

Hon Simeon Brown

Minister for Energy
Minister of Local Government
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Raveen Jaduram
Chair
Water Services Authority – Taumata Arowai Board
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17 September 2024

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 interim letter of expectations issued on 29 January 2024. I expect you to ensure your entire Board is aware of the expectations contained in this letter.

Government priorities for water

On 8 August 2024 I announced the next stages of the Government's plan to address New Zealand's long-standing water infrastructure challenges. 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.

The Government is proposing a range of changes that aim to reduce the cost and regulatory burden for 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 Water Services Authority operates, the Ministry for the Environment is proceeding with policy work to rebalance the National Policy Statement for Freshwater Management, which will have implications for the policy direction for the Authority's roles and functions, particularly in relation to Te Mana o te Wai. These changes fit into a broader context where the requirements on drinking water suppliers and network operators will be more balanced.

In line with the Government's intention that government agencies have an English name first, the Government is proposing to amend the legislation to refer to the 'Water Services Authority – Taumata Arowai'. I expect the Authority to comply with this direction and be prepared to reflect this change upon enactment of Local Government Water Services Bill (the Bill).

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. [REDACTED]

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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 the approach the Authority takes to supporting suppliers and network operators to reach compliance.

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:

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[REDACTED]

- 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 and affordability for the users of the supplies. This should include identifying paths to compliance and the greater use of exemptions and acceptable solutions.
- 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.
- Develop and set the new single national standard for wastewater environmental performance standards, in line with the Local Government Water Services Bill. This should ensure that regional councils implement a single standard approach in resource consents.
- Engage with councils to encourage 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 not have a one-size-fits-all solution. This proactive engagement and standardised solutions should allow for the most cost-effective solutions for councils.
- Ensure the regulatory response for mixed-use rural water supplies is proportionate to the scale, complexity, and risk profile of each supply. I also encourage the Authority's Board to consider establishing a technical advisory group to provide independent advice on the regulatory settings for mixed-use rural water schemes.
- Ensure the Board is providing active oversight of senior executives and the organisation. This should include ensuring the senior executives prioritise core activity and resources on front-line regulatory operations.

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.

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[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Funding and financial matters

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[REDACTED]

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

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

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.

I expect the Authority to exercise fiscal restraint, in line with Government priorities. I expect you and the Board review any efficiencies across the Authority's operational spending, to avoid any future budget escalations. The Government expects all public service agencies to operate efficiently and will carefully scrutinise forecast operating costs through the Budget process. 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.

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 of Internal Affairs (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 are fit for purpose.

Acknowledgement

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

Yours sincerely,



Hon Simeon Brown
Minister of Local Government