



(Palmer, R., 2023)

POLITICS (/NEWS/POLITICAL) / INFRASTRUCTURE (/TAGS/INFRASTRU

Govt's Three Waters revamp: Ten entities instea two years

11:00 am on 13 April 2023

Russell Palmer (/authors/russell-palmer), Digital Political Journalist
@russellpalm (https://twitter.com/@russellpalm) ✉ russell.palmer@rnz.co.nz (mailto:russell.palmer@rnz.co.nz?subject=Govt%27s%20Three%20Waters%20revamp%3A%20Ten%20entities%20instead%20of%20four%2C%20start%20date%20delayed%20by%20two%20years)



Photo: RNZ / Cole Eastham-Farrelly

The government's Three Waters project is moving from four entities to 10 with its start date pushed out by two years.

The entities will be divided along typical regional lines, avoiding the difficulties of having one organisation spanning both the lower North Island and upper South Island.

Ironically, its move to rebrand the project as the "Affordable Water Reforms" comes with a bigger pricetag for ratepayers than under the old model.

The government says the change will mean individual councils will have a bigger say over the water service entities while retaining the separation from direct council control, which allows the entities to borrow larger sums.

However, major points of contention remain: There have been no changes to the 50-50 co-governance policy, which would see mana whenua given half the membership of the strategic oversight groups which appoint the board. The ownership structure has also not changed from the previous model.

They are also abandoning the "better-off" funding plans to provide \$1.5 billion to councils from the new entities' debt, saying this would free up the same amount for the entities "to invest in their community drinking water, wastewater and stormwater networks", rather than shoring up council coffers.

Some \$1b of the funding was to come out of the entities' debt, and the government said this could instead be used by the entities directly on improving water services.

The first \$500m phase of the Better Off package would continue under current funding arrangements, as would the \$500m No Worse Off package to ensure councils did not suffer financially as a result of the reforms.

Local Government Minister Kieran McAnulty Photo: RNZ / Samuel Rillstone

...ment, Local Government Minister Kieran McAnulty said the entities would also start delivering water services from 1 July 2026 at least, two years after the 2024 start date promised by his predecessor.

5th



He said entities would be able to proceed earlier if they were ready.

Hipkins had tasked McAnulty - who took over the portfolio from Nanaia Mahuta after Hipkins became prime minister - with taking the reform programme back to the drawing board after fierce backlash from councils and political opponents.

The reforms are aimed at helping curb the costs of upgrading water infrastructure across New Zealand, which was reviewed by the previous National government after the 2016 Havelock North campylobacter outbreak.

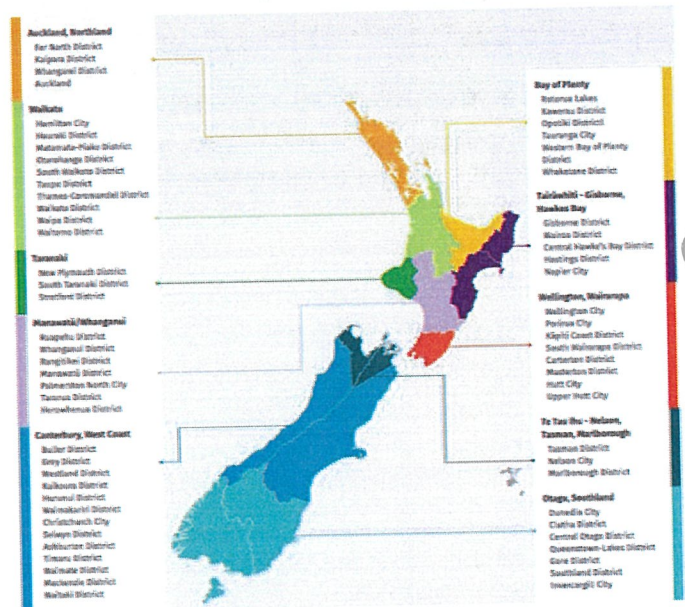
The review found annual water rates bills would need to increase by up to \$9000 by 2051 to pay the up to \$185 billion bill for the necessary upgrades and maintenance, as well as preparing for climate change. Today's announcement has an update to that figure, suggesting increases of up to \$9730 by 2054.

The government now says its 10-entity solution will cut on average up to \$5400 off that bill, but that compares to the up to \$8200 in estimated savings by 2051 claimed by Nanaia Mahuta under the four-entity model in June 2021.

This means the new model would be delivering what appears to be up to \$2800 less in savings to households, but the comparison may not be direct.

Some districts would see much greater savings than the \$5400 figure - such as Waitomo, expected to see what would be a \$21,500 water bill cut by \$18,730 under the reforms, an 87 percent cut.

Read the government's Q&A document



A map showing the regional boundaries for the water service entities under Labour's proposed rework of the legislation. Photo: New Zealand Government

(https://s3.documentcloud.org/documents/23774262/affordablewater_mediaqa.pdf) and its breakdown (https://s3.documentcloud.org/documents/23774263/affordable_water_financial_benefits.pdf) of entity boundaries and cost savings.

McAnulty talked up the benefits of moving to a 10-entity plan.

"Under our proposal to establish 10 entities, New Zealand households will still make big savings," he said.

"The feedback has been overwhelmingly clear that our water infrastructure deficit needs to be addressed now if we're to save households from ballooning bills that will make water unaffordable, but also that the reform programme must be led at a regional level - we have listened closely and absolutely agree.

"By extending the number of publicly owned water entities to 10, every district council in the country will have a say and representation over their local water services entities through regional representative groups."

He said these representative groups would include "a partnership between council representatives and iwi/Māori that will provide strategic oversight and direction to the entities", and documents confirmed the contentious 50-50 split between mana whenua and council members on representative groups would remain.

As before, the representative groups for the 10 entities will offer strategic oversight over a professional board which runs the entity, appointed based on competence and skill.

McAnulty and Prime Minister Chris Hipkins were at pains to underline that the representative groups would not be involved in governance of the entities, Hipkins even going so far as to say the policy was not co-governance at all.

"It's not co-governance, and it wasn't co-governance," he said. "There will be regional advisory groups that will include representation from mana whenua and of course representation from every local council."

Concerns about ownership rights also go unanswered, with the old model which sees councils owning the entities - which in turn own the assets like pipes and reservoirs - through a shareholding structure, apparently unchanged.

McAnulty said he had listened to the feedback from councils and had been working closely with local government leaders ahead of the decision.

"These reforms are absolutely essential. Leaving things as they are will mean an unaffordable rate bill," he said.

The government was also confident balance sheet separation - separating councils from control of the assets, to prevent council debts from constraining borrowing ability - could be maintained.

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

In terms of legislation, the two bills currently before Parliament will continue "largely unaffected by the changes". A new piece of legislation will be introduced and passed before this year's election to make the changes to the timeframe and number of entities.

Some councils still opposed

About 30 councils banded together under the Communities 4 Local Democracy (C4LD) group to oppose the government's proposals, and in a statement said they were disappointed the government had refused to make meaningful changes.

They said it had been turned into an election issue, rather than seeking consensus.

C4LD co-chairs Helen Worboys and Dan Gordon said New Zealanders would see it was the same plan with a different name.

"Simply adding more entities and changing the name is a desperate attempt to save this plan and attempt to show they've done something with the \$100 million they've sunk into this process so far," they said.

"Unfortunately, instead of listening to what communities are asking for, the government once again thinks it knows better and is serving up a reheated version of the same unpalatable, unpopular plan."