

24 January 2025

Water Services Authority – Taumata Arowai
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Submission on Water Services Authority – Taumata Arowai levy for councils and CCOs

Tenā koe,

Thank you for the opportunity to provide feedback on this proposed levy. The Kāpiti Coast District Council supports changes to water services delivery which improve outcomes for people and the environment, and which ensure an equitable funding model into the future. We welcome the work of Taumata Arowai in supporting water services entities to deliver these improvements.

This is, however, another cost that government is passing on to councils to collect from ratepayers. We are generally opposed to collecting revenue for services that we ourselves are not controlling or delivering. This is partly because of the potential for public confusion this may generate around who is accountable – particularly when residents cannot see a clear benefit from the levy. If a levy is to be imposed, it is necessary that any subsequent billing of residents is as transparent as possible for residents to understand where their money is going and what they are getting for it.

We make several comments in relation to the consultation questions posed and provide our responses below.

1. What are the most important issues that you/your organisation believes should be addressed by the Authority?

The Kāpiti Coast District Council is supportive of the work of the Authority. We recognise its' work as important for lifting outcomes for all New Zealanders.

We believe that the Authority should be focused on the development and application of cost effective and easy to use water standards. In doing so, a balance needs to be struck between ensuring water quality and safety against the need to manage the compliance burden on councils and the cost to ratepayers.

We also request the Authority focus on ensuring fair regulatory coverage. While it is a positive first step to include councils and CCOs as the largest network providers, it still leaves out a significant number of private, rural and Crown suppliers who provide water for a substantial number of people. These providers ultimately benefit from the work of the Authority and should contribute their fair share of its' costs.

2. How would you like the Authority to engage with you/your organisation?

We look forward to continuing our constructive working relationship with the Authority. It's important that any new standards or requirements are developed in partnership with local government to tap into the wealth of knowledge that sits across the sector. We would like to meet regularly with the Authority to contribute to and stay informed of the changes the Authority plans to introduce.

We particularly welcome any conversations or guidance which would deal with the most appropriate way to collect the levy from ratepayers. We are interested in seeing a uniform collection process to promote consistency and fairness between water services entities.

3. Do you/your organisation have views on the preferred option detailed in the Levy Structure section of the discussion document?

We can understand why the preferred option keeps the level of Crown funding the same. It makes sense to recover some portion of the costs directly from service users rather than through the general taxation. However, we believe that the Crown portion of the Authority's costs should be higher than is currently proposed.

The discussion document points out that local government water services currently serves 84% of the population. However, the apportionment of the levy will see territorial authorities and their ratepayers paying for 100% of the population. The current method does not separate nor recognise the subsidisation of private and Crown suppliers that would occur.

The Crown share of the costs appears to be based on a straight transfer of the previous Ministry of Health budget for drinking water regulation. This method is imprecise and does not accurately capture the level of public good in three waters regulation. Given that almost all New Zealanders access water services, we would argue that there is a strong case for the regulator's funds to be sourced centrally, rather than pushing the collection of this levy to local government.

Alternatively, we would like to see the Authority consider a higher Crown share of the levy. This could be a figure closer to the 74% suggested through the application of the Treasury's *Guidelines for Setting Charges in the Public Sector*.

The way the levy is being apportioned, and the Crown contribution also differs when compared with the proposed Commerce Commission levy. We would like to see consistency between the two levies as much as possible to support ease of implementation for local government and fairness for consumers.

4. Do you/your organisation agree with the focus, in the first levy period, on councils?

We can understand why the Authority is considering limiting the levy to councils and CCOs in the first levy period. There would be additional expense and complexity in attempting to levy all private and Crown suppliers. However, the result of doing this is that those on council schemes will end up subsidising the cost of regulation for private suppliers.

If the Authority intends to distribute the levy in this way, we would like to see transparency in its reporting of the number of people being supplied by private and Crown schemes and the cost of regulating them. We suggest the Authority considers a higher portion of Crown funding to minimise the level to which ratepayers on reticulated supplies end up subsidising those on private and Crown schemes.

It is our view that the levy should be introduced once the Water Services Delivery Plans (WSDP) are in force. Alignment of the levy with WSDP implementation would make the most sense by enabling any new service delivery arrangements in an area to be reflected in levy apportionment. While doing this does not necessarily align with the relevant financial year, it may avoid transitional arrangements and a need to change how the levy is collected following the WSDPs coming into effect. It would also give water services entities additional time to plan for levy implementation.

