence Emergency Management cost-sharing arrangements

Legislation will ensure that Civil Defence Emergency Management cost-sharing arrangements with the Crown would apply directly to water organisations. This will ensure financial separation of water organisations and allow them to directly seek partial reimbursement from the Crown for emergency expenses.

Modernised powers and stormwater services

Modernised powers to carry out work on land and control connections

Legislation will include modernised provisions relating to water infrastructure and service including:

- Powers for water service providers to control connections to water services and infrastructure. These are powers that enable councils to approve connections by private individuals or businesses to water supply, wastewater and/or stormwater infrastructure, and include the ability to set design or engineering requirements.
- Powers for water service providers to carry out work on land in relation to water services infrastructure. These are powers that are required by all kinds of utility providers (water, telecommunications, electricity, and gas) to ensure infrastructure can be constructed or maintained, particularly where it is on private property or underground.
- An updated approach to the bylaws relating to water services. The current system of bylaws will be replaced or supplemented with new, fit-for-purpose statutory provisions, including requirements for management plans and enforcement rules. This will enable more effective and consistent management, while still addressing local issues and needs.

These changes will allow water services providers to control and protect drinking water catchments and manage trade waste. The legislation will include transitional provisions to provide for how local authorities and water services providers will transition to the new system over time.

Arrangements for the management and delivery of stormwater services

Councils will retain legal responsibilities for the management of stormwater services, but that can choose to:

- continue to deliver stormwater services in-house and contract aspects of stormwater service delivery to a new water organisation
- transfer aspects of stormwater service delivery (this might include stormwater network assets*) to a water organisation, and
- contract aspects of stormwater service delivery to a third-party provider, via long-term contract or public-private partnership.

Councils can determine the levels of service and performance targets for the delivery of stormwater management services. Water service organization identify the costs of delivering stormwater management services that meet the expected levels of service and meet performance targets.

Councils may continue to collect revenue through rates from residents and businesses for stormwater management services. Revenue for the delivery of stormwater management services would need to be identified separately within council's accounts (ring fenced). Depending on the stormwater services or assets that are transferred to a new water organisation, how revenue is collected may be allocated between councils and the water organisation.

* 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 mechanisms.



August 2024

LOCAL WATER DONE WELL

Factsheet: Financing for councils and water organisations

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

This factsheet provides an overview of financing options for local government water service providers¹ under Local Water Done Well, resulting from ongoing work with New Zealand Local Government Funding Agency Limited (LGFA). It covers current and emerging options.

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes?

LGFA has confirmed that it will provide financing to support water council-controlled organisations (CCOs) established under Local Water Done Well and look to assist high growth councils with additional financing.

LGFA will extend its existing lending to CCOs to new water organisations² that are CCOs and are financially supported by their parent council or councils. The ability of councils to establish water organisations will be provided for by the Local Government Water Services Bill.

- LGFA will support leverage for water organisations up to a level equivalent to 500 percent of operating revenues³ (around twice that of existing councils), subject to water organisations meeting prudent credit criteria. LGFA will treat borrowing by water organisations as separate from borrowing by parent council or councils.

¹ 'Water service provider' means all forms of local government provider – including councils that continue with direct (in-house) delivery, and water organisations.

² 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisation under Local Water Done Well, and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.

³ Note that this metric is being used for comparative purposes only and a more appropriate metric for water organisations will ultimately be used.

- LGFA will lend to multiply-owned water organisations, who are supported by the parent councils.
- LGFA will make available to water organisations its existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.

Councils will also retain the ability to borrow through LGFA should they choose to keep water services ‘in house’ rather than establish a water organisation.

LGFA is also reviewing whether it can prudently provide additional flexibility to councils to meet the future challenges faced by the sector. That work will include consideration of the following options:

- LGFA increasing debt limits for high growth councils beyond the current ceiling of 285 percent of operating revenues; and
- In time, and subject to prudent criteria and LGFA stakeholder approval, LGFA lending to water organisations on an unsupported basis.

The Crown confirms the existing supports it provides to LGFA, and as part of the review will consider whether those supports remain appropriately sized given the growth in LGFA’s balance sheet.

Why are these changes needed?

LGFA is the source of most debt financing accessed by local government. This is because LGFA is the lowest cost provider of financing to local government as a result of its scale and its AAA credit rating which is similar to that of central government due to the support of both central and local government.

LGFA has various requirements that councils need to meet and stay within to access LGFA funding. These requirements are to preserve the credit quality of the LGFA lending book in order to maintain its AAA credit rating. A key requirement is that total council debt cannot be more than 285⁴ percent of council operating revenues for rated councils and 175 percent for unrated councils, plus there are interest cover ratios based on rates and total council revenues.

Many councils will need to increase borrowing in order to make the necessary investments to bring water infrastructure up to standard and support new housing. Some councils are already close to their LGFA debt limits.

Without change to key financing ratios, some councils will find it difficult to stay under the current LGFA debt to revenue ‘ceiling’ while making necessary water investments.

⁴ This reduces to 280% from 1 July 2025.

The changes proposed under Local Water Done Well enable councils to choose what structural options for water services delivery work best for them. One of those options is to establish a water organisation. That option is expected to have multiple benefits:

- It will result in an organisation that is dedicated to water services, their delivery and their quality.
- It will reduce the debt directly attributed to the parent council(s) if councils transfer water related debt to the water organisations.
- Water organisations will be able to borrow more than councils can and therefore make the necessary investments to provide quality water services.

If councils establish water organisations and do not provide financial support, those organisations could not as it currently stands, access LGFA funding and would need to seek debt funding directly from the private sector.

In addition to cost benefits, an advantage of financing through LGFA is that there will be no transition issues for eligible water organisations. Water organisations are not required to join LGFA and once they have joined, they are not obliged to borrow from LGFA.

Under Local Water Done Well, the Government has been working with LGFA to confirm its intended approach to increased lending to councils and water organisations.

LGFA has also taken steps to improve its working capital and financial strength over time. From 1 July 2024, both borrower loan margins and the borrower notes subscription rate have been increased.

Financial benefits for new water organisations and parent councils

The establishment of new water organisations will enable additional debt financing to fund capital investment into water infrastructure. In practice, this will enable:

- An increased proportion of capital expenditure for water infrastructure to be financed by debt rather than operating revenues – spreading the cost of the infrastructure asset over its useful life;
- A reduction in operating revenue requirements for a financially sustainable water organisation against the status quo – where additional debt financing will mean operating revenues will only need to cover the interest costs and debt repayments, as opposed to direct funding investment;
- Enable borrowings for water services infrastructure to be directly supported by water services revenues at a higher gearing, negating the requirement to use non-water services council revenues to borrow for water services;
- Additional borrowing headroom to be realised for parent councils whose current water services borrowings exceed council borrowings for other activities on a debt to revenue basis; and

- The opportunity for parent councils to pass on the benefit of any additional debt headroom created to consumers, by utilising this to finance non-water capital expenditure with a corresponding reduction to rates revenue requirements.

