

Moving to a more financially sustainable water sector – a New Zealand perspective

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Overview

- Set the scene – New Zealand, reform drivers, General Election
- Key elements of Local Water Done Well
 - Water Services Delivery Plans
 - Financial sustainability
 - New water service delivery models
 - Economic regulation
- Need alignment on goals
- Transparency of performance
- Summary thoughts

Background

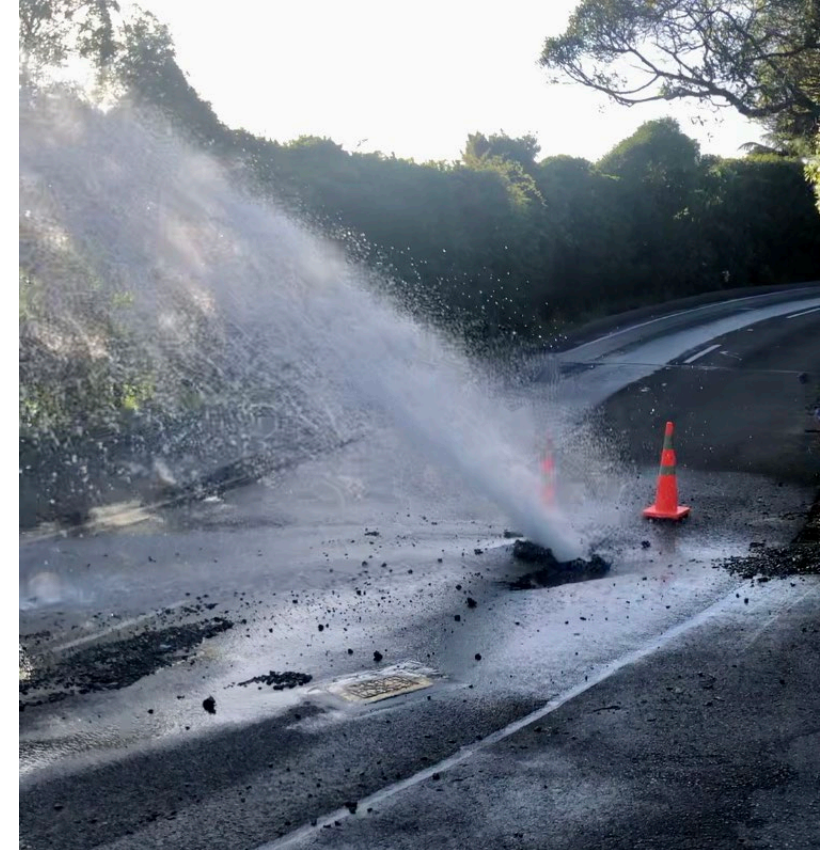


- 5.3 million people (2023).
- Auckland (~1.7 million people)
 - [Watercare Services Limited](#), a Council Controlled Organisation provides drinking water and wastewater services.
 - Auckland Council provide stormwater services.
- Rest of the country: 66 councils provide drinking water, wastewater and stormwater services.

Reform drivers



Havelock North contamination event in 2016



Infrastructure deficit

General Election: October 2024

Labour Government

Mandated the
creation of 10 Water
Services Entities



National, ACT, NZ First Coalition Government

Feb 2024 repealed
establishment of 10
Water Services
Entities

Introduced "Local
Water Done Well"

Local Water Done Well

“Given the scale and urgency of challenges facing water services for communities across the country, I expect councils to develop and implement plans for financially sustainable water services as soon as possible.”

Hon Simeon Brown
Minister for Local Government

Key elements of Local Water Done Well



Water Services Delivery Plans

Current State

- Who receives water services
- Current state of network and assets
- Levels of service
- Current and future regulatory requirements

Financial projections

- Operating costs and revenues
- Capital expenditure
- Borrowing
- Compliance with ring-fencing requirements

Delivery arrangements

- Asset management approach
- Issues, constraints and risks impacting delivery
- Anticipated or proposed delivery model
- Implementation plan

Certifications and commitments to implement changes

Financial Sustainability

Revenue sufficiency

- Is there sufficient revenue to cover the costs (including servicing debt) for water services delivery?

