



Sustainable Communities  
Sharing Knowledge

## Three Waters

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Funding options for three waters



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NEW ZEALAND

# Funding options for three waters - Why worry?

## Critical resource

- Safe and reliable
- Health
- Population Growth
- Economic growth

# Funding options for three waters - Why worry?

- Investing to replace and renew existing assets.
- Survey responses on remaining asset life and condition suggest that a relatively high level of future investment is needed to maintain existing infrastructure (with a replacement value of \$35.7 billion).
- Funding such investment programmes may be challenging as a number of councils either do not have a renewals profile or, where renewals profiles have been prepared, they are not fully funded

Exploring the issues facing New Zealand's water, wastewater and stormwater sector.

October 2014

# Funding options for three waters - Why worry?

- Investing to meet rising standards and increasing expectations.
- Future performance standards and greater customer expectations will place additional pressure on councils' performance.
- The survey data suggests that current Drinking Water Standards and wastewater resource consent conditions are not always met, suggesting that the case will be similar or worse when additional standards are imposed.

Exploring the issues facing New Zealand's water, wastewater and stormwater sector.

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# Funding options for three waters - Why worry?

- Providing end-users with the right incentives to use
- water infrastructure and services efficiently.
- Most councils use rates to charge customers for three waters services, which obscures the link between the end-user's price and the costs involved in delivering the service.
- Only a small group of councils have implemented alternatives to provide better incentives to end-users, even though these would be particularly beneficial to councils with increasing demand, limited knowledge of network performance, scarce water supply or high treatment costs.

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# Funding options for three waters - What's the issue?

- Aging assets
- Legacy of 'poor' asset management
- Increased water quality requirements
- Increased consumer demand
- Population growth / decline
- Greater Resilience / sustainability
- Assets are deteriorating
- Lack of maintenance renewal in the past
- Depreciation not funded generating a large deficit for renewals or replacement



# Funding options for three waters - options

- **Now**
  - Rates
  - Metres including a percentage allocated for waste water
  - Some PPP types (BOOT)

# Funding options for three waters - options

- **Future**
  - Central government based on?
    - Water quality?
    - Subsidised water schemes?
    - An hypothecated fund?
  - Rates
  - Consumer education – reduced consumption
  - Metres – consumer pays
  - Organisational savings
    - Reduced spend by enhanced efficiency
    - Enhanced shared services
    - CCO



# Funding options for three waters - Wellington Water

- Wellington Water is jointly owned by Greater Wellington Regional Council and Hutt, Porirua, Upper Hutt and Wellington city councils.
- A council owned, shared service organisation, providing three waters network management services to their clients, who are also the shareholders.
- Funded by councils from their annual plans. Rates and commercial metering.

# Funding options for three waters - Watercare

- A council controlled organisation, wholly owned by the Auckland Council. The council appoints the board of directors who in turn appoint the chief executive.
- Watercare does not receive any funding from property rates paid to the Auckland Council.
- All the money received from customers goes into operating, maintaining and expanding the infrastructure. Watercare do not receive any additional funding from Auckland Council or the government.

# Funding options for three waters - Joined up thinking

- **Joined up thinking**
  - Hamilton City, Waikato District and Waipa District Council
    - Reduced spend by enhanced efficiency
    - Enhanced shared services
    - Assets vested in a joint CCO

Business Case for Water Services – Delivery Options,

May 2015

# Funding options for three waters - Conclusions

- There is currently no central government fund to support the construction, maintenance and renewal for other assets that have both a national and local benefit.
- For example - Clutha District Council is required to upgrade their water supply assets as a result of legislative changes to drinking water standards, when the cost benefit is negative.

# Funding options for three waters - Conclusions

- Principle based partnership - it requires central government  
*‘to fully consider the costs and benefits of decisions for local government and to provide cofunding where policy proposals have significant national as well as local benefit.’*
- To maintain our standard of living, the level of service provided by both local and central government - concentrate on those activities or policy requirements that truly deliver value for money and delivers a positive cost benefit.
- Develop realistic funding models.

# Funding options for three waters - References

- Exploring the issues facing New Zealand's water, wastewater and stormwater sector, An issues paper prepared for LGNZ by Castalia Strategic Advisors, October 2014
- INFRASTRUCTURE EVIDENCE BASE, Urban Water, February 2014
- Business Case for Water Services – Delivery Options, Cranleigh, Mott MacDonald, Martin Jenkins for Hamilton City Council, Waikato District Council and Waipa District Council, May 2015
- Local Government funding review, February 2015
- Wellington Water
- Watercare



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