Proposed economic regulation of all local government water services providers will ensure closer scrutiny that costs are ring-fenced and providers become more efficient. The recovery of costs through water rates are expected to give lenders greater confidence in the financial sustainability of water service providers.

To illustrate these benefits, the new financing arrangements have been applied to a hypothetical council in Annex A.

What does this mean for consumers?

Consumers will benefit from increased lending flexibility because it will support greater investment to improve water infrastructure and services at a lower cost of borrowing than other sources.

Increased borrowing to fund necessary investment in water infrastructure reduces the need to fund investments directly from rates and other revenue. This can smooth the impact of investments across longer periods of time, which should be reflected in smaller increases in rates and water charges.

Next steps

LGFA and the Government will update the sector on how these proposed changes can be implemented ahead of LGFA's November 2024 Annual Meeting of Shareholders.

The Department of Internal Affairs will work with LGFA to develop guidance for councils on financing options, as this work progresses.

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

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

Questions? Contact waterservices@dia.govt.nz

Annex A: An illustrative example for 'Council A'

To illustrate the financial benefits for new water organisations and parent councils, the new financing arrangements have been applied to the hypothetical 'Council A' which has established a new water organisation ('Water Organisation A'), which LGFA has agreed to lend to at up to 500% of operating revenues. Water Organisation A is financially supported by uncalled capital issued to Council A.

'Water Organisation A':

- Has been established as a company, owned by 'Council A', with appropriate protections against privatisation;
- Owns Council A's water infrastructure assets and has the power to assess, set and collect water services charges from consumers;
- Has its activities limited to the provision of water services and directly-related activities; and
- Is governed by a board which is independent from the council in terms of having no council staff or elected members, with directors appointed for their competency and to ensure an appropriate mix of skills, knowledge and experience.

Through the creation of 'Water Organisation A', Council A has transferred staff, assets and debt relating to water services to the new water organisation. LGFA has agreed to lend up to 500% of operating revenues, subject to 'Water Organisation A' demonstrating sufficient projected cashflows to meet LGFA's covenants and meeting prudent credit criteria.

'Water Organisation A' has identified that it can reduce its projected revenue requirements, by utilising debt financing for capital expenditure, keeping revenues to a level sufficient to cover the costs of service and to meet LGFA's cashflow covenants requirements. These lower revenue requirements are translated into savings for consumers.

The establishment of the new water organisation has also generated additional borrowing headroom for Council A, as its water services were more highly leveraged than remaining council business. Council A has opted to utilise this additional borrowing ability to fund non-water capital expenditure over three years, passing on a corresponding saving to ratepayers.

This arrangement will enable:

- 'Water Organisation A' to reduce projected water charges by \$16.4 million over three years (15.4% saving), through more efficiently utilising debt to fund capital expenditure; and
- 'Council A' to utilise additional debt headroom of \$14.1 million from the separation of water services for funding non-water capital expenditure, reducing rates requirements by \$13.7 million over three years (7.7% saving); for
- Total savings passed on to ratepayers and water consumers of \$30.1 million over three years (10.6% saving).

Local Water Done Well factsheet (August 2024)

Table 1: Council A's projected rates revenues and charges in the current LTP

Council A's current LTP	Year 1	Year 2	Year 3	3 Year Total
Council rates revenue (\$m)	\$85.3m	\$95.0m	\$104.1m	\$284.4m
Council rates revenue increases, including water charges (%)	13.6%	11.3%	9.6%	38.7%
Council rates revenue increases, excluding water charges (%)	10.4%	6.1%	4.2%	22.0%
Water services charges (\$m)	\$29.2m	\$35.4m	\$42.1m	\$106.7m
Water services charges increases (%)	20.3%	21.4%	18.8%	73.5%
Projected debt for water services (\$m)	\$103.0m	\$114.9m	\$131.3m	
Water debt to operating revenue (%)	332%	308%	299%	

Table 2: Water Organisation A's projected charges, borrowings and savings to water services consumers

Water Organisation A	Year 1	Year 2	Year 3	3 Year Total
Water services charges (\$m)	\$27.0m	\$29.9m	\$33.4m	\$90.3m
Updated water services charges increases required (%)	11.4%	10.7%	11.8%	37.7%
Reduction in water services charges – savings (\$m)	\$2.2m	\$5.5m	\$8.7m	\$16.4m
Reduction in water services charges – savings (%)	7.4%	15.6%	20.6%	15.4%
Projected debt for water services (\$m)	\$105.3m	\$123.1m	\$149.0m	
Water debt to operating revenue (%)	364%	387%	423%	

Table 3: Councils A's additional debt headroom passed as savings to ratepayers

Council A (excluding water services)	Year 1	Year 2	Year 3	3 Year Total
Debt headroom from separating water services (\$m)	\$14.1m			\$14.1m
Updated non-water services rates increases required (%)	2.9%	5.1%	3.1%	11.5%
Capital expenditure financed by debt headroom (\$m)	\$3.8m	\$4.7m	\$5.6m	\$14.1m
Additional interest costs (\$m)	\$0.0m	\$0.1m	\$0.2m	\$0.4m
Reduction in non-water services rates – savings (\$m)	\$3.8m	\$4.6m	\$5.4m	\$13.7m
Reduction in non-water services rates – savings (%)	6.8%	7.7%	8.6%	7.7%

Table 4: Combined savings to ratepayers and water services consumers

Council A and Water Organisation A (combined)	Year 1	Year 2	Year 3	3 Year Total
Projected rates increases – per current LTP (%)	13.6%	11.3%	9.6%	38.7%
Projected rates increases – Council/Water Org combined (%)	5.6%	7.0%	6.1%	20.0%
Savings to water services consumers – Water Org A (\$m)	\$2.2m	\$5.5m	\$8.7m	\$16.4m
Savings to ratepayers – Council A (\$m)	\$3.8m	\$4.6m	\$5.4m	\$13.7m
Total savings (\$m)	\$6.0m	\$10.1m	\$14.0m	\$30.1m
Total savings (%)	7.0%	10.6%	13.5%	10.6%



August 2024

LOCAL WATER DONE WELL

Factsheet: Planning and accountability for local government water services

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those decisions that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

The Local Government Water Services Bill will set 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 planning and reporting framework for water services under Local Water Done Well, and what this means for councils and existing water organisations [including existing council-controlled organisations (CCOs)].

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes?

The Government is proposing a new planning and accountability framework for water services, which is fit for purpose for the new water services delivery system. The framework will help to improve transparency and accountability, and support an enhanced focus on water services.

The Local Government Water Services Bill will set out the details of the new framework. It will apply to all local government water service providers.¹

¹ 'Water service provider' means all forms of local government provider – including councils that continue with direct (in-house) delivery, and water organisations.

New planning and reporting documents for water services

The new approach includes three core documents:

1. A statement of expectations, for service delivery arrangements that include separate water organisations² (prepared by shareholders)
2. A water services strategy (prepared by water service providers)
3. A water services annual report (prepared by water service providers).

