ORDINARY MEETING

of

Council

AGENDA

Time:	9:30 am
Date:	Wednesday, 13 November 2024
Venue:	Waiata House, 27 Lincoln Road, Masterton

MEMBERSHIP

Mayor Gary Caffell (Chairperson)

Councillor Bex Johnson
Councillor Craig Bowyer
Councillor Brent Goodwin
Councillor David Holmes
Councillor Tom Hullena
Councillor Stella Lennox
Councillor Tim Nelson
Councillor Marama Tuuta

RECOMMENDATIONS IN REPORTS ARE NOT TO BE CONSTRUED AS COUNCIL POLICY UNTIL ADOPTED

Values

1. **Public interest:** members will serve the best interests of the people within the Masterton district and discharge their duties conscientiously, to the best of their ability.
2. **Public trust:** members, in order to foster community confidence and trust in their Council, will work together constructively and uphold the values of honesty, integrity, accountability and transparency.
3. **Ethical behaviour**: members will not place themselves in situations where their honesty and integrity may be questioned, will not behave improperly and will avoid the appearance of any such behaviour.
4. **Objectivity:** members will make decisions on merit; including appointments, awarding contracts, and recommending individuals for rewards or benefits.
5. **Respect for others:** will treat people, including other members, with respect and courtesy, regardless of their ethnicity, age, religion, gender, sexual orientation, or disability. Members will respect the impartiality and integrity of Council staff.
6. **Duty to uphold the law:** members will comply with all legislative requirements applying to their role, abide by this Code, and act in accordance with the trust placed in them by the public.
7. **Equitable contribution:** members will take all reasonable steps to ensure they fulfil the duties and responsibilities of office, including attending meetings and workshops, preparing for meetings, attending civic events, and participating in relevant training seminars.
8. **Leadership:** members will actively promote and support these principles and ensure they are reflected in the way in which MDC operates, including a regular review and assessment of MDC's collective performance.

These values complement, and work in conjunction with, the principles of section 14 of the LGA 2002; the governance principles of section 39 of the LGA 2002; and our MDC governance principles:

Whakamana Tangata	Respecting the mandate of each member, and ensuring the integrity of the committee as a whole by acknowledging the principle of collective responsibility and decision-making.
Manaakitanga	Recognising and embracing the mana of others.
Rangatiratanga	Demonstrating effective leadership with integrity, humility, honesty and transparency.
Whanaungatanga	Building and sustaining effective and efficient relationships.
Kotahitanga	Working collectively.

Order Of Business

The Chairperson will open the meeting with the karakia

Karakia timatanga

Kia tau ngā manaakitanga a te mea ngaro	Let the strength and life force of our ancestors
ki runga ki tēnā, ki tēnā o tātou	Be with each and everyone of us
Kia mahea te hua mākihikihi	Freeing our path from obstruction
kia toi te kupu, toi te mana, toi te aroha, toi te Reo Māori	So that our words spiritual, power, love and language are upheld
kia tūturu, ka whakamaua kia tīna! Tīna!	Permanently fixed established and understood
Hui e, Tāiki e!	Forward together

At the appropriate time, the following karakia will be read to close the meeting

Karakia whakamutunga

Kua mutu ā mātou mahi	Our work has finished
Mō tēnei wā	For the time being
Manaakitia mai mātou katoa	Protect us all
Ō mātou hoa	Our friends
Ō mātou whānau	Our family
Āio ki te Aorangi	Peace to the universe

1 CONFLICTS OF INTEREST

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

2 APOLOGIES

The Chair invites notice from members of:

- leave of absence for future meetings of Masterton District Council
- apologies, including apologies for lateness and early departure from the meeting where leave of absence has not previously been granted.

3 PUBLIC FORUM

4 ITEMS NOT ON THE AGENDA

The Chairperson will give notice of items not on the agenda as follows:

Matters requiring urgent attention as determined by resolution of the Council

- The reason why the item is not on the agenda; and
- The reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor matters relating to the general business of Council

No resolution, decision or recommendation may be made in respect of the item except to refer it to a subsequent meeting of Masterton District Council for further discussion.

5 CONFIRMATION OF COUNCIL MINUTES

Nil

6 COMMITTEE REPORTS

Nil

7 REPORTS FOR DECISION

7.1 LOCAL WATER DONE WELL - WELLINGTON REGION WATER SERVICES DELIVERY PLAN

File Number:

Author: **Kym Fell, Chief Executive**

PURPOSE

The purpose of this report is to update Council on developments with the Government's Local Water Done Well programme and to seek direction on which options for a water services delivery model to develop for consultation with the community in March 2025.

RECOMMENDATIONS

That Council

1. **Receives** the report.
2. **Notes** the legislative changes enacted under the Government's programme, Local Water Done Well through the Local Government (Water Services Preliminary Arrangements) Act 2024, to address long standing water infrastructure challenges which includes:
   (a) the requirement for Councils to produce a Water Services Delivery Plan and accompanying implementation plan by 3 September 2025
   (b) ensuring water services are financially sustainable; and
   (c) greater central government oversight through economic and quality regulation.
3. **Notes** that the Government intends to introduce further water services legislation in December 2024 to be enacted in mid-2025 that will establish the economic and regulatory oversight regime for water services.
4. **Notes** that Council is required by the Local Government (Water Services Preliminary Arrangements) Act 2024 to consider and consult with the community on at least two options for the future delivery model for water services, being an enhanced status quo model, and a water services council-controlled organisation or joint services arrangement.
5. **Agrees** to exit the Wellington region water services delivery joint arrangements.
6. **Agrees** to continue the development of the Wairarapa and Tararua (Wai + T) water services delivery joint arrangement for three waters for consultation with the community and **notes** the Chief Executive will draft an agreement with participating councils for Council's consideration in December 2024.
7. **Agrees** not to develop a Masterton water services council-controlled organisation model for three waters for consultation with the community.

CONTEXT

Local Water Done Well Legislative and Policy Framework

Local Water Done Well is the Government's plan to address New Zealand's long-standing water infrastructure challenges. It recognises the importance of local decision making for communities and provides councils with a framework to determine how their water services will be delivered in the future. There is a strong emphasis on meeting economic, environmental and water quality regulatory requirements.

The Local Government (Water Services Preliminary Arrangements) Act 2024 (“the Act”) was enacted on 2 September 2024. The Act requires all councils to prepare a Water Services Delivery Plan (WSDP), including an adopted service delivery model, and submit the plan to the DIA for approval no later than 3 September 2025. Through the development of WSDPs, councils will provide an assessment of their infrastructure, how much needs to be invested and how they plan to finance and deliver it through their preferred water service delivery model.

The WSDP will comprise an effective transitional document to inform a programme of sustained change. A template provided by the DIA for the WSDP is included as Attachment 1.

