



Government Response to Three Waters Working Group on Representation, Governance and Accountability recommendations

This document includes a summary of the 47 recommendations of the Working Group on Representation, Governance and Accountability and a summary of the Government responses.

The full Working Group report is available online here: [Report from the Working Group on Representation, Governance and Accountability](#).

The Working Group recommendation references to ‘the Bill’ relate to the [exposure draft of the Water Services Entities Bill](#) provided to the Working Group for consideration as part of its work.

For a fulsome discussion on the Working Group recommendations and Cabinet considerations, please refer to the Cabinet paper *Strengthening representation, governance and accountability of the new water service entities* which will be published on the Department’s website here: [Three Waters reform programme cabinet decisions and reform proposals](#).

Summary of recommendation in Working Group report	Government response
<p><i>Better explain water services reform</i></p> <p><i>Government acknowledges that more can be done to effectively communicate the need for change and to explain the opportunities for communities from water services reform</i></p>	
<p>Recommendation 1: That the Crown acknowledges the significant contribution that councils have made as stewards of three water infrastructure. We recommend the Crown undertake a positive communications campaign with the nation to explain the universally agreed ‘need for change’ to serve the needs of communities, expectations of how we best ensure the health of our wai, and the opportunities provided by the three waters reform.</p>	<p>The Government agrees it is important to ensure New Zealanders understand the reasons for reform and the opportunities it brings for communities. It is universally agreed that the status quo is not fit for purpose, and there is a need for significant change to achieve the outcomes communities expect of their three waters services.</p> <p>The Government is committed to ensuring that the public is well informed about the case for change and the legislative proposals, to assist the public with making submissions to the Select Committee.</p>



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<p><i>Ensure alignment with resource management reform</i></p> <p><i>Government has agreed to ensure alignment between water services reform and resource management reform</i></p>	
<p>Recommendation 2: The Crown ensures Resource Management Act reforms are consistent with and do not undermine the three waters reforms (informed by the recommendations in this report).</p>	<p>There are important intersections between the reforms to the three waters and resource management systems, as well differences in the focus of, and outcomes sought from, these two reforms.</p> <p>The Government notes there will be differences between the governance and decision-making bodies enabled by three waters reforms and those under the resource management reforms;</p> <p>The Government will direct officials in relevant agencies to continue to work together across the two reform programmes, as appropriate, to ensure the new water services entities are able to work within the reformed resource management system;</p> <p>The Government notes that consents for taking and discharging water will continue to be administered by local authorities under the Resource Management Act (which will be transferred into the Natural and Built Environments Act, if enacted).</p>
<p><i>Entrench Community Ownership</i></p> <p><i>Government will introduce legislation to entrench ownership of water services entities by councils for communities</i></p>	



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<p>Recommendation 3: The Bill prescribes the collective ownership of each water services entity by local communities through a direct shareholding interest allocated to their territorial authorities. One share for each 50,000 people, rounded up. As shareholding owners of the water services entities, each territorial authority will be required to vote on any proposal for the water services entity to be sold (privatised) or involved in a merger of water services entities, in each case that changes the owners of the water services entity. The proposal will only proceed if there is unanimous shareholder approval. This is in addition to the privatisation protections currently outlined in the Bill.</p>	<p>The Government agrees with the Working Group’s recommendations to strengthen community ownership of the new entities.</p> <p>The legislation establishing the new entities will provide that ownership of a water services entity is through shares assigned to each territorial authority in an entity’s service area, with each share assigned to the relevant council per 50,000 people in its district (rounded up, with at least one share for every territorial authority). Council shares cannot be sold or transferred for any reason and will not carry any financial interests.</p> <p>The Government agrees that this proposal provides an added layer of protection against privatisation. Council owners would need to vote unanimously in support of any proposal to divest ownership in water services or lose control of significant infrastructure for it to proceed.</p> <p>This is in addition to the further protections against privatisation already proposed by the Government, meaning the public in the service area would then need to vote with a 75% majority in support of any proposal of this nature.</p>
<p>Recommendation 4: The Bill entrenches the need for a majority of 75% of all the members of the House of Representatives to repeal or amend provisions of the Bill where the repeal or amendment of that provision is necessary to allow privatisation of a water services entity.</p>	<p>Cabinet agrees that this provision would safeguard these services against privatisation for all New Zealanders into the future.</p> <p>The Government is seeking cross-party support to entrench these provisions to protect against privatisation of water services infrastructure - this will require a 75 percent majority by Parliament at the Committee of the whole House.</p>
<p>Recommendation 5: The Bill expressly provides a prohibition on local authorities providing financial support to, or for the benefit of, water services entities – this includes by way of guarantee, indemnity or security, or the lending of money or provision of credit or capital.</p>	<p>Balance sheet separation is a priority of the three waters reforms. The legislation establishing the water services entities will include a provision prohibiting local authorities from providing financial support to, or for the benefit of, water services entities by way of guarantee, indemnity or security, or the lending of money or provision of credit or capital.</p>



