

Office of Hon Nanaia Mahuta

MP for Hauraki-Waikato

Minister of Foreign Affairs

Minister of Local Government

Associate Minister for Māori Development



11 February 2022

Sam Broughton
Mayor
Selwyn District Council
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Tēnā koe Sam

Thank you for your letter dated 26 November 2021 outlining your concerns with the Government's decision to proceed with the three waters reforms on an 'all-in' basis.

Firstly, I would like to thank Selwyn District Council for the feedback provided as part of the eight-week engagement period. The constructive comments provided by councils have highlighted a number of common areas that require further refinement, and I expect responses to these issues to be communicated by officials later this year. Many of the questions raised will also be worked through by the three working groups established recently by Cabinet – governance, representation and accountability; interface with the Resource Management Act/planning system; and rural drinking water supplies. Further issues will also be considered by the Three Waters National Transition Unit.

As you are aware, the Government has been working with local government on our three waters challenges for the past four years. This has already resulted in significant changes to the regulatory regime for three waters services in Aotearoa – notably, the creation of Taumata Arowai, which became operational as the new water services regulator on 15 November 2021. I would like to thank the sector for its support of this important work.

My preference was always for the reform to occur on a voluntary basis, which is why I have involved local government at every step along this journey. However, as early as December 2020, when Cabinet agreed to this approach, it was noted this may need to be reconsidered. Analysis of data, much of it provided by councils, showed the extent of the challenges in three waters delivery was even greater than anticipated. Ongoing modelling and research found the case for change to be compelling, with significant and sustained infrastructure investment needed over the next 30-40 years. Local Government New Zealand acknowledged in its heads of agreement with the Government that an 'all-in' approach was needed to realise the national interest benefits of the reform. Put simply, council water providers and their communities will face very significant regulatory obligations and costs without transformational reform – for every household to benefit, every council must see the nationwide benefit for reform.

I acknowledge your Council's contribution as part of the Canterbury Mayoral Forum (in consultation with Ngāi Tahu) in considering a council-controlled organisation (CCO) model for Canterbury's three waters services. Throughout the Reform Programme, officials have considered a number of potential reform options and alternative models. These include suggestions from some councils for a different approach such as regionalised models; continued use of a CCO model; using a 'regulation only' approach; and central government subsidies (similar to the approach for roading).

However, I have not been presented with any alternatives that would deliver the range of objectives and ambitions we are seeking for all New Zealanders, or do so in a way that could be applied across the country without resulting in large geographic differences in service delivery outcomes and cost. For example, Standard and Poor's has advised that use of a CCO model would not achieve the financial independence and balance sheet separation that will enable water services entities to fund the significant capital investment programme needed to address the infrastructure deficit.

The challenges facing three waters in Aotearoa are complex and have been put in the too hard basket for 20 years at both national and local levels. I have watched with interest as councils have grappled with options for water management, and I am no longer prepared to let local politics get in the way of solving these issues.

I look forward to further engagement with Selwyn District Council as we continue to work to refine the details of the water services entities.

Thank you again for writing.

Nāku noa

A handwritten signature in black ink, appearing to read 'N. Mahuta', with a stylized flourish at the end.

Hon Nanaia Mahuta
Minister of Local Government