



Raveen Jaduram
Chair
Water Services Authority Board
Email: Raveen@jaduram.com

Dear Raveen,

Letter of Expectations for the Water Services Authority – Taumata Arowai

This letter sets out my expectations for the Water Services Authority – Taumata Arowai (the Authority). It replaces the previous letter of expectations issued on 17 September 2024. I expect you to ensure your entire Board is aware of the expectations contained in this letter.

Government priorities for water services

The Government's approach to water services delivery under Local Water Done Well is to establish a clear set of rules for water quality and investment in infrastructure based on the outcomes we expect, and to allow councils or council owned water organisations to meet these rules in the manner they believe is best for their community. However, there will also be expectations that all councils have financially sustainable water services. To support financially sustainable water services, volumetric pricing is encouraged across the sector.

The Government is proposing a range of changes through the Local Government (Water Services) Bill (the Bill) that aim to reduce the cost and regulatory burden on drinking water suppliers and wastewater and stormwater network operators. In addition to the changes that I will progress to the Water Services Act 2021 and how the Authority operates, the Ministry for the Environment is progressing policy work to rebalance the National Policy Statement for Freshwater Management (NPS-FM), which will have implications for the policy direction for the Authority's roles and functions, particularly in relation to Te Mana o te Wai. I understand the Ministry for the Environment has been liaising with the Department of Internal Affairs (the Department) and the Authority on how changes to the NPS-FM fit with the development of the wastewater environmental performance standards and drinking water source management.

The Bill will include changes to the regulatory regime for water services. Some of these changes will impact the way the Authority operates and the functions it performs. I expect the Board to ensure that the Authority is working to prepare for the forthcoming changes, as well as embedding the upcoming changes in current operational practices in the lead up to the Bill being enacted in mid-2025.

Immediate priorities for the Chair and Board

One of the core changes is to reduce the cost and burden for drinking water suppliers associated with complying with the Water Services Act 2021. The changes are designed to reduce compliance costs for drinking water suppliers and wastewater and stormwater network operators, and ultimately reduced costs for ratepayers. The changes are also

designed to clarify the approach the Authority takes to supporting suppliers and network operators to reach compliance. The Authority's plans and actions should support the sector to be financially sustainable and deliver better quality services.

I expect you to work at pace to implement my immediate priorities over the next 12 months. My immediate priorities for you and the Board are to:

- Ensure that the Authority's regulatory framework is proportionate to the scale, complexity, and risk profile of each drinking water supply, including the consideration of cost implications for ratepayers and the users of the supplies. This should include identifying paths to compliance and purposeful use of exemptions and acceptable solutions.
- The regulatory framework should balance public health outcomes with the consideration of costs, and increased regulatory intensity, taking a risk-based approach to resolving long-standing compliance issues. Increased regulatory intensity should include greater use of the Authority's regulatory levers to strengthen the regulatory approach, while still considering the cost implications for ratepayers.
- Ensure that the Authority prioritises the development of additional acceptable solutions to allow for ready-made options to help drinking water suppliers meet their compliance obligations. It is expected that the Authority will support suppliers to adopt cost efficient outcomes.
- Develop and set the new single national standard for wastewater environmental performance standards, in line with the Bill. This should ensure that regional councils implement a single standard approach in resource consents.
- Actively work with councils to drive the use of standardised treatment systems and related infrastructure. For wastewater treatment plants this would include facilitating the roll-out of modular design solutions, particularly for small-scale wastewater treatment plants, to achieve design and build cost efficiencies.
- Engage proactively and regularly with drinking water suppliers, especially large councils and government suppliers. Interventions should be tailored to meet needs and scaled to offer a proportionate solution. These proactive engagements and fit-for-purpose solutions should enable the most cost-effective solutions for councils and not over burden ratepayers.
- Ensure the regulatory response for mixed-use rural water supplies is proportionate to the scale, complexity, and risk profile of each supply. I expect that the Authority will prioritise implementing changes for mixed-use rural water suppliers that have the highest impact and benefit for suppliers.
- Ensure the Board is providing active oversight of senior executives and the organisation. This should include ensuring that senior executives prioritise core activity and resources on front-line regulatory operations. This should result in increased regulatory intensity to ensure the Authority has a meaningful impact on the water services sector.