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<p>Recommendation 6: The Crown should further explore and clarify the thresholds regarding what constitutes a major transaction to be raised to the regional representative group for consideration.</p>	<p>The Government has given this consideration and, based on provisions in the Exposure Draft Bill, the most common definitions of a major transaction already require Regional Representative Group consideration, particularly in relation to merger or privatisation proposals. No additional changes are proposed to the Bill.</p>
<p><i>Effective Community Oversight</i> <i>Government agrees on the need for strong regional representative groups and the legislation will reflect this</i></p>	
<p>Recommendation 7: The Bill requires regional representative group co-chairs, one council and one iwi/hapū representative.</p>	<p>The Government agrees that regional representative groups should have co-chairs to cement co-governance principles.</p> <p>The Government agrees to amend the Bill to enable each regional representative group to appoint co-chairs, comprising one council and one mana whenua chair;</p> <p>The Government agrees that details relating to co-chairs of a regional representative group, such as appointment processes, procedures in meetings, and decision-making powers, will be set out in the constitution of each entity.</p>
<p>Recommendation 8: The Bill requires consensus decision making for all decisions on regional representative group. Where consensus cannot be reached within an appropriate timeframe, 75% majority vote will be sought as agreed by co-chairs. This process should be prescribed in the Bill.</p>	<p>The Government agrees that decision making can be strengthened by requiring consensus decision making of the regional representative group. This will be included in legislation and, where consensus decisions can't be reached, co-chairs will be able to move a majority vote of 75%.</p> <p>Procedural details to give effect to this recommendation would be set out in entity constitutions.</p>
<p>Recommendation 9: The regional representative group requires appropriate secretariat and resource provisions to enable it to perform its role, and to allow for meaningful council and iwi/hapū participation in the regional representative group. This should be funded by the water services entity.</p>	<p>The Government agrees that a water services entity should be required to fund the support and resourcing required to enable its regional representative group to properly exercise its functions. This will be provided for in legislation.</p>



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<p><i>Strong Accountability to Communities</i></p> <p><i>Government agrees on the need for strong accountability of water services entities to their communities and will legislate to ensure this</i></p>	
<p>Recommendation 10: The role of the regional representative group is to collate inputs to the statement of strategic and performance expectations, including alignment with the Government Policy Statement, direction from regulators, local community priorities within the region as outlined in council strategic documents, Te Mana o te Wai statements, and alignment with RMA. This is to ensure that the water services entities receive clear strategic direction. It is recommended that the Bill is amended to reflect this approach and ensure the regional representative group receives all necessary information to undertake its role, this includes receiving copies of the water services entities’ Asset Management Plan and Te Mana o te Wai statements to support the development of the strategic and performance expectations, and the ability to seek further information as necessary for it to undertake its role.</p>	<p>The Government agrees that it is important a regional representative group collates information and inputs from a range of sources when developing a statement of strategic and performance expectations.</p> <p>The legislation will be updated to include provisions to ensure the entity provides the information required by its regional representative group. Entity constitutions will contain provisions that enable a regional representative group to consider information and other inputs when developing a statement of strategic and performance expectations.</p>
<p>Recommendation 11: The Bill is amended to ensure the strategic and performance expectations, which covers a period of 3 years, be issued annually to the water services entity.</p>	<p>The Government agrees that the statement of strategic and performance expectations should cover a three-year period, with provision for annual review by the regional representative group.</p>