The Government intends to introduce further water services legislation in December 2024 to be enacted in mid-2025 that will establish the enduring settings for the new water system including the economic and regulatory oversight functions.

The combined legislation will set minimum requirements for service delivery models that include:

- new economic environmental and water quality regulations
- a new planning and accountability framework
- financial sustainability objectives
- new statutory objectives consistent for all water providers
- restrictions against privatisation.

Council is required under the legislation to consider options and determine a preferred water service delivery model. Options may include:

- An internal business unit or division
- A single council-controlled water organisation
- A joint council-controlled water organisation (including or excluding stormwater)
- A mixed council/consumer trust owned organisation
- A consumer trust owned organisation.

DIA guidance on the framework can be found in Attachment 2.

In the instance where a CCO is established, MDC would become a shareholder of the CCO. In all cases the revenues, assets, expenses and debt for water services must be separated or ringfenced from all other Council services. This will mean the entity operates separately and collects revenue directly from connected and serviceable properties. In the case of stormwater, the costs are currently recovered by way of targeted rates across the urban area and beach settlements.

MDC’s water and wastewater services are currently funded 100% through targeted rates on connected and/or serviceable properties using fixed charges and capital value (CV). The Council is planning to move away from the use of CV rating for water supply, towards charging by metered usage for water in the urban area. Whatever the shape of the separate entity, they will not have rating powers, so assumptions need to be made about what tools they will use to raise the revenue they need.

The Act requires that water services be delivered in a financially sustainable manner, by 30 June 2028. In order to meet anticipated increased investment needs, on 8 August the Government and LGFA announced that the LGFA CCO lending framework will be extended to new water organisations that are financially supported by their parent councils. This framework will enable borrowings up to a level equivalent to 500% of operating revenues ratio of the CCO, subject to prudent credit criteria. This is significantly higher than the Council's limit which will remain at 175% limit. The purpose of the lending framework is to enable long term financing of infrastructure and to spread these costs over the life of the assets.

Stormwater

Under the Act councils will retain legal responsibility and control of storm water services but have flexibility to choose the arrangements that best suit their circumstances. The matters to consider for councils who elect to retain stormwater outside of any joint arrangements are:

- The technical waters expertise that would have to remain internal to council to continue delivering it in-house and how this would be separated out from the rest of the water expertise;
- How stormwater will be funded given the Council will not have the advantage of head room created by the uplift in LGFA funding for CCOs.
- How this might undermine the benefits that come from a whole-of-catchment approach which are a key strategic benefit to joint entities.

Whatever a council chooses, they will remain responsible for stormwater. This includes setting the level of service and collecting rates for stormwater. A council has the flexibility to pass over the management of the stormwater assets to a water services entity which would likely be done by way of a service level agreement and expectations spelt out in a letter of expectation.

Given the work required to be undertaken on the MDC stormwater network (Stormwater and Wastewater Strategy Project), the unknown state of the network through an asset management lens, alongside the expected magnitude and cost of addressing stormwater issues, it is assumed any water services model developed will be for all three waters.

Wastewater

The Government is proposing changes relating to the wastewater environmental performance standards that are being developed by the Water Services Authority – Taumata Arowai.

The Government's intention is to replace the National Policy Statement for Freshwater Management (NPS-FM) to rebalance Te Mana o te Wai, to better reflect the interests of all water users. This does not mean that the environmental requirements for discharges to freshwater or coastal water will be lower – it will, however, enable a consistent approach for consenting the discharge of wastewater from treatment plants.

Consultation Requirements

Under the Act, before making a decision on a preferred water services model, Council must consult with the community on at least two delivery options including:

- Remaining with the existing approach (or an "enhanced status quo" which in MDC's case is a mix of internal and external service provision, which must then be enhanced to meet additional regulatory requirements); and
- A single or joint council-controlled water organisation or joint local government arrangement.

Council may decide to include additional options for consultation.

Development of Joint Arrangement Options

Following Council's earlier direction, officers have been investigating two joint arrangement options for a joint council-controlled water organisation; a Wellington Regional option with the eight Wellington Regional territorial authorities, Greater Wellington Regional Council and Horowhenua District Council; and a Wairarapa and Tararua (Wai+T) option that includes the three Wairarapa Councils with the option of including Tararua District Council. In addition, Kapiti Coast and Horowhenua District Councils are considering a joint arrangement with Palmerston North City Council and Tararua District Council is investigating a Whanganui and Manawatu Regional (7 council) option.

Councils participating in the joint arrangement investigations are being asked to confirm their ongoing participation, or not, in October/November 2024 so the councils remaining in the arrangements can remodel the finances where necessary and progress arrangements for consultation before or alongside Annual or Long-Term Planning in March/April 2025.

Entering Joint Arrangements

There will be a raft of matters for consideration by each shareholding council when preparing to enter a joint arrangement with other shareholding councils. There will be a variety of stages and mechanisms at which councils may be able to set out expectations, i.e. use of legal instruments will be necessary in some cases, charters or guiding principles in others, such as:

- Water Services Delivery Plan
- Shareholders Agreement
- Company Constitution
- Letter of Expectation
- Charter of some kind or Guiding Principles

The DIA have indicated that following the introduction of Bill 3 in December 2024, they will be releasing a pack that will assist Councils with guidance on what may be the most appropriate instruments to adopt, tools to use and any specific requirements or constraints as laid out in the Bill.

Early discussions regarding the governance approach to how to pragmatically get to an agreeable position for each council will be required.

ANALYSIS AND ADVICE

This section considers the options investigated by officers and provides a strategic analysis of those options so that Councils can decide on the options it wishes to consult on.

Wellington Region Joint Arrangements

On 4 October 2024, the Wellington regional team released the *Recommended regional approach to a joint Water Services Delivery Plan and delivery model* report ("Wellington Region Report" at Attachment 3). This outlines a recommended "best for region" concept-level delivery model a joint regional WSDP and WSCCO.

As noted, the actual scale of the proposed regional WSCCO depends on the individual participating councils deciding to remain in the grouping – the report has been prepared on the basis of the 10 councils participating.

Acknowledging that further work is required, the recommended delivery model is for a joint council-owned company, (that is a full-breadth water utility vested with ownership of all regional water assets, revenues and liabilities). This would have a similar structure to a CCO under the Local Government Act 2002 (LGA) but with reduced council oversight, enabling the company to have greater control and certainty over investment plans and clarity of accountability.

The delivery model has taken a network economic and financial modelling approach to determine investment and financial sustainability pathways. The approach estimates scenarios for capital investment and operating expenditure and then takes inputs from council's LTPs to produce financial statements using the outputs of the economic modelling. The report notes at page 2 the limitations of the network economic model, identified as the poor information on asset condition, lack of detailed engineering assessment of what is required to address water quality to match the proposed water quality standards, and uncertain growth investment.

