

Reforms Programme Update #3

04 April 2023

This report provides a regular update on the Council's programme of work to navigate the three main reforms of the local government sector (led by central government). This includes three waters reform, resource management reform, and the future for local government review. This report includes key highlights from the past reporting period (monthly), as well as key areas of focus and milestones for the period ahead.

For more information on each reform:

- [Department of Internal Affairs - 3 Waters Reform](#)
- [Ministry for the Environment - RMA Reform](#)
- [FFLG Review Panel – Review into the Future for Local Government](#)

General Programme Considerations

- **Continued political uncertainty:** Following a change in Prime Minister and changes within the Labour Party, the central government policy agenda continues to be reviewed. In particular, at the time of drafting this update, we await outcomes of the review of the three waters reform model. The delay is not helpful to Council planning - LGNZ have recently advocated on behalf of the local government sector, the urgent need for certainty (particularly in terms of the establishment date for entities and the scope of future water services entities). Depending on outcomes of the review some Council work programmes may require re-planning.
- **Post-reform organisational planning:** The reforms stand to have substantial impacts on the functions and capacity of councils while also triggering consideration of the longer-term future of the local government sector. Council is at the early stages of 'post reform' planning for WDC organisation (e.g. a future without three waters services and with different resource management functions). A separate project is being established to determine the impacts of all current reforms for Council and take a strategic approach to how best to manage the change for Council. Post reform planning will by necessity work closely with the three waters transition project and the development of our next Long Term Plan.

Three Waters Reform

- **Three Waters Reform Legislation:** As reported in the previous update, Council made submissions to both the Water Services Legislation Bill (previously known as Bill #2) and the Water Services Economic Efficiency and Consumer Protection Bill, in February 2023. At the time of drafting this update we await feedback on these bills and expect new legislation to be enacted in August 2023 (previously signalled as June). The WDC submissions can be found [on Council's website](#).

- **WDC transition programme and resourcing:** WDC is currently working in collaboration with Tauranga City Council until mid-2023 and will need to consider how best to resource participation in addition to and beyond this arrangement. The WDC programme is also looking to explore opportunities for resource sharing with Ōpōtiki and Kawerau. WDC has budget in place with the overall programme spending currently running under budget according to the latest Project Status Report (March 2023). In mid-2022 WDC received an allocation of \$580,000 funding to help support the cost of three waters transition activities. Council has been awaiting details for further funding from central government, this is now expected to follow the government’s review/reset of three waters reform.
- **WDC transition workstreams:** Our transition project comprises six key work streams aligned to the NTU transition plan. The latest Project Status Report (March 2023) signals that each transition workstream is on track with all commitments to NTU being met or on schedule. Of note, a number of heavy information requests were due by the end of March 2023 and staff have done well to deliver to the NTU timeframes. The work streams continue to be progressed on the basis of the information and assumptions that we know but may need to be re-planned depending on the outcomes of central government’s three waters reform review/reset.
- **New water service entities being established:** In January 2023 [Vaughan Payne was appointed to the CE role for Entity B](#). Establishment WSE Boards were due to be appointed by the end March 2023 and at the time of drafting we await the outcome for Entity B. CEs will work with the NTU to continue to establish each entity and interactions have commenced to fill key roles for each entity.
- **Supporting workforce transition:** In March the NTU finalised the [Staff Transition Guidelines](#) – these describe how local government water services staff can transfer to four new council-owned Water Services Entities through one of three pathways; the legislated job guarantee, offer guarantee or preferential consideration. WDC has 37 staff with primary roles (more than 50%) supporting or delivering three waters service delivery. All WDC staff with roles primarily related to three waters are now connected to the government’s online interface platform ‘The Staff Room’. This platform provides the gateway and forum for existing staff members throughout the duration of their transition process from Council to their respective Water Services Entity. A further 46 WDC roles are partially involved in provision and support of water services. At the time of drafting this update, initial meetings have been held with the majority of these staff members to start to consider their employment options and pathways.
- **Overview of the DIA Oversight and Monitoring Process**
The recently enacted [Water Services Entities Act](#) gives the Department of Internal Affairs (DIA) an oversight and monitoring role relating to water-related decisions made by LGOs before Water Services Entities (WSE’s) are established in July 2024.

In summary, the DIA need to be notified of ‘significant’ decisions made during the establishment period that may directly or because of its consequences:

- (a) significantly prejudice the water services reform; or
- (b) significantly constrain the powers or capacity of the WSE’s following the water services reform; or
- (c) have a significant negative impact on the assets, liabilities, or other matters that are transferred to the water services entities as a result of the water services reform.

The DIA National Transition Unit (NTU), which is managing the transition to the new WSE's, recently issued guidance regarding how the new oversight and monitoring process will be applied. The WDC Three Waters Reform project team used the guidance notes to develop a process flow diagram to explain how staff can determine what decisions are regarded significant, and how to notify the DIA. This diagram can be made available to Elected Members as required.

The DIA has emphasised that New Zealanders need water activities to continue during the establishment period and, although LGOs may need to notify or seek DIA confirmation of some decisions, they should not stop operating in a business-as-usual manner.

The WDC Executive Team has been briefed and will share the DIA Oversight and Monitoring Process with relevant staff in their teams.

- **Better Off Funding:** Funding of \$5.66m was granted to Council by DIA on 1 December 2022. The projects included in Council's application can be found on the Councils website [on the Councils website](#). A second tranche of Better Off Funding could see a further \$16.99m allocated to Whakatāne District with the application round signalled to open mid-2024. This timeframe is after the coming general election scheduled for October 2023. As such funding availability may be subject to changing political priorities and Council will await further certainty before considering an application.

Future for Local Government Review

- **No change since last month:** As reported last month, in February 2023 Council provided a submission through to the Review Panel on the draft recommendations report [He mata whāriki, he matawhānui](#). The WDC submission is available [on the Council's website](#). The Review Panel expects to issue final recommendations back to central government in June 2023.

Resource Management Reform

- **No change since last month:** Last month we reported that Council made submissions to the Environment Select Committee on the development of the Natural and Built Environment Act (NBA) and Spatial Planning Act (SPA) bills. Council continues to await the next stages of reform including finalisation of the legislation, and visibility on a transition plan. The WDC submissions to this reform can be found [on the Council's website](#).
- **First tranche regions to lead transition:** To get implementation underway, central government will support up to three 'first tranche' regions to establish their regional planning committees and then develop their first regional spatial strategies and natural and built environment plans,

to provide insights and learnings to the regions that follow. A scoping exercise will be undertaken in April-June 2023 as a step towards selecting the trial regions.