Together, these documents form the framework within which each water service provider's strategic and investment priorities, and performance settings, will be developed, explained and reported.

Information about these three documents is set out below.

Document	Overview
Statement of expectations (applicable where there are separate water organisations) <i>Prepared by shareholders and issued to the water organisation they own</i>	This document will set out the expectations, priorities, and strategic direction for the water organisation. It will inform and guide the decisions and actions of the organisation's board.
Water services strategy <i>Prepared by water service providers</i>	This document will set out – in a single, comprehensive, water-focused document – how the provider is proposing to perform, respond to local expectations and priorities, and meet regulatory and financial sustainability requirements. It will include financial forecasting information over 10 years, and infrastructure and investment information over 30+ years. Strategies prepared by water organisations will respond to matters in the statement of expectations. Prices and charges will be set in accordance with the proposals in the strategy.
Water services annual report <i>Prepared by water service providers</i>	This document will report on the provider's actual performance against the expectations and proposals in the above documents. It will include financial reporting.

Improving transparency and accountability relating to water charges and expenditure

The legislation will include the principle that 'water revenues should be spent on water services'. This will guide the operational policy of water service providers.

² 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisation under Local Water Done Well.

In addition, water service providers will be required to develop standalone financial statements for all water services (drinking water, wastewater, stormwater, and aggregated water services). These statements will separate water services charges, expenses and liabilities from other council activities.

Councils will need to track and report on all cash generated for water services, as well as the uses of cash to prepare standalone financial statements. This requires any unspent revenues or cash generated to be retained and tagged for future water services expenditure or activity. Similarly, councils will need to track and disclose borrowing arrangements for water services, including total borrowings and movements in borrowings.

The standalone financial statements will provide accountability and transparency relating to water charges and expenditure, and evidence that water services revenues are being spent on water services. They will also provide transparency and accountability over the amount of council debt that is allocated to water services.

Why are these changes needed?

The changes proposed under Local Water Done Well will affect the current planning and accountability framework for local government water services. For example:

- There will be an increased and enduring focus on the financial sustainability of water services, how much these services cost and how these costs are being met, and how the services – and service providers – are performing. This kind of information is covered in planning and reporting documents.
- Some councils will stop providing water services directly, and will use water organisations instead. This will change the relationship between councils and water services customers, and affect the way the current accountability model operates in practice.

One of the minimum requirements for all local government water service providers, which will be set out in the Local Government Water Services Bill, is that they are subject to a bespoke planning and accountability framework for water services.

The new framework needs to be appropriate for the Local Water Done Well context and wider system settings.

What does this mean for councils and water organisations (including existing CCOs)?

The new planning and accountability framework for water services will replace and/or modify the requirements that currently apply under Part 6 and Schedule 10 of the Local Government Act – with regards to the water-related content of council planning and reporting documents.

It will also replace the planning and reporting provisions that apply to council-controlled organisations under Part 5 and Schedule 8 of the Local Government Act – where these organisations provide water services.

Once the new framework comes into effect, this will mean:

- Councils that continue to deliver water services in-house will prepare a water services strategy and associated annual report, instead of including extensive information on water services in their general long-term plan, infrastructure strategy, financial strategy, and annual report.
- If a water organisation (including an existing CCO) is providing water services instead of a council:
 - the owners/shareholders will prepare a statement of expectations and provide this to the water organisation
 - the board of the water organisation will prepare a water services strategy (through a process that includes providing a draft strategy to shareholders for feedback)
 - the board of the water organisation will also prepare a water services annual report
 - the council will not include information about water services in its long-term plan, infrastructure strategy, financial strategy, or annual report – except with respect to reporting on its ownership role.

Further details relating to the different components of the new framework are currently being developed. This will include the specific contents and processes associated with each of the documents, and the transitional arrangements and timeframes that will apply. It also includes considering the links with, and consequential amendments to, the existing requirements in the Local Government Act.

The provisions in the Bill will be designed in a way to ensure this framework connects with other relevant systems and priorities, to ensure alignment and reduce duplication of reporting. This includes, for example, the new economic regulation regime for water services, spatial planning and land-use planning frameworks, and expectations for resilience in relation to water infrastructure.

Wider regulatory system settings will also inform the context of the water services strategy, and the process and context in which water service providers set prices and charges. For example:

- Ringfencing will mean revenue collected for water services can only be used for those services
- Financial sustainability will require revenue is sufficient to cover the costs of delivering water services, including sufficient infrastructure investment and meeting regulatory requirements.

All local government water service providers will be subject to an economic regulation regime administered by the Commerce Commission. This will provide regulatory oversight to ensure water charges are fair and cost reflective, and revenue is sufficient to meet investment requirements.

Local Water Done Well factsheet (August 2024)

The Commerce Commission (as the economic regulator) will also be responsible for monitoring and enforcing water service providers' compliance with the standalone financial statements. This will assist with the determination of whether water services revenues are set at financially sustainable levels.

Next steps

The proposed changes covered in this factsheet will be included in a Local Government Water Services Bill, which is expected to be introduced in December 2024.

There will be an opportunity to provide feedback on the proposed changes at select committee.

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

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

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

Questions? Contact waterservices@dia.govt.nz



August 2024

LOCAL WATER DONE WELL

Factsheet: Future arrangements for stormwater

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

The Local Government Water Services Bill will set 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 watercourse in urban areas.

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes?

Future arrangements for management of urban stormwater

The Government is proposing a new approach to the management of stormwater services under Local Water Done Well.

Councils will retain legal responsibility and control of these services but will have flexibility to choose the arrangements that best suit their circumstances.

Councils will be able to:

- Continue to deliver stormwater services;
- Contract a new water organisation¹ to deliver aspects of those stormwater service delivery; or

¹ 'Water organisation' means the separate organisations that councils may establish to provide water services – and does not include councils. There will be various types of water organisation under Local Water Done Well.

- Transfer aspects of stormwater service delivery (this might include stormwater network assets²) to a water organisation.

If councils choose to transfer some or all aspects of the delivery of stormwater services, they will still be responsible for determining the levels of service and performance targets for the delivery of stormwater management services (subject to regulatory requirements and community preferences). They will also be able to continue to recover costs of providing stormwater services that they continue to deliver from ratepayers.

Water organisations will be responsible for identifying the costs of delivering stormwater management services that meet the expected levels of service and meet performance targets.

Management of overland flow paths and watercourses in urban areas

The Government is also proposing changes to improve the management of overland flow paths and urban watercourses.

The key changes are:

- 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 – through stormwater network risk management plans and stormwater rules.
- Enabling territorial authority, regional council, transport corridor managers to agree 'service agreements' to support the integrated management of stormwater networks.

Why are these changes needed?

Urban intensification and climate change are increasing pressure on the delivery of stormwater services. Recent 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.