Investment sufficiency

- Is the projected level of investment sufficient to meet regulatory requirements and provide for growth?

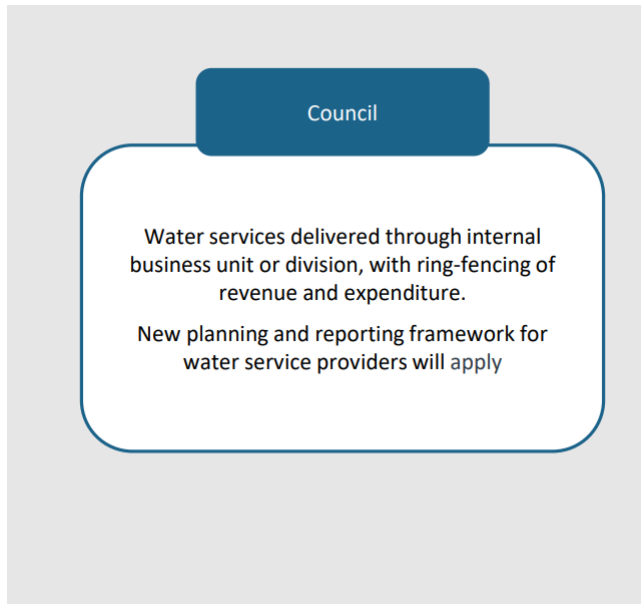
Financing sufficiency

- Are funding and finance arrangements sufficient to meet investment requirements?

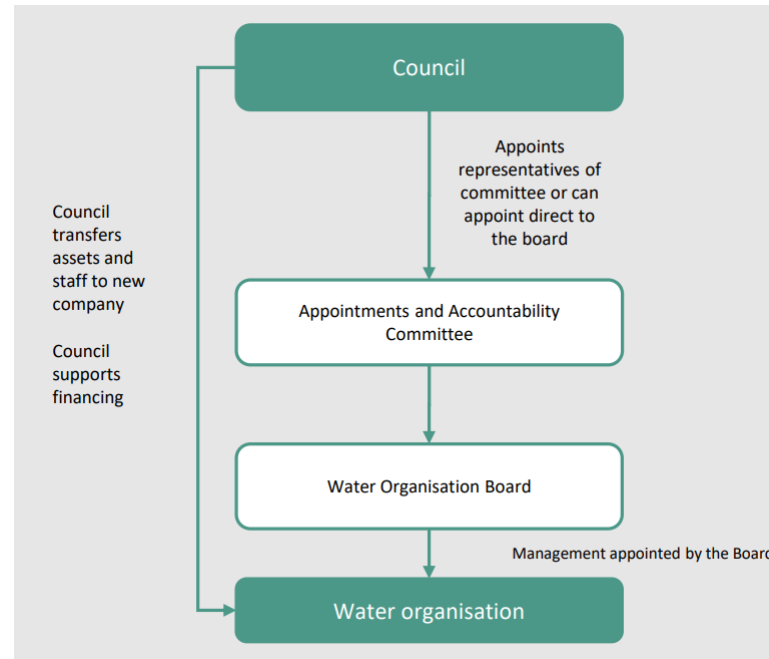
Revenue raised for water services must be ringfenced to meet costs of delivering water services

New service delivery models (1)