The economic model concludes that addressing the significant backlog of investment, the need to meet new regulatory standards in water services infrastructure, to enable new housing growth and maintain the network, will require an estimated $15-17bn over the next 20-25 years.

Note that the investment required for the three Wairarapa councils is modelled using the network economic model at $450m in the first ten years, recognising that the model contemplates a remediation strategy that would be complete in 22 years but does not include the full costs of compliance by project (see Appendix 8 of the Wai+T report, referred to below).

The Wellington Region Report identifies a potential pathway to financial sustainability based on increased debt and pricing including opportunities to use new financing arrangements to help manage cost increases (page 11).

The report identifies opening debt to be approximately $2.3bn from 2027 but notes this is a placeholder amount subject to confirmation in the next stages of the project. The debt levels have been peer reviewed by a third party and the recommended transfer to the entity is $2.6bn including an equity adjustment for Wellington City Council.

The Wellington Region water network modelling was peer reviewed by an independent professional service advisor, Castalia. They identified several weaknesses with the model but were of the view that these can be resolved in the next phase of analysis and planning. See Attachment 4. A response to the peer review by the authors of the Wellington Region report is in Attachment 5.

The broad estimated establishment costs for the regional WSCCO for MDC are $5.12M.

The estimated operational costs for a regional WSCCO are significant and not comparable to other models currently. More work is required to determine what this potential number might be.

There are a number of benefits and opportunities to be considered in conjunction with the financial components. Further information can be found in the LWDW Benefits & Opportunities Analysis at Attachment 6**.**

Wairarapa / Wairarapa + Tararua Joint Arrangements

In July 2024, the Wairarapa District Councils and Tararua District Council agreed Terms of Reference to develop an alternative joint arrangement option for Council consideration (Wai+T model). The arrangement can be adapted to a Wairarapa-only arrangement should Tararua District Council decide to continue with the Whanganui and Manawatu Regional option only.

The Wai +T report included at Attachment 7 includes the high-level design of the WSCCO that would deliver water services under the joint arrangement (pages 12 - 14).

The report identifies at page 29 the investment approach adopted under the model as being based on existing Asset Management Plans, revised to better align with the new quality standards. The total of the first 10 years of 30-year investment is estimated at $559.94m (with $424m for the three Wairarapa councils in comparison with the Wellington region model being $450m for the three Wairarapa councils).

The report outlines (at page 29) an anticipated "win-win-win-win" agreement to accommodate what each council brings to the entity in terms of:

- Starting debt
- Investment needs
- Tariff expectations

This starting position flows into the price path presented in the pricing model outlined in the Water Infrastructure Reform Planning Report in Appendix 7 to the Wai+T report.

It should be noted that any cross subsidisation or harmonisation of tariffs will need to form part of the joint arrangement between participating councils and be decided by the Board of the WSCCO. There is no legal requirement to harmonise across shareholding councils.

The Department of Internal Affairs (DIA) have provided analytical guidance on the financial sustainability of the Wai+T WSCCO model (Attachment 8). The DIA conclude that the CCO would be financially sustainable and the transfer of water services into the Wai+T model for MDC could:

- Create $42 million of initial borrowing headroom for water services delivery to Masterton communities; and
- Create $30 million of new borrowing headroom for Masterton District Council. This new borrowing headroom could be used to fund non-water investment that is projected to be revenue funded, with a corresponding reduction in non-water rates requirements.

The additional capacity for water services through a Wai+T WSCCO could:

- Be retained for future requirements (i.e., with no change to LTP projected revenue or investment requirements); or
- Enable $64 million more capital investment over the LTP period at LTP projected revenues (+68%); or
- Eliminate 15% of projected rates requirements for water services over the LTP period ($28 million), generating savings of $300 per household per year; or

- Be applied to some combination of improved financial resiliency, increased investment and reduced prices.

The broad estimated establishment costs for a Wai + T model for MDC are $1.25M. The establishment costs are assumed to be debt funded and that debt passed over to the WSCCO once it is up and running.

- The estimated operational costs for a Wai + T WSCCO are $38.53M – an equal split of this assuming four shareholding councils will be $9.63M for MDC shareholding council.
- There are a number of benefits and opportunities to be considered in conjunction with the financial components. Further information can be found in the LWDW Benefits & Opportunities Analysis at Attachment 6.

Masterton District Council Water Services Council-Controlled Organisation

- A Masterton District Water Services Council Controlled Organisation would be an entity solely owned by the Masterton District Council as the single shareholder.
- In addition to the Water Services legislation and the economic and regulatory legislation a WSCCO is required to comply with the Local Government Act 2002, the Local Government Official Information & Meetings Act 1987 and the Ombudsmen Act 1975.
- As a separate entity the WSCCO will require the following:

Key Features – MDC WSCCO	
Legislative Tests	Financially sustainable by 2028 Meet the ‘revenue sufficiency’ test Meet the ‘investment sufficiency’ test Meet the future regulatory and economic requirements Transfer of assets and debt on day one
Ownership	Limited liability company, 100% owned by the council Ownership rights spelled out in a constitution, subject to compliance with legislation
Governance	Appointments made directly or via an Appointments and Accountability Committee (or similar body) Board comprised of independent and professional directors

Strategy	Shareholding council issues Statement of Expectations Water organisation prepares Water Services Strategy and consults the council
Accountability	Water organisation reports regularly to shareholding council on performance (for example quarterly) Water organisation prepares annual report containing audited financial statements, including reporting on actual performance, and other matters outlined in the water services strategy Water organisation required to act consistently with statutory objectives
Borrowing	Borrowing via council or from Local Government Funding Agency directly supported by council guarantee or uncalled capital
Operational	CEO Executive Team Premises Resource capability Organisation systems and processes for HR, payroll, billing, asset management system, hydraulic models, compliance tools, health & safety management etc. (all independent of the shareholding council)

The broad estimated establishment costs for a MDC WSCCO are $1.25M. The establishment costs are assumed to be debt funded and that debt passed over to the WSCCO once it is up and running.

The estimated operational costs for a Masterton WSCCO are $11.73M per annum which is not able to be shared with any other councils due to being a single owned entity.

The Department of Internal Affairs (DIA) have provided analytical guidance on the financial sustainability of the MDC WSCCO model (Attachment 9). DIA conclude that an MDC WSCCO would be financially sustainable and the transfer of water services into the MDC WSCCO could:

- Create $42 million of initial borrowing headroom for water services delivery to Masterton communities; and
- Free up $30 million of borrowing headroom for Masterton District Council. This new borrowing headroom could be used to fund non-water investments that are projected to be revenue funded, with a corresponding reduction in non-water rates requirements (subject to balanced budget requirements).