A new approach to the management of the stormwater network and services is needed to lift capacity and capability. However, it's important that councils continue to have choices about how best to manage stormwater given the overlap with land use planning, other areas of councils' responsibilities including roads, parks and reserves, and urban watercourses that impact on the operation of stormwater network.

In addition, challenges such as uncertainty around legal responsibilities, limited regulatory tools, and information gaps currently affect the effective management of overland flow paths and watercourses (an urban area's natural drainage system). This can expose people and property to significant flood risks.

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.

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.

This gives them flexibility to contract or transfer 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 services organisations).

Councils responsible for stormwater networks in their city or district

Councils will continue to be accountable to their communities for stormwater outcomes. The proposed changes support the coordination required for the effective management of stormwater services in association with other areas of council responsibility.

If councils contract or transfer the delivery of stormwater services to a water organisation, they can set levels of service and performance targets that reflect regulatory requirements, including other requirements such as councils' engineering standards, and community preferences.

These proposed changes maintain the incentive on councils to 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 changes will also provide clarity on the roles and responsibilities of both councils and private owners in relation to overland flow paths and urban watercourses that are both on private land and related to the operation of the stormwater network in urban areas.

No change to current funding arrangements for stormwater services

Current funding arrangements for stormwater services will be retained. If a council contracts or transfers the delivery of stormwater services to a water organisation, the revenue collected through rates may be allocated between council(s) and the water organisation to support delivery of stormwater service outcomes.

Integration between key agencies to improve 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 risk management plan to identify risks and hazards related to stormwater network.
- Work with private landowners as required to protect and maintain the conveyance capacity of overland flow paths and urban water courses.
- Develop (as required) stormwater rules 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 rules 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.

It is also proposed that the legislation will include 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. The legislation will include the core features of these agreements, but using them will not be mandatory. This approach reflects the cooperative nature of the agreements, and the need to provide some flexibility for the parties to adopt arrangements that are appropriate for local circumstances.

Next steps

The proposed changes covered in this factsheet will be included in a Local Government Water Services Bill, which is expected to be introduced in December 2024.

There will be an opportunity to provide feedback on the proposed changes at select committee.

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

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department of Internal Affairs will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

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

Questions? Contact waterservices@dia.govt.nz



August 2024

LOCAL WATER DONE WELL

Factsheet: Economic regulation and consumer protection

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

The Local Government Water Services Bill will set 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 services 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. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes?

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

The regime will give New Zealanders peace of mind that revenue collected by local government water services providers through rates or water charges is being spent on the level of water infrastructure needed.

The Commerce Commission will have a range of regulatory tools, including mandatory information disclosure, 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 certain international airports, gas pipelines, electricity lines companies and fibre networks.

Consumer protections are safeguards for consumer interests including ensuring local water services 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>All local government water services providers will be required to publicly disclose information in a prescribed form set by the Commerce Commission.</p> <p>The information required will be set by the Commerce Commission but 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.</p> <p>The Commerce Commission will be tasked with analysing information provided by water services providers to improve transparency and accountability, and identify whether further regulatory intervention is necessary. 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 services 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 from six months after the commencement of the legislation (by early 2026).</p>

Local Water Done Well factsheet (August 2024)

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 services 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 water service revenue is spent on water services.</p> <p>If necessary, the Commerce Commission will be able to require that specific amounts of water services revenue are ringfenced for water services investment purposes.</p>
Quality standards and performance requirements	<p>The Commerce Commission will be able to set infrastructure and service quality standards and require water services 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>
Price-quality regulation	<p>Depending on performance, the Commerce Commission may be given the power to set, for specific providers, maximum and/or minimum revenue allowances, and/or maximum and/or minimum prices, alongside minimum quality standards. This would follow an assessment by the Commerce Commission of actual revenues against a 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 businesses.</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>

Consumer protection

The new information disclosure requirements will allow the Commerce Commission to collect and analyse information relating to consumer protections, such as service quality and customer engagement. 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>
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 services 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 purpose of Part 4 of the Commerce Act 1986 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?

The economic regulation and consumer protection regime will promote appropriate and efficient levels of investment and operating expenditure to support access to quality water services while promoting sufficient customer engagement and service standards.

What does this mean for councils?

The economic regulation regime will be risk-based and flexible, in line with councils' different needs and situations. Based on information supplied through the water service delivery plans and information disclosure requirements, the Commerce Commission will be able to set individual requirements for certain providers, and common regulations where appropriate.

Local Water Done Well factsheet (August 2024)

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

While information disclosure will apply to all local government drinking and wastewater services providers, the other regulatory tools may not be needed for all providers.

The Commerce Commission is expected to develop the initial requirements for information disclosure by early 2026. Until then, any interim arrangements and consultation by the Commerce Commission under the Local Government (Water Services Preliminary Arrangements) Bill (once enacted) will apply and inform the long-term economic regulation regime.

The Commerce Commission could set revenue thresholds from early 2026 and will monitor and enforce financial ringfences as needed after the bill is enacted.

For all local government water services providers (apart from Watercare), quality standards, performance requirements, and price-quality regulation will not be applied until at least 2026.

The expected timelines for each economic regulation tool are set out in the table below.

Tool	Description	When
Information disclosure	Requirements relating to when certain information must be collected and disclosed. The Commerce Commission then analyses and reports on this information.	After commencement, with requirements to be set 6 months after commencement.
Revenue thresholds	A screening mechanism to help promote providers recover sufficient revenue to invest in water infrastructure and services over time.	From 2026, when necessary.
Monitoring and enforcement of financial ringfence	Ability to require that amounts of water services revenue are ringfenced for water services investment purposes.	After commencement, when necessary.
Quality regulation and/or performance requirements	Quality standards or quality incentives to improve services. Requirements to perform certain actions to improve network service quality. For example: to make types of investments.	If required, after designation from 2026.
Price-quality regulation	Minimum and/or maximum prices that may be charged, and/or minimum and/or maximum revenues. Alongside quality and performance requirements.	If required, after designation from mid-2026.

The initial approach for consumer protection will be to monitor how existing consumer protections measures are working using the information disclosure regime.

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When making recommendations, determinations, or other decisions, the Commerce Commission will be required take into account other obligations on water service providers. This includes local government obligations with respect to iwi/Māori, including existing Treaty settlements.

It is intended that the costs the Commerce Commission accrues in its economic regulation of water services will be funded through a levy on local water services providers. This is similar to the approach used in other regulated infrastructure monopolies such as electricity lines businesses. For this purpose, there are levy-making provisions in the legislation implementing Local Water Done Well.

Next steps

The proposed changes covered in this factsheet will be included in a Local Government Water Services Bill, which is expected to be introduced in December 2024.

There will be an opportunity to provide feedback on the proposed changes at select committee.

The Department of Internal Affairs will prepare guidance material to support 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.

