



Cabinet

Minute of Decision

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Review of Three Waters Infrastructure: Key Findings and Next Steps

Portfolio Local Government

On 9 April 2018, following reference from the Cabinet Economic Development Committee, Cabinet:

- 1 **noted** that on 21 June 2017, the previous government agreed to commence a review of three waters services (the Three Waters Review) to assess whether current practices are fit for purpose [EGI-17-MIN-0138];
- 2 **noted** that research in the Three Waters Review identified seven key findings, which indicate there is significant potential to strengthen the three waters infrastructure system:
 - 2.1 there are risks to human health and the environment in some parts of the country;
 - 2.2 there is evidence of low levels of compliance, monitoring and enforcement against a range of standards, rules and requirements;
 - 2.3 there is evidence of capability and capacity challenges, particularly for smaller councils;
 - 2.4 there is evidence of affordability issues in some places, driven by a range of factors and funding pressures;
 - 2.5 there is inadequate system oversight and connections between key parts of the system;
 - 2.6 variable asset management practices, and a lack of good asset information, are affecting the efficiency and effectiveness of three waters infrastructure and services;
 - 2.7 existing reporting obligations do not provide consumers and other interested stakeholders with meaningful information on the delivery and performance of three waters services in a way that appropriately promotes transparency, accountability and performance improvement over time;
- 3 **noted** that these findings are consistent with many of the Stage Two findings of the *Government Inquiry into Havelock North Drinking Water* (the Inquiry), which reported in December 2017, but apply more broadly across three waters infrastructure and services;

- 4 **noted** that the local government sector is facing funding pressures and an increasingly challenging operating environment relating to three waters infrastructure, associated with:
- 4.1 increasing demand for three waters services in high-growth areas, often with capacity constraints;
 - 4.2 declining rating bases, or small tourism centres with high seasonal demand;
 - 4.3 renewing ageing infrastructure;
 - 4.4 community expectations and regulatory requirements relating to water quality, treatment and management, and national directions on fresh and coastal water quality;
 - 4.5 responding to climate change adaptation and infrastructure resilience issues;
 - 4.6 the operation and restoration of three waters infrastructure following emergencies;
- 5 **agreed** to proceed with cross-agency work, coordinated by the Department of Internal Affairs, to address the issues identified in the Three Waters Review, comprising four workstreams (as described in detail in Appendix One of the paper under CAB-18-SUB-0145):
- 5.1 effective oversight, regulatory settings, and institutional arrangements (led by the Ministry of Business, Innovation and Employment (MBIE), in consultation with the Department of Internal Affairs (DIA), Ministry of Health (MoH), Ministry for the Environment (MfE), Ministry for Primary Industries, and the State Services Commission);
 - 5.2 funding and financing mechanisms, including analysis of a range of options for funding the three waters infrastructure system (led by DIA, in consultation with MBIE, MoH, and MfE);
 - 5.3 capacity and capability of decision-makers and suppliers (led by DIA, in consultation with MBIE, MoH, and MfE);
 - 5.4 information for transparency, accountability and decision making (led by MBIE, in consultation with DIA, MoH, and MfE);
- 6 **agreed** that the work described in paragraph 5 above will consider the following Inquiry recommendations, but with a broader lens of three waters provision:
- 6.1 an assessment of whether to mandate, or persuade, suppliers to establish aggregated dedicated water suppliers (recommendations 32 and 33);
 - 6.2 establishing a licensing system for networked drinking suppliers, and a mandatory qualification system for suppliers and their staff (recommendations 22, 23 and 24);
 - 6.3 establishing a drinking water regulator (recommendations 9 to 12), including considering whether a broader sectoral approach to regulatory institutional settings is more appropriate than a single focus/purpose regulator given the interconnected nature of three waters services;
- 7 **noted** that the Minister of Local Government will report back to the Cabinet Economic Development Committee in October 2018 on the results of this work, with policy and funding proposals to inform Budgets 2019 and 2020;

- 8 **agreed** that Ministerial oversight of this work be provided by a group of Ministers with portfolio interests in water infrastructure, namely Finance, Environment, Housing and Urban Development, Infrastructure, Local Government, Transport, Health, Climate Change, Civil Defence, Conservation, and Commerce and Consumer Affairs;
- 9 **noted** that the paper under CAB-18-SUB-0145 will be proactively released, with any appropriate redactions.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Local Government