The additional capacity for water services through an MDC WSCCO could:

- Be retained for future requirements (i.e., with no change to LTP projected revenue or investment requirements); or
- Enable $64 million more capital investment over the LTP period at LTP projected revenues (+68%); or

- Eliminate 15% of projected rates requirements for water services over the LTP period ($28 million), generating savings of $300 per household per year; or
- Be applied to some combination of improved financial resiliency, increased investment and reduced prices

There are a number of benefits and opportunities to be considered in conjunction with the financial components. Further information can be found in the LWDW Benefits & Opportunities Analysis at Attachment 6.

Masterton District Council Enhanced Status Quo

Under this option, water services would be delivered directly by MDC using the same hybrid approach of a mix of internal and external service provision, but the internal service provision would be a stand-alone business unit or division. Planning and budgeting would be integrated into Council planning and budgeting processes. This option will be subject to new ring-fencing and sustainability requirements, and economic regulation. This will include new planning and reporting frameworks for all water service providers.

Key Features – Enhanced Status Quo	
Legislative Tests	Financially sustainable by 2028 Meet the ‘revenue sufficiency’ test Meet the ‘investment sufficiency’ test Meet the future regulatory and economic requirements
Ownership	100% council owned as a business unit or division within MDC No new organisation is established
Governance	Internal business unit or division responsible, via the CE to the elected council members, with other usual council governance oversight
Strategy	Councils will need to prepare a Water Services Strategy
Accountability	Water business unit or division reports to council per established internal processes Water service delivery will be accountable to the public through usual local democracy practices Water-focused annual report and stand-alone financial statements on water will be completed to enhance current requirements

Borrowing	Borrowing undertaken by council with water activity groups meeting their share of financing costs (on both external and internal borrowing)
Operational	Similar to current service provision, with the likely need to include a regulatory team to meet future compliance requirements from the economic regulator.

The broad estimated establishment costs for a MDC stand-alone business unit are $0.5M.

The estimated operational costs for an MDC stand-alone business unit are $10.52M per annum which is not able to be shared with any other councils due to be a single owned entity. This estimate is some $0.8M more than the current model or in-house delivery based on assumptions of increased compliance costs.

An in-house delivery model would utilise the established Council finance, administration and customer services functions, avoiding duplication of those functions in a separate MDC CCO entity. Council management oversight and governance are also provided under this model and would not be duplicated.

One of the principal drivers for change from central Government has been that council decision making has, over many years, resulted in under-investment in the Waters network assets and infrastructure. Elected members have made trade-offs across all the services they provide in their communities and have genuinely tried to keep rates affordable. An in-house model would not address that structural issue that central government is trying to address. Failure to address this will result in future generations funding catchup investment over the years to come.

There are a number of benefits and opportunities to be considered in conjunction with the financial components. Further information can be found in the LWDW Benefits & Opportunities Analysis at Attachment 6.

Note that consultation of the enhanced status quo model is a mandatory requirement under the Act.

Consumer Trust and Mixed Council / Consumer Trust Models

Officers have not investigated these models for service delivery and are not aware of any other council in the Wellington region doing so. Regionally they are not models that have some similar public utility local experience to draw a good understanding of their workings and confidence in their success. Such models would not be able to access LGFA funding, which is a significant advantage of the WSCCO model.

SERVICE DELIVERY OPTIONS MULTI-CRITERIA ANALYSIS

The Wai+T Project team were commissioned to develop and apply a Multi-Criteria Analysis (MCA) Framework to compare various options against one another (pages 14 – 23 of the Wai+T report). The MCA framework was peer reviewed by an independent professional service advisor Castalia. In summary the Castalia report (Appendix 6 to the Wai+T Report) concluded:

> *Taken in totality, the Wai + T criteria provide council decision-makers with a robust framework for assessing restructuring options. Applying the Wai + T criteria will enable councils to understand the pros and cons of different options and reach a sound decision. (Castalia report Executive Summary pg 1)*

The MCA is based on the following categories:

- Financial – criteria that will impact affordability for the consumer
- Levels of service – criteria that will influence the experience of consumers
- Operational – criteria that will drive efficiencies and opportunities for the districts
- Relationship and Trust – ease to set the right values and culture to drive performance in the organisation and align with Māori view
- Strategic – criteria that may support achievement of the strategic goals for the districts
- Legislative requirements – does the arrangement proposed support achievement of the criteria required in any WSDP to be accepted by the Minister

Within the above six categories, the MCA considered 41 different criteria with either High, Medium or Low criticality in delivering water services. Additionally, the 41 criteria were assessed across the seven operating models (Regional 10 Council, Wai+T, MDC alone etc.) and rated as either Poor, Good, or Excellent in terms of future performance. The final MCA results are summarised below.

	Financial	Levels of Service	Operational	Relationships & Trust	Strategic	Legislative Requirements	Weighted Score TOTAL	RANK
Weighting	25%	20%	15%	20%	10%	10%	100%	
Regional (10 council)	57%	33%	46%	18%	37%	63%	41%	6
Wai + T	56%	68%	67%	92%	70%	75%	70%	2
MDC alone	29%	66%	68%	35%	76%	81%	54%	3
CDC alone	29%	66%	63%	35%	76%	81%	53%	4
SWDC Status quo	26%	38%	45%	34%	38%	60%	38%	7
TDC Alone	26%	66%	67%	35%	76%	81%	52%	5
Wairarapa Only	54%	71%	70%	88%	76%	75%	71%	1

The project team noted the difference between the Wairarapa Only model (Ranked 1) and the Wai+T model (Ranked 2) is only 1 percentage point.

The MCA model was tested for sensitivity through a number of scenarios. This involved adjusting the weightings for the six categories, adjusting the criticalities (High, Medium and Low) and changing the assessments of performance (Poor, Good, Excellent). Note that when the Financial category was weighted 100% (i.e. no other categories are included and the 41 measures are reduced to just 9 financial criteria) the Wellington Regional model move to being ranked #1.

SERVICE DELIVERY OPTIONS BENEFITS AND OPPORTUNITIES

The benefits and opportunities of each of the service delivery options outlined above have been synthesized from the available material into one table for ease of comparison. See LWDW Benefits & Opportunities Analysis at Attachment 6.

OPTIONS CONSIDERED

The following options to progress to community consultation have been identified based on the available material, MCA and assessment of benefits and opportunities above.

Option		Rationale
1a	Exit Wellington Region model	• Consistent with externally reviewed MCA and benefits/opportunities analysis
1b	Continue with Wellington Region model	• Inconsistent with externally reviewed MCA and benefits/opportunities analysis
2a	Continue with Wai+T model	• Consistent with externally reviewed MCA and benefits/opportunities analysis
2b	Exit Wai+T model	• Inconsistent with externally reviewed MCA and benefits/opportunities analysis
3a	Do not continue with MDC WSCCO model	• Consistent with externally reviewed MCA and benefits/opportunities analysis • Resources needed to develop model • Potential to lead to confusion and/or overload of information for the community
3b	Continue with MDC WSCCO model	• Inconsistent with externally reviewed MCA and benefits/opportunities analysis

RECOMMENDED OPTION

Options 1a, 2a and 3a are recommended.

