

Departmental Disclosure Statement

Water Services Entities Bill

The departmental disclosure statement for a government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill;
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by the Department of Internal Affairs.

The Department of Internal Affairs certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

10 May 2022

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Part One: General Policy Statement

This Bill is a stand-alone Bill that establishes four, publicly-owned water services entities that will provide safe, reliable, and efficient water services in place of local authorities. The Bill contains the ownership, governance, and accountability arrangements relating to those entities, and provides for transitional arrangements during an establishment period. The entities will commence delivery of services on 1 July 2024.

Introduction

New Zealand faces a significant infrastructure challenge in relation to the drinking water, wastewater and stormwater services that are currently delivered by territorial authorities. Water services are an essential building block for our communities. Public health and wellbeing, better environmental outcomes, economic growth and job creation, housing and urban development, climate change, resilience to natural hazards, and the rights and interests of iwi and Māori all depend on better outcomes for those services.

The investment needed over the next 30 to 40 years to maintain and upgrade New Zealand's water infrastructure to a standard required to address the infrastructure challenge is unaffordable for most communities under the current arrangements.

By providing for the establishment of four water services delivery entities, this Bill paves the way for improved, effective and efficient management of water services delivery and infrastructure so that New Zealanders will have access to safe, reliable and affordable drinking water, wastewater and stormwater services that meet their environmental and cultural expectations.

Relationship to other proposed legislation

This Bill is just one component of a comprehensive package to reform water services that are currently provided by local authorities. The Bill will need to be followed by further legislation to provide for:

- additional, detailed implementation arrangements for the entities and service delivery, including provisions relating to the transfer of assets, liabilities, and other matters from local authorities to new water services entities;
- specific powers, functions, offences and responsibilities of the new water services entities, and pricing and charging arrangements;
- economic regulation and consumer protection regimes relating to the new water services system;
- any changes to Treaty settlement legislation that are required to ensure that settlement obligations are carried forward from territorial authorities to the new water services entities;
- detailed changes to the Local Government Act 2002, the Water Services Act 2021, and other legislation to transfer delivery arrangements to the new water services entities.

Legal form and ownership by territorial authorities

Water services entities are a new public service delivery model. Each entity will be a body corporate, and will be co-owned by the territorial authorities in its service area in

shares, to provide a tangible expression of ownership that is recognisable by communities and territorial authorities.

The Bill defines the service areas for each entity through reference to territorial authority districts, or parts of districts. The service area of the Southern Water Services Entity is the takiwā of Ngāi Tahu, as described in section 5 of Te Runanga o Ngai Tahu Act 1996.

Function, objectives, and operating principles

The function of a water services entity will be to provide safe, reliable, and efficient drinking water, wastewater and stormwater services in its area. The objectives of an entity will be to:

- deliver water services and related infrastructure in an efficient and financially sustainable manner;
- protect and promote public health and the environment;
- support and enable housing and urban development;
- operate in accordance with best commercial and business practices;
- act in the best interests of present and future consumers and communities;
- deliver water services in a sustainable and resilient manner that seeks to mitigate the effects of climate change and natural hazards.

The operating principles of a water services entity will be:

- developing and sharing capability and technical expertise with other water services entities and across the water services sector;
- being innovative in the design and delivery of water services and infrastructure;
- being open and transparent including in relation to calculation and setting of prices, determining levels of service delivery to consumers and communities, and reporting on performance;
- partnering and engaging early and meaningfully with Māori, including to inform how the water services entity can give effect to Te Mana o te Wai, and understand, support and enable the exercise of mātauranga, tikanga, and kaitiakitanga;
- giving effect to Treaty settlement obligations, to the extent the obligations apply to the duties and functions of an entity;
- partnering and engaging early and meaningfully with territorial authorities and their communities;
- co-operating with, and supporting, other water services entities, infrastructure providers, local authorities, and the transport sector.

Governance arrangements

Water services entities will have a two-tier governance arrangement comprising:

- a regional representative group, which provides joint oversight of the entity by an equal number of representatives of the territorial authority owners and mana whenua from within the entity's service area; and
- corporate governance by an independent, competency-based, professional board.

