

Call for national water asset policy

While the Local Government Act 2002 Amendment Bill is currently in select committee, other government agencies are concerned at inefficiencies in council infrastructure data and the difference between their forward budgets and what they spend. By **Alan Titchall**.

“**U**nlike the Transport Agency, which has a highly sophisticated and regulated way of doing roading business, water infrastructure provision in this country provides plenty of scope for improvement.”

This was the opening statement made by Water New Zealand Chief John Pfahlert at the 2016 Civil Contractors New Zealand Conference.

John was a guest presenter at the conference talking about the scale of investment in water infrastructure in this country and the opportunities for civil contracting. His association represents the interests of the three waters – waste, storm and drinking water – and many of its members work for local authorities.

Water New Zealand is also involved in collecting water infrastructure data from our 67 different district and city councils. This annual survey is ‘voluntary’ and the last survey only covered 41 councils (albeit the major urban ones). John says the association is hoping this year’s survey will attract over 50 council participants. This is the only survey to collect such vital information, he adds.

“Nor is there any central Government or national agency in charge of water infrastructure performance (expenditure, design and build), even though this is a ‘big ticket item’.

“The national water spend and local roading makes up, on average, about half of council expenditure each year – evenly split 50/50.”

Without a national water asset programme in place (such as we do with roading), mistakes are not uncommon, as in the failed Whanganui wastewater plant.

The association’s annual national performance review collects a host of information, some of it around expenditure and some around the performance of three waters assets (the reporting does not get down to individual project level). The results are published on the Water New Zealand website. The last survey was 2014-2015.

“The total spend between participating councils was \$2.2 billion for that year, with some large urban centres such as Auckland exhibiting big growth-related expenditure in areas such as new subdivisions,” says John, adding that New Zealand councils collect and spend considerably less than their counterparts across the ditch in Australia.

Over the next decade councils plan to increase water infrastructure budgets by over 30 percent (3.3 percent compounding increase per annum), says John.

“This totals about \$41 billion on capital works over the next 10 years. Around \$8 billion of this will be made up of new assets, and about \$13 billion will be spent on improving



Water New Zealand Chief John Pfahlert

existing assets and services. Some \$20 billion across the country will be spent on replacing existing assets as they age.”

Discrepancies between budgets and spending

The Government is increasingly putting pressure on councils to produce 10 to 30 year infrastructure plans.

“Yet, a problem we face as a country is that only 64 percent of council budgets have been actually spent, so this is a real disconnect. The Office of the Auditor General is starting to take a considerable interest in what councils say they are going to spend in their forward documents and what is actually spent.”

The implication, he says, is that councils are collecting the budgeted money from ratepayers, but aren’t spending it or spending it on other areas. “There’s been a lot of interest from Treasury in particular on this ‘disconnect’.”

John says that an Auditor General report identified a \$7 billion difference, over the next seven years, between what councils are budgeting to spend and what they are on-track to spend.

“The AG office is starting to look more closely at individual councils and ask why this is happening and what are you doing wrong?”

One reason for budget/spend discrepancy, he says, is the number of rural councils facing a declining rate-paying stream.

“Work done by Local Government NZ as part of its three waters programme identified that about a third of councils face a declining rate-paying community – some 18 districts have been identified with declining populations. What incomes are there are also static, reducing the capacity for councils to collect rates and invest money in water renewals.”

John notes that Local Government NZ’s attempts to open a dialogue with Government about new funding streams for councils (other than rates) have been thwarted.

“The Local Government association produced a think piece last year on alternative funding to rates and it took about 30 minutes from the time this document hit the media to the Prime Minister issuing a statement effectively saying, ‘I am not having any of that, thank you very much and we don’t want to

give local government broader powers to collect revenue’.

“So there isn’t any easy answer to the question of infrastructure funding for small councils.”

Treasury, he adds, is also concerned about the fact about a third of councils might not be able to afford the cost of asset replacements.

“The penny has dropped with Treasury that it might end up being the funder of last resort for these councils.”

Renewal guess work

Unlike roading where repairs are ‘obvious’, water assets are mostly underground, which means owners can take a ‘just in time’ approach to asset management.

“In many cases we don’t know how long these assets are going to last and a lot of infrastructure was built underground in the 1950s and 1960s. Unfortunately, 80 percent of determination wherever a water pipe fails is based on how well it was originally laid by the contractor,” says John.

National water infrastructure policy

The NZTA, notes John, collects and reports detailed information about local roading and has a big say in asset management. “If you want the NZTA roading subsidy it’s done the NZTA way or councils pick up the full cost.

“Yet there is no consistency in how local government information is gathered, stored and analysed for water

infrastructure, and no consistent national water asset management policy.

“If you want to build a wastewater plant you can choose any design and supplier – it’s entirely a local choice. There is no requirement on how to approach asset management.”

As a result, the country has seen a number of spectacular water project failures such as Whanganui, John says.

“This council spent \$33 million of ratepayers’ money on a wastewater treatment plant that couldn’t cope. They decommissioned it and went back to drawing board [the council has given the green light to a new project that doesn’t try and combine all parts of it wastewater treatment functions in one lagoon].

“Treasury looks at these things sideways and over the past year has been developing a set of data standards with the NZTA, Water New Zealand, and MBIE (on behalf of commercial buildings) to improve the way in which councils collect, store and report on the information to do with roading, building and water assets.

“Hopefully it is going to provide us with a much better set of information and reportage.”

These new standards are expected to be rolled out from the middle of next year, he says.

“The problem is that the central Government does not want to pull a regulatory lever, but only wants to ‘encourage’ councils to use these new standards.” **WZN**