SUMMARY OF CONSIDERATIONS

Strategic, Policy and Legislative Implications

The legislative and policy provisions for the Local Water Done Well programme are outlined in the body of the report. The programme is a key strategic component of the Long-Term Plan 2024-34.

Significance, Engagement and Consultation

Council's three waters network are strategic assets under the Significance and Engagement Policy. Changes to the delivery of water services will have high significance for the community.

The Significance and Engagement Policy provides for circumstances where community engagement prior to making a decision is not appropriate or necessary. Provisions that apply to the decisions outlined in this report include where decisions are needed urgently and when other legislation dictates the process for consultation and decision-making.

The Government has provided for a streamlined process of consultation and decision-making regarding the transfer of water services through the Local Government (Water Services Preliminary Arrangements) Act 2024. Part 3 of the Act sets out modified consultation and decision-making requirements for councils in place of certain consultation and decision-making requirements in the Local Government Act 2002 (the 'alternative requirements').

The 'alternative requirements' are a simplified process to assist with the preparation, consultation and adoption of a WSDP. It is a relaxation of the usual requirements for option identification and assessment and consequential streamlining for consultation.

A council must use the alternative arrangements when consulting or making decisions on the proposed water services delivery model which will be part of the WSDP. It may choose to use the alternative requirements when it later comes to establishing, joining, or amending council-controlled organisations (CCOs) or joint local government arrangements that will deliver water services.

Except as provided by the alternative requirements, all relevant requirements in the Local Government Act continue to apply (for example, section 71(1)(c), 81, 82, and section 76 (unless a council complies with an alternative requirement).

When the Council prepares its consultation documentation for its proposed delivery model, it must identify and assess the advantages and disadvantages of the enhanced status quo model and the proposed delivery arrangement/model. It may, if it wishes, identify and assess additional options as well. The options analysis must cover all of the options which have been identified in the consultation document, but other information such as the impact on impacts on rates, charges, debts and levels of service is limited to the enhanced status quo and proposed option(s). Consultation must be completed before the WSDP is adopted and submitted to DIA.

Officers propose to carry out community consultation alongside consultation on the Annual Plan in March/April 2025.

Financial Considerations

There has been considerable work done on both economic and financial modelling, including possible price paths and use of expanded borrowing capability. However this work was not intended to be at a level of detail required for a draft WSDP. The information has been developed at a strategic level for the purpose of assisting councils in their initial decision on the progression of regional models. As such it is directional in nature with some caveats to it – see the discussion in the front of the Wellington region report at Attachment 3.

The ongoing work required to develop the models for consultation on the draft WSDP depend on the decisions made in this report i.e. the number of options on which to consult with the community.

The next phase to develop a joint WSDP is estimated to require a minimum budget of between $84k - $378k. Phase 3 implementation costs escalate significantly to an estimate of between $871k - $5M (model dependent).

To continue participating in joint WSDP arrangements for Phase 2, and Phase 3 (Implementation) further financial commitment will be required from each council. Indicative cost estimates are:

Wellington Regional WSDP (assumes 10 Councils participating)

Phase 2: Total estimated cost $2.1 – 3.5M	MDC portion $84 - $140k
Phase 3: Total estimated cost $75 – 125M	MDC portion $3- $5M

Wai+T WSDP (assumes 4 Councils participating)

Phase 2: Total estimated cost $1.51M	MDC portion $378k
Phase 3: Total estimated cost $3.48M	MDC portion $871k

MDC CCO

Phases 1 & 2 combined: Total estimated cost $ 1.25M (MDC alone)

MDC Stand alone

Phases 1 & 2 combined: Total estimated cost $0.5M (MDC alone)

Back-filling staff dedicated to, or working on, the project, consultation and costs to develop a stand-alone model will be in addition to the above.

Cost estimates vary significantly and depend on the number of Councils participating in a joint WSDP, and the number of joint WSDP's Council wishes to develop. Officers have provided the best estimates available at this time, noting these are high level only. Further work will be undertaken once Council have provided a direction on the preferred alternative for a joint WSDP.

Officers will bring a detailed project budget to 11 December Council meeting for consideration.

Implications for Māori

Water and environmental wellbeing are key priorities for mana whenua and the wider Māori community.

Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa iwi were represented on the Wellington Regional Advisory Oversight Group (AOG) and the Wairarapa + Tararua AOG. Iwi partners were critical to the development of the MCA Criteria for "Relationship and Trust". This category was assessed by iwi partners rather than the project team. The WSDP and preferred model will continue to be developed with iwi partners.

Communications/Engagement Plan

A communications plan will be developed as part of the next phase of work leading to community consultation.

Environmental/Climate Change Impact and Considerations

There are no climate change impacts as a result of the decisions sought in this report.

Reducing emissions from water services will need to be considered as part of the renewal and upgrade of the network. This will form part of the Asset Management Plans and Strategy of the Water Services Entity. Council will be able to influence climate change objectives through input into the Statement of Expectations.

NEXT STEPS

Officers will further develop the models for consultation with the community alongside the consultation on the Annual Plan in March/April 2025. Work will also commence on the development of a WSDP for submission to DIA. Officers will report back to Council on a timeline and project detail at the 11 December 2024 meeting.

ATTACHMENTS

1. **DIA "WSDP Template" (under separate cover)**
2. **DIA "Water Services Delivery Models Guidance for Local Authorities" (under separate cover)**
3. **Wellington Region Water Services Delivery Planning "Recommended regional approach to a joint Water Services Delivery Plan and delivery model" (under separate cover)**
4. **Castalia "Peer Review of Wellington Region Network Modelling" (under separate cover)**
5. **Gravelroad Limited "Review of Castalia's Regional Water Economics Model Peer Review Report" (under separate cover)**
6. **LWDW "Benefits and Opportunities Analysis" (under separate cover)**
7. **Wai + T Project Report (under separate cover)**
8. **DIA "Wairarapa and Tararua Water Done Well Wai+T Analysis" (under separate cover)**
9. **DIA "Wairarapa and Tararua Water Done Well Masterton District Council" (under separate cover)**

7.2 ADOPTION OF WATER METER CHARGING CONSULTATION DOCUMENT AND SUPPORTING INFORMATION

File Number:

Author: **Stephanie Frischknecht, Policy Manager**

Authoriser: **Kym Fell, Chief Executive**

PURPOSE

To seek Council adoption of the Water Meter Charging Consultation Document and supporting information, which outlines proposed changes to Council's Revenue and Financing Policy and Rates Remission Policy.

EXECUTIVE SUMMARY

Water meters have been installed for the majority of properties connected to the Masterton urban water supply. The Long-Term Plan 2024-34 included work on the development of a charging approach for water meters in 2024/25 to take effect from 1 July 2025. To give effect to this, amendments are proposed to the Council's Revenue and Financing Policy and Rates Remission Policy adopted under section 102 of the Local Government Act 2002.