Appointments to, and removals from, the Board will be made by a board appointment committee that is part of the regional representative group. The board appointment committee is also responsible for preparing and maintaining an appointment and remuneration policy for the board. Board members are accountable to the regional representative group when performing their duties as members.

A water services entity may also have regional advisory panels if it chooses, based on a geographic area in the entity's service area. The role of a regional advisory panel is to provide advice to the regional representative group about how to perform or exercise its duties, functions, and powers.

Constitution

Each water services entity's constitution will set out:

- the composition and internal procedures of its regional representative group, including how it will perform or exercise its functions, duties, and powers;
- the composition and internal procedures of any regional advisory panel, and how it will perform its advisory role to a regional representative group;
- the composition and internal procedures of its board, including how it will perform or exercise its functions, duties, and powers;
- funding and remuneration arrangements for an entity's regional representative group and any regional advisory panels; and
- procedures for dispute resolution, and reviewing, amending or replacing the constitution.

A constitution may contain provisions that are not inconsistent with the Act or any other legislation. The constitution of a water services entity has no effect to the extent that it contravenes, or is inconsistent with, the Act or any other legislation.

The first constitution for each water services entity will be set out in regulations after the Minister responsible for the administration of the Act (the **Minister**) engages with the entity's territorial authority owners and mana whenua in its service area.

Conflict of interest

The Bill contains provisions on conflicts of interest. The provisions apply to members of the board, regional representatives, and regional advisory panel members. The provisions include:

- a requirement to keep an interest register;
- the obligation of board members, regional representatives, and regional advisory panel members to disclose relevant interests;
- the consequences of being interested, such as the exclusion of a board member, regional representative, or regional advisory panel member who is interested from participating in decision making relating to the interest.

Statement of strategic and performance expectations

The regional representative group must issue a statement of strategic and performance expectations covering a three-year period. The purpose of a statement of strategic and performance expectations is to:

- state the regional representative group's objectives and priorities for the entity;
- inform and guide the decisions of the board.

The regional representative group must annually review its statement of strategic and performance expectations, and following a review, issue a new statement if it chooses. The board of a water services entity must give effect to the statement of strategic and performance expectations.

Reporting and accountability

The Bill requires the board to prepare and adopt:

- a statement of intent:

- in which the strategic elements must be approved by the entity's regional representative group; and
- setting out the forecast service performance and budget of the entity;
- an annual report setting out the entity's actual performance and audited financial statements;
- an asset management plan and funding and pricing plan, which will cover a 10-year period;
- an infrastructure strategy, covering a 30-year period.

Te Tiriti o Waitangi/the Treaty of Waitangi and Te Mana o te Wai

All persons performing or exercising duties, functions, or powers under the legislation:

- must give effect to the principles of te Tiriti o Waitangi/the Treaty of Waitangi; and
- must give effect to Te Mana o te Wai, to the extent that Te Mana o te Wai applies to the duties, functions or powers.

A water services entity is therefore required to give effect to Te Mana o te Wai to the extent that it applies to the duties and functions of the entity. This is consistent with the approach across all legislation relating to water services, including in the Taumata Arowai-Water Services Regulator Act 2020, and on those who perform or exercise functions, powers, and duties under the Water Services Act 2021.

Mana whenua whose rohe or takiwā includes a freshwater body in the service area of an entity can make a Te Mana o te Wai statement for water services. The board must respond to this statement within two years, and the response must include a plan for how the entity intends to fulfil its objective to give effect to Te Mana o te Wai.

Relationship to Treaty settlements

To ensure that Treaty settlements are enduring, the Bill provides that:

- where there is inconsistency between the legislation and a Treaty settlement obligation, the Treaty settlement obligation prevails;
- an operating principle of entities is to give effect to Treaty settlement obligations, to the extent that the obligations apply to the duties and functions of an entity.