5. Would splitting the levy between drinking water, wastewater and stormwater result in any benefit for your organisation, or create any barriers (whether now or in the future)?

We support separating levies for the three different water activities (drinking water, wastewater, stormwater) being regulated. This adds transparency and allows attributable costs to be accurately identified across drinking water, wastewater and stormwater. It is also most likely to reflect the fairest apportionment of the levy when collected from ratepayers.

We do not believe that splitting the levy will create barriers for us but request that the Authority consider how to make the levies as easy to understand as possible – both for councils and residents. This will support ease of implementation and a better socialisation of the levy with the residents who will ultimately be paying for it.

6. Do you/your organisation have any comments on the preferred option of an apportionment approach of charging the levy on a per-person rate?

We consider the per person approach of using 2023 Census data to be a reasonably fair approach of apportioning the levy. Using this approach, while the levy is applied to councils and CCOs, means that the total population is factored into the apportionment only once.

However, we would expect this method would change if private and Crown suppliers become liable for levy payments. A population-based approach would no longer make sense as those on private schemes would be reflected in the calculation for both the council and the relevant scheme.

If these suppliers are to be included, we would prefer that the levy for councils be calculated based on Separately Used or Inhabited Parts of a rating unit (SUIP). This would align with rates collection for water services and is the method most likely to be used by councils to

collect the levy. SUIP is a commonly used tool in council rating practices and could be easily reported to the Authority. It also means that councils would be levied based on the scale of their water network. Some districts, including Kāpiti, have a high number of private suppliers or non-reticulated properties which are not rated for water. This is most likely to occur in areas with a high rural population.

Consideration should also be given as to whether levies should differentiate between residential and non-residential service users. Non-residential users for example, may place larger demands on networks and be more complex for providers to regulate.

7. Would the proposed apportionment approach create any challenges for your organisation?

The apportionment approach does not create any challenges for our Council.

8. Do you/your organisation see any issues with your implementation of the levy (receipt of invoices, payment and passing the cost on as you may determine)?

The main issue for Council would be determining the best way to pass on costs to service users. In practice we are most likely to apply the charges on a SUIP basis for those connected to drinking water and wastewater services. This would also need to consider how the cost would be split over the fixed and volumetric charges we apply for water. The ratio of collection from each source was the source of much scrutiny when originally set in Kāpiti. Splitting the levy across our current fixed/volumetric charging ratio is one approach we would consider to promote equity by ensuring that large or non-residential users pay a higher share of the total cost compared to residential or low water users.

For stormwater, we are most likely to add this to the amount for properties being charged a stormwater rate. This data is readily available to us and the additional charges would be straightforward to implement.

For example, we currently apply fixed charges for water and wastewater based on the following data (correct as of 30 June 2024).

		No. of Properties	No. of SUIP
Drinking Water	Residential	22826	24655
Drinking Water	Non Residential	1479	2123
Drinking Water	Total	24305	26778
		No. of Properties	No. of SUIP
Wastewater	Residential	20103	23179
Wastewater	Non Residential	953	4408
Wastewater	Total	21056	27587

9. Would the proposed implementation approach create any challenges for your organisation?

Implementing this levy will require us to communicate with our ratepayers. Councils being responsible for collecting additional levies adds to an already significant rates burden and increases cost pressures being faced by residents.

Some residents may not see this as a charge imposed by a Central Government agency but rather another charge being introduced by local government. We would clearly signal our role as an intermediary regarding this levy in any communications with residents and ask that central government also communicate the benefit of these additional charges and provide transparency as to their purpose.

10. Do you/your organisation have a preference for when the levy should be reviewed next?

We prefer the levy being viewed every three years to align with local government long term plan processes. To allow any changes to be accurately reflected in consultation materials, these changes should be issued in advance of plan consultation. This would need to occur by the end of the calendar year prior to a plan being completed. For example, levy changes should be announced by the end of 2026 for plans coming into force from 1 July 2027.

Thank you again for the chance to comment on the proposed levy. We look forward to receiving the final arrangements soon.

Ngā mihi,

A handwritten signature in black ink, appearing to read 'Darren Edwards', written over a white background.

Darren Edwards
Chief Executive
Kāpiti Coast District Council