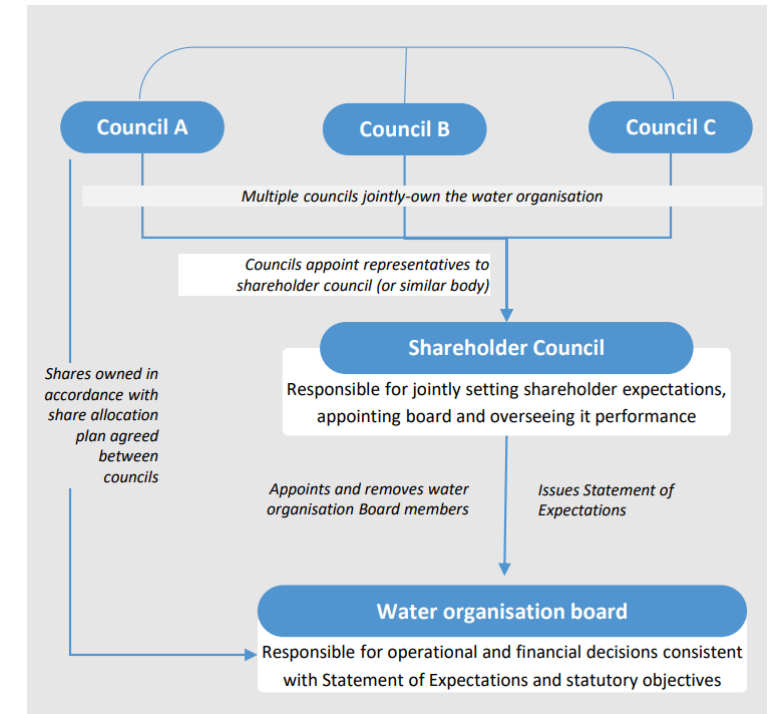
Internal business unit or division of Council



Single council: Council controlled organisation (CCO)

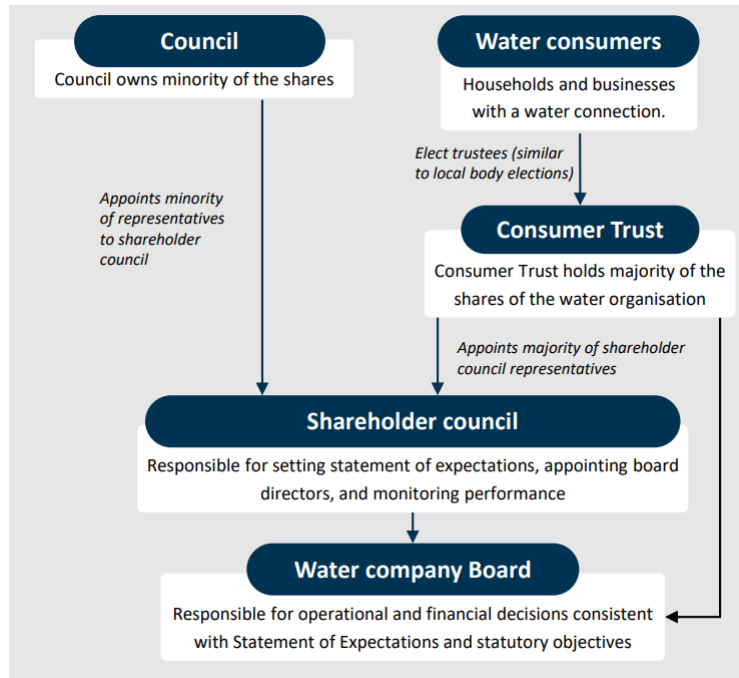


Multi-Council: Council controlled organisation (CCO)