Consumer and community engagement

A water services entity must:

- establish one or more consumer forums to help gather consumer views and understand consumer needs, expectations and service requirements;
- prepare an annual consumer stocktake;
- engage with its consumers and communities on its asset management plan, funding and pricing plan, and infrastructure strategy.

In performing those functions, a water services entity must be guided and informed by the following consumer engagement principles:

- communication to consumers should be clear and appropriate, and recognise the different communication needs of consumers;
- the entity should be openly available for consumer feedback and seek a diversity of consumer voices;
- the entity should clearly identify and explain the role of consumers in the engagement process;

- the entity should consider the changing needs of consumers over time, and ensure engagement will be effective in the future;
- the entity should prioritise the importance of consumer issues to ensure that the entity is engaging with issues that are important to consumers.

Safeguards against privatisation

The Bill sets out strong safeguards against privatisation or loss of control of the water services entities and significant infrastructure. In particular, the Bill provides for:

- collective territorial authority ownership of the entities, to ensure appropriate oversight and influence on behalf of the communities;
- joint oversight of entities by mana whenua;
- clear legislative protections against loss of ownership or control based on provisions in the Local Government Act 2002, which are that an entity must not use water services assets as security for any purpose, divest its ownership in a water service, or sell or lose control of significant infrastructure.

For a divestment proposal to proceed, the Bill provides that it must receive:

- unanimous support from its territorial authority owners; and
- support from at least 75 per cent of an entity's regional representative group; and
- support from at least 75 per cent of the electors in its service area in a poll.

Independence of water services entities

The Bill provides that the Minister, a territorial authority owner, a regional representative, or a regional representative group cannot direct a water services entity, or a board member or employee of a water services entity:

- in relation to the performance or exercise of a duty, function, or power under this Act; or
- to require a particular act or result.

The Bill provides for the financial independence of water services entities. A territorial authority owner, or regional representative group, or regional representative:

- has no right, title, or interest in the assets, security, debts, or liabilities of a water services entity;
- must not receive any equity return from a water services entity;
- must not give a water services entity any financial support or capital;
- must not lend money or provide credit to a water services entity;
- must not give any guarantee, indemnity, or security in relation to a water services entity.

Government policy statement

The Bill enables the Minister to make a Government policy statement setting out the Government's overall direction and priorities for water services, to inform and guide agencies involved in, and the activities necessary and desirable for, water services. A water services entity must give effect to the statement when performing its functions.

Crown monitoring and intervention

The Bill enables the Minister to appoint a department as a Crown monitor. The role of the monitor is to:

- act as a steward to provide oversight to the water services system from a whole-of-government perspective;
- tender advice to Ministers, and assist the Minister to carry out the Minister's role under the legislation.

The Bill contains a Crown intervention framework, providing the Minister with powers of intervention based on a graduated risk regime, including:

- circumstances where there is a significant or persistent failure by a water services entity to perform one or more of its functions or give effect to a Government policy statement;
- a water services entity's failure to demonstrate prudent financial management; or
- a state of emergency.

The Minister's powers of intervention are based on existing powers in the Local Government Act 2002 and include the appointment of a Crown review team, a Crown observer, or as a last resort, a Crown manager.

Transition and establishment arrangements

Schedule 1 of the Bill contains the transition and establishment arrangements, including:

- establishment entities, which will make the preparatory arrangements for full operation;
- the statutory oversight powers of the national transition unit (a business unit based in the Department of Internal Affairs) for the transition period;
- transitional provisions relating to employment of the three waters workforce, including employment security by transferring existing employment positions to the relevant water services entity on terms that are no less favourable than existing terms.

Omnibus Bill

The Bill is an omnibus Bill introduced in accordance with Standing Order 267(1)(a). That Standing Order provides that an omnibus Bill to amend more than one Act may be introduced if the amendments deal with an interrelated topic that can be regarded as implementing a single broad policy.

Part Two: Background Material and Policy Information

Published reviews or evaluations

2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?	YES
<i>Economic analysis of water services aggregation – Final Report</i> , Water Industry Commission for Scotland, May 2021 (accessible at https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/wics-final-report-economic-analysis-of-water-services-aggregation.pdf) informed and supported the reform of the delivery of water services in New Zealand.	