Now that water usage can be measured through water meters, the proposal is to remove the rates component based on the CV of a property and introduce a charged based on the volume of water to fund the urban water supply service. A targeted service charge component is proposed to be retained. The charging approach is proposed to be transitioned over a three-year period.

The proposed approach has been developed in consideration of the need to result in a meaningful reduction of water use, to ensure water is available for essential use, to minimise impacts for low income and high occupancy households, to reflect the current circumstances of the district (high water consumption and loss), to provide a stable revenue base for the Council and to be future-proofed so it can be monitored and adjusted over time.

Adoption of the Consultation Document and draft policies will enable community consultation on the proposed charging approach. This will provide sufficient time for any changes to the policies that are confirmed to be incorporated into the Annual Plan 2025/26 budgets to implement the new approach from 1 July 2025.

RECOMMENDATIONS

That Council:

1. **adopts** the Water Meter Charging Consultation Document (Attachment 1), draft Revenue and Financing Policy (Attachment 2) and the draft water excerpt for the Rates Remission Policy (Attachment 3).
2. **notes** that consultation is proposed to occur between 14 November and 13 December 2024.
3. **delegates** authority to the Chief Executive to approve a designed copy of the Consultation Document and minor edits that do not alter the intent of the content, prior to publication of the Consultation Document and draft policies for consultation.
4. **notes** that hearings and deliberations are proposed to take place on 18 and 19 December 2024.

5. **notes** that subject to adoption, a new charging approach would commence from 1 July 2025.
6. **notes** that the proposed Rates Remission Policy would require the Council to allocate a pool of funds through the 2025/26 and subsequent Annual Plan processes to support providing rates relief.

CONTEXT

Water meters have been installed for the majority of properties connected to the Masterton urban water supply. The Long-Term Plan 2024-34 signalled a charging approach for water meters to take effect from 1 July 2025. To give effect to this, amendments are proposed to the Council's Revenue and Financing Policy and Rates Remission Policy adopted under section 102 of the Local Government Act 2002 (LGA).

The Revenue and Financing Policy outlines the revenue sources used to fund the range of services the Council provides. It also sets out the factors that Council must consider when determining its funding sources in accordance with section 101(3) of the LGA.

The Rates Remission Policy states the circumstances where the Council will consider a rates reduction.

A Council may amend a policy adopted under section 102 of the LGA at any time after consulting on the proposed amendment in a way that gives effects to the requirements of section 82 of the LGA.

ANALYSIS AND ADVICE

Water meter volumetric charging

Metering water and charging for its use (volumetric charging) has demonstrated benefits for communities, including:

- **Improved leak detection** – 22 per cent of drinking water produced nationally is lost due to leaks[1] and this is estimated to be higher in Masterton. In 2023/24, the indicative result for Masterton is 45 per cent (2023/24 Annual Report). Metering water and volumetric charging more easily enables the Council and residents to detect if they have a leak, which can result in reduced water loss.
- **Reduced water demand –** The average water use in New Zealand is around 213 litres per person per day in winter and 292 litres per person per day in summer. This is much higher in Masterton with an average consumption of 664 litres per person per day (2023/24 Annual Report). Volumetric charging has been shown to motivate behaviour change and reduce excessive usage.
- **Deferring investment in infrastructure –** high water use increases the cost of the service due to infrastructure requirements to abstract, treat and distribute a larger amount of water. Other councils who have introduced volumetric charges have been able to defer investment.

Many Councils throughout New Zealand have water meters or have implementation plans, trials or investigation under way, with over 57 per cent of residential properties in New Zealand being metered.

[1] *New Zealand Infrastructure Commission (2024) Introducing Water Meters: Lessons and Perspectives. Wellington: New Zealand Infrastructure Commission / Te Waihanga.*

A 2023 survey[1] showed that almost three in four New Zealanders (72 per cent) felt that usage-based charges for mains water are fair. This is similar to the portion who felt that usage charges for electricity are fair (74 per cent).

While many consider volumetric charging to be fair, a common concern is the impact on low-income households. Research commissioned by Te Waihanga (the New Zealand Infrastructure Commission)[1] found that volumetric charging can reduce costs for many low-income ratepayers. This is because, despite common perception, low-income households tend to have fewer people than high-income households so use less water. Low-income households also tend to be more responsive to price than high-income households and volumetric charging allows households to reduce their costs by managing water consumption.

Revenue and Financing Policy

Under the current Policy, properties connected to the supply from outside the urban area, including in the Waingawa area, are metered and charged based on usage. The rest of the service is funded through rates, made up of:

- **30 per cent Targeted Service Charge (TSC):** the same dollar amount is charged per connection. Many properties have only one connection but some have more. There are currently around 10,300 connections and each connection is charged $180 each year.
- **70 per cent CV rate:** These are provided by Quotable Value (QV). Using CV as the basis to charge means properties with a higher CV (land plus improvements like buildings) pay a greater share of the rates than those with a lower CV. This is currently used as a proxy for water usage. Residential properties pay one charge based on their CV, and non-residential properties like industrial and commercial properties pay two charges.

Now actual water used can be measured through water meters, it is proposed to remove the component based on CV and introduce a charged based on the volume of water used. A targeted service charge component would be retained so that everyone pays an equal share towards the cost of providing and maintaining the service. Introducing a volumetric charge component aligns with the Council's proposal to maximise a user-pays approach as part of the 2023 Revenue and Financing Policy Review which received support from around two-thirds of submitters.

The proposal is to transition to the new charging approach over three years, starting from 1 July 2025. This allows time for properties to repair undetected leaks so they don't receive a large water bill, and for properties not yet metered to have a water meter installed. It also enables the Council to monitor the effects of the change on the community and its revenue and make adjustments as needed to respond to how people change their behaviour.

Around 13 per cent of property connections don't yet have a water meter installed (1,337 of 10,289 connections). It is proposed that these properties be kept on the current charging approach until a water meter is installed. Once installed, these properties would move to the new charging approach from 1 July the following year. These properties would start on the charging approach in place for the rest of metered properties that year.

The three key aspects of the proposal are described in more detail below.

Proposed Change		Reason for proposed change
1	Removing the CV rate component	The current policy uses the CV of a property as a proxy for water usage. Now that actual volume of water used is able to be measured by water meters, it is no longer

Proposed Change		Reason for proposed change
		necessary to use the CV. The proposal reduces the portion of the service funded by the CV over the transition period, phasing out its use by the end of Year 3 (2027/28).
2	Introducing a volume charge component	The proposal introduces a volume charge component, beginning in Year 1 (2025/26), increasing the portion over the duration of the transition period to account for 50 per cent by Year 3 (2027/28). All properties will be allocated a set amount of cubic metres per year ('bulk allocation') before a charge per volume applies. The bulk allocation threshold will be reduced over the three year transition period such that it targets high users in Year 1 (2025/26) and then is modified to reflect anticipated behaviour change in future years.
3	Retaining a targeted service charge	The proposal retains a targeted service charge per connection, increasing the portion over the transition period from 30 per cent in Year 1 (2025/26) to 50 per cent by Year 3 (2027/28). The targeted service charge reflects the wider community benefit that the urban water supply service provides (e.g. firefighting protection) and supports providing the Council with stability in its revenue base.