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<p>Recommendation 12: The role of the regional representative group be extended in legislation to include the approval of the strategic direction outlined by the water services entity in the Statement of Intent (on the assumption that the Statement of Intent is limited to strategic direction only).</p>	<p>The Government agrees the regional representative group should have power to approve the strategic direction of the entity, provided that balance sheet separation is maintained and this does not compromise board independence and accountability.</p> <p>The Government intends to formally test the achievement of balance sheet separation with Standard & Poor’s before the Bill is introduced.</p> <p>The Prime Minister, Minister of Finance, and Minister of Local Government have been authorised by Cabinet to consider the findings of Standard & Poor’s and confirm the final design of the entity governance and accountability arrangements for inclusion in the Water Services Entities Bill.</p>
<p>Recommendation 13: The role of the regional representative group be extended in legislation to allow comment on the operational direction of the water services entity through the Asset Management Plan and key documents</p>	<p>The Government agrees the role of the regional representative group should be extended to allow comment, but not decisions, on operational matters. The establishing legislation will include provision that enable a regional representative group to comment on the entities statement of intent, asset management plan, funding and pricing plan, and infrastructure strategy, along with a requirement for the board to state how it has responded to those comments.</p>
<p>Recommendation 14: The Bill clarifies the scope of the statement of strategic and performance expectations and excludes directing the water services entity at a project, investment or management level.</p>	<p>The Government considers it is important to safeguard the independence of a water services entity in delivering its responsibilities at a project, investment, and management level. This is already addressed in the Exposure Draft Bill.</p> <p>The regional representative group will represent the views of councils and mana whenua in the service area of the entity, and will approve the strategic direction of the entity, but will not be involved in making operational decisions about what an entity does or how it functions. The Board will be primarily accountable for developing the strategy for approval by the regional representative group, and for implementing it once it has been approved.</p> <p>The Bill’s provisions will enable the regional representative group to set the strategic priorities, objectives and outcomes for a water services entity, but it is important that this group cannot direct the entity at a project, investment or operational/management level.</p>



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<p>Recommendation 15: The Bill should specify that the regional representative group will monitor performance of the water services entity on delivering strategic outcomes of the statement of strategic and performance expectations and Statement of Intent through six monthly reporting from the water services entity. Individual constitutions could require additional performance reporting requirements (e.g. quarterly reporting).</p>	<p>The Government agrees it is important the regional representative group is enabled to monitor the performance of the entity and receive reporting at a frequency it deems appropriate.</p> <p>The legislation will include a provision for a water services entity and its board to report on an annual basis to the regional representative group with the ability for the constitution to specify more frequent reporting and monitoring arrangements.</p>
<p>Recommendation 16: The Bill is amended to allow regional representative groups to provide additional competency requirements for appointees to the water services entity board.</p>	<p>The Government agrees that additional competencies may be considered important for an entity or its regional representative group. The legislation will ensure a water services entity’s constitution can specify additional collective competency requirements for the board.</p>
<p>Recommendation 17: The Bill is amended so that conflict of interest requirements for regional representative group and water services entity board appointments need to be stated.</p>	<p>The Government agrees that legislation should require disclosure of any conflict of interest in relation to the appointment of a board member.</p> <p>The legislation will also specify that a member of a regional representative group or person who is serving as an elected member of a council may not be appointed to the water service entity board.</p>
<p>Recommendation 18: The Bill is amended to provide for bi-annual Board performance reviews. Independent reviewers or additional reviews can be included in individual constitutions.</p>	<p>The Government agrees it is important to provide for reviews of the board at a frequency deemed appropriate by the regional representative group. The constitution of a water services entity will be able to contain provisions relating to the performance reviews for the board, including the frequency of those reviews.</p>
<p>Recommendation 19: The Bill requires a minimum of 12 and maximum of 14 representatives on the regional representative group. The composition and appointment of council and iwi/hapū representatives will be left to individual water services entities and outlined in their constitution, noting that the Working Group also recommends that the Crown consult the Working Group as they draft the default constitutions.</p>	<p>The Government agrees with this recommendation. The Bill will require a minimum of 12 and a maximum of 14 representatives on a regional representative group.</p>



