

Terms of Reference: Working Group Water Services Sector Performance Issues and Opportunities

Background

1. The Government's Local Water Done Well reforms provide for continued local ownership of financially sustainable and cost-effective water services. To this end the Local Government (Water Services) Act 2025 provides for:
 - a. council responsibilities for providing water services in their districts and the different methods by which they can structure service provision arrangements, including through water organisations; and
 - b. the responsibilities that apply to councils and water organisations as water service providers, and the functions, duties, and powers that are associated with meeting those responsibilities; and
 - c. transparency in the financial management of water services including that information related to revenue, charging, expenditure, and levels of service, is transparent for consumers and communities.
2. New requirements on councils for water service delivery plans and the implementation of economic regulation together with provision for greater standardisation in water services infrastructure will all contribute to improved performance of water services.
3. Water service delivery plans signal investments of around \$50 billion in water services infrastructure over the next ten years.
4. Sector wide legacy issues, such as those related to skill and capability gaps in the water services workforce will, unless addressed, constrain the ability of the water services sector to achieve required efficiencies and cost savings and to realise quality of water services for consumers.
5. Examples of these issues include:
 - a. low workforce productivity, skill shortages and capacity constraints, resulting from an ageing workforce and insufficient past investment in workforce development and training;
 - b. variable and sometimes poor procurement and project management capabilities practices, resulting in large variations across councils in their approaches to commissioning and managing infrastructure investments and sometimes leading to cost blowouts and substantial variations in project costs across councils;
 - c. fragmentation and inadequate management of supply chains, resulting in uncertainty for contractors and suppliers as to future requirements and overall levels of demand, resulting in inadequate investment in supply chains leading to capacity constraints, shortages and additional costs to water service providers; and
 - d. uneven application of productivity enhancing technologies, leading to inefficiencies and deficiencies in the management of water services.

6. Water service providers are also adapting to new and changed legislative and regulatory requirements, including requirements to develop new strategies, plans and policies, to review and update water services bylaws, and to comply with information disclosure requirements (issued by the Commerce Commission), along with new obligations that will apply when entering into significant water services contracts.¹
7. The Department of Internal Affairs (the Department) wishes to consider these issues and what Government can do, over both the short and longer term, to support the sector to address them so as to reduce short and longer-term cost pressures and maximise the benefits of reform for local communities.

Role of the working group

8. To inform how the Government might best work with the sector to address such issues, the Department is establishing a working group of sector experts.
9. The work of the group will inform decisions by the Department and the Minister of Local Government on the role of Government in supporting the sector to address sector issues.
10. The working group will consider and advise the Department on:
 - a. What it considers to be the most important issues for the local government water services sector that unless addressed, will constrain water service providers in achieving efficiencies, cost savings and improvements for consumers in their delivery of water services, and the nature and impact of each issue;
 - b. what is already being done by the sector to address each of the issues, and the roles of sector participants and Government in doing so;
 - c. what further action is needed to address each issue, with a focus on:
 - i. key priorities for action, and what is needed over both the short and longer-term to grip up and address each issue;
 - ii. the respective roles of sector participants and government agencies in addressing each issue;
 - iii. what the Department and wider government agencies could usefully do to support sector participants in addressing each of the priority issues; and
 - iv. potential quick wins, pilots and demonstration projects that the Department could initiate or support.
11. The working group's advice will be bounded by the Government's current legislative framework for Local Water Done Well, and should not include suggestions on further legislative changes.
12. The product of the working group's work will be a written report on the above that will be used by the Department to shape its forward work programme and to inform its advice to the Minister of Local Government.

Approach

¹ These requirements sit across various pieces of legislation – the Local Government (Water Services) Act 2025, Commerce Act 1986 (as amended in 2025 to provide for economic regulation of water services), and the Water Services Act 2021.

13. The working group will be convened and hosted by the Department.
14. Working group members are solely appointed in an advisory capacity. Decisions to address the issues identified by the working group will ultimately reflect the Government's views and positions, and not those of individual working group members.