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department of Internal Affairs will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

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

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

Questions? Contact waterservices@dia.govt.nz



August 2024

LOCAL WATER DONE WELL

Factsheet: Drinking water quality regulation

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

The Local Government Water Services Bill will set 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 proposed changes to the drinking water quality regulatory framework. These changes affect drinking water suppliers – regulated by Taumata Arowai under the Water Services Act 2021. The changes relating to Te Mana o te Wai will also affect wastewater and stormwater network operators.

This factsheet covers changes affecting very small drinking water suppliers, other drinking water suppliers, and mixed-use rural water schemes. It also covers changes affecting the approach to applying Te Mana o te Wai.

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

What are the proposed changes and why are these changes needed?

The Government is proposing a range of changes that aim to reduce the cost and burden for drinking water suppliers associated with complying with the Water Services Act 2021. The changes are designed to improve the efficiency and effectiveness of the drinking water regulatory regime, and the approach Taumata Arowai takes to regulating this regime.

In line with the Government's intention that government agencies have an English name first, the Government is also proposing to amend the legislation to refer to the 'Water Services Authority – Taumata Arowai'.

Improving the drinking water quality regulatory regime to reduce the cost of compliance

Reducing the regulatory burden on very small 'shared domestic' supplies

Currently, under the Water Services Act 2021, all drinking water suppliers – except domestic self-suppliers – are regulated. Suppliers are not distinguished by size, and all suppliers are required to provide safe drinking water.

The Government is proposing to reduce the regulatory burden on small suppliers, by excluding 'shared domestic supplies' serving 25 consumers or fewer from regulation. This means these suppliers would no longer be required to register with Taumata Arowai or to meet other requirements in the Water Services Act 2021, such as preparing a drinking water safety plan.

This proposal focuses on lower risk supplies, including those that supply neighbouring domestic properties (such as where a farm supplies drinking water to a small number of nearby properties). Higher risk community supplies (such as community halls and marae) would not be covered by this exclusion.

This approach will help ensure that regulation is proportionate to the risk profile, capacity and complexity of the supply, but does not leave consumers without protection. Taumata Arowai will still have an educational role to support smaller suppliers to deliver safe drinking water.

Other changes to help reduce the cost of compliance

Other changes are also proposed to reduce regulatory requirements and compliance costs for a wider range of drinking water suppliers, which that would not be covered by the 'shared' domestic supply exclusion above.

These changes include:

- Requiring renewals of registration with Taumata Arowai every five years instead of annually.
- Extend the timeframe for currently unregistered supplies to register by an extra three years, plus an extra two years to become compliant.
- No longer requiring community drinking water suppliers serving 25 or fewer consumers to prepare water safety plan.
- Ensuring Taumata Arowai considers the cost of compliance on suppliers when performing and delivering its objectives, functions and duties.
- Ensuring the regulatory framework is proportionate to the scale, complexity, and risk profile of each drinking water supply, including the consideration of cost and affordability for the users of the supplies.
- Ensuring Taumata Arowai proactively engages with suppliers and network operators to ensure that there is a path to compliance that takes into account the risk profile and capacity of the supplier or network operator itself.

- Enabling Taumata Arowai to proactively issue exemptions from certain regulatory requirements, where compliance with the Water Services Act 2021 is impractical, inefficient, unduly costly or burdensome.
- Requiring Taumata Arowai to issue drinking water acceptable solutions to a greater number of suppliers. Ensuring these templates are readily available to a greater number of suppliers will help reduce the regulatory burden and costs for suppliers, by reducing the need for suppliers to develop their own bespoke solutions.¹

Supporting mixed-use rural water schemes

Mixed-use rural water schemes provide small quantities of drinking water, and larger quantities of water for commercial farming purposes.

The Government is proposing two key changes that reflect the unique characteristics of these suppliers, and reduce compliance costs. These are:

- Changing the operating principles of Taumata Arowai to specifically refer to mixed-use rural supplies. This means Taumata Arowai will be expected to consider the costs of regulation for mixed-use supplies, and ensure the regulation is proportionate to the scale, complexity, and risk profile of each supply
- Requiring Taumata Arowai to include specific information on mixed-use rural water schemes in its annual drinking water regulation report and its drinking water compliance, monitoring, and enforcement strategy.

The Minister of Local Government is also proceeding with non-legislative measures to ensure there is an appropriate focus on mixed-use rural water schemes and affordability is being considered. These measures include:

- Communicating expectations to the Taumata Arowai board that they should ensure the regulatory response for mixed-use rural water schemes is proportionate to the scale, complexity and risk profile of each supply – and affordability is being given appropriate consideration
- Encouraging the board to consider establishing a technical advisory group to provide independent advice on the regulatory settings for mixed-use rural water schemes.

The Water Services Regulator – Taumata Arowai

In line with the Government's intention that government agencies have an English name first, the Government is also proposing to amend the legislation to refer to the 'Water Services Authority – Taumata Arowai'.

¹ Acceptable solutions are a ready-made option (template) to help drinking water suppliers meet standards. They apply to specific supply types and remove the need to submit a drinking water safety plan, if implemented in their entirety. Currently there are three acceptable solutions: Roof Water Supplies, Spring and Bore Drinking Water Supplies, and Mixed-Use Rural Water Supplies.

Change in approach to Te Mana o te Wai

Currently, legislative provisions relating to Te Mana o te Wai are general and apply to a broad range of parties with different roles, including Taumata Arowai as well as small scale private drinking water providers. It is unclear how all parties are expected to meet their obligations in this area.

It is also not clear how these obligations in water services legislation relate to the concept of Te Mana o te Wai in the National Policy Statement for Freshwater Management and regional plans prepared under the Resource Management Act that relate to freshwater.

The Government is proposing two key changes to provide clarity around how to give effect to the current legal provisions with regard to Te Mana o te Wai. These are:

- Repealing the requirements in water services legislation to give effect to Te Mana o te Wai.
- Requiring Taumata Arowai to take account of the National Policy Statement for Freshwater Management, and any regional plans prepared under the Resource Management Act that relate to freshwater, as part of the exercise of its functions, duties and powers.

The proposed changes will provide regulatory certainty to Taumata Arowai and suppliers, and will remove barriers to Taumata Arowai taking a proportionate, cost effective and efficient approach in its functions and duties.

What does this mean for councils and other drinking water suppliers?

These changes support a regulatory response that is proportionate to the scale, complexity, and risk profile of each drinking water supply.

For councils and other drinking water suppliers, reduced regulatory requirements – and changes to the regulatory approach taken by Taumata Arowai – have the potential to reduce the costs of compliance. This is particularly likely for smaller, private and rural suppliers.

Next steps

The proposed changes covered in this factsheet will be included in a Local Government Water Services Bill, which is expected to be introduced in December 2024.

There will be an opportunity to provide feedback on the proposed changes at select committee.

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

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

The Department will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

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Questions? Contact waterservices@dia.govt.nz



August 2024

LOCAL WATER DONE WELL

Factsheet: Standards to help reduce water infrastructure costs

This is one of a series of factsheets giving an overview of key Local Water Done Well policy decisions, including those that will be reflected in the proposed Local Government Water Services Bill, which is expected to be introduced to Parliament in December 2024.