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<p>Recommendation 20: The Bill requires that Council representatives should have a mix of representatives from urban, provincial, and rural councils.</p>	<p>The Government considers it is important to provide for the regional representative group to have a mix of representation.</p> <p>The constitution of each entity will enable a regional representative group to set the composition of the group, including representation from a mix of urban, provincial, and rural councils.</p> <p>The Minister of Local Government will make the first constitution for each entity in regulations, following engagement with council owners and mana whenua in the service area of each water services entity.</p>
<p>Recommendation 21: The Bill requires that iwi representatives should have a mix of representatives that are appointed on a tikanga basis reflecting their whakapapa affiliations through waka groupings. Entity D will appoint on a tikanga basis reflecting their hapū groupings.</p>	<p>Cabinet has agreed to include a definition of mana whenua for the purposes of the water services entities as an iwi or hapū holding and exercising customary rights, interests and authority in accordance with tikanga in an identified area.</p> <p>This definition of mana whenua will allow mana whenua representation on the regional representative groups to be set out in the constitution of each entity.</p> <p>Mana whenua representation for Entities A, B and C will be through iwi and hapū appointments on a tikanga basis reflecting whakapapa affiliations through waka groupings. Mana whenua representation for Entity D will be through appointments on a tikanga basis reflecting hapū groupings.</p> <p>The legislation will also clarify that mana whenua may make Te Mana o te Wai statements on an individual iwi or hapū or multi-iwi/hapū basis, and the statements may relate to a single catchment or a multi-catchment area.</p>
<p>Recommendation 22: The Bill provides for bespoke arrangements for the Entity A regional representative group, specifically 14 members with 50:50 Council and iwi/hapū composition. There should be 4 Auckland Council representatives, 4 Tāmaki Makaurau iwi/hapū representatives, 1 representative each from the Northland Councils and 3 iwi/hapū representatives from Te Tai Tokerau.</p>	<p>The Minister of Local Government has agreed that the first constitution for Entity A will provide for the Working Group’s proposed representative arrangements.</p>



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<p>Recommendation 23: The Crown provides financial support to councils so they can be appropriately resourced to allow them to fulfil their regional representative group roles.</p>	<p>The Government agrees it is important the regional representative groups are appropriately resourced to deliver their roles and functions.</p> <p>The Bill will make provision for each water services entity to fund the support and other resourcing arrangements to enable its regional representative group to properly exercise its functions and powers, including any remuneration arrangements for council or mana whenua representatives.</p>
<p>Recommendation 24: The Bill requires a competency requirement for representatives to the regional representative group but detailed criteria will be left to individual water services entity constitutions.</p>	<p>The Bill will be amended so that the constitution of each water services entity may provide for competency requirements for appointments to the regional representative group.</p>
<p>Recommendation 25: The Bill includes provision for regional advisory groups (sub- regional representative groups) to the regional representative group to exist within legislation. Other than 50/50 co-governance between council and iwi/hapū, composition and number of advisory groups (sub- regional representative groups) will be left to individual water services entity constitutions.</p>	<p>The Bill will be amended to enable the constitution of a water services entity to provide for sub-regional advisory groups or committees of a regional representative group.</p> <p>These would be based on regional or geographic areas in the service area of the water services entity, with equal representation from mana whenua and councils in the geographic area.</p>
<p>Recommendation 26: The Bill is amended to require a single constitution that governs the regional representative group and water services entity for each region and modifications to the constitution will require the co-governance consensus agreement of the regional representative group.</p>	<p>The Government agrees that the Bill provide for a single constitution that applies to the board and the regional representative group. Modifications to the constitutions will require the consensus agreement of the regional representative group.</p>
<p>Recommendation 27: The Crown consults the Working Group as they draft the default constitutions.</p>	<p>The Minister of Local Government will make the first constitution for each entity following engagement with the council owners and mana whenua in the service area of each water services entity.</p> <p>The Minister will consider the process for this engagement and that this could include, for example, reconstituting the Working Group, or new groups for each entity.</p>