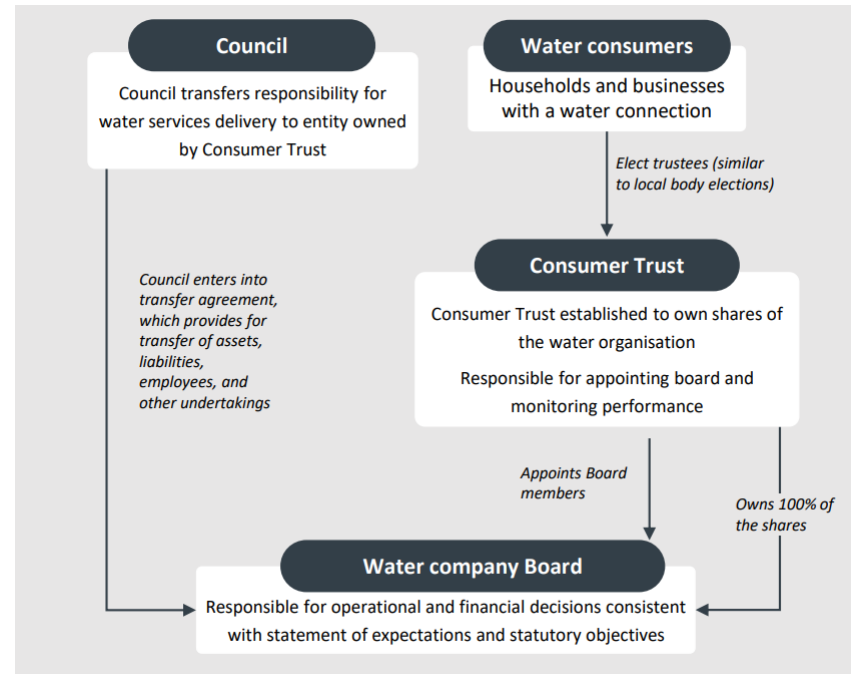


New service delivery models (2)

Mixed council/consumer trust owned water organisation



Consumer trust water organisation



Economic regulation

Information disclosure

All local government providers to publicly disclose information in a prescribed form

- Initial requirements to be set early 2026
- Foundational informational disclosure first

Discretion to apply additional tools

- Revenue thresholds (from early 2026 where necessary)
- Monitoring and enforcement of financial ringfence
- Quality standards & performance requirements
- Price quality regulation

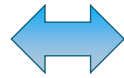
Consumer protection

- Complaints regulations
- Dispute resolution regulations
- Service quality codes

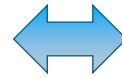
Economic regulation is a well used regulatory tool for other monopoly utility sectors in New Zealand

Need alignment on goals

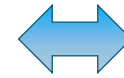
Government



Regulators



Utilities

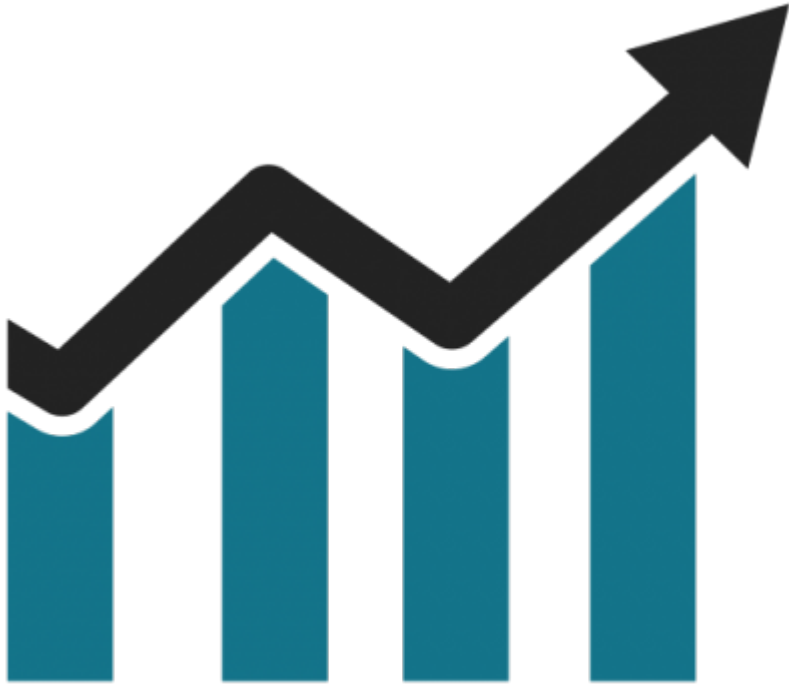


Customers



Affordability, environmental performance, levels of service, time frames, climate adaptation, sustainability....

Transparency of performance is critical



Communities need to understand

- Risks to public health
- Risks to environmental health
- Aging and failing infrastructure
- Lack of resilience

Need to share insights for perceptions of the need for change to occur

Achieving financial sustainability...

1. Doing nothing (for Councils in New Zealand) is not an option
2. Financial sustainability rules, water services accountability frameworks and economic regulation will change the game
3. All stakeholders must be part of the journey (government, regulator, regulated utility, customers and community)
4. Need to achieve balance across quality, environmental and economic regulation – levels of service, investment horizons