It is based on Cabinet decisions announced by the Minister of Local Government and Minister of Commerce and Consumer Affairs in August 2024.

The Local Government Water Services Bill will set 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 proposals relating to wastewater environmental performance standards and national engineering design standards.

It should be read alongside other Local Water Done Well factsheets. More detailed information can be found in the associated Cabinet papers that have been proactively released on the Department of Internal Affairs' website.

Wastewater environmental performance standards

What are the proposed changes and why are they needed?

Taumata Arowai is currently developing national wastewater environmental performance standards as part of its responsibilities under the Water Services Act 2021.

These standards will be made for activities associated with wastewater networks, like discharges to land, air or water, biosolids and any other byproducts from wastewater, energy use, and/or waste that is introduced by a third party into a wastewater network (for example, trade waste).

Under current legislative settings, the standards would be 'minimum' standards. This would mean a regional council considering an application for a resource consent that relates to a wastewater network cannot grant a consent that has conditions that are less restrictive than the wastewater standards, but they may impose conditions that impose a higher standard.

The Government is proposing to amend the legislation so there would be a single standard, rather than a minimum (or maximum), which would be implemented in resource consents. A single standard approach is consistent with international best practice.

The proposals will require changes to the Water Services Act and Resource Management Act 1991. These changes are needed to:

- Provide directive provisions that ensure regional councils implement a single standard approach in resource consents, and cannot set additional or higher requirements than the standard in consenting conditions (apart from on an 'exceptions' basis).
- Allow Taumata Arowai to set infrastructure and operating requirements that, if implemented by a wastewater operator, will meet the treatment requirements in the standard.
- Allow an easier resource consenting path or 'pre-consented option' for lower-risk small-scale modular wastewater treatment plants that meet the wastewater environmental performance standard.

The specific details of the legislative changes are still being developed, and will be included in the Local Government Water Services Bill.

This new approach is intended to:

- Reduce the regulatory burden by ensuring environmental regulation in water services legislation is proportionate to risk and benefit.
- Deliver much greater standardisation of treatment systems and related infrastructure.
- Enable material cost efficiencies in the design, build and operation of wastewater systems.
- Provide councils with greater certainty of costs.

This approach does not mean that the environmental requirements for discharges to freshwater or coastal water will be lower – but it will enable a consistent approach for consenting the discharge of wastewater from treatment plants.

In the absence of a national wastewater standard, some councils have imposed regulatory requirements and, indirectly, costs that have made consenting wastewater plants and discharges very difficult.

Around 70 percent of wastewater treatment plants will require re consenting in the next 10 years, with the most challenging issues arising where plants discharge to freshwater or low mixing environments like estuaries or bays close to the coast.

Use of modular design plants for low-risk small scale wastewater plants

The proposals recognise there is a significant opportunity for economies of scale and cost savings across the system if an end-to-end modular design-consent-build approach was adopted for lower risk treatment plants for small communities (e.g. less than 1,000 people), aligned to the new wastewater standard.

Around half of the wastewater treatment plants that will require re consenting in the next decade provide services to populations of 1,000 people or fewer. These plants make up around 50 percent of the total number of council-owned wastewater plants in New Zealand.

While there will be local differences, industry estimates are that up to half of those costs of smaller wastewater treatment plans relate to costs of design and consenting. Modular off-the-shelf wastewater treatment plant reduce design, construction and procurement costs and would enable wastewater treatment plans to be delivered faster.

Process for making the wastewater environmental performance standards

The standards will be developed by Taumata Arowai through a process that includes consultation with wastewater network operators (territorial authorities) and regional councils.

The Government has decided that this process should also be considered by Cabinet with a regulatory impact analysis – to help ensure the costs, benefits and risks associated with the proposed standards are identified and examined.

The amended process will mean the standards are made through an Order in Council – similar to the approach that is already taken for making drinking water standards. The same approach will also apply when Taumata Arowai develops stormwater environmental performance standards under the Water Services Act 2021.

National engineering design standards

What are the proposed changes and why are they needed?

The Government is proposing to introduce a mandatory set of national engineering design standards for water services network infrastructure. This would support the Government's aim to increase standardisation to lower the costs of providing infrastructure.

The provision of reticulated network infrastructure is a key component of land use development. Councils develop and use Codes of Practice for Land Development to guide those involved in land developments on technical standards for network infrastructure. There are approximately 45 different standards in New Zealand providing information on how to design and construct water network infrastructure.

National engineering design standards would provide regulatory engineers, design engineers, developers, and contractors servicing the land development industry with one common set of engineering design standards across New Zealand.

The standards would not override any other regulatory requirements in relation to land development (such as Resource Management Act 1991 requirements), but are intended to support the consenting process by providing the technical requirements for the planning, design, construction, and handover of network infrastructure.

The primary purpose of the standards would be to document technical best practice for the design and construction of drinking water, wastewater and stormwater network or reticulation infrastructure.

Benefits associated with these standards are likely to include:

- greater efficiencies for the design, approval, procurement, construction, maintenance and renewal of network infrastructure;
- the ability to use the national engineering design standards for construction and renewal contracts; and
- a common technical reference for the development of industry training and skills.

Further work will be undertaken to develop and confirm matters such as the detailed scope and content of the national engineering design standards, the process for developing them, the relationship with other regulatory requirements, and any relevant transitional arrangements and timeframes. The Local Government Water Services Bill will provide for these standards to be made through regulation.

It is anticipated the standards will include a mixture of mandatory minimum engineering design standards, and informative statements to provide context and enable better understanding of the mandatory requirements. They will be developed with appropriate technical and sector input, and reviewed regularly as new engineering methodology and products are developed.

What does this mean for councils and consumers?

The proposals relating to wastewater environmental performance standards and national engineering design standards are intended to reduce the costs, inefficiencies, and regulatory compliance processes associated with providing water infrastructure.

As councils are primarily the owners and providers of water infrastructure, this will mean significant cost savings – which can be passed on to ratepayers.

Consumers should also see upgrades and renewals of wastewater treatment plants in their communities implemented in faster timeframes.

Next steps

The proposed changes covered in this factsheet will be included in a Local Government Water Services Bill, which is expected to be introduced in December 2024.

There will be an opportunity to provide feedback on the proposed changes at select committee.

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

Local Government (Water Services Preliminary Arrangements) Bill

The second Local Water Done Well Bill, the Local Government (Water Services Preliminary Arrangements) Bill, is currently before Parliament and is expected to be enacted in August 2024.

Local Water Done Well factsheet (August 2024)

The Department will be providing guidance and information for councils' development of Water Services Delivery Plans, following the enactment of the Bill.