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<p><i>Community and local voice</i></p> <p><i>Government will legislate to provide for communities to have effective input into the strategies and investment priorities of water services entities. This will be through a strengthened regional representative group and requirements on water services entities to consult with communities and consumers on asset management, and funding and pricing plans.</i></p>	
<p>Recommendation 28: The Bill requires the regional representative group to have input into the investment prioritisation methodology and framework through consultation between the water services entity and the regional representative group.</p>	<p>The Government agrees this is an important part of the roles, responsibilities and accountabilities of the regional representative group.</p> <p>The regional representative group will be enabled by legislation to have input into the investment prioritisation methodology and framework at the appropriate levels. These include the statement of strategic and performance expectations, statement of intent, asset management plan, funding and pricing plan, and infrastructure strategy. The board will be required to state how it has responded to any comments on these documents from the regional representative group.</p>
<p>Recommendation 29: The Bill includes provision for the water services entity to engage with councils on the development of the water services entities' Asset Management Plan (AMP) as it applies to their district and to respond to Council's comments.</p>	<p>The Government agrees that the Bill require the board of a water services entity to engage with councils in the service area in relation to the development of asset management plan and related documents. This will further strengthen existing provisions in the Exposure Draft Bill relating to engagement with communities.</p>
<p>Recommendation 30: The Bill includes the establishment of a national Water Services Ombudsman with jurisdiction over all the public facing activities of each water services entity, incorporating a tikanga based dispute resolution process.</p>	<p>The Government considers there is a need to ensure the reforms include a comprehensive, consistent, and well-integrated consumer protection framework for the three waters system, which makes provision for public complaints and dispute resolution mechanisms and incorporates a tikanga-based dispute resolution process.</p> <p>Cabinet will look at how best to give effect to this recommendation later this year as part of its consideration of broader proposals for the economic regulation and consumer protection framework for the new three waters system. These proposals are being developed by the Minister of Commerce and Consumer Affairs.</p>



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<p><i>Te Tiriti within the Three Waters system</i></p> <p><i>The Government accepts the recommendations to strengthen legislative provisions to give effect to Te Tiriti in the three waters system, and to confirm that nothing in legislation will create, transfer or extinguish Māori interests in water</i></p>	
<p>Recommendation 31: The Bill requires the Crown and Minister to give effect to Te Tiriti and its principles when exercising powers and functions under the legislation (including in issuing the Government Policy Statement and exercising monitoring, review and intervention powers in relation to water services entities).</p>	<p>The Government agrees that the legislation should require all persons who exercise functions, duties and powers under the Act to give effect to the principles of Te Tiriti o Waitangi, including the Minister when developing the Government Policy Statement.</p>
<p>Recommendation 32: When developing the Government Policy Statement, and consistent with the principles of Te Tiriti, the Crown engages with its Te Tiriti partner (separate from any public consultation).</p>	<p>See response to Recommendation 31.</p>



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<p>Recommendation 33: The Bill includes a provision confirming that nothing in legislation creates or transfers a proprietary interest in water or limits, extinguishes, or otherwise adversely affects or constrains iwi or hapū authority over, or rights and interests in, water.</p>	<p>The Government notes that the Bill proposes reform of the service delivery arrangements for water services to communities and that the broader questions of freshwater allocation and consents for taking water and discharges to it, and the associated questions of Māori rights and interests in freshwater, are matters to be considered within the resource management system and the proposed Natural and Built Environments Act;</p> <p>The Government notes that that nothing in the Three Waters legislation creates or transfers ownership rights or interests in water, and is not an acknowledgement by the Crown that ownership rights or interests in water exist;</p> <p>The Government has agreed to amend the Bill to include a clause that preserves the status quo iwi and hapū customary rights and interests in water, with the nature of that clause to be agreed by Ministers during the drafting process.</p> <p>Cabinet has authorised the Minister of Local Government, Attorney General, Minister for the Environment, Associate Minister for the Environment, and Minister for Māori – Crown Relations to approve the clause, and to report back to the Cabinet Legislation Committee prior to introduction of the Bill to the House.”</p> <p>The Government has agreed to amend the Bill to include a clause that preserves the status quo for ownership in, and iwi and hapū customary rights relating to, water.</p> <p>Cabinet has authorised the Minister of Local Government, Attorney General, Minister for the Environment, and Minister for Māori – Crown Relations to approve the clause, and to report back to the Cabinet Legislation Committee prior to introduction of the Bill to the House.</p>
<p>Recommendation 34: The Bill includes appropriate provisions to ensure that Treaty settlement mechanisms which interrelate with or affect the current legal regime governing the Three Waters reforms (including but not limited to provisions of the LGA and RMA) are carried across and have application to the equivalent or analogous aspects of the new water services regime.</p>	<p>The Government agrees it is important that Treaty settlement obligations prevail and any arrangements relating to water services that councils have entered into with mana whenua are to be carried forward to the new water services entities. This will be given effect to across the suite of legislation establishing the new entities.</p>