Relevant international treaties

2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?	NO
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Regulatory impact analysis

2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?	YES
<p>The policy decisions that led to this Bill were made through a series of related papers, in June, July and October 2021. A substantive regulatory impact statement (RIS) was provided to support the main decisions in June 2021, and a supplementary chapter accompanied the July 2021 paper. These were subsequently combined into one document.</p> <p><i>Regulatory Impact Assessment: Decisions on the reform of three waters service delivery arrangements</i>, Department of Internal Affairs, June and July 2021 – accessible at: https://www.dia.govt.nz/diawebsite.nsf/Files/three-waters-reform-programme-2021/\$file/regulatory-impact-assessment-decision-on-the-reform-of-three-waters-service-delivery-arrangement.pdf</p>	

2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?	YES
<p>The RIS met the threshold for receiving an independent opinion from the Treasury RIA Panel. A quality assurance panel was formed, including representatives from the Department of Internal Affairs (Department) and the Ministry of Business, Innovation and Employment. They considered the RIA in accordance with the quality assurance criteria, and their opinion for Cabinet is set out in full in Appendix One of this disclosure statement.</p>	

2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?	NO
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Extent of impact analysis available

2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?	NO
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2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	YES
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	NO
<p>Potential costs and benefits of establishing new water services entities, as set out in the final report of Water Industry Commission for Scotland (WICS), have been analysed by Farrier Swier Consulting Pty Ltd in its report <i>Three Waters Reform: Review of methodology and assumptions underpinning economic analysis of aggregation</i> (https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme/\$file/farrierswier-three-waters-reform-programme-review-of-wics-methodology-and-assumptions-underpinning-economic-analysis-of-aggregation-released-june-2021.pdf)</p> <p>The key findings, as set out in its <i>Executive summary</i>, are:</p> <ul style="list-style-type: none"> • the order of magnitude of benefits estimated by WICS appears feasible; • the economic regulatory framework assumed by WICS appears appropriate; • it is highly unlikely that amalgamation and associated reforms lead to a reduction in efficiency or otherwise some form of economic loss. 	

2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:	
(a) the level of effective compliance or non-compliance with applicable obligations or standards?	NO
(b) the nature and level of regulator effort put into encouraging or securing compliance?	NO

Part Three: Testing of Legislative Content

Consistency with New Zealand's international obligations

3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?

No relevant international obligations were identified.

Consistency with the government's Treaty of Waitangi obligations

3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?

The Bill complies with the principles of te Tiriti o Waitangi/the Treaty of Waitangi. The Department has used Te Tiriti o Waitangi/Treaty of Waitangi guidance (Cabinet Office Circular (19) 5) to test whether the Bill complies with te Tiriti o Waitangi/the Treaty of Waitangi and considers that there are no inconsistencies.

The Department engaged with iwi and Māori representative entities on an iterative basis throughout the policy development process to understand the nature of iwi and Māori interests, the impact of the proposed Bill on iwi and Māori, and how those interests could be reflected in the legislation.

There was also regular engagement with Te Arawhiti and Te Puni Kōkiri, including consultation on the policy papers that informed the development of the Bill.

Consistency with the New Zealand Bill of Rights Act 1990

3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?

YES

The Water Services Entities Bill is consistent with the New Zealand Bill of Rights Act 1990. Advice provided to the Attorney-General by the Ministry of Justice is generally expected to be available on the Ministry of Justice's website at introduction of a bill, and can be accessed at <https://www.justice.govt.nz/justice-sector-policy/constitutional-issues-and-human-rights/bill-of-rights-compliance-reports/advice/>

Offences, penalties and court jurisdictions

3.4. Does this Bill create, amend, or remove:	
(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?	YES
(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?	NO