The proposed portions and allocations over the transition period are outlined below. These settings may need to be adjusted each year to respond to how people change their behaviour once volume charges are introduced.

	Targeted Service Charge	CV	Volumetric Charge
Current Policy	30 per cent	70 per cent	0 per cent
Year 1 2025/26	34 per cent	40 per cent	26 per cent
Year 2 2026/27	45 per cent	27 per cent	28 per cent
Year 3 2027/28	50 per cent	0 per cent	50 per cent

	Bulk allocation limit before charge per volume applies (cubic metres per year)	Bulk allocation limit before charge per volume applies (litres per day)
Year 1 2025/26	1,600m^3	4,400 litres
Year 2 2026/27	600m^3	1,644 litres

	Bulk allocation limit before charge per volume applies (cubic metres per year)	Bulk allocation limit before charge per volume applies (litres per day)
Year 3 2027/28	225m^3	616 litres

In the first year of the transition the price per cubic metre of water is proposed to be $2.00m^3. This will be reviewed and set annually for future years through the Council's Fees and Charges.

In developing the approach, consideration was given to the need to:

- ensure that water is available for essential use;
- result in a meaningful reduction of water use;
- minimise impacts to low income and high occupancy households;
- reflect the local circumstances of the district in the transition (e.g. current high water consumption and water loss);
- provide a stable revenue base so that the Council can continue to provide the service;
- be future-proofed so that it can be monitored and adjusted as circumstances change over time; and
- align with legislative changes enacted under the Government's programme, Local Water Done Well, which requires that 100% of targeted rates for water is funded by those connected to, or able to connect to these services.

We consider that moving to an approach of a 50 per cent targeted service charge and 50 per cent volume charge by the end of the transition period, while offering support through the Rates Remission Policy, is the best way to balance these needs.

Rates Remission Policy

There are three proposed changes to the Rates Remission Policy to support the community in transitioning to volumetric charging. A remission is when the Council agrees to waive the requirement to pay rates or charges on a property in a particular financial year, either in part or in full.

Proposed Change		Description
1	Water remission for households within financial hardship and high water use	The proposal would enable households experiencing financial hardship who have incurred high volumetric water charges to apply for a remission provided certain critiera are met. This would support low-income households, particularly those with many people living in them. The remission would apply to the volumetric charges and some or all of the charge could be waived.
2	Temporary financial assistance for repair of water leaks	The proposal would enable households who are experiencing financial hardship caused or made worse by significant one-off expenditure to repair a water leak or for essential maintenance

Proposed Change		Description
		required to the water supply network on their private property to apply for assistance of up to $300.
3	Water remission for excess consumption due to water leak	The proposal would enable ratepayers to apply for a remission where they have incurred excess water rates charges due to a leak on their private property, provided the leak has been repaired promptly (within one calendar month) and other criteria is met. The maximum remission would be up to 50 per cent of the difference in volumetric charges between actual and estimated consumption for that property between the date of leak identification and date of repair.

There are different ways that the Council could define financial hardship. It could be linked to the applicant being eligible for another scheme (such as being a Community Services Card holder, receiving a Working for Families Tax Credit or receiving an amount less than the rate of New Zealand Superannuation). The Council could also determine financial hardship on a case-by-case basis, provided evidence is provided that the Council deems appropriate to support the claim. We have provided an opportunity for the community to have their say on this as part of the consultation.

OPTIONS CONSIDERED

A summary of the options considered is included in the table below.

Option		Advantages	Disadvantages
1	Recommended Option - Adopts the Water Meter Charging Consultation Document, draft Revenue and Financing Policy and draft Rates Remission Policy for consultation (recommended option)	- Volumetric charging has been demonstrated to reduce water demand and water loss over the long term - Proposed approach enables Council to realise the full benefits of its investment in water meters - Proposed approach may reduce future investment need in Council's water supply infrastructure	- Less stability for ratepayers as their bill will vary based on usage. The proposed targeted service charge portion supports providing some consistency for ratepayers. - Less stability in Council revenue, which could result in a signficiant deficit or suplus dependent on how users change their behaviour. The

Option		Advantages	Disadvantages
		- It is appropriate to use actual usage rather than a proxy for usage (CV) in the longer term now that this information is available to the Council. - Ratepayers will be able to influence their bill through behaviour - Proposed changes to the Rates Remission Policy provides support for those in financial hardship who may be negatively affected by the transition. - Community is able to have their say on the proposed approach through the consultation.	proposed transition approach is intended to reduce this risk and enables the impacts to be monitored. - Not all properties have a meter isntalled. Applying two approaches at once may not be considered fair and may be administratively challenging.
2	Alternative Option - Adopts the Water Meter Charging Consultation Document, draft Revenue and Financing Policy and draft Rates Remission Policy for consultation with amendment	- Advantages would depend on the extent of changes.	- Disadvantages would be depend on the extent of changes. - This option may delay the consultation period and implementation of a new charging approach.
3	Alternative Option – Do not adopt the Water Meter Charging Consultation Document, draft Revenue and Financing Policy and draft Rates Remission Policy for consultation	- Current charging approach is familiar to the community. - More stability in rates bills and Council revenue.	- Does not take advantage of an opportunity to reduce water demand and water loss over the long term. - Full benefits of the Council's investment in water

Option		Advantages	Disadvantages
			meters would not be realised. - No ability for ratepayers to influence their bill through behaviour change. - Community is unable to have their say on the proposed approach.

RECOMMENDED OPTION

Option 1 is recommended. Adoption of the Consultation Document and draft policies will enable community consultation on the proposed charging approach. This will provide sufficient time for any changes to the policies that are confirmed to be incorporated into the Annual Plan 2025/26 budgets to implement the new approach from 1 July 2025.

The proposed charging approach has been developed taking into account the need to result in a meaningful reduction of water use, to ensure water is available for essential use, to minimise impacts for low income/high occupancy households, to reflect the current circumstances of the district, to provide a stable revenue base for the Council and to be future-proofed so it can be monitored and adjusted over time.

SUMMARY OF CONSIDERATIONS

Strategic, Policy and Legislative Implications

Section 82 of the LGA applies to the Revenue and Financing Policy and Rates Remission Policy consultation process. The consultation process proposed aligns with the Special Consultative Procedure (SCP) as prescribed in Section 83 of the LGA. This meets the requirements of Section 82 and includes preparing and adopting a consultation document, making information available and providing an opportunity for people to present their views.