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<p>Recommendation 35: The Crown provides equitable resourcing to enable the full and effective participation of iwi and hapū in the Three Waters regime.</p>	<p>The Government is currently giving consideration to support for iwi and hapū to participate in the water services entity establishment and transition process and will make further announcements on this shortly.</p> <p>See also the response to Recommendation 9.</p>
<p><i>Te mana o te wai and three water services</i></p> <p><i>Government agrees that Te Mana o te Wai is consistent with improved public health and environmental outcomes for three waters services and should guide its delivery</i></p>	
<p>Recommendation 36: The Bill includes Te Mana o te Wai as an overarching objective guiding decision making, planning, governance, accountability, and service delivery</p>	<p>The Government agrees that the legislation should require every person that exercises a function, power, or duty under the Act has to give effect to Te Mana o te Wai to the extent that Te Mana o te Wai applies to the function, power or duty.</p>
<p>Recommendation 37: The definition and application of Te Mana o te Wai in the draft Bill be amended to ensure that Te Mana o te Wai encompasses the interconnection with, and the health and wellbeing of, all water bodies that are affected by the Three Water system (including marine and estuarine waters, lagoons, and puna that are either the source, conduit or receiving environment for Three Waters activities).</p>	<p>The Government agrees in principle that, for the purposes of three waters service delivery reform, Te Mana o te Wai encompasses the interconnection with, and the health and wellbeing of, all water bodies that are affected by the three waters system.</p> <p>However, before this can be incorporated into legislation, further work is required to ensure alignment with other Government frameworks and legislation that relates to Te Mana o te Wai.</p> <p>The Government will undertake this further work and consider changes in legislation to implement this recommendation as part of the second bill that will implement the three waters service delivery reforms.</p>



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<p>Recommendation 38: Te Mana o te Wai is reflected at all levels of the water services entity framework, including but not limited to:</p> <ul style="list-style-type: none"> • Te Mana o Te Wai being given effect to by the Minister in developing the Government Policy Statement; • Te Mana o Te Wai being given effect to by the regional representative group in the development of the strategic and performance expectations and Statement of Intent; • Te Mana o Te Wai being given effect to in asset management plans; and • Te Mana o Te Wai being given effect to in infrastructure strategies. 	<p>The Government agrees the legislation should require transparent accountability relating to Te Mana o te Wai statements through the strategic planning and reporting documents that relate to a water services entity, based on similar requirements that are already proposed for the annual report.</p>
<p>Recommendation 39: The Crown furthers work to design inclusive communications and processes to support the embedding of Te Mana o te Wai in the community.</p>	<p>The Government agrees to undertake communications to increase public understanding about Te Mana o te Wai and its significance to the three waters system.</p>
<p><i>Central Government ongoing support for three water services</i></p> <p><i>Government agrees that it will consult with regional representative groups and councils in its development of Government Policy Statements for three waters. It also confirms the provision of a Crown liquidity facility to support water services entities creditworthiness and balance sheet separation from councils</i></p>	
<p>Recommendation 40: Due to the number of bodies that provide strategic direction to the water services entities the Bill should include strengthened provisions around the content of the Government Policy Statement, and consultation requirements, to mitigate the risk of disconnected priorities.</p>	<p>The Government acknowledges that a Government Policy Statement is likely to consider and provide expectations relating to the national interest in the overall direction and priorities for water services – which may include a different perspective from the local priorities of the entities.</p> <p>The consultation process for preparing the Government Policy Statement will help to identify any situations in which these different perspectives may be problematic.</p>