Further information

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

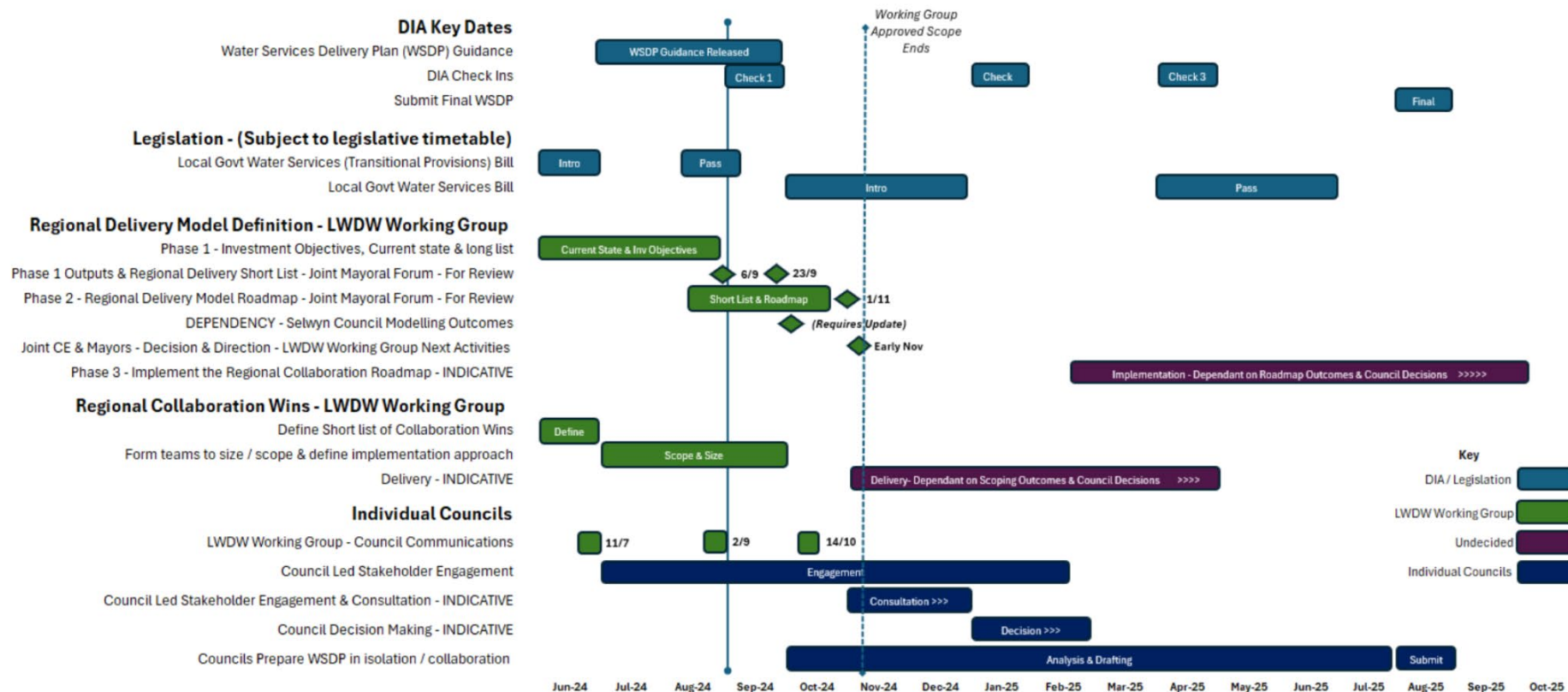
Questions? Contact waterservices@dia.govt.nz

Local Water Done Well

Otago Southland Working Group
Council Update
10 September 2024



High Level Schedule



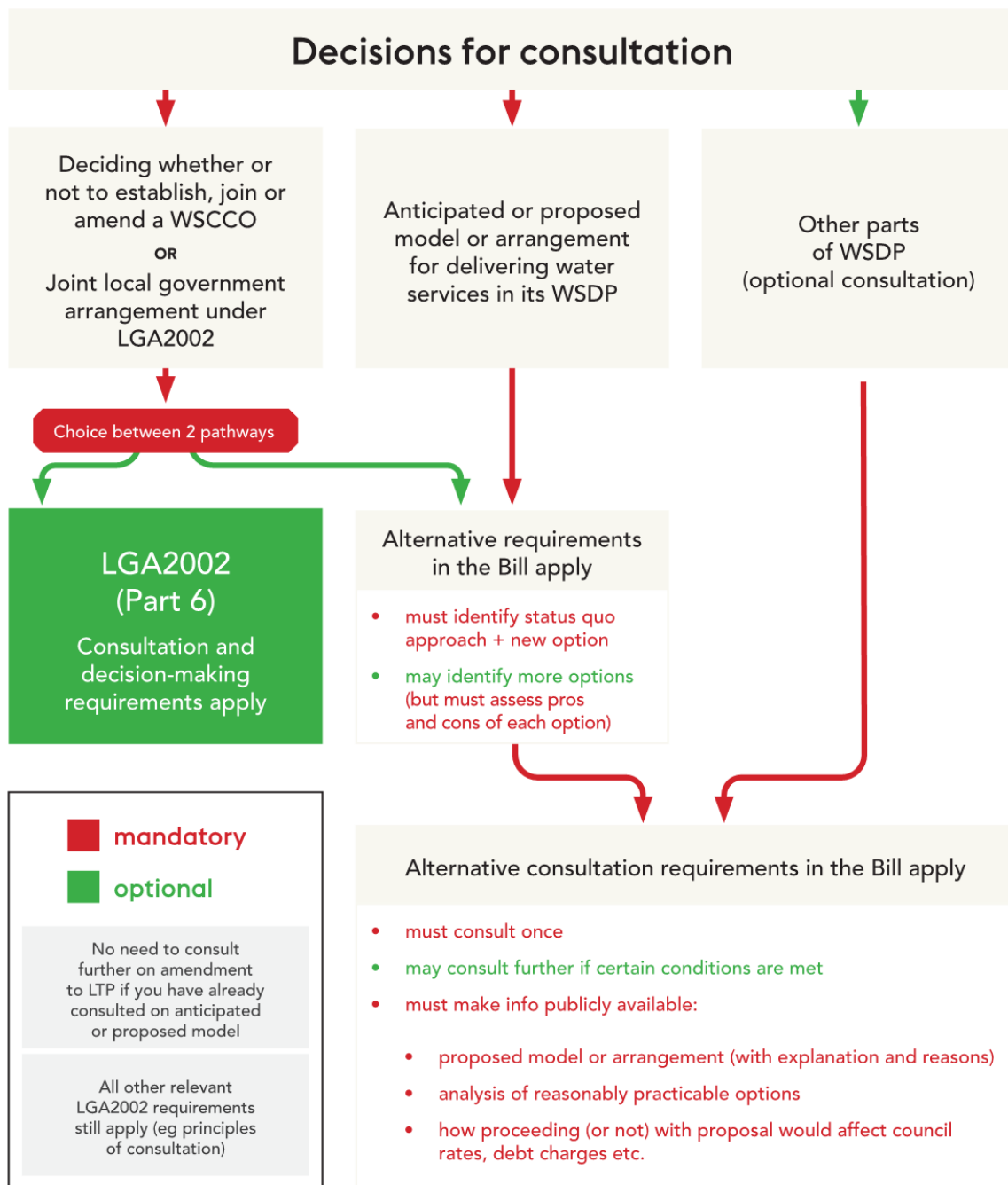
SECTION 13 CONTENTS OF WATER SERVICES DELIVERY PLAN