Membership

15. The working group will comprise up to eight persons with expertise, practical knowledge and experience of the water services sector and the issues that water service providers and their suppliers will face in putting local water services onto a financially sustainable footing, including investment for growth.
16. The skills and experience of working group members will include:
 - a. Workforce strategy, development and training
 - b. Infrastructure investment and delivery
 - c. Procurement and supply chain management
 - d. Water services operations (metro, provincial and rural)
 - e. Technology and innovation
 - f. Māori and iwi commercial and economic interests in water services
17. Should a working group member withdraw from the group, the Department may choose to appoint one or more new members to replace them.
18. The Department will provide secretariat and administrative support to the working group including for the drafting of their report.
19. All working group members must have completed a conflict-of-interest declaration and background checks (including criminal records check) to the satisfaction of the Department. All actual or perceived conflicts of interest will be lodged with the Executive Director Water Services Reform Program, Local Government Branch, at the Department. In the event of a potential conflict, the Executive Director will determine how best to manage it.

Working group meetings

20. It is expected that the working group will meet approximately six times over a three-month period to consider issues and develop its advice to the Department. This might include meetings to:
 - a. Develop its approach to considering and advising on the issues.
 - b. Workshop the issues and its advice.
 - c. Review its conclusions and advice.
 - d. Finalise its report.
21. Meetings will be either in person, at the Department, or via video conference, depending on the circumstances.

Protocols for the working group

22. The working group will operate under a set of protocols and standards of conduct, attached in Appendix A. They set out agreed ways of working and the relationship of the working group with the Department.

23. Members will be expected to:

- Ensure group processes and discussions are inclusive.
- Treat other members and the Department, and their views, with respect.
- Act in good faith in all aspects.
- Act in their personal capacity and not be representing their organisation.
- Treat commissions from the Department as a high priority to be completed in a timely manner.

24. Members of the working group will work collaboratively with the Department to provide the best quality advice to the Department.

Decision making

25. The working group will be an advisory body only and will not have decision making powers. Any recommendations of findings will not be binding on the Department.

26. The working group members will not be required to reach consensus on any issues raised.

Deliverables

27. The working group, with secretariat support from the Department, will produce a report by March 2026 advising the Department on:

- a. what it considers to be the key issues for the local government water services sector that unless addressed will constrain water service providers in achieving efficiencies and cost savings intended by Local Water Done Well, and the nature and impact of each issue;
- b. what is already being done to address each of the issues, and the roles of sector participants and government in doing so;
- c. what further action is needed to address each issue, with a focus on,
 - i. key priorities for action, and what is needed over both the short-term and longer-term to grip up and make progress on each issue;
 - ii. potential quick wins, pilots and demonstration projects;
 - iii. how the sector needs to organise itself to best address each of the issues; and
 - iv. what the Department and other government agencies could usefully do to support sector participants in addressing each key issue including specific initiatives that could be supported over the short-term to support and reduce the costs of water service providers in their transition to the new water services system.

Secretariat

28. The Department will provide secretariat support for the working group, including organising meetings, providing any relevant supporting materials, responding to working group questions and correspondence, drafting their report, and other administrative tasks required by the working group.

29. The work of the working group will be commissioned by the Department.

Duration

30. The working group will be established in October 2025, will complete its report by the end of March 2026 and be available to discuss its findings with the Department in March 2026.

Remuneration

31. Working group members will be reasonably compensated by the Department for their time based on their professional expertise. Daily fees will be set in accordance with the Cabinet Fees Framework. The Department will pay travel, accommodation (if required) and meal expenses associated with meetings.

Confidentiality

32. The working group may be privy to confidential and market sensitive information. Discussions and analysis from working group meetings should also be treated as sensitive and confidential.

33. Working group members will adhere to the standards of confidentiality in Appendix A and are required to sign the confidentiality agreement in Appendix B.

