



Aide-memoire

Feedback on Three-waters draft Cabinet Papers			
Date:	05/05/21	Security level:	In Confidence
Priority:	Medium	Report number:	IREQ20/21050900

Information for Minister(s)	
Hon Dr Megan Woods Minister of Housing	

Contact for discussion			
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Saskia Patton	Manager, Urban Development Delivery	04 832 2514	s 9(2)(a) ✓
Paul Kos	Principal Policy Advisor	04 831 6068	

Other agencies consulted

Minister's office to complete

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> See Minister's notes <input type="checkbox"/> Needs change <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Declined <input type="checkbox"/> Referred to (specify) _____

Comments

Date returned to HUD:



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For: Hon Dr Megan Woods, **Minister of Housing**

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Purpose

1. To brief you on the suite of Three Waters draft Cabinet papers currently out for Ministerial consultation.

Background

2. The Hon. Nanaia Mahuta Minister of Local Government recently circulated the following draft Cabinet papers on Three Waters Reform for Ministerial consultation:
 - Paper 1 – A new system for three waters service delivery;
 - Paper 2 – Designing the new three waters service delivery entities;
 - Paper 3 – Protecting and promoting iwi/Māori rights and interests in the new three waters service delivery model.
3. The suite of papers represent a significant milestone as they outline the key system and design elements proposed for the Three Waters Reform. The papers have been informed by earlier feedback from Te Tūāpapa Kura Kāinga (HUD) and other agencies.
4. The Minister of Local Government intends to take these papers to Cabinet on 19 May 2021.
5. The following comments focus on the key areas of interest for HUD, noting that HUD does not have any outstanding issues with the proposed reforms.

Key areas of interest from a Housing and Urban Development perspective

Continue to support the reforms

6. As with past advice, HUD remains supportive of the need to progress the reforms - water infrastructure funding and delivery issues are a major factor affecting the delivery of improved housing and urban development outcomes for the Government as a public housing landlord and across New Zealand generally.
7. The draft Cabinet papers are comprehensive, well written and provide a strong case for change.
8. For HUD, the case for change is particularly relevant to the scale of costs and complexity of the three waters issues being faced in housing growth areas and Kāinga Ora's Large Scale Projects. For example, for Auckland Large Scale Projects, the combined costs for three waters infrastructure over the 20-year life of the project is estimated to be around \$1.9 billion, with stormwater being the most problematic to resolve. For the Porirua Large Scale Project, over half of the estimated infrastructure costs relate to three waters infrastructure, and the Council has major legacy issues to overcome across the city.

15. HUD doesn't have a strong preference for or against this approach but notes that the physical separation with the Cook Strait will create some unique complexities for this proposed entity from an administrative and geographic perspective.

Note dependencies to RMA reforms and spatial planning and GPS

16. An important consideration for HUD is how the new water entities can support urban development and growth while dealing with competing demands from multiple council areas.
17. Paper 2 - *Designing the new three waters service delivery entities* is important in this regard, as it outlines a proposed entity structure and includes features and mechanisms to enable councils, iwi and communities to participate in decision-making, including strategic planning decisions.
18. Over the longer term, it will be important to ensure that the forward-planning functions of the new entities are tied to any spatial planning requirements arising from the current resource management reforms. Councils will also need to actively engage the new entities and other infrastructure partners (such as Waka Kotahi) in the spatial plan development, acknowledging that enabling infrastructure has long lead times, and can require significant investment.
19. The papers acknowledge the dependencies to RMA reforms and the need for the new entities to engage with councils and communities on spatial planning, but further work will be required through subsequent reform process to confirm the mechanisms and how they might apply in practice.
20. A Three Waters Government Policy Statement is also proposed to be developed, providing an opportunity to provide a coordinated expression of Ministerial interests and expectations relating to the new water service entities. Specific outcomes related to housing and urban development could be addressed through this mechanism, drawing from the proposed Government Policy Statement for Urban Development currently under development.

Note the complexity relating to stormwater and that further work to be done

21. As noted in previous advice to you, HUD's strong preference is for primary stormwater assets and responsibilities to be transferred to the new water entities, which will help lift the stormwater system's performance through more consistent standards, greater stormwater sector capability, and increasing long-term investment in stormwater.
22. Stormwater funding and delivery is a particular issue across Kāinga Ora's Large Scale Projects in Auckland and Eastern Porirua. HUD's preference for inclusion is also based on the benefits of dealing with fewer entities and draws from the current alignment and coordination issues facing these Large Scale Projects.
23. The proposed approach in the draft papers is closely aligned with HUD's view. Responsibility for stormwater services is at this point proposed to be included within the new dedicated water entities. Given the complexity of the stormwater function (both above and below ground), DIA have set up a technical working group to work through transition issues, including how and what assets should be transferred to the proposed new entities.
24. A key area of complexity relates to above ground transport assets, which have a strong dependency with stormwater function. The Minister should be aware that officials from the Ministry of Transport and Waka Kotahi have raised concerns about including stormwater into the mix of responsibilities for the proposed new entities. DIA (with support from HUD) are working closely with officials from the Ministry of Transport and Waka Kotahi to achieve an agreed approach.

Next steps

25. Following Ministerial feedback, the Minister of Local Government intending to take these papers to Cabinet on 19 May 2021.

Annexes (already provided)

- [Redacted] s 9(2)(f)(iv) [Redacted]
- [Redacted]
- [Redacted]