(1) A territorial authority's water services delivery plan must contain the following information in relation to the water services delivered in the authority's district:

<i>Section</i>	<i>Content Required</i>	<i>Current Availability/Further Analysis</i>
13(1)(a)	a description of the current state of the water services network:	Currently Available
(b)	a description of the current levels of service relating to water services provided:	Currently Available
(c)	a description of— (i) the areas in the district that receive water services (including a description of any areas in the district that do not receive water services); and (ii) the water services infrastructure associated with providing for population growth and development capacity:	Currently Available
(d)	whether and to what extent water services— (i) comply with current regulatory requirements; (ii) will comply with any anticipated future regulatory requirements:	(i) Currently Available (ii) Further Analysis Required
(e)	if any water services do not comply with current regulatory requirements or will not comply with any anticipated future regulatory requirements— (i) a description of the non-compliance; and (ii) a description of how the anticipated or proposed model or arrangements provided under paragraph (k) will assist to ensure water services will comply:	(i) Some Currently Available / Some Further Analysis Required (ii) Further Analysis Required
(f)	details of the capital and operational expenditure required— (i) to deliver the water services; and (ii) to ensure that water services comply with regulatory requirements:	Some Currently Available / Some Further Analysis Required
(g)	financial projections for delivering water services over the period covered by the plan, including— (i) the operating costs and revenue required to deliver water services; and (ii) projected capital expenditure on water services infrastructure; and (iii) projected borrowing to deliver water services:	(i) Some Currently Available / Some Further Analysis Required (ii) Some Currently Available / Some Further Analysis Required (iii) Further Analysis Required

<i>Section</i>	<i>Content Required</i>	<i>Current Availability/Further Analysis</i>
(h)	an assessment of the current condition, lifespan, and value of the water services networks:	Currently Available/Some Further Analysis Required
(i)	a description of the asset management approach being used, including capital, maintenance, and operational programmes for delivering water services:	Currently Available
(j)	a description of any issues, constraints, and risks that impact on delivering water services:	Currently Available
(k)	the anticipated or proposed model or arrangements for delivering water services (including whether the territorial authority is likely to enter into a joint arrangement under section 10 or will continue to deliver water services in its district alone):	Further Analysis Required
(l)	an explanation of how the revenue from, and delivery of, water services will be separated from the territorial authority's other functions and activities:	Further Analysis Required
(m)	a summary of any consultation undertaken as part of developing the information required to be included in the plan under paragraph (k) :	Further Analysis Required
(n)	an explanation of what the territorial authority proposes to do to ensure that the delivery of water services will be financially sustainable by 30 June 2028 :	Further Analysis Required
(o)	an implementation plan— <ul style="list-style-type: none"> (i) for delivering the proposed model or arrangements described under paragraph (k); and (ii) if a territorial authority is proposing to deliver water services itself and not as part of a joint arrangement for delivering water services, that sets out the action that the territorial authority will take to ensure its delivery of water services will be financially sustainable by 30 June 2028: 	Further Analysis Required
(p)	any other information prescribed in rules made by the Secretary under section 16 .	To be confirmed
(2)	For the purposes of subsection (1)(o) , an implementation plan must include the following:	

<i>Section</i>	<i>Content Required</i>	<i>Current Availability/Further Analysis</i>
(a)	a process for delivering the proposed model or arrangements:	Further Analysis Required
(b)	a commitment to give effect to the proposed model or arrangements once the plan is accepted:	Further Analysis Required
(c)	the name of each territorial authority that commits to delivering the proposed model or arrangements:	Further Analysis Required
(d)	the time frames and milestones for delivering the proposed model or arrangements.	Further Analysis Required
(3)	A water services delivery plan must also comply with any requirements prescribed in rules made by the Secretary under section 16 .	To be confirmed



Investment Objectives

	Deliver three waters services in a way that reflects the importance of water to the health of our residents, visitors, environment and economy	Deliver three waters services that sustainably respond to change in population, economic activity and climate change	Deliver three waters services through a model that is responsive to the local needs of our communities	Provide efficient and effective services through a model that supports robust decision making and the development of enduring capability and capacity	Ensure that three waters services are delivered through a model that is enduring and financially sustainable
Economic Wellbeing	<ul style="list-style-type: none"> Three waters services and assets are resilient Provision of reliable, continuous services 	<ul style="list-style-type: none"> Economic and population change is supported through the provision of infrastructure 	<ul style="list-style-type: none"> Services provision recognises the diversity in need for three waters infrastructure across our communities 	<ul style="list-style-type: none"> The delivery model is scalable and adaptable The model maximises available efficiencies and encourages effective investment planning The model supports improved retention and recruitment Systems and processes are robust and consistent across the regions 	<ul style="list-style-type: none"> Enough funding is raised (through charges, grants, debt or other means) to invest in needed infrastructure The funding model allows for the ongoing, sustainable, provision of three waters services We meet the requirements of an economic regulator
Cultural Wellbeing	<ul style="list-style-type: none"> Services respect the cultural significance of water and receiving environments Service provision reflects our role as kaitiaki for the natural environment 	<ul style="list-style-type: none"> The intergenerational impacts of investment are considered 	<ul style="list-style-type: none"> A delivery model that allows for effective engagement with stakeholders 	<ul style="list-style-type: none"> Strong relationships are held with Runaka Runaka are provided meaningful opportunities to contribute to decision making 	<ul style="list-style-type: none"> The financial capacity of councils to invest in community infrastructure is enhanced
Social Wellbeing	<ul style="list-style-type: none"> Public health is at the heart of decision making Services will be compliant with all consents, regulatory standards and drinking water standards 	<ul style="list-style-type: none"> Communities are given access to three waters services that they need. 	<ul style="list-style-type: none"> Investment in small communities is maintained No community is left out 	<ul style="list-style-type: none"> The health and safety of our workforce and the public is protected The model supports a highly coordinated emergency management response capability The model supports the development of happy, high performing people 	<ul style="list-style-type: none"> Three waters services are delivered in a way that is more affordable than the alternative.
Environmental Wellbeing	<ul style="list-style-type: none"> The health of marine, estuary and freshwater environments is reflected through our approach to network management and service provision 	<ul style="list-style-type: none"> Investment decisions balance growth demands against environmental outcomes 	<ul style="list-style-type: none"> Investment planning and service delivery recognises differences in the local environments of our communities 	<ul style="list-style-type: none"> Access to a broad range of skills and resources supports innovation and investment planning that produces good environmental outcomes 	<ul style="list-style-type: none"> Investments consider the long term environmental impacts to reduce whole of life costs