Conflict of interest

34. Working group members will declare any actual or perceived conflicts of interest with their appointment to this group. If conflicts arise during the group's work, members must notify the Executive Director Water Reform Program at the Department.

35. Members will adhere to the standards for identifying and managing conflicts of interest in Appendix A.

36. Members are required to sign a conflict-of-interest declaration form as part of the nomination process.

Appendix A: Standards Conduct

All members are expected to adhere to the following principles:

Confidentiality

In order for the group to operate effectively, members must maintain the confidence of the group, including maintaining confidentiality of matters discussed at meetings, and any information or documents provided to the group. Only with the agreement of Department officials can members share information about the business of the group.

Where information is already in the public domain (through no fault of a member or observer), the confidentiality requirements do not apply to that information.

Members and observers must not represent the group, or comment on the business of the group, to the media.

Where information is not already public:

1. Members may seek agreement from Department officials for the group to release a media statement.
2. Members may only participate in a media interview or public statement about the business of the group if they have obtained the prior written approval of the Department.

Conflicts of interest

A conflict of interest will occur when a member's private interest interferes, or could appear to interfere, with an issue that faces the group. A conflict of interest will also occur when there is a possibility that a benefit may apply to a sector, industry, or organisation that they represent. A conflict of interest may be real or perceived.

At the discretion of the Executive Director, members may participate in discussions about issues in which they have declared a conflict of interest.

Privacy Act 2020

Members must at all times comply with the requirements of the Privacy Act 2020 and keep information about identifiable individuals confidential.

Official Information Act 1982

All information provided to the group will be treated as official information under the Official Information Act 1982 and, subject to the requirements of that Act, may be released to the public if there are no grounds for withholding it.

If/when the Department is considering releasing information about group meetings or group-authored documents under the Official Information Act 1982, the Department will consult with the person who provided the information before making a final decision on release.

Corporate opportunities

Members must not exploit any opportunity that is discovered through access to information within the group for their own personal gain or that of any industry, sector, or organisation that they represent.

Treatment of others and participation

Members will treat each other, and the opinions of others, with respect at all times. Members will not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practices.

Members will generously share practice and learnings and actively participate in constructive discussion and debate. Members will show respect for other participants and alternative ideas.

Appendix B: Confidentiality Agreement

I, [NAME]

1. Agree and undertake that as an essential condition of my participation in the Sector Performance Issues and Opportunities Working Group (the working group) I will:
 - a. be discreet in all matters relating to all work of the working group, the Department of Internal Affairs (the Department) and the affairs of the New Zealand Government generally;
 - b. keep confidential all information relating to the matters referred to in paragraph 1(a) above which I obtain or become aware of through my role with the working group (the "Information");
 - c. not, other than as required by law, disclose or discuss the Information with any person who is not employed by the Department without the prior written consent of the Executive Director Water Reform Program, at the Department;
 - d. limit discussion or disclosure of the Information to those who have expertise I consider would be helpful and ensure they keep any information provided to them confidential;
 - e. not use any Information to gain personal advantage or for the benefit of any person or organisation other than in accordance with the performance of my role with the working group;
 - f. not discuss any matters referred to in paragraph 1(a) or any Information with any member of the media or submit articles for publication or dissemination outside the Crown without the prior authorisation of the Executive Director Water Reform Program, at the Department; and
 - g. take all reasonable care to ensure that all Information in my possession is kept secure and I will immediately return, destroy, or otherwise deal such Information as directed by the Executive Director Water Reform Program, at the Department.
2. I acknowledge that:
 - a. I will continue to honour the promises I make in signing this confidentiality agreement, even after my involvement with the working group has ceased; and
 - b. my obligations under paragraphs 1(a) above shall survive until the Information in question becomes publicly available (other than through a breach of my obligations under this Undertaking of Confidentiality), or until the Department of Internal Affairs gives written approval for the disclosure or use of particular information.

Signature: _____

Date: _____