Significance, Engagement and Consultation

The proposal to introduce water meter volumetric charge has been assessed as significant under the Significance and Engagement Policy. This is because it relates to funding of a strategic asset, affects a high number of people, is likely to be of high community interest, and impacts the future wellbeing of the district.

As noted, the proposed consultation approach complies with the requirements of sections 82 and 83 of the LGA.

Financial Considerations

Costs for consultation will be met from existing budgets for 2024/25.

A charging approach that includes a volumetric component will result in fluctuating revenue. Once volumetric charging is introduced, water consumption is expected to reduce over the longer term.

The biggest uncertainty is a more significant drop in water consumption than anticipated, leading to a revenue deficit. This risk is exacerbated by the number of high users that Masterton currently has. Available water meter reading data shows there are around 135 connections using over 5,000 litres per day, making up over 30 per cent of total water usage. It is difficult to predict how quickly these users will change their behaviour once volumetric charging is in place.

To mitigate this risk, officers will proactively contact high use households prior to 1 July 2025 to inform them of their use and encourage them to check for an undetected leak and have it repaired. The financial modelling has assumed 50 per cent of the highest users will reduce their consumption before volumetric charging begins.

The proposed transition approach helps to reduce the risk by targeting the high users in year one to motivate them to reduce their consumption while keeping the volumetric charge portion low. We have proposed gradually increasing the volumetric charge portion over the transition period as water use is expected to become more stable. Officers will monitor the impacts of the charging approach on revenue.

Shifting away from CV is expected to result in bill increases for some properties over the transition period. The proposed changes to the Rates Remission Policy enables ratepayers experiencing financial hardship to seek rates relief. The Council would be required to allocate a pool of funding to support this through the 2025/26 and subsequent Annual Plan processes.

Implications for Māori

Iwi will be notified of the opportunity to have their say on the proposal during the consultation period.

Cultural importance is placed on water by Māori. The benefits of volumetric charging are reduced water demand and water loss in the longer term.

Communications/Engagement Plan

Consultation will meet the requirements of the SCP process. This involves making a proposal available for one month and providing an opportunity to present their views to the Council.

We will advertise the opportunity for the community to have their say on the Council website, social media, and through traditional media. Physical copies will be available at the Council customer service centre and library.

We will proactively communicate with key stakeholders to make them aware of the consultation opportunity.

We will also proactively contact ratepayers with high water use to encourage them to reduce their consumption / repair leaks.

Environmental/Climate Change Impact and Considerations

The consultation approach is primarily online, which better aligns with environmental objectives.

The proposed charging approach supports the environmental wellbeing of the community by improving leak detection and raising awareness of water usage that will enhance water conservation.

NEXT STEPS

Subject to adoption, consultation will run between 14 November – 13 December. Hearings and deliberations are proposed to take place on 18 and 19 December. Following consultation, we would draft the finalised policies.

Once confirmed, the charging approach would take effect from 1 July 2025. Officers will monitor the effects of the charging approach on the community and the Council's revenue.

ATTACHMENTS

1. **Consultation Document and Submission Form** ⇩
2. **Draft Revenue and Financing Policy (under separate cover)**
3. **Draft Rates Remission Policy Exerpt** ⇩

WATER METER CHARGING CONSULTATION DOCUMENT

MSTN.GOVT.NZ
@MastertonDC

TE KAUNIHERA Ā-ROHE O WHAKAORIORI
MASTERTON DISTRICT COUNCIL

Contents

This consultation document has been prepared to give effect to the requirements of Section 82 of the Local Government Act 2002.

It includes the following sections:

Background

Most properties connected to the Masterton urban water supply now have water meters installed. This follows community consultation Masterton District Council (the Council) undertook in 2018 where more than half of submitters supported installing water meters for residential properties. As a result, funding was allocated to invest in water meters.

Water is a precious resource and water meters are an important tool to help conserve water. By measuring the amount of water used by individual properties, water meters help raise awareness of how much water is used and can also help detect where leaks may be occurring.

Based on results in other districts, installing water meters could reduce water loss from leaks by up to 30 per cent, and reduce demand by 20 per cent.

Reducing water use not only benefits the environment but can also help defer expensive investment in water infrastructure, saving the community money in the long term.

As the Council can now measure water use, it has been considering the best way to charge for water supply to fund the costs of the service. The Council's 2024-34 Long-Term Plan signalled the development of a charging approach to start from 1 July 2025. We want your feedback on the proposed approach to recover urban water supply costs.

How much water do we use?

The average New Zealander uses around 213 litres per person per day in winter and 292 litres per person per day in summer[1]. This is much higher in Masterton where the average water use is 664 litres per person per day in 2023/24.

- A standard plastic bucket holds 10 litres of water
- A 5-minute shower can use around 75 litres
- A bathtub can use about 90 litres depending on the level it's filled to
- A washing machine can use around 100 litres per full load
- A garden hose can use about 15 litres per minute
- A garden sprinkler can use about 1,000 litres (1 cubic metre) per hour. This is equal to what an average NZ family of 4 to 5 people might use per day in winter.

How much the urban water supply costs

The cost of providing water comes from extracting and treating it so it is safe to drink and maintaining the network of infrastructure (such as pipes and equipment) that delivers water to Masterton residents. The Council does not aim to make a profit from water, but must recover the costs of providing the service. The estimated cost of the urban water supply service in 2024/25 is $6.16 million (incl GST).

How does Council currently pay for the service?

The Council has a Revenue and Financing Policy (the Policy) that outlines how it funds the services set out in its plans. It uses different sources of funding, such as rates, fees, and charges, and there are different tools the Council can use to spread the cost of the urban water supply service across users.

Properties connected to the supply from outside the urban area, including in the Waingawa area, are metered and charged based on usage. The rest of the service is funded through rates, made up of:

- **30 per cent from a targeted service charge**. This charge is the same dollar amount for each connection. Many properties have one connection, but some have more than one (e.g. hotels, rest homes, multiple rental flats). There are currently around 10,300 connections, and each is charged $180 per year.
- **70 per cent from a rate based on the Capital Value (CV) of a property.** These are provided by Quotable Value (QV). Using CV (land plus improvements like buildings) means properties with a higher CV pay a greater share of the rates than those with a lower CV. This is used as an indicator of likely water usage as it is assumed the higher the CV, the larger the property, the more water used. Residential properties pay one charge based on CV, while non-residential properties, like industrial and commercial properties, pay two charges.

[1] Pollard, A. (2022). Residential water use in New Zealand. BRANZ Study Report SR469. Judgeford, New Zealand: BRANZ Ltd.

8 REPORTS FOR INFORMATION

Nil

9 PUBLIC EXCLUDED

Nil