Privacy issues

3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?	YES
<p>The Bill includes the following provisions relating to access to, or disclosure of, personal information:</p> <ul style="list-style-type: none"> • An annual report must disclose payments in respect of board members, chief executives, and employees (clause 157 and 162). The information relating to employees is to be reported as the number of employees receiving total annual remuneration of less than \$100,000; and the number of employees receiving total annual remuneration of \$100,000 or more, expressed in bands of \$10,000. • The monitor can require a water services entity to provide information, which may include personal information, if necessary (clause 170). Clause 171 includes good reasons for refusing to supply the requested information, which may include protecting the privacy of a person • Clause 193 provides that (for the purposes of this Part), information held by a water services entity may be disclosed to the Minister or a Ministerial body despite anything to the contrary in the Official Information Act 1982, the Local Government Official Information and Meetings Act 1987, or the Privacy Act 2020. However, the Minister, the Ministerial body, or a Ministerial appointee must not publish or disclose the information to any other person except in accordance with those Acts. • During the transitional phase, a local government water service provider is required to provide information to the chief executive of the Department of Internal Affairs or any relevant water services entity on request. They are only required to provide personal information relating to employment matters (Clause 11(4) of Schedule 1). • A clause allows the regional representative groups to request information from water services entity that is related to their functions. 	

3.5.1. Was the Privacy Commissioner consulted about these provisions?	YES
<p>The Office of the Privacy Commissioner was consulted to ensure the provisions of the Bill are consistent with the Privacy Act.</p>	

External consultation

3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?	YES
<p>Targeted engagement on the policy to be given effect by this Bill was undertaken with stakeholders and representatives from local government, including technical advisory groups and a joint central-local government steering committee.</p> <p>A detailed list of external consultations can be found in Appendix A of https://www.dia.govt.nz/diawebsite.nsf/Files/three-waters-reform-programme-2021/\$file/cabinet-paper-three-waters-reforms-further-decisions-18-october-2021-a.pdf including on-going targeted engagement on the policy proposals informed by the Bill with iwi, Māori, and national groups that represent Māori interests.</p> <p>The engagement was timed to co-ordinate with decisions by Cabinet. The engagement fell into two broad tranches – from mid-2020 to the end of March 2021, and from March to October 2021. The March – October 2021 engagement included an eight-week period where the Government sought feedback from local government, iwi and Māori about its service delivery reform proposals, including a detailed summary of the likely content of the legislation and its implications for councils and consumers.</p> <p>The joint central-local government steering committee (comprising mayors, chief executives and tier 2 infrastructure managers) was consulted on an exposure version of the Bill. Ngāi Tahu were consulted on a draft version of the Bill because the legislation references section 5 of the Te Runa.</p> <p>On 10 November 2021, the Minister established a Working Group on Representation, Governance and Accountability of new Water Services Entities (working group). The working group had members from local government and iwi representatives to recommend strengthened governance and accountability arrangements for the Three Waters Reform. The working group reported to the Minister on 7 March 2022: https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme-2022/\$file/Governance-Working-Group-Report.pdf</p> <p>The Government published its response to the working group on 29 April 2022: https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-reform-programme-2022/\$file/Summary-Table-of-Working-Group-recommendations-and-Government-response-2022.pdf</p> <p>The Government accepted the majority of the working group's recommendations, which have been incorporated into the Bill.</p>	

Other testing of proposals

3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?	NO
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Part Four: Significant Legislative Features

Compulsory acquisition of private property

4.1. Does this Bill contain any provisions that could result in the compulsory acquisition of private property?	NO
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Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or charge in the nature of a tax?	NO
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Retrospective effect

4.3. Does this Bill affect rights, freedoms, or impose obligations, retrospectively?	NO
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Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	NO
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	NO

Civil or criminal immunity

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	YES
<p>Clause 122 provides that board members and employees are not liable for any liability of the entity only because of being a member or employee.</p> <p>Clause 123 provides immunity from civil liability in respect of particular acts or omissions in good faith and in performance of the entity's functions, by a board member, office holder, or employee.</p> <p>Clause 192 protects Ministerial appointees from liability for any act done or omitted to be done by the appointee in good faith in the performance or intended performance of the appointee's functions, responsibilities and duties, or the exercise of the appointee's powers. These provisions replicate similar provisions in other legislation relating to public bodies and Crown intervention regimes.</p>	

Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
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Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated legislation that could amend an Act, define the meaning of a term in an Act, or grant an exemption from an Act or delegated legislation?	NO

4.8. Does this Bill create or amend any other powers to make delegated legislation?	YES
<p>Clause 95 and 96 sets out the process for amending the water services entity's constitution. Clause 206 enables regulations to be made providing for a model constitution for a regional representatives group, which is its first constitution.</p> <p>Clause 206 provides for financial and non-financial disclosure requirements relating to planning and reporting documents.</p>	

Any other unusual provisions or features

4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?	YES
<ul style="list-style-type: none"> • The Water Services Entities Bill establishes four water services entities in a new statutory form of body corporate, based on provisions of the Crown Entities Act 2004 and the Local Government Act 2002. A new form of public body is required because existing bodies do not have the required legal structure, in particular: <ul style="list-style-type: none"> - a company model does not provide sufficient protections against privatisation, including a company model with a statutory overlay that restricts sale of shares such as a state-owned enterprise; - trust-based models are not seen as fit for purpose; - a Crown entity model is not an option, as water services entities are collectively owned by territorial authorities and are not Crown agencies. • The Water Services Entities Bill sets out, in Schedule 1, transition and establishment arrangements, including establishment entities that will make the preparatory arrangements for full operation of the entity. The establishment entities, and the Department of Internal Affairs (which has established a national transition unit as a business unit) are provided with statutory powers to manage the transition effectively and ensure local authorities do not act in ways that are inconsistent with the transition objectives. • The water services entities will have a level of independence from both the Crown and territorial authority owners. In the event of a performance issue, the Water Services Entities Bill sets out a framework that allows the Crown to assist and intervene as a last resort measure. The framework is based on the existing frameworks within the Crown Entities Act 2004, the Infrastructure Funding and Financing Act 2020, and the Local Government Act 2002. 	

Appendix One: Further Information Relating to Part Two

From the *Quality Assurance Statement: RIAT comments for insertion into Cabinet Paper – Comments on: Strategic RIA and Detailed RIA for the Three Waters Service Delivery Reform*, 24 May 2021:

“A quality assurance panel with representatives from the Department of Internal Affairs, the Ministry of Business, Innovation and Employment and the Regulatory Impact Analysis Team at the Treasury has reviewed the Regulatory Impact Statement for the “Reform of the Three Waters Service Delivery Arrangements”. The panel considers that it meets the Quality Assurance criteria.

Overall the RIS is clear, convincing and well-structured.

However, the full implications of the decision to include stormwater in the scope of the reform are uncertain, as the decision will take place ahead of the substantive work intended to clarify the ‘perimeter’ between stormwater and other assets. The logic and arguments for including stormwater in the reform are convincing but uncertainty remains on the implications for local councils in deciding to transfer stormwater assets to the entities.

Also the proposed benefits of the directive Government Policy Statement (GPS) are dependent on the content of the GPS, how it is operationalised by the entities, and ongoing stewardship of the system.

Finally, transitional arrangements for the reform package are yet to be agreed and the impacts of these arrangements on the objectives of the reform are not covered by this RIS.”

From the *Quality Assurance Statement: RIAT comments for insertion into Cabinet Paper – Comments on: Chapter 7: Transition and Implementation of the Detailed RIA for the Three Waters Service Delivery reform*, 30 June 2021:

“A quality assurance panel with members from the Department of Internal Affairs, the Ministry of Business, Innovation and Employment and the Regulatory Impact Analysis Team at the Treasury has reviewed the Regulatory Impact Statement. The panel considers that it meets the Quality Assurance criteria.

The chapter presents a clear and convincing case for the overall transition approach and for the extended transition period for unregistered drinking water suppliers. The proposal to improve wastewater regulation may have benefited from further analysis given the possible significance of impacts on regulated parties, but overall the analysis in the chapter is robust and supported by the quality of the Strategic RIA and Detailed RIA for the overall reform package.”