Governance

I expect the Board to oversee the performance and long-term strategic direction of the Authority and provide best-practice governance. This includes monitoring the immediate and long-term financial viability of the Authority and ensuring it has robust risk identification and management processes in place.

As a general rule, you should inform me promptly of matters of significance to my portfolio responsibilities, particularly where these matters may be controversial or become the subject of public debate.

I note the Water Services Act 2021 contains provisions that require the Authority to consult me before making certain decisions, including declaring a drinking water emergency. In addition, I expect you to keep me informed of incidents affecting the safety or supply of drinking water, which do not result in the declaration of an emergency yet still pose a serious risk to public health.

I expect you to establish a working relationship with the Māori Advisory Group. This should reflect the proposed changes to the Māori Advisory Group, which is being amended through the Bill. The proposed changes will better align the Māori Advisory Group's functions with Local Water Done Well. This will enable the Māori Advisory Group to work with Board to support the Authority's enhanced emphasis on working with local government and the practicalities of providing infrastructure and local water services.

Funding and financial matters

Cabinet has agreed to the implementation of the levy from 1 July 2025. The Authority's budget and baseline costs are fixed for the levy period of three years. While the first levy period of three years has been agreed, the Authority should continue to find ways to improve efficiencies and find opportunities to reprioritise activity in line with Government priorities. I expect the Authority to exercise fiscal restraint and demonstrate value for money for ratepayers. The Government expects all public service agencies to operate efficiently. The Government has also committed to reducing contractor and consultant expenditure and the Authority should limit operating spend in this area. I expect to be notified of any potential escalation in costs on a "no surprises" basis.

As a Crown entity, the Authority is required to operate in a financially responsible manner (section 51 of the Crown Entities Act refers). For this purpose, the Board must ensure that the Authority is prudently managing its assets and liabilities and acts as a successful going concern.

On 23 April 2024, the Minister of Finance issued an enduring letter of expectations to all statutory Crown entity boards¹. I expect you to work to the expectations set out in that letter alongside those I have outlined. I would like to emphasise three enduring expectations in particular:

- drive greater value from funds you receive and public assets you manage, understanding that reprioritisation should be used as a tool for achieving better results for the people you serve;
- have a full understanding of your entity's cost drivers and performance against key outcomes, and be able to clearly account for these in reporting to your responsible Minister, monitoring department and the public; and
- take a continuous improvement approach to the activities and programmes you deliver, incorporating strong evidence and evaluation practices and seeking to improve the efficiency and responsiveness of the services you deliver.

¹ [ENDURING LETTER OF EXPECTATIONS FOR STATUTORY CROWN ENTITY BOARDS](#)

Monitoring and Reporting

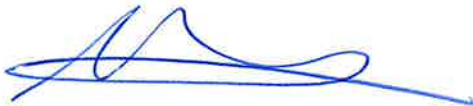
While the Board has the most immediate and direct responsibility for monitoring the performance of the Authority, I expect you to continue to provide the Department, as the monitoring department, with high quality information on performance against planning documents and timely information on risks and opportunities.

I also expect you to provide the Department with quarterly reports on progress against financial and non-financial performance targets, key initiatives and risks, and organisational health. The quarterly reports should allow the Department to assess how the Authority is meeting its objectives. I expect the Authority to work with the Department to ensure the content of the quarterly reports is fit for purpose.

Acknowledgement

I would like to acknowledge the work of the Board and the Authority, and I look forward to a successful year.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Simon Watts', with a long horizontal flourish extending to the right.

Hon Simon Watts
Minister of Local Government

28 MAY 2025