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<p>Recommendation 41: When the Crown develops or reviews the Government Policy Statement it should consult with the regional representative groups of the water services entities, and follow the standard Government Policy Statement consultation process which includes community consultation.</p>	<p>The Government agrees that in setting a Government Policy Statement, the Minister should undertake a consultation process which includes the regional representative groups and other persons, and groups, who have an interest in water services in New Zealand.</p>
<p>Recommendation 42: The Bill includes provision for a non-voting Crown liaison to the regional representative group.</p>	<p>Legislation will not prevent a Crown representative from participating (on a non-voting basis) on a regional representative group by invitation.</p> <p>In addition, the legislation will allow the Crown to appoint a Crown Observer where a problem relating to a water services entity exists.</p>
<p>Recommendation 43: The Crown confirms that it will provide sufficient financial support to the water services entities to ensure ‘balance sheet separation’ from councils, that the water services entities have sufficient borrowing capacity to invest in the required infrastructure and can borrow funds at a cost similar to councils.</p>	<p>The Government agrees that balance sheet separation and sufficient borrowing capacity are critical elements of the reform. The Government agreed in June 2021 that a Crown liquidity facility will be available to water services entities on similar terms to that provided to the Local Government Funding Agency, as would the existing Civil Defence and Emergency Management provisions that are afforded to local authorities. This will help to achieve balance sheet separation for the water services entities from territorial authorities, and will also strengthen the creditworthiness of the entities.</p>
<p>Recommendation 44: The Crown confirm to iwi and councils the size of investment required to address issues of historic degradation of waterways and inequalities in the provision of water services for their consideration, along with a plan as to how addressing these issues will be funded.</p>	<p>The Government notes that a fundamental part of the rationale for the reforms, and the creation of the new water services entities, is to equip those entities to address all future investment requirements, including remediating historic underinvestment, and providing for more equitable service delivery arrangements.</p> <p>The governance arrangements for the new entities, including the role of the regional representative group, Te Mana o te Wai statements, and the statement of performance expectations, will provide the means for mana whenua, councils, and communities to convey their expectations and priorities for investments necessary to address inequities in provision of services and adverse environmental impacts over time.</p>



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<p>Recommendation 45: The establishment of the water services entities is not the end of the Crown’s involvement in addressing water services issues, and the Crown should have an ongoing role to support and invest in water services.</p>	<p>The Government notes that the Crown will have ongoing oversight, stewardship and regulatory roles in relation to the new three waters system, which will occur in a number of ways, including through Taumata Arowai and an economic regulator, whole of system stewardship by central government, and a Government policy statement.</p> <p>The Government will continue to review any need for Crown support for water services infrastructure as part of the stewardship work, including monitoring the effectiveness of implementation and achievement of intended outcomes of the reforms.</p>
<p>Recommendation 46: A review of the three waters structure is undertaken 5 years after the water services entities are operationalised.</p>	<p>The Government agrees that ongoing review of the new three waters system is important and notes that this would support and inform central government’s ongoing system oversight, stewardship and monitoring work.</p> <p>The legislation will provide for a two-stage review process for the three waters reform, with:</p> <ul style="list-style-type: none"> • an interim review of water services entities’ governance framework within five years of the date that entities are fully established (on 1 July 2024); and • a comprehensive review of the three waters system, within 10 years of the date that entities are fully established.
<p>Recommendation 47: The Crown formally tests the recommendations outlined in this report with S&P to ensure balance sheet separation.</p>	<p>The Government will formally test the arrangements in the Bill (incorporating those changes made in relation to the Working Group recommendations as outlined above) with Standard & Poor’s before the legislation is introduced into Parliament. This will test the balance sheet separation between water services entities and councils.</p>